Tresu A/S

Venusvej 44

DK-6000 Kolding

Central Business Reg. No.: 15 30 27 98

Annual Report 2019

The Annual General Meeting adopted the Annual Report on 30.04.2020

Chairman of the General Meeting

Name: Carsten Nygaard Knudsen

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Entity details

Entity

Tresu A/S
Venusvej 44
DK-6000 Kolding
Denmark

Central Business Registration No.: 15 30 27 98
Registered in: Kolding
Financial period: 01.01.2019 - 31.12.2019

Phone: +45 76323500
Web site: www.tresu.com
E-mail: tresu@tresu.com

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
Lone Præst

Entity auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Central Business Registration No.: 33 96 35 56
Værkmestergade 2
DK-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 01.01.2019 - 31.12.2019.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statement gives a true and fair view of the Entity´s financial position at 31 December 2019 and of the results of its operations and the consolidated cash flows for the period from 1 January 2019 to 31 December 2019.

In our opinion, the Management's commentary includes a fair review of the affairs and conditions referred to therein.

We recommend the Annual Report for adoption at the Annual General Meeting.

Kolding, 30.04.2020

Executive Board

Heidi Thousgaard Jørgensen	Lone Præst
CEO	*CFO*

Board of Directors

Carsten Nygaard Knudsen	Ola Harald Erici	Anders Wilhjelm
Chairman		
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 01.01.2019 - 31.12.2019, 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 for 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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, 30.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No.: 33 96 35 56

Jacob Nørmark

State-Authorised Public Accountant

MNE no. mne30176

Management commentary

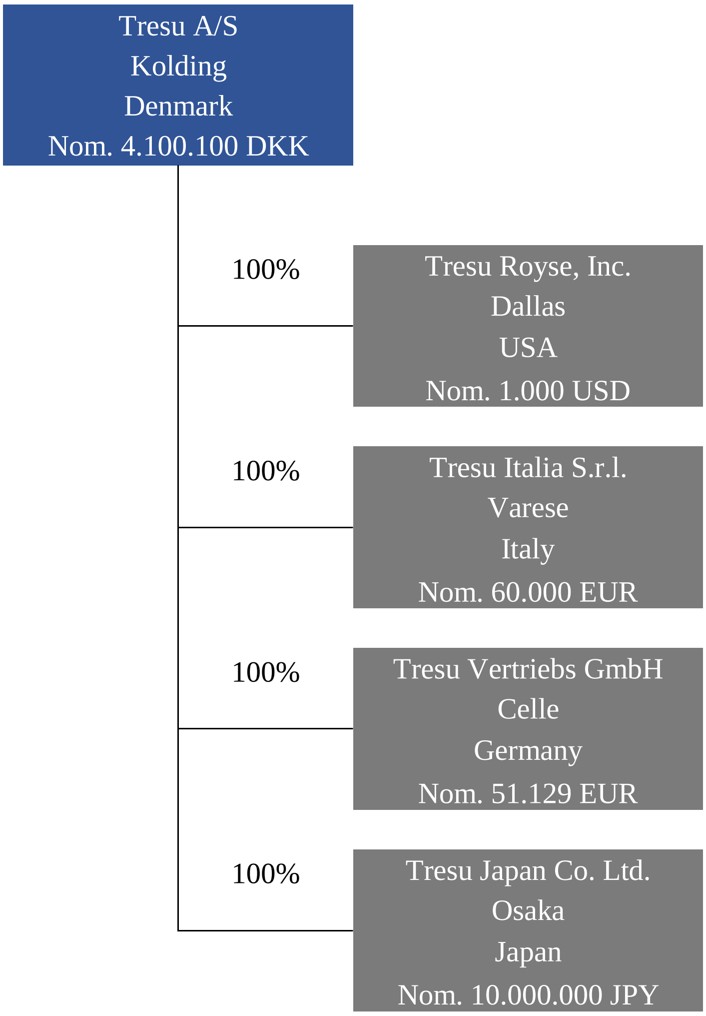
	2019	2018	2017 (3 months)	2016/17	2015/16
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	388.701	338.410	132.379	636.846	433.756
Gross profit/loss	72.930	(48.529)	26.529	173.687	104.416
Operating profit/loss	(31.856)	(165.824)	3.518	94.716	41.634
Net financials	(3.206)	(2.109)	(2.610)	466	(2.657)
Profit/loss for the year	(29.302)	(131.928)	286	73.591	32.135
Total assets	235.921	315.181	434.974	403.061	281.807
Investments in property, plant and equipment	20.764	1.061	920	4.042	1.010
Equity	42.856	50.406	76.887	70.394	99.113
Ratios					
Gross margin (%)	18,8	(14,3)	20,0	27,3	24,1
Net margin (%)	(7,5)	(39,0)	0,2	11,6	7,4
Return on equity (%)	(62,8)	(207,3)	0,4	86,8	35,5
Equity ratio (%)	18,2	16,0	17,7	17,5	35,2
Return on assets	(13,5)	(52,6)	0,2	23,5	14,6

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 assets (%)	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$	Profit from invested capital

Management commentary

Group chart as per 31 December 2019



Management commentary

Primary activities

Tresu 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

In 2019 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.

In August 2019 Tresu moved its headquarters and production facilities in to one new domicile in Kolding, Denmark, which is constructed and erected to accommodate the needs of the company. In September 2019 Tresu decided to close down the production facility in US.

At the end of fiscal year 2019 Tresu has a solid business platform focused on the graphical industry in Americas, Europe and Asia, backed by strong technical competences as well as cost effective production setup in Denmark. This provides a strong platform for securing the competitive strengths that continue to be the basis for value-adding growth for our customers, Tresu and for our owners.

Financial developments in the fiscal year 2019

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 2019.

The result in the Group is impacted by relocation costs and impairment loss of DKK 5m on the former domicile in Sdr. Bjert, Denmark.

Consolidated revenue for the financial year 2019 is DKK 388,7m (2018: DKK 338,4m).

Operating profit (EBIT) for the year 2019 was DKK -31,9m (2018: DKK -165,8m).

Average number of headcounts in the Group in 2019 was 202 FTE (2018: 306).

Cash flow from operating activities in 2019 amounted to DKK 40,8m (2018: DKK -107,7) and net investments in property, plant and equipment equalled DKK 20,8m (2018: DKK 1,1m).

At the end of 2019, total assets were DKK 235,9m (2018: 315,2m) and total equity amounted to DKK 42,9m (2018: DKK 50,4m).

The financial results 2019 are in line with expectations.

Management commentary

Objective and outlook

COVID-19 is in the preliminary stage in Europe and the United States and Government Authorities are implementing initiatives to secure the health and wellbeing of the population.

We have initiated mitigating actions to reduce the potential impact of COVID-19 on our business and results. Through our sales activities we strive to be in close dialogue with our customers about projects in the pipeline and we do not expect projects to be lost, but maybe postponed.

However, the fundamentals of the primary end-markets we operate in being supplier to the consumer staples sector has historically been relatively resilient against a material change in demand.

Operating risks

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

Credit risk

The major part of Tresu’s products is delivered to well-reputed, large international companies in 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.

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 and to a lesser extent USD. 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.

Management commentary

Intellectual capital resources

The competitive advantage of Tresu 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 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 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.

Research and development activities

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

Corporate social responsibility (CSR)

Business model and approach to CSR

Being a global technology provider, Tresu are dedicated to offer a contribution to limiting the Group´s and our custumer´s environmental and climate footprint, fighting corruption as well as securing good conditions for its employees. For an elaboration of Tresu´s business model, please refer to the business activities section on page 8.

Corporate responsibility policy

The Group is dedicated to being a responsible employer and a good corporate citizen. Our Code of Conduct 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's Code of Conduct, which all employees must comply with, 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 decentralization in decisions making. In this way we foster a high level of social capital, good working climate and job satisfaction among the employees.

Management commentary

Human rights and anti-corruption

Tresu is dedicated to upholding a high degree of business ethics. Tresu operates out of Denmark and adheres to laws and rules concerning human rights, corruption and bribery. Furthermore, Tresu 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 supports and respects the protection of the UN’s Universal Declaration of Human Rights and the Core Conventions of the International Labor Organization (ILO), and makes sure that Tresu is not complicit in abuse of human rights.

Tresu´s expectations regarding anti-corruption are specified in our Code of Conduct, which all the employees of Tresu must comply with. Tresu is not aware of any breaches regarding anti-corruption and human rights in 2019.

Social & Labor conditions

The employees of Tresu are essential to maintain our high level of technical competence and innovation. Tresu 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 complies with the rules of the authorities in force at any time, has a number of governance policies and continuously implements improvements to the working environment. Tresu has an active safety organisation and motivates the employees to be aware of the working environment and to understand the importance of the efforts of each individual person. Further, Tresu requires that suppliers are aware of the working environment and continue to make the suppliers aware of our expectations to them to comply with our Code of Conduct.

The Safety organization 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.

Tresu strives towards achieving broader gender representation by recruitment, taking into account the industry in which the Tresu operates where basis for candidates is predominantly male. Both male and female employees are encouraged to develop their competences and careers. In all cases the best qualified person will be employed for the job.

Environment and climate

Tresu strives to minimize the environmental and climate footprint. 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.

The environmental policy of Tresu is to act 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.

Management commentary

This means that Tresu Group:

- complies with the requirements of DNV/EN ISO 14001:2015
- continuously implements and documents improvement to the environment
- 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

The environmental policy is based on responsible environmental operations and is an integrated part of Tresu’s targets in terms of both manufacturing our equipment and customers using our equipment in their production.

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.

Results achieved and expectations for future CSR activities

The aim for 2019 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 1.500 tonnes per year. In 2019 our product improvements helped customers reduce their annual CO2 emission by estimated 1.200 tonnes.

Further, Tresu has moved its headquarter and production facilities in to one new domicile in August 2019, which is constructed and erected in accordance with the Danish building regulation 2015 and awarded energy label “A2015”. Windows and doors are fitted with 3-layer low-energy glass, lamps are mounted with LED lights and motion sensors, taps are established with hands-free fixtures etc.

Tresu will in 2020 aim to help our customers to reduce their annual CO2 emission by at least 1.500 tonnes per year.

The goal of Tresu for 2019 was an absenteeism of maximum 30,0 hours absence per 1.000 working hours. The continued focus on the working environment has entailed that the absenteeism has been 29,6 hours absence per 1,000 working hours – a reduction of 0,2 compared to 2018.

In 2020 Tresu will have a continued focus on preventive measures and information. The goal of the Group is an absenteeism of maximum 29,0 hours absence per 1,000 working hours.

Management commentary

Tresu A/S has set the target that the share of women should be at least 20% (1 woman) at management level in 2020. The target has been met in 2019, as 25% at management level are women.

Report on the underrepresented gender

All Group staff was recruited based on professional skills without regard to religion, race, gender, handicap or age. The Group look upon diversity as a strength and actively combat discrimination and aspire to promote equal treatment. This applies to the management level as well as all other levels in the organization.

The Groups' 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. The target is that the share of women should be at least 14,3% (1 woman) at management level in 2020. Today, there are no women at the Board of Directors level, the board is all appointed based on their specific and relevant industry knowledge. It has not been possible to attract female candidates with enough industry knowledge to match our target.

The target for other management levels is to reach the level of the overall gender split in the group, this is for 2019 16% women. This has been met on executive management level, however we are only at 14% on other management levels. We still aim at ensuring a greater balance in the composition of gender among managers of the company. This is done by encouraging women in the organization to develop their competences and careers, however in all cases the best qualified person will be employed for the job.

We still aim at ensuring a greater balance in the composition of gender among manager of the company.

Events after the balance sheet date

No event after the balance date has happened that will affect the matter of this report, but we refer to the above-mentioned outbreak of COVID-19 in section Objective and outlook.

We have initiated mitigating actions to reduce the potential impact of COVID-19 on our business and results. Through our sales activities we strive to be in close dialogue with our customers about projects in the pipeline and we do not expect projects to be lost, but maybe postponed.

Accounting Policies

The Annual Report of Tresu A/S for 2019 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 Consolidated and Parent Company Financial Statements for 2019 are presented in TDKK.

Recognition and measurement

Assets are recognized 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 recognized 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 affected 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 recognized in the income statement when earned, whereas costs are recognized 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 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 recognized 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.

Accounting Policies

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-amortized 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 recognized 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 recognizing 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 recognized 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 recognizing 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 recognized in the income statement when delivery is made, and risk has passed to the buyer. Revenue from the sale of services is recognized in the income statement when delivery is made to the buyer. Revenue is recognized 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 amortization, 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 recognized 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 products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortization, 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 administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration.

Accounting Policies

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.

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, amortization 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, amortization 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 recognized in the income statement by the portion attributable to the profit for the year and recognized 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 amortized straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortization period consists of management's estimates 3-7 years. Useful lives are reassessed 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 utilization, 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 recognized as intangible assets. Other development costs are recognized as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortization 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 recognized 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, sub suppliers 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 amortization of intangible assets and depreciation on property, plant and equipment used in the development process are recognized 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 sub activities 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.

Equity

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 year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Reserve for development expenditure

The reserve for development expenditure comprises recognized costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognized development expenditure is no longer part of the Company´s operations by transfer directly to the distributable reserves under equity.

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.

Accounting policies

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.

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 loan.

Consolidated income statement for the period 1.1.2019 – 31.12.2019

	Notes	1/1 - 31/12 2019 DKK'000	1/1 - 31/12 2018 DKK'000
Revenue	1	388.701	338.410
Production costs	3,4	(315.771)	(386.939)
Gross profit/loss		**72.930**	**(48.529)**
Research and development costs		(6.311)	(20.046)
Distribution costs		(41.640)	(50.484)
Administrative costs	2	(57.542)	(46.823)
Other operating income		3.131	600
Other operating expenses		(2.423)	(542)
Operating profit/loss		**(31.856)**	**(165.824)**
Financial income	5	154	316
Financial expenses	6	(3.360)	(2.425)
Profit/loss before tax		**(35.062)**	**(167.933)**
Tax on profit/loss for the year	7	5.760	36.005
Profit/loss for the year	**8**	**(29.302)**	**(131.928)**

Consolidated balance sheet at 31.12.2019

	Notes	31.12.2019 DKK'000	31.12.2018 DKK'000
Completed development projects		13.214	14.857
Patents, licenses and other rights		1.182	2.356
Goodwill		8.990	11.782
Intangible assets	9	**23.386**	**28.995**
Land and buildings		9.773	14.987
Plant and machinery		17.576	13.859
Other fixtures and fittings, tools and equipment		4.799	2.455
Leasehold improvements		4.505	422
Property, plant and equipment	10	**36.653**	**31.723**
Deferred tax assets	14	8.503	3.877
Deposits	11	10.134	10.454
Fixed asset investments		**18.637**	**14.331**
Fixed assets		**78.675**	**75.049**
Raw materials and consumables		31.814	43.221
Work in progress		16.756	23.401
Manufactured goods and goods for resale		9.585	12.168
Prepayments for goods		2.173	8.455
Inventories		**60.329**	**87.245**
Trade receivables		35.284	58.047
Contract work in progress	13	40.755	77.659
Tax receivables		3.740	2.672
Other receivables		6.933	6.531
Prepayments		1.194	1.950
Receivables		**87.906**	**146.859**
Cash		**9.011**	**6.028**
Current assets		**157.246**	**240.132**
Assets		**235.921**	**315.181**

Consolidated balance sheet at 31.12.2019

	Notes	31.12.2019 DKK'000	31.12.2018 DKK'000
Contributed capital		4.100	4.100
Proposed ordinary dividend		0	29.000
Retained earnings		38.756	17.306
Equity		**42.856**	**50.406**
Other provisions	15	4.742	6.671
Provisions		**4.742**	**6.671**
Finance lease liabilities		0	123
Other payables		5.978	6.631
Non-current liabilities	16	**5.978**	**6.754**
Current portion of long-term lease liabilities	16	1.022	941
Bank loans		70.753	100.581
Prepayments received from customers	13	6.798	15.210
Trade payables		64.577	88.595
Payable to group enterprises		8.416	11.550
Income tax payable		0	39
Other payables		30.778	34.434
Current liabilities		**182.345**	**251.350**
Total liabilities		**188.322**	**258.104**
Equity and liabilities		**235.921**	**315.181**

Subsidiaries	12
Unrecognised rental and lease commitments	19
Contingent liabilities	20
Mortgages and securities	21
Consolidation	22

Consolidated statement of changes in equity for the year 2019

	Contri-buted capital DKK'000	Retained earnings DKK'000	Proposed ordinary dividend DKK'000	Total DKK'000
Equity at 1 January 2019	4.100	17.306	29.000	50.406
Contribution	0	50.000	0	50.000
Exchange rate adjustments	0	752	0	752
Dividend for Tresu Investment Holding A/S	0	0	(29.000)	(29.000)
Profit/loss	0	(29.302)	0	(29.302)
Equity at 31 December 2019	**4.100**	**38.756**	**0**	**42.856**

Consolidated cash flow statement for the year 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		(31.856)	(165.824)
Amortisation, depreciation and impairment losses		25.107	17.522
Other provisions, group contribution		(1.929)	5.332
Working capital changes	17	50.198	41.503
Cash flows from ordinary operating activities		**41.521**	**(101.467)**
Financial income received		69	316
Financial expenses paid		(1.845)	(2.425)
Income taxes refunded/(paid)		(2)	(4.099)
Cash flow from operating activities		**39.743**	**(107.675)**
Acquisition etc. of intangible assets		(6.059)	(14.934)
Acquisition etc. of property, plant and equipment		(20.764)	(1.061)
Disposal ect. of property, plant and equipment		3.140	0
Acquisition etc. of financial fixed assets		(99)	(10.143)
Cash flow from investing activities		**(23.782)**	**(26.138)**
Instalments on loans etc.		(42)	(952)
Proceeds from (repayment of) related party borrowing		(4.828)	0
Tax exempt contribution		50.000	124.998
Dividends		(29.000)	(29.350)
Cash flows from financing activities		**16.130**	**94.696**
Increase/decrease in cash and cash equivalents		**32.091**	**(39.117)**
Cash and cash equivalents 01.01.2019/01.01.2018		(94.553)	(57.028)
Unrealised exchange rate adjustments		720	1.592
Cash and cash equivalents end of year	18	**(61.742)**	**(94.553)**
Cash and cash equivalents at year end are composed of:			
Cash		9.011	6.028
Short-term debt to banks		(70.753)	(100.581)
Cash and cash equivalents end of year		**(61.742)**	**(94.553)**

Notes to consolidated financial statements

1. Revenue

	2019 DKK'000	2018 DKK'000
Primary geographical markets		
Denmark	7.011	6.605
Europe	227.869	153.163
South and North America	99.807	102.895
Asia	28.002	37.984
Middle East and Africa	25.875	37.201
Other markets	137	562
	388.701	**338.410**

	2019 DKK'000	2018 DKK'000
Sales of goods	224.578	174.976
Sales of service	9.685	23.152
Income from contract work in progress (turnkey projects)	154.438	140.282
	388.701	**338.410**

2. Fees to auditors appointed by the Annual General Meeting

	2019 DKK'000	2018 DKK'000
Statutory audit Services	395	796
Tax services	129	214
Other services	35	186
	559	**1.196**

3. Staff costs

	2019 DKK'000	2018 DKK'000
Wages and salaries	118.212	153.784
Pension costs	8.002	10.165
Other social security costs	2.131	1.939
	128.344	**165.888**
Average number of employees	202	306

Notes to consolidated financial statements

	Remuneration of management 2019 DKK'000	Remuneration of management 2018 DKK'000
Executive Board	2.360	3.442
Board of Directors	1.620	906
	3.980	**4.348**

4. Depreciation, amortization and impairment losses

	2019 DKK'000	2018 DKK'000
Amortization of intangible assets	10.308	8.635
Depreciation on property, plant and equipment	9.799	5.523
Impairment losses, property, plant and equipment	5.000	3.364
	25.107	**17.522**

5. Financial income

	2019 DKK'000	2018 DKK'000
Exchange rate adjustment	85	246
Other financial income	69	70
	154	**316**

6. Financial expenses

	2019 DKK'000	2018 DKK'000
Interest expenses	1.887	2.225
Loss on foreign exchange	1.270	0
Other financial expenses	202	200
	3.360	**2.425**

Notes to consolidated financial statements

7. Tax on profit/loss for the year

	2019 DKK'000	2018 DKK'000
Tax on current year taxable income	(1.105)	(2.217)
Change in deferred tax for the year	(4.655)	(33.964)
Adjustment concerning previous years	0	176
	(5.760)	**(36.005)**

8. Proposed distribution of the financial result

	2019 DKK'000	2018 DKK'000
Ordinary dividend for the financial year	0	29.000
Retained earnings	(29.302)	(160.928)
	(29.302)	**(131.928)**

Notes to consolidated financial statements

9. Intangible assets

	Completed development projects DKK'000	Patents and licenses DKK'000	Goodwill DKK'000
Cost at beginning of the year	37.087	15.812	19.252
Additions during the year	6.059	0	0
Disposals during the year	(1.375)	0	0
Cost at the end of the year	**41.771**	**15.812**	**19.252**
Amortization and impairment losses beginning of the year	(22.230)	(13.456)	(7.470)
Amortization for the year	(6.342)	(1.174)	(2.792)
Reversal regarding disposals	15	0	0
Amortization and impairment losses at the end of the year	**(28.557)**	**(14.630)**	**(10.262)**
Carrying amount at the end of the year	**13.214**	**1.182**	**8.990**

The Company's development expenses relate 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 and/or climate footprint. In addition, it is the intention with these projects to manufacture, market or use the projects 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 fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at beginning of the year	52.674	90.049	11.423	1.706
Exchange rate adjustments	163	101	5	0
Additions during the year	0	11.944	4.076	4.744
Disposals during the year	0	(27.361)	(674)	(1.704)
Cost at the end of the year	**52.837**	**74.733**	**14.830**	**4.746**
Depreciation and impairment losses beginning of the year	(37.687)	(76.190)	(8.968)	(1.284)
Exchange rate adjustments	(116)	(108)	(3)	0
Depreciation for the year	(261)	(7.481)	(1.632)	(425)
Impairment losses for the year	(5.000)	0	0	0
Reversal regarding disposals	0	26.622	572	1.468
Transfer of assets	0	0	0	0
Drepreciation and impairment losses at the end of the year	**(43.064)**	**(57.157)**	**(10.031)**	**(241)**
Carrying amount at the end of the year	**9.773**	**17.576**	**4.799**	**4.505**

Land and buildings with book value of DKK 9.773 thousand are held for sale. When properties are held for sale and no longer used depreciation are stopped.

11. Fixed assets investment

	Deposit DKK'000
Cost at beginning of the year	10.454
Additions during the year	99
Disposals during the year	(419)
Cost at the end of the year	**10.134**
Carrying amount at the end of the year	**10.134**

Notes to consolidated financial statements

12. Subsidiaries

	Registered in	Equity 2019 DKK'000	Profit/loss 2019 DKK'000	Corporate form	Interest and share of voting rights, %
Tresu Italia S.r.l.	Varese, Italy	3.467	1.239	S.r.l	100,0
Tresu Royse Inc.	Dallas, USA	23.369	(469)	Inc.	100,0
Tresu Japan Co. Ltd.	Osaka, Japan	1.770	323	Ltd.	100,0
Tresu Vertriebs GmbH	Celle, Germany	3.722	10	GmbH	100,0

13. Contract work in progress

	2019 DKK'000	2018 DKK'000
Sales value of contract work in progress	316.134	278.453
Progress billings regarding contract work in progress	(282.177)	(216.004)
	33.957	**62.449**
Net value in the balance sheet:		
Work in progress	40.755	77.659
Received prepayments from customers	(6.798)	(15.210)
	33.957	**62.449**

Notes to consolidated financial statements

14. Deferred tax

	2019 DKK'000	2018 DKK'000
Intangible assets	3.784	3.887
Property, plant and equipment	1.699	2.151
Inventories	4.364	3.299
Receivables	7.421	3.849
Tax deficit	(25.248)	(16.508)
Liabilities and other provisions	(523)	(555)
	(8.503)	**(3.877)**
Changes during the year		
Beginning of year	(3.877)	30.111
Recognised in income statement	(4.626)	(33.988)
End of year	**(8.503)**	**(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 consist of warranties.

16. Long term liabilities other than provisions

	Installment within 12 months 2019 DKK'000	Installment within 12 months 2018 DKK'000	Installment beyond 12 months 2019 DKK'000	Out-standing after 5 years DKK'000
Finance lease liabilities	126	45	0	0
Other payables	896	896	5.978	1.498
	1.022	**941**	**5.978**	**1.498**

Notes to consolidated financial statements

17. Change in working capital

	2019 DKK'000	2018 DKK'000
Increase/decrease in inventories	26.916	45.988
Increase/decrease in receivables	60.021	90.496
Increase/decrease in trade payables etc.	(36.739)	(94.981)
	50.198	**41.503**

18. Cash and cash equivalents

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

19. Unrecognized rental lease commitments

For the year 2019 the Group has lease contracts regarding operating leases of tools, rental equipment and properties. The future minimum payments according to contracts are distributed by DKK 9,9m within year 1, DKK 34,0m between 1 and 5 years and DKK 54,7m 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 21 June 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

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, Venusvej 44, 600 Kolding.

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

- Tresu Group Holding A/S, CBR-no. 37752088, Venusvej 44, 6000 Kolding.

Notes to consolidated financial statements

23. Events after the balance sheet date

No event after the balance date has happened that will affect the matter of this report, but we refer to the above-mentioned outbreak of COVID-19 in section Objective and outlook.

We have initiated mitigating actions to reduce the potential impact of COVID-19 on our business and results. Through our sales activities we strive to be in close dialogue with our customers about projects in the pipeline and we do not expect projects to be lost, but maybe postponed.

Parent income statement for 1.1.2019 – 31.12.2019

	Notes	1/1 - 31/12 2019 DKK'000	1/1 - 31/12 2018 DKK'000
Revenue	1	352.668	312.574
Production costs	3,4	(295.661)	(377.108)
Gross profit/loss		**57.006**	**(64.534)**
Research and development costs		(6.311)	(20.046)
Distribution costs		(35.284)	(38.177)
Administrative costs	2	(47.166)	(43.715)
Other operating income		3.131	568
Other operating expenses		(2.423)	(542)
Operating profit/loss		**(31.047)**	**(166.446)**
Income from investments in group enterprises		(928)	91
Financial income	5	48	507
Financial expenses	6	(3.363)	(2.513)
Profit/loss before tax		**(35.290)**	**(168.361)**
Tax on profit/loss for the year	7	5.988	36.433
Profit/loss for the year	**8**	**(29.302)**	**(131.928)**

Parent balance sheet at 31.12.2019

	Notes	31.12.2019 DKK'000	31.12.2018 DKK'000
Completed development projects		13.214	14.857
Patents, licenses and other rights		1.182	2.356
Goodwill		8.990	11.782
Intangible assets	9	**23.386**	**28.995**
Land and buildings		8.000	13.000
Plant and machinery		17.137	13.294
Other fixtures and fittings, tools and equipment		4.663	2.296
Leasehold improvements		4.505	422
Property, plant and equipment	10	**34.305**	**29.012**
Investments in group enterprises		27.367	27.648
Deferred tax asset	14	8.503	3.877
Deposits		10.000	10.323
Fixed asset investment	11	**45.870**	**41.848**
Fixed assets		**103.561**	**99.855**
Raw materials and consumables		20.372	30.355
Work in progress		13.556	20.895
Manufactured goods and goods for resale		9.177	9.078
Prepayments for goods		55	7.966
Inventories		**43.160**	**68.294**
Trade receivables		23.334	41.419
Contract work in progress, assets	12	40.755	77.659
Receivable group enterprices		20.215	12.031
Tax receivable		3.994	2.661
Other receivables		6.294	6.658
Prepayments		1.406	1.842
Receivables		**95.999**	**142.270**
Cash		1.198	**1.345**
Current assets		**140.357**	**211.909**
Assets		**243.918**	**311.764**

Parent balance sheet at 31.12.2019

	Notes	31.12.2019 DKK'000	31.12.2018 DKK'000
Contributed capital	13	4.100	4.100
Retained earnings		17.230	8.032
Proposed ordinary dividend		0	29.000
Reserve for development expenditure		21.526	9.274
Equity		**42.856**	**50.406**
Other provisions		4.130	6.100
Provisions		**4.130**	**6.100**
Other payables		5.978	6.631
Non-current liabilities other than provisions	15	**5.978**	**6.631**
Current portion of long-term liabilities other than provisions	15	896	896
Bank loans		70.753	100.581
Contract work in progress, liabilities		6.798	15.210
Trade payables		63.225	85.079
Payables to group enterprises		24.297	15.224
Other payables		24.984	31.637
Current liabilities		**190.954**	**248.627**
Total liabilities		**196.932**	**255.258**
Equity and liabilities		**243.918**	**311.764**

Contingent liabilities	16
Unrecognised rental and lease commitments	17
Mortgages and securities	18
Related parties with controlling interest	19
Transaction with related parties	20
Consolidation	21

Parent statement of change in equity for the year 2019

	Contri- buted capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed Ordinary Dividend DKK'000	Total DKK'000
Equity at 01.01.2019	4.100	9.274	8.032	29.000	50.406
Contribution	0	0	50.000	0	50.000
Exchange rate adjust- ments	0	0	752	0	752
Dividend for Tresu In- vestment Holding A/S	0	0	0	(29.000)	(29.000)
Profit/loss	0	0	(29.302)	0	(29.302)
Equity at 31.12.2019	**4.100**	**9.274**	**29.482**	**0**	**42.856**

Notes to parent financial statements

1. Revenue

	2019 DKK'000	2018 DKK'000
Primary geographical markets		
Denmark	7.011	6.605
Europe	220.533	174.663
South and North America	75.803	89.198
Asia	23.381	4.616
Middle East and Africa	25.870	36.915
Other markets	70	577
	352.668	**312.574**

Sales of goods	188.545	149.142
Sales of service	9.685	23.150
Income from contract work in progress (turnkey projects)	154.438	140.282
	352.668	**312.574**

2. Fees to auditors appointed by the Annual General Meeting

	2019 DKK'000	2018 DKK'000
Statutory audit Services	395	563
Tax services	129	139
Other services	35	171
	559	**873**

Notes to parent financial statements

3. Staff costs

	2019 DKK'000	2018 DKK'000
Wages and salaries	101.305	136.903
Pensions costs	7.581	9.795
Other social security costs	1.587	1.352
Total staff costs	**110.473**	**148.050**
Average number of employees	182	264

	Remune-ration of manage ment 2019 DKK'000	Remune-ration of manage ment 2018 DKK'000
Executive Board	2.360	3.442
Board of Directors	1.620	906
	3.980	**4.348**

4. Depreciation, amortization and impairment losses

	2019 DKK'000	2018 DKK'000
Amortization of intangible assets	10.308	8.635
Depreciation on property, plant and equipment	9.361	5.068
Impairment losses, property, plant and equipment	5.000	3.364
	24.669	**17.067**

Notes to parent financial statements

5. Financial income

	2019 DKK'000	2018 DKK'000
Financial income from group enterprises	48	320
Exchange rate adjustment	0	121
Other financial income	0	66
Total financial expenses	**48**	**507**

6. Financial expenses

	2019 DKK'000	2018 DKK'000
Interest expenses group companies	11	106
Interest expense	1.913	2.216
Exchange rate adjustment	1.242	0
Other financial expenses	198	191
Total financial expenses	**3.363**	**2.513**

7. Tax on profit/loss for the year

	2019 DKK'000	2018 DKK'000
Tax on current year taxable income	(1.333)	(2.649)
Change in deferred tax for the year	(4.655)	(33.964)
Adjustment concerning previous years	0	180
	(5.988)	**(36.433)**

8. Proposed distributions of profit/loss

	2019 DKK'000	2018 DKK'000
Ordinary dividend for the financial year	0	29.000
Reserve for development expenditures	12.252	8.588
Retained earnings	(41.554)	(169.516)
	(29.302)	**(131.928)**

Notes to parent financial statements

9. Intangible assets

	Completed development projects DKK'000	Patents and licenses DKK'000	Goodwill DKK'000
Cost at beginning of the year	37.087	15.812	19.252
Additions during the year	6.059	0	0
Disposals during the year	(1.375)	0	0
Transfer of assets	0	0	0
Cost at the end of the year	**41.771**	**15.812**	**19.252**
Depreciation and impairment losses beginning of the year	(22.230)	(13.456)	(7.470)
Depreciation for the year	(6.342)	(1.174)	(2.792)
Reversal regarding disposals	15	0	0
Transfer of assets	0	0	0
Drepreciation and impairment losses at the end of the year	**(28.557)**	**(14.630)**	**(10.262)**
Carrying amount at the end of the year	**13.214**	**1.182**	**8.990**

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

Notes to parent financial statements

10. Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at beginning of the year	45.793	85.727	10.593	1.706
Additions during the year	0	11.944	4.043	4.744
Disposals during the year	0	(27.361)	(674)	(1.704)
Transfer of assets held for sale	0	0	0	0
Transfer of assets	0	0	0	0
Cost at the end of the year	**45.793**	**70.310**	**13.962**	**4.746**
Depreciation and impairment losses beginning of the year	(32.793)	(72.433)	(8.297)	(1.284)
Exchange rate adjustments	0	0	0	0
Depreciation for the year	0	(7.362)	(1.574)	(425)
Impairment losses	(5.000)	0	0	0
Reversal regarding disposals	0	26.622	572	1.468
Transfer of assets	0	0	0	0
Drepreciation and impairment losses at the end of the year	**(37.793)**	**(53.173)**	**(9.299)**	**(666)**
Carrying amount at the end of the year	**8.000**	**17.137**	**4.663**	**4.080**

Notes to parent financial statements

11. Fixed assets investment

	Investments In group enterprises DKK'000	Deposit DKK'000
Cost at beginning of the year	28.058	10.323
Additions during the year	0	96
Disposals during the year	0	(419)
Cost at the end of the year	**28.058**	**10.000**
Revaluations beginning of year	(410)	0
Other adjustments	(105)	0
Exchange rate adjustments	752	0
Share of profit/loss for the year	(928)	0
Amortisation and impairment losses end of year	**(691)**	**0**
Carrying amount at the end of the year	**27.367**	**10.000**

12. Contract work in progress

	2019 DKK'000	2018 DKK'000
Sales value of contract work in progress	316.134	278.453
Progress billings regarding contract work in progress	(282.177)	(216.004)
	33.957	**62.449**
Net value in the balance sheet:		
Work in progress	40.755	77.659
Received prepayments from customers	(6.798)	(15.210)
	33.957	**62.449**

Notes to parent financial statements

13. Contributed capital

	Number	Nominal value DKK'000
Ordinary shares	4.100	4.100

	2019 DKK'000	2018 DKK'000

14. Deferred tax

	2019 DKK'000	2018 DKK'000
Intangle assets	3.784	3.887
Property, plant and equipment	1.699	2.151
Inventories	4.364	3.299
Receivables	7.421	3.849
Tax deficit	(25.248)	(16.508)
Liabilities and other provisions	(523)	(555)
Total deferred tax	**(8.503)**	**(3.877)**
Changes during the year		
Beginning of year	(3.877)	30.111
Recognised in income statement	(4.626)	(33.988)
End of year	**(8.503)**	**(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.

Notes to parent financial statements

15. Long-term liabilities other than provisions

	Installments within 12 months 2019 DKK'000	Installments within 12 months 2018 DKK'000	Installments beyond 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
Other payables	896	896	5.978	1.498
	896	**896**	**5.978**	**1.498**

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 21 June 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 2019 the Group has lease contracts regarding operating leases of tools, rental equipment and properties. The future minimum payments according to contracts are distributed by DKK 9,3m within year 1, DKK 33,7m between 1 and 5 years and DKK 54,7m 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 10.656k have been made.

Notes to parent financial statements

19. Related parties with controlling interest

The following parties have a controlling interest:

Harald Mix, Bragevägen 4, Stockholm, Sweden, indirect real owner.

Altor Fund IV (No. 1) AB, Stockholm, Sweden, shareholder.

Altor Fund IV (No. 2) AB, Stockholm, Sweden, shareholder.

Altor Fund IV Holding AB, Stockholm, Sweden, shareholder.

Tresu Group Holding A/S, CBR-no. 37752088, Kolding, Denmark, shareholder.

Tresu Investment Holding A/S, CBR-no.37553727, Kolding, Denmark, shareholder

20. Transaction with related parties

	2019 DKK'000	2018 DKK'000
Group		
Receivables from group enterprises	700	0
Payables to group enterprises	8.066	11.550
Parent		
Sale of goods to group enterprises	23.178	32.473
Purchase of goods from group enterprises	10.423	12.457
Financial income from group enterprises	48	320
Financial expenses to group enterprises	11	106
Receivables from group enterprises	20.215	12.031
Payables to group enterprises	24.297	15.224

21. Consolidation

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

- Tresu Investment Holding A/S, CBR-no. 37 55 37 27, Venusvej 44, DK-6000 Kolding.

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

- Tresu Group Holding A/S, CBR-no. 37 75 20 88, Venusvej 44, DK-6000 Kolding.

Notes to parent financial statements

22. Events after the balance sheet date

No event after the balance date has happened that will affect the matter of this report, but we refer to the above-mentioned outbreak of COVID-19 in section Objective and outlook.

We have initiated mitigating actions to reduce the potential impact of COVID-19 on our business and results. Through our sales activities we strive to be in close dialogue with our customers about projects in the pipeline and we do not expect projects to be lost, but maybe postponed.