PWT GROUP

ANNUAL REPORT 2018

PWT GROUP A/S | BUSINESS REGISTER NO. 31 08 16 10

The annual report has been presented and adopted at the Company's Annual General Meeting on 29 May 2019.

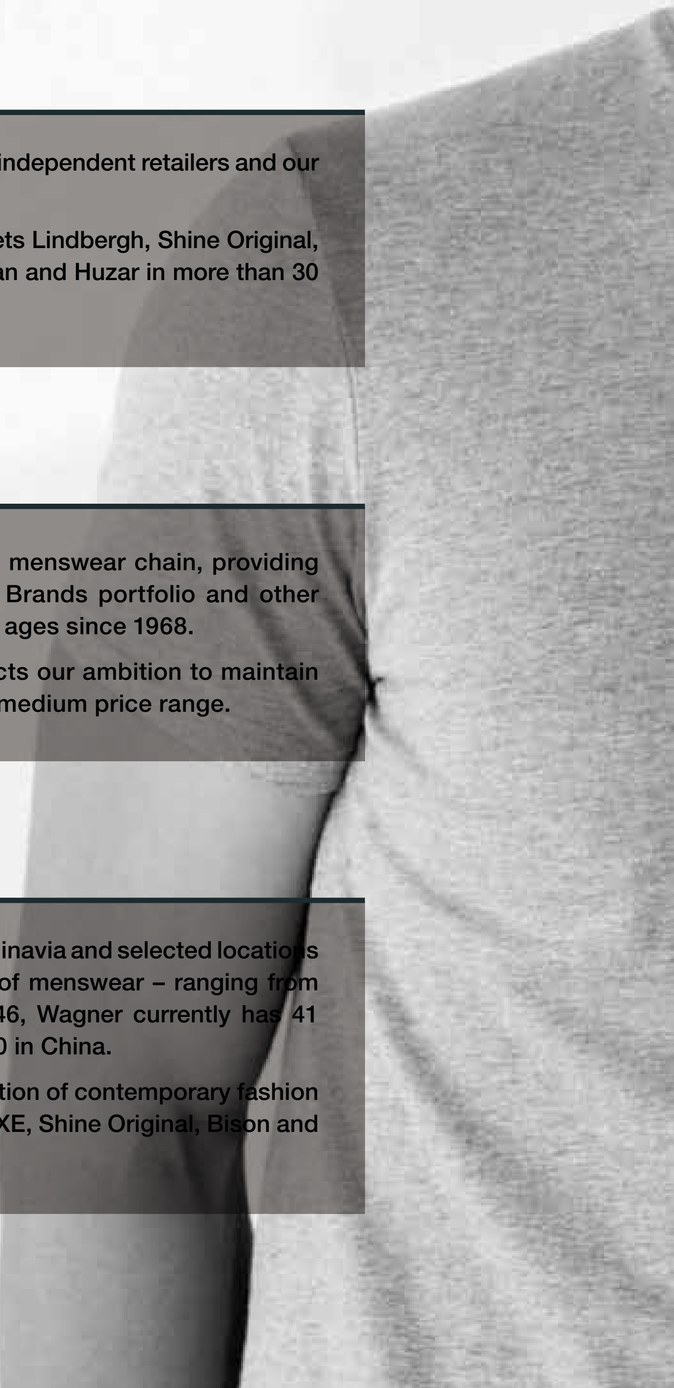
CHAIRMAN
Mark Jensen

PWT GROUP

We dress fashion-conscious men in quality clothing from our wholesale company PWT Brands and our two leading menswear chains Wagner and Tøjeksperten.

With seven well-known menswear brands, 197 stores in Denmark, Norway, Sweden and China and attractive web shops, we stand out and provide fashion at a fair price – anytime and anywhere.

PWT Group has more than 500 employees and is owned by Polaris Private Equity and the company's Management and Board of Directors, among others.



PWT BRANDS

Our seven strong brands are sold by more than 1,000 independent retailers and our own retail chains Tøjeksperten and Wagner.

From our headquarter in Aalborg, PWT Brands markets Lindbergh, Shine Original, JUNK de LUXE, Bison, Jacks Sportswear Intl., Morgan and Huzar in more than 30 countries through stores and web shops alike.

TØJ eksperten

With 115 stores, Tøjeksperten is Denmark's largest menswear chain, providing quality clothing and strong brands from the PWT Brands portfolio and other external designers for fashion-conscious men of all ages since 1968.

The careful selection of products and brands reflects our ambition to maintain Tøjeksperten as the leading menswear chain in the medium price range.

WAGNER

A growing and comprehensive store network in Scandinavia and selected locations in China form the foundation for Wagner's offering of menswear – ranging from trendy denim to classic fashion. Established in 1946, Wagner currently has 41 stores in Denmark, 17 in Norway, 6 in Sweden and 10 in China.

The chain offers an outstanding and affordable selection of contemporary fashion and strong brands including Lindbergh, JUNK de LUXE, Shine Original, Bison and Jacks Sportswear Intl.

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THE COMMENTARY

MISSION

" WE DRESS MEN"

VISION

Maintain our market leading position on the Danish menswear market

Gain a dominant position on the Scandinavian market for menswear

Build a significant market position for chosen brands on selected export markets

KEY NUMBERS*

REVENUE

828 M DKK

(1,111 M DKK)

EBITDA

138 M DKK

(102 M DKK)

EBITDA MARGIN

16.6%

(9.1%)

SOLVENCY RATIO

39.7 %

(51,7 %)

*PWT Group has in 2018 adapted the accounting standard IFRS 16. Prior-year figures cover 15 months as PWT Group has changed its accounting year to follow the calendar year.

PWT GROUP PLATFORM

FINANCIAL AMBITIONS

- GROUP EBITDA MARGIN OF **22%** (INCL. IFRS 16)
- EXTERNAL REVENUE GROWTH OF **10%** ANNUALLY IN PWT BRANDS
- CONTINUED MARKET SHARE GROWTH IN OUR RETAIL CHAINS

WORD FROM THE CEO
– A YEAR OF CHANGE AT PWT GROUP

2018 was a busy year at PWT Group as we worked hard to re-calibrate our product offering, strengthen our customer focus and establish a physical and digital platform poised for profitable growth in the coming years. We did not achieve the targets set out for our business during the year as we faced headwinds in the retail chains and our brand and wholesale business, PWT Brands.

In short, revenue growth did not materialise as we had expected. This took its toll on underlying profitability* as the organisation's production and sales capabilities were scaled for continued growth in the first half of the year. We adjusted operating costs during the year and completed two savings plans, which reduced the cost level towards the turn of the year and were followed by a third savings initiative launched in the first quarter of 2019.

These cost reduction initiatives were combined with organisational changes implemented in early 2019, anchoring all production-related activities in one department responsible for development, sourcing, communication and merchandising. In addition, we acquired the Norwegian retail chain Brandstad with 15 stores effective 1 March 2019 and reorganised the Group's sales activities in three distribution channels focused on retail, wholesale and online.

The new structure strengthens alignment between design, sourcing and sales activities to accommodate customer demand and ensure a satisfactory level of profitability. The changes were implemented following targeted efforts during 2018 to lower the share of entry price products and reduce the overall number of designs in our collections, while focusing on optimisation, simplification and improved cooperation across the business.

Our strengthened organisation will build on these efforts and investments made in 2018 to improve the Group's omni-channel and online sales setup. We completed the installation of touch screens in all retail stores to provide customers with instant access to a much wider product catalogue and enable online sales from the physical stores with direct delivery from our central warehouse. The digitalisation of PWT Group is progressing to plan, and our omni-channel and online sales grew at a satisfactory pace in 2018. We invested in a new and highly automated central logistics center and warehouse management system to support the digital development by improving flexibility and service level while simultaneously enabling flawless day-to-day deliveries to our customers.

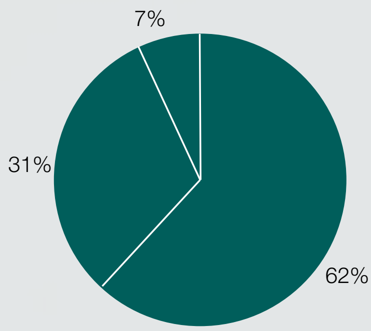
While we did not meet our targets for 2018, we are seeing the initial results of the re-calibration of our product range, investments in digitalisation and the strengthening of our organisation. Based on a strong order book, the sharpened focus on customer demand, an improved contribution margin and completed cost reductions, we expect to improve profitability and maintain our leading position in Denmark in 2019.

Ole Koch Hansen
CEO

*Excluding IFRS 16 adjustments, cf. note 1 page 61.

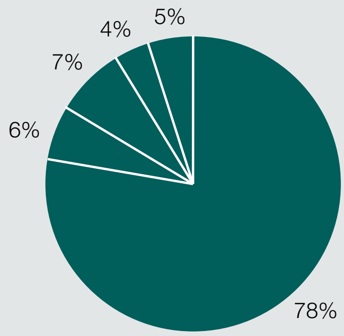
THE NUMBERS

REVENUE
SEGMENTS



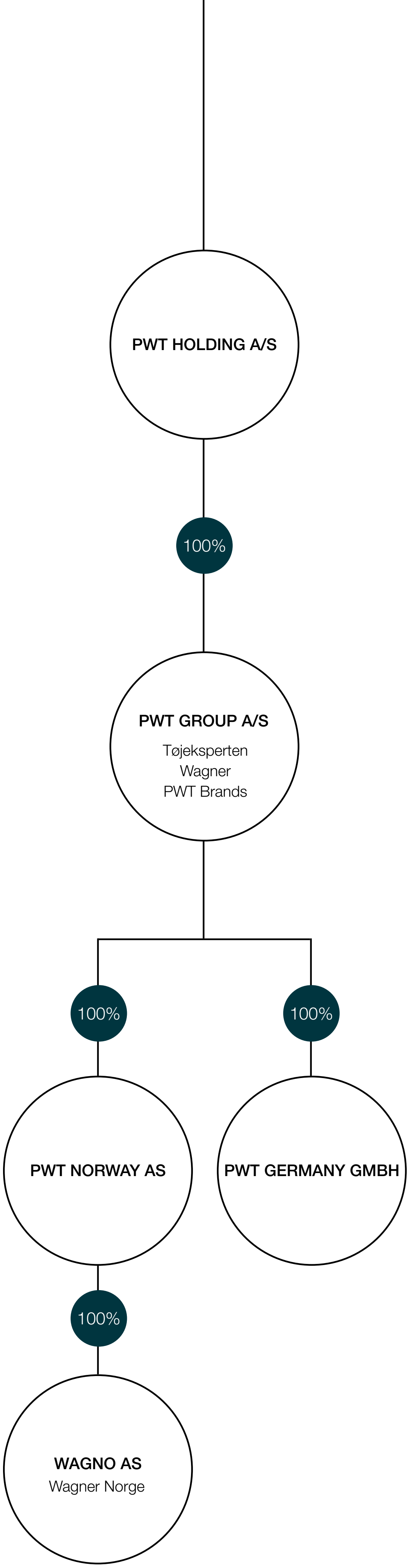
Retail Denmark	**62%**
Wholesale worldwide	**31%**
Other units	**7%**

REVENUE
GEOGRAPHICAL



Denmark	**78%**
Norway	**7%**
Sweden	**6%**
Germany	**4%**
Other	**5%**
Total	**100%**

	REVENUE	COUNTRIES	RETAILERS/ STORES	NUMBER OF EMPLOYEES
PWT BRANDS		**TOTAL** Independent Retailers	**900**	**162** EMP
TØJ eksperten		**TOTAL** Denmark	**115** 115 (53 franchises)	**254** EMP
WAGNER		**TOTAL** Denmark Norway Sweden China	**82** 41 (19 franchises) 17 (1 franchise) 6 (4 franchises) 10 (Joint venture)	**135** EMP
TOTAL PWT	**828** M DKK	**197** STORES	**900** RETAILERS	**551** EMP



MANAGEMENT COMMENTARY

GROUP ACTIVITIES

PWT Group is a leading Scandinavian menswear business, which owns and operates the two menswear chains, Tøjeksperten and Wagner, and the international brand and wholesale company within menswear, PWT Brands.

PWT Group's two retail chains are operated under separate names and focus on different target groups as the strategy also sets out to further optimise management and back office functions handling procurement, marketing and administration in order to capitalise on synergies and obtain economies of scale.

Tøjeksperten is the largest menswear chain in Denmark with 115 shops across the country, of which 62 are owned by the Group, while 53 are franchises. Tøjeksperten focuses on quality clothing for fashion-conscious men of all ages and sells both its own and external brands.

Wagner has 41 shops in Denmark, 17 in Norway and 6 in Sweden. 22 Danish, 16 Norwegian and 2 Swedish shops are owned by the Group, while 19 Danish shops, 1 Norwegian and 4 Swedish are franchises. Wagner primarily sells the Group's own brands.

PWT Brands is an international brand and wholesale company offering distinctive brands with a full product range within menswear. PWT Brands develops, produces and sells a wide range of strong brands – Lindbergh, Shine Original, Bison, JUNK de LUXE, Morgan and Jack's Sportswear Intl., which i.a. are sold by the Group's own two retail chains. In addition, the Group's brands are sold by more than 900 independent retailers in 30 countries.

Important notices on comparison figures and implementation of IFRS 16

The Annual Report covers 1 January – 31 December 2018, whereas comparison figures for the 2016/17 financial year cover a period of 15 months (1 October 2016 – 31 December 2017) and include two peak seasons.

PWT Group has adopted the accounting standard IFRS 16 Leases, which supersedes IAS 17 Leases, in the Annual Report 2018. IFRS 16 eliminates the classification of leases as either finance leases or operating leases, which were not reported on the balance sheet (so-called ‘off balance sheet leases’).

Under IFRS 16, these leases are ‘capitalised’ by recognising the present value of the lease payments as a financial liability. PWT Group’s statement of comprehensive income and balance sheet are significantly affected by the implementation of IFRS 16:

- Operating costs are reduced as leasing expenses to premises, among other things, are recognised as depreciation charges and financial expenses, entailing increases of EBITDA by DKK 98 million and EBIT by DKK 4 million.

- This effect is outweighed by a DKK 94 million increase in depreciation and a DKK 12 million rise in financial expenses, entailing a reduction of the Group’s profit before tax by DKK 8 million.

- The Group’s total assets and liabilities increase by DKK 324 million driven by former ‘off balance sheet leases’ (mainly rent obligations with duration of more than 12 months) being recognised as an asset and a corresponding lease liability.

For a more detailed overview of the effects of IFRS 16 implementation, please see note 1/ p. 65.

Performance in the financial year under review

PWT Group’s business performance was unsatisfactory in 2018 as the retail chains and wholesale business posted lower revenue and gross profit. Despite this reduced contribution, the Group’s operating profit (EBITDA) saw a strong increase as operating costs declined sharply due to the implementation of IFRS 16, entailing reclassification of rental payments as depreciation charges and financial expenses.

Total revenue declined to DKK 828 million in 2018 from DKK 1,111 million in the 15-month comparison period, which included two peak seasons. Revenue was further impeded by a significantly lower contribution from the Group’s wholesale business and slightly slower performance in the retail chains, while the online business accelerated its positive development and accounted for a larger share of Group revenue in 2018.

The Group’s operating profit (EBITDA) increased strongly to DKK 138 million corresponding to an EBITDA margin of 16.6% in 2018 against EBITDA of DKK 102 million and an EBITDA margin of 9.2% in the 15-month comparison period. The earnings and profitability progress was driven solely by the adoption of IFRS 16 and reclassification of rent payments to depreciation and financial expenses, entailing a DKK 98 million improvement of EBITDA as illustrated in note 1 on page 65. The business’ underlying profitability was lower due to the decline in revenue and gross profit as operating cost were largely unchanged in 2018 following increasing costs levels in the first half of the year and completion of cost savings that had initial effects in the second half with no detrimental impact on the Group’s production or sales capabilities. In addition, PWT Group saw continued effects of an unsatisfactory product mix with a larger share of products at lower price points compared to recent years. The cost saving initiatives completed during 2018 entailed a reduction of the number of full time employees from 594 to 558 at the end of the year, and further steps have been taken to recalibrate the product mix.

The ‘Retail Denmark’ segment – comprised of retail chains Tøjeksperten and Wagner – generated revenue of DKK 511 million in 2018 against DKK 701 million in the 15-month comparison period, which included two peak seasons. Performance was relatively stable in Tøjeksperten, whereas Wagner’s contribution to Group revenue was further impeded by changes in the store network, including conversion of Wagner stores to Tøjeksperten stores. Following a significant positive effect of implementation of IFRS

16, the two Danish retail chains delivered operating profit (EBITDA) of DKK 85 million and an EBITDA margin of 16.6% in 2018 against EBITDA of DKK 76 million in the 15-month financial year 2016/17 corresponding to an EBITDA margin of 10.8%. While the retail chains' underlying business development and profitability was unsatisfactory in 2018, the two chains maintained a strong market position and a solid basis for a substantial earnings increase when the effects of cost savings completed in 2018 and early 2019 materialise.

The Group's 'Wholesale Worldwide' segment, PWT Brands, reported a decline in revenue to DKK 506 million in 2018 from DKK 614 million in the 2016/17 financial year covering 15 months and two peak seasons. Operating profit (EBITDA) increased slightly to DKK 36 million corresponding to an EBITDA margin of 7.2% in 2018 from an EBITDA of DKK 35 million corresponding to an EBITDA margin of 5.6% in the 15-month comparison period. The progress was driven by implementation of IFRS 16, and the Group's underlying profitability was unsatisfactory due to lower revenue and gross profit as well as a moderate increase in operating costs as the organisation was geared for higher sales.

The 'Other units' segment comprises online business B2C, retail outside Denmark and Group eliminations. The segment's external revenue declined to DKK 58 million in the shorter 2018 financial year from DKK 100 million 2016/17, while operating profit (EBITDA) increased to DKK 16 million due to IFRS 16 adoption in 2018 against DKK -9 million in the comparison year.

The Group's depreciation charges increased significantly to DKK 124 million in 2018 from DKK 29 million, predominantly driven by a DKK 94 million effect of implementation of IFRS 16.

Financial expenses came to DKK 31 million in 2018 against DKK 37 million in the 15-month comparison period, which was impacted by costs related to the Group's bond issue. Interest expenses declined significantly in 2018 as a consequence of the improved bond loan, and this positive effect outweighed a DKK 9 million increase in other financial expenses caused by IFRS 16 implementation.

The Group's result before tax came to a loss of DKK 18 million in 2018 against a profit of DKK 14 million in 2016/17. IFRS 16 restatement had a negative impact on the result before tax of DKK 5 million in 2018.

Operational optimisation

The ongoing efforts to optimise PWT Group's business and reduce costs while constantly improving customers' experience with the Group's brands and retail chains continued in 2018 and included:

- Cost savings leading to streamlining of the organisation and a lower cost level in the second half of the year.
- Continued investments in the Group's online and omni-channel sales, which generated solid growth rates during the year.
- Expansion of our footprint in Norway in late 2018 with the acquisition of the Brandstad chain's 15 stores, which opened on 1 March 2019 where control was transferred to PWT Group.
- Replacement of four logistics locations with one newly established semi-automatic logistics center of 8,000 square meters in Aalborg ensuring greater flexibility, high service level and flawless day-to-day deliveries based on pick-by-voice technology and a new WMS.

Tøjeksperten

The Group's largest retail chain, Tøjeksperten, grew its store network as 5 Wagner stores were converted to Tøjeksperten in selected locations. The chain performed as expected, delivering stable sales and slightly lower profitability in 2018.

Wagner

During the year, retail chain Wagner transformed its store network with the conversion of 5 stores to Tøjeksperten, opening of 1 store and closure of 1 store. The changes put pressure on sales and earnings in 2018, but are expected to contribute to a positive development in 2019 and beyond.

Wholesale

Sales did not meet expectations in PWT Brands, which generated lower external revenue and gross profit in 2018 than expected. The re-calibration of PWT Group's product range has contributed to a significant strengthening of PWT Brands' order book for 2019, and cost saving initiatives in 2018 and early 2019 will contribute to a safeguarding of profitability.

Events after the balance sheet date

No material events have occurred after the financial year-end.

Outlook

In 2019, PWT Group expects operating profit (EBITDA) to increase compared to 2018, driven by sharpened focus on customer demand and an improved contribution margin as well as cost reductions in a competitive and challenged market.

In the medium term (3-5 years), PWT Group aims to report annual revenue growth in the range of 3-6% with operating profit margin (EBITDA) improving significantly to 22% despite a continuation of the challenging market conditions. Growth is expected to be driven by increasing export sales of the Group's brands to independent retailers as well as progress by On-line and Omni channel sales. While profitability is expected to increase due to continued focus on operational optimisation.

Risk management

Risk management is an integrated part of the managerial process in PWT Group to limit uncertainties and risks in relation to the financial and strategic targets defined for the Group. As part of the annual update and approval of the strategy plan, Management assesses relevant business risks. For the purpose of risk assessment, Management considers, when required, the policy on currency risks adopted by the Board of Directors.

The Executive Board is responsible for ensuring that risks are continuously identified, assessed and accounted for in order to reduce any financial implications and probability of them becoming reality.

Operating risks

The Group's primary operating risks relate to the Group's ability to maintain a market share on the Danish market for menswear.

The Group operates primarily within retail trading, which is sensitive to market fluctuations, as socio-economic developments and private spending impact revenue and earnings. PWT Group is particularly affected by economic trends in Denmark from where the vast majority of Group revenue derives. Management regularly keeps track of realised and forecast market development to adjust costs and activities.

To counter market-related risks, the Group has, in recent years, invested heavily in developing the Group's brands and sale on the primary export markets by the wholesale business.

In Management's view, the notably strong market position diversifies and reduces operating risks to a certain degree.

Financial risks

The Group manages its financial risks centrally as well as coordinates liquidity management and funding. Together with the Board of Directors, Management annually assesses the Group's most important risks and, by way of regular monthly reporting, reports on aspects which may materially affect the Group's activities and risks. Corporate policy is not to engage in any speculation in financial risks, see note 37.

Internal control and risk management systems for financial reporting purposes

The Board of Directors and the Executive Board are overall responsible for risk management and internal controls in the Group for financial reporting purposes. An audit committee has been established, which, together with the organisational structure and internal guidelines, makes up the control environment together with legislation and other rules applying to the Group. The Group's organisational structure and staff numbers are addressed at board meetings.

In relation to the financial reporting process, Management pays special attention to the following internal controls, supporting a satisfactory financial reporting process:

- Credit rating of debtors
- Assessment of the valuation of USD positions
- Assessment of accrual and valuation of inventories

PWT Group has established a Group reporting process comprising monthly reporting in the form of budget follow-up, performance assessment and compliance with defined targets.

On the basis of the Group reporting and reporting on other selected areas, five board meetings are held each year at which the reporting received is discussed and assessed.

Moreover, central persons from the Group participate in the board meetings at which they describe and account for the risks and controls within their areas of responsibility.

Capital resources
Management regularly assesses the appropriateness of the Group's net interest-bearing debt which has changed to DKK 501 million (2016/17: DKK 248 million), of which DKK 244 million was due to change in lease debt as a result of implementation IFRS 16, otherwise net interest-bearing debt was largely unchanged.

PWT Group's senior secured bonds of DKK 275 million listed on Nasdaq Stockholm have a life of five years (17 October 2022). The bonds do not come with a fixed repayment schedule and are not subject to specific covenants.

Corporate social responsibility
In its capacity as a portfolio company under Polaris Private Equity, PWT Group complies with the recommendations of the Danish Venture Capital and Private Equity Association (DVCA).

Reference is made to www.DVCA.dk
for further information on the guidelines.

CORPORATE SOCIAL RESPONSIBILITY

PWT Group acts responsibly and with integrity as one of the largest Danish companies in the textile industry. The Group's broad geographical coverage represents both possibilities and challenges in terms of societal impacts, and the Group aims to minimize its negative social, environmental and economic impacts while supporting and enhancing positive societal development.

PWT Group's work with sustainability

PWT Group's sustainability work is based on the UN Global Compact's ten principles and follows the approach set forth in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGP's).

In accordance with its CSR Policy Commitment, the Group pledges to develop and implement due diligence processes in its business and throughout its supply chain on social, environmental and economic sustainability. These internal and supply chain-related processes are continuously improved in order to be able to identify, prevent, mitigate and remedy any potential or actual adverse impacts.

PWT Group aims to ensure greater impact through partnerships and is therefore collaborating with numerous organizations and engaged in several initiatives. The Group thus takes part in a range of diverse stakeholder meetings where knowledge and practices are shared. PWT Group strives to communicate openly about the risks facing the business as well as measures taken to meet the challenges. The Group encourages all stakeholders to reach out with suggestions or grievances through direct dialogue or the grievance mechanism available on the Group's website.

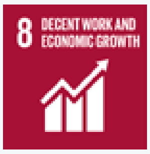
CSR

MISSION

We dress men
with care for
people and the planet

VISION

- Decent work & economic growth
- Responsible consumption and production



CONCEPT DESCRIPTIONS

CSR AREAS

Human & Labour Rights

The Environment

Animal Welfare

Anticorruption

PROCESS REQUIREMENTS

- Policy
- Due Diligence
  - Identify
  - Prevent & mitigate
  - Remediate
- Accounting

PARTNERSHIPS

MUST WIN BATTLES

PRODUCTS

- Sustainable materials and design
- Responsible buying processes
- Proper working conditions
- Environmental responsibility

CUSTOMERS

- Products without harmful chemicals
- Sustainable use of products
- CSR into the brands' storytelling

GROWTH

- Good moral and ethics
- CSR as part of the DNA
- National and international partnerships

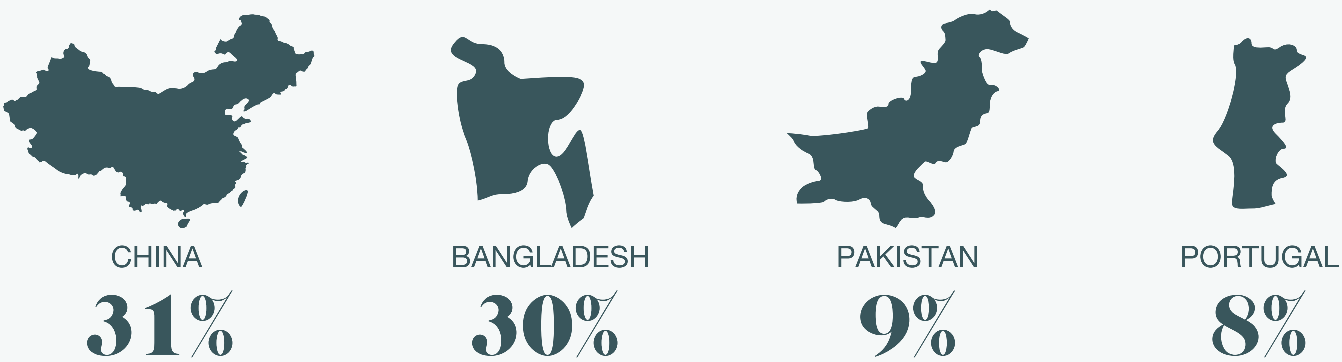
Responsible supply chain management

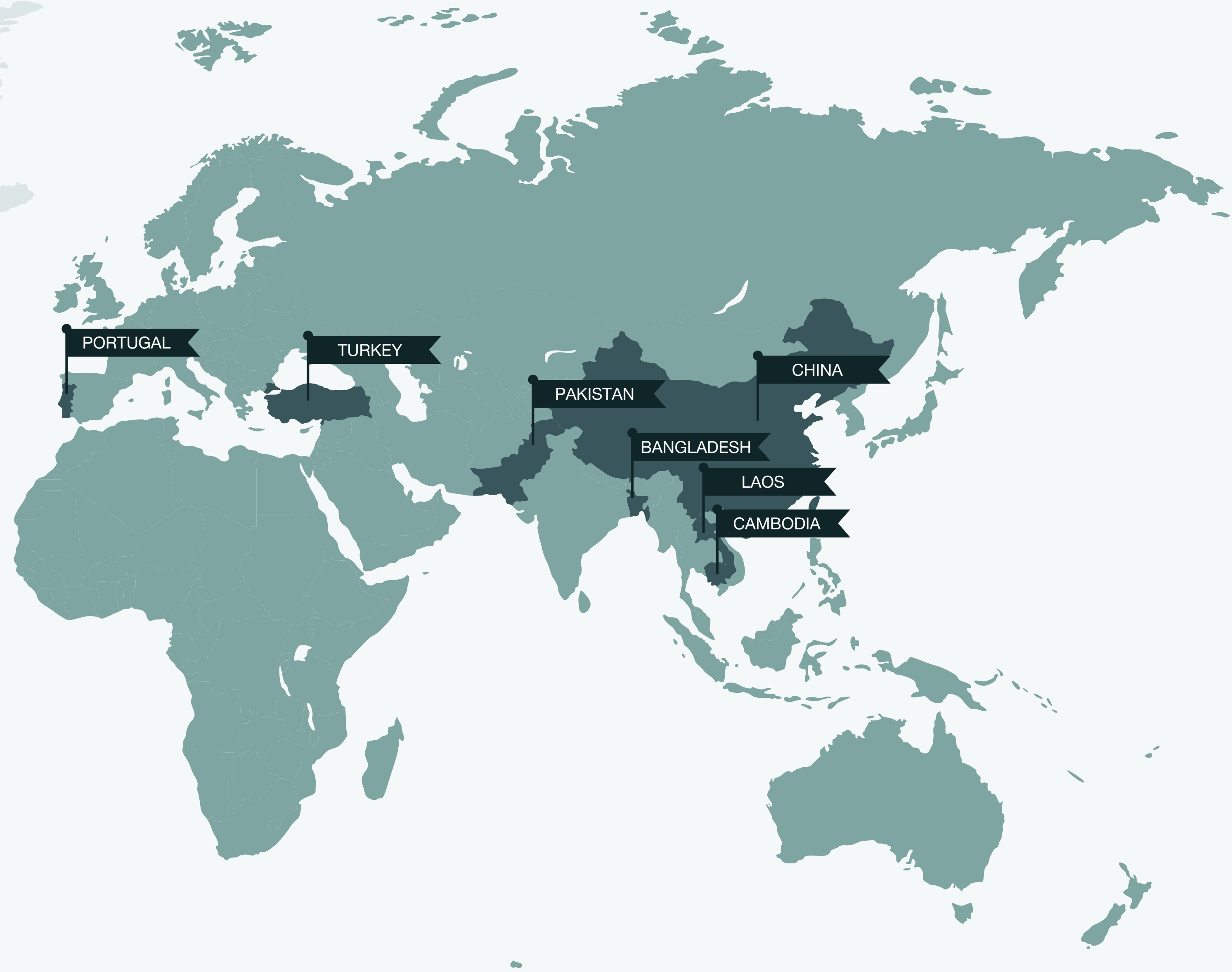
PWT Group does not own any factories but cooperate with a range of suppliers; mainly from China, Bangladesh, Pakistan, Cambodia, Portugal and Turkey.

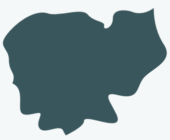
The Group works directly with production facilities and via sourcing houses. Standard procedures have been set up to assess and manage all suppliers' performance concerning social, environmental and anticorruption practices. The Group's top-50 suppliers represent 93% of all orders, and focus is primarily given to these top-50 suppliers.

The top-50 suppliers account for 93 % of the annual orders

PWT Group has worked for more than five years with 64 % of the top-50 suppliers

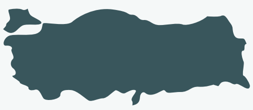






CAMBODIA

7%



TURKEY

5%

LAOS

3%

OTHER COUNTRIES

7%

REQUIREMENTS FOR SUPPLIERS	ON-GOING ACTIONS AT SUPPLIER LEVEL
Sign and comply with CoC	BSCI inspections and remediation work
Sign and comply with PWT Group's Restricted Substances List	Accord inspections and remediation work (only Bangladeshi factories)
Provide valid building and fire safety documents	Self-assessments
Work with BSCI (or SA8000 or SEDEX)	Factory visits
Work with the Accord (only Bangladeshi factories)	Testing
	Continous dialogue with PWT Group

Actions and results

During 2018, PWT Group has maintained dialogue with suppliers and factory managers, including the arrangement of biannual factory visits by PWT Group's CSR Manager, resulting in strengthened dialogue on sustainability issues.

PWT Group has initiated a new partnership with Factlines, providing a web-based solution on supply chain management. In cooperation with Factlines, PWT Group has developed a new self-assessment questionnaire, which was distributed to all suppliers in January 2019. The aim of this partnership is to strengthen the monitoring of suppliers, including systematic processes for self-assessments, risk analysis, and hence stronger prioritization of CSR efforts, as well as stronger reporting on supplier performance.

To ensure that external products available in Tøjeksperten and Wagner stores live up to PWT Group's CSR requirements, the external brands have been requested to sign and comply with the Group's Code of Conduct, Animal Welfare Policy and Restricted Substances List.

Challenges

PWT Group considers the general buying practices within the industry a potential risk, which is described and assessed in the table below, which also presents the Group's preventative action plans.

BUYING PRACTICE	CHALLENGE	ACTION PLAN
Sourcing through agents	Potential lack of transparency and direct dialogue with factory management	In 2018, PWT Group sharpened focus on communicating directly with factory management and conducting factory visits. The Group demands exact factory details and contact info from agents.
PWT Group cooperates with numerous suppliers and has a relatively high change ratio among the smallest suppliers	Risk of incompliance increases with the number of suppliers	PWT Group aims to maintain long-lasting and good relations with its suppliers and has consolidated the number of suppliers in recent years in an ongoing process.
PWT Group is the largest buyer at a few factories, whereas the Group places small orders with numerous factories	Small order volumes entails low level of influence	Continued efforts are made to consolidate the number of production facilities and cooperate with other brands to ensure a higher level of influence.
Implementation of responsible business practices is challenged in an industry mainly focused on price and lead times	Price competition and focus may entail compromises in terms of responsible business practices among some suppliers	While PWT Group has introduced standard requirements for all new suppliers (Accord and BSCI), price and lead times remain decisive parameters. The Group works to improve buying practices and create a balance between compliance, price and lead times.
PWT Group sources from countries with high corruption risks	High level of attention needed to ensure that corruptive practices are not supported in supplier dealings	PWT Group has established an Anti-Corruption Policy and a ‘Facilitation and Hospitality Register’. The policy and register have been communicated internally, and the policy is included in the Group’s supplier manual. Through the BSCI system, suppliers are audited on their anticorruption policies and procedures.

PWT Group continuously assesses and improves its practices to mitigate risks and challenges.

FOCUS AREA 1:
Human and labour rights
PWT Group works to ensure a satisfying and inspiring working environment, and the Group has established a working environment committee, which continuously assesses the working environment and makes recommendations for improvements. PWT Group generally promotes health and well-being at work, and all employees are offered a complimentary health insurance scheme. The Group's staff association organizes events, seminars and workshops for social and educational purposes, and employees are offered relevant courses.

The most predominant risk of adverse impacts within the focus area arises in the production process. Accordingly, PWT Group dedicates significant resources to support suppliers in identifying, preventing and addressing adverse impacts on workers and the surrounding community.

POLICY

The Group has not implemented a specific Human- and Labour Rights Policy. However, the area is covered in the general CSR Policy, which refers to The International Bill of Human Rights, including the core labour rights from the ILO declaration on Fundamental Principles and Rights at Work.

All suppliers are required to sign and comply with PWT Group's Code of Conduct, which focuses on establishing adequate management systems and a 'know and show' approach.

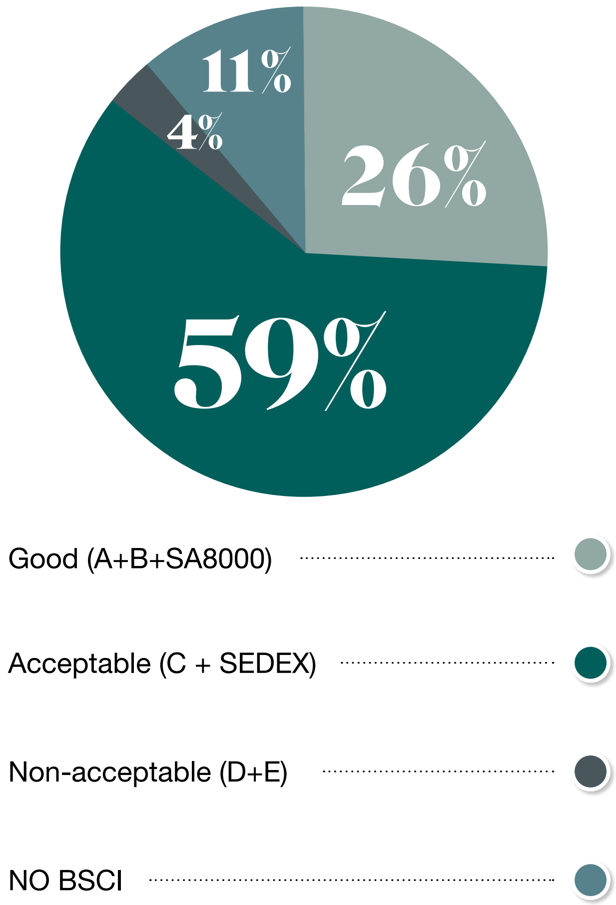
PWT Group has been a member of the amfori since 2013, and the amfori BSCI platform is actively used as the main social certification system. Suppliers are expected to work with the amfori BSCI (or other social certification systems as SEDEX, or SA8000), and in cases where a factory has not yet initiated the BSCI process, PWT Group expects them to join. Suppliers are audited annually against the amfori BSCI CoC by third party auditors, and the Group uses the audit reports to promote dialogue on necessary improvements.

PWT Group has been a member of the Accord since 2013 and is a signatory member of the Transition Accord, which came into force on 1 June 2018. PWT Group is committed to require all active Bangladeshi suppliers to work with the Accord Inspection Programme, help secure remediation and support worker participation and training programmes on the factories. Accord engineers continuously conduct inspections covering fire, building and electricity safety at participating factories. The inspection reports are shared with all active brands, which are obliged to support suppliers on creating improvements based on inspection findings.

ACTIONS AND RESULTS

85% of the Group's top-50 suppliers are at an acceptable BSCI level compared to last year's 77%. The number of top-50 suppliers at a non-acceptable level has decreased from 10% to 4%. PWT Group continues to encourage the 11% of suppliers not yet working with BSCI to join the initiative, and the Group's CSR Manager maintains regular dialogue with the suppliers at a non-acceptable level to provide guidance on potential improvement measures.

Accord inspection reports are received and acted upon on a daily basis. The Accord also includes an extensive training programme for the factories' safety committees. Currently, 13 out of 16 active factories are participating in the programme. Two factories have completed the training program, and the remaining 11 factories are expected to complete the training program within 2019. PWT Group encourages suppliers to participate in the training program.



[1]In the amfori BSCI system, a supplier can get the result A-E. Acceptable level is A, B or C, or SEDEX or SA8000 certificates.

RISK OVERVIEW

RISKS	ACTION PLANS
Lack of sufficient management systems	PWT Group encourages suppliers to participate in relevant trainings through the amfori Academy and the Accord as well as other relevant trainings and workshops.
Unsafe working conditions	PWT Group's suppliers must provide safe working conditions, The Group is a signatory member of the Bangladesh Accord, which promotes change by focusing on building, electrical and fire safety; areas which are known to represent the most significant risks.
Excessive working hours	PWT Group works to ensure that its own buying practices are not creating or contributing to excessive working hours. Orders are placed well in advance, and the Group ensures that changes are not made shortly before deadlines. The Group assesses suppliers' practices; overtime has to be voluntary and restricted, management should develop a contingency plan and is encouraged to set up electronic time systems in order to keep proper records.
Unfair Remuneration	PWT Group does not own factories and cannot manage salaries paid to suppliers' workers. The Group does, however, negotiate realistic prices in order not to contribute to unfair remuneration. PWT Group requires that all suppliers comply with national regulation, and the Group assesses suppliers' ability to support workers financially in other ways, e.g. by providing free transportation, low-cost canteens, and kiosks with low-cost provisions.
Lack of ensuring the health of workers	Suppliers' ability to ensure the health of their employees is assessed on an ongoing basis. Indicators include if suppliers provide proper sanitary facilities and clean drinking water, have full-time medical staff hired, conduct regular health check-up for all employees, provide free or low-cost medicine, ensure proper working conditions for pregnant employees, etc. Based on factory visits and follow-up on audit reports, the Group continuously promote improvements, invite suppliers to participate in relevant training sessions and request increased prioritisation of the OSH area.
Discrimination	Suppliers' ability to provide equal rights and payment for everyone is assessed on an on-going basis. Indicators include recruitment procedures, proper systems for service benefits and encashment of earned leaves, respectful behavior from managers towards workers, installation of an electronic time system, etc
Precarious employment and bonded labour	Production facilities should keep proper records of contracts and employee ID, and have proper notice and leave procedures in place in order to avoid precarious employment. PWT Group focuses on questioning the use of piece-rated employees and probation workers, which can be a method to keep wages down.
Freedom of association and collective bargaining	PWT Group assesses suppliers' respect for worker associations and trade unions as well as their ability to include workers in decision-making through health and safety committees and worker participation committees. The Group stresses to its suppliers that such committees can be very valuable if established and conducted properly and support suppliers in establishing proper committee practices. Through the Accord, WP committees learn about their rights and responsibilities, which is of great value. PWT Group continuously stresses to suppliers that dismissal of workers due to rightful activities connected to worker association is unacceptable.
Child labour and the lack of protection for young workers	In general, this issue has improved among suppliers. However, the Group still considers child labour as a substantial risk within the entire supply chain- The Group is currently considering the mitigation of risks relating to cotton production, including potential collaboration with initiatives aiming to improve working conditions and abolishing child labour, while simultaneously managing the negative environmental impact.

FOCUS AREA 2:
Environment, climate and animal welfare

The textile industry has a substantial impact on the environment and climate – particularly in terms of production and extraction of raw materials as well as manufacturing of ready-made garments. Regulatory regimes and enforcement of regulation vary across countries. PWT Group supports suppliers in building up capacity and knowledge concerning reduction of the negative impact.

POLICY

Through the general CSR Policy, the Group commits to seek to prevent, address and mitigate adverse impacts on environmental sustainability. The Group is considering to implement a specific policy for this area within the next years.

All suppliers are required to sign PWT Group's Restricted Substances List (RSL), which was updated in 2018. The RSL is based on the Regulation (EC) No.1907/2006 of the European Parliament, also known as the REACH regulation, with some voluntary commitments added as well.

All relevant suppliers are furthermore required to sign and comply with the Group's Animal Welfare Policy, which states, among other things, that PWT Group only accepts leather from animals bred for the food industry, that mulesing is not acceptable, and that no animals are to be skinned or plucked alive.

ACTIONS AND RESULTS

In 2018, PWT Group developed and implemented the updated RSL, which is more comprehensive and informative. The RSL has been developed in collaboration with chemical experts at Bureau Veritas and will be updated continuously as regulation changes.

Furthermore, PWT Group has significantly improved its test program, including strengthening the risk analysis and systematic procedures regarding random checks in collaboration with Bureau Veritas. In the coming years, the Group aims to increase the number of tests for selected products.

During 2018, PWT Group began working with the amfori BEPI platform, which focuses on suppliers' performance on environmental and climate issues. The platform represents a range of possibilities to help suppliers improve their environmental performance, including a range of training sessions, which the Group encourages suppliers to participate in.

RISK OVERVIEW

RISKS	ACTION PLANS
Waste management	PWT Group assesses suppliers on whether they have entered into waste agreements with local companies, whether they segregate their waste, and how they are managing this issue. The Group focuses in particular on suppliers managing toxic waste as proper systems have to be in place to handle this.
Water use and wastewater	During raw material production and finishing processes, such as washing and dyeing, water consumption is quite intensive, and the risk of contaminated wastewater is high. Some suppliers have effluent treatment plants (ETP), but not all, and some are not using them correctly. Leather production produces a lot of contaminated wastewater, and PWT Group requests of all leather tanneries to be members of the Leather Working Group, which focuses on reducing the consumption of water, energy and chemicals. The Group will continue to promote improvements within this area through training sessions, BEPI, etc. in the coming years.
Use of chemicals	The Group's recently updated RSL aims to ensure that suppliers avoid specific chemicals. The RSL includes guidance on implementation and request that suppliers communicate the RSL to sub-suppliers, only purchase compliant chemicals, request MSDS from chemical suppliers, train staff, and conduct internal inspections.
Soil use and biodiversity	Production and harvesting of cotton impacts the soil and surrounding environment, and PWT Group has increased its focus on the issue with a view to potentially join initiatives mitigating the risk. The Group has introduced styles with organic cotton within one of its brands, and the aim is to increase the numbers.
Animal welfare	PWT Group requests all relevant suppliers to sign and comply with the Group's Animal Welfare Policy, which is based on the Five Freedoms. Implementation of certification requirements for suppliers, such as RDS and RWS, is being considered.
Emissions and energy consum-ption during trans-portation	PWT Groups specifies to suppliers that the Group prefers sea freight, and that train freight is preferred over airfreight, reducing airfreight to an absolute minimum. Furthermore, all shipments from central inventories are continuously optimised. PWT Group aims to develop an overview of GHG emissions and energy consumption from transport activities in collaboration with the Group's shipping supplier, which will enable an improved assessment and progress within the area.
Packing materials	During 2018, PWT Group decided to replace all plastic bags used in stores and online with bags made from recycled plastic, which will be fully implemented during 2019. The Group maintains the focus on replacing existing packing materials with more sustainable material.
Handling and disposal of over-stock items	The Group has local arrangements ensuring that only cut up development samples are being disposed as waste, whereas everything else is sold or donated to third parties. The Group is currently researching opportunities to dispose cut up development samples in a more sustainable way.

FOCUS AREA 3:
Anti-Corruption

The textile industry has a substantial impact on the PWT Group wishes to combat corruption and bribery and seeks to promote openness and transparency. The company is very much aware that being present in countries as China and Bangladesh, it needs to be very attentive to the risk of corruption.

POLICY

PWT Group has established an Anti-Corruption Policy, which is based on the UN Convention against Corruption and signed by the top management. It is included in the Employee Handbook and Supplier Manual.

ACTIONS AND RESULTS

The Anti-Corruption Policy was developed and implemented during 2017. Together with the policy, a 'Facilitation and Hospitality Register' was set up. Until now, seven gifts have been registered and approved by the management. The policy and procedure have been communicated through the company's internal system, but during the coming years, the aim is to communicate more about it and conduct trainings on the subject.


TAPERED FIT

PWT GROUP

STORES


Coca-Cola

WAGNER

A multi brand concept made of brands from the PWT portfolio.

A growing and comprehensive store network in Scandinavia and selected locations in China form the foundation for Wagner's offering of menswear – ranging from trendy denim to classic fashion.

Established in 1946, Wagner currently has 41 stores in Denmark, 17 in Norway, 6 in Sweden and 10 in China. The chain offers an outstanding and affordable selection of contemporary fashion and strong brands including Lindbergh, Shine Original, Bison, Junk de Luxe and Jacks Sportswear Intl.


10 STORES IN CHINA
41 STORES ACROSS DENMARK
17 STORES IN NORWAY
6 STORES IN SWEDEN

TØJEKSPERTEN

Denmark's largest menswear chain.
With 115 stores it is the largest menswear chain in Denmark. Tøjeksperten is providing quality clothing and strong brands from the PWT Brands portfolio and other external designers for fashion-conscious men of all ages since 1968.

The careful selection of products and brands reflects our ambition to maintain Tøjeksperten as the leading menswear chain in the medium price range.

TØJ eksperten

115 STORES ACROSS DENMARK

PWT GROUP

BRANDS

LINDBERGH
WHITE LABEL

The fashion formal collection of Lindbergh, with a look that reflects simplicity and coolness. The most dominating garment groups are shirts, knits, suits and jackets.

The fitting is shaped, tight and comfortable and the design reveals convenience and authenticity. The identity and core of the white label are based upon independence and personal style.

Fundamentals of neutral and colorful tones determine details, clean stitching and fine treatments outline the collection. Being true to the heritage of Charles Lindbergh, the white label is perfect for any and every occasion.

LINDBERGH

LINDBERGH
BLACK LABEL

From cool formal to rugged casual -The preppy and classic formal collection of Lindbergh. A label containing all garment groups where the most essential ones are shirts, suits, jackets and knits. This label also contains a broad range of accessories to include socks, shoes and scarfs.

The fitting is modern and the garments are characterised by the highest quality industrial fit. The look is signified by an authentic, smart and sporty Italian style. The colors are both neutral and fresh, the level of detail is simple and thoughtful, with a strong emphasis on the fashionconscious individual.

The black label contributes to the basic wardrobe, as well as the sustainable luxury look. It is clothing and accessories for today's informed man.

LINDBERGH

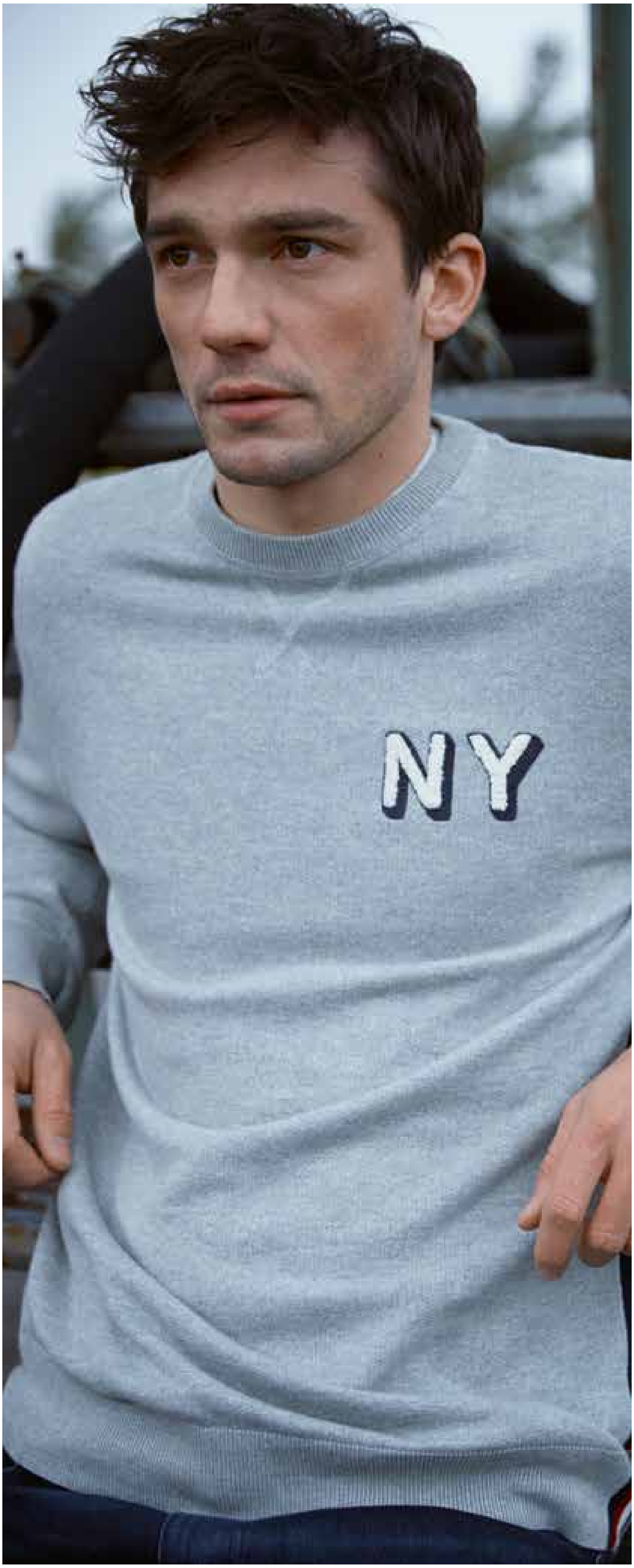
LINDBERGH
BLUE LABEL

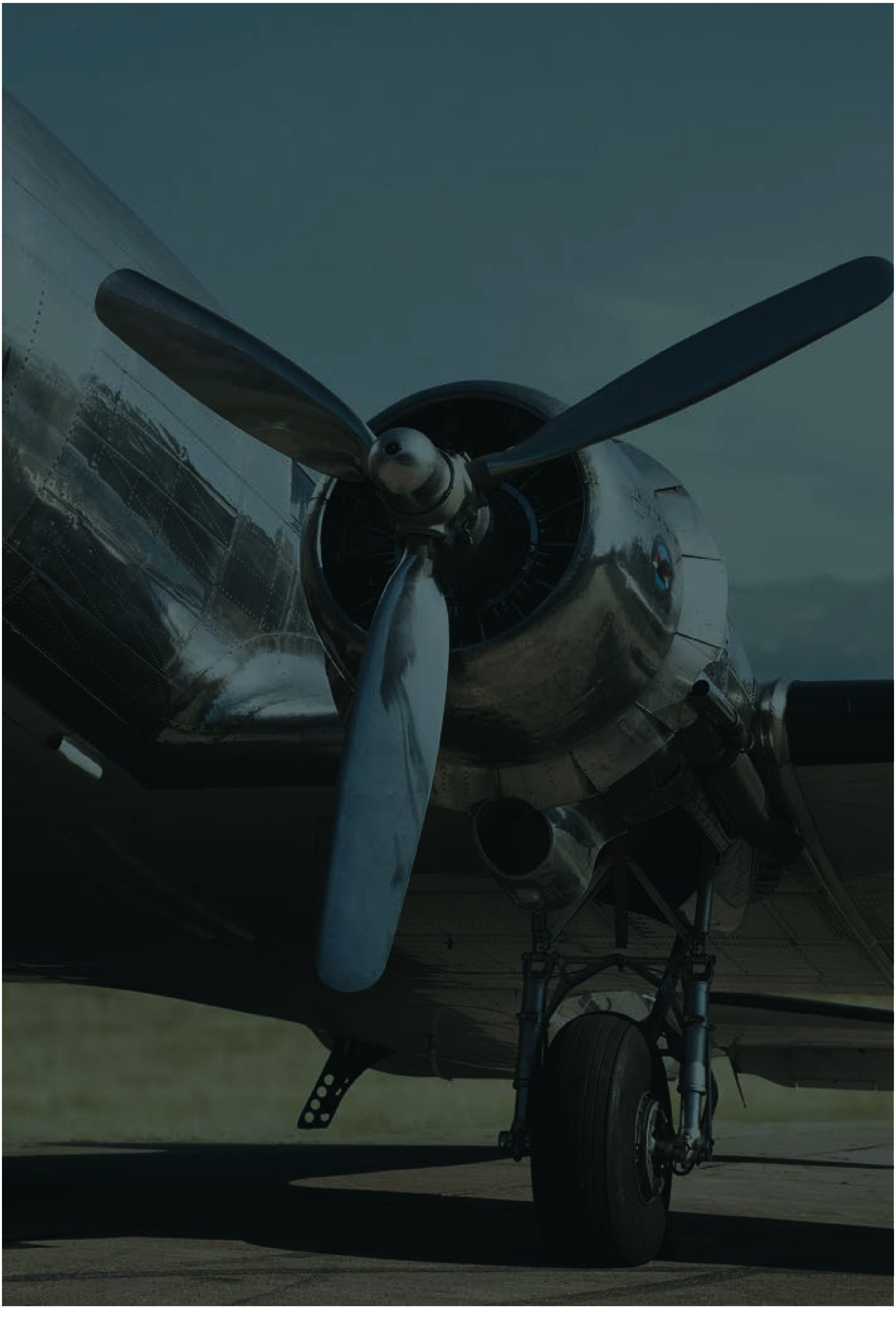
From cool formal to rugged casual - The rugged and casual collection of Lindbergh. The look is signified by the inspiration of americana – sporty and army clothing – combined with a vintage denim identity. Designed with the highest industrial quality available with key emphasis on the working man.

The ambition is to integrate 'fully functioning' utility into the garments. Moreover, the aviation heritage and identity of Charles Lindbergh are strongly incorporated into the blue label collection.

The assortment holds all garment groups, with jeans, casual shirts, t-shirt, jackets, etc., as the most underlining key items. The design and purchasing team of Lindbergh are dedicated to securing a cool and masculine look, based on the highest industrial quality, with respect for the strong heritage of the Lindbergh label. In addition to this, we aim to find a solid balance between design, quality and affordable price.

LINDBERGH





SHINE ORIGINAL

A hybrid of denim and fashion wear

Emphasising the diversity of individuality. Style and personality has no rules – no code. Nor do we. Individuality is about creation of oneself.

It's all about being in demand and setting the agenda. We know how important individual style and personal image is.

We are enthusiastic original individuals, we travel, explore music, various places, art – basically, we see inspiration in whatever is going on, around us. We strive to continually develop, design and discover new fabrics, trimmings and inspiration to create collections, which holds attitude, aesthetics, coolness and diversity on several levels, yet at an affordable price level.

We encourage our friends to create their own individual style – and be original!

SHINE ORIGINAL

JUNK DE LUXE

Eclectic juggling - First and foremost, about a certain kind of hip, urban attitude.

An uncompromisingly cross over style, making its presence felt on the biggest catwalk of them all - the street.

The style is an eclectic combination of collectibles and details from many decades of fashion and function wear. We keep up with current trends while not being a slave to fashion.

This is the inspiration to the design of JUNK de LUXE. A design direction rooted in the best from the past, but pointing forward. Our aim is to create a hybrid between vintage and modern garments, a combination which we call: Street Tailoring.

JUNK de LUXE

BISON

No nonsense clothing - Made to last

A clothing brand founded in Denmark in 1961. From the beginning characterised as a specialist brand based on the bison, a durable character from which we take inspiration to the soul of our brand and our legacy.

Bison works with contemporary fashion and lifestyle driven aesthetic, in the field of classic casual wear and functional garments, for everyday performance.

Bison develops a practical, stylish and durable range of no-nonsense clothing for no-nonsense men.

BISON
AUTHENTIC SPORTSWEAR SINCE 1961

JACK'S SPORTSWEAR INTL

Sharp sporty casual style

Casual clothing for the average consumer. The target audience is broad and the collection is very commercial.

Given the wide audience, the goal is to create a collection containing as many "must have" styles as possible – and the fabrics and color choices are therefore a dynamic size – compared to what is necessary to achieve the goal of this collection.

In short, a good quality product – at a competitive price.

JACK'S SPORTSWEAR INTL

STATEMENT

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today discussed and adopted the Annual Report of PWT Group A/S for 2018.

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

It is our opinion that the financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018, and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January 2018 - 31 December 2018.

In our opinion, the Management commentary includes a fair review of the development in the Group's and the Parent Company's operations and financial conditions, results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Company face.

We recommend that the Annual General Meeting approve the Annual Report.

Aalborg, 29 May 2019

Executive Board

Ole Koch Hansen
CEO

Claus Back Nielsen
CFO

Board of Directors

Henrik Thorup Theilbjørnn
(Chairman)

Jan Bøgh

Torben Fog

Jan Johan Kühl

Allan Bach Pedersen

Ole Koch Hansen

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PWT GROUP A/S

OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of PWT Group A/S for the financial year 1 January - 31 December 2018, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the addi-tional requirements applicable in Denmark. Our responsibilities under those standards and require-ments are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review.

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

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

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

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

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

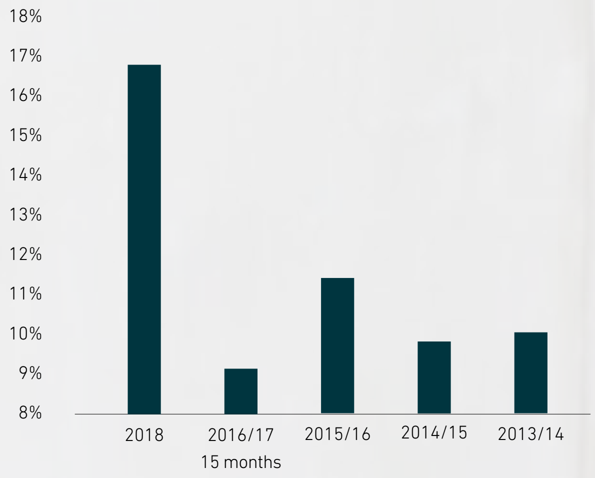
Aalborg, 29 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

MADS MELDGAARD
State Authorised Public Accountant
mne24826

CONRAD LUNDSGAARD
State Authorised Public Accountant
mne34529

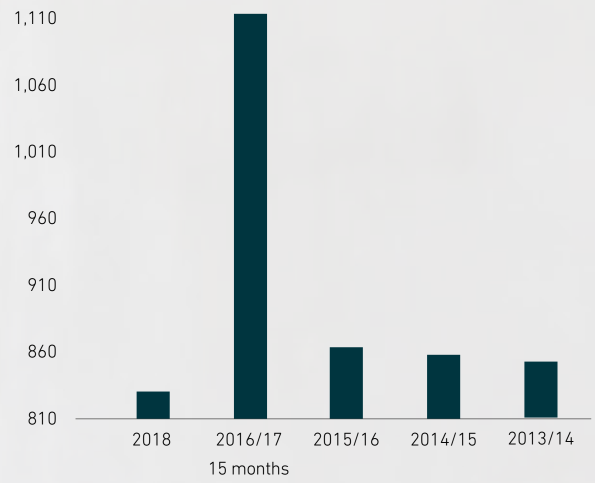
FINANCIAL HIGHLIGHTS

EBITDA MARGIN

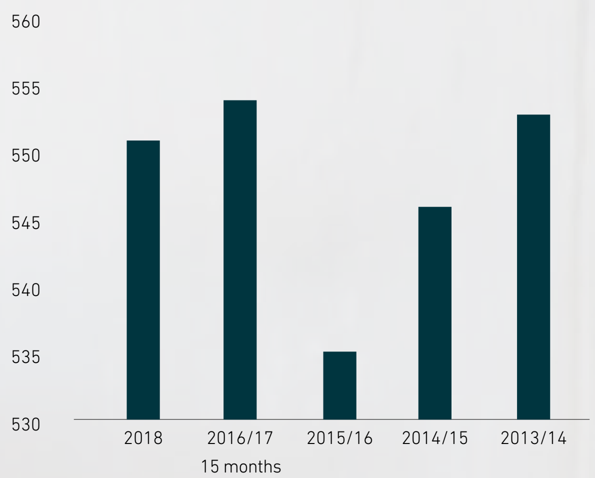


REVENUE

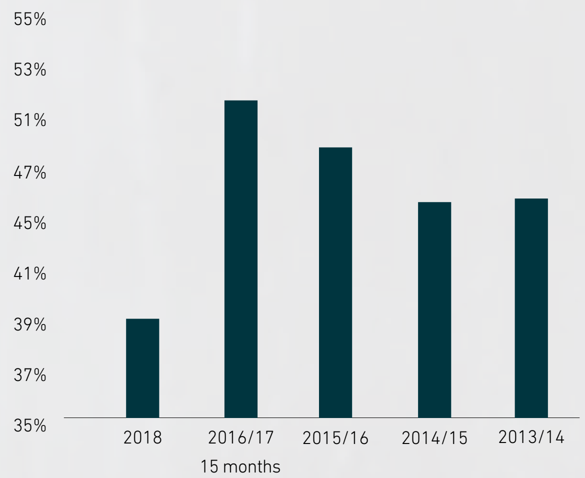
MILLION DKK



EMPLOYEES



SOLVENCY RATIO



FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK MILLION	2018	2016/17 15 months	2015/16	2014/15	2013/14
STATEMENT OF COMPREHENSIVE INCOME					
Revenue	828	1,111	863	858	852
Gross profit	367	378	306	291	287
EBITDA	138	102	99	85	85
Profit/loss from ordinary activities	14	73	78	70	70
Profit/loss from financial income and expenses (including associate)	-35	44	25	-38	-18
Profit/loss for the year	-19	15	41	23	37
Comprehensive income for the year	-19	15	41	23	37
BALANCE SHEET					
Total assets	1,233	992	1,022	990	926
Investment in property, plant and equipment	304	67	57	42	24
Equity	489	508	494	457	431
CASH FLOWS					
Cash flows from operating activities	119	161	49	11	68
Cash flows from investing activities, net	-30	-47	-41	-35	-16
Thereof, investment in property, plant and equipment	-23	-39	-12	-10	-13
Cash flows from financing activities	-91	-47	-1	0	-15
Total cash flows	-3	68	7	-24	37
EMPLOYEES					
Average number of employees	551	554	535	546	553
FINANCIAL RATIOS STATED AS A PERCENTAGE					
Gross margin	44.4	34,0	35.5	33.9	33.7
EBITDA margin	16.7	9.2	11.4	9.8	10.0
Operating margin (EBIT)	1.7	6.6	9.1	8.1	8.2
Return on invested capital	1.3	7.3	7.9	7.4	7.6
Solvency ratio	39.7	51.2	48.3	46.2	46.5
Return on equity	-	2.9	8.6	5.3	9.0

For definitions, please see the accounting policies.

STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Revenue	3	827,881	1,111,232	774,539	1,042,444
Cost of sales	4	379,640	502,885	369,697	490,644
Other operating income	5	525	75	500	75
Other external costs	6	81,375	230,881	71,917	197,261
Gross profit/loss		367,391	377,541	333,425	354,614
Other operating costs	5	731	0	261	0
Staff costs	7	228,685	275,610	207,945	247,626
Profit/loss before depreciation/amortisation and impairment losses (EBITDA)		137,975	101,931	125,219	106,988
Depreciation/amortisation	8	123,532	29,063	107,071	22,542
Operating profit/loss		14,443	72,868	18,148	84,446
Financial income	9	4,159	739	4,798	1,717
Financial expenses	10	31,231	36,860	29,607	35,771
Share of net profit of associates Associates and group enterprises	19/20	-8,099	-8,302	-8,345	-25,351
Profit/loss before tax		-20,728	28,445	-15,006	25,041
Tax on profit/loss for the year	11	-1,448	13,886	-1,423	11,518
Profit/loss for the year		-19,280	14,559	-13,583	13,523
Other comprehensive income Items available for reclassification into profit and loss: Foreign exchange adjustments regarding translation of foreign entities		211	197	0	0
Other comprehensive income before tax		211	197	0	0
Tax on other comprehensive income	11	0	0	0	0
Other comprehensive income		211	197	0	0
Comprehensive income for the year		-19,069	14,756	-13,583	13,523

BALANCE SHEET
AT 31 DECEMBER

DKK'000	NOTE	CONSOLIDATED 2018	CONSOLIDATED 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
ASSETS					
NON-CURRENT ASSETS					
Intangible assets					
Software	12	8,294	7,174	8,214	7,174
Trademarks	13	1,736	2,442	1,736	2,442
Goodwill	14	614,461	614,461	614,461	613,461
Other intangible assets	15	1,043	1,192	1,043	1,192
Total intangible assets		625,534	625,269	625,454	624,269
Property,	16	233,697	0	209,297	0
Fixtures and fittings, tools and equipment	17	36,800	31,753	30,385	23,781
Leasehold improvements	18	33,658	35,280	26,690	24,472
Total property, plant and equipment		304,155	67,033	266,372	48,253
Investments					
Investments in group enterprises	19	0	0	7,577	8,908
Investments in associates	20	0	0	0	0
Deposits	22	14,496	15,186	14,281	14,910
Total investments		14,496	15,186	21,858	23,818
Total non-current assets		944,185	707,488	913,684	696,340
CURRENT ASSETS					
Inventories	23	198,111	191,076	187,113	177,902
Receivables					
Trade receivables	24	57,833	55,758	47,422	48,889
Amounts owed by group enterprises		0	0	37,546	37,468
Amounts owed by associated companies		0	6,779	0	6,779
Derivative financial instruments	28	1,292	0	1,292	0
Other receivables		7,769	4,725	7,703	4,578
Prepayments		6,593	6,755	6,100	5,652
Total receivables		73,487	74,017	100,063	103,366
Cash at bank and in hand		17,241	19,866	12,438	14,235
Total current assets		288,839	284,959	299,614	295,503
Total assets		1,233,024	992,447	1,213,298	991,843

BALANCE SHEET

AT 31 DECEMBER

		CONSOLIDATED		PARENT COMPANY	
DKK'000	**NOTE**	**2018**	**2017**	**2018**	**2017**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	25	1,985	1,985	1,985	1,985
Retained earnings		487,014	506,294	500,904	514,487
Foreign currency translation reserve		238	27	0	0
Total equity		489,237	508,306	502,889	516,472
LIABILITIES					
Non-current liabilities					
Provisions	26	7,519	6,254	6,814	5,430
Lease debt		149,285	420	134,824	420
Deferred tax	21	22,615	24,236	23,289	24,837
Total non-current liabilities		179,419	30,910	164,927	30,687
Current liabilities					
Provisions	26	2,678	2,727	2,471	2,661
Bank loans and overdrafts	27	25,788	21,833	25,788	21,833
Lease debt		94,984	120	84,031	120
Trade payables		109,348	93,437	108,341	91,632
Loans from group enterprises		248,044	245,798	248,044	245,798
Corporation tax		0	3,054	0	3,158
Derivative financial instruments	28	0	2,171	0	2,171
Other payables		67,552	67,423	61,231	61,114
Deferred income	29	15,974	16,668	15,576	16,197
Total current liabilities		564,368	453,531	545,482	444,684
Total liabilities		743,787	484,141	710,409	475,371
Total equity and liabilities		1,233,024	992,447	1,213,298	991,843

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

DKK'000	Share capital	Reserves earnings	Foreign currency translation reserve	Total
Equity at 1 October 2016	1,985	491,735	-170	493,550
Profit for the year	0	14,559	0	14,559
Other comprehensive income	0	0	197	197
Equity at 31 December 2017	1,985	506,294	27	508,306
Equity at 1 January 2018	1,985	506,294	27	508,306
Profit for the year	0	-19,280	0	-19,280
Other comprehensive income	0	0	211	211
Equity at 31 December 2018	1,985	487,014	238	489,237

STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY

DKK'000	Share capital	Reserves earnings	Foreign currency translation reserve	Total
Equity at 1 October 2016	1,985	500,964	0	502,949
Profit for the year	0	13,523	0	13,523
Equity at 31 December 2017	1,985	514,487	0	516,472
Equity at 1 January 2018	1,985	514,487	0	516,472
Profit for the year	0	-13,583	0	-13,583
Equity at 31 December 2018	1,985	500,904	0	502,889

CASH FLOW STATEMENT

DKK'000	NOTE	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Profit for the year before tax		-20,728	27,616	-15,005	50,392
Adjustments for non-cash operating items:					
Depreciation/amortisation and gain/loss on intangible assets and property, plant and equipment		123,698	28,988	106,832	22,467
Profit from associate		8,099	8,302	8,099	0
Other non-cash oprating items, net		161	4,021	205	2,241
Financial income		-4,159	-739	-4,798	-1,717
Financial expenses		31,231	37,688	29,607	35,771
Cash generated from operations (operating activities) before changes In working capital		138,302	105,876	124,940	109,154
Change in working capital:					
Change in receivables		-4,237	15,148	-781	-4,407
Change in inventories		-7,035	23,537	-8,243	24,232
Change in current liabilities in general		16,555	46,508	12,481	45,571
Cash generated from operations (operating activities)		143,585	191,069	128,397	174,550
Interest income, received		696	739	1,335	1,717
Interest expense, paid		-22,062	-29,596	-21,479	-28,508
Corporation tax paid		-3,189	-1,097	-3,214	-1,172
Cash flows from operating activities		119,030	161,115	105,039	146,587
Acquisition of property, plant, leasehold and equipment		-22,677	-38,603	-20,824	-27,045
Acquisition of intangible assets		-7,774	-7,604	-7,693	-6,604
Investment in deposits and associates		-1,349	-443	-1,348	-1,766
Disposal of property, plant and equipment		1,605	75	1,563	75
Cash flows from investing activities		-30,195	-46,575	-28,302	-35,340
Free cash flows		88,835	114,540	76,737	111,247
Change in bank loans		4,229	-58,304	4,232	-58,116
Repayment lease debts		-97,935	0	-85,988	0
Change in intercompany loans		2,246	-47,077	2,246	-47,076
Capital contribution		0	0	0	0
Cash flows from financing activities	37	-91,460	-105,381	-79,510	-105,192
Changes in cash and cash equivalents		-2,625	9,160	-2,773	6,055
Cash and cash equivalents at 1 October/1 January		19,866	10,706	14,235	8,180
Merging with VW Junior ApS		0	0	976	0
Cash and cash equivalents at 31 December		17,241	19,866	12,438	14,235

Cash and cash equivalents include cash at bank and in hand and cash equivalents (2018: 17,241). Non-cash transactions relating to the implementation of IFRS 16 amounts to 307,235 in regulation to the opening balance, 32,095 in acquisitions and 11,720 in disposals, refer to note 16 and 17.


THE BLUE SEA
20-05-27

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NOTE 1 ACCOUNTING POLICIES

Financial reporting basis
PWT Group A/S is a limited liability company domiciled in Denmark. The financial part of the annual report for 2018 comprise both the consolidated financial statements of PWT Group A/S and its subsidiaries (group) as well as the parent company financial statements.

The consolidated financial statements and parent company financial statements of PWT Group A/S are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and disclosure requirements of annual reports of reporting class C (Large) enterprises, see the Danish statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act.

The Board of Directors and the Executive Board have discussed and adopted the annual report of PWT Group A/S. The annual report will be presented for adoption by the shareholders of PWT Group A/S at the annual general meeting on 29 May 2019.

Basis of preparation
The consolidated financial statements and the parent company financial statements are presented in thousand Danish kroner (DKK'000), which is the reporting currency of the Group's activities and the Parent Company's functional currency. The annual report relies on the historical cost principle except for those instances where International Financial Reporting Standards specifically require a different basis of measurement.

The accounting policies, as set out below, have been consistently applied for the full financial year and for the comparative figures.

ACCOUNTING POLICIES

Implementation of new and revised standards and interpretations
PWT Group A/S has implemented all relevant new and revised accounting standards issued by IASB and effective at 1 january 2018.

IFRS 9 Financial instruments
IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies but not significant amounts recognised in the financial statements. The new accounting policies are set out in accounting policies below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The adoption did not have any impact on the retained earning at 1 January 2018 or 1 January 2017.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life-time expected loss allowance for all trade receivables and contract assets. This did not result in any significant changes in the loss allowance on 1 January 2018.

IFRS 15 Revenue from contracts with customers
The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies but did not have significant effect to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively for the 2017 financial year.

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases

The Group has elected to apply IFRS 16 Leases. In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2018. Comparatives for the 2017 financial year have not been restated.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2018 was 3.2%.

DKK'000	2018
Operating lease at 31 December 2017	208,806
Discounted using borrowing rate of 3.2 %	-11,417
Finance lease liabilities at 31 December 2017	540
Adjustments as a result of a different treatment of extension and termination options	109,306
Lease liability recognised at 1 January 2018	307,235

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2017.

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

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2018 as short-term leases.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The implementation of IFRS 16 has had an effect on EBITDA for 2018, which has increased by TDKK 97,935, depreciations has increased by TDKK 93,407, financial expenses has increased by TDKK 9,169, Profit/loss before tax has decreased by TDKK 4,641, profit/loss for the year have decreased by TDKK 3,620. Assets have increased by TDKK 238,812 at year end. Equity has decreased by TDKK 3,620, deferred income tax has decreased by TDKK 1,021 and lease debt has increased by TDKK 243,453 at year end. Cash flow from operating activities has increased by TDKK 97,936 and financing activities has decreased by TDKK 107,816.

Reference is made to note 36 for new financial reporting regulation.

CONSOLIDATION

Consolidated financial statements

The annual report comprises the Parent Company, PWT Group A/S, and enterprises under the control of the Parent Company. The Parent Company is deemed to exercise control when the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Associates are all entities over which the Group has significant influense but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The acquisition method of accounting is used to account for business combinations by the Group. Upon acquisition of new subsidiaries, the acquisition method is applied, and subsequently the newly acquired enterprises' assets and liabilities are measured at fair value at the date of acquisition. The tax effect of any reassessments is taken into account.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements of PWT Group A/S and its subsidiaries in which similar financial statement items are integrated. On consolidation, intra-group income and expenses, shareholdings, dividends, intra-group balances as well as realised and unrealised internal gains and losses on intra-group transactions are eliminated.

The annual reports used for preparing the consolidated financial statements have been recognised in accordance with the accounting policies of the Group.

Foreign currency translation

On initial recognition, transactions denominated in currencies different from the individual enterprise's functional currency are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the statement of comprehensive income as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose is recognised in the statement of comprehensive income as financial income or financial expenses.

Upon recognition in the consolidated financial statements of enterprises with a functional currency different from DKK, the statements of comprehensive income are translated into Danish kroner at average exchange rates for the year, and balance sheet items are translated at the exchange rates at the balance sheet.

Foreign exchange differences arising upon translation of foreign subsidiaries' balance sheet items at the beginning of the year to the exchange rates at the balance sheet date and upon translation of statements of comprehensive income from average exchange rates to the exchange rates at the balance sheet date are recognised as other comprehensive income.

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value at the settlement date and subsequently measured at fair value at the balance sheet date. Positive and negative fair values of derivative financial instruments are recognised as a separate balance sheet item.

Changes in fair value of derivative financial instruments designated as or qualifying for recognition as an effective hedge of future transactions are recognised as other comprehensive income. The ineffective part is recognised immediately in the statement of comprehensive income. When the hedged transactions are carried out, the accumulated changes are recognised together with the hedged transactions.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes are regularly recognised in the statement of comprehensive income as financial income and financial expenses.

Segment disclosures
The segment information has been prepared in accordance with the Groups applied accounting policies and is consistent with the Group's internal procedures for reporting to the Group management and board.

STATEMENT OF COMPREHENSIVE INCOME

Revenue
Revenue is measured excluding VAT and duties, less discounts in relation to the sale and less discounts and bonus points relating to loyaltyprograms (customer club).

WHOLESALE:
The Group manufactures and sells a range of clothes in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been trans-ferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all crite-ria for acceptance have been satisfied.

RETAIL:
The Group operates a chain of retail stores selling clothes. Revenue from the sale of goods is recognised when a Group entity sells a product to the customer. Payment of the transaction price is due immediate-ly when the customer purchases the furniture and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a right to the returned goods are recog-nised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale.

Bonus points relating to loyalty programs collected are recognised in the statement of comprehensive income as a reduction in revenue and liabilities (contract liabilities), see note 25. The collected bonus points are measured based on the projected utilisation thereof, which are based of historical figures. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

Costs of goods for resale
Together with changes in inventories of goods for resale, this item comprises costs in generating revenue. Changes in inventories of goods for resale are recognised as costs of goods for resale.

Other external costs
Other external costs comprise costs of premises, sales and distribution costs as well as administrative expenses. Supplements to cover marketing costs are recognised as other external costs.

Staff costs
Staff costs comprise payroll, pensions and other social security costs relating to staff.

Other operating income and costs
Other operating income and costs comprise items secondary to the primary activities of the enterprises, including gains on disposal of intangible assets and property, plant and equipment.

Financial income and expenses
Financial income and expenses comprise interest income and expense, realised and unrealised exchange gains and losses on transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme. Financial income and expenses are recognised at the amounts relating to the financial year.

Financial income and expenses also comprises fair value adjustments at derivative instruments.

Corporation tax and deferred tax
The Company is jointly taxed with its parent company and the other jointly taxed Danish subsidiaries. Danish corporation tax is allocated among the jointly taxed Danish companies in proportion to their taxable income. The Parent company, P-WT 2007 A/S, serves as the management company for the jointly taxed entity and thereby handles the payment of tax, etc. to the Danish tax authorities. Tax for the year comprises current tax for the year and changes in deferred tax and is recognised in the profit for the year, as other comprehensive income or directly in equity all depending on the recognition of the underlying element.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

BALANCE SHEET

Intangible assets

Goodwill

Goodwill acquired are measured at cost less accumulated impairment losses. Upon recognition of goodwill, the goodwill amount is allocated on the activities of the Group's activities generating independent cash inflows (cash-generating units). The determination of cash-generating units follows the managerial structure and internal financial management and reporting in the Group.

Goodwill is not amortised, but subject to impairment testing at least once a year. The carrying amount of goodwill is written down in the statement of comprehensive income in the cases where the carrying amount exceeds projected future net income from the enterprise/activity generating the goodwill.

As the Group have reorganised its reporting structure in a way that changes the composition of it's cash-generating units to which goodwill has been allocated, the goodwill have been reallocated to the reorganised units. This reallocation have been performed using an approach where the goodwill is reallocated based on the original business cases from the aquisitions by which the goodwill is allocated to the reorganised cash-generating units according to the business aquired. Corresponding information for earlier periods have been restated accordingly.

Software

Software is measured at cost less accumulated amortisation and impairment losses. The basis of amortisation is cost.

Trademarks

Trademarks are measured at cost less accumulated amortisation. The basis of amortisation is cost. The expected useful life is based on the trademarks marked position.

Other intangible assets
Other intangible assets are measured at cost less accumulated amortisation. The basis of amortisation is cost.

	Useful life
Software	3-5 years
Trademarks	5-10 years
Other intangible assets	10 years

Property, plant and equipment
Fixtures and fittings, tools and equipment as well as leasehold improvements (shops) are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation is cost less projected residual value after the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Right-of-use assets are recognised on the balance sheet at the net present value of discounted lease payments. Right-of-use assets are depreciated over the term of the lease term plus options for renewal. The capitalised value of the lease obligation is recognised as a liability on the balance sheet, and the interest element of the lease payment is recognised as an expense in the statement of comprehensive income.

Depreciation is provided on a straight line basis relying on the following assessment of the assets' projected useful lives:

	Useful life
Fixtures and fittings, tools and equipment	3-5 years
Property	1-10 years
Leasehold improvements	5-7 years

The basis of depreciation is stated taking into account the scrap value of the asset and is reduced by im-pairment losses. The period of depreciation and the scrap value are determined at the date of acquisition and re-assessed annually.

Impairment of property, plant and equipment and intangible assets
The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. If such an indication exist, the recoverable amount of the asset is stated to determine the need for impairment and the scope thereof.

The recoverable amount of goodwill is determined at least once a year irrespective of whether there is any indication of impairment.

If the asset does not generate any cash inflows independently of other assets, the recoverable amount of the smallest cash-generating unit in which the asset is included is determined.

The recoverable amount is the higher of an asset's or the cash-generating unit's fair value less sales costs and its value in use. When the value in use is determined, projected future cash flows are discounted to present value using a discount rate reflecting actual market assessment of the time value of funds and the special risks attributable to the asset and the cash-generating unit and for which no adjustment has been made in projected future cash flows.

If the asset's or the cash-generating unit's recoverable amount is lower than its carrying amount, the carrying amount is written down to the recoverable amount. With regard to cash-generating units, the goodwill amount is initially written down, and subsequently any need for additional impairment is allo-cated on the residual assets of the unit. However, the individual asset is not written down to a value lower than its fair value less projected sales costs.

Impairment is recognised in results. In case of any subsequent reversal of impairment arising from changes in assumptions of the stated recoverable amount, the asset's or the cash-generating unit's carrying amount is increased to adjusted recoverable amount, however, not exceeding the carrying amount which the asset of the cash-generating unit would have had if no impairment had taken place. Impairment of goodwill is not reversed see aconting estimates note 2.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured at cost less any impairment losses in the parent company financial statements.

Impairment testing is conducted annually as set out above when the carrying amount exceeds the book value of net assets in the consolidated financial statements or if there is any other indication of impair-ment. If the carrying amount exceeds the recoverable amount, write-down is made to this lower amount.

Newly acquired or newly established enterprises are recognised in the financial statements from the date of acquisition.

Investments in associates

Investments in associates are recognized and measured in the consolidated financial statements in accordance with the equity method. The investments are measured at the proportionate share of the entities' equity value less or plus the proportionate intercompany gains and losses and plus the carrying amount of goodwill.

Acquisitions of investments in associates are accounted for using the acquisition method.

Deposits

Deposits comprise rent deposits attributable to the Group's leaseholds. Deposits are measured at amortised cost.

Inventories

Inventories are measured at cost on the basis of weighted average prices. In the cases where cost is higher than net realisable value, write-down is made to this lower value. The cost of goods for resale is stated as cost with the addition of delivery costs.

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

Receivables
Receivables are measured at amortised cost, which usually corresponds to nominal value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period

Prepayments
Prepayments are measured at cost.

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

Deferred tax is not recognised on temporary differences arising at the date of acquisition without affecting either results or taxable income, e.g. goodwill which is non-deductible for tax purposes.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Deferred tax assets are re-assessed annually and only recognised to the extent that their utilisation is probable.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the statement of comprehensive income.

Provisions
Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation.

Provisions comprise refund liabilities forecast costs arising from leasehold improvements upon relocation and are based on projected costs determined on the basis of the leasehold's current interior and condition. The liabilities are discounted back to net present value.

Refund liabilities are measured at net present value of managements best estimate of the expenditure required to settle the obligation.

Financial liabilities, bonds, bankoverdrafts etc.
Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the statement of comprehensive income over the term of the loan.

Derivative financial instruments are measured at fair value, corresponding to market price at balance sheet date.

Other liabilities, which usually comprise trade payables, amounts owed to Group enterprises and other payables, are measured at amortised cost, which usually corresponds to nominal value. The capitalised residual lease obligation on finance leases is also recognised as financial liabilities.

Leases
The Group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straightline basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise IT-equipment and small items of office furniture.

The recognition of finance leases is described under “Property, plant and equipment”, “Impairment of property, plant and equipment and intangible assets” and “Financial liabilities”.

Staff obligations
Staff obligations comprise the employees' rights to paid holidays after the balance sheet date and the payment of anniversary bonuses.

The Group has only entered into pension arrangements for defined-contribution pension plans under which regular pension contributions are paid to independent pension providers as the contributions are earned. The Group has not taken out any defined-benefit pension plans.

Staff obligations are recognised as other payables on the balance sheet.

Share option schemes
The value of services received as consideration for options granted is measured at the fair value of the options.

For equity-settled share options, fair value is measured at the date of granting and recognised as staff costs in the statement of comprehensive income during the period when the final right to the options is vested. The counter-item is recognised directly in equity as a transaction among owners.

For the calculation of the fair value of options granted, the terms and conditions relating to the share options granted are taken into account.

Deferred income
Deferred income comprises payments received regarding income in subsequent years, including mainly gift tokens (contract liabilities). Gift tokens payable are recognised at estimated value. See note 30.

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

Cash flows from operating activities are calculated in accordance with the indirect method as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the share capital and costs relating to the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash at bank and in hand.

NOTE 1 ACCOUNTING POLICIES (CONTINUED)

Definition of financial ratios:

EBITDA Earnings before restructuring costs, depreciation, amortisation, interest and tax

Gross margin
$$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$$

Operating margin (EBIT margin)
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

Return on invested capital
$$\frac{\text{Operating profit/loss} \times 100}{\text{Average operating assets}}$$

Solvency ratio
$$\frac{\text{Closing equity} \times 100}{\text{Total equity and liabilities at year end}}$$

Return on equity
$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

NOTE 2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

When financial statement items are recognised and measured, some judgements and estimates will, in certain cases, be required to define assumptions of future events. These estimates and assumptions are based on past experience and other relevant factors deemed reasonable by Management in the given circumstances, but by nature are uncertain or unpredictable. Accordingly, actual outcome may be different from these estimates.

Estimates and judgements as well as their underlying assumptions are regularly re-assessed. Changes to the accounting estimates are recognised in the financial reporting period when the changes are made, and in future financial reporting periods if the changes affect these periods.

Leases

Leasing assets are distributed among properties, equipment and cars. Properties are divided into categories according to how significant the properties are to the Group. These categories are used to estimate the expected length of the lease. This assessment also takes into account non-cancellations and extension options. The expected length of equipment and cars is the same as the length of the contracts.

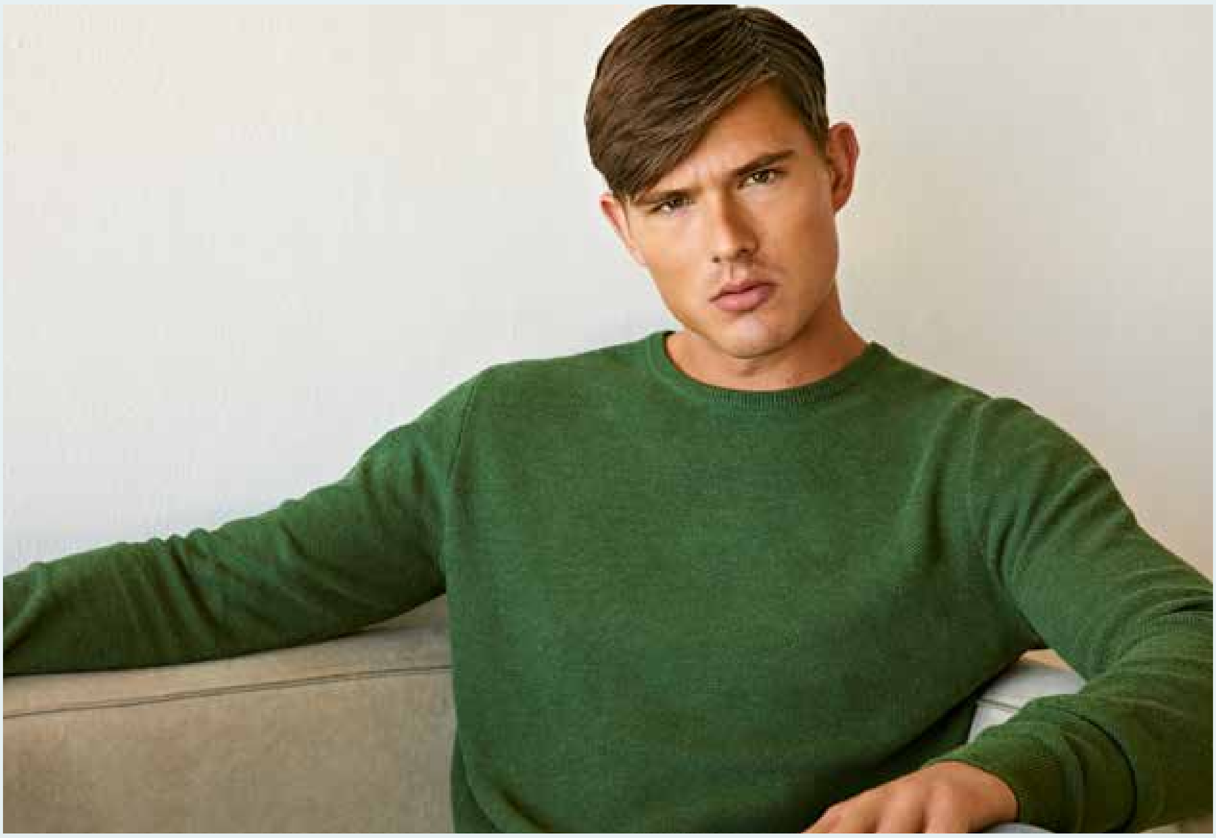
Fixed minimum payments are used to calculate the net present value.

Lease payments are discounted using incremental borrowing rate for similar assets, refer to note 30.

Impairment testing of goodwill

Any need for impairment of goodwill requires values in use to be determined for the cash-generating units on which the goodwill amounts are allocated. The statement of value in use relies on an estimate of projected future cash inflows in the individual cash-generating unit and the determination of a discount rate. These estimates are subject to a certain degree of uncertainty, and any changes may materially affect the annual report.

Reference is made to note 14 for a description of assumptions applied, discount rates, etc. used for defining the value in use of the defined cash-generating units.



NOTE 3 REVENUE

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Geographical markets				
Denmark	633,740	881,732	633,740	880,260
Foreign markets	194,141	229,500	140,799	162,184
	827,881	1,111,232	774,539	1,042,444

All timing of revenue is at a point in time.

NOTE 4 COST OF SALES

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Costs of goods for resale	379,640	502,885	369,697	490,644
Write-down of inventories	3,162	2,725	2,904	2,614

NOTE 5 OTHER OPERATING INCOME AND COSTS

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Other operating income				
Gain on the disposal of property, plant and equipment:				
Owned assets	156	75	132	75
Right-of-use-assets	369	0	368	0
	525	75	500	75
Loss on the disposal of property, plant and equipment:				
Owned assets	731	0	261	0
Right-of-use-assets	0	0	0	0
	731	0	261	0

NOTE 6 OTHER EXTERNAL COSTS

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Fees for auditors appointed at the general meeting				
Statutory audit services	462	475	343	340
Other assurance engagements	13	41	13	41
Tax advisory services	160	174	75	80
Other services	160	410	20	195
Total fee	795	1,100	451	656
Distributed as follows:				
PWC	663	915	430	646
Other firms	132	185	21	10
	795	1,100	451	656

Fee for other services than statutory audit services rendered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, to the Group 162 tDKK and consist mainly of sundry tax and advisory services.

NOTE 7 STAFF COSTS

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Payroll	205,809	250,373	186,219	223,846
Pensions	12,914	15,547	12,697	15,253
Other social security costs	9,962	9,690	9,029	8,527
	228,685	275,610	207,945	247,626
Thereof:				
Payroll Executive Board	3,003	3,666	3,003	3,666
Pensions Executive Board	103	122	103	122
Payroll Board of Directors	550	687	550	687
	3,656	4,475	3,656	4,475
Average number of full-time employees	551	554	502	499

NOTE 8 DEPRECIATION/AMORTISATION

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Owned assets:				
Amortisation, software	4,143	3,490	4,143	3,490
Amortisation, trademarks	706	869	706	869
Amortisation, other intangible assets	149	149	149	149
Depreciation, fixtures and fittings, tools and equipment	12,708	12,688	10,536	8,062
Depreciation, leasehold improvements	12,262	11,867	9,300	9,972
	29,968	29,063	24,834	22,542
Right-of-use assets:				
Depreciation, property	90,281	0	79,593	0
Depreciation, fixtures and fittings, tools and equipment	3,283	0	2,644	0
	93,564	0	82,237	0
	123,532	29,063	107,071	22,542

NOTE 9 FINANCIAL INCOME

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Interest income, banks	5	48	4	642
Interest income, group enterprises	0	0	790	1,075
Adjustment of fair value of financial instruments	0	0	0	0
Foreign exchange adjustments	3,463	0	0	0
Other financial income	691	691	4,004	0
	4,159	739	4,798	1,717

NOTE 10 FINANCIAL EXPENSES

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Interest expense, banks	2,503	1,503	2,494	1,483
Interest expense, leasing debt	9,169	0	8,128	0
Interest expense, group enterprises	17,685	26,292	17,685	26,292
Adjustment of fair value, financial instruments	0	3,642	0	3,642
Foreign exchange adjustment	681	3,432	601	3,126
Other financial expenses	1,193	1,991	699	1,228
	31,231	36,860	29,607	35,771

NOTE 11 TAX

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Tax for the year is distributed as follows:				
Tax on profit/loss for the year	-1,448	13,886	-1,423	11,518
Tax on other comprehensive income	0	0	0	0
	-1,448	13,886	-1,423	11,518
Tax on profit/loss for the year is specified as follows:				
Current tax	38	3,055	38	3,158
Deferred tax	-1,534	10,831	-1,461	8,360
Adjustment of tax in respect of previous years	48	0	0	0
	-1,448	13,886	-1,423	11,518
Tax on profit/loss for the year from continuing operations is specified as follows:				
Estimated 22% tax on results before tax	-4,560	6,258	-3,301	5,509
Adjustment of tax in foreign entities in proportion to 22%	1,240	2,745	0	0
Tax effect of:				
Non-deductible cost/income	1,824	4,883	1,878	6,009
Adjustment of tax in respect of prior years	48	0	0	0
	-1,448	13,886	-1,423	11,518
Effective tax rate	7.0%	48.8%	9.5%	46.0%

Non-deductible cost/income mainly relates to cost/income relating to investment in Joint venture.

NOTE 12 SOFTWARE

DKK'000	CONSOLIDATED 2018	CONSOLIDATED 2017	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Opening cost	30,211	23,295	30,211	23,295
Additions for the year	5,263	6,916	5,183	6,916
Disposals for the year	0	0	0	0
Closing cost	35,474	30,211	35,394	30,211
Opening amortisation	23,037	19,547	23,037	19,547
Amortisation for the year	4,143	3,490	4,143	3,490
Reversed amortisation for the year of disposals	0	0	0	0
Closing amortisation	27,180	23,037	27,180	23,037
Carrying amount	8,294	7,174	8,214	7,174

NOTE 13 TRADEMARKS

DKK'000	CONSOLIDATED AND PARENT COMPANY 2018 (12 months)	CONSOLIDATED AND PARENT COMPANY 2016/17 (15 months)
Opening cost	7,366	7,366
Additions for the year	0	0
Disposals for the year	0	0
Closing cost	7,366	7,366
Opening amortisation	4,924	4,055
Amortisation for the year	706	869
Reversed amortisation for the year of disposals	0	0
Closing amortisation	5,630	4,924
Carrying amount	1,736	2,442

NOTE 14 GOODWILL

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)
Opening cost	697,461	696,461
Additions for the year	0	1,000
Disposals for the year	0	0
Closing cost	697,461	697,461
Opening impairment losses	83,000	83,000
Impairment losses for the year	0	0
Closing impairment losses	83,000	83,000
Carrying amount	614,461	614,461

Impairment testing

At 31 December 2018, Management carried out a review for impairment of the carrying amount of goodwill based on the effected allocation of cost of goodwill on the cash-generating units:

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)
Retail Denmark	256,661	256,661
Wholesale worldwide	357,766	357,766
Other	34	34
TOTAL	614,461	614,461

The allocation of goodwill follows the Groups reporting of segments. The recoverable amount is based on the value in use, which is determined using projected net cash flows on the basis of budgets and estimates for the years 2019 – 2024 approved by Management and at a discount rate of 9.0% after tax (2016/17: 9.0%), corresponding to a discount rate before tax of 12.5% (2016/17: 12.5%). The budget period applied is determined taking into account the company's activities, historic performance, long-term strategy as well as forecast market development.

The most material assumptions for the purpose of impairment testing arise from PWT Group's expected ability to boost earnings, herunder the growth rates applied, which rely on Management's forecast based on initiatives taken to boost earnings, which mainly stems from a combination of revenue increases during the budget and forecast period as well as an marginal lower increase in costs than the increase in revenue.

NOTE 14 GOODWILL (CONTINUED)

WHOLESALE:
The Group expects to enjoy continuous growth on the export markets. As the basis for impairment test-ing, the business has budgeted for an compound annual revenue increase of 6 % for the CGU during the budget and forecast period (2019 – 2024) and 1,5% during the terminal period. On this basis, the value in use exceeds carrying amount with DKK 9 million. However, sensitivity analysis shows that if growth rates are not realisable as forecasted, impairment might be needed according to sensitivity analyses, i.e. if the compound annual growth is reduced by more than 3%. Other sensitivity analysis suggest that if the Gross margin is reduced by more than by 0.3 % point in the forecast period, the recoverable amount will exceeds the carrying amount.

RETAIL DENMARK:
As the basis for impairment testing, the business has budgeted for an compund annual revenue increase of 1% for the CGU during the budget and forecasting period (2019 – 2024) and 1,5% during the terminal period. On this basis, the net present value of future cash flows was not less than DKK 153 million up on carrying amount for the CGU. Management have prepared sensitivity analysis regarding reasonably possible change in the key assumption of boosting earnings where no impairment indicators are revealed.

NOTE 15 OTHER INTANGIBLE ASSETS

	CONSOLIDATED AND PARENT COMPANY	
DKK'000	**2018** (12 months)	**2016/17** (15 months)
Opening cost	1,490	1,490
Additions for the year	0	0
Disposals for the year	0	0
Closing cost	1,490	1,490
Opening amortisation	298	149
Amortisation for the year	149	149
Closing amortisation losses	447	298
Carrying amount at	1,043	1,192

NOTE 16 PROPERTY

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Opening cost	0	0	0	0
Additions from implementing IFRS 16	299,026	0	261,861	0
New opening cost	299,026	0	261,861	0
Currency translation	0	0	0	0
Additions for the year (Right-of-use assets 31,377)	31,377	0	31,377	0
Disposals for the year	10,889	0	8,144	0
Closing cost	319,514	0	285,094	0
Opening depreciation	0	0	0	0
Currency translation	0	0	0	0
Depreciation for the year	90,282	0	79,593	0
Reversed depreciation for year on disposals	4,465	0	3,796	0
Closing depreciation	85,817	0	75,797	0
Closing carrying amount	233,697	0	209,297	0
Thereof, assets held under leases	233,697	0	209,297	0

NOTE 17 FIXTURES AND FITTINGS, TOOLS AND EQUIPMENT

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Opening cost	91,567	72,890	78,722	63,517
Merging with VW Junior ApS	0	0	894	0
Additions from implementing IFRS 16	8,209	0	6,955	0
New opening cost	99,776	0	86,571	0
Value adjustment for the year	-104	-877	0	0
Additions for the year (Right-of-use assets 718)	13,825	19,554	12,976	15,206
Disposals for the year (Right- of-use assets 831)	2,312	0	1,606	0
Closing cost	111,185	91,567	97,942	78,722
Opening depreciation	59,815	47,401	54,941	44,969
Merging with VW Junior ApS	0	0	45	0
New opening cost	59,815	47,401	54,986	44,969
Value adjustment for the year	-109	-274	0	0
Depreciation for the year (Right- of-use assets 3,281)	15,986	12,688	13,181	9,972
Reversed depreciation for the year of disposals	1,307	0	610	0
Closing depreciation	74,385	59,815	67,557	54,941
Carrying amount	36,800	31,753	30,385	23,781
Thereof, assets held under leases	5,928	545	5,310	545

NOTE 18 LEASEHOLD IMPROVEMENTS

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Opening cost	93,311	78,785	73,954	62,854
Merging with VW Junior ApS	0	0	1,488	0
Currency translation	-187	-1,554	0	0
Additions for the year	12,146	16,080	11,101	11,100
Disposals for the year	2,222	0	1,177	0
Closing cost	103,048	93,311	85,366	73,954
Opening depreciation	58,031	46,807	49,482	41,420
Merging with VW Junior ApS	0	0	77	0
Currency translation	-196	-642	0	0
Depreciation for the year	12,267	11,866	9,300	8,062
Reversed depreciation for the year of disposals	712	0	183	0
Closing depreciation	69,390	58,031	58,676	49,482
Closing amount	33,658	35,280	26,690	24,472

NOTE 19 INVESTMENTS IN GROUP ENTERPRISES

DKK'000	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Opening cost	8,908	1,956
Additions	0	20,952
Disposals (Merging with VW Junior ApS)	1,331	0
Impairment for the year	0	-14,000
Cost at 31 December	7,577	8,908
Carrying amount	21,577	22,908

DKK'000	COMPANY CAPITAL	VOTING RIGHTS AND STAKE
PWT Norway AS, Oslo, Norge	TNOK 400	100%
PWT Germany GmbH, Maasbüll, Tyskland	TEUR 25	100%

NOTE 20 INVESTMENTS IN ASSOCIATES

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Opening cost	10,135	10,135	10,135	10,135
Additions	0	0	0	0
Closing cost	10,135	10,135	10,135	10,135
Opening value adjustments	-10,135	-3,049	-10,135	0
Net profit/loss for the year	0	-8,302	0	-11,351
Classified to write-down receivables	0	1,216	0	1,216
Closing value adjustments	-10,135	-10,135	-10,135	-10,135
Carrying amount	0	0	0	0

The company holds 60% of the shares in Wagner China ApS, Denmark. Because of the shareholder agreement Wagner China ApS is treated as an investment in associates.

Comprehensive income 2018	Turnover	Profit before tax	Profit for the year	Other comprehen-sive income	Comprehen-sive income for the year	Groups share of profit
Wagner China ApS (Aalborg, 60% ownership)	0	-11,362	-11,345	0	-11,345	-6,807

Balance sheet 2018	Noncurrent assets	Current assets	Noncurrent liabilities	Current liabilities	Equity	Groups share of equity
Wagner China ApS (Aalborg, 60% ownership)	46	2	0	12,799	-12,751	-7,651

NOTE 21 DEFERRED INCOME TAX

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Deferred tax arises from:				
Intangible assets	47,473	47,145	47,473	47,145
Property, plant and equipment	-1,555	1,764	-1,468	1,764
Current assets	-864	-972	-277	-371
Provisions	-1,683	-1,526	-1,683	-1,526
Other liabilities	-202	-226	-202	-226
Tax loss carryforwards	-20,554	-21,949	-20,554	-21,949
	22,615	24,236	23,289	24,837

All deferred tax assets and tax liabilities are recognised on the balance sheet.

NOTE 22 DEPOSITS

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Carrying amount at 1 January 2018/ 1 October 2016	15,186	14,743	14,910	14,473
Additions	1,662	1,126	1,662	1,064
Disposals	2,352	683	2,353	627
Carrying amount at 31 December	14,496	15,186	14,282	14,910

NOTE 23 INVENTORIES

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Goods for resale	201,273	193,801	190,017	180,516
Provisions for obsolescence	3,162	2,725	2,904	2,614
Goods for resale, net	198,111	191,076	187,113	177,902
Specification of provisions for obsolescence:				
Provision at 1 January 2018/ 1 October 2016	2,725	2,345	2,614	2,307
Adjustment for the year of provision for obsolescence	437	380	290	307
Provision at 31 December	3,162	2,725	2,904	2,614

NOTE 24 TRADE RECEIVABLES

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Trade receivables, gross	59,253	57,621	48,581	50,573
Allowances	1,420	1,863	1,259	1,684
Trade receivables, net	57,833	55,758	47,322	48,889
Distribution of receivables				
Not due	50,912	48,336	41,507	42,197
Under 30 days	4,703	3,547	3,664	3,650
Between 30 and 60 days	512	791	480	1,105
Between 60 and 90 days	845	576	709	844
Over 90 days	2,281	2,508	2,221	2,777
Trade receivables	59,253	55,758	48,581	50,573
Write-downs, expected loss rate				
Not due, 0.6 % (1.3 %) and 0.4 % (0.9 %)	303	645	164	387
Under 30 days, 1.5 % (1.8 %) and 1.6 % (1.9 %)	70	63	60	70
Between 30 and 60 days, 4.7 % (4.7 %) and 4.5 % (4.3 %)	24	37	22	47
Between 60 and 90 days 14.4 % (17.7 %) and 14.2 % (14.0 %)	121	102	101	115
Over 90 days 39.5 % (40.5%) and 41.0% (38.4%)	902	1,016	911	1,065
Trade receivables	1,420	1,863	1,258	1,684
Changes in allowances for trade receivables:				
Allowances at 1 January 2018/ 1 October 2016	1,863	1,802	1,684	1,342
Amounts restated through opening retained earnings	0	0	0	0
Allowances at 1 January 2018/ 1 October 2016 calculated under IFRS 9	1,863	1,802	1,684	1,342
Currency translation	10	-10	0	0
Loss for the year	-539	-1,160	-493	-773
Reversed allowances for the year	-27	-42	-27	-42
Allowances for the year	113	1,273	95	1,157
Allowances at 31 December	1,420	1,863	1,259	1,684

In 2018, allowances have been recogniced according to the lifetime expected credit loss method, whereas the allowances in 2018 were recogniced according to the incurred loss method. The transition to lifetime expected credit losses has not had any impact on allowances as of 1 January 2018. PWT Group Group has collateral held as security for trade receivables of 21.6 million, which consist of bank guarantee, deposit and personal guarantee.

Carrying amount of bonus points (contract liabilities) at 31. December 2018 at TDKK 7.187 (2016/17: 7.578). Changes in current year consits of; earned points TDKK 3,483, cashed points TDKK 1,360 and expired TDKK 2,514.

NOTE 25 SHARE CAPITAL

DKK'000	SHARE CAPITAL
Share capital upon establishment 2007/08	1,985
Closing share capital	1,985

The share capital is fully paid in and broken down on shares of DKK 1 or multiples thereof.
No shares carry special rights.

Capital management
The Group regularly assesses the need for adjusting its capital structure to weigh the required higher return on equity up against the increased uncertainty surrounding loan capital. Equity's share of total assets (solvency ratio) reached 39.7% at the end of 2018 (2016/2017: 51,2%). Capital management is con-ducted for the group as a whole.

NOTE 26 PROVISIONS

	CONSOLIDATED		PARENT COMPANY	
DKK'000	2018 (12 months)	2016/17 (15 months)	2018 (12 months)	2016/17 (15 months)
The Group's total provision obligation broken down on residual terms:				
Within 1 year	2,678	2,727	2,471	2,661
Between 1 and 5 years	5,983	149	5,315	149
After 5 years	1,536	6,105	1,499	5,281
	10,197	8,981	9,285	8,091
Reestablishment obligation at 1 Oct. / 1 Jan.	8,981	6,600	8,091	6,049
Additions during the year	3,485	2,460	3,387	2,121
Reversals during the year	-3,071	-150	-2,892	-150
Effect of change in interest rates	98	71	89	71
Effect of change in years	704	0	610	0
Reestablishment obligation at 31 December	10,197	8,981	9,285	8,091

Provisions obligations contains obligation to re-establish leaseholds (7,868) and refund liability on sold clothes (2,329). Obligation to re-establish leaseholds relates to projected future costs attributable to relocation of leaseholds and is based on projected costs relying on the current interior and condition of the leaseholds. The obligation is discounted back to net present value using a discount rate of 1.3% (2016/17: 0.98%), equivalent to a risk-free interest rate. Refund liabilities on sold clothes relates to projected future returns.

NOTE 27 BANK LOANS AND BOND LOANS

DKK'000	CONSOLIDATED 2018 (12 months)	CONSOLIDATED 2016/17 (15 months)	PARENT COMPANY 2018 (12 months)	PARENT COMPANY 2016/17 (15 months)
Bank overdrafts	25,788	21,833	25,788	21,833
Bank loans and overdrafts	25,788	21,833	25,788	21,833
The loans are recognised as follows on the balance sheet:				
Current liabilities	25,788	21,833	25,788	21,833
Carrying amount	25,788	21,833	25,788	21,833
Fair value	25,788	21,833	25,788	21,833
Undrawn credit facilities at 31 December	50,492	48,659	50,492	48,659

NOTE 28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group has entered into forward contracts of a total of DKK 90,722 thousand for USD purchases of a value during the period until June 2019 for the purpose of hedging future purchases in USD. The average exchange rate is 639. Forward contracts are not qualifying for treatment as hedging instruments, and changes are regularly recognised in the profit and loss statement before tax at a total of as financial income and financial expenses. The Group does not apply hedge accounting.

Reference is made to note 37 for further details.

Cover of currency risks:

DKK'000	Residual life	Contract value	Fair value	Fair value adjustment recognised in the statement of comprehensive income
2018 :				
Forward contract, USD	0-6 months	90,722	1,292	3,463
Recognised in finacials income/expense in the profit and loss statement			1,292	3,463
2015/16:				
Forward contract, USD	0-6 months	113,179	-2,171	-3,642
Recognised in finacials income/expense in the profit and loss statemen			-2,171	-3,642

Derivative financial instruments are valued in accordance with generally accepted valuation methods based on relevant observable currency curves. All above-mentioned financial instruments are recognised as 2-level observable inputs in the fair value hierarchy.

NOTE 29 DEFERRED INCOME

Deferred income comprises obligations in relation to gift cards(contract liabilities). Gift cards are recognized as income as they are used or when they become obsolete after 3 years according to regulations.

NOTE 30 LEASING

Below is an overview of information about leasing

Depreciations regarding leases is shown in note 8
Financial expenses regarding leases is shown in note 10
All contracts have been recognized as assets and debt.
There has been income from subleasing 1,936
During the year there have been variable payments of 18.973.
Cash-flow from leasing is shown in the cash-flow statement
Acquisitions and carrying amount is shown in note 16 and 17
Profit and loss from right-of-use assets is shown in note 5

NOTE 31 CHARGES AND COLLATERAL

Consolidated
As collateral for bank loans, the Group has provided a floating charge of a nominal amount of DKK 100 million secured upon non-current assets and current assets with a book value at 31 December 2018 of DKK 927 million (31 December 2017: DKK 866 million).

Current year is allocated (DKK Million):	
Intagible assets	640
Inventories	187
Trade receivables	47
Property, plant and equipment	53
	927

At 31 December 2018, the Group has entered into documentary credits of a total of DKK 9,913 thousand regarding non-settled purchase of goods abroad (31 December 2017: DKK 13,502 thousand).

NOTE 32 CONTINGENT ITEMS, ETC.

The Group's Danish enterprises are jointly and severally liable for the jointly taxed enterprises' tax liabilities.

In the ordinary course of its business, the Group is subject to various litigation such as product liability claims, employee disputes, rental disputes and other kinds of lawsuits, and faces different types of legal issues. Any claim brought against the Group (with or without merit), could be costly to defend. These matters are inherently difficult to quantify. Management is of the opinion that the result of these disputes will not have a significant effect on the Group's financial position.

The parent company and the Group company PWT Group A/S have guaranteed payments of leases for property on behalf of the Group company WagNo AS.

NOTE 33 RELATED PARTY DISCLOSURES AND OWNERSHIP

Control	Basis
Polaris Private Equity II K/S, Copenhagen	Ultimate parent company
P-WT 2007 A/S, Copenhagen	Parent company of PWT Holding A/S
PWT Holding A/S	Parent company of PWT Group A/S

Significant influence

The CEO of PWT Group A/S, Ole Koch Hansen, exercises control over OKH Holding A/S, which is deemed to exert significant influence.

Shareholder

The group is controlled by PWT Holding A/S, Aalborg, which owns 100% of the company's shares. The Group's ultimate controlling party is Polaris Private Equity II K/S, Copenhagen.

The Company is included in the consolidated financial statements of PWT Holding A/S, Aalborg and P-WT 2007 A/S, Copenhagen.

Transactions with related parties

Amounts owed by group enterprises are disclosed on the balance sheet of the parent company financial statements, and interest thereon is disclosed in note 9 and 10, Financial income and Financial expenses. Executives and Directors remuneration are disclosed in note 7, staff costs.

In addition, during the financial year, the Group engaged in the following transactions with enterprises exerting significant influence:

	CONSOLIDATED	
DKK'000	**2018**	**2017**
Rent, etc	4,606	5,852
Rent obligations regarding related parties represent	44,489	48,750

NOTE 34 MANAGEMENT POSITIONS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

Henrik Theilbjørn, Jan Bøgh, Jan Johan Kühl and Allan Bach Pedersen serve on the Board of Directors on behalf of Polaris Private Equity. Torben Fog serves on the Board of Directors on behalf of TE Geninvest ApS. Ole Kock Hansen serves on the board of Directors on behalf of OKH Group ApS and Wagner Holding Aalborg ApS.

Henrik Theilbjørn

Chairman and member of the board of directors since 2011

CEO of:
EMMADS Invest A/S

Chairman of the Board of:

Boozt AB
Bygghemma Group AB
Baum und Pferdgarten A/S
Scandinavian Designers A/S
Rabens Saloner A/S
Traede ApS
ELKA A/S
Kelly Invest A/S

Member of the Board of:

Signal A/S
Signal Ejendomme A/S
Sahva A/S

Jan Bøgh

Member of the board of directors since 2010

CEO of:
Jysk A/S

Chairman of the Board of:

IDdesign A/S
Sengespecialisten A/S

Member of the Board of:

Bolia A/S
and a number of companies owned by Jysk Holding A/S

Torben Fog

Member of the board of directors since 2008

CEO of:
TF Invest ApS

Chairman of the Board of:

Hubertushuset A/S
Sprit & Co. ApS
TE Geninvest ApS

Member of the Board of:

Mosaikhjørnet A/S

Claus Back Nielsen

Member of the executive board since 2010 (CFO)

Chairman of the Board of:
Krogh Andersen A/S

Member of the Board of Directors of:

Happydays A/S

Jan Johan Kühl

Member of the board of directors since 2007

Managing partner:
Polaris Management

Member of the Board of Directors of:

Business Synergy Group ApS
Interprimo A/S
Part Unique ApS
Brøndum A/S
Brøndum Holding A/S
and a number of companies owned by Polaris Private Equit

Allan Bach Pedersen

Member of the board of directors since 2007

Partner:
Polaris Management

Member of the Board of Directors of:

Østpeder Holding ApS
and a number of companies owned by Polaris Private Equity

Ole Koch Hansen

Member of the executive board since 2008

Member of the board of directors since 2011

CEO of:
OKH Holding ApS

NOTE 35 EVENTS AFTER THE BALANCE SHEET DATE

At 1. March 2019, the Group has acquired 15 retail stores in Norway under the Brandstad brand name, which amounts of TNOK 7,000, that have not yet been allocated.

No other significant events have occurred after the balance sheet date.

NOTE 36 NEW FINANCIAL REPORTING REGULATIONS

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2018. PWT Group expects to adopt the accounting standards and interpretations when they become mandatory.

NOTE 37 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – PARENT COMPANY AND GROUP

Risk management in general
As a result of its operating, investing and financing activities, PWT Group is exposed to financial risks, including market risks (currency risks and interest risks), credit risks and liquidity risks. Only the most important risks are accounted for in the note.

The Group manages its financial risks centrally as well as coordinates liquidity management and funding. Corporate policy is not to engage in any speculation in financial risks. The overall framework for management of currency risks is laid down in the policy on currency risks adopted by the Board of Directors.

The Group has taken out hedging of its currency and interest risks. The Group however does not use hedge accounting, thus the effect are recognized in comprehensive income.

Currency risks
Sales of the Group are primarily settled in Danish kroner, Norwegian kroner. Swedish kroner and Euro. The Group has sales companies in Germany and Norway, a sales department in Sweden and shops in Norway and Sweden and thereby incurs costs in the same currency. Currency risks from income-generating activities are thereby limited, as the vast part thereof is invoiced in the Scandinavian currencies or Euro. The Group has chosen not to hedge net income.

Purchases by the wholesale business are primarily settled in USD, and, accordingly, the Group is heavily exposed to currency movements in USD. Hedging is taken out for all purchases in USD in accordance with the group policy on currency risks, and therefore the risk at the balance sheet date is not deemed material to the Group.

Consolidated currency positions at 31 December 2018 set out in Danish kroner:

DKK'000	USD	NOK	SEK	EUR
Receivables	1,376	990	4,721	11,662
Cash	0	6,645	1,042	0
Trade payables	1,001	7,842	1,191	2,492
Bank loans	5,604	0	0	20,765
Forward contracts	92,602	0	0	0
	87,374	-207	4,572	-11,595
Impact on results before tax based on a -10% change in exchange rate	8,737	-21	457	-1,160
Impact on equity and results after tax based on a -10% change in exchange rate	6,815	-16	356	-904

NOTE 37 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – PARENT COMPANY AND GROUP (CONTINUED)

Consolidated currency positions at 31 December 2017 set out in Danish kroner:

DKK'000	USD	NOK	SEK	EUR
Receivables	2,440	4,081	3,113	7,827
Cash	0	5,359	2,038	0
Trade payables	191	4,789	308	9,212
Bank loans	247	0	0	3,035
Forward contracts	111,739	0	0	0
	113,741	4,651	4,843	-4,420
Impact on results before tax based on a -10% change in exchange rate	-11,374	-465	-484	442
Impact on equity and results after tax based on a -10% change in exchange rate	-8,872	-363	-378	345

The currency risk on USD mainly relate to the Group's forward exchange transactions. A decrease of 10% as mentioned above, would have an opposite effect on signed purchase orders.

Interest risks
As a result of its investing and financing activities, the Group is exposed to fluctuations in the level of interest rates in Denmark.

For the purpose of the Group's floating-rate cash and liabilities, an increase of 1% in interest rate level on the actual interest rates at the balance sheet date would hypothetically have a negative impact on consolidated results and equity at year end of DKK 2.2 million (DKK 2.2 million) and the Parent Company's results and equity of DKK 2.0 million (DKK 2.0 million). A similar reduction in interest rate level would have a corresponding positive effect.

The stated sensitivities have been based on recognised financial assets and liabilities at the end of the financial year. Repayment, raising of loans, etc. during the financial year have not been taken into account. The changes applied are considered fairly likely in the present market situation and based on projected movement in interest levels.

Credit risks
As a result of its operations, the Group is exposed to credit risks primarily arising from receivables from customers. The maximum credit risk is equivalent to the carrying amount of these items.

The Group regularly assesses the need for write-down for bad debts and follows up on receivables, and if required write-down is made in accordance with Group's policy for write-down. The write-down policy is calculated at expected credit loss, which uses a lifetime expected loss allowance for all trade receivables and contract assets. The Group is not exposed to any material risks posed by an individual customer.

Cash in banks are not deemed to pose any special credit risks.

Liquidity risks

The Group strives to have a sufficient liquidity reserve comprising cash, fair value trough profit or loss assets and undrawn credit facilities to be able to take proper action in case of unforeseen fluctuations in liquidity. Capital resources are regularly assessed and managed by the Finance Department. Based on the Group's capital resources and projected future cash flows, Management is of the opinion that sufficient capital resources are available.

The Group mainly finances its activities over the open bank business credits and undrawn drawing rights. Due to the seasonal fluctuations, etc., in its activities, the Group's liquidity requirements vary during the financial year. The seasonal variations are taken into account in the form of the availability of a sufficient number of overdraft facilities, etc.

Consolidated bond debt arising from the purchase of activities in 2008. On a regular basis, the Management assesses the market for new financing options when the bond expires in October 2022, these studies has been very positive and with great potential.

Net interest-bearing debt of the Group and the Parent Company is specified as follows:

	CONSOLIDATED		PARENT COMPANY	
DKK'000	**2018** (12 months)	**2016/17** (15 months)	**2018** (12 months)	**2016/17** (15 months)
Specification of net interest-bearing debt				
Cash at bank and in hand	-17,245	-19,866	-12,438	-14,235
Lease debt	244,269	540	218,855	540
Amounts borrowed from group enterprises	248,044	245,798	248,044	245,798
Bank loans, current liabilities	25,788	21,833	25,788	21,833
Net interest-bearing debt	500,856	248,305	480,249	253,936

The Group's financial liabilities fall due for payment as specified below with the amounts reflecting the non-discounted nominal amount falling due for payment in accordance with agreements concluded, including future interest payments calculated on the basis of the present market situation. Bond debt with expiry on 18 October 2022 represent the vast part of the Group's liabilities.

The repayment schedule is based on non-discounted contracting cash flows including estimated interest payments. The interest payments are estimated based on the current market situation.

DKK'000	**31.12.2017**	**Cash flow**	**Other regulations**	**31.12.2018**
Specification of interest-bearing debt				
Amounts borrowed from group enterprises	245,798	2,246	0	248,044
Bank loans and overdrafts, short term	21,833	3,955	0	25,788
Lease debt, long and short term	540	-85,988	304,303*	218,855
Debt from financing activities	268,171	-79,787	304,303	492,687

*The regulation comes from implementing IFRS 16

2018, Consolidated

DKK'000	0-1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL	CARRYING AMOUNT
Derivative financial instruments	1,292	0	0	1,292	1,292
Financieal intstruments measured at fair value through profit and loss	1,292	0	0	1,292	1,292
Deposits	0	0	14,496	14,496	14,496
Trade receivables	57,833	0	0	57,833	57,833
Other receivables	7,769	0	0	7,769	7,769
Financieal assets are measured at amortised cost	65,602	0	14,496	80,098	80,098
Lease debt	94,713	141,675	20,728	257,116	244,268
Overdraft facilities	25,788	0	0	25,788	25,788
Amounts borrowed from group enterprises	248,044	0	0	248,044	248,044
Trade payables	109,348	0	0	109,348	109,348
Other payables	67,553	0	0	67,553	67,553
Financial liabilities are measured at amortised cost	545,446	141,675	20,728	707,849	695,001

The implementation of IFRS 9, has not had any significant impact on the figures.

2016/17, Consolidated

Deposits	0	0	15,186	15,186	15,186
Trade receivables	55,758	0	0	55,758	55,758
Other receivables	4,725	0	0	4,725	4,725
Loans and receivables	60,483	0	15,186	75,669	75,669
Lease debt	120	420	0	540	540
Overdraft facilities	21,833	0	0	21,833	21,833
Amounts borrowed from group enterprises	245,798	0	0	245,798	245,798
Trade payables	93,437	0	0	93,437	93,437
Derivative financial instruments	2,171	0	0	2,171	2,171
Other payables	67,423	0	0	67,423	67,423
Financial liabilities are measured at amortised cost	430,782	420	0	431,202	431,202

NOTE 37 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – PARENT COMPANY AND GROUP (CONTINUED)

2018, Parent Company

DKK'000	0-1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL	CARRYING AMOUNT
Derivative financial instruments	1,292	0	0	1,292	1,292
Financieal intstruments measured at amortised cost	1,292	0	0	1,292	1,292
Deposits	0	0	14,281	14,281	14,281
Trade receivables	47,422	0	0	47,422	47,422
Other receivables	7,703	0	0	7,703	7,703
Financial assets are measured at amortised costs	55,125	0	14,281	69,406	69,406
Lease debt	85,896	129,562	20,728	236,186	218,855
Overdraft facilities	25,788	0	0	25,788	25,788
Amounts borrowed from group enterprises	248,044	0	0	248,044	248,044
Trade payables	108,341	0	0	108,341	108,341
Derivate financial instruments	0	0	0	0	0
Other payables	61,231	0	0	61,231	61,231
Financial liabilities are measured at amortised cost	529,300	129,562	20,728	679,590	662,259

2017, Parent Company

	0-1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL	CARRYING AMOUNT
Deposits	0	0	14,910	14,910	14,910
Trade receivables	47,422	0	0	47,422	47,422
Other receivables	4,578	0	0	4,578	4,578
Loans and receivables	55,125	0	14,910	69,406	69,406
Lease debt	120	420	0	540	540
Overdraft facilities	21,833	0	0	21,833	21,833
Amounts borrowed from group enterprises	245,798	0	0	245,798	245,798
Trade payables	91,632	0	0	91,632	91,632
Derivative financial instruments	2,171	0	0	2,171	2,171
Other payables	61,114	0	0	61,114	61,114
Financial liabilities are measured at amortised cost	422,668	420	0	423,088	423,088

On the basis of the Parent Company's and the Group's forecast future operations and the Group's current liquidity, no material liquidity risks have been identified. Please also refer to the description of liquidity risks above.

COMPANY DETAILS

COMPANY	PWT Group A/S Gøteborgvej 15 9200 Aalborg SV Denmark CVR No.: 31 08 16 10 Established: 30 November 2007 Registered office: Aalborg Financial year: 1 January 2018 - 31 December 2018 (11th financial year)
WWW	pwt-group.com pwtbrands.com lindbergh.dk shineoriginal.com bison.dk junkdeluxe.dk wagner.dk tøjeksperten.dk
BOARD OF DIRECTORS	Henrik Thorup Theilbjørnn (Chairman) Jan Bøgh Torben Fog Jan Johan Kühl Allan Bach Pedersen Ole Koch Hansen
EXECUTIVE BOARD	Ole Koch Hansen, CEO Claus Back Nielsen, CFO
AUDITORS	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A 9000 Aalborg Denmark

PWT BRANDS

TØJ eksperten

WAGNER

LINDBERGH

BISON

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