Tresu A/S
Eegsvej 14-16
6091 Bjert
Central Business Registration No 15302798

Annual report 2018

The Annual General Meeting adopted the annual report on 29.05.2019

Chairman of the General Meeting

Name: Carsten Nygaard Knudsen

Contents

Entity details

Entity

Tresu A/S
Eegsvej 14-16
6091 Bjert

Central Business Registration No: 15302798
Registered in: Bjert
Financial year: 01.01.2018 - 31.12.2018

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Board of Directors

Carsten Nygaard Knudsen, chairman
Ola Harald Erici
Anders Wilhjelm
Søren Dan Johansen
Thomas Stegeager Kvorning
Brian Dencker Brejnbjerg, employee representative
Jesper Ellebæk, employee representative

Executive Board

Heidi Thousgaard Jørgensen, director

Entity auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33 96 35 56
Værkmestergade 2
8000 Aarhus

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Tresu A/S for the financial year 01.01.2018 – 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statement give a true and fair view of the Entity’s financial position at 31.12.2018 and of the results of its operations as well as the consolidated cash flows for the financial year 01.01.2018 – 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Bjert, 29. May 2019

Executive Board

Heidi Thousgaard Jørgensen

Board of Directors

Carsten Nygaard Knudsen Chairman	Ola Harald Erici	Anders Wilhjelm
Søren Dan Johansen	Thomas Stegeager Kvorning	Brian Dencker Brejnbjerg
Jesper Ellebæk		

Independent auditor's report

To the shareholders of Tresu A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Tresu A/S for the financial year 2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor’s report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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’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 consolidated financial statements and the parent 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’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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

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.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 29 May 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Cvr.-no. 33 96 35 56

Thomas Rosquist Andersen
State-Authorised Public Accountant
MNE-no. mne31482

Peter Aslak Storgaard
State-Authorised Public Accountant
MNE-no. mne33767

Management commentary

	2018	2017 (3months)	2016/17	2015/16	2014/15
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	338.410	132.379	636.846	433.756	379.507
Gross profit/loss	(48.529)	26.529	173.687	104.416	87.019
Profit/loss ordinary operations	(165.824)	3.518	94.716	41.634	24.913
Operating profit/loss	(165.824)	3.518	94.716	41.634	25.347
Net financials	(2.109)	(2.610)	466	(2.657)	218
Profit/loss for the year	(131.928)	286	73.591	32.135	19.833
Total assets	315.181	434.974	403.061	281.807	257.411
Investments in property, plant and equipment	1.061	920	4.042	1.010	3.493
Equity	50.406	76.887	70.394	99.113	81.816
Ratios					
Gross margin (%)	(14,3)	20,0	27,3	24,1	22,9
Net margin (%)	(39,0)	0,2	11,6	7,4	5,2
Return on equity (%)	(207,3)	0,4	86,8	35,5	27,9
Equity ratio (%)	16,0	17,7	17,5	35,2	31,8
Return of assets	(52,6)	0,2	23,5	14,6	9,8

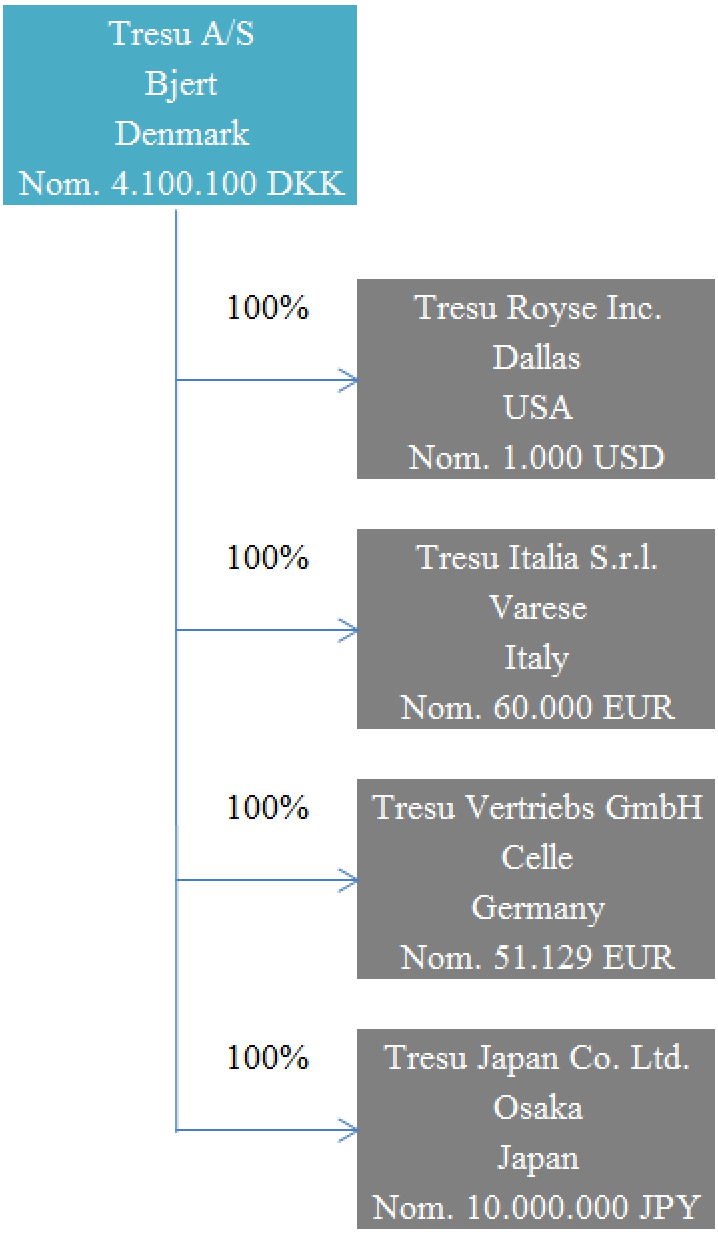
Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	
Gross margin (%)	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.
Return of assests (%)	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$	Profit from invested capital.

Management commentary

Group chart



Management commentary

Primary activities

Tresu Group develops, produces and sells custom made in-line flexo printing machines for the packaging manufacturing industry and ancillary products for the digital, flexo and offset printing industry worldwide.

Development in activities

The entity has changed its financial year to follow the calender year, starting the 1 January 2018. This annual report covers the period 1 January 2018 – 31 December 2018. Comparative figure for the financial year 2017 has not been changed.

In 2018 we continued working on a number of strategic initiatives with the aim of further strengthening the platform of our core business within custom made in-line flexo printing machines for the packaging manufacturing industry and ancillary products for the digital, flexo and offset printing industry worldwide.

At the end of fiscal year 2018 Tresu Group has a solid business platform focused on the graphical industry in Americas, Europe and Asia, backed up by strong technical competences as well as cost effective production setups in Denmark and the US. This provides a strong platform for securing the competitive strengths that continue to be the basis for value-adding growth for our customers, Tresu Group and for our owners.

Financial developments in the fiscal year 2018

Outlook last year was an expectation of stable development in revenue and EBIT as well as a positive cash flow from operating activities for FY 2018.

The result in the Group is impacted by costs related to overruns on large projects, development costs, tightening of accounting practices and overcapacity throughout the year.

Total revenue for the year 2018 was DKK 338,4m. If the company had been acquired with effect from 1 January 2017, revenue estimated by management would have been DKK 617,5m for the same period in 2017. This corresponds to a decrease in revenue in 2018 of 45% compared to full year 2017. Operating profit (EBIT) for the year 2018 amounted to DKK -165,9m. Profit for the year was DKK -131,9m.

Cash flow from operating activities amounted to DKK -107,7m and net investments equaled DKK 4m.

At the end of 2018, total assets was DKK 315,2m against DKK 435,0m end of December 2017.
At the year-end, total equity amounted to DKK 50,4m against DKK 76,9m in previous fiscal year. In year 2018 a tax exempt contribution of DKK 125,0m has been received.

Management commentary

Objective and outlook

Driven by our relentless focus on reducing our customers' total cost of print, we expect to expand our market position as we continue to penetrate the global folding carton market with our Flexo Innovator machines.

We project continued consolidation within our customers in the Folding Carton industry and expect machine demand to be driven by both replacements as well as new installations. Digital printing continues to take global market share, however from a low base. We expect our digitial revenue to be growing in the coming years. The ancillary product segment continues to follow the general market development and support our development in the Aftermarket segment.

Against this outlook the Group expects a revenue growth in the area of 20-30% and EBITDA margin of 5-10% (adjusted for non-recurring items) as well as a positive cash flow from operating activities in 2019.

Particular risks

Operating risks

To ensure a stable supply the Group has entered into necessary long-term agreements with sub-suppliers for the delivery of essential components.

Currency risks

The earnings, cash flows and equity are to a certain degree influenced by the development in the exchange rates of EUR and USD as the main part of the revenue is invoiced in DKK and EUR. The need for hedging is continuously evaluated. No speculative transactions are carried out.

Interest rate risks

Since the interest-bearing net liabilities have a variable interest, changes in the interest rate level may have a significant direct effect on the earnings. Hedging of interest rate risk is not carried out..

Credit risks

The major part of Tresu Group's products is delivered to well-reputed, large international companies with focus on delivering into the international packaging market.

Credit risk is monitored on an ongoing basis, and we perform an in-depth credit assessment of new customers and ongoing assessment of existing customers. In recent years, no significant debtor losses have been recorded.

Management commentary

Intellectual capital resources

The competitive advantage of Tresu Group is the development and production of leading technology printing machines and associated products, which entails particularly high demands on the intellectual capital resources both in the development and production divisions.

It is essential that Tresu Group can recruit, develop and retain employees with a high level of education and the right set of skills to maintain our high level of technical competence and innovation.

Tresu Group has implemented a quality management system which documents the individual methods and procedures to secure the critical business processes in relation to development, production and sales. The system is maintained and updated as part of the ISO 9001:2015 certification.

Environmental performance

To minimize the environmental footprint; an environmental policy has been implemented. The policy is based on responsible environmental operations and is an integrated part of Tresu Group's targets in terms of both manufacturing our equipment and customers using our equipment in their production. The system is maintained and updated as part of the ISO 14001:2015.

The environmental footprint in manufacturing equipment is primarily caused by the production in Tresu A/S and involves the consumption of electricity, natural gas and water as well as discharge from waste water, waste and emission. Efforts to reduce the environmental impact are on-going in all these areas.

Research and development activities

Development activities comprise continuous development of our product range and development of new ancillary products with the ultimate objective of increasing our customers' uptime and reducing their cost of operations.

Corporate social responsibility

Business model

For an elaboration of Tresus business model, please refer to the business activities section on page 8.

Risks in relation to CSR

Tresu has assessed risks in relation to its business across four focus areas: human rights, employee conditions, environment and climate, anti-corruption.

Human rights: The primary risk is that employees or partner may feel discriminated and not treated fairly and equally. The risk is considered low, as Tresu operates in Denmark and therefore adheres to the UN's Universal Declaration of Human Rights.

Management commentary

Employee conditions: The primary risk is that employees may not feel motivated or that employees become involved in a work accident.

Environment and climate: The primary risk is related to the environmental impact, e.g. electricity consumption and raw material consumption in relation to production of printing machines and ancillary products for printing machines.

Corruption and bribery: The primary risk is if employees use means such as payments or gifts to illegally influence a partner or customers decision or vice versa. The risk is low as Tresu operates in Denmark and adheres to laws and rules regarding corruption and bribery.

The mitigation and management of the mentioned risks will be further explained in the following sections.

Corporate responsibility policy

Tresu Group is dedicated to being a responsible employer and a good corporate citizen. Our Code of Conduct (CoC) represents our core values and reflects our continued commitment to ethical business practice and regulatory compliance.

We take a serious view of any suspicion of breach of Tresu Group's Code of Conduct, and in case of non-compliance with the Code of Conduct, we will act immediately.

Requirements, guidelines and daily practice for social responsibility and working environment conditions are fully incorporated parts of the company's management system which consists of:

- Certified quality management system DNV/ISO 9001:2015
- Certified environmental management system DNV/ISO 14001:2015

The basic idea of the management system is involvement of the employees and a high degree of decentralisation in decisions making. In this way we foster a high level of social capital, good working climate and job satisfaction among the employees.

Human rights and anti-corruption

Tresu perceives that there is a low risk connected to human rights and corruption and bribery. The reason is that Tresu operates out of Denmark and adheres to laws and rules concerning these areas. Furthermore, Tresu Group strives to continually improve our work environment. We aim to strengthen and implement a shared corporate culture to help us treat all colleagues equally. Tresu Group will support and respect the protection of the UN's Universal Declaration of Human Rights and the Core Conventions of the International Labour Or-

Management commentary

ganization (ILO), and make sure that Tresu is not complicit in abuse of human rights. Tresu Group is not aware of any breaches regarding anti-corruption and human rights in 2018 in the group.

Our Code of Conduct is distributed to employees upon joining the company, and the employees sign that they have read and will adhere to the principles of the CoC.

Important policies of Tresu Group are the Working Environment Policy and Environmental Policy.

Working Environment Policy
Tresu Group prioritizes safety and health and wants to be regarded as a company with high standards in relation to the physical and psychological working environment. Preventive measures and high ethical standards are central themes in our Working Environment Policy.

This means that Tresu Group:

- complies with the rules of the authorities in force at any time
- continuously implements improvements to the working environment
- documents improvements to the working environment
- has a workplace smoking policy
- has a senior policy
- has an alcohol policy
- motivates the employees to be aware of the working environment and to understand the importance of the efforts of each individual person
- involves the employees actively in the working environment work
- identifies the working environment effects on the company’s activities
- monitors working environment performances
- improves the working environment by means of planned and preventive measures
- ensures an active safety organisation
- requires that suppliers are aware of the working environment
- can explain purchased equipment’s impact on the working environment
- carries out risk assessment of manufactured products
- informs the public of the result of the working environment initiatives

The Safety organisation is active in supporting the physical and psychological working environment, and reaches out to management and HR, when action and focus is needed both on an individual level as well as related to departments or group of employees.

Management commentary

Environmental policy

To minimize the environmental footprint; an environmental policy has been implemented. The policy is based on responsible environmental operations and is an integrated part of Tresu Group's targets in terms of both manufacturing our equipment and customers using our equipment in their production. The system is maintained and updated as part of the ISO 14001:2015.

The environmental footprint in manufacturing equipment is primarily caused by the production in Tresu A/S and involves the consumption of electricity, natural gas and water as well as discharge from waste water, waste and emission. Efforts to reduce the environmental impact are on-going in all these areas.
The environmental policy of Tresu Group acts as an environmentally aware company at the forefront of the expectations of customers and surroundings and at all time to be in compliance with the requirements of the authorities.

This means that Tresu Group:

- complies with the requirements of DNV/EN ISO 14001:2015
- continuously implements and documents improvement to the environment
- complies with the rules of the authorities in force at any time
- continuously reduces the environmental footprint
- motivates the employees to be environmentally aware
- documents the environmental footprint of the products in an objective way
- involves the employees actively to carry out improvements to the environment
- requires that suppliers are environmentally aware
- can explain purchased equipment's impact on the environment
- informs the public of the result of the environmental initiatives

As an example we have developed optional heat exchange for reduced gas consumption. This heat exchanger is part of the drying process in the printing machines, and enables our customer to save up to half the gas consumption and thereby reduce CO2 emissions.

Corporate responsibility

Tresu Group is dedicated to being a responsible employer and a good corporate citizen. Our Code of Conduct (CoC) represents our core values and reflects our continued commitment to ethical business practice and regulatory compliance.

We take a serious view of any suspicion of breach of Tresu Group's Code of Conduct, and in case of non-compliance with the Code of Conduct, we will act immediately.

Management commentary

Tresu Group strives to continually improve our work environment. We aim to strengthen and implement a shared corporate culture to help us treat all colleagues equally. Tresu Group will support and respect the protection of the UN's Universal Declaration of Human Rights and the Core Conventions of the International Labour Organization (ILO), and make sure that Tresu is not complicit in abuse of human rights.

Objectives and action plans

For 2018 the aim was to reduce the CO2 emission by 3 tonnes per year and at the same time carry through improvements of our products so that our customers' contribution to the global CO2 emission would be reduced by at least 500 tonnes per year. In 2018 our product improvements helped customers reduce their annual CO2 emission by estimated 1.443 tonnes.

For 2019 the aim is to reduce Tresu Group's CO2 emission by 3 tonnes per year and at the same time carry through improvements of products so that the customers' contribution to the global CO2 emission will be reduced by at least 1.500 tonnes per year.

In 2018 the goal of Tresu Group was an absenteeism of maximum 0,6 hours absence per 1.000 working hours (this figure was not correct in the 2017 Annual Report, but should have been 30,0 hours absence per 1,000 working hours). The continued focus on the working environment has entailed that the absenteeism has been 29,8 hour absence per 1,000 working hours.

2019 will have a continued focus on preventive measures and information. The goal of Tresu Group is an absenteeism of maximum 30,0 hours absence per 1,000 working hours.

Management commentary

Report on the underrepresented gender

All Tresu A/S staff was recruited based on professional skills without regard to religion, race, gender, handicap or age. As a group, we look upon diversity as a strength, and we actively combat discrimination and aspire to promote equal treatment. This applies to the management level as well as all other levels in the organisation.

Tresu A/S' long-term ambition is to achieve a composition of the underrepresented gender at Board of Directors, reflecting the composition of gender in the total organization. Today, there are no women at the Board of Directors level, but the target is that the share of women should be at least 14,3% (1 woman) at management level in 2020. The target has not been met in 2018, as the right competences were not met in the search process.

Tresu A/S has a policy for the underrepresented gender at other management levels. At 31 December 2018 Tresu A/S employed a total of 20% women and 80% men at other management levels which reflects the composition of gender in the remaining part of the organisation.

We will continue to ensure a good balance in the composition of gender at management level, and we seek e.g. to make female management talents more visible and motivate female talents to submit an application when recruitments are made for various management positions.

Through policies for the underrepresented gender at management level we have succeeded in maintaining 20% women at other management levels, but we still aim at ensuring a greater balance in the composition of gender among managers of the Company.

Events after the balance sheet date

On 1 February 2019 Tresu A/S announced that effective 1 February 2019 Heidi Thousgaard Jørgensen, Deputy CEO and CFO, has been appointed CEO. Heidi Thousgaard Jørgensen will continue to perform her duties as CFO until a new CFO has been hired.

On 26 February 2019, the Group's parent company, Tresu Group Holding A/S, announced its intention to issue up to DKK 50m worth of new shares and transfer the amount as a tax-exempt contribution to the Group to support the turnaround plan and strategy.

Quarterly dividends are paid from Tresu A/S to Tresu Investment Holding A/S to pay bond interest to investors.

Accounting policies

The Annual Report of Tresu A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied to these Consolidated Financial Statements and Parent Financial Statements are consistent with those applied last year.

The entity has changed its financial year to follow the calender year, starting the 1 January 2018. This annual report covers the period 1 January 2018 – 31 December 2018 (12 months). Comparative figure for the financial year 2017 (3 months) has not been changed.

The Consolidated and Parent Company Financial Statements for 2018 are presented in TDKK.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent (Tresu A/S) and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. See also Group chart under management commentary.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the annual report of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions

Accounting policies

between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the interim consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Profits or losses from divestment of equity investments
Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Accounting policies

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Production costs

Production costs comprise expenses incurred to earn revenue for the financial period. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Also, provisions for loss on contract work in progress are recognised under production costs.

Research and development costs

Research and development costs include research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative costs comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Accounting policies

Other operating income
Other operating income comprises gain on sale of fixed assets.

Other operating expenses
Other operating expenses comprises loss on sale of fixed assets.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity participates in a Danish Joint taxation arrangement where the entity Nortre Administration ApS serves as the administration company. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period consists of management's estimates 3 years, however, in certain cases it may be higher for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources, and on the basis of an individual assessment based on an agreement with third parties. Useful lives are reassed on annual basis.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 3-5 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights, but no more than 20 years. Development projects are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sales of other intangible assets are calculated as the difference between selling price less selling costs and the carrying amount at the time of the sale. Profits or losses are recognised in the income statement under other operating income/-expenses.

Estimated useful lives and residual values are reassessed annually.

Accounting policies

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. For company-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset’s fair value and present value of future lease payments.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each asset

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	33 years
Plant and machinery	3-7 years
Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement under other operating income/-expenses.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises’ equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity are valued at DKK 0, and any receivables from these enterprises are written down by the Parent’s share of such negative equity value if it is deemed irrecoverable. If the negative value exceeds the amount recoverable, the remaining amount is recognized under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Accounting policies

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources. For some projects where the consumption of resources cannot be applied as a basis, the ratio between completed and total subactivities of the individual projects has been applied.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Accounting policies

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial yearis recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognised based on a specific assessment of the purpose of the individual subsidiary.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructurings, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Finance lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Accounting policies

Operating leases

Lease payments on operating leases are recognised in a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.

Consolidated income statement for 2018

	Notes	2018 (12 months) DKK'000	2017 (3 months) DKK'000
Revenue	1	338.410	132.379
Production costs	3,4	(386.939)	(105.850)
Gross profit/loss		**(48.529)**	**26.529**
Research and development costs		(20.046)	(1.684)
Distribution costs		(50.484)	(9.718)
Administrative costs	2	(46.823)	(11.609)
Other operating income		600	0
Other operating expenses		(542)	0
Operating profit/loss		**(165.824)**	**3.518**
Other financial income	5	316	27
Other financial expenses	6	(2.425)	(2.637)
Profit/loss before tax		**(167.933)**	**908**
Tax on profit/loss for the year	7	36.005	(622)
Profit/loss for the year	8	**(131.928)**	**286**

Consolidated balance sheet at 31.12.2018

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000
Completed development projects		14.857	22.091
Patents, licenses and other rights		2.356	0
Goodwill		11.782	8.284
Intangible assets	9	**28.995**	**30.375**
Land and buildings		14.987	19.183
Plant and machinery		13.859	1.906
Other fixtures and fittings, tools and equipment		2.455	4.096
Leasehold improvements		422	699
Property, plant and equipment	10	**31.723**	**25.884**
Deferred tax asset	14	3.877	0
Deposits		10.454	311
Fixed asset investments	11	**14.331**	**311**
Fixed assets		**75.049**	**56.570**
Raw materials and consumables		43.221	50.490
Work in progress		23.401	47.821
Manufactured goods and goods for resale		12.168	13.241
Prepayments for goods		8.455	21.683
Inventories		**87.245**	**133.235**
Trade receivables		58.047	50.516
Contract work in progress	13	77.659	175.551
Receivables group enterprices		0	283
Other short-term receivables		6.531	5.884
Income tax receivable		2.672	0
Prepayments		1.950	2.449
Receivables		**146.859**	**234.683**
Cash		**6.028**	**10.488**
Current assets		**240.132**	**378.406**
Assets		**315.181**	**434.976**

Consolidated balance sheet at 31.12.2018

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000
Contributed capital		4.100	4.100
Proposed ordinary dividend		29.000	0
Retained earnings		17.306	72.787
Equity		**50.406**	**76.887**
Provisions for deferred tax	14	0	30.111
Other provisions	15	6.671	1.340
Provisions		**6.671**	**31.451**
Finance lease liabilities		123	164
Other payables		6.631	7.204
Non-current liabilities other than provisions	16	**6.754**	**7.368**
Current portion of long-term liabilities other than provisions	16	941	1.279
Bank loans		100.581	67.516
Prepayments received from customers	13	15.210	3.911
Trade payables		88.595	202.300
Payables to group enterprises		11.550	12.467
Income tax payable		39	5.704
Other payables		34.434	26.093
Current liabilities other than provisions		**251.350**	**319.270**
Liabilities other than provisions		**258.104**	**326.638**
Equity and liabilities		**315.181**	**434.976**
Subsidiaries	12		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Mortgages and securities	21		
Consolidation	22		

Consolidated statement of changes in equity for 2018

	Contri-buted capital DKK'000	Retained earnings DKK'000	Proposed Extraordinary Dividend DKK'000	Proposed Ordinary Dividend DKK'000	Total DKK'000
Equity at 01.01.2018	4.100	72.787	0	0	76.887
Contribution	0	124.998	0	0	124.998
Exchange rate adjustments	0	1.214	0	0	1.214
Reserve for foreign exchange trades	0	(84)	0	0	(84)
Merger with Tresu Investment A/S	0	18.819	0	0	18.819
Dividend for Tresu Investment Holding A/S	0		(39.500)		(39.500)
Proposed ordinary dividend		(29.000)		29.000	0
Profit/loss	0	(171.428)	39.500	0	(131.928)
Equity at 31.12.2018	**4.100**	**17.306**	**0**	**29.000**	**50.406**

Consolidated cash flow statement for the year 2018

	Notes	2018 (12 months) DKK'000	2017 (3 months) DKK'000
Operating profit/loss		(165.824)	3.518
Amortisation. depreciation and impairment losses		17.522	2.620
Other provisions, group contribution		5.332	66
Working capital changes	17	41.503	(14.536)
Cash flows from ordinary operating activities		**(101.467)**	**(8.332)**
Financial income received		316	27
Financial expenses paid		(2.425)	(2.637)
Income taxes refunded/(paid)		(4.099)	(440)
Cash flows from operating activities		**(107.675)**	**(11.382)**
Acquisition etc of intangible assets		(14.934)	(158)
Acquisition etc of property, plant and equipment		(1.061)	(920)
Acquisition etc of fixed assets		(10.143)	0
Cash flows from investing activities		**(26.138)**	**(1.078)**
Instalments on loans etc		(952)	(177)
Capital increase		0	6.564
Tax exempt contribution		124.998	0
Dividends		(29.350)	0
Cash flows from financing activities		**94.696**	**6.387**
Increase/decrease in cash and cash equivalents		**(39.117)**	**(6.073)**
Cash and cash equivalents 01.01.2018		(57.028)	(50.592)
Unrealised exchange rate adjustments		1.592	(363)
Cash and cash equivalents end of year	19	**(94.553)**	**(57.028)**
Cash and cash equivalents at year end are composed of:			
Cash		6.028	10.488
Short-term debt to banks		(100.581)	(67.516)
Cash and cash equivalents end of year		**(94.553)**	**(57.028)**

Notes to consolidated financial statements

1. Revenue

	2018 (12 months) DKK'000	2017 (3 months) DKK'000
Primary geographical markets		
Denmark	6.605	2.539
Europe	174.299	40.955
USA	90.513	27.736
Middle East and Africa	41.938	29.542
Other markets	25.055	31.607
	338.410	**132.379**
Sales of goods	174.976	56.058
Sale of service	23.152	561
Income from contract work in progress (turnkey projects)	140.282	75.759
	338.410	**132.379**

2. Fees to the auditor appointed by the Annual General Meeting

Statutory audit services	796	88
Tax services	214	83
Other services	186	191
	1.196	**362**

3. Staff costs

Wages and salaries	153.784	38.564
Pension costs	10.165	2.595
Other social security costs	1.939	1.167
	165.888	**42.326**
Average number of employees	**306**	**301**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Executive Board	3.442	805
Board of Directors	906	204
	4.348	**1.009**

Notes to consolidated financial statements

	2018 (12 months) DKK'000	2017 (3 months) DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	8.635	1.390
Depreciation on property, plant and equipment	5.523	1.230
Impairment losses on property	3.364	1.230
	17.522	**2.620**
5. Other financial income		
Exchange rate adjustment	246	0
Other financial income	70	27
	316	**27**
6. Other financial expenses		
Interest expenses group companies	0	46
Interest expenses	2.225	422
Exchange rate adjustment	0	2.139
Other financial expenses	200	30
	2.425	**2.637**
7. Tax on profit/loss for the year		
Tax on current year taxable income	(2.217)	2.045
Change in deferred tax for the year	(33.964)	(1.439)
Adjustment concerning previous years	176	16
	(36.005)	**622**
8. Proposed distributions of Profit/loss		
Ordinary dividend for the financial year	29.000	0
Retained earnings	(160.928)	286
	(131.928)	**286**

Notes to consolidated financial statements

9. Intangible assets

	Patents and licenses DKK'000	Completed development projects DKK'000	Goodwill DKK'000
Cost beginning of year	0	50.736	12.843
Additions	2.894	12.040	6.409
Disposals	0	(1.500)	0
Transfer assets	12.918	(24.189)	0
Cost end of year	**15.812**	**37.087**	**19.252**
Depreciation and impairment losses Beginning of the year	0	(28.645)	(4.559)
Depreciation for the year	(1.102)	(4.622)	(2.911)
Reversal regarding disposals	0	958	0
Transfer of assets	(12.354)	10.079	0
Depreciation and impairment losses end of year	**(13.456)**	**(22.230)**	**(7.470)**
Carrying amount end of year	**2.356**	**14.857**	**11.782**

The Company's development expenses relates to capitalisation of costs in respect of continuous development of product range and new ancillary products with the ultimate objective of increasing our customers' uptime and reducing their cost of operations. In addition, it is the intention with these projects to manufacture, market or use the project for future commercial purposes.

The Group regularly reviews the carrying amounts of its definite-lived intangible assets to determine whether there is an indication of an impairment loss.

Development projects are tested for impairment annually if there is an indication that the asset should be impaired.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Notes to consolidated financial statements

10. Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fix-tures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost beginning of year	52.358	70.021	24.109	1.759
Exchange rate adjustments	329	205	14	0
Additions	0	697	317	47
Disposals	(13)	(5.063)	(99)	(100)
Transfer assets	0	24.189	(12.918)	0
Cost end of year	**52.674**	**90.049**	**11.423**	**1.706**
Depreciation and impairment losses Beginning of the year	(33.175)	(68.115)	(20.013)	(1.060)
Exchange rate adjustments	(221)	(175)	(13)	0
Depreciation for the year	(4.296)	(2.877)	(1.390)	(324)
Reversal regarding disposals	5	5.055	94	100
Transfer assets	0	(10.079)	12.354	
Depreciation and impairment losses end of year	**(37.687)**	**(76.190)**	**(8.968)**	**(1.284)**
Carrying amount end of year	**14.987**	**13.859**	**2.455**	**422**
Recognised assets not owned by entity	**-**	**179**	**-**	**-**

11. Fixed asset investments

	Deposit DKK'000
Cost beginning of year	311
Additions	10.143
Carrying amount end of year	**10.454**

Notes to consolidated financial statements

12. Subsidiaries

	Registered in	Corpo-rateform	Interest %
Tresu Italia S.r.l.	Varese, Italy	S.r.l.	100,0
Tresu Royce Inc.	Dallas, USA	Inc.	100,0
Tresu Japan Co. Ltd.	Osaka, Japan	Ltd.	100,0
Tresu Vertiebs GmbH	Celle, Germany	GmbH	100,0

	2018 DKK’000	2017 DKK’000
13. Contract work in progress		
Contract work in progress	278.453	357.328
Progress billings regarding contract work in progress	(216.004)	(185.688)
Transferred to liabilities other than provisions	15.210	3.911
	77.659	**175.551**
14. Deferred tax		
Intangible assets	3.887	5.649
Property, plant and equipment	2.151	1.044
Inventories	3.299	3.762
Receivables	3.849	19.714
Tax deficit	(16.508)	0
Liabilities and other provisions	(555)	(58)
	(3.877)	**30.111**

Changes during the year

Beginning of year	30.111
Recognised in income statement	(33.988)
Recognised directly in equity	0
End of year	**(3.877)**

Deferred tax mainly consists of tax deficit for the year, which is expected to be used over the next 2-5 years. In connection with the assessment of the utilisation of the tax asset, special emphasis has been placed on the Company being able to achieve it's strategic goals and thereby increasing revenues and earnings.

15. Other provisions

Other provisions consists of warranties.

Notes to consolidated financial statements

16. Long-term liabilities other than provisions

	Installments within 12 months 2018 DKK’000	Installments within 12 months 2017 DKK’000	Installments beyond 12 months 2018 DKK’000	Outstanding after 5 years DKK’000
Finance lease liabilities	45	207	123	0
Other payables	896	1.072	6.631	1.434
	941	**1.279**	**6.754**	**1.434**

17. Changes in working capital

	2018 DKK’000	2017 DKK’000
Increase/decrease in inventories	45.988	(39.110)
Increase/decrease in receivables	90.496	7.331
Increase/decrease in trade payables etc	(94.981)	17.243
	41.503	**(14.536)**

18. Cash and cash equivalents

Cash in the cash flow statement consists of cash holdings and short-term bank loans.

Notes to consolidated financial statements

19. Unrecognised rental and lease commitments

For the year 2018 the Group has concluded lease contracts regarding operating leases of tools and rental. The future minimum payments according to contracts are distributed by DKK 7,595m within year 1, DKK 35,264m between 2 and 5 years and DKK 81,402m after 5 years.

20. Contingent liabilities

From 21 June 2017 the entity Nortre Administration ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is liable from June 21 2017 for income taxes etc. for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

21. Mortgages and securities

There has been given a negative pledge in the entity’s assets.

For third parties security has been given a mortgage deed of DKK 10.000k

Bank warranties regarding customers amounting to DKK 11.089,2k have been made.

22. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

- Tresu Investment Holding A/S, CBR-no. 37553727, Eegsvej 14, 6091 Bjert.

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

- Tresu Group Holding A/S, CBR-no. 37752088, Eegsvej 14, 6091 Bjert.

Parent income statement for 2018

	Notes	2018 (12 months) DKK'000	2017 (3 months) DKK'000
Revenue	1	312.574	122.850
Production costs	3,4	(377.108)	(100.264)
Gross profit/loss		**(64.534)**	**22.586**
Research and development costs		(20.046)	(1.684)
Distribution costs		(38.177)	(7.121)
Administrative costs	2	(43.715)	(9.213)
Other operating income		568	0
Other operationg expenses		(542)	0
Operating profit/loss		**(166.446)**	**4.568**
Income from investments in group enterprises		91	(1.250)
Other financial income	5	507	34
Other financial expenses	6	(2.513)	(2.579)
Profit/loss before tax		**(168.361)**	**773**
Tax on profit/loss for the year	7	36.433	(487)
Profit/loss for the year	8	**(131.928)**	**286**

Parent balance sheet at 31.12.2018

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000
Completed development projects		14.857	22.091
Patents, licenses and other rights		2.356	0
Goodwill		11.782	8.284
Intangible assets	9	**28.995**	**30.375**
Land and buildings		13.000	17.013
Plant and machinery		13.294	1.320
Other fixtures and fittings. tools and equipment		2.296	3.945
Leasehold improvements		422	699
Property, plant and equipment	10	**29.012**	**22.977**
Investments in group enterprises		27.648	26.344
Deferred tax asset		3.877	0
Deposits		10.323	311
Fixed asset investments	11	**41.848**	**26.655**
Fixed assets		**99.855**	**80.007**
Raw materials and consumables		30.355	39.112
Work in progress		20.895	47.266
Manufactured goods and goods for resale		9.078	11.545
Prepayments for goods		7.966	21.683
Inventories		**68.294**	**119.606**
Trade receivables		41.419	40.081
Contract work in progress	12	77.659	175.551
Receivable group enterprices		12.031	7.129
Tax receivable		2.661	0
Other short-term receivables		6.658	5.616
Prepayments		1.842	2.090
Receivables		**142.270**	**230.467**
Cash		**1.345**	**5.322**
Current assets		**211.909**	**355.395**
Assets		**311.764**	**435.402**

Parent balance sheet at 31.12.2018

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000
Contributed capital	13	4.100	4.100
Retained earnings		8.032	72.101
Proposed ordinary dividend		29.000	0
Reserve for development expenditure		9.274	686
Equity		**50.406**	**76.887**
Provisions for deferred tax	14	0	30.111
Other provisions		6.100	800
Provisions		**6.100**	**30.911**
Other payables		6.631	7.204
Non-current liabilities other than provisions	15	**6.631**	**7.204**
Current portion of long-term liabilities other than provisions	15	896	1.236
Bank loans		100.581	67.516
Prepayments received from customers	12	15.210	3.911
Trade payables		85.079	198.877
Payables to group enterprises		15.224	19.014
Income tax payable		0	5.614
Other payables		31.637	24.232
Current liabilities other than provisions		**248.627**	**320.400**
Liabilities other than provisions		**255.258**	**317.604**
Equity and liabilities		**311.764**	**435.402**

	Notes
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Transaction with related parties	20
Consolidation	21

Parent statement of changes in equity for 2018

	Contri-Buted capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed Extraordinary Dividend DKK'000	Proposed Ordinary Dividend DKK'000	Total DKK'000
Equity at 01.01.2018	4.100	686	72.101	0	0	76.887
Contribution	0	0	124.998	0	0	124.998
Exchange rate adjust-ments	0	0	1.214	0	0	1.214
Merger with Tresu In-vestment A/S	0	0	18.819	0	0	18.819
Reserve for foreign ex-change trades	0	0	(84)	0	0	(84)
Reserve for development expenditure	0	8.588	(8.588)	0	0	0
Dividend for Tresu In-vestment Holding A/S	0	0		(39.500)	0	(39.500)
Proposed ordinary dividend			(29.000)		29.000	0
Profit/loss	0	0	(171.428)	39.500	0	(131.928)
Equity at 31.12.2018	**4.100**	**9.274**	**8.032**	**0**	**29.000**	**50.406**

Notes to the parent financial statements

1. Revenue

	2018 (12 months) DKK'000	2017 (3 months) DKK'000
Primary geographical markets		
Denmark	6.605	2.539
Europe	174.663	38.007
USA	88.620	25.557
Middle East and Africa	36.915	27.415
Other markets	5.771	29.332
	312.574	**122.850**
Sales of goods	138.033	46.570
Sale of service	23.150	521
Income from contract work in progress (turnkey projects)	140.282	75.759
	312.574	**122.850**

2. Fees to the auditor appointed by the Annual General Meeting

Statutory audit services	563	88
Tax services	139	40
Other services	171	191
	873	**319**

3. Staff costs

Wages and salaries	136.903	33.491
Pension costs	9.795	2.505
Other social security costs	1.352	282
	148.050	**36.278**
Average number of employees	**264**	**256**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017 DKK'000
Executive Board	3.442	805
Board of Directors	906	204
	4.348	**1.009**

Notes to the parent financial statements

	2018 (12 months) DKK'000	2017 (3 months) DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	8.635	1.390
Depreciation on property, plant and equipment	5.068	1.132
Impairment loss property	3.364	1.132
	17.067	**2.522**
5. Other financial income		
Financial income from group enterprises	320	9
Exchange rate adjustment	121	0
Other financial income	66	25
	507	**34**
6. Other financial expenses		
Interest expenses group companies	106	46
Interest expenses	2.216	420
Exchange rate adjustment	0	2.085
Other financial expenses	191	28
	2.513	**2.579**
7. Tax on profit/loss for the year		
Tax on current year taxable income	(2.649)	1.926
Adjustment concerning previous years	180	0
Change in deferred tax for the year	(33.964)	(1.439)
	(36.433)	**487**
8. Proposed distributions of Profit/loss		
Proposed ordinary dividend for the financial year	29.000	0
Reserve for development expenditures	8.588	29
Retained earnings	(169.516)	257
	(131.928)	**286**

Notes to the parent financial statements

	Patents and licenses DKK'000	Completed development projects DKK'000	Goodwill DKK'000
9. Intangible assets			
Cost beginning of year	0	50.736	12.843
Additions	2.894	12.040	6.409
Disposals	0	(1.500)	0
Transfer assets	12.918	(24.189)	0
Cost end of year	**15.812**	**37.087**	**19.252**
Depreciation and impairment losses Beginning of the year	0	(28.645)	(4.559)
Depreciation for the year	(1.102)	(4.622)	(2.911)
Reversal regarding disposals	0	958	0
Transfer assets	(12.354)	10.079	0
Depreciation and impairment losses end of year	**(13.456)**	**(22.230)**	**(7.470)**
Carrying amount end of year	**2.356**	**14.857**	**11.782**

For description of the Company's completed development projects, refer to the Consolidated Financial Statements, cf. note 9.

Notes to the parent financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
10. Property, plant and equipment				
Cost beginning of year	45.806	65.957	23.265	1.759
Additions	0	644	246	47
Disposals	(13)	(5.063)	0	(100)
Transfer licenses	0	24.189	(12.918)	0
Cost end of year	**45.793**	**85.727**	**10.593**	**1.706**
Depreciation and impairment losses Beginning of the year	(28.793)	(64.637)	(19.320)	(1.060)
Depreciation for the year	(641)	(2.772)	(1.331)	(324)
Impairment for the year	(3.364)	0	0	0
Reversal regarding disposals	5	5.055	0	100
Transfer licenses	0	(10.079)	12.354	0
Depreciation and impairment losses end of year	**(32.793)**	**(72.433)**	**(8.297)**	**(1.284)**
Carrying amount end of year	**13.000**	**13.294**	**2.296**	**422**

Notes to the parent financial statements

11. Fixed asset investment

	Investments In group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	28.058	311
Additions	0	10.012
Cost end of year	**28.058**	**10.323**
Revaluations beginning of year	(1.714)	0
Exchange rate adjustments	1.213	0
Share of profit/loss for the year	91	0
Amortisation and impairment losses end of year	**(410)**	**0**
Carrying amount end of year	**27.648**	**10.323**

12. Contract work in progress

	2018 DKK'000	2017 DKK'000
Contract work in progress	301.308	357.328
Progress billings regarding contract work in progress	(216.003)	(185.688)
Transferred to liabilities other than provisions	15.210	3.911
	100.515	**175.551**

13. Contributed capital

	Number	Nominal value DKK'000
Ordinary shares	**4.100**	**4.100**

Notes to the parent financial statements

14. Deferred tax

	31.12.2018 DKK'000	31.12.2017 DKK'000
Intangle assets	3.887	5.649
Property, plant and equipment	2.151	1.044
Inventories	3.299	3.762
Receivables	3.849	19.714
Tax deficit	(16.508)	0
Liabilities and other provisions	(555)	(58)
	(3.877)	**30.111**

Changes during the year

Beginning of year	30.111
Recognised in income statement	(33.988)
Recognised directly in equity	0
End of year	**(3.877)**

For the Company's assessment of the future utilization of the deferred tax asset, refer to the Consolidated Financial Statements, cf. note 14.

15. Long-term liabilities other than provisions

	Installments within 12 months 2018 DKK'000	Installments within 12 months 2017 DKK'000	Installments beyond 12 months 2018 DKK'000	Outstanding after 5 years DKK'000
Finance lease liabilities	45	164	123	0
Other payables	896	1.072	6.631	1.434
	941	**1.236**	**6.754**	**1.434**

Notes to the parent financial statements

16. Contingent liabilities

From 21 June 2017 the entity Nortre Administration ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is liable from June 21 2017 for income taxes etc. for the jointly taxed entities and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

17. Unrecognised rental and lease commitments

For the year 2018 the Entity has concluded lease contracts regarding operating leases of tools and rental. The future minimum payments according to contracts are distributed by DKK 6,545m within year, DKK 34,744 m between 2 and 5 years and DKK 81,402m after 5 years.

18. Mortgages and securities

There has been given a negative pledge in the entity's assets.

For third parties security has been given a mortgage deed of DKK 10.000k

Bank warranties regarding customers amounting to DKK 11.089,2k have been made.

Notes to the parent financial statements

19. Related parties with controlling interest

The following parties have a controlling interest:

- Harald Mix, Bragevägen 4, Stockholm, indirect real owner.
- Altor Fund IV (No. 1) AB, Stockholm, shareholder.
- Altor Fund IV (No. 2) AB, Stockholm, shareholder.
- Altor Fund IV Holding AB, Stockholm, shareholder.
- Tresu Group Holding A/S, CBR-no. 37752088, Bjert, shareholder.
- Tresu Investment Holding A/S, CBR-no.37553727, Bjert, shareholder.

20. Transaction with related parties

	2018 DKK'000	2017 DKK'000
Group		
Financial expenses to group enterprises	0	46
Receivables from group enterprises	0	283
Payables to group enterprises	11.550	12.467
Parent		
Sale of goods to group enterprises	32.473	7.797
Purchase of goods from group enterprises	12.457	1.582
Financial income from group enterprises	320	56
Financial expenses to group enterprises	106	47
Receivables from group enterprises	12.031	7.129
Payables to group enterprises	15.224	19.014

In addition to the distribution of dividends there have been no transactions with the capital owners. Remuneration of management is shown in note 3.

21. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

- Tresu Investment Holding A/S, CBR-no. 37553727, Eegsvej 14-16, 6091 Bjert.

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

- Tresu Group Holding A/S, CBR-no. 37752088, Eegsvej 14, 6091 Bjert.