Adapteo

Carve-out Financial Statements as at and for the years ended 31 December 2018, 2017 and 2016

Contents

Combined income statement

In thousands of EURO	Note	2018	2017	2016
Net sales	**2,3**	**151 988**	**126 638**	**118 332**
Other operating income	4	1 569	2 229	2 277
Materials and services	5	-57 004	-50 366	-46 892
Employee benefit expenses	7	-19 819	-15 611	-13 574
Other operating expenses	6	-19 531	-14 212	-11 610
Depreciation, amortisation and impairments	8	-27 890	-21 770	-18 345
Share of profit of joint ventures	14	-13		
Operating profit (EBIT)		**29 301**	**26 908**	**30 189**
Finance income		1 657	210	72
Finance costs		-5 066	-2 882	-2 233
Finance costs, net	9	**-3 410**	**-2 672**	**-2 160**
Profit before taxes		**25 891**	**24 236**	**28 028**
Income taxes	10	-4 978	-5 327	-6 056
Profit for the year		**20 913**	**18 909**	**21 973**
Attributable to owners of Adapteo		20 913	18 909	21 973

Combined statement of comprehensive income

In thousands of EURO	2018	2017	2016
Profit for the year	**20 913**	**18 909**	**21 973**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences	2 002	-723	-632
Other comprehensive income for the year, net of tax	2 002	-723	-632
Total comprehensive income for the year	**22 915**	**18 186**	**21 341**
Attributable to owners of Adapteo	22 915	18 186	21 341

The notes are an integral part of the carve-out financial statements.

Combined balance sheet

In thousands of EURO	Note	31 Dec 2018	31 Dec 2017	31 Dec 2016
ASSETS				
Non-current assets				
Property, plant and equipment	11	423 334	298 149	264 656
Goodwill	13	173 891	32 651	31 908
Other intangible assets	13	28 025	2 459	700
Investments in joint ventures	14	1 241		
Deferred tax assets	10	3 109	2 514	1 567
Finance lease receivables	21	5 478		
Loan receivables	14	224		
Other receivables	16	345	360	116
Total non-current assets		**635 647**	**336 132**	**298 945**
Current assets				
Inventories	15	6 838	2 012	1 313
Finance lease receivables	21	5 244		
Trade and other receivables	16	55 585	36 206	33 220
Income tax receivables		3 044	151	104
Cash and cash equivalents	20	2 377	159	434
Total current assets		**73 089**	**38 528**	**35 072**
TOTAL ASSETS		**708 735**	**374 660**	**334 017**
INVESTED EQUITY AND LIABILITIES				
Total invested equity	22	**214 627**	**210 409**	**200 654**
Non-current liabilities				
Borrowings	19	350 093	76 463	40 222
Deferred tax liabilities	10	43 138	23 618	23 028
Provisions	18	50		
Pension liabilities		372		
Other liabilities	17		704	456
Total non-current liabilities		**393 653**	**100 784**	**63 707**
Current liabilities				
Borrowings	19	30 468	24 780	35 526
Trade and other payables	17	68 330	37 794	34 034
Income tax liabilities		1 318	349	97
Provisions	18	338	544	
Total current liabilities		**100 455**	**63 467**	**69 657**
Total liabilities		**494 108**	**164 251**	**133 363**
TOTAL INVESTED EQUITY AND LIABILITIES		**708 735**	**374 660**	**334 017**

The notes are an integral part of the carve-out financial statements.

Combined statement of changes in invested equity

In thousands of EURO	Attributable to owners of Adapteo Invested equity and retained earnings	Translation differences	Total invested equity
At 1 Jan 2018	**212 270**	**-1 862**	**210 409**
IFRS 9 transition	-12		-12
IFRS 15 transition	255		255
IFRS 2 transition	384		384
At 1 Jan 2018 adjusted	**212 897**	**-1 862**	**211 036**
Profit for the year	20 913		20 913
Other comprehensive income			
Translation differences		2 002	2 002
Total comprehensive income	20 913	2 002	22 915
Share-based payments	200		200
Equity transactions with Cramo Group	-19 523		-19 523
At 31 Dec 2018	**214 487**	**140**	**214 627**
At 1 Jan 2017	**201 793**	**-1 139**	**200 654**
Profit for the year	18 909		18 909
Other comprehensive income			
Translation differences		-723	-723
Total comprehensive income	18 909	-723	18 186
Share-based payments	347		347
Equity transactions with Cramo Group	-8 779		-8 779
At 31 Dec 2017	**212 270**	**-1 862**	**210 409**
At 1 Jan 2016	**149 830**	**-507**	**149 323**
Profit for the year	21 973		21 973
Other comprehensive income			
Translation differences		-632	-632
Total comprehensive income	21 973	-632	21 341
Share-based payments	208		208
Equity transactions with Cramo Group	29 782		29 782
At 31 Dec 2016	**201 793**	**-1 139**	**200 654**

The notes are an integral part of the carve-out financial statements.

Combined cash flow statement

In thousands of EURO	Note	2018	2017	2016
Cash flow from operating activities				
Profit before taxes		25 891	24 236	28 028
Adjustments:				
Depreciation, amortisation and impairment	8	27 890	21 770	18 345
Share of profit of joint ventures	14	13		
Other non-cash adjustments		-1 886	-2 144	-2 086
Net gain on sale of property, plant and equipment	4	-847	-776	-1 739
Share-based payments	7	369	347	208
Finance costs, net	9	3 410	2 672	2 160
Cash generated from operations before changes in working capital		54 840	46 105	44 916
Change in working capital				
Change in inventories		2 511	-719	-258
Change in trade and other receivables		-1 262	-3 897	-5 834
Change in trade and other payables		6 212	3 306	3 553
Change in working capital		7 460	-1 311	-2 538
Change in finance lease receivables		922		
Cash generated from operations before financial items and tax		63 222	44 794	42 378
Interest paid		-2 307	-1 824	-1 240
Interest received		29	66	62
Other financial items, net		-967	-266	-783
Income taxes paid		-1 957	-3 141	-3 628
Net cash inflow from operating activities		**58 020**	**39 628**	**36 789**
Cash flow from investing activities				
Payments for property, plant and equipment		-68 057	-55 021	-55 641
Payments for intangible assets		-280	-158	-62
Proceeds from sale of property, plant and equipment and intangible assets		11 565	3 591	5 944
Acquisition of subsidiaries and business operations, net of cash acquired	12	-139 001	-7 725	
Net cash (outflow) from investing activities		**-195 773**	**-59 314**	**-49 759**
Cash flow from financing activities				
Proceeds from bank loans	23	209 637		
Repayment of bank loans	23	-63 655		
Change in other current borrowings		1 911		
Net proceeds from / repayment of (-) in loans from Cramo Group	23	15 156	27 647	-16 501
Finance lease payments	23	-561	-263	-1 846
Equity financing with Cramo Group, net		-22 519	-7 959	31 538
Net cash inflow from financing activities		**139 970**	**19 425**	**13 191**
Change in cash and cash equivalents		**2 216**	**-260**	**221**
Cash and cash equivalents at beginning of the year	20	159	434	199
Exchange differences		2	-15	13
Cash and cash equivalents at year end		**2 377**	**159**	**434**

The notes are an integral part of the carve-out financial statements.

Notes to the carve-out financial statements

BACKGROUND AND BASIS OF PREPARATION

1. Background and basis of preparation

1.1 Background

Cramo Plc ("Cramo" or "Cramo parent company") with its subsidiaries ("Cramo Group"), is a service company specialising in equipment rental services, as well as the rental of modular space.

The Board of Directors of Cramo, having assessed the strategic alternatives for Cramo's Modular Space business, has on 18 February 2019 approved a demerger plan concerning a partial demerger of Cramo. According to the demerger plan, Cramo will demerge so that all the assets, debts and liabilities belonging to Cramo's Modular Space business ("MS") are transferred to a new independent company named Adapteo Plc to be established in the partial demerger (the "Demerger"). The planned registration date of the completion of the Demerger is 30 June 2019. An application is intended to be made to admit the shares of Adapteo Plc for trading on the main market of Nasdaq Stockholm ("Stockholm Stock Exchange") and the public trading for the new Adapteo Plc shares on Stockholm Stock Exchange is expected to commence on the completion date or as soon as reasonably possible thereafter. The transaction is subject to the approval from the Extraordinary General Meeting of Cramo which will be held on 17 June 2019. After the Demerger, Cramo's Equipment Rental business would remain in Cramo, which would continue to operate under the Cramo name. Cramo's shareholders will receive one share in Adapteo Plc for each share owned in Cramo as demerger consideration. The final aggregate number of shares in Adapteo Plc to be issued as demerger consideration will be determined on the basis of the number of shares in Cramo (excluding own shares held by Cramo) on the effective date. The domicile of Adapteo Plc, a new company to be incorporated in the Demerger, will be Vantaa, Finland and the address Äyritie 12 B, 01510 Vantaa.

The purpose of the Demerger is to execute the spin-off of Cramo's Modular Space business, which mainly consists of modular space solution leases and related services thereto. As a result of the Demerger, this business would form a separate group of legal entities. Adapteo has not formed a separate legal group in the past. As a part of the proposed Demerger Cramo will carve out and transfer the relevant entities' assets and liabilities to Adapteo Plc. The carve-out financial statements presented herein reflect the relevant entities' results of operations, assets and liabilities and cash flows that will be carved out from Cramo in the demerger process. Collectively these entities will form a separate legal group after the Demerger and in these carve-out financial statements are referred to as ("Adapteo" or "Adapteo business").

The carve-out financial statements have been prepared in accordance with the basis of preparation and Adapteo's accounting policies set out below.

The carve-out financial statements have been prepared for the inclusion in the demerger prospectus of Adapteo prepared by Cramo in connection with the Extraordinary General Meeting approving the Demerger and the listing of the Adapteo Plc shares on the Stockholm Stock Exchange. These carve-out financial statements were authorised for issue by the Cramo Board of Directors on 2 June 2019.

1.2 Adapteo's business

Adapteo offers premium modular space rental and rental related services. Adapteo's solutions are high quality, flexible, cost-effective, energy-efficient and sustainable, and they deliver a user experience comparable to that with permanent buildings. They are especially designed to meet the demanding needs and requirements that apply to temporary space solutions for schools, daycares, offices and accommodation, but are also used for events, exhibitions, shops and other application areas, to name a few.

Adapteo serves both the public and private sector and delivers comprehensive temporary space solutions as turn-key projects, including needs analysis, design, planning, assembly, maintenance and other services during the rental period as well as disassembly. Adapteo has operations in five geographical areas: Finland, Sweden, Norway, Denmark and Germany.

On 31 October 2018, Cramo completed the acquisition of Nordic Modular Group Holding AB ("NMG"), a well-respected player within the modular space business. The acquired NMG business has been included in Adapteo's carve-out financial statements from the acquisition date. For more information on the acquisition, see note 12 Acquisitions.

1.3 Basis of preparation

The carve-out financial statements of Adapteo for the year ended 31 December 2018, 2017 and 2016 have been prepared on a carve-out basis from the Cramo's consolidated financial statements using the historical income and expenses, assets and liabilities and cash flows attributable to Adapteo business. The carve-out financial statements also include certain Cramo parent company's and Cramo Services AB's income, expenses, assets, liabilities and cash flows which will either be transferred to Adapteo or which have been allocated to Adapteo for the purpose of preparation of these carve-out financial statements.

The carve-out financial statements do not necessarily reflect what the combined results of operations, and financial position would have been had Adapteo existed as a separate independent legal group from 1 January 2016 and had it therefore presented stand-alone consolidated financial statements during the years 2016-2018. Further, these may not be indicative of Adapteo's future performance, financial position or cash flows.

The carve-out financial statements have been prepared on a going concern basis and under the historical cost convention, except otherwise mentioned in relevant accounting policy.

The carve-out financial statements of Adapteo have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, under consideration of the principles for determining which assets and liabilities, income and expenses as well as cash flows are to be assigned to Adapteo as described under "Principles applied in preparing the carve-out financial statements" below.

IFRS does not provide guidance for the preparation of carve-out financial statements, and accordingly in preparing the carve-out financial statements certain accounting conventions commonly used for the preparation of historical financial statements for inclusion in prospectus have been applied. The application of these conventions has been described below.

The carve-out financial statements are presented in thousands of euros, except when otherwise indicated. All figures presented have been rounded which may cause, for example, the sum of individual figures to deviate from the presented sum total.

Carve-out financial statements include the financial information of the following legal entities and business units ("Adapteo entities") forming Adapteo business:

- Adapteo Holding AB (formerly Nordic Modular Group Holding AB) and its subsidiaries (together "Nordic Modular Group", "NMG")) as from 31 October 2018
- Adapteo GmbH (formerly Cramo Adapteo GmbH)
- Adapteo AB (formerly Cramo Adapteo AB)
- Adapteo Finland Oy (formerly Cramo Adapteo Oy) as from 1 June 2018, and Adapteo business included in Cramo Finland Oy from 1 January 2016 to 31 May 2018
- Adapteo AS (formerly Cramo Adapteo AS) as from 1 July 2018, and Adapteo business included in Cramo AS from 1 January 2016 to 30 June 2018
- Adapteo A/S (formerly Cramo A/S) as from 1 September 2017, and Adapteo business included in Cramo A/S from 1 January 2016 to 31 August 2017 (equipment rental business included in the legal entity Cramo A/S was divested on 31 August 2017)
- Assets, liabilities, income and expenses and cash flows from the demerging Cramo Plc and Cramo Services AB that are attributable to Adapteo business.

The following section describes how the carve-out financial statements for Adapteo have been prepared.

1.4 Principles applied in preparing the carve-out financial statements

The following summarises the accounting and other principles applied in preparing these carve-out financial statements.

Carve-out financial statements include the allocations of income, expense, assets, liabilities and cash flows which are based on management judgement, assumptions and estimates as described below. The most significant estimates, judgements and assumptions relate to the allocation of costs of certain centrally provided services, cash management and financing related allocations, determination of current and deferred income taxes and invested equity.

Accordingly, Cramo's management considers that the carve-out allocations have been made on a reasonable basis but are not necessarily indicative of the revenues and expenses that would have been incurred if Adapteo had been a stand-alone entity preparing consolidated financial statements for the periods presented.

1.4.1 Intercompany transactions and transactions with related parties

Intercompany transactions, including assets and liabilities between Adapteo entities have been eliminated from these carve-out financial statements. The carve-out financial statements include Adapteo's transactions and balance sheet items. Intercompany transactions and balance sheet items with other Cramo Group companies previously considered as intercompany transactions in Cramo reporting have been treated as transactions with related parties.

Cramo Plc's intercompany receivables and liabilities due to or due from Adapteo entities, other than intercompany loan balances due from Adapteo entities as described under "Cash management and financing" below, have been allocated to Adapteo, including finance income and costs relating to these receivables and liabilities.

Carrying values for subsidiary shares of Adapteo subsidiaries previously owned by Cramo's parent company have been allocated to Adapteo. The acquisition method has been used to eliminate the acquisition cost of subsidiaries.

1.4.2 Invested equity

Adapteo has not in the past formed a separate legal group nor presented any stand-alone consolidated financial statements, and accordingly it is not feasible to present share capital or an analysis of equity reserves. The net assets of Adapteo are represented by capital invested in Adapteo and shown as "Invested equity" in the combined balance sheet comprising of cumulative translation differences as well as invested equity and retained earnings.

Changes in net assets allocated to Adapteo are presented separately in the combined statement of changes in invested equity through line "Equity transactions with Cramo Group" and in the cash flow statements through the line-item "Equity financing with Cramo Group, net", reflecting the internal equity financing between Cramo Group and Adapteo during the presented periods. The amount of which is affected by the net assets allocated to Adapteo entities consisting of allocation of income and expenses and assets and liabilities of Cramo Plc, Cramo Services AB and other Cramo Group entities comprising of both Adapteo and equipment rental businesses.

These carve-out financial statements are presented in euros, which will be Adapteo's parent company's functional and reporting currency. Adapteo entities have also other functional currencies. Translation differences arising from translating the results for the period and equity are recognised in the separate cumulative translation differences within total invested equity and their changes are presented in other comprehensive income.

1.4.3 Centrally provided services

Cramo Group has historically provided services to its subsidiaries, such as Group management, finance and accounting, Modular Space management, human resources, sustainability, information technology, communications, fleet management and group projects & development. Centrally provided services have historically been recharged from Cramo Group companies for costs that have arisen from services conducted on behalf of the Cramo Group companies. These historically recharged costs have been allocated to Adapteo entities and are included in the carve-out financial statements.

Cramo's parent company and Cramo Services AB have also been responsible for the management and general administration of Cramo Group. For the purposes of the preparation of the carve-out financial statements a portion of Cramo's parent company's and Cramo Service AB's shared income and expense items relating to Cramo Group management and general administration which have historically not been allocated to subsidiaries are allocated to Adapteo. Allocations of the income and expense items are based on the sales or specific identificators such as project and users or based on number of employees, which the management believes to be an appropriate allocation principle.

These allocated income and expense items were affected by the arrangements that existed in Cramo Group and are not necessarily representative of the position that may prevail in the future for Adapteo.

1.4.4 Share-based payments

Adapteo key personnel have historically participated in Cramo's share-based incentive plans. The carve-out financial statements include employee cost allocations related to these participations based on the actual number of Adapteo employees over the cost recorded at Cramo. In addition, as part of the allocation of the centrally provided services as described under item 1.4.3 above, a portion of share-based payments related to Cramo group's top management has been allocated to the carve-out financial statements. The historical cost allocations may not be indicative of the future expenses that will be incurred through incentive schemes that will be established for Adapteo's key personnel following the Demerger.

1.4.5 Cash management and financing

Cash management is centralised and Cramo Group's liquidity needs are mainly managed through cash pool arrangements. Adapteo's cash and cash equivalents comprise of cash held by Adapteo legal entities. In the Demerger, Adapteo Plc receives a portion of cash and cash equivalents of Cramo Plc that represents an amount appropriate for Adapteo's operations and working capital needs at the time of completion of the Demerger. No portion of Cramo Plc's cash and cash equivalents has been allocated to these carve-out financial statements.

Cramo Group's external financing is centralised and managed by the Cramo parent company. Subsidiaries' working capital needs have historically been funded mainly by intercompany loans in addition to cash pool arrangements. In order to show the impacts of the historical intercompany financing of Adapteo entities (other than acquired NMG entities in October 2018), the intercompany loan balances including cash pool arrangements due to Cramo parent company have been included as financial liabilities in these carve-out financial statements and are presented as related party transactions. The intercompany loan balances for those Adapteo entities which have historically been part of Cramo legal entities have been allocated to Adapteo based on the respective entity's historical capital employed ratio. The related interest income and expense in these carve-out financial statements have been determined based on the interest charges recorded directly by Adapteo legal entities or allocated to Adapteo entities. In connection with the Demerger, Cramo Plc's intercompany loan receivables from Adapteo entities will be transferred to new Adapteo Plc. Accordingly, these intercompany balances will be fully eliminated from Adapteo's consolidated financial statements after the Demerger.

The external debt financing of the demerging Cramo parent company and the related interest expenses that are directly attributable to Adapteo's operations are included in the carve-out financial statements in accordance with the demerger plan, consisting of financing arrangements related to the acquisition of NMG in October 2018. In addition, carve-out financial statements comprise the existing external funding arrangements and the related interest expenses of other Adapteo entities.

In connection with the Demerger, in addition to external debt amounts directly attributable to Adapteo, a certain amount of Cramo's external debt will be transferred to Adapteo Plc in accordance with the demerger plan. Cramo has been negotiating with the primary financers and has obtained financing commitments for Adapteo consisting of a EUR 400 million term loan facility and a EUR 100 million revolving credit facility, which will be used for refinancing of interest-bearing liabilities transferred to Adapteo in the Demerger and financing general corporate purposes. The carve-out financial statements have not been adjusted to reflect the additional portion of Cramo Plc's external debt to be transferred to Adapteo in the Demerger or the effects of the obtained financing commitments.

In addition, the finance costs included in the carve-out financial statements may not necessarily represent what the finance costs would have been, had Adapteo historically obtained financing on a stand-alone basis. These costs may not be indicative of the cost of financing that will arise for Adapteo in the future.

1.4.6 Derivatives

External derivative financial contracts entered into by Cramo have been allocated to Adapteo if those are directly attributable to Adapteo. The derivative financial instruments allocated to the carve-out financial statements comprise of foreign currency option, swap and currency forwards agreements related to the acquisition of NMG. These arrangements were settled during 2018 and related income and costs are included in these carve-out financial statements.

1.4.7 Income tax

During the periods presented in these carve-out financial statements, the legal entities in Adapteo have operated as separate taxpayers. For these entities the tax charges and the tax liabilities and tax receivables in the carve-out financial statements are based on actual taxation.

Some of Adapteo entities have historically been included in Cramo legal entities including operations other than operations of Adapteo. During the periods presented, these Adapteo entities did not file separate tax returns. Tax charges in these carve-out financial statements have been determined based on the separate return method, as if Adapteo entities were separate taxpayers in the jurisdiction of their primary operations. The current tax provision is the amount of tax payable or refundable based on Adapteo entity's hypothetical, current-year separate return and has been recorded as current income tax expense and as a shareholder transaction through invested equity in the carve-out financial statements. After computing its current tax payable or refund, Adapteo entity has provided deferred taxes on its temporary differences and on any tax loss carry forwards that it could claim on its hypothetical return. Deferred taxes on temporary differences are recognised where such temporary differences exist.

In these carve-out financial statements any changes in deferred tax assets relating to Adapteo legal entity's tax loss carry forwards in Denmark arisen from sold ER business prior its disposal in 2017 have been recognised through invested equity as they are deemed to be contributions from or distributions to Cramo Group.

The line item "income taxes paid" in the combined cash flow statement reflects current taxes for all carve-out entities as they are deemed to be paid by the respective tax filing group. To the extent that historically there has been no settlement through cash, such tax payments are deemed to be contributions from or distributions to Cramo Group and deemed to be settled immediately through equity. Such settlement through equity is reflected in the line item "Equity financing with Cramo Group, net" in the financing section of the combined cash flow statement.

The tax charges recorded in the combined income statement are not necessarily representative of the tax charges that may arise in the future.

1.4.8 Earnings per share

As the carve-out financial statements have been prepared on a carve-out basis, it is not possible to measure earnings per share for any of the periods presented. Adapteo has not had share capital during the periods presented nor can a portion of Cramo's outstanding shares be allocated to it. Additionally, the combined income statement information included in the carve-out financial statements does not include the finance costs on the planned debt structure after the Demerger. Also the results of the acquired NMG business have been included in the carve-out financial statements for the year ended 31 December 2018 from the acquisition date, i.e. only for the two month period. Therefore, management considers that presenting an earnings per share ratio calculated on the carve-out information would not accurately reflect the historical earnings per share. Accordingly, the requirement of IAS 33 "Earnings per share" to disclose earnings per share is not met.

1.5 Critical accounting estimates and judgements

The preparation of these carve-out financial statements has required management to make estimates and judgements affecting the amounts reported in these carve-out financial statements and the accompanying notes. These estimates and judgements, based on historical evidence and plausible future scenarios, have been evaluated at each balance sheet date. Actual results may differ from these estimates and judgements.

The following areas include a high degree of management estimates and assumptions:

Key judgement and estimates	**Note**
Carve-out principles	1.4
Share-based payments	7
Recognition of deferred tax assets and liabilities	10
Useful lives and valuation of property, plant and equipment	11
Fair values of contingent consideration and net assets acquired in business	12
Key assumptions used in impairment testing	13
Determining the lease term on finance leases where Adapteo is a lessor	21

PERFORMANCE

This section focuses on the results and performance of Adapteo. It includes disclosures that explain the different components of Adapteo's performance, employee benefits, operating expenses, finance items as well as information about taxes.

2. Segment information

Adapteo offers premium modular space rental and rental related services. Adapteo's operations and profitability is reported as a single operating segment which is consistent with the internal reporting and the way that operative decisions related allocation of resources and assessment of performance have been made by the Cramo's group management team as Cramo's chief operating decision maker at Adapteo level.

Adapteo's businesses are present in 5 countries. The main market areas are Sweden and Finland, accounting for over 73 percent of net sales in 2018, 74 percent in 2017 and 76 percent in 2016.

Net sales* by geographical area

In thousands of EURO	2018	2017	2016
Finland	36 963	34 337	33 146
Sweden	74 461	59 636	56 980
Norway	7 350	7 531	7 076
Denmark	18 725	13 810	11 982
Germany	14 489	11 325	9 148
Total	**151 988**	**126 638**	**118 332**

*Net sales are presented based on the location of clients.

Assets* by geographical area

In thousands of EURO	2018	2017	2016
Finland	93 062	90 239	89 004
Sweden	441 290	156 191	144 927
Norway	16 037	13 071	12 337
Denmark	47 100	42 606	31 889
Germany	34 825	31 512	19 223
Total	**632 314**	**333 619**	**297 380**

*Non-current assets other than deferred tax assets and loan receivables are presented based on the location of assets.

3. Sources of revenue

Net sales

The following table summarises the net sales breakdowns:

In thousands of EURO	2018	2017	2016
Rental sales	99 966	84 627	77 460
Assembly and other services	45 824	40 050	40 486
Sales, new modules	6 198	1 960	386
Total net sales	**151 988**	**126 638**	**118 332**

Timing of revenue recognition:

In thousands of EURO	**2018**
Products and services transferred at point in time	6 825
Services transferred over time	45 196
Total	**52 022**

Adapteo provides modular space solutions that are either rented or sold to public sector customers, such as municipalities and private sector customers, such as industrial companies and private enterprises. Net sales include the rental of modular space solutions, assembly and other services and the sale of new modules. Rental sales are recognised in accordance with IAS 17 and assembly and other services as well as sale of new modules are recognised in accordance with IFRS 15.

Rental sales

The majority of revenue in Adapteo consists of rental sales generated from leases of temporary modular space solutions with contract lengths varying from short-term event business rentals to longer-term, several year contracts to both municipalities and private customers. The primary customer segments include schools, daycares, offices, health and social care and exhibitions and fairs. Rental sales are derived from both modular space solutions and accessories.

Assembly and other services

Assembly and other services include short-term services related to on- and off- site transportations, assembly and disassembly of modules, customisations as well as design, planning activities and other smaller service components such as seasonal services during the rental period. The duration of assembly and disassembly services of modular space varies from a few days to several months. Other revenue-generating services include repair and maintenance services.

Sales, new modules

Sales, new modules consist of sale of new modular space solutions. Adapteo provides tailor-made turnkey modular space solutions to both public and private customers. Customers can either buy or enter into a long-term leasing contract with an option to buy the modular space solution after the lease period. Sales, new modules also include the sale recognised in connection with these long-term rental agreements fullfilling the criteria for finance leasing. Interest income related to finance leasing is presented as other operating income, which are disclosed further in note 4.

Accounting policy

Revenue recognition 2018

IAS 17 Leases

Rental revenue derived from operational leases is recognised on a straight-line basis during the rental period.

A part of Adapteo's operations include manufacturer/lessor arrangements. Lease agreements that transfer substantially all of the risks and rewards of ownership to the lessee are classified as finance leases. A finance lease of an asset by a manufacturer/lessor gives rise to two types of income: finance income over the lease term (see accounting policy from note 21); and a profit or loss equivalent to that arising on a sale of the leased asset. The sale is recognised when the risks and rewards of ownership of the asset have transferred to the customer. The revenue recognised is the lower of the asset's fair value or the present value of the minimum lease payments computed at a market rate of interest. The cost of sale is the cost of the leased asset (or carrying amount of the asset, if different) less the present value of any unguaranteed residual value. The finance income derived from finance lease agreements is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the asset and presented as operating income.

IFRS 15 Revenue from Contracts with Customers

The IFRS 15 standard – Revenue from Contracts with Customers has been applied in these financial statements from 1 January 2018. The standard replaced the old revenue recognition standard IAS 18. Implementation of the new standard has led to slightly earlier revenue recognition for service revenues related to assembly and disassembly services. As a result of the new standard, contract assets and liabilities of a contract are presented on the balance sheet according to their net position.

Adapteo's leases include both leasing and service components. Leasing related services are accounted for as revenue under IFRS 15. Judgements made in applying IFRS 15 include the allocation of the transaction price between rental sales and assembly and other services based on relative stand-alone prices.

Assemblies of modular spaces or other items and their related transports are generally viewed as a combined customer promise, i.e. as one performance obligation, as well as disassembly and related transportation are one performance obligation. Other rental related services are separate performance obligations.

Transaction price is total amount of consideration to which an entity expects to be entitled to in exchange of transferring goods or services to a customer, excluding amounts collected on behalf of third parties (VAT). The total consideration may include variable consideration e.g. annual discounts, which are considered as part of the total consideration only to the extent that is highly probable that revenue is not reversed later. In some customer agreements a delay due to Adapteo is sanctioned by a penalty fee which constitutes a variable consideration. However, the penalty fee is not initially included in the transaction price as a variable consideration as it is highly improbable at the inception of the contract that a penalty fee due to delay will arise. In baked-in contracts the transaction price is also adjusted with a financing component i.e. the timing of payments provides a significant financing benefit either to the vendor or to the customer when it is seen as significant. In general, these financing components are seen as immaterial over time and not allocated to the transaction price. In baked-in contracts, assembly and disassembly invoicing is included in the monthly rental charge invoicing for the total contract duration and separated as distinct contract assets and liabilities due to the fact that they each relate to different performance obligations.

Transaction price is mainly allocated to each performance obligation by their observable stand-alone selling prices. Adapteo's business is based on combined pricing and delivery, thus, discount is evenly allocated on all items.

Revenue from assembly and other services is recognised over time when Adapteo satisfies the performance obligation by transferring the service to the customer. As a main rule, Adapteo satisfies performance obligations over time during which the services are rendered. Revenue from assembly and disassembly services are in the beginning and at the end of modular space leasing contracts are recognised over time. Measure of progress is determined by comparing incurred costs to total costs. Other short-term rental related services are recognised at a point in time upon completion of the services as the time of transferring the control to the customer is relatively short.

Revenue from sales, new modules is recognised when control over the goods or services to a customer are transferred either over time or at a point in time. Sale of new and used equipment constitutes a single performance obligation, containing either a single component or several components such as planning and customisation activities.

Revenue recognition 2016-2017

IAS 18 Revenue / IAS 11 Construction Contracts

Adapteo's revenues mainly comprise of rental sales of modular space and assembly and other services. Assembly and other services include especially assembly, disassembly and transportation services, as well as construction site circumstance control and maintenance services. Product and service sales are recognised at fair value net of indirect taxes, discounts and exchange rate impacts arising from sales in foreign currencies.

Adapteo's business includes rental of modular space solutions and rental related services. The revenue is recognised according to IAS 17 (lease standard) for rental of modules. Rental of modules is recognised on a straight-line basis over the rental period. Assembly and other services (assembly, customisation, transport) are recognised according to IAS 18 standard, when the company transfers control of services to a customer either over time or at a point in time.

The projects may be offered to the customer as one package price or separately as services and rental. In any case the project revenue needs to be allocated to service (assembly, customisation, transport) and rental based on arms-length market prices. The target margin for services are different compared to rental since rental sales require capital to be employed. The service components of the business usually operate on smaller margins compared to the rental components by nature (return on investment equal).

Effects of IFRS 15 in FY2018 compared to previous standards

The impacts of initial application of IFRS 15 is disclosed in note 29. The transition method chosen in applying IFRS 15 was the cumulative effect approach and thus, comparative information has not been restated. Adapteo's sales mainly comprise of, in addition to rental sales recognised under IAS 17, assembly and other services and sale of new modules.

The following table summarises the impact of adopting IFRS 15 on Adapteo's financial statements:

In thousands of EURO	**As reported at 31 Dec 2018**	**Impact of IFRS 15**	**Amounts in accordance with previous standards**
Combined balance sheet			
Trade and other receivables	55 585	3 202	58 787
Invested equity	214 627	-255	214 372
Trade and other payables	68 330	-2 947	65 383
Combined income statement			
Net sales	151 988	2 947	154 935
Materials and services	-57 004	-2 947	-59 951
Profit before taxes	25 891		25 891
Profit for the year	20 913		20 913

Contract balances as required in IFRS 15

The following table provides information about receivables, contract assets and liabilities from contracts with customers. The contract liabilities consist of advances arising from customer agreements, as invoicing is often done in advance compared to when the performance obligations of the contracts are satisfied.

In thousands of EURO	**31 Dec 2018**
Trade receivables	33 350
Contract assets	14 280
Contract liabilities	24 429

Trade receivables contain receivables from revenue recognised in accordance with IAS 17 and IFRS 15. Contract liabilities contain advances received from contracts accounted for in accordance with IAS 17 and IFRS 15. Contract assets include accrued income from partially completed assembly performance obligations and accrued income from partially completed self-manufacturing projects. These balances are specified in notes 16 and 17.

Significant changes in receivables, contract assets and contract liabilities during the financial year are as follows:

In thousands of EURO	**Contract assets**	**Contract liabilities**
At 1 Jan 2018	11 497	17 250
Revenue recognised that was included in the contract liability balance at the beginning of the period		-8 699
Increases due to new customer agreements including payment schedule arrangements, net of revenue recognised during the period	9 898	15 878
Transfers from contract assets recognised at the beginning of the period to receivables	-10 534	
Increases as a result of changes in the measure of progress	2 947*	
Business combinations	472	
Impairment of a contract asset		
At 31 Dec 2018	**14 280**	**24 429**

*The amount of revenue recognised in 2018 from performance obligations satisfied (or partially satisfied) in previous periods, is mainly due to changes in the estimate of the measure of progress of rental related assembly.

The customer is typically invoiced with payment term of 14 to 60 days when the service or product is delivered. Part of the service revenue arising from assembly and disassembly services is invoiced in advance. Rental revenues are usually invoiced during the same month as the performance obligation is satisfied or one month in advance. Contract assets primarily relate to customer agreements partially completed performance obligations or payment arrangements. According to them, the customer is permitted to pay completed assembly services during the rental period as monthly amortisations. Contract liabilities consist of prepayments from customers. A net contract asset is recognised when the agreed payment schedule for a completed assembly performance obligation and advances from a future disassembly performance obligation relate to the same customer agreement.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date, including revenue in accordance with IAS 17.

In thousands of EURO	**2019**	**2020 & subsequent**
Rental sales	111 429	89 141
Assembly and other services	28 123	22 139
Total	**139 552**	**111 280**

All consideration from contracts with customers is included in the amounts presented above, except for the practical expedient in paragraph 121 of IFRS 15. Therefore, Adapteo does not disclose information about remaining performance obligations that have original expected durations of one year or less.

4. Other operating income

Other operating income mainly includes net gains on sale of used modular space and interest income from finance lease receivables.

In thousands of EURO	**2018**	**2017**	**2016**
Net gains on sale of used modular space	847	776	1 739
Interest income from finance lease receivables	200		
Insurance compensation	130	154	30
Service charge income		1 182	204
Other income	392	116	304
Total	**1 569**	**2 229**	**2 277**

5. Materials and services

Materials and services include costs incurred related to rental of fleet such as leased furniture and accessories, maintenance and repair costs. Materials and services include also assembly and disassembly cost related to the rental fleet. In addition, materials and services include costs of goods sold related to manufacturing of new modular space solutions.

In thousands of EURO	**2018**	**2017**	**2016**
Cost of sub-rental	-3 318	-2 262	-1 951
Production related costs*	-2 465	-1 277	-2
Repair and maintenance cost	-7 972	-8 127	-7 824
Cost of external services**	-43 249	-38 701	-37 114
Total	**-57 004**	**-50 366**	**-46 892**

* Employee benefit expenses not included
**Include mainly assembly and disassembly costs.

6. Other operating expenses

Other operating expenses include the following costs:

In thousands of EURO	2018	2017	2016
Premises expenses	-3 687	-3 122	-2 347
Sales and marketing	-795	-829	-821
Administrative costs	-12 821	-9 650	-7 947
Other costs	-2 227	-610	-494
Total	**-19 531**	**-14 212**	**-11 610**

In 2018, administrative costs included EUR 2.6 million direct transaction and integration costs related to the acquisition of NMG and expenses of EUR 1.4 million relating to the ongoing preparations of the spin-off of the Modular Space business.

Audit fees included in other operating expenses are specified in note 28.

7. Employee benefit expenses

Employee benefit expenses and other personnel costs are as follows:

In thousands of EURO	2018	2017	2016
Salaries and fees	-14 348	-11 780	-10 226
Termination benefits [1)]	-517	-321	-63
Share-based payments [2)]	-369	-535	-520
Social security costs	-2 624	-1 872	-1 726
Pension costs - defined contribution plans	-1 961	-1 103	-1 040
Total	**-19 819**	**-15 611**	**-13 574**

[1)] Termination benefits relating to share-based payments, EUR 196 thousand in 2017 and EUR 38 thousand in 2016 are presented in the line item "Termination benefits".
[2)] Share-based payments include both the costs recognised for the share-based compensation plans related to Adapteo's personnel and a portion of Cramo Group management's share-based payments costs which have been allocated to the carve-out financial statements based on centrally provided services allocation. This breakdown is disclosed further below in the share-based payments section.

	2018	2017	2016
Average number of personnel	187	158	140

Employee benefit expenses comprise mainly of salaries, social costs, share-based payments and other fees, pension costs and fringe benefits. Fringe benefits consist employee health care services, car benefits, phone benefits and other fringe benefits.

Information on key management compensation is presented in note 27.

Accounting policy – Employee benefits

Short-term benefits

Short-term employee benefits include wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date. Short-term benefits are recognised in other payables based on the accrued employee benefit expenses up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Post-employment benefits

Adapteo has retirement benefit plans in accordance with local conditions and practices in the countries in which it operates.

Pension plans are classified as defined benefit or defined contribution plans. In defined contribution plans, Adapteo makes fixed payments to separate entities. Adapteo has no legal or constructive obligation to make additional payments if the party receiving them is unable to pay the beneficiaries. All arrangements that do not fulfil these conditions are considered defined benefit pension plans. All Adapteo’s pension benefit plans are considered as defined contribution plans.

Share-based payments

Below is the description of the share-based incentive plans implemented by Cramo and the related expenses for the periods presented in these carve-out financial statements.

Performance share plans and One Cramo share savings plan

During the periods presented, Cramo had the following share-based compensation plans and One Cramo share savings plan. The purpose of Cramo’s performance share plan directed to Cramo Group management and key personnel is to combine the goals of the owners and key employees to increase the company's long-term value and to commit key personnel to the company and to offer them a competitive reward plan based on earnings and the accumulation of Cramo’s shares. One Cramo Share plan is directed to the whole personnel. In order to participate in the performance share plan, the participants must also participate in the One Cramo Share plan.

The performance share plan established in 2012 covers the discretionary periods of 2012, 2013 and 2014 and the performance share plan established in 2015 covers discretionary periods of 2015, 2016 and 2017. In addition, in 2018, a new performance share plan has been decided with one discretionary period 2018. Each discretionary period is immediately followed by a two-year vesting period before rewards are paid out. The objectives of the key management's share plans relate to the Cramo Group's earnings per share (EPS) and return on equity (ROE).

One Cramo share plans have been established to encourage Cramo employees to become shareholders in Cramo and reward the employees for their efforts in working towards company's goals. Another objective is to strengthen the tie between Cramo’s shareholders and employees. The sixth period of One Cramo share savings plan was initiated on 2 October 2017. During the 12 months’ plan period the employees can save 2-5% of their monthly gross salaries. The total amount of all savings from each plan period may not exceed EUR 4 million. Savings are automatically used to purchase company shares for the participants quarterly after each publication date of the interim result. The participant will receive one free matching share for every two acquired savings shares, if the participant holds the acquired shares until the end of the designated holding period. An additional requirement for receiving the matching shares is that the participant’s employment has not been terminated before the end of the designated holding period. The matching shares are paid partly in cash to cover tax and other tax related costs arising from the reward.

The main features of Cramo's share-based compensation plans

The table below presents the key information on Cramo's share-based compensation plans and shares granted to Adapteo personnel for all periods presented:

	Performance Share Plan 2012		Performance Share Plan 2015			Performance Share Plan 2018	One Cramo Share Savings, 6 plans
Type of the plan	Shares		Shares			Shares	Share savings
Maximum number of shares	1 000 000		1 000 000			238 500	
Vesting period	2013	2014	2015	2016	2017	2018	2012-2018
Grant dates	15-Apr-13	17-Mar-14	14-Apr-15	5-Jul-16	19-May-17	15-Aug-18	24-Feb-15 *) 24-Feb-16 24-Feb-17 24-Feb-18
Fair value of share reward at grant date, EUR	9.21	13.82	16.47	17.25	24.28	15.15	18.90
Grant date share price, EUR	9.64	15.59	17.67	18.61	25.67	16.70	22.62
Vesting period starts	1-Jan-13	1-Jan-14	1-Jan-15	5-Jul-16	19-May-17	15-Aug-18	*) respective days
Vesting period ends	15-Jan-16	31-Jan-17	31-Dec-15	31-Jan-19	31-Dec-20	16-Jan-21	3 years
Restriction period ends	15-Jan-16	31-Jan-17	31-Jan-18	31-Jan-19	31-Jan-20	16-Jan-21	3 years
Changes in share allocation:							
2016:							
Amount of share incentives at 1 Jan 2016	20 000	22 000	30 000				2 726
Granted during 2016				27 000			1 403
Shares forfeited during 2016							-182
Shares released during 2016	-20 000						
Amount of share incentives at 31 Dec 2016		22 000	30 000	27 000			3 947
2017:							
Amount of share incentives at 1 Jan 2017		22 000	30 000	27 000			3 947
Granted during 2017					14 800		1 470
Shares forfeited during 2017				-2 000	-2 000		-73
Shares released during 2017		-22 000					
Amount of share incentives at 31 Dec 2017			30 000	25 000	12 800		5 344
2018:							
Amount of share incentives at 1 Jan 2018			30 000	25 000	12 800		5 344
Granted during 2018						14 500	2 284
Shares forfeited during 2018							-523
Shares released during 2018			-30,000				
Amount of share incentives at 31 Dec 2018				25 000	12 800	14 500	7 105
Number of participants							
At 31 Dec 2016		2	4	6			91
At 31 Dec 2017			4	5	4		124
At 31 Dec 2018				5	4	5	96
Estimated realisation of earnings criteria, %	30.00%	14.0%	56.30%	87.50%	63.30%	73.45%	100.00%

Costs recognised for the share-based compensation plans

The table below represents the historical costs incurred related to the share-based compensation plans related to Adapteo's personnel[1)] on the basis of shares granted as presented above and the total share-based payment costs allocated to Adapteo in these carve-out financial statements. The total costs include a portion of share-based payments related to Cramo's group management, which have been allocated to Adapteo as part of the centrally provided services costs as described in note 1.4.

In thousands of EURO	Performance Share Plan 2012		Performance Share Plan 2015			Performance Share Plan 2018	One Cramo Share Savings, 6 plans	**Total**
	2013	2014	2015	2016	2017	2018	2012-2018	
2016:								
Costs for Adapteo personnel[1)]		4	25	22			4	**55**
Total costs allocated to Adapteo	1	54	253	200			49	**558**
2017:								
Costs for Adapteo personnel[1)]			18	43	7		7	**75**
Total costs allocated to Adapteo			185	388	107		51	**731**
2018:								
Costs for Adapteo personnel[1)]			-4	13	14	3	8	**34**
Total costs allocated to Adapteo			-44	122	197	46	49	**369**

[1)] Adapteo personnel relates to such persons that will be transferred to new Adapteo in the Demerger.

The estimated amount of cash to be paid out from the plans as at 31 December 2018 is EUR 169 thousand.

Accounting policy

Cramo Group has the following share-based compensation plans: performance share plans and share savings plans. In performance share plans the target group has an opportunity to earn company shares as a reward on the basis of achievement of targets established for the performance criteria for each calendar year. Part of the reward is paid in cash to cover taxes and tax-related costs arising from the reward. The rewards are paid to the target group approximately two years after the confirmation of the reward, if the service conditions are met. The fair value of both the equity-settled and cash-settled payment is determined at grant date and expensed during the vesting period, the corresponding amount being charged to equity. The total amount to be expensed over the vesting period is determined based on the Cramo Group's estimate on the number of the shares that are expected to be vested by the end of the vesting period. The impact of any non-market vesting conditions (EPS target) has been excluded, but they are included in the assumptions about the number of shares that are expected to be distributed. On each reporting date Cramo revises its estimate on the number of shares that are expected to be distributed. The impact of the revision of the original estimates is recognised in the combined income statement.

In share savings plans the employees can save 2-5% of their monthly gross salaries during the 12 months plan periods and the savings are automatically used to purchase company shares for the participants quarterly after each publication date of the interim results during the plan period. The participant will receive one free matching share for every two acquired savings shares, if the participant holds the acquired shares until the end of the designated holding period. An additional requirement for receiving the matching shares is that the participant's employment has not been terminated before the end of the designated holding period.

The first savings period started on 1 October 2012 and the corresponding matching shares were paid during 2016. The matching shares are paid partly in cash to cover tax and other tax related costs arising from the reward. Both the fair value of the equity-settled and the cash-settled payment is determined at the date of acquisition of the savings shares and recognised against the retained earnings. The expenses of the share savings plan are recognised during the vesting period.

The amendment of IFRS 2 Share-based payments - Clarification and Measurement of Share-based payment transactions was adopted from the beginning of 2018. The amendment changed the accounting treatment of the cash-settled payment for both arrangements. Previously the cash-settled payment had been valued at the period end fair value and recognised as liability but from the beginning of 2018, both arrangements are treated as equity settled and the cost is recognised based on gross amount of the shares despite the fact that the employee receives net amount of the shares and the Cramo pays the portion needed to cover withholding tax in cash to tax authorities. At the transition as at 1 January 2018, the liability related to the cash-settled payments were recognised against the retained earnings in the invested equity.

Key judgement and estimates – Share-based payments

The fair value of reward shares in the performance share plan is based on the share price on the grant date and the valuation does not involve high degree of estimation. Instead, the determination of the fair value of matching shares in the One Cramo Share savings plan includes certain assumptions relating to expected dividend yield and cost of equity and debt. These variables include estimation uncertainty.

8. Depreciation, amortisation and impairment

Intangible assets and property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses.

In thousands of EURO	**2018**	**2017**	**2016**
Depreciation on buildings	-319	-97	-173
Depreciation on rental equipment	-20 546	-17 586	-14 551
Depreciation on rental accessories	-4 154	-3 178	-2 750
Depreciation on other machinery and equipment	-372	-312	-584
Depreciation of property, plant and equipment	**-25 391**	**-21 174**	**-18 058**
Amortisation on software and other intangible assets	-365	-298	-235
Amortisation of intangible assets resulting from acquisitions*	-741	-166	-48
Amortisation of intangible assets	**-1 106**	**-464**	**-283**
Total depreciation and amortisation	**-26 498**	**-21 638**	**-18 341**
Impairment of property, plant and equipment	-1 392	-132	-4
Total impairment losses	**-1 392**	**-132**	**-4**
Total depreciation, amortisation and impairment losses	**-27 890**	**-21 770**	**-18 345**

*Amortisation of intangible assets recognised in connection with the business acquisitions consisted of brand, customer relationships and non-competition agreements.

For the year ended 31 December 2018, as a result of restructuring measures, Adapteo incurred impairment losses related to rental equipment totaling EUR 1 392 thousand.

During the periods presented Adapteo has not recognised any impairment losses on goodwill or intangible assets. Depreciation and amortisation periods are presented in notes 11 and 13.

9. Finance income and costs

The following outlines the components of finance income and finance costs included in the combined income statement.

In thousands of EURO	2018	2017	2016
Interest income	29	66	62
Exchange rate gains[1)]	1 346	2	10
Other finance income[2)]	282	142	
Finance income	**1 657**	**210**	**72**
Interest expenses on loans from Cramo Group	-1 821	- 1 781	-1 167
Interest expenses on bank loans, convertible loan and collateralised loan[3)]	-1 450	-730	-829
Interest expenses on finance leases	-16	-20	-56
Exchange rate losses[1)]	-1 602	-80	-10
Other finance costs	-178	-270	-171
Finance costs	**-5 066**	**-2 882**	**-2 233**
Finance costs, net	**-3 410**	**-2 672**	**-2 160**

1) In 2018, exchange rate gains include EUR 1.2 million of gains and exchange rate losses include EUR -1.6 million of losses related to the foreign exchange hedging of NMG acquisition's purchase price.

2) Other finance income consists of EUR 282 thousand in 2018 and EUR 142 thousand in 2017 as a result of a prolonged contract terms and changes in residual value guarantee of the collateralised loan.

3) Interest expenses on bank loans, convertibe loan and collateralised loans costs include EUR -591 thousand in 2018, EUR -730 thousand in 2017 and EUR -829 thousand in 2016 reflecting the unwinding the effect of discounting related to the collateralised loan.

Accounting policy

Transaction costs related to loans are expensed in profit or loss using effective interest rate method. The effective interest rate is the rate that discounts the estimated future payments during the expected maturity of a loan to the net carrying amount of the financial liability. The calculation includes transaction costs and all fees directly attributable to the transaction paid by the contracting parties. Interest income is recognised using the effective interest rate, unless the receipt of interest is uncertain. In such cases the interest income is accounted for on a cash basis. Foreign exchange gains and losses on financing activities are recognised within finance income or costs.

10. Taxes

This note explains Adapteo's income tax expense and other balances presented as tax items in the carve-out financial statements. The deferred tax section provides information on expected future tax payments.

Income taxes

Income taxes in the combined income statement comprise of current income tax expense and change in deferred taxes and are recognised as follows:

In thousands of EURO	2018	2017	2016
Current year tax	-1 189	-3 342	-3 781
Adjustment for prior years	-455		-1
Change in deferred taxes	-3 335	-1 985	-2 274
Total	**-4 978**	**-5 327**	**-6 056**

Reconciliation of effective tax rate

The difference between income taxes at the Finnish domestic tax rate 20% (during all periods presented) and income taxes recognised in the combined income statement is reconciled as follows:

In thousands of EURO	2018	2017	2016
Profit before tax	**25 891**	**24 236**	**28 028**
Tax calculated with domestic corporate tax rate	-5 178	-4 847	-5 606
Foreign subsidiaries divergent tax rate +/-	-170	-123	-370
Tax from the previous financial periods	-455		-1
Change in tax rates	545		
Non-taxable income		155	10
Non-deductible expenses	-65	-178	-30
Share-based payments		6	-27
Utilisation of previously unrecognised tax losses	301	16	43
Recognition of previously unrecognised tax losses	45		
Current year losses for which no deferred tax assets was recognised		-267	
Other items		-88	-76
Taxes in income statement	**-4 978**	**-5 327**	**-6 056**
Group's effective tax rate, %	**19.2**	**22.0**	**21.6**

Deferred taxes

Deferred tax assets and liabilities as presented in the combined balance sheet at 31 December:

In thousands of EURO	2018	2017	2016
Deferred tax assets	3 109	2 514	1 567
Deferred tax liabilities	43 138	23 618	23 028
Deferred tax liabilities, net	**40 030**	**21 104**	**21 461**

Movements in deferred tax assets and liabilities during 2018:

In thousands of EURO	1 Jan 2018	Recognised in income statement	Acquisitions	Exchange differences	31 Dec 2018
Deferred tax assets					
Tax losses carried forward	1 698	268		6	1 972
Depreciation difference, negative		-93	816	-85	638
Finance leases	63	-111		48	
Elimination of internal profit	547	-114			433
Other temporary differences	206	-140			66
Total	**2 514**	**-190**	**816**	**-31**	**3 109**
Deferred tax liabilities					
Depreciation difference	22 067	3 039	5 228	-1 093	29 241
Finance leases	1 201	115		-13	1 303
Valuation of assets to fair value in business combinations	350	-253	12 101	277	12 475
Other temporary differences	0	244	15	-141	118
Total	**23 618**	**3 145**	**17 344**	**-970**	**43 138**
Deferred tax liabilities, net	**21 104**	**3 335**	**16 528**	**-938**	**40 030**

Movements in deferred tax assets and liabilities during 2017:

In thousands of EURO	1 Jan 2017	Recognised in income statement	Recognised in invested equity	Exchange differences	31 Dec 2017
Deferred tax assets					
Tax losses carried forward	799	-794	1 695	-2	1 698
Finance leases	95	-32			63
Elimination of internal profit	674	-127			547
Other temporary differences		206			206
Total	**1 568**	**-747**	**1 695**	**-2**	**2 514**
Deferred tax liabilities					
Depreciation difference	21 551	1 100		-584	22 067
Finance leases	1 064	182		-45	1 201
Valuation of assets to fair value in business combinations	414	-64			350
Other temporary differences		20		-20	
Total	**23 029**	**1 237**		**-648**	**23 618**
Deferred tax liabilities, net	**21 461**	**1 984**	**-1 695**	**-647**	**21 104**

Movements in deferred tax assets and liabilities during 2016:

In thousands of EURO	1 Jan 2016	Recognised in income statement	Recognised in invested equity	Exchange differences	31 Dec 2016
Deferred tax assets					
Tax losses carried forward	1 453	-637	-17		799
Finance leases	126	-31			95
Elimination of internal profit	786	-112			674
Total	**2 365**	**-780**	**-17**		**1 567**
Deferred tax liabilities					
Depreciation difference	20 871	1 416		-736	21 551
Finance leases	906	215		-58	1 064
Valuation of assets to fair value in business combinations	459	-46			414
Other temporary differences	5	-91		85	-1
Total	**22 241**	**1 494**		**-709**	**23 028**
Deferred tax liabilities, net	**19 877**	**2 274**	**17**	**-709**	**21 461**

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Adapteo’s legal entity in Denmark, Cramo A/S, has tax loss carryforwards mainly arisen from the losses generated by ER business prior its disposal in 2017. Any changes in recognised deferred tax assets relating to Cramo A/S tax loss carry-forwards arisen from the disposed ER business have been recognised through invested equity as they are deemed to be contributions from Cramo Group.

Adapteo has not recognised deferred tax assets of EUR 545 thousand in year 2018, EUR 329 thousand in 2017 and EUR 1 464 thousand in 2016 of the tax loss carry-forwards in respect of Cramo A/S. These tax loss carry forwards do not expire.

Accounting policy

Tax expense consists of the taxes based on taxable income and deferred taxes for the current accounting period. Taxes are recognised through profit and loss, except when they relate directly to equity or the items recognised in the other comprehensive income items. In such cases, tax is also charged to these items. Taxes based on taxable income for the current period are calculated based on the effective tax rate of each country.

Deferred taxes are calculated for temporary differences between the book values of assets and liabilities and the tax basis of assets and liabilities. Deferred tax liabilities are not recognised, however, if they are attributable to the initial recognition of an asset or liability in a transaction other than business combination and the transaction, at the time it occurs, does not affect the accounting profit or taxable profit. The deferred tax for investments in subsidiaries and joint ventures is recognised, except when the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. The most significant temporary differences arise from the depreciation of property, plant and equipment items; unutilised tax losses and fair value adjustments made in connection with acquisitions.

Deferred taxes are calculated using the tax rates enacted by the last day of the reporting period or those which have, in practice, been accepted by the last day of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Key judgement and estimates – Recognition of deferred tax assets and liabilities

Adapteo is subject to tax in several countries. Determining Adapteo's income tax requires significant assessment and judgement. Adapteo estimates tax positions in accordance with tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If necessary, the amounts recorded are adjusted to amounts expected to be paid to the tax authorities.

Management judgement is required in assessing whether certain deferred tax assets and deferred tax liabilities are recognised on the balance sheet. Deferred tax assets are recognised only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Estimates of these future cash flows are dependent on the management's estimates that relate among others to the amount of future net sales, operating costs, finance costs and taxes. In addition, Adapteo's ability to generate taxable income depends on factors related to general economy, finance, competitiveness and regulations that Adapteo is unable to control. These estimates and assumptions are subject to risk and uncertainty, hence it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of temporary differences.

PROPERTY, PLANT AND EQUIPMENT, ACQUISITIONS, INTANGIBLE ASSETS AND INVESTMENTS IN JOINT VENTURES

This section presents the information on Adapteo's property, plant and equipment, business acquisitions, intangible assets and investments in joint ventures.

11. Property, plant and equipment

Adapteo's property, plant and equipment mainly consists of rental equipment including modules used in modular space leases and rental accessories. Other property, plant and equipment assets comprise of buildings including offices and production facilities, capitalised costs of leasehold improvements, other machinery and equipment including mainly production machinery, office equipment and leased assets as well as assets under construction.

In thousands of EURO	**Land**	**Buildings**	**Rental equipment**	**Rental accessories**	**Other machinery and equipment**	**Assets under construction**	**Total property, plant and equipment**
Acquisition cost							
At 1 Jan 2018		**1 621**	**395 540**	**55 202**	**6 958**	**929**	**460 251**
Exchange differences		16	-6 024	-1 815	-145	-4	-7 973
Additions		507	59 584	5 553	623	3 230	69 497
Business acquisitions	831	3 793	85 336	4 794	2 263	1 541	98 557
Disposals		-265	-18 726		-3	-401	-19 395
Reclassification between asset categories		208	-19	2 961	-2 359	-631	160
At 31 Dec 2018	**831**	**5 879**	**515 691**	**66 695**	**7 336**	**4 664**	**601 097**
Accumulated depreciation and impairment							
At 1 Jan 2018		-1 168	-118 945	-36 999	-4 989		-162 100
Exchange differences		-14	2 477	1 365	88		3 915
Disposals		250	6 587	525	3		7 365
Depreciation		-319	-20 546	-4 154	-372		-25 391
Impairments			-1 392				-1 392
Reclassification between asset categories		-27	-685	-483	1 035		-160
At 31 Dec 2018		**-1 278**	**-132 505**	**-39 746**	**-4 235**		**-177 763**
Net book value at 31 Dec 2018	**831**	**4 602**	**383 186**	**26 949**	**3 101**	**4 664**	**423 334**

In thousands of EURO	Buildings	Rental equipment	Rental accessories	Other machinery and equipment	Assets under construction	Total property, plant and equipment
Acquisition cost						
At 1 Jan 2017	**2 126**	**347 684**	**51 591**	**7 118**	**-144**	**408 376**
Exchange differences	-54	-6 721	-1 443	-122	-4	-8 344
Additions	3	51 095	5 011	190	1 188	57 487
Business acquisitions		5 388	67			5 455
Disposals	-455	-2 140	-18		-111	-2 724
Reclassification between asset categories		234	-7	-227		
At 31 Dec 2017	**1 621**	**395 540**	**55 202**	**6 958**	**929**	**460 251**
Accumulated depreciation and impairment						
At 1 Jan 2017	**-1 172**	**-102 814**	**-34 898**	**-4 837**		**-143 721**
Exchange differences	52	2 059	1 061	70		3 243
Disposals	49	-385	17			-318
Depreciation	-97	-17 586	-3 178	-312		-21 174
Impairments		-128	-1	-2		-132
Reclassification between asset categories		-92		92		
At 31 Dec 2017	**-1 168**	**-118 945**	**-36 999**	**-4 989**		**-162 100**
Net book value at 31 Dec 2017	**453**	**276 595**	**18 203**	**1 970**	**929**	**298 149**

In thousands of EURO	Buildings	Rental equipment	Rental accessories	Other machinery and equipment	Assets under construction	Total property, plant and equipment
Acquisition cost						
At 1 Jan 2016	**2 032**	**297 833**	**46 908**	**17 478**	**132**	**364 383**
Exchange differences	37	-5 118	-1 584	-550		-7 215
Additions	57	51 039	6 313	296	80	57 785
Disposals		-6 067	-45	-108	-356	-6 577
Reclassification between asset categories		9 997		-9 997		
At 31 Dec 2016	**2 126**	**347 684**	**51 591**	**7 118**	**-144**	**408 376**
Accumulated depreciation and impairment						
At 1 Jan 2016	**-968**	**-87 465**	**-33 398**	**-9 178**		**-131 008**
Exchange differences	-31	1 769	1 237	246		3 221
Disposals		2 011	13	105		2 128
Depreciation	-173	-14 551	-2 750	-584		-18 058
Impairments		-4				-4
Reclassification between asset categories		-4 574		4 574		
At 31 Dec 2016	**-1 172**	**-102 814**	**-34 898**	**-4 837**		**-143 721**
Net book value at 31 Dec 2016	**954**	**244 871**	**16 693**	**2 281**	**-144**	**264 656**

Assets acquired through finance lease contracts are included in the other machinery and equipment as at 31 December 2018, 2017 and 2016 as follows:

In thousands of EURO	2018	2017	2016
Acquisition cost	716	2 488	2 841
Accumulated depreciation	-34	-1 071	-1 117
Net book value	**682**	**1 417**	**1 724**

Investment commitments are presented in note 25.

Accounting policy

Property, plant and equipment is measured at cost less accumulated depreciation and any impairment losses. This cost includes expenditure that is directly attributable to the acquisition. Property, plant and equipment acquired in the business combinations are measured at fair value at the date of acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset when it is probable that it will generate future economic benefits, and the cost can be measured reliably. The expenditure on repairs and maintenance of property, plant and equipment are recognised as expense when incurred.

Depreciation of an asset is started when the asset is available for use or rental, i.e. in the location and condition necessary to operate in a manner intended by the management. Residual values, depreciation methods and useful lives of the assets are reviewed at the end of each reporting period and, if necessary, adjusted to reflect any changes in expectations of economic value.

Property, plant and equipment assets are depreciated on a straight-line basis over the estimated economic useful lives as follows:

Buildings	10-35	years
Rental equipment	10-20	years
Rental accessories	3-10	years
Other machinery and equipment	3-10	years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the disposed asset and are recognised within other operating income or other operating expenses in the combined income statement when the asset is disposed.

Impairment of assets

Property, plant and equipment and other intangible assets (see note 13) and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Key judgement and estimates – Useful lives and valuation of property, plant and equipment

Depreciation is based on management's estimates of the residual value of the assets, depreciation methods and the useful life of assets. The estimates may change due to technological development, the competitive situation, changes in market conditions and other factors, and this may lead to changes in the estimated useful lives and the amount of depreciation recognised in the combined income statement.

The useful lives of property, plant and equipment are reviewed periodically considering the factors mentioned above and all other relevant factors.

Optimal rental fleet's utilisation levels are managed centrally at Adapteo's group level. Testing of the value of the rental fleet is based on calculations of value in use, taking into account the possibility of transferring it to another entity of the group. The preparation of these calculations requires management estimate.

12. Acquisitions

<u>2018 Nordic Modular Group Holding</u>

As announced on 26 June 2018, Cramo signed an agreement to acquire 100 percent of Nordic Modular Group Holding AB (“NMG”) from Strukturfonden HC11 AB, a subsidiary of Nalka Invest AB, and certain minority shareholders. The transaction was subject to merger control clearance from the Swedish Competition Authority, which was approved by them on 4 October 2018. Cramo completed the transaction at the end of October 2018. The enterprise value of the transaction was approximately SEK 2.725 billion. Alongside the goodwill, the intangible assets identified in the purchase price allocation were related to customer relationships and trademarks. The table below summarises the total consideration for NMG and amounts for the fair value of the acquired assets and liabilities as at the acquisition date.

NMG, well established player in the modular space market in the Nordics, was founded in 1956. NMG’s main market is Sweden with operations also in Norway, Denmark and Finland and it employs 230 persons. NMG serves municipal customers, county councils and private companies with a primary focus on schools, pre-schools, elderly housing solutions and offices. It develops, manufactures, sells and rents relocatable buildings through its three subsidiaries Temporent AB, Nordic Modular Leasing AB and Flexator AB. Temporent rents out modular solutions with a fleet consisting of approximately 6 500 modules, serving primarily municipalities and large private companies. Nordic Modular Leasing leases out modular units with a primary focus on longer term contracts. Flexator designs, manufactures and sells professional modular buildings based on standardised building systems from site huts to advanced solutions.

The acquisition strengthens the existing modular space business and expands Adapteo’s business model to include inhouse development and production of modular solutions.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

In thousands of EURO	**2018**
Cash	108 523
Convertible loan	52 877
Repayment of shareholder loans	32 574
Total purchase consideration	**193 974**
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Identifiable assets	
Non-current assets	
Intangible assets (excl. goodwill)	
Customer relationships	23 285
Brands	2 744
Total intangible assets	26 029
Property, plant and equipment	
Rental equipment	85 336
Other property, plant and equipment	13 221
Total property, plant and equipment	98 557
Other non-current assets	
Investments in joint ventures	1 236
Deferred tax assets	816
Loan receivables	221
Finance lease receivables	5 662
Total other non-current assets	7 935
Total non-current assets	**132 521**
Current assets	
Inventories	3 497
Finance lease receivables	5 469
Trade and other receivables	18 993
Income tax receivables	421
Cash and cash equivalents	2 007
Total current assets	**30 387**
Total identifiable assets	**162 908**
Non-current liabilities	
Borrowings	65 826
Deferred tax liabilities	17 344
Other non-current liabilities*	1 340
Total non-current liabilities	**84 511**
Current liabilities	
Trade and other payables	22 981
Income tax liabilities	1 064
Provisions	221
Total current liabilities	**24 266**
Total liabilities	**108 777**
Total identifiable net assets	**54 131**
Goodwill	**139 843**

*Include EUR 50 thousand non-current provisions.

The acquired businesses contributed sales of EUR 13 million and operating profit of EUR 2 million to Adapteo for the period from 1 November to 31 December 2018. Adapteo’s net sales would have increased by EUR 69 million and operating profit (EBIT) would have increased by EUR 13 million, if the acquisition had been completed on 1 January 2018. These amounts have been calculated using NMG's results and adjusting them for differences in the accounting policies between Adapteo and NMG, as well as the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets would have been applied from 1 January 2018.

Purchase consideration and cash out flow

The acquisition was financed with a convertible loan from the sellers as well as bank financing.

SEK 550.0 million (EUR 52.9 million at the acquisition date) of the purchase consideration was paid by entering into a convertible loan agreement whereby the sellers may at Cramo's discretion reinvest this amount to the shares issued by Adapteo Plc after the Demerger. If Adapteo is not separated from Cramo or a minority owner holding a part of the convertible loan has been given notice of termination of employment before the spin-off is made, Cramo shall repay each holder's loan in cash. In case the convertible loan holder declines the offer of Adapteo Plc's shares, they will receive a reduced amount of the convertible loan. The contingent reduction of the convertible loan of EUR 4.8 million (SEK 50.0 million) is considered to be contingent consideration under IFRS. The contingent consideration is recognised in full and Cramo expects to settle the whole convertible note of EUR 52.9 million.

Cramo has agreed a contingent upwards adjustment to the purchase consideration up to EUR 8.7 million (SEK 90.0 million) if there is a disposal of NMG or the combined business of NMG and Adapteo within eighteen months following the closing date and certain other criteria is met. Cramo expects that this contingent consideration will not materialise.

The table below represents the details of the purchase consideration and outflow of cash to acquire NMG.

In thousands of EURO	
Cash consideration*	141 097
Convertible loan	52 877
Total consideration	193 974
Convertible loan	-52 877
Cash and cash equivalents acquired	-2 007
Withheld cash related to purchase price	-257
Adjustment to the preliminary purchase consideration	-504
Net outflow of cash - investing activities	**138 330**

*Including repayment of shareholder loans.

The cash consideration was financed by bridge financing, which was also used to refinance the bank loans of NMG. The bridge loan amounted to EUR 210 million. Cash flows related to financing of the acquisition and refinancing of NMG's loans are reported in net cash flow from financing activities in combined cash flow statement.

The fair value of the acquired trade receivables was EUR 10.5 million and finance lease receivables EUR 11.4 million. The gross trade receivables amount for trade receivables EUR 10.5 million of which EUR 48 thousand is expected to be uncollectable. The finance lease receivable is expected to be collectable in full.

The goodwill amounted to EUR 139.8 million. The goodwill consists of workforce, synergies and strong market position in Sweden. None of the goodwill is expected to be deductible for tax purposes.

Acquisition related costs of EUR 1.8 million are included in other operating expenses in the combined income statement and in net cash flow from operating activities in the combined statement of cash flows.

2017 Just Pavillon A/S

Cramo signed an agreement to acquire the assets of Just Pavillon A/S in June 2017. The acquisition included the modular space rental fleet, customer contracts and other assets of Just Pavillon A/S. The acquisition strenghtens Cramo's Modular Space offering in Denmark. During the financial year 2016, Just Pavillon's sales amounted to DKK 27 million. The acquisition did not have material impact on Adapteo's sales and earnings in 2017.

Just Pavillon's offering is a complement to Cramo's existing business in Denmark and its product range consists of 360 modular units mainly used in the school and office segments.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

In thousands of EURO	
Total purchase consideration	**8 731**
Identifiable assets	
Non-current assets	
Intangible assets	
Customer relationships	1 990
Non-competition agreements	86
Total intangible assets	2 076
Property, plant and equipment	
Machinery and equipment	5 455
Total property, plant and equipment	5 455
Total non-current assets	**7 531**
Total identifiable assets	**7 531**
Total identifiable net assets	**7 531**
Goodwill	**1 199**

Purchase consideration - cash outflow

In thousands of EURO	
Outflow of cash to acquire the business, net of cash acquired	
Total consideration	8 731
Non-cash settlement	-335
Consideration to be paid in following years	-671
Net outflow of cash - investing activities	**7 725**

During the financial year 2016 there were no acquisitions.

Accounting policy

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is the fair value of the assets transferred, the liabilities incurred, and the equity instruments issued at the acquisition date. Any contingent consideration is recognised at fair value at the acquisition date and classified as a liability or equity. Contingent considerations classified as a liability are measured at fair value on each reporting date with changes recognised in the combined income statement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined income statement.

Key judgement and estimates – Fair values of contingent consideration and net assets acquired in a business combination

The purchase consideration transferred and net assets acquired in business combinations are measured at fair value. The fair value of the contingent consideration included in the purchase consideration for an acquisition has been estimated on the basis of the present value of the expected cash flows. The measurement of fair value of acquired net assets is based on fair values of similar assets (property, plant and equipment), estimated future cash flow (intangible assets, such as customer relationships and brands) or an estimate of the payments required for fulfilling an obligation.

With regard to property, plant and equipment, the management makes comparisons to the market prices of corresponding assets, as well as estimates of the decrease in value attributable to the age, wear and tear and other similar factors of acquired assets. The determination of the fair value of intangible assets is based on assessments concerning the cash flows of assets, because information on the sales of similar assets has not been available. Therefore, the valuation exercise, which is based on repurchase values, expected cash flows or estimated payments requires management's judgments and assumptions. Management believes that the estimates and assumptions used are sufficiently reliable for determining fair values.

13. Goodwill and other intangible assets

Intangible assets comprise of goodwill and other intangible assets consisting of brand, customer relationships, software and other intangibles. Other intangibles mainly include non-competition agreements.

In thousands of EURO	**Goodwill**	Brand	Customer relationships	Software	Other intangibles	**Other intangible assets total**
Acquisition cost						
At 1 Jan 2018	**33 266**		**2 526**	**1 581**	**1 772**	**5 879**
Exchange differences	1 398	38	325	-36	-7	321
Additions				358		358
Business acquisitions	139 843	2 744	23 285			26 029
Disposals				-14		-14
At 31 Dec 2018	**174 506**	**2 782**	**26 136**	**1 889**	**1 766**	**32 573**
Accumulated amortisation and impairment						
At 1 Jan 2018	**-615**		**-574**	**-1 162**	**-1 684**	**-3 420**
Exchange differences		1	2	25	6	34
Disposals				-56		-56
Amortisation		-103	-610	-359	-35	-1 106
At 31 Dec 2018	**-615**	**-102**	**-1 182**	**-1 552**	**-1 712**	**-4 548**
Net book value at 31 Dec 2018	**173 891**	**2 680**	**24 955**	**337**	**53**	**28 025**

In thousands of EURO	**Goodwill**	Customer relationships	Software	Other intangibles	**Other intangible assets total**
Acquisition cost					
At 1 Jan 2017	**32 523**	**521**	**1 463**	**1 692**	**3 676**
Exchange differences	-457		-26	-6	-32
Additions		15	143		158
Business acquisitions	1 199	1 990		86	2 076
At 31 Dec 2017	**33 266**	**2 526**	**1 581**	**1 772**	**5 879**
Accumulated amortisation and impairment					
At 1 Jan 2017	**-615**	**-421**	**-885**	**-1 671**	**-2 977**
Exchange differences		-4	15	10	21
Amortisation		-149	-292	-23	-464
At 31 Dec 2017	**-615**	**-574**	**-1 162**	**-1 684**	**-3 420**
Net book value at 31 Dec 2017	**32 651**	**1 952**	**419**	**88**	**2 459**

In thousands of EURO	**Goodwill**	Customer relationships	Software	Other intangibles	**Other intangible assets total**
Acquisition cost					
At 1 Jan 2016	**33 133**	**521**	**1 455**	**1 677**	**3 654**
Exchange differences	-610		-31	-8	-39
Additions			39	23	62
At 31 Dec 2016	**32 523**	**521**	**1 463**	**1 692**	**3 676**
Accumulated amortisation and impairment					
At 1 Jan 2016	**-615**	**-377**	**-705**	**-1 671**	**-2 753**
Exchange differences		4	50	5	59
Amortisation		-48	-230	-5	-283
At 31 Dec 2016	**-615**	**-421**	**-885**	**-1 671**	**-2 977**
Net book value at 31 Dec 2016	**31 908**	**100**	**579**	**21**	**700**

Goodwill

Accounting policy

Goodwill represents the consideration that has been paid when acquiring a business in excess of the fair value of the assets and liabilities acquired.

Goodwill is not amortised but it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Goodwill is carried at cost less any accumulated impairment losses. Previously recognised impairment loss of goodwill is not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Basis for impairment testing

From the beginning of 2017 Cramo has changed its operating segments from geographical segments to a divisional structure. Since then, Adapteo's business has been reported as one segment separately from the equipment rental business related segments. As a result of the new segment structure, Cramo reallocated the goodwill to the new CGU's in accordance with IFRS. The Modular Space segment has been determined as one CGU in Cramo's reporting as of 1 January 2017 and the goodwill has been tested for impairment at that level only from 2017 onwards. As these financial statements have been prepared on a carve-out basis from historical Cramo's consolidated financial statements, the goodwill impairment testing results presented below is based on the historical impairment tests performed by Cramo for its Modular Space CGU and is therefore disclosed only for the years 2018 and 2017.

Goodwill is tested for impairment annually, or on a more frequent basis should there be an indication of a potential impairment. The impairment test is done annually based on the balance sheet as at 31 October. Due to NMG acquisition the goodwill impairment test for the year 2018 was performed based on the balance sheet as at 31 December 2018. Adapteo's business is considered as one cash generating unit reflecting the lowest level at which the goodwill is monitored for internal management purposes. In the impairment testing the assets of the CGU are compared to its recoverable amount. The recoverable amount is the higher of CGU's fair value less costs of disposal and value in use. The recoverable amount of the CGU has been determined based on value in use which is calculated by using the discounted cash flow method. The cash flow projections used in the calculations are based on the next year's financial budget and the forecasts for the subsequent four years. The cash flow projections, covering altogether a period of five years, are based on actual results and management's estimates on future sales, cost development, applicable tax regulations and management's expectations of market development as well as the future development of the markets. The projections are in line with the external information to the extent such information is available. Cramo's Board and Group Management have approved cash flow forecasts upon which the impairment tests are based

Key assumptions used in impairment testing

The key assumptions related to impairment test for the years 2018 and 2017 are presented in the tables below:

Modular Space / Adapteo	EBITA%	Compound annual growth rate five-year period	Growth rate beyond the five-year period	Discount rate before tax, %	Discount rate after tax, %
2018	22.7%-23.2%	0.3%-0.6%	1.0%	7.77%	6.36%
2017	22.1%-25.4%	0.7%-0.9%	1.0%	7.5%	6.0%

Management has determined the values assigned to each of the above key assumptions as follows:

EBITA margin

EBITA is defined as operating profit (EBIT) less amortisation and impairment on intangible assets resulting from acquisitions.

Adapteo's profitability slightly decreased in 2018 and 2017 and the profitability level used in terminal value calculation reflects moderate historical level.

Growth rate for the five-year period

Future growth estimates are mainly based on moderate utilisation rates and moderate price development in the CGU. Growth investments and their impact have been excluded. The overall sales is expected to reach an annual average growth rate of 0.3-0.6 percent during the forecasted period in 2018 testing and 0.7-0.9 percent during the forecasting period in 2017 testing.

Growth rate beyond the five years

The growth rate beyond five years is estimated to be one percent per year. This is predicted to reflect a moderate long-term inflation forecast.

Discount rate

Forecasted cash flows are discounted with a specific discount rate. Cramo Group's weighted average cost of capital (WACC) constitutes the basis for the determination of the discount rate. Cost of capital includes assumptions for capital structure, risk-free interest rate, risk premium, cost of debt and equity and equity beta. In determining the discount rates, the weighted average cost of capital is increased by specific risk factor, which includes assumptions for country, currency and price risks inherent to the CGU.

Sensitivity analysis of the main assumptions

The figures below represent the changes of the main assumptions, for each assumption separately, after which the carrying amount of the Adapteo equals its recoverable amount. In the sensitivity analysis, each parameter is adjusted independently whilst holding the other parameters constant.

Adapteo	Change in EBITA margin Max. decrease in %-units	Compound annual growth rate, five-year period Max. decrease in %-units	Growth rate beyond five-year period Max. decrease in %-units	Discount rate Max. increase in %-units	The amount by which the recoverable amount exceeds the carrying amount EUR million	The amount by which the recoverable amount exceeds the carrying amount %
2018	-4.4	-5.2	-1.8	1.3	138	22
2017	-10.8	-11.9	-6.2	3.8	211.6	63

Test results

Based on the impairment test results, no impairment was recognised in 2018 and 2017.

Key judgement and estimates – Key assumption used in goodwill impairment testing

The management makes significant estimates and judgements in determining the level at which the goodwill is tested and whether there are any indications of impairment.

The recoverable amount of cash generating unit is determined based on value in use calculations which require the use of estimates. Cash flow forecasts are based on Adapteo's actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. Cash flow forecasts include budgets and forecasts approved by the board of Cramo for a period of five years and cash flows for the periods after five years are extrapolated using the estimated growth rates mentioned in this note under key assumptions used in impairment testing. The growth rates are based on the management's estimates on future growth in the CGU.

Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this note under key assumptions used in impairment testing.

Other intangible assets

Accounting policy

Other intangible assets are recorded in the balance sheet initially at cost, when it is probable that the assets will generate future economic benefits and the cost can be measured reliably. Other intangible assets include brands, customer relationships, software and other intangibles comprising mainly of non-competition agreements.

Adapteo's brands, customer relationships and non-competition agreement are recognised in connection with the business acquisitions. Brands, customer relationships and non-competition agreements acquired in the business combinations are measured at fair value on the date of the acquisition and subsequently amortised on a straight-line basis over the estimated useful lives.

Intangible assets that are separately identifiable or arising from contractual or other legal rights relate to IT systems. The capitalised cost related to IT systems consist of external service expenses and fees paid for licenses.

Amortisation periods for other intangible assets are:

Brands	3-15	years
Customer relationships	3-15	years
Software and other intangibles	2-10	years

Research costs are expensed as incurred. Development costs are capitalised when it is probable that a development project will generate future economic benefits, and the cost can be measured reliably. Other development costs are expensed.

Currently the development projects of Adapteo do not fulfil the criteria of capitalisation and thus the development costs are expensed as incurred.

14. Investments in joint ventures

Ungabostäder Haninge AB, a Swedish company and owned and controlled jointly by Adapteo with 50% ownership, has been part of Adapteo since the acquisition of NMG in October 2018.

The financial information on Adapteo's joint venture Ungabostäder Haninge AB is summarised as follows:

In thousands of EURO	**Nov-Dec 2018**
Carrying amount of investment at 31 October	1 236
Profit/loss for the period	-13
Other comprehensive income items	18
Carrying amount of investment at 31 December	**1 241**

The table below provide summarised financial information for Ungabostäder Haninge AB. The information disclosed reflects the amounts presented in the financial statements of Ungabostäder Haninge AB and not Adapteo's share of those amounts.

Summarised balance sheet

In thousands of EURO	**31 Dec 2018**
Rental equipment	3 106
Total non-current assets	**3 106**
Cash and cash equivalents	162
Other current assets (excluding cash)	77
Total current assets	**239**
Borrowings	1 875
Total non-current liabilities	**1 875**
Total current liabilities	**736**
Net assets	**734**

Loan receivable from joint venture

Adapteo's subsidiary Nordic Modular Leasing AB has granted loan to Ungabostäder Haninge AB and the book value of the loan was EUR 224 thousand as at 31 December 2018. In 2018 the loan receivable was not amortised.

Accounting policy

Investments in entities which Adapteo has a joint control are accounted for under the equity method of accounting. Adapteo's share of the profit or the loss from joint ventures is presented as a separate line item before operating profit in the combined income statement. Adapteo's investments in the joint ventures are presented in the combined balance sheet under "Investments in joint ventures". Investments in the joint ventures are initially recognised on the balance sheet at the acquisition cost and subsequently, the value of investment is adjusted in accordance with changes in the net assets of the investee in proportion to Adapteo's ownership. Investments in the joint ventures are derecognised when Adapteo no longer has joint control over the investee.

NET WORKING CAPITAL

This section describes components of net working capital of Adapteo. Adapteo defines net working capital as a net of non-current other receivables, non-current other liabilities, non-current and current provisions, inventories, trade and other receivables and trade and other payables. Net working capital as at 31 December 2018, 2017 and 2016 consist of the following:

In thousands of EURO	Note	**2018**	**2017**	**2016**
Non-current:				
Other receivables	16	345	360	116
Other liabilities	17		-704	-456
Provisions	18	-50		
Current:				
Inventories	15	6 838	2 012	1 313
Trade and other receivables	16	55 585	36 206	33 220
Trade and other payables	17	-68 330	-37 794	-34 034
Provisions	18	-338	-544	
Total net working capital		**-5 950**	**-464**	**158**

15. Inventories

Adapteo has in-house production of modules. Inventories mainly consist of materials and supplies, which include raw materials and spare parts. Work in progress relates to unfinished modular space solutions. Inventories as at 31 December 2018, 2017 and 2016 are presented in the following table.

In thousands of EURO	**2018**	**2017**	**2016**
Materials and supplies	6 838	1 805	1 313
Work in progress	0	206	0
Total	**6 838**	**2 012**	**1 313**

Write-downs of inventories recognised during the financial years 2018, 2017 and 2016 were immaterial.

Accounting policy

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories shall comprise all costs of purchase including transportation, handling and other costs directly attributable to the acquisition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling.

If the net realisable value of inventory is deemed lower than the cost, then allowance is established for inventory obsolescence. The amount to be allocated to inventory obsolescence is based on an estimation of the net realisable value of inventory.

16. Trade and other receivables

Trade and other receivables as at 31 December 2018, 2017 and 2016 are presented in the following table.

In thousands of EURO	**2018**	**2017**	**2016**
Non-current:			
Other receivables	345	360	116
Non-current other receivables	**345**	**360**	**116**
Current:			
Trade receivables	33 350	18 517	23 216
Accrued income on assembly	9 706	11 497	6 655
Accrued income on self-manufactured projects	4 574		
Other accrued income	599		
Other prepaid expenses	5 900	5 856	2 770
VAT receivables	108		
Other receivables	1 348	336	579
Current trade and other receivables	**55 585**	**36 206**	**33 220**
Total trade and other receivables	**55 931**	**36 566**	**33 335**

Trade receivables comprise of the following provisions for impairment as at 31 December during the periods presented:

In thousands of EURO	**2018**	**2017**	**2016**
Trade receivables	33 540	18 766	23 391
Provision for impairment	-191	-249	-175
Total	**33 350**	**18 517**	**23 216**

Provisions for 2016 and 2017 are calculated in accordance with IAS 39, while the provision for 2018 is calculated in accordance with IFRS 9. Refer also to note 24 Financial risk management.

A total amount of EUR 184 thousand in 2018, EUR 74 thousand in 2017 and EUR 88 thousand in 2016 of trade receivables has been recognised in the combined income statement as impairment losses.

Accounting policy

Trade and other receivables represent amounts that Adapteo expects to collect from other parties. Trade receivables are non-interest-bearing and are generally on 14-60 days payment terms.

The classification of trade receivables is based on the business model's objective and on the contractual cash flow characteristics. Cash flows of trade receivables consist solely of payments of principal and interest. Adapteo holds the trade receivables with the objective to collect the contractual cash flows. Trade receivables are initially recognised at their transaction price as they do not have significant financing component. Subsequently, they are measured at amortised cost. Credit loss allowance is deducted from the receivables. The credit loss allowance is recognised using the simplified approach, under which allowance equal to lifetime expected credit losses is recognised. Trade receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Trade receivables are derecognised when the rights to receive cash flows from the investment have expired or have been transferred, and Adapteo has substantially transferred all risks and rewards of ownership.

Under IAS 39 trade receivables were classified as loans and receivables. There were no change in measurement principles due to adoption of IFRS 9. For credit risk disclosures including ageing of trade receivables and description of the expected credit loss model, please see note 24.

17. Trade and other payables

Trade and other payables as at 31 December 2018, 2017 and 2016 are presented in the following table.

In thousands of EURO	2018	2017	2016
Non-current:			
Advances received		320	112
Liability for cash settled share-based payments		384	345
Non-current other liabilities		**704**	**456**
Current:			
Trade payables	18 196	9 763	11 117
Advances received	24 429	16 930	14 638
Accrued expenses	21 143	8 796	5 376
VAT liability	2 419	2 091	2 436
Other payables	2 143	215	468
Current trade and other payables	**68 330**	**37 794**	**34 034**
Total trade and other payables	**68 330**	**38 498**	**34 491**

Material items included in accrued expenses relate mainly to personnel expenses and advances received. Advances received consist of advances arising from customer agreements. Accrued expenses include also accrued interests.

Accounting policy

Trade and other payables mainly consist of amounts owed to suppliers, employees and customers. Trade and other payables represent liabilities for goods and services provided to Adapteo prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Accounting policy for share-based payments is presented in note 7 Employee benefit expenses.

18. Provisions

Movements in each class of provisions during the years presented are set out below.

In thousands of EURO	Guarantee provision	Other provisions	**Total provisions**
At 1 Jan 2018		544	544
Additions		87	87
Acquisitions	271		271
Unused provisions reversed		-514	-514
At 31 Dec 2018	**271**	**117**	**388**
of which			
current	221	117	338
non-current	50		50
Total	**271**	**117**	**388**

In thousands of EURO	Other provisions	**Total provisions**
At 1 Jan 2017		
Additions	544	544
At 31 Dec 2017	**544**	**544**
of which		
current	544	544
non-current		
Total	**544**	**544**

Other provisions include provisions related to onerous contracts and renovation. As at 31 December 2016, Adapteo had no provisions.

Accounting policy

Provisions are recognised when Adapteo has a present legal or constructive obligation as a result of past events, it is probable that a cash outflow will be required to settle the obligation and the amount can be estimated reliably. The unwinding of the discount to present value is included as interest expense within finance cost. Provisions are split between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (non-current).

Guarantee provisions are made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. Management estimates the provisions based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts. Provisions are booked for onerous contracts when the obligatory expenditure required to meet obligations exceeds the benefits yielded by the contract. Provisions are not recognised for any estimated future operating losses.

FINANCING AND CAPITAL MANAGEMENT

This section summarises Adapteo's net debt and how Adapteo manages its capital including liquidity management.

Adapteo's capital consists of equity and borrowings as shown on the balance sheet. Adapteo's capital has been managed as part of Cramo Group's capital management. Please refer to chapter 1.4 Principles applied in preparing the carve-out financial statements.

Adapteo's net debt items as at 31 December 2018, 2017 and 2016 are presented in the following table:

In thousands of EURO	Note	**2018**	**2017**	**2016**
Borrowings	19	380 561	101 243	75 748
Loan receivables	23	-224		
Finance lease receivables	21	-10 721		
Cash and cash equivalents	20	-2 377	-159	-434
Net debt		**367 238**	**101 084**	**75 314**

The following sets out an analysis of net debt and the movements in net debt for each of the periods presented.

				Borrowings				
In thousands of EURO	Cash and cash equivalents	Finance lease receivables	Loan recei-vables	Bank loans	Loans from Cramo Group	Finance lease liabili-ties	Other borro-wings	**Total**
Net debt at 1 Jan 2018	**-159**			**228**	**91 592**	**541**	**8 883**	**101 084**
Cash flows	-2 216	922*		145 982	15 156	-561	1 911	161 194
Acquisitions		-11 132	-221	63 655		704	54 518	107 525
Exchange differences	-2	-152	-3		-218		757	382
Other changes		-359		-202			-2 385	-2 946
Net debt at 31 Dec 2018	**-2 377**	**-10 721**	**-224**	**209 663**	**106 529**	**684**	**63 685**	**367 238**
Net debt at 1 Jan 2017	**-434**			**228**	**64 259**	**824**	**10 438**	**75 314**
Cash flows	260				27 647	-263		27 644
Exchange differences	15				-315	-20		-319
Other changes							-1 555	-1 555
Net debt at 31 Dec 2017	**-159**			**228**	**91 592**	**541**	**8 883**	**101 084**

*Included in the net cash inflow from operating activities.

19. Borrowings

Adapteo's borrowings during the years 2018, 2017 and 2016 consisted of related party financing loans from Cramo Group, finance lease liabilities and a collateralised loan. In addition, as at 31 December 2018 Adapteo had bank loan and convertible loan related to the financing of the NMG acquisition.

The carrying values of Adapteo's borrowings as at 31 December 2018, 2017 and 2016 are presented in the following table:

In thousands of EURO	2018	2017	2016
Non-current:			
Bank loans	209 663		202
Convertible loan	53 633		
Loans from Cramo Group	86 327	71 860	31 351
Collateralised loan		4 298	8 112
Finance lease liabilities	469	304	558
Total non-current borrowings	**350 093**	**76 463**	**40 222**
Current:			
Bank loans		228	26
Credit facility	3 577		
Loans from Cramo Group	20 202	19 731	32 908
Collateralised loan	6 475	4 584	2 326
Finance lease liabilities	215	237	266
Total current borrowings	**30 468**	**24 780**	**35 526**
Total borrowings	**380 561**	**101 243**	**75 748**

Bank loan and convertible loan

The acquisition of Nordic Modular Group in October 2018 was financed with a new EUR 210 million bridge loan and a SEK 550 million (EUR 52.9 million) convertible loan, refer to note 12 Acquisitions. The bridge loan has a maturity of two years and the interest is Euribor + 0.8% (0.8% interest rate floor).

The convertible loan has a maturity of 18 months and 5% fixed interest rate which is capitalised into loan principal. Adapteo measures the convertible instrument at amortised cost.

Covenants on bridge loan are monitored quarterly. The covenants are calculated from Cramo Group's consolidated financials.

The convertible loan agreement allows sellers of NMG, at Cramo's discretion, subscribe shares of Adapteo at the contemplated spin-off. If Adapteo is not span-off or an employee holder of the convertible loan has been given notice of termination of employment before the spin-off is made, Cramo shall repay each holder's loan in cash. In case of the contemplated spin-off, the number of shares will depend on the fair value of Adapteo share at the intended spin-off.

Loans from Cramo Group

Loans from Cramo Group represent loan balances owed by Adapteo entities to Cramo Plc that have been separately negotiated for Adapteo to meet its financing needs including cash pooling liabilities representing cash owed to Cramo as part of the centralised cash pool arrangements. These loan balances are considered as related party loans in these carve-out financial statements. All loans from Cramo Group are at floating rate and the weighted average interest rate of these related party loans was at a 2% level during 2018, 2017 and 2016.

At the date of the Demerger, these related party liability balances will be settled through the corresponding balances transferring from Cramo Plc to a new Adapteo parent company. In addition, pursuant to the demerger plan a portion of Cramo Plc's external debt will be transferred to Adapteo parent company in connection with the Demerger. These carve-out financial statements have not been adjusted to reflect such additional portion of Cramo Plc's external debt.

Please refer to note 27 Related party transactions.

Collateralised loan

In 2010, Adapteo entered into an arrangement whereby Adapteo received an advance payment for future lease payments related to a number of lease contracts, together with financing which is collateralised by a guaranteed residual value of the leased modules at the end of the lease terms. The arrangement has been recognised as a liability consisting of the received advance payments and the present value of the guaranteed residual value. The remaining portion of the contractually guaranteed residual value will be settled during 2019 either in cash or against the underlying leased modules.

Credit facility

At 31 December 2018 Adapteo's drawn down overdraft facility amounted to EUR 3.6 million. Available undrawn committed credit facilities amounted to EUR 6.0 million. Adapteo did not have credit facility arrangements in place during 2017 and 2016.

Finance lease liabilities

Adapteo has finance leases on certain vehicles and items of machinery. The length of these leases vary between three and five years. Finance lease liabilities mainly have floating rates based on market rates between one and three months. Adapteo's finance lease arrangements are located in Sweden and denominated in SEK. Table below reconciles the future minimum lease payments under finance leases by maturity as at 31 December 2018, 2017 and 2016 to the present value of the total future minimum lease payments.

Gross finance lease liabilities - minimum lease payments are:

In thousands of EURO	**2018**	**2017**	**2016**
Within one year	215	241	272
Later than one year but not later than five years	469	305	563
Total	**684**	**546**	**836**
Future finance charges on finance leases	2	5	12
Present value of minimum future finance lease payments	**682**	**541**	**823**

Accounting policy

Financial liabilities

Borrowings are recognised initially at fair value. Transaction costs are included in the initial measurement of the borrowings. Subsequently, borrowings are measured at amortised cost using the effective interest method. In the effective interest method, transaction costs related to borrowings are amortised over the term of the borrowings and recognised as finance costs as part of interest expense. Borrowings are derecognised when loan has been repaid or liability has been extinguished for example in connection with refinancing.

Adapteo classifies a liability as current if it the liability is due to be settled within twelve months after the reporting period; or it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Fees related to loan commitments are recognised as transaction costs to the extent that it is probable that the total loan commitment or a part of it will be raised. This means that the fee is recognised in the balance sheet until the loan is raised. In connection with the drawdown, the fee related to loan is recognised as part of the transaction costs against the loan balance. To the extent there is no evidence that it is probable that the loan will be raised, the fee is recognised as prepaid expense in respect of the liquidity related services and is accrued over the term of the commitment.

For the measurement policies of the fair values of all financial assets and liabilities, please see note 23.

Finance lease liabilities

The rental agreements concerning property, plant and equipment where Adapteo carries a significant share of the risks and rewards incidental to ownership are classified as finance lease contracts. Assets acquired through finance lease are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Property, plant and equipment acquired under finance leases are depreciated over the economic useful life of the asset or the lease term, if there is uncertainty about the acquisition of ownership at the end of the rental period. Lease payments are allocated between the liability and finance costs so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities are included in financial liabilities.

20. Cash and cash equivalents

Cash and cash equivalents amounted to EUR 2 377 thousand on 31 December 2018, EUR 159 thousand on 31 December 2017 and EUR 434 thousand on 31 December 2016.

Accounting policy

Cash and cash equivalents include cash in hand and demand deposits available at call. Cash and cash equivalents have original maturities of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash and cash equivalents are measured at amortised cost.

21. Finance lease receivables

Cramo acquired NMG as at 31 October 2018. NMG offers long-term leasing as an alternative to buying. These leases are classified as finance leases. The customers consist mainly of Swedish municipalities. The following table shows how the amount of the net investment in a finance lease (finance lease receivable) is determined:

In thousands of EURO	**31 Dec 2018**
Minimum lease payments	10 623
Unguaranteed residual value	2 969
Gross investment	**13 592**
Unearned finance income	-2 871
Net investment (finance lease receivable)	**10 721**

The following table presents the maturity of the gross investment amounts and the present value of minimum lease payments as at 31 December 2018:

In thousands of EURO	**Gross payments**	**Present value of lease (finance lease receivables)**
Within 1 year	5 388	5 243
1-5 years	6 354	4 913
After 5 years	1 850	565
Total	**13 592**	**10 721**

During the financial year 2018, the impact of change in lease terms due to lessees exercising extension options resulted as an increase of EUR 178 thousand in net sales.

Accounting policy

For those lease agreements of property, plant and equipment where Adapteo acts as lessor, that transfer to the lessee substantially all the risks and rewards of ownership are classified as finance leases and recognised as receivable in the balance sheet. The receivable is measured initially at an amount equal to the present value of the minimum lease payments. The rental income derived from these finance lease agreements is recognised on a straight-line basis for each period during the lease term so as to produce a constant periodic rate of interest on the asset. The interest income is presented as other operating income in the income statement.

Key judgement and estimates – Determining the lease term for finance leases where Adapteo is a lessor

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

22. Invested equity

Share capital and number of shares

As Adapteo Plc will be established as a result of the Demerger and carve-out financial statements are prepared with the principles described in note 1, no share capital is presented separately for historical periods. Cramo's shareholders will receive as demerger consideration one (1) share in Adapteo Plc for each owned Cramo share. The outstanding number of shares in Cramo at the date of this carve-out financial statements was 44 682 697 shares. Adapteo Plc's share capital of EUR 10,000,000 will be registered on the effective date of the Demerger.

Translation differences

Translation differences arise from the consolidation of the financial statements of subsidiaries outside the Euro zone.

23. Classification of financial assets and liabilities

Adapteo's financial assets consist of trade receivables, finance lease receivables and cash and cash equivalents. Financial liabilities consist of trade payables and borrowings described earlier. Fair values of financial assets and liabilities corresponds to their carrying values. Adapteo's borrowings and receivables are measured at amortised cost.

The following table presents Adapteo's financial assets and liabilities at 31 December during the years presented:

In thousands of EURO	Note	2018	2017	2016
Non-current financial assets at amortised cost:				
Finance lease receivables	21	5 478		
Loan receivables	14	224		
Total		**5 702**		
Current financial assets at amortised cost:				
Finance lease receivables	21	5 244		
Trade receivables	16	33 350	18 517	23 216
Cash and cash equivalents	20	2 377	159	434
Total		**40 971**	**18 676**	**23 650**
Total financial assets		**46 673**	**18 676**	**23 650**
Non-current financial liabilities at amortised cost:				
Borrowings	19	350 093	76 463	40 222
Total		**350 093**	**76 463**	**40 222**
Current financial liabilities at amortised cost:				
Borrowings	19	30 468	24 780	35 526
Trade payables	17	18 196	9 763	11 117
Total		**48 664**	**34 543**	**46 642**
Total financial liabilities		**398 757**	**111 005**	**86 865**

Determination of fair values

For borrowings, when the fair value is calculated for disclosure purposes, the fair value is based on discounted cash flows. The rate used for measurement is the rate which would apply for the Adapteo's new external financing and investments. The overall rate consists of a risk-free rate and the risk premium for the company. The fair value of lease contracts is computed by discounting the cash flows with a rate corresponding to similar contracts at the measurement date.

The fair value of trade receivables and trade payables corresponds to the cost. The effect of discounting is immaterial due to short maturity of these items. For borrowings, the fair values are not materially different to their carrying amounts, since the contractual interest on borrowings is close to current market rates.

24. Financial risk management

Adapteo has historically been part of Cramo Group and its financial risks have been managed centrally by Cramo Group's central treasury function in accordance with Cramo Group Treasury policy. The objective of the financial risk management is to minimise the negative effects on Adapteo's financial performance caused by changes in financial markets. In connection of the Demerger, Adapteo will set its own treasury function and develop its own financial risk management policies in order to maintain an effective risk management function.

Interest rate risk

Fluctuations in market interest rates have an effect on interest outflows and the fair value of interest-bearing receivables and loans payable. The objective of interest rate risk management is to mitigate the impact of interest rate changes on the combined income statement, balance sheet and cash flow, while also taking into account the market value of net debt.

Majority of Adapteo's borrowings are with variables interest rate which expose Adapteo to cash flow interest rate risk. Finance lease liabilities and receivables as well as convertible loan are at fixed rates and expose Adapteo to fair value interest rate risk.

If interest rates had been 1 percentage points higher with all other variables held constant, the impact to pre-tax profit for the year would have been EUR 1 284 thousand lower on 31 December 2018, EUR 157 thousand lower on 31 December 2017 and EUR 175 thousand lower on 31 December 2016. Interest rate level is so low that the decrease in interest rates would not have had any material impact on Adapteo's profit.

Adapteo's borrowings and their average interest rates are presented in note 19 Borrowings.

Currency risk

Adapteo operates internationally and is exposed to risks arising from foreign exchange rate fluctuations, primarily from exposures with respect to the Swedish krona. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations.

The objective of the foreign exchange risk management is to limit the uncertainties associated with foreign exchange rate fluctuations and their effect on Adapteo's combined profit, cash flows and balance sheet. Net sales of local entities are mainly carried out in the functional currency of those entities. Purchases are carried out both in euros and local currencies. The currency risk arising from sales and purchases is considered insignificant. Hence, according to the Treasury Policy, future purchase commitments are not hedged.

Related to the acquisition of NMG, Cramo entered in to a currency option agreement during July 2018, based on which it has option to purchase 1 500 million SEK with fixed rate. This amount corresponded the estimated consideration related to the acquisition. This arrangement ended as at 2 November 2018. Cramo Group entered into a swap and currency forward agreements with total amount of SEK 2 725 million. These arrangements were related to NMG acquisition and settled during 2018. There were no outstanding derivatives as at 31 December 2018.

At 31 December 2018, if the EUR had strengthened/weakened by 10% against SEK with all other variables held constant, the recalculated pre-tax profit for the year would have been EUR 4 million lower/higher mainly resulting from EUR 54 million SEK-nominated convertible loan (SEK 550 million) and Cramo Plc's EUR 98 million SEK-nominated internal loan receivable (SEK 1 001 million) from acquired NMG entities, allocated to Adapteo and eliminated in the consolidated financial statements. The loan and the receivable create offsetting risk positions. During 2016 and 2017 Adapteo did not have any significant SEK nominated receivables or liabilities that would cause transaction risk.

Translation risk is caused by the parent company's foreign currency denominated net investments in foreign subsidiaries. Translation differences are recognised in equity on consolidation. The most significant foreign currency net investments are denominated in Swedish krona. Other currencies do not create significant translation risk. Adapteo does not hedge translation risk.

Credit risk

Cramo Group's Treasury policy identifies counterparty credit rating requirements and principles of selling at credit to clients and investment transactions. Credits are granted to companies and private persons, which have proper credit information. Adapteo constantly monitors the credit status of its clients. Most of Adapteo's clients are municipalities and other public sector, low credit entities in stable economies.

The balance sheet values of receivables and cash and cash equivalents best correspond to the amount which is the maximum credit risk exposure without taking into account of value of any collateral. The manner Adapteo operates does not require obtaining of collateral in respect of trade and loan receivables. As at 31 December 2018, finance lease receivables amounting to EUR 11 million are considered as partly collateralised financing due to underlying leased modules. Trade receivables or finance lease receivables do not contain any significant concentration of credit risk.

The maturity structure of trade receivables, credit losses and change of provision for bad debt are presented below. Trade receivables are arising from large number of customers and are mainly denominated in EUR, SEK, NOK and DKK and therefore considered mitigating the concentration of risk.

Movements in the provision for impairment of trade receivables:

In thousands of EURO	**2018**	**2017**	**2016**
At 1 Jan – calculated under IAS 39	249	175	115
Amounts restated through opening retained earnings	12		
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	261	175	115
Increase in loan loss allowance recognised in profit or loss during the year	184	74	88
Receivables written off during the year as uncollectible	-301		-28
Business acquisitions	48		
At 31 Dec	**191**	**249**	**175**

Impairment of trade receivables 2018

Adapteo applies the simplified approach to providing for expected credit losses, which requires the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics based on geographical areas and the days past due.

The loss allowance as at 31 December is determined based on excpected credit losses ("ECL) as a combination of statistical model (collective assessment) and specific review (case-by-case analysis). The collective assessment applied uses external Probability of Default factors taking into consideration statistical data and forward-looking macroeconomic factors. Allowances in past due trade receivables relatively reflect the age of the receivable and applied Probability of Default factors. Allowances in ageing categories are followed-up on a statistical basis where indications of material changes exist. Secondly, Adopteo conducts a specific review, which is takes into account local, client specific consideration of collectability of the receivable.The specific review focuses on the expected credit losses on material trade receivables taking into consideration all relevant indications known.

Credit losses are recognised as an expense in other operating expenses.

Ageing analysis of trade receivables at 31 December 2018:

In thousands of EURO	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	**Total**
Trade receivables, not due at reporting date	0.01%	26 924	-1	26 922
Due 1-30 days	0.04%	3 220	-1	3 219
Due 31-60 days	0.05%	21	0	21
Due 61-90 days	1.13%	2 366	-27	2 340
Due 91-120 days	4.89%	435	-21	414
Due 121-180 days	5.02%	88	-4	84
Due 181-365 days	17.98%	211	-38	173
Due over 365 days	35.56%	274	-97	177
Total		**33 540**	**-191**	**33 350**

Ageing analysis of trade receivables at 31 December 2017 and 2016:

In thousands of EURO	2017	2016
Not due at reporting date	14 792	19 654
1 – 30 days overdue	2 967	1 716
31 – 60 days overdue	400	1 358
61 – 90 days overdue	134	253
91 – 180 days overdue	195	53
More than 180 days overdue	29	180
Total	**18 517**	**23 216**

Trade receivables are written off as uncollectible when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the debtor's insolvency, bankruptcy, liquidation or a failure to make contractual payments. If there are such indicators, Adapteo analyses the collectability of trade receivables case by case.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Before adoption of IFRS 9, impairment was recognised when there was objective evidence suggesting that impairment loss has been incurred. Impairment was recognised in other operating expenses.

Impairment of loan receivables, finance lease receivables and cash and cash equivalents

Adapteo uses general model to assess impairment loss for loan receivables, finance lease receivables and cash and cash equivalents.

Adapteo recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, Adapteo measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Despite the foregoing, Adapteo assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Adapteo has assessed that loan receivables, finance lease receivables and cash and cash equivalents have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider instruments to be 'low credit risk' when they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. To be concluded to be 'low credit risk' the counterparty should have a strong financial position and there should not be past due amounts. Based on the management assessment, the credit loss allowance for loan receivables, finance lease receivables and cash and cash equivalents is insignificant. For that reason, no credit loss allowance for them is recognized. The credit loss allowance need is followed-up on a regular basis.

Adapteo regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. Adapteo considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess that Adapteo compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Regardless of the above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery.

Adapteo has not historically had loan receivables, finance lease receivables or cash and cash equivalents with increased credit risk or which would have been written off due to events of default.

Refinancing risk and liquidity risk

Cramo Group Treasury manages the liquidity risk and ensures flexibility in funding by maintaining availability under committed credit lines. Cramo Group uses diverse financing sources and borrowings are primarily long-term.

Cramo Group has committed borrowing facilities or other lines of credit that it can access to meet liquidity needs. In order to decrease the refinancing risk the Cramo Group aims to diversify the maturity structure of its interest-bearing debt and negotiates new committed credit lines well in advance of need. Adapteo's cash management and financing is described in note 1.4.5 as part of the principles applied in preparing these carve-out financial statements.

At 31 December 2018, Adapteo had undrawn committed credit facilities related to NMG that amounted to EUR 5 980 thousand.

The table below analyses Adapteo's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturities of financial liabilities at 31 Dec 2018	Less than 1 year	1-2 years	2-5 years	**Total**	**Carrying value**
Bank loans	1 677	211 341		213 018	209 663
Convertible loan		57 656		57 656	53 633
Credit facility	3 605			3 605	3 577
Loans from Cramo Group	22 503	18 018	73 727	114 248	106 529
Collateralised loan	6 657			6 657	6 475
Finance lease liabilities	215	235	235	684	684
Trade payables	18 196			18 196	18 196
Total	**52 853**	**287 249**	**73 962**	**414 063**	**398 757**

Maturities of financial liabilities at 31 Dec 2017	Less than 1 year	1-2 years	2-5 years	**Total**	**Carrying value**
Bank loans	228			228	228
Loans from Cramo Group	21 623	15 456	60 416	97 494	91 591
Collateralised loan	5 175	4 480		9 655	8 882
Finance lease liabilities	241	305		546	541
Trade payables	9 763			9 763	9 763
Total	**37 030**	**20 241**	**60 416**	**117 686**	**111 005**

Maturities of financial liabilities at 31 Dec 2016	Less than 1 year	1-2 years	2-5 years	**Total**	**Carrying value**
Bank loans	26			26	228
Loans from Cramo Group	34 261	9 452	22 918	66 631	64 258
Collateralised loan	3 056	4 404	4 480	11 941	10 438
Finance lease liabilities	272	249	314	836	824
Trade payables	11 117			11 117	11 117
Total	**48 732**	**14 106**	**27 713**	**90 550**	**86 865**

OTHER NOTES

This section of the notes includes other information that must be disclosed to comply with accounting standards and pronouncements.

25. Collaterals and contingent liabilities

Adapteo has the following off–balance sheet commitments as at 31 December 2018, 2017 and 2016:

In thousands of EURO	**2018**	**2017**	**2016**
Collateral given on own behalf			
Debts, secured by collateral			
Finance lease liabilities	684	541	824
Collateralised loan	5 806	6 487	6 119
Collateral given			
Pledges, finance lease	682	1 417	1 724
Pledges, collateralised loan	4 727	7 476	7 910
Other commitments			
Investments	17 559	8 084	18 921
Other contingent liabilities	843	800	800

Operating lease commitments

Adapteo has entered into commercial lease agreements on rental machinery and vehicles with the maximum maturity of five years, and premises with the maximum maturity of 20 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows as at 31 December 2018, 2017 and 2016:

In thousands of EURO	**2018**	**2017**	**2016**
Within one year	2 608	1 256	924
Later than one year but not later than five years	12 113	9 577	8 343
Later than five years	1 080	1	1
Total	**15 801**	**10 834**	**9 268**

Accounting policy

Leases in which a significant part of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Operating lease and rental payments are recognised as an expense in profit and loss over the lease on a straight-line basis.

A contingent liability is a possible obligation, incurred as a result of earlier events, whose existence is confirmed only when an uncertain event outside the control of Adapteo is realised. An existing liability that is not likely to require the fulfilment of the payment obligation or whose amount cannot be reliably measured is also considered a contingent liability.

26. Adapteo entities and foreign currency translation

Adapteo legal entities as at 31 December 2018 are as follows.

Company name		Domicile		Holding, %
Subsidiaries owned by parent company				
Adapteo Holding AB (formerly Nordic Modular Group Holding AB) ("NMG"):	1)	Upplands Väsby	Sweden	100%
Temporent AB		Upplands Väsby	Sweden	100%
Temporent Oy		Porvoo	Finland	100%
Temporent AS		Skedsmokorset	Norway	100%
Temporent A/S		Valby	Denmark	100%
Flexihus Rent i Sverige AB		Stockholm	Sweden	100%
Flexator AB		Nässjö	Sweden	100%
Flexator Leasing AB (formerly Nordic Modular Leasing AB)		Nässjö	Sweden	100%
Adapteo Services AB (formerly Nordic Modular Group AB)		Upplands Väsby	Sweden	100%
Adapteo Finland Oy (formerly Cramo Adapteo Oy)	2)	Vantaa	Finland	100%
Adapteo AB (formerly Cramo Adapteo AB)		Solna	Sweden	100%
Adapteo AS (formerly Cramo Adapteo AS)	3)	Hokksund	Norway	100%
Adapteo A/S (formerly Cramo A/S)	4)	Greve	Denmark	100%
Adapteo GmbH (formerly Cramo Adapteo GmbH)		Frankfurt	Germany	100%

1) NMG was acquired on 31 October 2018.

2) Cramo Adapteo Oy as from 1 June 2018, and Adapteo business included in Cramo Finland Oy from 1 January 2016 to 31 May 2018.

3) Cramo Adapteo AS as from 1 July 2018, and Adapteo business included in Cramo AS from 1 January 2016 to 30 June 2018.

4) Cramo A/S as from 1 September 2017, and Adapteo business included in Cramo A/S from 1 January 2016 to 31 August 2017 (equipment rental business included in the legal entity Cramo A/S was divested on 31 August 2017).

Adapteo entities has ownership in the following joint venture as at 31 December 2018. See more in note 14. Adapteo has no associated companies.

Joint venture	Domicile		Holding, %
Ungabostäder Haninge AB	Stockholm	Sweden	50%

Accounting policy

Subsidiaries

The carve-out financial statements include the allocated portion of the parent company Cramo Plc, and those subsidiaries over which Adapteo has control. Adapteo has control of an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and Adapteo has ability to affect those returns through its power over the investee. All the facts and circumstances shall be considered when assessing the control. The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes of the elements of control. Control means that the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's return. Acquired subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. Adapteo has 100 percent control over all its subsidiaries.

Intercompany items

All Adapteo's intercompany transactions, receivables, liabilities and unrealised gains, as well as its internal profit distribution are eliminated; unrealised losses are also eliminated unless the costs cannot be recovered.

Foreign currency translation

Items concerning the performance and financial position of Adapteo entities are measured using the currency of the primary economic environment in which the entities operate i.e. the functional currency. The combined financial information is presented in euros, which is the functional and presentation currency of the parent company.

Foreign currency transactions are recorded in the functional currency using the rate of exchange prevailing at the transaction date. In practice, it is often necessary to use a rate that is close to the rate of the transaction date. Foreign currency monetary items are translated into the functional currency using the rates of the last trading day of the reporting period. Foreign currency non-monetary items, which have been recognised at fair value, are translated into the functional currency using the rate of fair value measurement date. Otherwise, non-monetary items are translated using the rate of the transaction date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the combined statement of comprehensive income. The foreign exchange gains and losses from operating activities are included in the respective items above operating profit. The foreign exchange gains and losses related to financing items are included in the finance income and finance costs.

Translating the financial statements of foreign entities

Income statements of foreign entities are translated into euros at the weighted average exchange rates for the year, while balance sheets are translated using the exchange rates of the last trading day of the reporting period. The translation of the profit (loss) for the period using different rates in the combined income statement and the balance sheet causes a translation difference, which is recognised in equity and whose adjustment is recognised in other comprehensive income items. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of the accumulated equity items after the acquisition are recognised in other comprehensive income items. When the control over a subsidiary changes, the accumulated translation differences are recognised as part of gain or loss. Fair value adjustments and goodwill arising from acquisitions of foreign entities are treated as assets and liabilities of the foreign entities in their functional currency. They are translated into euros at the rate of the last trading day of the reporting period.

27. Related party transactions

Adapteo's related parties include the parent company Cramo Plc, Cramo Group companies other than Adapteo entities and a joint venture. Related parties also include key management personnel and their close family members as well as entities controlled by these persons.

The key management personnel include Cramo's management team and the members of the Board of Directors. As Adapteo has not had separate management team and separate Board of Directors during the periods presented a share of employee benefits of Cramo's key management has been allocated to Adapteo and recognised in these carve-out financial statements.

Adapteo's transactions with Cramo Group companies

Transactions and balance sheet items with other Cramo Group companies previously considered as intercompany transactions and eliminated in Cramo reporting have been treated as transactions with related parties in these carve-out financial statements.

Related party transactions in the combined income statement:

In thousands of EURO	2018	2017	2016
Net sales	1 053	558	518
Purchases	457	29	
Interest expenses	-1 821	- 1 781	-1 167

Adapteo's sales to Cramo Group companies comprise of sales of modular buildings. Adapteo's purchase from Cramo Group companies in its ordinary course of business comprise of purchase of modular buildings and leasing of centrally owned fleet. Trade and other receivables and trade and other payables comprise of items arising in the ordinary course of business.

In addition to above, Cramo Plc have equity and financing transactions with Adapteo which have led into the recognition of receivables and payables with Cramo Group as presented in the table below. Short-term and long-term borrowings represent loan balances owed by Adapteo to Cramo Plc that have been arranged for Adapteo to meet its financing needs. Interest expenses comprise of interest on Cramo's financing to Adapteo.

Related party transactions as at 31 December:

In thousands of EURO	2018	2017	2016
Loans from Cramo Group	106 529	91 591	64 259
Receivables	361	160	22
Payables	1 150	357	182

Equity transactions made with Cramo Group has been presented in the statement of changes in invested equity.

Loans to related parties

At 31 December 2018 Adapteo had a EUR 224 thousand loan receivable from a joint venture Ungabostäder Haninge AB. In 2018 no amortisation has been made from this loan. At 31 December 2016 and 2017 Adapteo had no joint ventures. More information on joint ventures is presented in note 14.

Key management remuneration

Since Adapteo has not had separate management team during the periods presented the following table presents the share of employee benefits of Cramo's key management allocated to Adapteo and recognised in these carve-out financial statements:

Key management remuneration:

In thousands of EURO	2018	2017	2016
Salaries, bonuses and fringe benefits	350	353	408
Termination benefits	77	66	84
Post-employment benefits	42	42	17
Share-based payments	116	128	110
Total	**585**	**590**	**618**

As Adapteo has not had separate Board of Directors, no remuneration of the Board of Directors has been presented. As Adapteo did not operate as a stand-alone public company during the historical periods, the amounts presented above are not indicative of Adapteo's key management compensation in the future.

28. Audit fees

In thousands of EURO	2018	2017	2016
Authorised Public Accountants KPMG			
Audit fees	117	87	77
Tax consultation	4	20	5
Other services	55	35	14
Total	**177**	**142**	**96**
Other audit companies			
Audit fees	8	6	5
Tax consultation			1
Other services	1	1	
Total	**8**	**7**	**6**
Total audit fees	**185**	**148**	**102**

29. New and forthcoming accounting standards

New and amended standards applied in the financial year end 2018

Adapteo has applied as from 1 January 2018 the following new and amended standards that have come into effect.

- IFRS 15 Revenue from Contracts with Customers. The new standard replaced current IAS 18 and IAS 11 standards and related interpretations. IFRS 15 is applied for the assembly and other services in Adapteo, which represent approximately a quarter of Adapteo revenue. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. The standard introduced also extensive new disclosure requirements.

  The transition into IFRS 15 did not have material effects on Adapteo's result or financial position.

  Reallocation of transaction price lead to larger relative share of assembly and other services compared to the previous accounting standards. The changes also lead to assembly and other services to be recognised in somewhat earlier stage than before. In accordance with the IFRS 15 requirements, Adapteo presents the contract balances related to sales agreements as netted. IFRS 15 also increased the amount of disclosures.

  Adapteo has applied the cumulative effect approach of IFRS 15 standards transition option, meaning that open contracts at 1 January 2018 were restated into IFRS 15 and cumulative effect of the change was recorded against retained earnings. The impact increased the retained earnings as at 1 January 2018 by EUR 0.3 million, decreased trade and other receivables by EUR 3.2 million and increased trade and other payables by EUR 2.9 million. For more information on impacts of IFRS 15 standard, see note 3 Sources of revenues.

- IFRS 9 Financial Instruments and its amendments (effective for financial years beginning on or after 1 January 2018). IFRS 9 replaced the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The guidelines for calculation of amortised cost of modified financial liabilities according to IFRS 9 was clarified in the fall of 2017. The clarification states that the amortised cost of modified financial liabilities shall be done by discounting the contractual cash flows using the original effective interest rate.

  The application of IFRS 9 had slight impact on the credit loss accounting of Adapteo by increasing credit loss allowance and decreasing the retained earnings at 1 January 2019 by EUR 12 thousand. For more information on the credit loss accounting, see note 24 Financial risk management.

- Amendments to IFRS 2 Share-based payments - Clarification and Measurement of Share-based Payment Transactions* (effective for financial years beginning on or after 1 January 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The cash-settled share-based payments are valued at grant-date fair value and recognised against the retained earnings. Previously the cash-settled share-based payments have been valued at the period end-fair value and recognised as liabilities.

  The impact increased the retained earnings and decreased non-current other liabilities as at 1 January 2018 by EUR 0.4 million.

Other new or amended standards and interpretations have no impact on Adapteo's carve-out financial statements.

Adoption of new and amended standards and interpretations applicable in future financial years

Adapteo has not yet adopted the following new and amended standards and interpretations already issued by the IASB. Adapteo will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- IFRS 16 Leases – effective since 1 January 2019. The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is mostly similar to current finance lease accounting according to IAS 17. There are two exceptions available; these relate to either short-term contracts in which the lease term is 12 months or less, or to low value items. The lessor accounting remains mostly similar to current IAS 17 accounting. The impact of IFRS 16 on Adapteo’s carve-out financial statements was analysed both from lessee’s and lessor’s perspective. The impact for lessee accounting is considered to be immaterial, sligthly increasing balance sheet assets and liabilities.

  As lessor, the accounting remains materially unchanged compared to the current IAS 17 standard. However, from the date of IFRS 15 adoption as described above, the relative stand-alone selling price allocation between lease revenue and rental-related service sales of customer contracts will change the amount of revenue recognised between these components. This change is not expected to be material over time.

  Adapteo estimates that IFRS 16 has an insignificant impact on its balance sheet as lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use-asset for virtually all lease contracts. Adapteo has several types of operative lease contracts according to current IAS 17. These include among others depot and premises contracts with varying non-cancellable lease periods, operative car lease contracts, and different types of machines financed through operative lease contracts. Depot and premises lease contracts brought to the balance sheet cause the largest impact at IFRS 16 transition.

  Profit for the year of Adapteo will not be materially affected over time, and changes impacting the presentation of Adapteo’s income statement between lines as e.g. other operating expenses will slightly decrease while depreciation of property, plant and equipment will slightly increase and interest on lease liabilities will slightly increase. These changes will slightly increase EBITDA and have a lesser impact on EBITA and EBIT. The cash flow statement will be affected by change between operating and financing cash flows.

  As a lessee, Adapteo will apply the two exceptions of IFRS 16: for the short-term contracts in which the lease term is 12 months or less (except land and buildings which are still activated on the balance sheet although short-term), and to low value items. Adapteo has decided to apply the non-retrospective transition rule of IFRS 16, according to which the cumulative effect of IFRS 16 will be recognised as an adjustment to opening balance at the transition date, 1 January 2019.

  As at 31 December 2018, Adapteo has non-cancellable operating lease commitments of EUR 15.8 million, as disclosed in note 25 Collaterals and contingent liabilities. Adapteo estimates that approximately five to ten percent of these relate to payments for short-term and low-value leases that will be recognised on a straight-line basis as an expense in profit or loss, with the exception of short-term leases of depots and premises that will be activated on the balance sheet based on their land and buildings asset classes. Agreements treated as commitments, however, differ from the lease agreements determined by IFRS 16, and thus the amount of agreements that will be booked on the balance sheet differs from these commitments caused by different factors explained below.

There are differences between definitions of formerly reported off-balance sheet commitments and IFRS 16 lease liabilities. Adapteo has identified the most material differences to consist of discounting of lease liabilities compared to nominal amounts in commitments, definition of lease term including especially treatment of open-end contracts and extension options mostly outside commitments and utilising the two IFRS 16 exemptions mostly recognised in commitments. Discounting of IFRS 16 liabilities decreases the impact compared to commitments that are reported as nominal values, and similarly, utilising the two IFRS 16 exemptions basically out-scopes many agreements from IFRS 16 lease liabilities that are reported in commitments, these differences decreasing materially the amount of IFRS 16 lease liabilities compared to off-balance sheet commitments. On the other hand, the accounting treatment in IFRS 16 for lease term is different than off-balance sheet liabilities where only unconditional liabilities are reported, and these do not then include IFRS 16 items such as expected use of extension or purchase options and open-end lease contracts. These differences in accounting rules increase IFRS 16 lease liability compared to former off-balance sheet commitments.

IFRS 16 entries will be booked to opening balance as of 1 January 2019. The preliminary amounts of right-of-use assets and lease liabilities to be booked to opening balance sheet amount to EUR 16 million. Lease liabilities opening balance will be slightly lower compared to right-of-use assets because of the prepayments before the standard effective date that only decrease opening balance lease liability. Deferred tax assets and liabilities are not initially recognised as in IAS 17 finance leases as they will be recognised over time when lease agreements run out causing temporary differences between right-of-use assets and lease liabilities.

- IFRIC 23 Uncertainty over income tax treatments (effective for financial years beginning on or after 1 January 2019). The interpretation clarifies the accounting treatment in situations where the tax treatment is not yet approved by the tax authorities. The essential question is to evaluate whether the tax authorities will accept each tax treatment that is used or planned to be used in the income tax filing. The interpretation will not have material impacts on Adapteo's financial statements.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019). The changes will allow instruments with symmetric prepayment to qualify for amortised cost or fair value through other comprehensive income. The interpretation will not have material impacts on Adapteo's financial statements.

- Annual Improvements to IFRSs (2015-2017 cycle) (effective for financial years beginning on or after 1 January 2019). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to the following standards: IFRS 3, IFRS 11, IFRS 2, IAS 12 and IAS 23. The standards will not have material impact on Adapteo's financial statements.

30. Events after the balance sheet date

On 18 February 2019 Cramo Plc announced that its Board of Directors, having assessed the strategic alternatives for Cramo's Modular Space business, has approved a demerger plan concerning a partial demerger of Cramo. The purpose of the Demerger is to execute the spin-off of Cramo's Modular Space business, which mainly consists of modular space rental and rental-related service operations, so that it will form a new independent group of companies.

On 29 March 2019 Cramo Plc announced that it has signed a new EUR 500,000,000 loan agreement for Adapteo Plc with OP Corporate Bank plc, Danske Bank A/S and Nordea Bank Abp acting as mandated lead arrangers. The loan consists of a EUR 400,000,000 term loan and a EUR 100,000,000 revolving credit facility. The repayment date of the facilities is in 2022 but, at the consent of the lenders, the maturity of the revolving credit facility can be extended by twelve months. The loan agreement contains two financial covenants: leverage ratio and interest coverage ratio. The loan agreement shall be transferred to Adapteo Plc upon the completion of the demerger, which is expected to take place on or about 30 June 2019.

The convertible loan amounting to EUR 53 million with the accrued interests was repaid in April 2019 and at the same time, a new loan with the same amount was withdrawn.

Cramo will hold the EGM concerning the demerger on 17 June 2019. The EGM shall resolve on the demerger and other Board proposals based on the demerger plan.

The Board of Directors of Cramo proposes to Extraordinary General Meeting of Shareholders, that Peter Nilsson be elected as the Chairman and Carina Edblad, Leif Gustafsson, Outi Henriksson, Andreas Philipson and Joakim Rubin as members of the Board of Directors of Adapteo.

The Board of Directors of Cramo has appointed Philip Isell Lind af Hageby the President and CEO of Adapteo and Executive Vice President, Rental Space Business Area upon the completion of demerger. Furthermore, the following persons have been appointed to constitute Adapteo’s Group Management Team together with the President and CEO, with effect upon the completion of the Demerger: Timo Pirskanen as the CFO, Björn Kölerud as Interim Executive Vice President, Permanent Space Business Area, Simon Persson as Senior Vice President, HR Development, Teemu Saarela as Senior Vice President, Corporate Development and Hanna Wennberg as Senior Vice President, Marketing and Communications.

31. Signing of the Carve-out Financial Statements

THE BOARD OF DIRECTORS AND CEO

In Vantaa 2 June 2019

Veli-Matti Reinikkala	*Andrew P. Studdert*	*AnnaCarin Grandin*	*Peter Nilsson*
Joakim Rubin	*Raimo Seppänen*	*Christian Bubenheim*	

Leif Gustafsson
CEO