Tresu Investment Holding A/S

Eegsvej 14

6091 Bjert

Central Business Registration No 37553727

Annual Report 2018

The Annual General Meeting adopted the Annual Report on 30.04.2019

Chairman of the General Meeting

Name: Carsten Nygaard Knudsen

Contents

Entity details

Entity

Tresu Investment Holding A/S

Eegsvej 14

6091 Bjert

Central Business Registration No: 37555327

Registered in: Bjert

Financial period: 01.01.2018 - 31.12.2018

Phone: +45 76323500

Web site: www.tresu.com

Board of Directors

Carsten Nygaard Knudsen, chairman

Ola Harald Erici

Thomas Stegeager Kvorning

Anders Wilhjelm

Søren Dan Johansen

Executive Board

Heidi Thousgaard Jørgensen

Entity auditors

Deloitte Statsautoriseret Revisionspartnerselskab

CVR. 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 Investment Holding A/S for the financial year 01.01.2018 - 31.12.2018.

The Annual Report is presented in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and the additional requirements applying to Danish companies.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018 and the results of their operations and cash flows for the period from 1 January 2018 to 31 December 2018.

In our opinion, the Management's Review includes a fair review of the development in the Group's and the Parent Company's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole for the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent Company face.

We recommend the Annual Report for adoption at the annual general meeting.

Bjert, 22.03.2019

Executive Board

Heidi Thousgaard Jørgensen

Board of Directors

Carsten Nygaard Knudsen
Chairman

Ola Harald Erici

Thomas Stegeager Kvorning

Anders Wilhjelm

Søren Dan Johansen

Independent auditor's report

To the shareholders of Tresu Investment Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Tresu Investment Holding A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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 cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

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.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

Tresu Investment Holding A/S became a Public Interest Entity after the listing of bonds at 29 September 2018. The general meeting have not appointed auditors after the listing of bonds at 29 September 2018. We were last appointed auditors by decision of the general meeting of Tresu Investment Holding A/S at 30 May 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1.1.2018 - 31-12-2018. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of goodwill and other intangible assets

Refer to notes 2, 14 and 15 in the Group financial statements.

At 31 December 2018 the Group has a carrying value of goodwill of DKK 174 million (31 December 2017 – DKK 231 million) including an impairment loss of DKK 75 million. The Group has a carrying value of other intangible assets of DKK 443 million (31 December 2017 – DKK 539 million).

Annually, an impairment test is performed in relation to goodwill and other intangible assets with indefinite-life. Currently the Group is going through a turnaround due to the unsatisfactory financial performance and, consequently, management identified this as an impairment indicator for intangible assets as a whole.

The determination of recoverable amount was based on the higher of value-in-use and fair value less costs to dispose. Significant judgement is required by management in determining value-in-use including cash flow projections based on financial budgets for 2019 and financial forecasts for 2020-2023, discount rate and growth rate in the terminal period.

Due to the judgement associated with determining the recoverable amount combined with the significance of the balance to the financial statements as a whole the carrying value of goodwill and other intangible assets relating to the Group is considered to be a key audit matter.

How the matter was addressed in our audit

In assessing the valuation of the Group, we obtained and evaluated Management's future cash flow forecasts, and the underlying process by which they were drawn up including the mathematical accuracy of the cash flow models and agreeing future growth, investment and margin assumptions to the latest Board approved budgets and financial forecasts. We used our valuation specialist to assist us in evaluating the appropriateness of key market related assumptions in management's discount rates. We assessed the reasonableness of management's future forecasts of growth, investment and margin included in the cash flow forecasts in light of the historical accuracy of such forecasts and the current operational results.

In assessing the recoverable amount, we performed downside sensitivity analysis around the key assumptions using a range of higher discount rates and lower projections of cash flows, concluding that the recoverable amount was reduced under these scenarios, hence depending on ability to generate sufficient positive future net cash flows to support the value of goodwill.

Valuation and recognition of work in progress

Refer to Note 2 and 20 in the Group financial statements.

At 31 December 2018 the carrying value of work in progress of the group amounts to a net asset of DKK 62 million (31 December 2017 – DKK 172 million) corresponding to a sales value of work in progress of DKK 278 million (31 December 2017 – DKK 357 million).

Significant judgements is required by management in determining stage of completion and estimated profit on each project including assessment of provisions for specific project risks.

Due to the judgement associated with determining stage of completion and estimated profit including the specific risk provision combined with the significance of revenue recognized and the balance to the financial statements as a whole the valuation and recognition of work in progress is considered to be a key audit matter.

How the matter was addressed in the audit

We assessed the relevant internal processes for work in progress primarily relating to contract acceptance and terms, change orders, monitoring of project development, cost incurred and estimating costs to complete and assessment of provision for specific project risks. In addition, we performed detailed substantive testing on a sample of the contracts in progress as well as completed at 31 December 2018.

We obtained from management an overview of the Group's contracts in progress at 31 December 2018 relating to contracts covering both in progress and completed contracts during the year. Based on project risk and materiality we selected a sample of contracts where we obtained the underlying contracts including change orders, original budget, project reports including estimate of costs to complete and risk provision per contract.

For the selected contracts, we assessed and challenged Management's assumptions for determining stage of completion including their assessment of risk provisions and estimated profit through interviews with project controllers and project management as well as our understanding and assessment of the contract terms, associated project risks and final acceptance.

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.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 22-03-2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Thomas Rosquist Andersen	P.A. Peter Aslak Storgaard
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no 31482	MNE no 33767

Management commentary

Financial highlights

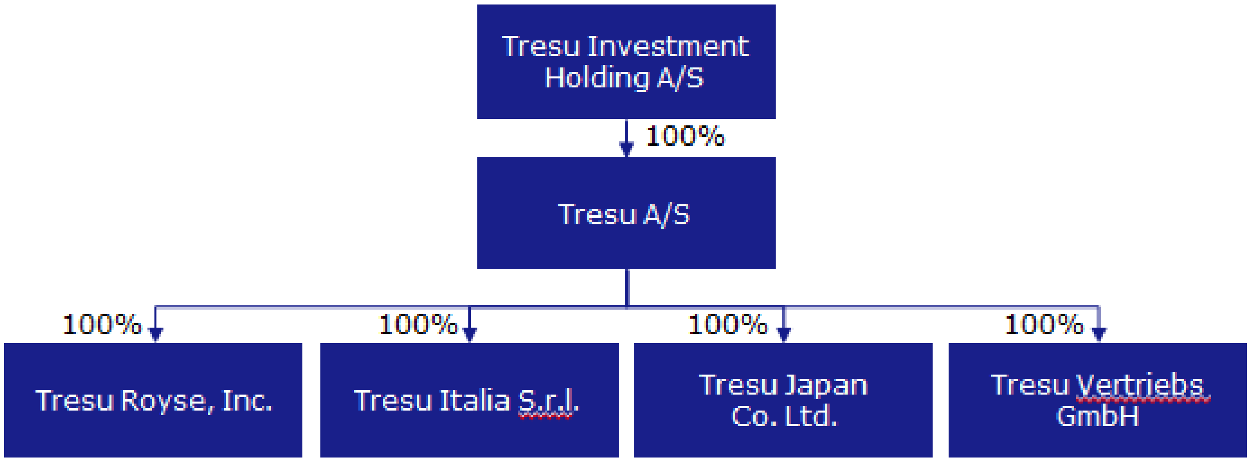
	2018 DKK'000	2017# DKK'000	2016 DKK'000
Key figures			
Revenue	338.410	286.159	0
Gross profit/loss	(124.883)	26.120	0
Operating profit/loss	(324.235)	(32.847)	0
Net financials	(31.829)	(27.073)	0
Profit/loss for the year	(296.313)	(52.434)	0
Total assets	932.239	1.218.774	50
Investments in property, plant and equipment	1.061	2.495	0
Equity	70.583	238.471	50
EBITDA	(154.225)	14.868	0
EBITDA excl. non-recurring items	(139.275)	31.049	0
Ratios			
Gross margin (%)	(36,9)	9,13	
Net margin (%)	(87,6)	(18,32)	
Return on equity (%)	(191,8)	(43,97)	
Equity ratio (%)	7,6	19,57	100
Return of assets	(34,8)	(2,70)	0

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

As of 21 June 2017 the parent company of the legacy Tresu Group, Tresu Investment A/S was acquired by Tresu Investment Holding A/S, ultimately majority-owned by the private equity fund Altor Fund IV Holding AB. The statement of profit or loss and other comprehensive income for YTD 2017 therefore only includes about 6 months of business activity. Tresu Investment A/S was merged with Tresu A/S as of 1 January 2018.

Management commentary

Group chart as per 31 December 2018



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

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 amortization of surplus values capitalized as a part of the purchase price allocation and impairment losses as well as costs related to overruns on large projects, development costs, tightening of accounting practices and overcapacity throughout the year.

Consolidated revenue for the financial year 2018 is 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 was DKK -324,2m. If the company had been acquired with effect from 1 January 2017, management estimate EBIT would have been DKK 80,1m before effect of higher depreciation of PPA.

Average number of headcounts in the Group in 2018 was 308 FTE (2017: 300).

Cash flow from operating activities in 2018 amounted to DKK -135,4m (2017: DKK 96,9m) and net investments in Property, plant and equipment equalled DKK 1,1m (2017: DKK 2,5m).

Tresu Group is primarily financed by a senior secured bond at a value of EUR 70,0m. The bond has a variable interest rate of 3m EURIBOR + 500 bps. Due date of the bond is September 29 2022.

At the end of 2018, total assets were DKK 932,2m (2017: 1.218,8m) and total equity amounted to DKK 70,6m (2017: DKK 238,5m).

The financial results 2018 are far below expectations and management and Board of Directors regards them highly unsatisfactory.

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.

Use of estimates and judgements

Due to the nature of the business, estimates are made of cash flows for many years ahead, which inherently results in some uncertainty. This risk and this uncertainty are reflected in the discount rate applied and in the terminal value growth rate.

Liquidity risk / capital resources

Tresu Investment Holding A/S is primarily financed by a senior secured bond at a value of EUR 70,0m issued 22 September 2017 (due 29 September 2022), and with an revolving credit facilities issued by Nykredit at EUR 15,0m, increased from EUR 10,0m to EUR 15,0m in June 2018.

Credit risk

The major part of Tresu Group's products are 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 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 objective 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.

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

Management commentary

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 Organization (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.

Management commentary

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.

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.

Management commentary

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.

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.

Management commentary

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.

Report on the underrepresented gender

Tresu Investment Holding 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 20% (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.

The Parent employs less than 50 employees, Therefore, no policies concerning the composition of genders for the Group as a whole have been prepared.

Events after the balance sheet date

On 1 February 2019 Tresu Investment Holding 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.

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

Parent company's primary activities and development in activities and finances

Tresu Investment Holding A/S activities comprise the ownership of 100% of the shares in Tresu A/S and subsidiaries (Tresu Group).

Tresu Investment Holding A/S is financed by a senior secured bond at a value of EUR 70,0m issued 22 September 2017 (due in 2022). The bond has a variable interest rate of 3m EURIBOR + 500 bps. Due date of the bond is September 29 2022.

Consolidated income statement for the period 01.01.2018-31.12.2018

	Notes	1/1-31/12 2018 DKK'000	21/3-31/12* 2017 DKK'000
Revenue	3,4	338.410	286.159
Production costs	5	(463.293)	(260.039)
Gross profit/loss		**(124.883)**	**26.120**
Research and development costs	6	(20.046)	(3.301)
Distribution costs		(50.484)	(19.187)
Administrative costs	7,9	(126.749)	(36.479)
Other operating income		383	0
Other operation expenses		(2.456)	0
Operating profit/loss (EBIT)	8,10	**(324.235)**	**(32.847)**
Financial income	11	70	241
Financial expenses	12	(31.899)	(27.314)
Profit/loss before tax		**(356.064)**	**(59.920)**
Tax on profit/loss for the year	13	59.751	7.486
Profit for the year		**(296.313)**	**(52.434)**
Items that may be recycled subsequently to the income statement:			
Exchange rate adjustments, foreign companies		3.417	(1.316)
Tax on other comprehensive income		0	0
Other comprehensive income, net of tax		3.417	(1.316)
Total comprehensive income		**(292.896)**	**(53.750)**
Profit for the year attributable to:			
Owners of the Company		(296.313)	(52.434)
Total comprehensive income for the year attributable to:			
Owners of the Company		(292.896)	(53.750)

* As of 21 June 2017 the parent company of the legacy Tresu Group, Tresu Investment A/S was acquired by Tresu Investment Holding A/S, ultimately majority-owned by the private equity fund Altor Fund IV Holding AB. The statement of profit or loss and other comprehensive income for YTD 2017 therefore only includes about 6 months of business activity.

Consolidated balance sheet at 31.12.2018

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000
Goodwill	14	174.000	230.600
Completed development projects		33.344	55.762
Patents and licenses		202.544	216.377
Brand		37.900	56.300
Customer relationship		169.032	198.144
Order backlog		0	12.750
Intangible assets	10,15	**616.820**	**769.933**
Land and buildings		3.675	27.246
Plant and machinery		40.172	32.239
Other fixtures and fittings, tools and equipment		4.032	5.257
Leasehold improvements		635	766
Property, plant and equipment	10,16	**48.514**	**65.508**
Deferred tax assets		0	1.240
Deposits		10.454	312
Other non-current assets		**10.454**	**1.552**
Non-current assets		**675.788**	**836.993**
Inventories	18	87.245	133.235
Trade receivables	19	58.047	50.516
Contract work in progress	20	77.659	175.551
Tax receivables		2.672	1.878
Other short-term receivables		6.717	7.602
Prepayments		1.950	2.449
Receivables		**234.290**	**371.231**
Cash		**6.073**	**10.550**
Assets held for sale	16	**16.088**	**0**
Current assets		**256.451**	**381.781**
Assets		**932.239**	**1.218.774**

Consolidated balance sheet at 31.12.2018

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000
Contributed capital	21	2.922	2.922
Other reserves		2.111	(1.316)
Retained earnings		65.550	236.865
Equity		**70.583**	**238.471**
Provisions for deferred tax	22	78.344	137.805
Other provisions	23	6.671	1.340
Corporate bonds	24	517.505	515.409
Finance lease liabilities	26	123	164
Other payables	27	6.631	7.204
Non-current liabilities		**609.274**	**661.922**
Current portion of long-term lease liabilities	26	45	208
Current portion of long-term other payables		896	1.071
Bank debt	25	100.581	67.523
Payable group company		325	0
Contract liabilities	20	15.210	3.911
Trade payables		90.377	202.301
Income tax payable		39	5.713
Other payables	27	44.909	37.654
Current liabilities		**252.382**	**318.381**
Total liabilities		**861.656**	**980.303**
Equity and liabilities		**932.239**	**1.218.774**

Consolidated statement of changes in equity for the year 2018

	Contri-buted capital DKK'000	Other reserves DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 01 January 2017	50	0	0	50
Profit for the period	0	0	(52.434)	(52.434)
Other comprehensive income	0	(1.316)	0	(1.316)
Comprehensive income	**0**	**(1.316)**	**(52.434)**	**(53.750)**
Capital increase	2.872	0	289.299	292.171
Equity at 31 December 2017	**2.922**	**(1.316)**	**236.865**	**238.471**
Equity at 1 January 2018	2.922	(1.316)	236.865	238.471
Profit for the period	0	0	(296.313)	(296.313)
Other comprehensive income	0	3.427	0	3.427
Comprehensive income	**0**	**3.427**	**(296.313)**	**(292.886)**
Tax exempt contribution*	0	0	124.998	124.998
Equity at 31 December 2018	**2.922**	**2.111**	**65.550**	**70.583**

Other reserves consist of exchange differences on translating foreign companies.

* The Group has received DKK 124.998 thousand from the Group's parent company, Tresu Group Holding A/S, as a tax exempt contribution in 2018 in order to secure liquidity.

Consolidated cash flow statement for the year 2018

	Notes	1/1-31/12 2018 DKK'000	21/3-31/12* 2017 DKK'000
Operating profit/loss		(324.235)	(32.847)
Amortisation and depreciation losses		73.082	41.492
Impairment losses		96.550	0
Other provisions		5.332	1.230
Working capital changes	31	48.873	(77.590)
Cash flows from ordinary operating activities		**(100.398)**	**(67.715)**
Financial income received		70	241
Financial expenses paid		(30.532)	(27.314)
Income taxes refunded/(paid)		(4.528)	(2.095)
Cash flows from operating activities		**(135.388)**	**(96.883)**
Acquisition etc. of intangible assets		(14.934)	(1.742)
Acquisition etc. of property, plant and equipment		(1.061)	(2.495)
Acquisition etc. of financial fixed assets		(10.143)	(312)
Acquisition etc. of companies		0	(762.800)
Cash flows from investing activities		**(26.138)**	**(767.349)**
Loans raised		0	510.000
Instalments loan		0	(510.000)
Overdraft facility		33.058	67.523
Capital increase		124.998	292.171
Corporate bonds		(1.007)	515.038
Cash flows from financing activities	32	**157.049**	**874.732**
Increase/decrease in cash and cash equivalents		**(4.477)**	**10.500**
Cash and cash equivalents 01.01.2018/01.01.2017		10.550	50
Cash and cash equivalents end of year	32	**6.073**	**10.550**
Cash and cash equivalents at year end are composed of:			
Cash		6.073	10.550
Cash and cash equivalents end of year		**6.073**	**10.550**

* As of 21 June 2017 the parent company of the legacy Tresu Group, Tresu Investment A/S was acquired by Tresu Investment Holding A/S, ultimately majority-owned by the private equity fund Altor Fund IV Holding AB. The statement of profit or loss and other comprehensive income for YTD 2017 therefore only includes about 6 months of business activity.

Notes to consolidated financial statements

Overview notes

1. Changes in accounting policies and significant accounting policies
2. Use of estimates and judgement
3. Revenue and segmentation of operations
4. Revenue
5. Production costs
6. Research and development costs
7. Fees to auditors appointed at the Annual General Meeting
8. Staff costs
9. Defined contribution plans
10. Amortization, depreciation and impairment
11. Financial income
12. Financial expenses
13. Income tax
14. Goodwill
15. Other intangible assets
16. Property, plant and equipment
17. Subsidiaries
18. Inventories
19. Trade receivables
20. Contract work in progress
21. Share capital
22. Deferred tax
23. Provisions
24. Corporate bonds
25. Debts banks
26. Finance lease obligations
27. Other payables
28. Operational lease obligations
29. Contingent liabilities
30. Pledged assets etc.
31. Changes in working capital
32. Cash and cash equivalents and changes in liabilities from financing activities
33. Acquisitions
34. Financial risks
35. Related parties with controlling interest
36. Shareholder relations
37. Consolidation
38. Events after the balance sheet date
39. Adopting the annual report for publication
40. Accounting policies

Notes to consolidated financial statements

1. Changes in accounting policies and significant accounting policies

The Annual Report of Tresu Investment Holding A/S, a Danish company, and its subsidiary companies has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, and additional Danish requirements applicable to reporting class C enterprises (large), including the statutory order on adoption of IFRS issued pursuant to the Danish Financial Statements Act.

As of 21 June, 2017 Tresu Investment Holding A/S, ultimately majority-owned by the private equity Fund Altor Fund IV Holding AB acquired Tresu Investment A/S and its subsidiary companies through the purchase of the entire share capital of Tresu Investment A/S, also a Danish company.

The consolidated financial statements are presented for the period 1 January 2018 to 31 December 2018, including its consolidated subsidiaries.

The consolidated financial statements are presented in Danish kroner, which is the Parent Company's functional currency.

The significant accounting policies adopted can be found in note 40.

New standards, interpretations and amendments adopted by the Group

The Group has adopted all new or changed standards, interpretations and amendments to IFRS that are applicable with effect from 1 January 2018, among others:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRIC 22 about transactions in foreign currency and prepayments

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 15 Revenue from Contracts with Customers

The new standard IFRS 15 has also been adopted, however no material changes to the accounting policies have been identified. The new standards are effective as of 1 January 2018.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the initial application date of 1 January 2018. No material impact was identified; accordingly, no adjustment has been recognized in the financial statements.

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Notes to consolidated financial statements

The five-step model consists of the following:

1. Identify the contract(s) with a customer,
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Effects of IFRS 15 have been analysed and it has been concluded that the standard only has an insignificant effect on recognition and measurement concerning revenue, since the revenue recognition principle for Tresu is the same under IFRS 15 as it was under IAS 11/IAS 18.

IFRS 9 Financial Instruments

IFRS 9 *'Financial instruments'* replaces IAS 39 *'Financial Instruments: Recognition and Measurement'*, of which amongst other items replaces the ‘incurred loss’ model with an ‘expected credit loss’ (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The effect of the change from the ‘incurred loss’ model in IAS 39 to the ‘expected credit loss’ model in IFRS 9 is deemed immaterial due to a general low credit risk in the Group, as a result of the Group's close monitoring of customers credit rating and requirements for prepayments from smaller customers. Other than this, the implementation of IFRS 9 has not had material impact on classification and measurement of financial instruments.

The Group has adopted IFRS 9 using the cumulative effect method (without practical expedients), with the initial application date of 1 January 2018. No material impact was identified; accordingly, no adjustment has been recognized in the financial statements.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, the transaction date exchange rate shall be used on initial recognition of the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have a material impact on the Group’s consolidated financial statements.

Effect of new Accounting Standards not yet in force

The IASB has issued a number of standards and interpretations effective for annual periods beginning after 1 January 2019, that are not mandatory for Tresu Investment Holding A/S at the time of the publication of the Annual Report. The new standards and interpretations will be implemented as they become mandatory.

Notes to consolidated financial statements

IFRS 16 Leases

Issued in January 2016, IFRS 16, Leases, requires lessees to recognise nearly all leases on the balance sheet. IFRS 16 replaces the existing standard on leasing, IAS 17. IFRS 16 entails that virtually all leases are to be recognised on the balance sheet in the lessee's accounts in the form of a lease liability and an asset that represents the lessee's right to use the underlying asset. There is no longer a distinction between operational and financial leasing.

Tresu Group will implement IFRS 16 on 1 January 2019 retrospectively with the cumulative effect of initially applying the standard recognised in opening equity at the date of initial application 1 January 2019.

As per 31.12.2018, the Group has entered into leases which, according to IAS 17, are categorised as operating leases, with total future minimum lease payments under non-cancellable leases of DKK 8.142 thousand (cf. Note 28) which are not recognised in the balance sheet. A preliminary analysis indicates that these will also meet the definition of leasing contracts in accordance with IFRS 16, and the Group will therefore recognise an asset and an associated liability for these as per 1.1.2019, unless they meet the criteria for low-value assets or leasing contracts with a residual maturity of less than 12 months.

Management has completed the analysis of the impact of IFRS 16 on the consolidated financial statements, but expects a significant effect on the balance sheet and income statement as well as related key figures. The effect as per 1.1.2019 will not fully correspond to the future minimum lease payments as stated in Note 28 (DKK 2.215 thousand) for the following reasons:

- The volume of leasing agreements is expected to change moving towards 1.1.2019, partly due to the conclusion of new lease agreements and partly due to the expiry of existing lease agreements.
- The calculated leasing obligation, cf. Note 28, is calculated without discounting back, while the leasing obligation as at 1.1.2019 will be calculated as the present value of remaining lease payments as of this date
- IFRS 16 requires, as a starting point, that service elements incorporated in lease agreements and which do not entitle the Group to use an underlying asset, must be separated and treated as an ongoing operating expense. Tresu Group has not focused on this when calculating minimum lease payments for use for information on liabilities related to operating leases. The total liability disclosed in Note 28 may therefore include payments relating to service elements that will not be included in the lease obligation and right-of-use asset in accordance with IFRS 16.

- When calculating the lease obligation and thus the right-of-use asset in accordance with IFRS 16 , payments are included in a possible extension period if the Tresu Group has an option to extend the lease term and it is reasonably likely that the option will be exercised. IFRS 16 provides further guidance for the valuation of this and there may be renewal options that are not included in the calculation of the leasing obligation in note 28, in accordance with IAS 17, which will be included in the calculation of the lease obligation in accordance with IFRS 16.

Notes to consolidated financial statements

After implementation of IFRS 16, the recognised assets are measured at cost less depreciation and amortisation in accordance with the Group's accounting policies for depreciation and amortisation of corresponding assets owned by the Group. In the income statement, expenses relating to lease agreements, which under IAS 17 are treated as operating leases and recognised as operating expenses, shall be recognised instead as depreciation or amortisation of the recognised right-of-use asset and interest on the leasing obligation, respectively. Because of the new lease contract for the new facility that will come into force during 2019 IFRS 16 is expected to have a significant impact on a number of the Group's key figures and key ratios, including EBITDA, which is a significant Key Performance Indicator for the Group, both internally and in communication with the Group's external stakeholders.

Tresu Groups analysis of impact on profit shows an expected increase in the balance sheet total of DKK 8.142 thousand.

In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. Management does not anticipate any significant impact on future periods from the adoption of these new IFRS.

2. Use of estimates and judgement

Management of the Company has made a number of estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in the preparation of these consolidated interim financial statements in conformity with IFRS. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Goodwill

During annual testing of goodwill and other non-current assets for impairment, or when an indication of impairment exists, an assessment is made as to how those activities of the Group (cash-generating units) that relate to goodwill would be able to generate sufficient positive future net cash flows to support the value of goodwill, non-current intangible assets and property, plant and equipment relating to those activities. Due to the nature of the business, estimates are made of cash flows for many years ahead, which inherently results in some uncertainty. This risk and this uncertainty are reflected in the discount rate applied and in the terminal value growth rate.

Please see specification in Note 14.

Notes to consolidated financial statements

Contract work in progress

Contract work in progress is continuously assessed to see if the net realizable value is higher than cost incurred.

The completion degree on Contract work in progress is based on an estimate of the total hours to finish the asset. These estimates might change as assets evolve, cf. note 40 accounting policies on revenue.

It may be necessary to change previous estimates due to changes in those circumstances on which the estimates are based, or due to new information or subsequent events.

3. Revenue and segmentation of operations

When adopting IFRS, Management has analysed segmentation of the operations through the strategic management, decision and reporting structure used by Management. The analysis resulted in that only one segment was identified.

Revenue from sale of products and services split by type

	2018 DKK'000	2017 DKK'000
In-line flexo printing machines	213.281	214.506
Ancillary products	125.129	71.653
Total for activities	**338.410**	**286.159**

Revenue split by geography

	Revenue external customer	
	2018 DKK'000	2017 DKK'000
Denmark	6.605	16.256
Europe	174.299	127.271
USA	90.513	67.604
Middle East and Africa	41.938	44.162
Other markets	25.055	30.866
Total net revenue	**338.410**	**286.159**

Notes to consolidated financial statements

Timing of revenue recognition	2018 DKK'000	2017 DKK'000
Products and services transferred at a point in time	198.128	100.092
Products transferred over time	140.282	186.067
Total for activities	**338.410**	**286.159**

All significant non-current assets are placed in Denmark (DKK673m of a total of DKK 676m).

Significant customers

Of the total revenue amounting to DKK 338m sales to two significant customers amount to a total of DKK 103m. For 2018 sales to these customers accounts for 20% and 11% respectively of the Group's total revenue.

4. Revenue

	2018 DKK'000	2017 DKK'000
Sale of goods	174.976	95.502
Sale of service	23.152	4.590
Income from contract work in progress (turnkey projects)	140.282	186.067
Revenue	**338.410**	**286.159**

5. Production costs

	2018 DKK'000	2017 DKK'000
Materials consumption	198.664	118.260
Write-down of inventories	8.438	130
Other production costs	23.375	30.081
Staff costs	110.871	55.714
Depreciation, amortisation and impairment	91.580	40.935
Indirect production costs	30.365	14.919
Production costs	**463.293**	**260.039**

Notes to consolidated financial statements

6. Research and development costs

Product development costs	15.794	601
Staff costs	4.252	2.700
Research and development costs	**20.046**	**3.301**

7. Fees to auditors appointed at the Annual General Meeting

Statutory audit	1.292	610
Other statements with opinions	693	125
Tax and VAT advisory services	232	237
Other services	461	538
Total fees to auditors appointed at the Annual General Meeting	**2.677**	**1.510**

8. Staff costs

	2018 DKK'000	**2017 DKK'000**
Board fees	1.393	340
Wages and salaries	159.211	74.435
Pensions	10.456	4.725
Other social security costs	1.948	1.516
Other staff costs	4.862	870
Total staff costs	**177.870**	**81.886**
Staff costs are distributed as follows:		
Production	110.871	55.714
Research and development	4.252	2.700
Sales and distribution	30.805	12.266
Administration	31.942	11.206
Total staff costs	**177.870**	**81.886**
Average number of employees	308	300

Notes to consolidated financial statements

Remuneration of management

	Board of Directors		Executive Board		Other key management personnel	
	2018 DKK'000	2017 DKK'000	2018 DKK'000	2017 DKK'000	2018 DKK'000	2017 DK'000
Board fee	1.393	340	0	0	0	0
Salary and wages	0	0	5.445	1.501	5.970	2.648
Pensions	0	0	291	108	442	217
	1.393	340	5.736	1.609	6.412	2.865

Remuneration of the executive directors and key management personnel is based on a fixed salary, bonus and non-monetary benefits such as company car, telephone etc. Executive directors and other key management personnel are covered by the same pension agreements as other employees. Usual notification period applies in the event of resignation of management.

Notes to consolidated financial statements

9. Defined contribution plans

The group has defined contribution plans with the majority of the employees in the Danish entities. According to the agreements the group entities are monthly paying an amount of 8% of the basic salaries and wages. The payment regarding each employee is paid to an independent pension company.

	2018 DKK'000	2017 DKK'000
Cost to defined contributions plans	10.456	4.725

There are only minor obligations regarding benefit plans to employees outside Denmark.

10. Amortization, depreciation and impairment

Amortisation, intangible assets	64.618	38.385
Impairment losses, intangible assets	75.000	0
Depreciation losses, property, plant and equipment	6.390	3.106
Impairment losses, property and plant	21.550	0
Depreciation, amortisation and impairment	**167.558**	**41.491**

Amortisation, depreciation and impairment are distributed as follows:

Production	91.580	40.935
Administration	75.978	556
Total amortisation, depreciation and impairment	**167.558**	**41.491**

11. Financial income

Gains on foreign exchange	0	162
Other financial income	70	79
Financial income	**70**	**241**

12. Financial expenses

Interest expense	28.618	12.084
Loss on foreign exchange	1.367	2.395
Other financial expenses	1.912	12.818
Interest regarding finance lease	2	17
Financial expenses	**31.899**	**27.314**

Notes to consolidated financial statements

13. Income tax

	2018 DKK'000	2017 DKK'000
Current tax for the year	(2.216)	(136)
Deferred tax for the year	(58.197)	(7.350)
Adjustments recognized for tax from prior periods	662	0
Corporation tax for the year	**(59.751)**	**(7.486)**

Income tax expense attributable to income before income taxes differed from the amounts computed by applying the Danish income tax rate of 22,0%. For foreign entities is used the actual tax rate in the country concerned.

Tax on profit for the year breaks down as follows:		
Calculated tax on profit for the year before tax	22,0 %	22,0 %
Adjustment of calculated tax in foreign Group subsidiaries relative to 22,0%	0,1 %	-0,7 %
Tax effect of:		
Non-deductible expenses	-5,3 %	-9,8 %
Effective tax rate (%)	**16,8 %**	**12,5 %**
Tax for the year is disaggregated as follows:		
Corporation tax for the year	59.751	7.486
Total tax for the year	**59.751**	**7.486**
Payable and receivable corporation tax		
Receivable corporation tax	2.672	1.878
Payable corporation tax	39	5.713

Notes to consolidated financial statements

14. Goodwill

	2018 DKK'000	2017 DKK'000
Cost at the beginning of the year	230.600	0
Revaluation in 2018	18.400	0
Additions during the year	0	230.600
Cost at the end of the year	**249.000**	**230.600**
Impairment losses at the beginning of the year	(0)	(0)
Impairment losses for the year	(75.000)	(0)
Impairment losses at the end of the year	**(0)**	**(0)**
Carrying amount at the end of year	**174.000**	**230.600**

Tresu Investment A/S was acquired to simplify the corporate structure. The impairment test is made at group level, because only one CGU has been identified.

At 31 December 2018, Management has tested the carrying amount of goodwill and brand for impairment. The recoverable amount for goodwill did not exceed the carrying amount, and this has led to write down for impairment in the amount of DKK 75m.

The key assumptions underlying the calculation of value in use are the determination of EBITDA growth in the period 2019 to 2023, discount rate and terminal value growth rate.

EBITDA growth is determined based on historical EBITDA realized in Tresu Group the period immediately prior to the beginning of the budget period, adjusted for non-recurring expenses, expected market developments and subsidiaries acquired.

The growth rate is based on the following:

- Increase focus on aftermarket sales.
- Continued focus on Digital products to capitalize on the improved market conditions.
- Market growth within Americas, EMEA and APAC
- Strong focus on lean implementation (Continues Improvement) together procurement savings
- Strong control of OPEX development, focusing on converting from fixed costs to variable costs

The discount rate is determined based on the Company's borrowing rate plus a risk premium that reflects the risk involved in investing in shares and the risk involved in the activity performed. A base after-tax discount rate of 13,1% is used (equivalent to an after-tax discount rate of 16,8% applying the listed bond market price).
The terminal value growth rate of 3% is based on estimated economic growth.
Sensitivity analysis of the recoverable amount shows further impairment loss of DKK 30m if discount rate was increased by 1.0%.

Notes to consolidated financial statements

15. Other intangible assets

DKK'000 2018	Completed development projects	Patents and licenses	Brand	Customer relation-ships	Order backlog	Total
Cost at the beginning of the year	58.334	224.084	56.300	212.700	25.500	576.918
Additions during the year	12.040	2.894	0	0	0	14.934
Disposals during the year	(2.664)	0	0	0	0	(2.664)
Transfer of asset	(27.513)	564	(18.400)	0	0	(45.349)
Cost at the end of the year	**40.197**	**227.542**	**37.900**	**212.700**	**25.500**	**543.839**
Amortization at the beginning of the year	(2.572)	(7.707)	0	(14.556)	(12.750)	(37.585)
Amortization for the year	(5.465)	(17.291)	0	(29.112)	(12.750)	(64.618)
Reversal regarding disposals	267	0	0	0	0	267
Transfer of assets	917	0	0	0	0	917
Amortization and impairment losses at the end of the year	**(6.853)**	**(24.998)**	**0**	**(43.668)**	**(25.500)**	**(101.019)**
Carrying amount at the end of year	**33.344**	**202.544**	**37.900**	**169.032**	**0**	**442.820**

DKK'000 2017	Completed development projects	Patents and licenses	Brand	Customer relation-ships	Order backlog	Total
Cost at the beginning of the year	0	0	0	0	0	0
Acquisition of Tresu Investment	57.400	224.084	56.300	212.700	25.500	575.984
Additions during the year	1.734		0	0	0	1.734
Disposals during the year	(800)	0	0	0	0	(800)
Cost at the end of the year	**58.334**	**224.084**	**56.300**	**212.700**	**25.500**	**576.918**
Amortization at the beginning of the year	0	0	0	0	0	0
Amortization for the year	(2.572)	(7.707)	0	(14.556)	(12.750)	(37.585)
Amortization and impairment losses at the end of the year	**(2.572)**	**(7.707)**	**0**	**(14.556)**	**(12.750)**	**(37.585)**
Carrying amount at the end of year	**55.762**	**216.377**	**56.300**	**198.144**	**12.750**	**539.333**

Notes to consolidated financial statements

Apart from goodwill and brand, all other intangible assets are regarded as having determinable useful lives over which the assets are amortized; see accounting policies in note 40. Estimated useful life of Patents is on average of 14 years. Estimated useful lives of customer relationships are between 4-10 years. Estimated useful lives of completed development projects are on average 12 years. Estimated useful lives of order backlog are on average 1 year.

Cf. note 14, Management has tested the carrying amount of goodwill and brand using the same assumptions as listed in this note. The recoverable amount exceeds the carrying amount. Management has not observed indications of impairment of other intangible assets since the acquisitions.

Notes to consolidated financial statements

16. Property, plant and equipment

DKK'000 2018	Land and buildings	Plant and machinery	Other Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at the beginning of the year	27.802	34.120	5.841	851	68.614
Additions during the year	0	697	317	47	1.061
Disposals during the year	0	(382)	0	0	(383)
Transfer of assets held for sale	(23.893)	(12.178)	0	0	(36.071)
Transfer of assets	0	27.513	(564)	0	26.949
Cost at the end of the year	**3.909**	**49.770**	**5.594**	**898**	**60.170**
Amortization at the beginning of the year	(556)	(1.881)	(584)	(85)	(3.106)
Amortization for the year	(634)	(4.600)	(978)	(178)	(6.390)
Impairment losses (assets for sale)	(9.937)	(7.858)	0	0	(17.795)
Impairment losses	0	(3.755)	0	0	(3.755)
Amortization reversed during the year	0	324	0	0	324
Transfer of assets held for sale	10.893	9.090	0	0	19.983
Transfer of assets	0	(917)	0	0	(917)
Amortization and impairment losses at the end of the year	**(234)**	**(9.597)**	**(1.562)**	**(263)**	**(11.656)**
Carrying amount at the end of year	**3.675**	**40.172**	**4.032**	**635**	**48.514**

DKK'000 2017	Land and buildings	Plant and machinery	Other Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at the beginning of the year	0	0	0	0	0
Acquisition of Tresu Investment	27.763	32.987	4.577	792	66.119
Additions during the year	39	1.133	1.264	59	2.495
Disposals during the year	0	0	0	0	0
Cost at the end of the year	**27.802**	**34.120**	**5.841**	**851**	**68.614**
Amortization at the beginning of the year	0	0	0	0	0
Amortization for the year	(556)	(1.881)	(584)	(85)	(3.106)
Amortization reversed during the year	0	0	0	0	0
Amortization and impairment losses at the end of the year	**(556)**	**(1.881)**	**(584)**	**(85)**	**(3.106)**
Carrying amount at the end of year	**27.246**	**32.239**	**5.257**	**766**	**65.508**

Notes to consolidated financial statements

Assets held for sale
In June 2018, the Company decided to sell the corporate building and selected machines, as the Company will vacate the current building and move into a new domicile in 2019. Accordingly, the corporate building and machines are presented as assets held for sale. Efforts to sell these assets have started.

Impairment losses of DKK 17.795 thousand for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in production cost in the Statement of profit or loss and Other Comprehensive Income.

The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

The total value of assets for sale, 16.088, consists of the building for sale DKK 13.000 thousand and machines for sale DKK 3.088 thousand.

17. Subsidiaries

	Registered in	Corpo-rate form	Interest and share of voting rights, % 2018	Interest and share of voting rights, % 2017
Tresu A/S	Bjert, Denmark	A/S	100,0	100,0
Tresu Italia S.r.l.	Varese, Italy	S.r.l.	100,0	100,0
Tresu Royce Inc.	Dallas, USA	Inc.	100,0	100,0
Tresu Japan Co. Ltd.	Osaka, Japan	Ltd.	100,0	100,0
Tresu Vertriebs GmbH	Celle, Germany	GmbH	100,0	100,0

18. Inventories

	2018 DKK’000	2017 DKK’000
Raw materials	43.221	50.490
Work in progress	23.401	47.821
Finished goods	12.168	13.241
Prepayments for goods	8.455	21.683
Inventories	**87.245**	**133.235**

Inventories with a bookkept value of 1.360k are expected to be sold after more than 12 month from the balance sheet date.

Notes to consolidated financial statements

19. Trade receivables

	2018 DKK'000	2017 DKK'000
Accounts receivable	63.235	54.696
Allowance for bad debts	(5.188)	(4.180)
Accounts receivable	**58.047**	**50.516**
Impairment losses at 1 January	4.180	0
Additions related to the acquisition of Tresu Investment A/S (the amount corresponds to the amount that fair value of trade receivables was lower than the gross amount at the time)	0	4.070
Impairment loss provisioned	1.471	225
Realized for the period	-463	-115
Reversed	0	0
Impairment losses on receivables	**5.188**	**4.180**
Age of impaired trade receivables		
Overdue for 1-30 days	0	0
Overdue for 31-90 days	0	0
Overdue for 91-120 days	0	0
Overdue for more than 120 days	4.288	1.402
	4.288	**1.402**
Age of receivables that are past due but not impaired		
Overdue for 1-30 days	7.905	6.476
Overdue for 31-90 days	6.714	1.390
Overdue for 91-120 days	261	2.592
Overdue for more than 120 days	3.794	7.971
	18.674	**18.429**
Receivables that are not due and not impaired		
Denmark	925	1.749
EU	14.392	11.388
USA	6.380	9.289
Other countries	13.388	8.259
	35.085	**30.685**

The Group has no significant credit risks related to a single costumer or market. Write-downs for bad and doubtful receivables are made if the receivables based on an individual evaluation, shows indication of impairment.

Notes to consolidated financial statements

20. Contract work in progress (Turnkey projects)

	2018 DKK'000	2017 DKK'000
Sales value of contract work in progress	278.453	357.328
Progress billings regarding contract work in progress	(216.004)	(185.688)
	62.449	**171.640**
Net value in the balance sheet:		
Work in progress	77.659	175.551
Received prepayments from customers	(15.210)	(3.911)
	62.449	**171.640**
Customer's detained payments for completed work	**5.124**	**15.593**

	01.01.	Net additions	Revenue recognized from liabilities opening balance	Business combinations	31.12
2018	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**
Contract work in progress (asset)	**175.551**	**(97.892)**	**0**	0	**77.659**
Prepayments received from customers	3.911	11.299	0	0	15.210
Contract liabilties (prepayments)	**3.911**	**11.299**	**0**	**0**	**15.210**

	01.01.	Net additions	Revenue recognized from liabilities opening balance	Business combinations	31.12.
2017	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**
Contract work in progress (asset)	**0**	**19.339**	**0**	156.212	**175.551**
Prepayments received from customers	0	(86.589)	0	90.500	3.911
Contract liabilties (prepayments)	**0**	**(86.589)**	**0**	**90.500**	**3.911**

Notes to consolidated financial statements

Amounts relating to contract work in progress are balances due from customers that arise when the group carried out work at the balance sheet date. These agreements do not include a variable consideration. The Group receives payments from customers in line with the agreed payments terms at placing the order, prior to shipment of machines and a minor part after installation/commissioning acceptance. The Group will previously have recognised a contract work in progress for any work performed. Any amount previously recognised as a contract work in progress is reclassified to trade receivables at the point at which it is invoiced to the customer. The Group expects that all performance obligations for ongoing projects will be met within a period of 12 months.

Notes to consolidated financial statements

21. Share capital

The share capital consists of shares with a nominal value of DKK 1 each. The shares have been paid in full. The shares have not been divided into classes and no special rights have been attached to the shares.

The share capital can be made up as follows:

	2018 DKK'000	2017 DKK'000
Number of shares 1 January	2.922	50
Capital increase by cash deposit	0	2.872
Number of shares 31 December	**2.922**	**2.922**

22. Deferred tax

	2018 DKK'000	2017 DKK'000
Deferred tax assets	0	1.240
Deferred tax liabilities	78.344	137.805
Total deferred taxes	**78.344**	**136.565**

2018	Deferred tax 01.01. DKK'000	Recog-nized in profit DKK'000	Recog-nized in equity DKK'000	Recognized in other comp.inc. DKK'000	Total 31.12 DKK'000
Intangible assets	102.283	(15.135)	0	0	87.148
Property, plant and equipment	12.124	(3.666)	0	0	8.458
Inventories	3.762	(462)	0	0	3.300
Receivables	19.714	(15.865)	0	0	3.849
Tax deficit	0	(22.772)	0	0	(22.772)
Liabilities and other provisions	(1.318)	(297)	(24)	0	(1.639)
Temporary differences	**136.565**	**(58.197)**	**(24)**	**0**	**78.344**

Notes to consolidated financial statements

2017	Deferred tax 01.01. DKK'000	Recog-nized in profit DKK'000	Acquis. of entities DKK'000	Recognized in other comp.inc. DKK'000	Total 31.12 DKK'000
Intangible assets	0	(5.232)	107.515	0	102.283
Property, plant and equipment	0	(3.307)	15.431	0	12.124
Inventories	0	(25)	3.787	0	3.762
Receivables	0	2.379	17.335	0	19.714
Liabilities and other provisions	0	(1.165)	(153)	0	(1.318)
Temporary differences	**0**	**(7.350)**	**143.915**	**0**	**136.565**

23. Provisions

	2018 DKK'000	2017 DKK'000
Warranties 1 January 2018	1.340	0
Realized for the period	(5.573)	(2.926)
Provisioned for the year	10.904	4.266
Warranties 31 December 2018	**6.671**	**1.340**
Provisions are recognized in the balance sheet:		
Non-current liabilities	6.671	1.340
	6.671	**1.340**

Warranties are provisioned according to a percentage of revenue and covers work to improve products inefficiencies at customers' site.

Warranty commitments relate to sold items delivered with a one-year warranty. This liability is calculated on the basis of previous years' experience. The liabilities are expected to be settled in 2019. As at 31 December 2018, the remaining liability amounts to mDKK 6,7, which is expected to be paid in 2019.

Notes to consolidated financial statements

24. Corporate bonds

	2018 DKK'000	2017 DKK'000
Corporate bonds	522.711	521.143
Corporate bonds fees, amortized	(5.206)	(5.734)
	517.505	**515.409**
Corporate bonds in the balance sheet:		
Non-current liabilities	517.505	515.409
Current liabilities	0	0
	517.505	**515.409**

	Currency	Expires	Interest fixed or variable	Amortized cost DKK'000	Nominal Value DKK'000	Fair Value DK'000
Corporate bonds, 3m Euribor + 500 bps	EUR	Sept 2022	Variable	517.505	522.711	522.711
31 December 2018				517.505	522.711	522.711

	Currency	Expires	Interest fixed or variable	Amortized cost DKK'000	Nominal Value DKK'000	Fair Value DK'000
Corporate bonds, 3m Euribor + 500 bps	DKK		Variable	515.409	521.143	521.143
31 December 2017				515.409	521.143	521.143

The market value of corporate bonds is approximate to nominal value as the entity specific risk premium is considered to be unchanged since the date of issue. Since the issue in September 2017, the bonds have been adjusted with the exchange rate EUR/DKK at the end of the year. Level 2 from the fair value hierarchy has been used.

25. Debts banks

	2018 DKK'000	2017 DKK'000
Overdraft facilities	100.581	67.516
Other bank debt	0	7
	100.581	**67.523**
Debts to banks are recognized in the balance sheet:		
Non-current obligations	0	0
Current obligations	100.581	67.523
	100.581	**67.523**

Notes to consolidated financial statements

	Currency	Expires	Interest fixed or variable	Amortized cost DKK'000	Nominal Value DKK'000	Fair Value DK'000
Overdraft facility	DKK	2023	Variable	100.581	100.581	100.581
Other bank debt	DKK	2018	Variable	0	0	0
31 December 2018				100.581	100.581	100.581

	Currency	Expires	Interest fixed or variable	Amortized cost DKK'000	Nominal Value DKK'000	Fair Value DK'000
Overdraft facility	DKK	2023	Variable	67.516	67.516	67.516
Other bank debt	DKK	2018	Variable	7	7	7
31 December 2017				67.523	67.523	67.523

26. Finance lease obligations

The Group has leased production equipment for 5 years period, and has made commitments to purchase the assets when the contracts expire. All leases follow a fixed instalment profile and the leases are non-cancellable during the agreed lease term, but may be renewed on renewal terms. The Group has guaranteed the residual value of assets at the end of the lease term. The net present values of minimum lease payments are 168k DKK.

Financial liabilities also include the capitalised residual obligation on finance leases, which is measured at amortized cost. The fair value of finance lease obligations with a fixed interest rate is recognized to the net present value of future repayments and interest payment by using the current interest curve derived from current market interest rates.

27. Other payables

	2018 DKK'000	2017 DKK'000
Payable staff costs	24.841	17.195
Payable VAT	3.374	5.471
Other liabilities	16.694	14.988
Other payables current	**44.909**	**37.654**

Other payables (non-current) DKK 6.631 thousand (2017: DKK 7.204 thousand) are debt concerning acquisition of intangible assets for which instalments on debt are paid according to the usage of the intangible asset.

Notes to consolidated financial statements

28. Operational lease obligations

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 3.474 thousand within year 1, DKK 4.668 thousand between 2 and 5 years. There are no obligations after 5 years..

	2018 DKK'000	2017 DKK'000
Within a year from balance date	3.474	1.841
Between 1 and 5 years from balance date	4.668	2.215
After 5 years from balance date	0	0
	8.142	**4.056**
Minimum lease payments in profit for the year	**210**	**381**

The Group has entered into an agreement to lease a new company facility site at Venusvej in Kolding. The new company site will be constructed by a property developer and subsequently leased to TRESU Group. The construction is expected to be finalized in summer 2019.

The expected lease commencement date is July 2019 and the Group is providing a payment guarantee of DKK 8.350 thousand that will be written down in lockstep with quarterly lease payments made in July 2019, October 2019, January 2020 and March 2020. The Group has paid an initial amount of DKK 10.000 thousand in deposit.

The lease contract includes a non-termination period of 14,3 years and the future minimum payments according to the contract is DKK 119m for this period.

29. Contingent liabilities

The Group participates in a Danish joint taxation arrangement with Nortre Administration ApS serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the group is liable from the financial year 2013 for income taxes etc. for the jointly taxed entities and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

Notes to consolidated financial statements

30. Pledged assets etc.

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

For third parties security has been given a mortgage deed of mDKK 10.

Bank warranties regarding customers amounting to mDKK 11,089 have been made.

	2018 DKK'000	2017 DKK'000
31. Changes in working capital		
Increase/decrease in inventories	45.990	6.550
Increase/decrease in receivables	91.916	(1.994)
Increase/decrease in trade payables etc	(89.033)	73.034
	48.873	**(77.590)**

32. Cash and cash equivalents and changes in liabilities arising from financing activities

	2018 DKK'000	2017 DKK'000
Cash and cash equivalents	6.073	10.550
	6.073	**10.550**

The group has unutilized drawing rights on overdraft facilities of 0,33 mDKK

Notes to consolidated financial statements

2018	01.01. DKK'000	Cashflow DKK'000	Non-cash changes: Exchange rate regul. DKK'000	Non-cash changes: New leases DKK'000	31.12 DKK'000
Corporate bonds	515.409	(1.007)	1.568	0	515.970
Finance lease liabilities	372	(204)	0	0	168
Bank debt	67.523	33.058	0	0	100.581
	583.304	31.847	1.568	0	616.719

2017	01.01. DKK'000	Cashflow DKK'000	Non-cash changes: Exchange rate regul. DKK'000	Non-cash changes: New leases DKK'000	31.12 DKK'000
Corporate bonds	0	515.038	371	0	515.409
Finance lease liabilities	0	0	0	372	372
Bank debt	0	67.523	0	0	67.523
	0	582.561	371	372	583.304

33. Acquisitions

There have been no acquisitions in 2018.

As of 21 June 2017 the parent company of the legacy Tresu Group, Tresu Investment A/S was acquired by Tresu Investment Holding A/S. They purchased 100% for the amount of DKK 873,1m. The ultimate majority-owner is the private equity Fund Altor Fund IV Holding AB, which has acquired the company as a portfolio company.

In 2017, the Group acquired the following subsidiaries/activities

Name	Primary activity	Acquisition date	Ownership acquired %	Voting share acquired %	Purchase price, mDKK
Tresu Investment A/S	Holding of shares in Tresu A/S	21.06.2017	100	100	873

Notes to consolidated financial statements

Fair value of acquired net assets and recognized goodwill

	2017
Intangible assets	**DKK '000**
Patents	224.084
Customer relationship	212.700
Brand	56.300
Completed development projects	57.400
Order backlog	25.500
Tangible assets	
Plant and machinery and equipment etc.	38.356
Land & buildings	27.763
Currents asset	
Inventories	126.685
Trade receivables	70.800
Contract work in progress	156.212
Other receivables	11.100
Cash	110.300
Noncurrent liabilities	
Deferred tax	(133.100)
Other payables	(7.500)
Current liabilities	
Contract liabilities	(90.500)
Trade payables	(177.600)
Tax payable	(17.200)
Other payables	(48.800)
Acquired net assets	**642.500**
Goodwill	230.600
Cash payment	**873.100**
Acquired cash, cf. above	(110.300)
Net cash outflow of acquisition of company	**762.800**

Notes to consolidated financial statements

	2017 DK '000
Total payment	873.100
Acquired net assets	(642.500)
Goodwill arising from the acquisition	**230.600**

The Group has incurred transaction costs of DKK 5,7m, classified as administrative costs for 2017.

For this acquisition, the Group paid a purchase price that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This positive difference is primarily attributable to expected future growth in the acquired business. Provisions for loss on trade receivables related to the acquisition of Tresu Investment A/S, corresponds to the amount that fair value of trade receivables was lower than the gross amount at the time.

A purchase price allocation has been prepared by external consultants to identify the fair values of the purchased assets. The purchase price allocation has made significant changes in the distribution of values. The following intangible assets were identified in the process; Patents, Customer relationships, Brand and order backlog.

Of the Group's profit for the year 2017 (6 months), DKK -15m attributable to Tresu Investment Holding A/S following the acquisition. Of the Group's revenue, DKK 286m is attributable to Tresu Investment Holding A/S. Had the enterprise been acquired with effect from 1 January 2017, revenue for the year 2017 would have been approx. DKK 617,5m. Operating profit (EBIT) for the year 2017 (6 months) was DKK -32,8m. If the enterprise had been acquired with effect from January 1. 2017, EBIT would have been approximately DKK 80,1m. before effect of higher depreciation of PPA.

Notes to consolidated financial statements

34. Financial risks

Categories of financial instruments

	31.12.2018 DKK'000	31.12.2017 DKK'000
Deposits	10.454	312
Trade receivables	58.047	50.516
Other short-term receivables	6.717	7.602
Prepayments	1.950	2.449
Cash	6.073	10.550
Loans and receivables	**83.241**	**71.429**
Corporate bonds	517.505	515.409
Finance lease liabilities	168	372
Non-current other payables	7.527	8.275
Bank debt	100.581	67.523
Trade payables	90.377	202.301
Other payables	44.909	37.654
Financial liabilities measured at amortized cost	**761.067**	**831.534**

Practice for controlling financial risks
The Tresu Group, due to its operations, investments and financing, is exposed to market risks in the form of changes in exchange rates and interest rates, as well as credit risks and liquidity risks. The Group manages the financial risks centrally and coordinates the Group's liquidity management, including capital procurement and placement of surplus funds.

It is the Group's practice not to make any speculation in financial risks.

The Tresu Group manages the financial risks through the use of three different tools for cash flow budgeting: A model covering a rolling three month period, a model that covers a period of one year, and a model covering a period of three years.

Currency risks
The Group's currency risks are primarily hedged by matching payments received and made in the same currency. The difference between ingoing and outgoing payments denominated in the same currency is a measure of currency risk.

In 2018 the Group has secured expected ingoing payments in USD, related to one sales order. The debt for this hedging is DKK 107 thousand by the end of December 2018. The secured payments are expected to be received in 2019.

Notes to consolidated financial statements

Interest risks
Both corporate bonds and bank debt has a variable interest rate, and therefore the Group has a significant interest rate risk. Other payables have a short repayment profile, and the Group only has a low interest rate risk

Liquidity risks
The Group aims to have adequate cash resources to continuously carry out transactions appropriately as regards operations and investments. The Group's cash reserve consists of cash and cash equivalents as well as undrawn credit facilities. The Group's liquidity is mainly based on operating profits and the difference between the time of payment and the time of settlement. In order to maintain the current liquidity level, the Group is therefore dependent on continued growth and positive earnings as well as expanded credit lines.

Credit risks
The Group is not exposed to significant credit risks. Customers must pay in advance if they are considered to have an increased risk in relation to other accounts receivable.

Credit risk on ongoing contract work for the account of a third party is limited. Part payment invoices are thus agreed to follow minimum the costs incurred on contract work. Furthermore, all contract customers must pay a part of the total consideration at placing the order, which in itself reduces the credit risk substantially.

Currency risks

The Group has not entered into any derivative financial instruments to hedge recognized financial assets and liabilities. The Group's currency exposure at 31 December 2018 is specified below.

2018	Cash and cash equiva. DKK'000	Recei- vables DKK'000	Bond debt DKK'000	Other liabilites DKK'000	Unsecured Net position DKK'000
EUR	1.151	29.436	(522.711)	(55.944)	(548.068)
USD	3.487	19.643	0	(4.866)	18.084
SEK	0	0	0	(1.974)	(1.974)
JPY	1.123	1.285	0	(106)	2.302
CNY	229	0	0	0	229
GBP	3	150	0	(32)	121
CAD	0	0	0	0	0
31 December 2018	**5.993**	**50.514**	**(522.711)**	**(62.922)**	**(529.306)**

Notes to consolidated financial statements

2017	Cash and cash equiva. DKK'000	Recei-vables DKK'000	Bond debt DKK'000	Other liabilites DKK'000	Unsecured Net position DKK'000
EUR	3.920	59.690	(521.143)	(92.984)	(550.517)
USD	3.668	14.298	0	(5.078)	12.888
SEK	3	370	0	(2.253)	(1.881)
JPY	1.073	1.069	0	(287)	1.856
CNY	263	0	0	0	263
GBP	0	174	0	0	174
CAD	0	20	0	0	20
31 December 2017	**8.927**	**75.621**	**(521.143)**	**(100.602)**	**(537.197)**

Sensitivity analysis regarding currency risks
The Group's main currency exposure relates to debt in EUR. The following shows the net impact on equity and profit for the year if the exchange rate of the currencies in question had been 1% lower at the end of the year than the actual rate used. If the rate had been 1% higher price than the actual exchange rate, then it would have had a corresponding net negative impact on equity and profit for the year.

Equity sensitivity to exchange rate fluctuations	2018 DKK'000	2017 DKK'000
Impact if EUR-rate was 1% lower than actual rate	5.481	5.505
	5.481	**5.505**
The sensitivity of the result to exchange rate fluctuations		
Impact if EUR-rate was 1% lower than actual rate	5.481	5.505
	5.481	**5.505**

The Corporate bonds are issued in EUR and the principal amount is subject to exchange rate fluctuations between the Company's functional currency (DKK) and EUR. A 1 % change in the EUR rate at 31 December 2018 would have affected comprehensive income and equity by approximately DKK 5,2m. The sensitivity analysis shows the difference between the 31 December 2018 fair value calculated for the Group's assets and liabilities denominated in EUR.

Notes to consolidated financial statements

Interest rate risks
The Group has a significant degree of interest-bearing financial liabilities and as a consequence is exposed to interest rate risks. In regard to the Group's financial assets and financial liabilities, the following contractual interest rate adjustment dates or maturity dates can be specified, depending which date is the earlier, and how much of the interest-bearing assets and liabilities are at a fixed-rate. Variable rate loans are deemed to have interest rate adjustment dates that fall within one year.

Interest rate adjustment date or maturity date.

2018	**Less than 6 months DKK'000**	**Between 6-12 months DKK'000**	**1-5 years DKK'000**	**After 5 years DKK'000**	**Total DKK'000**	**Average duration, year**
Cash	6.073	0	0	0	6.073	0
Corporate bonds	(517.505)	0	0	0	(517.505)	0
Bank debt	(100.581)	0	0	0	(100.581)	0
Finance lease obligations	(45)	0	(123)	0	(168)	1
	(612.058)	**0**	**(123)**	**0**	**(612.181)**	

2017	**Less than 6 months DKK'000**	**Between 6-12 months DKK'000**	**1-5 years DKK'000**	**After 5 years DKK'000**	**Total DKK'000**	**Average duration, year**
Cash	10.550	0	0	0	10.550	0
Corporate bonds	(515.409)	0	0	0	(515.409)	0
Bank debt	(67.523)	0	0	0	(67.523)	0
Finance lease obligations	(208)	0	(164)	0	(372)	1
	(572.590)	**0**	**(164)**	**0**	**(572.754)**	

The Group has interest-bearing liabilities and so it is affected by interest rate fluctuations. An increase in the interest rate level of 1 percentage point per annum for 2018 compared to the interest rate level at the balance sheet date would have had a negative impact of DKK 6,1m on comprehensive income and equity for 2018. A similar decline in the interest rate level would have resulted in an equivalent positive effect on comprehensive income and equity.

Notes to consolidated financial statements

Liquidity risks

Due dates for financial liabilities are specified below, broken down by the time intervals used in the Group's liquidity management. The specified amounts represent the amounts that fall due for payment, including interest, etc.

2018	Less than 6 months DKK'000	Between 6-12 months DKK'000	1-5 years DKK'000	After 5 years DKK'000	Total DKK'000
Non-derivative financial liabilities					
Bank debt	1.282	1.283	10.254	102.542	115.360
Corporate bonds	13.068	13.068	614.185	0	640.321
Finance lease obligations	22	22	123	0	168
Trade payables	90.377	0	0	0	90.377
Other payables	44.909	0	0	0	44.909
	149.658	**14.373**	**624.562**	**102.542**	**891.135**

2017	Less than 6 months DKK'000	Between 6-12 months DKK'000	1-5 years DKK'000	After 5 years DKK'000	Total DKK'000
Non-derivative financial liabilites					
Bank debt	848	848	6.751	68.791	77.238
Corporate bonds	13.029	13.028	612.343	0	638.400
Finance lease obligations	187	21	164	0	372
Trade payables	202.301	0	0	0	202.301
Other payables	37.654	0	0	0	37.654
	254.019	**13.897**	**619.258**	**68.791**	**955.965**

The Groups liquidity reserve consists of liquid assets and unused credit facilities.
Management assesses the Group's liquidity requirements on a regular basis.

	2018 DKK'000	2017 DKK'000
The liquidity reserve is composed as follows:		
Cash	6.073	10.550
Unused credit facilities	326	3.800
	6.399	**14.350**

Notes to consolidated financial statements

Credit risks
The primary credit risk in the Group is related to trade receivables from the sale of goods and services and contract work in progress. The Group's most significant credit risks relates to the Group's largest customers. Those customers are required to partly pay advance payments in order to reduce the credit risks.

The maximum credit risk related to trade receivables from the sale of goods and services and contract work in progress corresponds to their carrying amount. Information on unpaid receivables from the sale of goods and services can be found in note 19, and information about detained payments for completed work can be found in note 20.

Default of loan agreements
The Group has not neglected or defaulted loan agreements during the financial year or the comparative year.

Optimisation of capital structure
The company's management continuously assesses whether the Group's capital structure is in line with the interests of the company and its owners. The overall objective is to secure a capital structure that supports long-term economic growth while maximising returns to the Group's stakeholders through an optimisation of the equity/debt ratio. The Group's overall strategy is that the Group's capital structure shall consist of debt comprising financial liabilities in the form of corporate bonds, bank debt and financial leasing liabilities, cash equivalents and equity.

Financial gearing
The company's board of directors reviews the Group's capital structure twice a year in connection with the presentation of half-yearly reports and annual reports. As part of this review, the board assesses the Group's capital costs and the risks associated with the individual types of capital. The financial gearing as per 31 December 2018 is 8,62 (31.12.2017: 2,41) Based on the latest review of the Group's capital structure, the board expects the financial gearing in 2019 to remain at approximately the same level as 2018.

Notes to consolidated financial statements

At balance date the financial gearing can be calculated accordingly:

	2018 DKK'000	2017 DKK'000
Bank debt	100.581	67.523
Finance lease obligations	168	372
Other payables	7.527	8.275
Payable corporation tax	39	5.713
Corporate bonds	517.505	515.409
Receivable corporation tax	(2.672)	(1.878)
Cash and cash equivalents	(6.073)	(10.550)
Other receivables	(8.667)	(10.051)
Net interest-bearing debt	**608.408**	**574.813**
Equity	**70.583**	**238.471**
Financial gearing	**8,62**	**2,41**

35. Related parties with controlling interest

The following parties have a controlling interest:

- Altor Fund IV Holding AB, Stockholm, shareholder, ultimate owner.
- Tresu Group Holding A/S, CBR-no. 37752088, Bjert, shareholder, parent.

Transaction with related parties
During the financial year, the Group has had the following transactions with related parties;

	2018 DKK'000	2017 DKK'000
Group		
Key people in management:		
Remuneration etc., cf. note 8	13.541	4.814
Management fee to related party	0	8.000
Payables to related party	8.000	8.000

Transactions with subsidiaries are eliminated in the consolidated financial statement in accordance with accounting policies.

Notes to consolidated financial statements

36. Shareholder relations
The company has registered the following shareholders, owning more than 5% of the share capital:

- Tresu Group Holding A/S, CVR-no. 37752088, Bjert, shareholder.

37. Consolidation
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
- Tresu Group Holding A/S, CVR-no. 37752088, Eegsvej 14, 6091 Bjert.

38. Events after the balance sheet date
On 1 February 2019 Tresu Investment Holding 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. The offer of new shares will be made by way of rights offer to existing shareholders. Tresu Group Holding A/S will seek and announce as relevant and required the resolutions once passed within the coming weeks.

39. Adopting the annual report for publication
The board members have on the board meeting the 31.03.2019 approved present Annual Report for publication. The Annual Report will be submitted to the shareholders for approval at the Annual General Meeting the 31.03.2019

Notes to consolidated financial statements

40. Accounting policies

The Al Report of Tresu Investment Holding A/S and its subsidiary companies has been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the EU, and additional Danish requirements applicable to reporting class C enterprises (large),

Consolidated financial statements

The consolidated financial statements comprise the Parent (Tresu Investment Holding A/S) and the group 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 subsidiaries 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 consolidated financial statements.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests by the Group in exchange for control of the acquiree. Acquisition–related costs are generally recognised in profit or loss incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* IAS 19 *Employee Benefits* respectively;

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisitions-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Accounting policies

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

If uncertainties regarding the measurement of acquired identifiable assets, liabilities, contingent liabilities or the consideration for the business combination exist at the acquisition date, initial recognition takes place on the basis of preliminary fair values. If identifiable assets, liabilities, contingent liabilities and the consideration for the business combination are subsequently determined to have had a different fair value at the acquisition date than first assumed, goodwill is adjusted up until 12 months ("measurement period") after the acquisition date. The effect of the adjustments is recognized in the opening equity, and the comparative figures are restated accordingly. Goodwill is not adjusted subsequently except in the event of material errors.

Costs that can be attributed directly to the transfer of ownership are recognized in the income statement when they are incurred.

Accounting policies

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. Non-monetary items, measured at fair value, are translated applying the exchange rate at the revaluation time.

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. 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 in other comprehensive income.

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 in other comprehensive income or recognized directly in equity by the portion attributable to entries respectively in other comprehensive income or directly in equity.

Current tax payable and tax receivable is recognized in the balance as calculated tax of the years taxable income, regulated with paid tax on account, and using rates enacted at the balance sheet date.

Deferred tax on all temporary differences between the carrying amount and the tax base of assets and liabilities is measured using the balance sheet liability method. However, deferred tax is not recognized on temporary differences relating to goodwill that is not deductible for tax purposes. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on management's planned use of the asset or settlement of the liability. If specific dividend plans exist for subsidiaries, associates and joint ventures in countries levying withholding tax on distributions, deferred tax is recognized on expected dividend payments. Deferred tax assets, including the tax base of tax loss carryforwards, are recognized under other on-current assets at the expected value of their utilization, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets or to realize the assets and settle the liabilities simultaneously. Deferred tax assets are subject to annual impairment tests and recognized only to the extent that it is probable that the assets will be utilized. Adjustments are made to deferred tax resulting from elimination of unrealized intra-group profits and losses.

Accounting policies

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period and when the deferred tax is expected to crystallize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement. Changes to deferred tax on items recognized in other comprehensive income are, however, recognized in other comprehensive income.

Revenue

The Group recognizes revenue from the following major sources:

- Sales of Flexo Inline Printing machines - mostly recognized as contract work in progress
- Sales of ancillary products

Revenue from the sale of manufactured goods and goods for resale is recognized in the income statement when delivery is made and control control is transferred to the buyer, and the consideration agreed is expected to be received. Control is generally deemed to be transferred upon delivery of the components in accordance with the agreed delivery plan.

Revenue from ancillary products is generally recognised upon shipment of products, provided there are no significant uncertainties regarding customer acceptance, persuasive evidence of an arrangement exists, the sales price is fixed and determinable, and it is probable that the sale is collectible. Amounts billed to customers for shipping and handlings are included in net sales and are recorded upon shipment of goods to customers. Costs of providing these services are included in cost of sales.

Customized solutions, with a high degree of customisation, are recognised over time as the machines are constructed based on the stage of completion of the individual contracts, as contract work in progress. See also description below regarding contract work in progress. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the cost incurred to the extent that it is probable that the costs will be recovered. Revenue from the sale of services is recognized in the income statement over the term of the agreement as the services are provided. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. Payment for the service contract can be paid in advance or over the service period's execution.

Contract work in progress

If the selling price of a project work in progress can be measured reliably, revenue and costs related to the contract is recognized according to the stage of completion on balance sheet date.

If the selling price of a project in progress cannot be made up reliably, revenue is recognized according to costs, if these costs are likely to be regained.

Cost of sales work and contracting are recognized in the income statement as occurred.

Accounting policies

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 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 of the Entity.

Financial income

Financial income comprises interest income, 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.

Financial expenses

Financial expenses comprise interest expenses, 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.

Accounting policies

Balance sheet

Goodwill and other intangible assets

On initial recognition, goodwill is recognised at cost in the balance sheet as described under “Business combinations”. Subsequently, goodwill is measured at cost any less accumulated impairment losses.

The carrying amount of goodwill is allocated to the Group’s cash-generating units at the time of acquisition. Determination of cash-generating units complies with the management structure and management control of the Group.

Goodwill is recognized as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. On disposal of a subsidiary, the amount attributable of unamortized goodwill that has not been subject to impairment is included in the determination of the gain or loss on disposal.

Intangible assets other than goodwill are valued at cost less accumulated amortization and any impairment losses. Brands have been assigned an indefinite useful life. Capitalized development costs are amortized on a straight-line basis over a six-year useful life. Customer relationships, patents and other intangibles are amortized on a straight-line basis over a 10-to 20-year useful life. Costs for acquired assets represent the purchase price at acquisition

Intangible assets with indefinite useful lives are not depreciated, but are annually tested for impairments. If the carrying amount of the assets exceeds the recoverable value, it will be written down to the lower value, see the section below regarding impairment.

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 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.

Accounting policies

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.

Property, plant and equipment

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

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.

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 recognized in the income statement under other operating income/-expenses.

Impairment of intangible and tangible assets

The carrying amounts of both intangible assets and items of property, plant and equipment are reviewed annually for indicators of impairment in addition to that reflected through amortisation and depreciation. However, goodwill and intangible assets with indefinite useful lives are tested annually for impairment, the first time being at the end of the acquisition year.

If any such indication exists, impairment tests are made of each asset and group of assets, respectively. Write-down is made to the lower of recoverable amount and carrying amount.

Accounting policies

The recoverable amount is the higher of net selling price and value in use. Value in use is the present value of the estimated net income from using the asset or the group of assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realizable value. Cost consists of purchase price. 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 realizable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortized 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 contract work in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realizable value.

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

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

Prepayments

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

Accounting policies

Asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with Group's other accounting policies. Impairment losses on initial classifications held-for-sales or held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

On classified as held-for-sales, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Dividend

Dividend is recognized as a liability at the time of adoption at the general meeting.

Other provisions

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

Other provisions are recognized 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.

Liabilities

Corporate bonds and bank debt are recognized at the time of borrowing at fair value less transaction costs incurred, equivalent to the proceeds received. Subsequently, corporate bonds and bank debt are recognized at amortized cost equal to the capitalized value using the effective interest method to the effect that the difference between the proceeds and the nominal amount is recognized in the statement of comprehensive income over the term of the loan.

Other liabilities including debt to suppliers, subsidiaries as well as other payables are measured at amortized cost which usually corresponds to nominal value.

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.

Contract liabilities

Prepayments received from customers comprise amounts received from customers prior to recognition of revenue, cf. section contract work in progress.

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.

The cash flow from acquisition and disposal of entities comprises the cash consideration paid/received net of cash and cash equivalents acquired/disposed of with the entities.

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 subsidiaries, 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, and purchase of treasury shares and payment of dividend.

Cash flows in other currencies than basic currency are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. In the latter case is used the actual exchange rate for a specific date.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price.

Parent income statement for 01.01.2018-31.12.2018

	Notes	1/1-31/12* 2018 DKK'000	21/3-31/12* 2017 DKK'000
Management fee		4.418	731
Administration costs	3,4,5	(10.213)	(16.974)
Operating profit/loss		**(5.795)**	**(16.243)**
Profit/loss in group subsidiaries		(278.911)	0
Financial expenses	6	(29.720)	(24.688)
Profit/loss tax before tax		**(314.426)**	**(40.931)**
Tax on profit/loss for the year	7	5.603	3.118
Profit/loss for the year		**(308.823)**	**(37.813)**
Total comprehensive income		**(308.823)**	**(37.813)**
Profit for the year attributable to:			
Owners of the Company		(308.823)	(37.813)
Total comprehensive income for the year attributable to:			
Owners of the Company		(308.823)	(37.813)

* As of 21 June 2017 the parent company of the legacy Tresu Group, Tresu Investment A/S was acquired by Tresu Investment Holding A/S, ultimately majority-owned by the private equity fund Altor Fund IV Holding AB. The statement of profit or loss and other comprehensive income for YTD 2017 therefore only includes about 6 months of business activity.

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Other fixtures and fittings, tools and equipment		352	447
Property, plant and equipment		**352**	**447**
Investments in group subsidiary	8	581.208	774.621
Financial assets		**581.208**	**774.621**
Deferred tax asset	11	7.330	1.240
Other non-current assets		**7.330**	**1.240**
Non-current assets		**588.890**	**776.308**
Other receivables		186	1.717
Receivables from group companies		11.550	0
Income tax receivable	7	0	1.878
Receivables		**11.736**	**3.595**
Cash		**45**	**61**
Current assets		**11.781**	**3.656**
Assets		**600.671**	**779.964**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	10	2.922	2.922
Retained earnings		67.661	251.486
Equity		**70.583**	**254.408**
Corporate bonds	12	517.505	515.409
Non-current liabilities		**517.505**	**515.409**
Bank debt		0	7
Trade payables		1.781	208
Payables to group subsidiaries		325	283
Other payables	13	10.477	9.649
Current liabilities		**12.583**	**10.147**
Liabilities		**251.177**	**525.556**
Equity and liabilities		**600.671**	**779.964**

Parent statement of changes in equity

	Contri-buted capital DKK'000	Other reserves DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 01 January 2017	50	0	0	50
Profit for the period	0	0	(37.813)	(37.813)
Capital increase	2.872	0	289.299	292.171
Equity at 31 December 2017	**2.922**	**0**	**251.486**	**254.408**
Equity at 1 January 2018	2.922	0	251.486	254.408
Profit for the period	0	0	(278.911)	(278.911)
Tax exempt contribution*	0	0	124.998	124.998
Equity at 31 December 2018	**2.922**	**0**	**67.661**	**70.583**

* The Parent company has received DKK 124.998 thousand from Tresu Group Holding A/S, as a tax exempt contribution in 2018 in order to secure liquidity.

Parent cash flow statement for the year 2018

	Notes	1/1-31/12 31.12.2018 DKK'000	21/3-31/12* 31.12.2017 DKK'000
Operating profit/loss		(5.795)	(16.243)
Amortisation, depreciation and impairment losses		94	23
Working capital changes	16	5.702	8.837
Cash flows from ordinary operating activities		**1**	**(7.383)**
Financial expenses paid		(28.353)	(24.688)
Income taxes refunded/(paid)		0	0
Cash flows from operating activities		**(28.352)**	**(32.071)**
Acquisition etc. of property, plant and equipment		0	(470)
Acquisition etc. of group subsidiary		0	(873.100)
Dividend received from Tresu A/S		29.350	105.000
Capital increase in group subsidiary		0	(6.564)
Cash flows from investing activities		**29.350**	**(775.134)**
Loans raised		0	510.000
Instalments on loans etc.		0	(510.000)
Capital increases		0	292.171
Corporate bonds		(1.007)	515.038
Cash flows from financing activities	17	**(1.007)**	**807.209**
Increase/decrease in cash and cash equivalents		**(9)**	**4**
Cash and cash equivalents 01.01.2018		54	50
Cash and cash equivalents end of year	17	**45**	**54**
Cash and cash equivalents at year end are composed of:			
Cash		45	60
Short-term debt to banks		0	(7)
Cash and cash equivalents end of year		**45**	**54**

* As of 21 June 2017 the parent company of the legacy Tresu Group, Tresu Investment A/S was acquired by Tresu Investment Holding A/S, ultimately majority-owned by the private equity fund Altor Fund IV Holding AB. The statement of profit or loss and other comprehensive income for YTD 2017 therefore only includes about 6 months of business activity.

Notes to the parent financial statement

Overview notes

1. Changes in accounting policies and significant accounting policies
2. Use of estimates and judgement
3. Fees to auditors appointed at the Annual General Meeting
4. Staff costs
5. Defined contribution plans
6. Financial expenses
7. Income tax
8. Investments in group subsidiaries
9. Subsidiaries
10. Share capital
11. Deferred tax
12. Corporate bonds
13. Liabilities
14. Contingent liabilities
15. Pledged assets
16. Changes in working capital
17. Cash and cash equivalents and changes in liabilities arising from financing activities
18. Financial risks
19. Related parties with controlling interest
20. Shareholder relations
21. Consolidation
22. Events after the balance sheet date
23. Adopting the annual report for publication

Notes to the parent financial statement

1. Changes in accounting policies and significant accounting policies

The Annual Report of Tresu Investment Holding A/S, a Danish company, and its subsidiary companies has been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the EU, and additional Danish requirements applicable to reporting class C enterprises (large), including the statutory order on adoption of IFRS issued pursuant to the Danish Financial Statements Act.

The Parent Company basically uses the same accounting policies as the Group. The cases where the Parent Company's accounting policies differ from the Group are described below. For a detailed description of the parent company's use accounting policies are referred to note 40 of the consolidated financial statements.

Instances where the parent company's accounting policies differ from the Group

Investment in group subsidiaries

Investments in group subsidiaries are measured at cost. If the acquisition cost exceeds the investments recoverable value, an impairment loss is recognized.

2. Use of estimates and judgement

Recoverable amounts for capital participations in subsidiaries
On indication that the book value (cost) of investments in subsidiaries has fallen, any impairment requirement is determined based on the specification of the capital value of the subsidiary in question, cf. the section on Recoverable amount of goodwill in the consolidated financial statements Note 2 and the section on impairment loss in Note 40 of the consolidated financial statements.

If dividends are distributed for more than the subsidiary's total income during the period in which dividends are to be distributed, this is considered an indication of impairment loss. If an impairment of goodwill is recognized in the consolidated financial statements which can be attributed to a subsidiary, this is also considered as an indication of impairment loss.

In the year 2018 the Group has had a significant amount of non-recurring expenses, costs related to overruns on large projects, expensed development costs, tightening of accounting practices and overcapacity, and the result in subsidiaries are expected to be positive in 2019.

Other significant estimates and judgement

For a description of other significant estimates and judgement refer to note 2 of the financial consolidated statements.

Notes to the parent financial statement

	2018 DKK'000	2017 DKK'000

3. Fees to auditors appointed at the Annual General Meeting

	2018 DKK'000	2017 DKK'000
Statutory audit	495	309
Other statements with opinions	320	125
Tax and VAT advisory services	18	11
Other services	348	190
Total fees to auditors appointed at the Annual General Meeting	**1.481**	**635**

4. Staff costs

	2018 DKK'000	2017 DKK'000
Board fees	1.375	290
Wages and salaries to the Executive Board	5.445	742
Pensions	291	59
Other social security costs	5	1
Other staff costs	161	31
Total staff costs	**7.277**	**1.124**
Average number of employees	2	0

Staff costs are recognized in administration costs.

Remuneration of management

	Board of Directors		Executive Board	
	2018 DKK'000	2017 DKK'000	2018 DKK'000	2017 DKK'000
Board fee	1.393	340	0	0
Salary and wages	0	0	5.445	1.501
Pensions	0	0	291	108
Allocated to Tresu A/S	(836)	(170)	(3.442)	(805)
	557	**170**	**2.294**	**804**

Remuneration of the executive directors is based on a fixed salary, bonus and non-monetary benefits such as company car, telephone etc. Executive directors are covered by the same pension agreements as other employees. Usual notification period applies in the event of resignation of management.

5. Defined contribution plans

The company has defined contribution plans with the majority of the employees. According to the agreements the group entities are monthly paying an amount of 8% of the basic salaries and wages. The payment regarding each employee is paid to an independent pension company.

Notes to the parent financial statement

6. Financial expenses

	2018 DKK'000	2017 DKK'000
Interest expense	26.392	11.545
Loss on foreign exchange	1.613	387
Other financial expenses	1.714	12.756
Financial expenses	**29.720**	**24.688**

7. Income tax

	2018 DKK'000	2017 DKK'000
Current tax for the year	0	(1.878)
Deferred tax for the year	(6.090)	(1.240)
Adjustments recognised for tax from prior periods	487	0
Corporation tax for the year	**(5.603)**	**(3.118)**

Income tax expense attributable to income before income taxes differed from the amounts computed by applying the Danish income tax rate of 22.0%.

	2018	2017
Tax on profit for the year breaks down as follows:		
Calculated tax on profit for the year before tax	22,0 %	22,0 %
Change in deferred tax from change in corporation tax rate	0,0 %	0,0 %
Tax effect of:		
Non-deductible expenses	-6,2 %	-14,4 %
Effective tax rate	**15,8 %**	**7,6 %**

	2018	2017
Tax for the year is disaggregated as follows:		
Corporation tax for the year	0	1.878
Total tax for the year	**0**	**1.878**

	2018	2017
Payable and receivable corporation tax		
Receivable corporation tax	0	1.878
Payable corporation tax	0	0

Notes to the parent financial statement

8. Investments in group subsidiary

	Investments in group subsidiary 2018 DKK'000
Cost beginning of year	774.621
Additions	0
Received dividend	(39.500)
Impairment losses	(278.911)
Capital increase	124.998
Carrying amount end of year	**581.208**

9. Subsidiaries

	Registered in	Corporate form	Interest and share of voting rights, % 2018	Interest and share of voting rights, % 2017
Tresu A/S	Bjert, Denmark	A/S	100,0	100,0
Tresu Italia S.r.l.	Varese, Italy	S.r.l.	100,0	100,0
Tresu Royce Inc.	Dallas, USA	Inc.	100,0	100,0
Tresu Japan Co. Ltd.	Osaka, Japan	Ltd.	100,0	100,0
Tresu Vertriebs GmbH	Celle, Germany	GmbH	100,0	100,0

Notes to the parent financial statement

10. Share capital

The share capital consists of shares with a nominal value of DKK 1 each. The shares have been paid in full. The shares have not been divided into classes and no special rights have been attached to the shares.

The share capital can be made up as follows:

	2018 DKK'000	2017 DKK'000
Number of shares 1 January	2.922	50
Capital increase by cash deposit	0	2.872
Number of shares 31 December	**2.922**	**2.922**

11. Deferred tax

	2018 DKK'000	2017 DKK'000
Deferred tax assets	7.330	1.240
Deferred tax liabilities	0	0
Total deferred taxes	**7.330**	**1.240**

2018	**Deferred tax 01.01. DKK'000**	**Recog-nized in profit DKK'000**	**Acquis. of entities DKK'000**	**Recognized directly in equity DKK'000**	**Total 31.12 DKK'000**
Property, plant and equipment	20	(1)	0	0	19
Tax deficit	0	(6.264)	0	0	(6.264)
Liabilities and other provisions	(1.260)	175	0	0	(1.085)
Temporary differences	**(1.240)**	**(6.090)**	**0**	**0**	**(7.330)**

2017	**Deferred tax 01.01. DKK'000**	**Recog-nized in profit DKK'000**	**Acquis. of entities DKK'000**	**Recognized directly in equity DKK'000**	**Total 31.12 DKK'000**
Property, plant and equipment	0	20	0	0	20
Liabilities and other provisions	0	(1.260)	0	0	(1.260)
Temporary differences	**0**	**(1.240)**	**0**	**0**	**(1.240)**

Notes to the parent financial statement

12. Corporate bonds

	2018 DKK'000	2017 DKK'000
Corporate bonds	522.711	521.143
Corporate bonds fees, amortized	5.206	5.734
	517.505	**515.409**
Corporate bonds in the balance sheet:		
Non-current obligations	517.505	515.409
Current obligations	0	0
	517.505	**515.409**

	Currency	Expires	Interest fixed or variable	Amortized cost DKK'000	Nominal Value DKK'000	Fair Value DK'000
Corporate bonds, 3m EURIBOR + 500 bps	EUR	Sept 2022	Variable	517.505	522.711	522.711
31 December 2018				517.505	522.711	522.711

	Currency	Expires	Interest fixed or variable	Amortized cost DKK'000	Nominal Value DKK'000	Fair Value DK'000
Corporate bonds, 3m EURIBOR + 500 bps	EUR	Sept 2022	Variable	515.409	521.143	521.143
31 December 2017				515.409	521.143	521.143

The market value of corporate bonds is approximate to nominal value as the entity specific risk premium is considered to be unchanged since the date of issue. Since the issue in September 2017, the bonds have been adjusted with the exchange rate EUR/DKK at the end of the year. Level 3 from the fair value hierarchy has been used.

13. Other payables

	2018 DKK'000	2017 DKK'000
Payable staff costs	2.075	190
Other liabilities	8.402	9.459
Other payables, current	**10.477**	**9.649**

Other liabilities mainly comprise of management fee to related party, cf. note 19.

Notes to consolidated financial statements

14. Contingent liabilities

The Group participates in a Danish joint taxation arrangement with Nortre Administration ApS serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the group is liable from the financial year 2013 for income taxes etc. for the jointly taxed entities and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

15. Pledged assets etc.

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

	2018 DKK'000	2017 DKK'000
16. Changes in working capital		
Increase/decrease in receivables	(8.140)	(1.717)
Increase/decrease in trade payables etc.	2.438	10.554
	5.702	**8.837**

17. Cash and cash equivalents and changes in liabilities arising from financing activities

	2018 DKK'000	2017 DKK'000
Cash and cash equivalents	45	61
	45	**61**

	01.01.	Cashflow	Non-cash changes Exchange rate regul.	New leases	31.12
2018	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**
Corporate bonds	515.409	(1.007)	1.568	0	515.970
Bank debt	7	0	0	0	0
	515.416	515.045	371	0	515.416

	01.01.	Cashflow	Non-cash changes Exchange rate regul.	New leases	31.12
2017	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**	**DKK'000**
Corporate bonds	0	515.038	371	0	515.409
Bank debt	0	7	0	0	7
	0	515.045	371	0	515.416

18. Financial risks

Categories of financial instruments

	2018 DKK'000	2017 DKK'000
Cash	45	61
Loans and receivables	**45**	**61**
Corporate bonds	517.505	515.409
Bank debt	0	7
Trade payables	1.781	208
Other payables	10.477	9.649
Financial liabilities measured at amortized cost	**529.763**	**525.273**

Notes to consolidated financial statements

Practice for controlling financial risks

Reference is made to note 34 of the consolidated financial statement for a description of the practice for controlling financial risks.

It is Parent's practice not to make any speculation in financial risks.

Currency risks

The Parent has not entered into any derivative financial instruments to hedge recognized financial assets and liabilities. The Parent's currency exposure at 31 December 2018 is specified below.

2018	Cash and cash equiva. DKK'000	Recei-vables DKK'000	Bond debt DKK'000	Other liabilites DKK'000	Unsecured Net position DKK'000
EUR	4	0	(522.711)	0	(522.707)
31 December 2018	**4**	**0**	**(522.711)**	**0**	**(522.707)**

2017	Cash and cash equiva. DKK'000	Recei-vables DKK'000	Bond debt DKK'000	Other liabilites DKK'000	Unsecured Net position DKK'000
EUR	2	0	(521.143)	0	(521.141)
31 December 2017	**2**	**0**	**(521.143)**	**0**	**(521.141)**

Notes to the parent financial statement

Sensitivity analysis regarding currency risks

The Company's main currency exposure relates to debt in EUR. The following shows the net impact on equity and profit for the year if the exchange rate of the currencies in question had been 1% lower at the end of the year than the actual rate used. 1% is the sensitivity factor used in the internal reporting of currency risks. If the rate had been 1% higher price than the actual exchange rate, then it would have had a corresponding net negative impact on equity and profit for the year.

The Corporate bonds are issued in EUR and the principal amount is subject to exchange rate fluctuations between the Company's functional currency (DKK) and EUR. A 1 % change in the EUR rate at 31 December 2018 would have affected comprehensive income and equity by approx. DKK 5,2m. The sensitivity analysis shows the difference between the 31 December 2018 fair value calculated for the Group's assets and liabilities denominated in EUR.

Interest rate risks

Both corporate bonds and bank debt has a variable interest rate, and therefore the company has a significant interest rate risk. Other payables have a short repayment profile, and the company only has a low interest rate risk.

The Parent has a significant degree of interest-bearing financial liabilities and as a consequence is exposed to interest rate risks. In regard to the Group's financial assets and financial liabilities, the following contractual interest rate adjustment dates or maturity dates can be specified, depending which date is the earlier, and how much of the interest-bearing assets and liabilities are at a fixed-rate. Variable rate loans are deemed to have interest rate adjustment dates that fall within one year.

Notes to consolidated financial statements

Interest rate adjustment date or maturity date.

2018	Less than 6 months DKK'000	Between 6-12 months DKK'000	1-5 years DKK'000	After 5 years DKK'000	Total DKK'000	Average duration, year
Cash	45	0	0	0	45	0
Corporate bonds	(517.505)	0	0	0	(517.505)	0
	(517.460)	**0**	**0**	**0**	**(517.460)**	

2017	Less than 6 months DKK'000	Between 6-12 months DKK'000	1-5 years DKK'000	After 5 years DKK'000	Total DKK'000	Average duration, year
Cash	61	0	0	0	61	0
Corporate bonds	(515.409)	0	0	0	(515.409)	0
Bank debt	(7)	0	0	0	(7)	0
	(515.355)	**0**	**0**	**0**	**(515.355)**	

The company has interest-bearing liabilities and so it is affected by interest rate fluctuations. An increase in the interest rate level of 1 percentage point per annum for 2018 compared to the interest rate level at the balance sheet date would have had a negative impact of DKK 5,2m on comprehensive income and equity for 2018. A similar decline in the interest rate level would have resulted in an equivalent positive effect on comprehensive income and equity.

Liquidity risks

Due dates for financial liabilities are specified below, broken down by the time intervals used in the Group's liquidity management. The specified amounts represent the amounts that fall due for payment, including interest, etc.

2018	Less than 6 months DKK'000	Between 6-12 months DKK'000	1-5 years DKK'000	After 5 years DKK'000	Total DKK'000
Non-derivative financial liabilities:					
Corporate bonds	6.524	19.602	614.185	0	640.311
Trade payables	1.781	0	0	0	1.781
Other liabilities	10.477	0	0	0	10.477
	18.782	**19.602**	**614.185**	**0**	**652.569**

Notes to consolidated financial statements

2017	Less than 6 months DKK'000	Between 6-12 months DKK'000	1-5 years DKK'000	After 5 years DKK'000	Total DKK'000
Non-derivative financial liabilites					
Bank debt	7	0	0	0	7
Corporate bonds	6.514	19.543	612.343	0	638.400
Trade payables	208	0	0	0	208
Other liabilities	9.649	0	0	0	9.649
	16.378	**19.543**	**612.343**	**0**	**648.264**

The Groups liquidity reserve consists of liquid assets
Management assesses the Group's liquidity requirements on a regular basis.

	2018 DKK'000	2017 DKK'000
The liquidity reserve is composed as follows:		
Liquid assets	45	61
	45	**61**

Credit risks
The Group is not exposed to significant credit risks.

Default of loan agreements
The Group has not neglected or defaulted loan agreements during the financial year or the comparative year.

Optimisation of capital structure
Capital structure is managed for the Group as a whole, and there is thus no practice for parent company. Cf. note 34 in the consolidated financial statement.

Notes to the parent financial statement

19. Related parties with controlling interest

The following parties have a controlling interest:

- Altor Fund IV Holding AB, Stockholm, shareholder, ultimate owner.
- Tresu Group Holding A/S, CBR-no. 37752088, Bjert, shareholder, parent.

Transactions with related parties

	2018 DKK'000	2017 DKK'000
Key people in management:		
Remuneration etc., cf. note 3	7.277	1.124
Management fee from group subsidiaries	4.418	731
Receivables from group subsidiaries	325	283
Management fee to related party	0	8.000
Payables to related party	8.000	8.000

20. Shareholder relations

The company has registered the following shareholders, owning more than 5% of the share capital:

- Tresu Group Holding A/S, CVR-no. 37752088, Bjert, shareholder.

21. Consolidation

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

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

22. Events after the balance sheet date

Apart from the events recognized or disclosed in the consolidated financial statements, no events have occurred after the reporting period of importance to the consolidated financial statements.

23. Adopting the annual report for publication

The board members have on the board meeting on the 22.03.2019 approved present Annual Report for publication. The Annual Report will be submitted to the shareholders for approval at the Annual General Meeting on the 30.04.2019.