

Q4 2019 Quarterly Results

TRESU Investment Holding A/S

27 February 2020



BRINGING FLEXOGRAPHIC TECHNOLOGY TO A HIGHER LEVEL

General information

- The interim financial report appended to this presentation is prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional Danish disclosure requirements for interim financial reports of listed companies
- IFRS 16 Leases standard are implemented as of January 2019. Figures from 2018 are not restated to reflect effects from the standard
- The interim financial report has neither been audited nor reviewed
- The statement of profit or loss in this presentation is complemented with a bridge to Adjusted EBITDA for comparability with prior periods
- Please refer to the interim financial report, including the notes to the financial statements, for full details
- This presentation and report will be available at www.tresu.dk/investor-relations
- The total nominal amount of bonds held by Altor TG AB, a fully-owned subsidiary of Altor Fund IV, as at the publication date of this report is EUR 12,122,500

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Heidi Thousgaard Jørgensen
Chief Executive Officer

Lone Præst
Chief Financial Officer

Executive summary

1 Progress on turnaround plan

- Good progress on top 5 strategic initiatives
- Ancillary and aftermarket sales pick-up slower than expected, resulting in a launch of further actions to improve growth and profitability

2 2019: Return to profitability with improving trajectory throughout the year

- Tresu returned to profitability in H2, with EBITDA of DKK 7.1m in Q3 and DKK 13.2m in Q4
- Large orders received in H2 '19 driving revenue growth; H2 '19 orders will continue to contribute to revenues and earnings in H1 '20
- Old projects under control; margin on new projects considerably higher
- Total cost reduction of DKK ~52m (37% of FTEs) since Q4 '18, including DKK ~6m in Q4 (FY effect)
- 2019 revenue and EBITDA of DKK 388.7m and DKK 24.2m, respectively






3 2020: Increasing profitability and order intake

- Healthy order book and pipeline – Order intake expected to grow faster than revenues in 2020
- Continued focus on profitable growth and cost structure
- Sustainability increasingly a key topic in customers' major investment decisions
- 2020 guidance revenue growth in the area of 5-15% and 11-15% adj. EBITDA margin

4 Medium-term leverage guidance seems difficult to achieve, but current forecast still supports refinancing at par value

5 Liquidity remains healthy and supportive of the turnaround plan

Latest status: 5 strategic priorities for turnaround agenda

Strategic priorities	Latest status	Current Status
 Profitable growth	<ul style="list-style-type: none"> • Cap sales: Pipeline rebuild ongoing and key account teams being established • Work continues on full Ancillary and Aftermarket strategy for proactive lifecycle management of the installed base and servicing OEMs more extensively 	Ongoing
 Project Management secure margins	<ul style="list-style-type: none"> • Old projects under control and nearing completion • Contract and Project Review Boards running 	On Track
 Digital improve profitably	<ul style="list-style-type: none"> • Good momentum on development work for next generation model with existing key account starting to yield results 	On Track
 Supply Chain transform and improve	<ul style="list-style-type: none"> • New HQ / production facility operational since Aug '19 • Transformation agenda now set in motion, with continued focus on ensuring partnership with the right suppliers to ensure high quality and cost savings 	On Track
 Right-Sizing lower break-even point	<ul style="list-style-type: none"> • US production closure in Sep '19 • Further right-sizing in Tresu Denmark in Nov '19 	On Track

Q4 '19 reconfirms turnaround effort

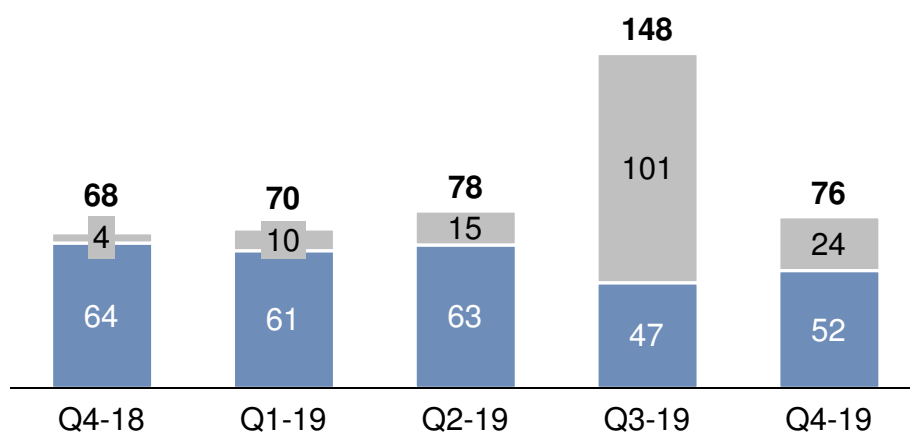
DKKm	Q4 2019	Q3 2019	YTD 2019	Comments
Revenue	98,7	97,1	388,7	• Q4 '19 revenue and adj. EBITDA of DKK 98.7m and DKK 13.2m (13.4% margin), respectively, driven by growth and margin improvement across most business units
Production costs	(84,0)	(89,0)	(354,1)	
Gross profit/(loss)	14,7	8,1	34,6	• 2019 revenue and adj. EBITDA of DKK 388.7m and DKK 24.2m (6.2% margin), respectively
Research and development costs	(3,0)	(1,5)	(6,3)	
Distribution costs	(10,8)	(10,4)	(41,6)	• Net debt of DKK 584.5m by end of Q4' 19 (DKK 583.0m by end of Q3 '19); however, positive cash flow from operating activities before non-recurring items in Q4 '19
Administrative costs	(16,0)	(13,5)	(60,3)	
Other operating income	0,0	0,0	3,1	• Liquidity remains healthy and supportive of turnaround plan
Other operating expenses	(7,5)	(0,1)	(10,6)	
Operating profit/(loss)	(22,6)	(17,4)	(81,1)	
Adjustments				
D&A	7,0	3,7	18,0	
NRI	12,4	6,7	30,7	
PPA depreciations	9,1	12,2	45,7	
Impairment losses	5,0	0,0	5,0	
IFRS 16 depreciations on leases	2,3	1,9	5,9	
Adjusted EBITDA (non IFRS)	13,2	7,1	24,2	
NWC	34,8	52,3	34,8	
Net debt	584,5	583,0	584,5	
Available liquidity	46,2	44,8	46,2	

Order intake and order book development

Order intake

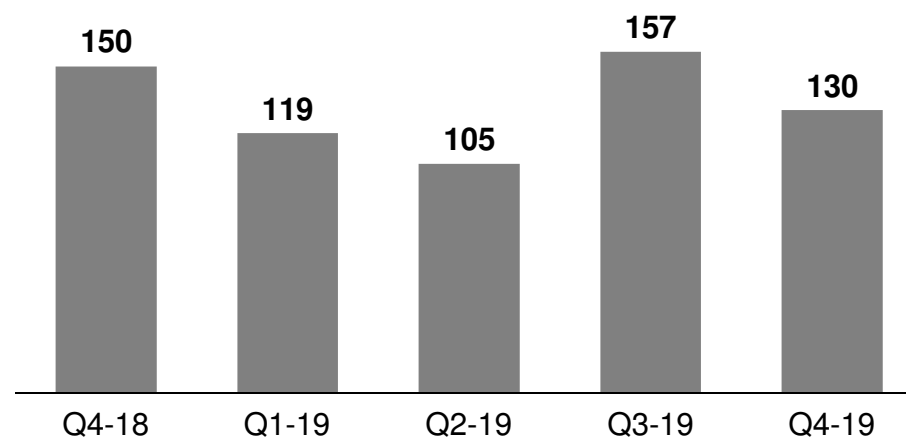
DKKm

■ Capital Sales ⁽¹⁾
 ■ Ancillary & Aftermarket



Order book

DKKm



(1) Includes order intake from Digital segment.

Increasing profitability with healthy liquidity in 2020

2020 Key metrics

Revenue growth

● — **In the area of 5-15%** — ●

Adj. EBITDA margin

● — **11-15%** — ●

Available liquidity

Positive cash flow generation after interest costs

Drivers

- Healthy backlog and cap sales pipeline
- Ancillary
- Aftermarket & Service

- Revenue growth
- No margin leakage on old projects
- Supply chain efficiencies
- Full year effect of cost savings implemented in 2019

- EBITDA growth
- Decreasing extraordinary costs
- Sale of real estate in both Denmark and North America ongoing

Outlook still supports refinancing of bond at par value

Previous medium-term leverage guidance of <4x by 2021 seems difficult to achieve...

- Strong overall progress on turnaround, however Ancillary and aftermarket sales pick-up slower than expected
- Lower than expected cash proceeds from sale of own real estate
- Slightly higher than expected restructuring costs in turnaround

...however, current forecast still supports refinancing at par value

- Further actions centred around optimization of sales strategy and cost structure

Capital Markets Day in June 2020

- Management to host a Capital Markets Day at Tresu's new facility in Kolding on June 3rd, 2020 following publication of Q1 '20 financials
- Details to follow

Appendix

Statement of profit or loss

DKKm	Q4 2019	YTD 2019
Revenue	98,7	388,7
Production costs	(84,0)	(354,1)
Gross profit/(loss)	14,7	34,6
Research and development costs	(3,0)	(6,3)
Distribution costs	(10,8)	(41,6)
Administrative costs	(16,0)	(60,3)
Other operating income	0,0	3,1
Other operating expenses	(7,5)	(10,5)
Operating profit/(loss)	(22,6)	(81,1)
Financial income	0,2	0,2
Financial expenses	(8,9)	(32,9)
Profit/(loss) before tax	(31,3)	(113,8)
Tax on profit/(loss) for the period	11,2	24,2
Profit/(loss) for the period	(20,1)	(89,6)

Statement of financial position

DKKm	Dec-19	Sep-19
Goodwill	174,0	174,0
Completed development projects	32,2	27,9
Patents and licenses*	185,3	189,5
Brand	37,9	37,9
Customer relationship*	139,9	147,2
Intangible assets	569,3	576,5
Land and buildings	0,0	5,7
Plant and machinery	43,1	39,1
Other fixtures and fittings, tools and equipment	6,0	5,1
Leasehold improvements	4,5	8,7
Finance lease - NC	97,7	99,2
Property, plant and equipment	151,4	157,8
Deferred tax assets	0,0	0,0
Deposits	10,1	10,3
Other non-current assets	10,1	10,3
Non-current assets	730,9	744,6
Inventories**	62,8	83,1
Trade receivables	35,7	50,5
Contract work in progress**	56,6	39,1
Tax receivables	1,1	5,2
Other short-term receivables	9,6	10,3
Prepayments	1,2	4,9
Receivables	167,0	193,1
Cash	9,1	6,7
Assets as held for sale	11,5	13,0
Finance lease - C	0,3	0,2
Current assets	187,9	213,0
Assets	918,7	957,6

DKKm	Dec-19	Sep-19
Contributed capital	2,9	2,9
Other reserves	6,3	4,7
Retained earnings	25,9	46,1
Equity	35,1	53,7
Provisions for deferred tax	55,3	70,2
Other provisions	4,7	5,5
Corporate bonds	519,1	518,5
Finance lease liabilities	98,3	99,3
Other payables	6,9	6,9
Non-current liabilities	684,2	700,5
Current portion of long-term lease liabilities	0,5	0,5
Bank debt	70,8	67,0
Payable group company	0,0	0,3
Contract liabilities*	6,8	15,9
Trade payables**	80,4	73,4
Other payables C	41,0	46,4
Current liabilities	199,4	203,4
Total liabilities	883,6	903,9
Equity and liabilities	918,7	957,6

Statement of cash flows

DKKm	Q4 2019	YTD 2019
Operating profit/loss	(22,6)	(81,1)
Amortisation, depreciation	19,3	70,5
Impairment losses	5,0	5,0
Other provisions	1,1	(1,9)
Working capital changes	14,9	43,3
Cash flows from ordinary operating activities	17,7	35,8
Financial income received	0,2	0,2
Financial expenses paid	(8,9)	(31,7)
Income taxes refunded/paid	0,0	0,0
Cash flows from operating activities	9,0	4,3
Acquisition etc. of intangible assets	(3,1)	(5,3)
Acquisition etc. of property, plant and equipment	(8,8)	(18,0)
Acquisition etc. of financial fixed assets	0,0	0,2
Disposal of property, plant and equipment	1,7	1,7
Cash flows from investing activities	(10,2)	(21,4)
Loans raised	0,0	0,0
Instalments loan	0,0	0,0
Overdraft facility	3,7	(29,8)
Capital increase	0,0	50,0
Corporate bonds	0,0	0,0
Cash flows from financing activities	3,7	20,2
Increase/decrease in cash and cash equivalents	2,5	3,0
Cash and cash equivalents at the beginning of the period	6,6	6,1
Cash and cash equivalents end of the period	9,1	9,1
Cash and cash equivalents at period end are composed of:		
Cash	9,1	9,1
Cash and cash equivalents end of the period	9,1	9,1

Tresu Investment Holding A/S

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6000 Kolding

Company Reg. No. 37553727

Interim financial report

Fourth quarter 2019

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Statement by the Board of Directors and the Executive Board on the interim financial report

The Board of Directors and the Executive Board have today considered and approved the interim financial report of Tresu Investment Holding A/S for the period from 1 October 2019 to 31 December 2019.

The interim financial report is prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional Danish disclosure requirements for interim financial reports of listed companies. The interim financial report has neither been audited nor reviewed.

In our opinion, the interim financial report gives a true and fair view of the Group's financial position as at 31 December 2019 and the results of their operations and cash flows for the period from 1 January 2019 to 31 December 2019.

In our opinion, the management commentary includes a fair representation of the development in the Group's business and financial matters, the results for the quarter and of the Group's financial position and the financial position as a whole for the entities included in the consolidated financial statements.

In addition to the disclosures in the interim financial report, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the Annual report 2018.

Kolding, Denmark, 27 February 2020

Executive Board



Heidi Thousgaard Jørgensen
CEO



Lone Præst
CFO

Board of Directors



Carsten Nygaard Knudsen
Chairman



Ola Harald Erić



Thomas Stegeager Kvorning



Anders Wilhjelm



Søren/Dan Johansen

Management commentary

	Q4 2019	Q4 2018*	2019	2018*
Key figures (DKK'000)				
Revenue	98.737	87.209	388.701	338.410
Gross profit/loss	14.694	(40.997)	34.618	(124.883)
Operating profit/loss	(22.552)	(150.826)	(81.061)	(324.235)
Net financials	(8.777)	(8.497)	(32.762)	(31.829)
Profit/loss for the period	(20.134)	(143.768)	(89.617)	(296.313)
Total assets	918.747	932.239	918.747	932.239
Investments in property, plant and equipment	8.810	(2.022)	18.000	1.061
Equity	35.115	70.583	35.115	70.583
Ratios				
Gross margin (%)	14,9	(47,0)	8,9	(36,9)
Net margin (%)	(20,4)	(164,9)	(23,1)	(87,6)
Return on equity (%)			(169,6)	(191,8)
Equity ratio (%)			3,8	7,6
Return of assets			(8,8)	(34,8)

Ratios**Calculation formula**

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

*) Financial figures for 2018 are not restated to reflect IFRS 16

Q4 2019

The consolidated revenue for Q4 2019 is DKK 98,7m and Operating loss (EBIT) for Q4 2019 is DKK -22,6m. The result in the Group is impacted by amortization of surplus values capitalized as part of the purchase price allocation. The total amount in Q4 was DKK 9,1m.

At the end of Q4 2019 total assets was DKK 918,7 and total equity amounted to DKK 35,1m.

The financial results of Q4 2019 are in line with expectations.

YTD 2019

Consolidated revenue for YTD 2019 is DKK 388,7 and Operating loss (EBIT) for 2019 is DKK -81,1m. The result in the Group is impacted by amortization of surplus values capitalized as a part of the purchase price allocation. Total amount YTD is DKK 45,7m.

Cash flow from ordinary operating activities in 2019 amounted to DKK 4,3m and net investments in Property, plant and equipment equalled DKK 18,0m.

In Q2 2019 the Group received DKK 50,0m from the Group's parent company, Tresu Group Holding A/S, as a tax-exempt contribution.

Outlook

The outlook for the Group for 2020 is revenue growth in the area of 5-15% on 2019, and an EBITDA margin of 11-15% (adjusted for potential one-off effects).

Consolidated statement of profit or loss and other comprehensive income

DKK'000	Note	Q4 2019	Q4 2018*	2019	2018
Revenue	4	98.737	87.209	388.701	338.410
Production costs ^A		(84.042)	(128.206)	(354.082)	(463.293)
Gross profit/(loss)		14.694	(40.997)	34.618	(124.883)
Research and development costs		(2.966)	(2.844)	(6.311)	(20.046)
Distribution costs		(10.858)	(14.009)	(41.640)	(50.484)
Administrative costs ^B		(15.960)	(90.903)	(60.287)	(126.749)
Other operating income		22	383	3.131	383
Other operating expenses		(7.484)	(2.456)	(10.572)	(2.456)
Operating profit/(loss)		(22.552)	(150.826)	(81.061)	(324.235)
Financial income		154	14	154	70
Financial expenses ^C		(8.931)	(8.511)	(32.916)	(31.899)
Profit/(loss) before tax ^D		(31.329)	(159.323)	(113.823)	(356.064)
Tax on profit/(loss) for the period		11.195	15.555	24.206	59.751
Profit/(loss) for the period		(20.134)	(143.768)	(89.617)	(296.313)
Exchange rate adjustments, foreign companies		1.554	1.517	4.149	3.417
Tax on other comprehensive income		-	-	-	-
Other comprehensive income, net of tax		1.554	(1.517)	4.149	3.417
Total comprehensive income/(loss) for the period		(18.580)	(142.251)	(85.468)	(292.896)
Profit/(loss) for the period attributable to:					
Owners of the Company		(20.134)	(143.768)	(89.617)	(296.313)
Total comprehensive income/(loss) for the period attributable to:					
Owners of the Company		(18.580)	(142.251)	(85.468)	(292.896)

*) Financial figures for 2018 are not restated to reflect IFRS 16

Amounts related to the acquisition of Tresu Investment A/S and other non-recurring items:

DKK'000	Q4 2019	Q4 2018	2019	2018
^A Depreciation on assets acquired (PPA)	9.093	9.649	45.665	60.156
^A Impairment of Machines and buildings (PPA)	5.000	3.697	5.000	21.550
^B Other expenses 1)	12.409	8.766	30.690	14.950
^B Impairment of goodwill (PPA)	-	75.000	-	75.000
^C Interest corporate bonds	8.501	6.601	28.533	26.391
^D Tax regarding other expenses, borrowing costs and corporate bonds	(4.600)	(3.381)	(13.029)	(9.095)
^D Adjustments deferred tax related to PPA	(5.866)	(2.936)	(13.911)	(18.722)
	<u>24.537</u>	<u>97.395</u>	<u>82.948</u>	<u>170.977</u>

1) Other expenses include costs for restructuring, listing of the bonds, relocation to new facility.

Consolidated statement of financial position - Assets

DKK'000	Note	31 December 2019	31 December 2018***
Goodwill		174.000	174.000
Completed development projects		32.212	33.344
Patents and licenses*		185.300	202.544
Brand		37.900	37.900
Customer relationship*		139.920	169.302
Intangible assets		569.333	616.820
Land and buildings		-	3.675
Plant and machinery		43.130	40.172
Other fixtures and fittings, tools and equipment		6.027	4.032
Leasehold improvements		4.505	635
Finance lease	2	97.724	-
Property, plant and equipment		151.387	48.514
Deferred tax assets		-	-
Deposits		10.134	10.454
Other non-current assets		10.134	10.454
Non-current assets		730.854	675.788
Inventories**		62.757	87.245
Trade receivables		35.718	58.047
Contract work in progress**		56.595	77.659
Tax receivables		1.090	2.672
Other short-term receivables		9.597	6.717
Prepayments		1.248	1.950
Receivables		167.005	234.290
Cash		9.115	6.073
Assets as held for sale		11.518	16.088
Finance lease	2	256	-
Current assets		187.893	256.451
Assets		918.747	932.239

*) Decrease due to recurring amortization

**) Increase/Decrease due to normal operation

***) Financial figures for 2018 are not restated to reflect IFRS 16

Consolidated statement of financial position– Equity and Liabilities

DKK'000	Notes	31 December 2019	31 December 2018***
Contributed capital		2.922	2.922
Other reserves		6.260	2.111
Retained earnings		25.933	65.550
Equity		35.115	70.583
Provisions for deferred tax		55.272	78.344
Other provisions		4.742	6.671
Corporate bonds		519.062	517.505
Finance lease liabilities	2	98.250	123
Other payables		6.874	6.631
Non-current liabilities		684.200	609.274
Current portion of long-term lease liabilities	2	452	45
Current portion of long-term other payables		-	896
Bank debt		70.753	100.581
Payable group company		-	325
Contract liabilities**		6.798	15.210
Trade payables**		80.417	90.377
Income tax payable		-	39
Other payables		41.021	44.909
Current liabilities		199.432	252.382
Total liabilities		883.632	861.656
Equity and liabilities		918.747	932.239

*) Increase due to normal operation

***) Decrease due to normal operation

***) Financial figures for 2018 are not restated to reflect IFRS 16

Consolidated statement of changes in equity**Consolidated statement of changes in equity**

DKK'000	Contributed capital	Other reserves*	Retained earnings	Total
Equity at 1 January 2018	2.922	(1.316)	236.865	238.471
Profit for the period	-	-	(296.313)	(296.313)
Other comprehensive income	-	3.427	-	3.427
Tax exempt contribution	-	-	124.998	124.998
Equity at 31 December 2018	2.922	2.111	65.550	70.583

Consolidated statement of changes in equity

DKK'000	Contributed capital	Other reserves*	Retained earnings	Total
Equity at 1 January 2019	2.922	2.111	65.550	70.583
Profit for the period	-	-	(89.617)	(89.617)
Other comprehensive income	-	4.149	-	4.149
Tax exempt contribution**	-	-	50.000	50.000
Equity at 31 December 2019	2.922	6.260	25.933	35.115

*) Other reserves consist of exchange differences on translating foreign companies.

***) In Q2 2019 the Group received DKK 50.000 thousand from the Group's parent company, Tresu Group Holding A/S, as a tax exempt contribution.

Consolidated statement of cash flows

DKK'000	YTD December 2019	YTD December 2018
Operating profit/loss	(81.061)	(324.235)
Amortisation, depreciation	70.521	73.082
Impairment losses	5.000	96.550
Other provisions	(1.929)	5.332
Working capital changes	43.332	48.873
Cash flows from ordinary operating activities	35.862	(100.398)
Financial income received	154	70
Financial expenses paid	(31.747)	(30.532)
Income taxes refunded/paid	-	(4.528)
Cash flows from operating activities	4.270	(135.388)
Acquisition etc. of intangible assets	(5.300)	(14.934)
Acquisition etc. of property, plant and equipment	(18.000)	(1.061)
Acquisition etc. of financial fixed assets	200	(10.143)
Disposal of property, plant and equipment	1.700	-
Cash flows from investing activities	(21.400)	(26.138)
Loans raised	-	-
Instalments loan	-	-
Overdraft facility	(29.828)	33.058
Capital increase	50.000	124.998
Corporate bonds	-	(1.007)
Cash flows from financing activities	20.172	157.049
Increase/decrease in cash and cash equivalents	3.042	(4.477)
Cash and cash equivalents at the beginning of the period	6.073	10.550
Cash and cash equivalents end of the period	9.115	6.073
Cash and cash equivalents at period end are composed of:		
Cash	9.115	6.073
Cash and cash equivalents end of the period	9.115	6.073

Notes to the consolidated interim financial statements

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Notes

1. Basis of preparation

This interim financial report comprises condensed unaudited consolidated financial statements of Tresu Investment Holding A/S and its subsidiaries.

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 subsidiaries through the purchase of the entire share capital of Tresu Investment A/S, also a Danish company.

The unaudited interim consolidated financial statements for Q4 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and additional Danish disclosure requirements for interim financial reports of listed companies, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

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

2. Changes in significant accounting policies

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 2019, among others:

- IFRS 16 Leases

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

IFRS 16, Leases

Tresu Group has implemented IFRS 16 in the consolidated financial statements for the financial year beginning on 1 January 2019. Tresu Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019.

IFRS 16 replaces IAS 17 and changes the accounting treatment of lease contracts that were previously treated as operating lease contracts. The change in lease accounting requires capitalization of operating lease contracts as right-of-use assets under property, plant and equipment with a related lease liability in liabilities.

Tresu Group assesses whether a contract is or contains a lease at inception of the contract. Tresu Group recognizes a right-of-use assets and corresponding lease liabilities at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are from the commencement date depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities, e.g. revised discount rate, change in the lease term or change in future lease payments resulting from a change in an index.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Tresu Group's incremental borrowing rate. Generally, Tresu Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if Tresu Group is reasonably certain to exercise the options; and
- amounts expected to be payable lease under residual value guarantees.

The lease liabilities are subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if Tresu Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

IFRS 16 impact to financial statements

On transition to IFRS 16, Tresu Group recognized DKK 5m of right-of-use assets and lease liabilities. The lease liabilities were measured at the present value of the remaining lease payments, discounted using Tresu Group's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to these lease liabilities was 3.10 percent on 1 January 2019. Right-of-use assets are calculated at transition date and equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

Tresu Group's leases properties, vehicles and equipment. Lease contracts are typically made for fixed periods but may have extension options included in the lease term. Lease terms are negotiated on an individual basis and contain different terms and conditions including payment terms, terminations rights, maintenance, deposits and guarantees etc.

Tresu Group has not applied any practical expedients in the transition to IFRS 16.

3. 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.

Impairment test includes estimated future cash flow and discounting rate.

The estimates and underlying assumptions are reviewed on an ongoing basis. Significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

4. Revenue

DKK'000	Q4 2019	Q4 2018	2019	2018
Sale of goods	56.647	47.119	224.578	174.976
Sale of service	2.175	5.506	9.685	23.152
Income from contract work in progress (turnkey projects)	39.915	34.584	154.438	140.282
Revenue	98.737	87.209	388.701	338.410

Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines, geographical market and timing of revenue recognition. As mentioned in Note 2 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.

Reportable segment DKK'000	Revenue external customer			
	Q4 2019	Q4 2018	2019	2018
Primary geographical markets				
Denmark	2.298	1.110	7.011	6.605
Europe	63.706	64.291	227.862	174.299
USA	16.897	18.698	76.037	90.513
Middle East and Africa	3.356	2.305	26.236	41.938
Other markets	12.480	805	51.555	25.055
	98.737	87.209	388.701	338.410
Major products/service lines				
In-line flexo printing machines	66.204	63.365	261.779	213.281
Ancillary products	32.533	23.844	126.922	125.129
	98.737	87.209	388.701	338.410

Timing of revenue recognition

Products and services transferred at a point in time	58.822	56.625	234.263	198.128
Products transferred over time	39.915	34.584	154.438	140.282
	<u>98.737</u>	<u>87.209</u>	<u>388.701</u>	<u>338.410</u>

5. Asset held for sale

In addition to the corporate building in DK, the Company listed the US property as asset held for sale in December 2019, due to relocation to more modern facilities in 2020.

6. Financial instruments – Fair values and risk management

DKK'000	31 December 2019	31 December 2018
Categories of financial instruments		
Deposits	10.134	10.454
Trade receivables	35.718	58.047
Other short-term receivables	9.597	6.717
Prepayments	1.248	1.950
Cash	9.115	6.073
Assets at amortized costs	65.812	83.241
Corporate bonds	519.062	517.505
Finance lease liabilities	98.702	168
Non-current other payables	-	7.527
Bank debt	70.753	100.581
Trade payables	80.417	90.377
Other payables	41.012	44.909
Financial liabilities measured at amortized cost	809.946	761.067

Financial risks

Financial risks, including market, currency, interest, liquidity and credit risks are consistent with those disclosed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

7. Commitments and contingencies

The Group has entered into an agreement to lease a new company facility site at Venusvej in Kolding. The new company site was constructed by a property developer and subsequently leased to Tresu Group as of August 2019. The new site was fully operational as of August 2019.

The Group initially provided a payment guarantee of DKK 8.350 thousand to be written down equally in July 2019, October 2019, January 2020 and March 2020. The payment guarantee stands at 4,174 thousand as of the balance date. The Group has moreover 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.

8. Related parties

The following parties have a controlling interest:

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

9. Subsequent events

No subsequent events.

10. Accounting policies

Except as described in note 2, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.