TCM Group

ANNUAL REPORT 2017

Approved at the Annual General Meeting 12.04.2018

Poul Viggo Bartels Petersen

Chairman of the Annual General Meeting

ABOUT TCM GROUP

TCM Group is Scandinavia's third largest kitchen manufacturer, with the major part of its business concentrated in Denmark. The product offering includes cabinets, table tops, sliding doors.

Manufacturing is generally carried out in-house and more than 90% is manufactured to a specific customer order. Production sites are located in Denmark, with three factories in Tvis and Aulum (outskirts of Holstebro).

The Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the secondary brands are Tvis Køkkener, Nettoline, kitchn.dk and private label. Combined, the brands cater for the entire price spectrum. Products are mainly marketed through a network of franchise stores and independent kitchen retailers.

TCM
Group

SVANE
KØKKENET

tvis
køkkener

nettoline
KØKKEN · BAD · GARDEROBE

kitchn.dk
KØKKEN · BAD · GARDEROBE

2017 WAS A HISTORICAL YEAR FOR TCM GROUP

LETTER TO OUR SHAREHOLDERS

The listing of TCM Group on Nasdaq Copenhagen on 24 November marked the end of 11 years of private equity ownership. During that period, TCM Group has been transformed into a leading Scandinavian kitchen manufacturer based on our focus on innovation of kitchens with high quality and affordable prices, designed and produced in Denmark.

Let us take this opportunity to wish all our around 2,000 new investors a warm welcome. You have taken part in a company that is dedicated to continue to profitably grow the business in Denmark and in the rest of Scandinavia. We thank you for the trust you have shown us and our plans to further build on TCM Group's remarkable growth track record and attractive financial profile. We assure you that we are committed to deliver sustainable shareholder value.

In January 2017, TCM Group acquired all shares in Nettoline A/S - a strong player in the Do-It-Yourself segment with a wide range of good quality products. We are pleased that we have been able to successfully integrate Nettoline into the rest of the group. This includes the merger of two production sites into one site in Aulum, close to our main production site in Tvis.

It is also satisfying to note that during a period of high growth and integration, we continue to operate at a very high level of delivery assurance and quality, which are key values to TCM Group.

Another key value is product innovation. Each year, Svane Køkkenet launches a new and innovative kitchen line. In December, the 2018 line - RAW - was launched. The exclusive RAW-line in dark oak combines wood with brass and other materials such as stone table tops and new kitchen sinks. Our dedicated design and innovation strategy over the past years has clearly contributed to the strong market position of in particular the Svane Køkkenet brand.

Looking at the financial performance, we achieved an organic growth in revenue of 18.3%, and thus gained market share in a growing market. We estimate that the Danish kitchen market has grown 5-7%.

Adjusted EBITA was DKK 123 million corresponding to an adjusted EBITA margin of 15%. EBIT was DKK 81 million corresponding to an EBIT margin of 9.9%. At the same time, we have maintained the strong NWC ratio level around -10%.

The achievements of TCM Group in 2017, and our ability to deliver on our promises in 2018 and ahead, is not least due to the efforts and dedication of our employees. In 2017, we have welcomed 138 new colleagues, bringing the total number of employees to 442 at the end of the year. We would like to thank all of our colleagues, who worked hard to make 2017 a historical year, and our customers for their trust and support.

Sanna Mari
Suvanto-Harsaae
Chairman

Ole Lund Andersen
CEO

*The actual business activity of the legal entity TCM Group started on 1 March 2016. The pro forma numbers includes business activity from the previous legal entity from 1 January 2016 to cover the full period.

HIGHLIGHTS

The achievements of TCM Group in 2017, and our ability to deliver on our promises in 2018 and ahead, is not least due to the efforts and dedication of our employees.

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Net sales up 36.3% to DKK 817.3 million, positively impacted by 18% from the acquisition of Nettoline and 18.3% from organic net sales growth
- Adjusted EBITA up DKK 36.5 million to DKK 122.8 million, corresponding to an adjusted EBITA margin of 15.0%
- Non-recurring items had a negative impact of DKK 34.3 million primarily from costs related to the Initial Public Offering of the company, and the acquisition and integration of Nettoline
- EBIT up DKK 20.9 million to DKK 80.9 million, corresponding to an EBIT margin of 9.9%
- NWC ratio was (9.9)% on par with last year
- Capex ratio was 1.0%
- Free cash flow excl. acquisitions of operations was DKK 99.8 million
- Cash conversion ratio was 110.0%

ORGANIC GROWTH

18.3%

BUSINESS REVIEW

The Danish kitchen market was strong in 2017 supported by high new build activity and a continued positive development in the Danish economy. Management estimates that market growth was 5-7% with the B2B segment outgrowing B2C. TCM organic growth in the Danish market in 2017 was 20.1%, indicating that TCM Group once again has gained market share in the Danish market.

In total, TCM Group grew organically by 18.3% in 2017. Managing this growth in our supply chain as well as supporting our franchise and dealer stores in expanding their sales force have been key focus areas in 2017. A large number of new employees have been hired and trained during the year, and work has been conducted to remove bottlenecks in the production, especially at the two production sites in Tvis.

In the Svane chain we landed a new agreement mid-year with one of Denmark's largest house builders. The first kitchens were delivered towards the end of the year.

Also in Svane, we launched the new RAW series just before Christmas. Exhibition models were delivered to all Svane stores in Denmark and Norway in early December ensuring alignment between the marketing campaign and the customer experience in the stores. Early indications show that RAW has been well received by the consumers.

On 1 May 2017 TCM Group sold the Svane store in Lyngby to a franchisee. Though we believe the divestment will have a positive effect on TCM sales in the long term, the sale is expected to influence sales and gross margin negatively in Q1 and Q2 2018.

The number of branded stores (Svane and Tvis) decreased from 62 to 60 during 2017. Three smaller Tvis stores were closed and one new Tvis store in Grenå opened. The number of Svane stores remained unchanged. Towards the end of 2017 agreements were signed to open three new branded stores – a new Svane store in Køge and two new Tvis stores in Aabenraa and Esbjerg.

In late 2017, we implemented our first robot centre at the table top production in Tvis. The robot centre is already running according to plan having replaced hard manual labour and eliminated a potential occupational health risk as well as adding additional capacity to the production of Corian/Coretop table tops. We will continue to focus on investments in robot technology with a short pay-back period.

During 2017, Nettoline A/S, a leading producer of flat pack Do-It-Yourself (DIY) kitchens, was acquired and successfully merged with TCM Group's existing flat pack DIY activities. Product assortments were aligned, and on October 1, TCM Group's existing flat pack production site in Horsens was closed and production moved to Nettoline's site in Aulum, very close to our head quarter and main production site in Tvis. In addition, our group wide IT system was implemented into Nettoline.

In a move to further optimize our production set-up and utilise facilities at the Nettoline site in Aulum, we merged the two sliding door production units in Tvis and Horsens into a new group wide sliding door production facility at the Nettoline site. This has freed up space for further growth at the table top production site in Tvis.

KEY FIGURES AND RATIOS

DKK'000	2017	2015/2016*	2015/2016 Pro Forma*
INCOME STATEMENT			
Revenue	**817,330**	**508,531**	**599,749**
Gross profit	231,126	155,008	179,040
Earnings before interest, tax, depreciation and amortisation (EBITDA)	97,070	66,941	75,231
Adjusted EBITDA	131,367	85,638	93,928
Earnings before interest, tax and amortisation (EBITA)	88,456	60,529	67,524
Adjusted EBITA	**122,753**	**79,226**	**86,221**
Operating profit (EBIT)	**80,896**	**54,229**	**59,964**
Profit before tax	66,741	40,983	45,132
Net profit for the year	47,993	28,529	31,723
BALANCE SHEET			
Total assets	805,541	795,848	795,848
Net working capital	(80,821)	(59,295)	(59,295)
Net interest-bearing debt (NIBD)	225,818	170,578	170,578
Equity	304,777	339,865	339,865
CASH FLOW			
Free cash flow excl. acquisitions of operations	99,797	79,813	75,804
Capex excl. acquisitions	8,418	4,378	4,378
Cash conversion, %	110.0%	108.1%	108.1%
GROWTH RATIOS (AGAINST 2016 PRO FORMA)			
Revenue growth, %	36.3%		
Gross profit growth, %	29.1%		
Adjusted EBITA growth, %	42.4%		
EBIT growth, %	34.9%		
Net profit growth, %	51.3%		
MARGINS			
Gross margin, %	28.3%	30.5%	29.9%
EBITDA margin, %	11.9%	13.2%	12.5%
EBITA margin, %	10.8%	11.9%	11.3%
Adjusted EBITA margin, %	15.0%	15.6%	14.4%
EBIT margin, %	9.9%	10.7%	10.0%
OTHER RATIOS			
Solvency ratio, %	37.8%	42.7%	42.7%
Leverage ratio	1.72	1.77	1.77
NWC ratio, %	(9.9%)	(9.9)%	(9.9)%
Capex ratio excl. acquisitions, %	1.0%	0.9%	0.7%
SHARE INFORMATION			
Earnings per share before dilution, DKK	4.80	3.19	3.55
Earnings per share after dilution, DKK	4.51	3.16	3.52

* The income statement 2015/2016 covers the financial year 2016 (9 December 2015 – 31 December 2016), but only include 10 months of business activity following the acquisition of TCM Group A/S as at 1 March 2016. Pro Forma figures includes business activity from 1 January 2016 to cover the full period (see description of the Group on page 11)

FINANCIAL REVIEW

DEVELOPMENT IN ACTIVITIES AND FINANCES

NET SALES - 18.3% ORGANIC GROWTH

Net sales in 2017 rose 36.3% to DKK 817.3 million *(DKK 508.5 million, DKK 599.7 million pro forma), positively impacted by the acquisition of Nettoline on 1 January. Organic growth was 18.3%. Net sales was above the latest guidance of DKK 795-805 million.

TCM Group's primary market is Denmark. The total market for kitchen and related products in Denmark developed positively during 2017. We estimate a market increase of 5-7%. Net sales in Denmark were DKK 721.3 million (DKK 467.9 million, DKK 550.1 million pro forma), with an organic growth of 20.1%. The organic growth is driven by both B2B and B2C markets, however with B2B delivering the highest growth rates.

Net sales in Other countries were DKK 96.0 million (DKK 40.6 million, DKK 49.6 million pro forma), up 93.4% primarily due to the acquisition of Nettoline. Organic growth was -1.5%. Revenue outside Denmark is adversely impacted by the discontinuation of project sales in the Far East. The organic growth in the Scandinavian markets excluding Denmark was 2.7%.

GROSS PROFIT - AFFECTED BY HIGHER B2B SHARE AND NETTOLINE ACQUISITION

Gross profit in 2017 was DKK 231.1 million (DKK 155.0 million, DKK 179.0 million pro forma), corresponding to a gross margin of 28.3% (30.5%, 29.9% pro forma). The gross margin was negatively affected by higher growth within the B2B market as B2B market has a lower gross margin than B2C market. Furthermore, the gross margin was negatively affected by Nettoline having a structurally lower gross margin and by the divestment of the Svane store in Lyngby in Q2 2017.

*Figures in brackets refer to the corresponding period in 2016. Pro forma figures includes business activity from 1 January 2016 to cover the full period. Changes compared to last year refer to the 12 months pro forma period.

OPERATING EXPENSES - DECREASING COST RATIO

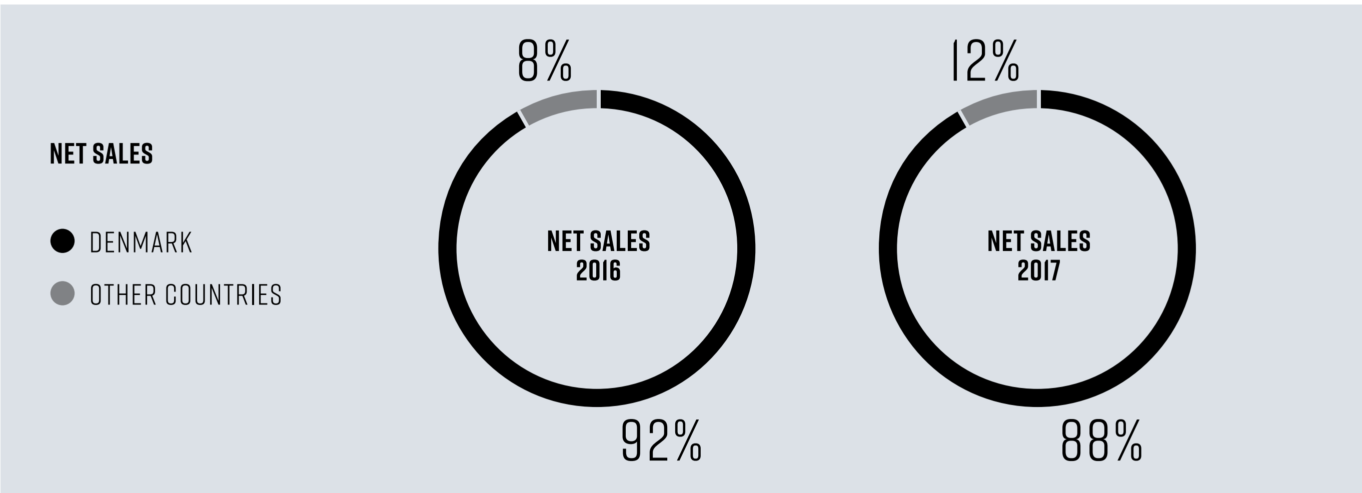
Operating expenses in 2017 were DKK 116.0 million (DKK 82.1 million, DKK 100.4 million pro forma). The increase in operating expenses of DKK 15.6 million was primarily due to the acquisition of Nettoline. Operating expenses represent 14.2% of revenue in 2017 (16.1%, 16.7% pro forma), indicating a positive scale effect.

THE GROUP

TCM Group was founded on 9 December 2015 under the name Rotavonni Holding ApS with no business activity until the acquisition of the former TCM Group A/S on 1 March 2016. Subsequently, the company changed its name to TCM Group A/S following a merger of the former TCM Group A/S and its subsidiary TMK A/S with TMK A/S as the continuing company.

Consequently, the income statement and cash flow statement for 2016 cover the financial year 2016 (9 December 2015 – 31 December 2016), but only include 10 months of business activity .

On 1 January 2017, TCM Group A/S acquired 100% of the share capital in Nettoline A/S through a wholly owned subsidiary. The integration of Nettoline A/S including optimization of the supply chain setup led to a merger of Nettoline A/S and Concepta Skabe A/S and the closure of the the Concepta production site in Horsens on 1 October 2017.



ADJUSTED EBITA MARGIN

15.0%

ADJUSTED EBITA – 15.0% MARGIN
Adjusted EBITA in 2017 was DKK 122.8 million (DKK 79.2 million, DKK 86.2 million), corresponding to an adjusted EBITA margin of 15.0% (15.6%, 14.4% pro forma), which was above the latest guidance of DKK 116-122 million. The adjusted EBITA was negatively affected by the lower gross margin which was fully offset by the lower cost ratio. The divestment of the Svane store in Lyngby had no significant impact on adjusted EBITA.

NON-RECURRING ITEMS - AFFECTED BY THE IPO AND NETTOLINE INTEGRATION
TCM Group presents non-recurring items separately to ensure comparability. Non-recurring items consist of income and expenses that are special and of a non-recurring nature. In 2016 and 2017, non-recurring items included amortization of order backlog and transaction costs related to business combinations, costs related to the Initial Public Offering (IPO) of the company, costs related to the integration of Nettoline (including the merger of two production sites) and impairment of assets held for sale related to the shutdown of a production site, and are specified below:

NON-RECURRING ITEMS

Non-recurring items, DKK m	2017	2016
Amoritization of order backlog from business combinations	0.4	5.5
Transaction costs related to business combinations	0.8	13.2
Costs related to the Initial Public Offering of the company	16.7	0.0
Costs related to integration of Nettoline	9.1	0.0
Impairment of assets held for sale related to site shutdown	7.2	0.0
Non-recurring items, total	**34.3**	**18.7**

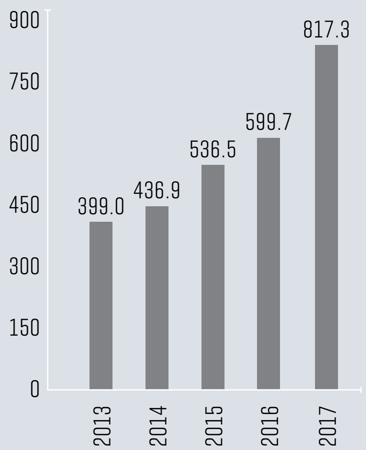
EBIT
EBIT for the financial year 2017 increased to DKK 80.9 million (DKK 54.2 million, DKK 60.0 million pro forma), which was in line with the latest guidance of DKK 76-86 million. The increase was primarily due to an increase in revenue and the acquisition of Nettoline off-set by an increase in non-recurring costs.

NET PROFIT
Net profit for the financial year 2017 increased to DKK 48.0 million (DKK 28.5 million, DKK 31.7 million pro forma). The increase was primarily due to an increase in EBIT off-set by increase in financial expenses due to the amortization of capitalized loan cost related to former credit facility agreement.

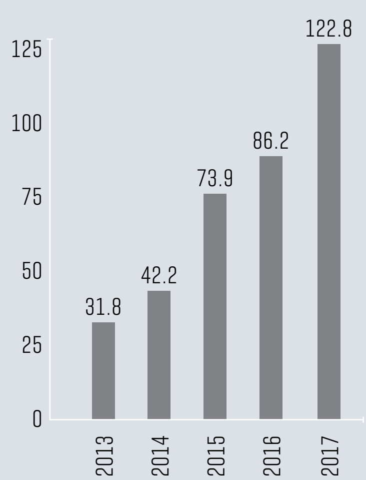
FREE CASH FLOW EXCL. ACQUISITIONS OF OPERATION - 110% CASH CONVERSION
Free cash flow excl. acquisitions for 2017 was DKK 99.8 million (DKK 79.8 million, DKK 75.8 million pro forma). The increase in cash flow for 2017 was primarily due to higher operating profit. Cash conversion in 2017 was 110.0%.

NET WORKING CAPITAL
Net working capital at the end of 2017 was DKK -80.8 million (DKK -59.3 million). NWC ratio at the end of 2017 was -9.9% and on par with last year, despite the acquisition of Nettoline, which had a NWC ratio of 5% when

NET SALES (DKKM)



ADJUSTED EBITA (DKKM)



NET WORKING CAPITAL

	End of	
DKKm	**2017**	**2016**
Inventory	34.5	29.1
Trade and other receivables	51.0	38.6
Trade and other payables	(166.3)	(127.0)
Net working capital	**(80.8)**	**(59.3)**
NWC ratio	**(9.9)%**	**(9,9)%**

acquired by TCM Group.

The increase in inventory of DKK 5.4 million was primarily due to the acquisition of Nettoline.

The increase in trade and other receivables of DKK 12.4 million was primarily due to the organic revenue growth and the acquisition of Nettoline.

The increase in trade and other payables of DKK 39.3 million was primarily due to the acquisition of Nettoline, the higher activity level as well as improved payment terms with suppliers.

NET INTEREST-BEARING DEBT - LEVERAGE RATIO 1.72

Net interest-bearing debt amounted to DKK 225.8 million at the end of 2017 (DKK 170.6 million). The increase in net interest-bearing debt was due to the cash settlement of warrants of DKK 86.5 million in connection with the IPO and the acquisition of Nettoline off-set by net profit for the period. The leverage ratio measured as net interest bearing debt excluding tax liabilities divided with adjusted EBITDA LTM end of 2017 was 1.72. TCM Group targets a leverage ratio of maximum 2.25.

EQUITY - SOLVENCY RATIO 37.8%

Equity at the end of 2017 amounted to DKK 304.8 million (DKK 339.9 million). The equity decreased by DKK 35.1 million since 1 January 2017, primarily affected by the cash settlement of warrants of DKK 86.5 million in connection with IPO off-set by net profit for the period. No dividend has been distributed during the period. The solvency ratio was 37.8% at the end of 2017 (42.7%).

On 15 September 2017 a capital increase of DKK 0.9 million was made by converting free reserves to share capital. The share capital subsequently amounts to DKK 1.0 million.

EVENTS AFTER THE BALANCE SHEET DATE

On 15 January 2018, the sale of the production site in Horsens was effectuated. The sale of the site impacted EBIT with a non-recurring loss of DKK 7 million, which was recognized in Q3 2017 under non-recurring items. The site has been recognized under assets held for sale since 30 June 2017. The sale of the site will have a positive impact on Net Interest Bearing Debt of DKK 17 million.

Apart from the events recognized or disclosed in the annual report, no other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

STRATEGY AND FINANCIAL TARGETS

STRATEGY

The strategic aim for the Group is to further expand the market share in the Danish market and to expand on selected export markets. Furthermore, the Group's profitability and cash flow must remain among the top tier of the kitchen industry. In addition to organic growth, the Group is actively monitoring the market for attractive acquisition opportunities.

TCM Group has identified five overall strategic focus areas for future growth in revenue and profitability:

1. Increase same store sales through focus on operational excellence and brand building.

In its existing stores TCM Group will continue to work with its franchise partners to improve revenue growth and profitability for the individual stores, through increasing store traffic from B2C customers and attracting new B2B customers, and further building the store organisation.

2. Increase organic growth through expanding geographical retail footprint.

TCM Group intends to increase its geographical footprint in Scandinavia in the short and medium term. The Group is one of the leading kitchen manufacturers in Denmark. The TCM Group continuously analyses and evaluates its store networks and geographical presence and has identified a number of white spot opportunities. For the three main markets the high level short to medium term expansion strategy is:

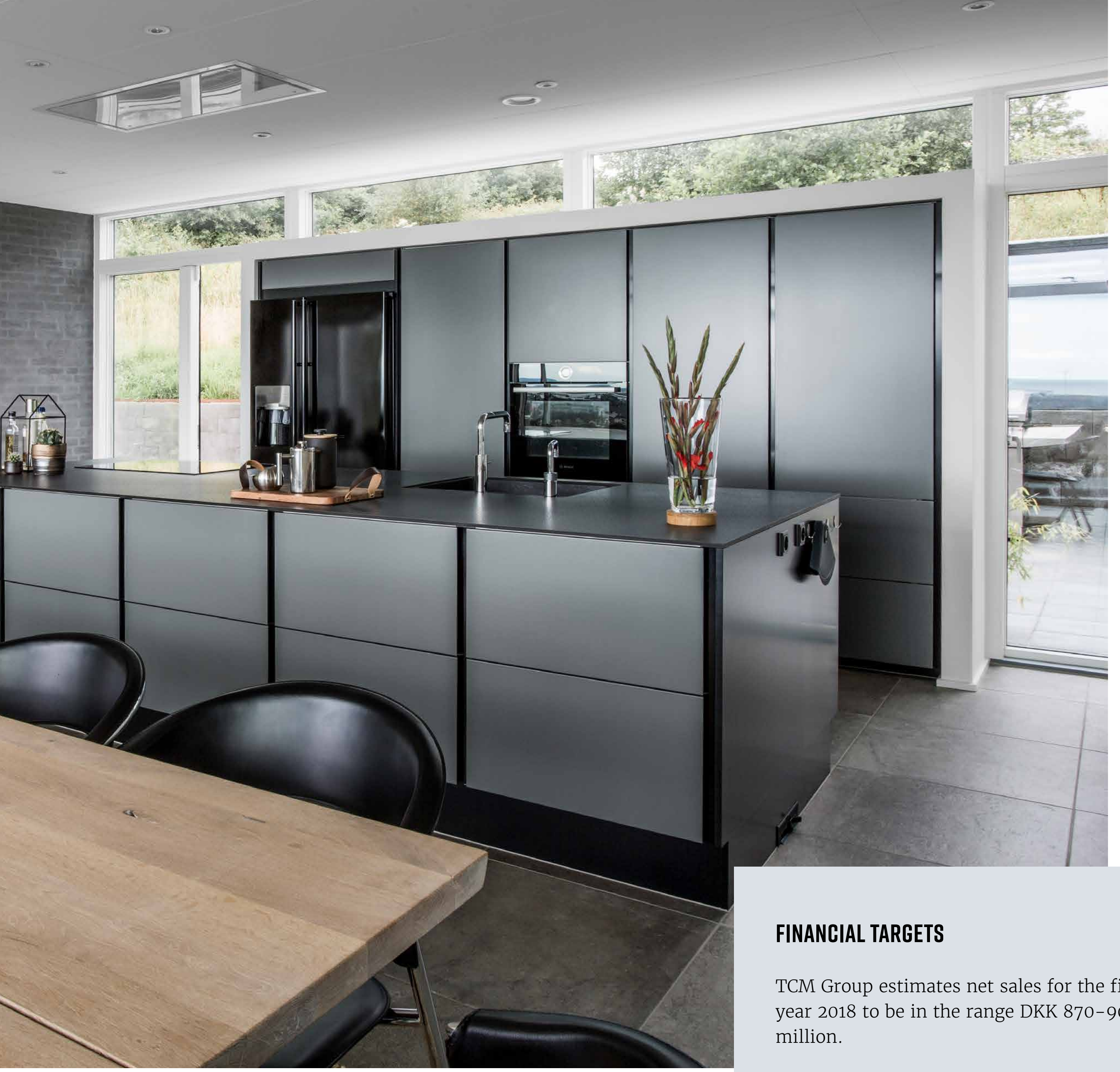
- For the Danish market, TCM Group has identified a mumber of white spot opportunities and intends to expand its store network in Denmark with 5-8 new dealer-based stores in the short to medium term.
- TCM Group is currently present in Norway with all four brands, however, the Group still sees significant potential in further expanding market presence. The Group has identified a number of white spot opportunities and intends to expand its store network in Norway with 8-12 stores in the short to medium term.
- TCM Group has only limited geographical retail coverage in Sweden. The executive management team is currently considering the best possible expansion strategy into Sweden, which could be organic and/or through acquisitions.

3. Facilitate and expand the online sales channel.

TCM Group is present in the online sales channel through kitchn.dk in Denmark. The online sales channel has only constituted a minor share of total sales, but TCM Group intends to play a role if attractive opportunities arise from increased customer preference for online purchases of kitchens.

4. Acquisitions, which either strengthen or expand TCM Group's market presence and/or contribute potential synergies.

In addition to the organic growth avenue, TCM Group is considering growth through acquisitions. TCM Group's main objectives when evaluating potential acquisition candidates are the ability to either strengthen or expand the Group's market presence as well as to contribute potential synergies. The TCM Group actively monitors potential acquisition opportunities with the aim of identifying and evaluating the strategic and financial attractiveness of potential targets, and the Group aims to continue to act as a consolidator when attractive opportunities arise.



5. **Enhance production optimisation and automation.** TCM Group has identified a range of opportunities to increase the efficiency of its production set-up. While some of these typically require an investment, others are more related to continuous improvements of planning or production processes. The Group has historically had an ongoing focus on operational improvements and this will continue going forward.

FINANCIAL TARGETS

TCM Group estimates net sales for the financial year 2018 to be in the range DKK 870-900 million.

Adjusted EBITA is estimated to be in the range DKK 130-140 million, translating into an EBIT in the range DKK 120-130 million.

The guidance is based on the expectation that the Danish market will continue to develop positively in 2018 however with an expected lower growth rate compared to 2017 in the level of 2-3%.

FORWARD LOOKING STATEMENTS

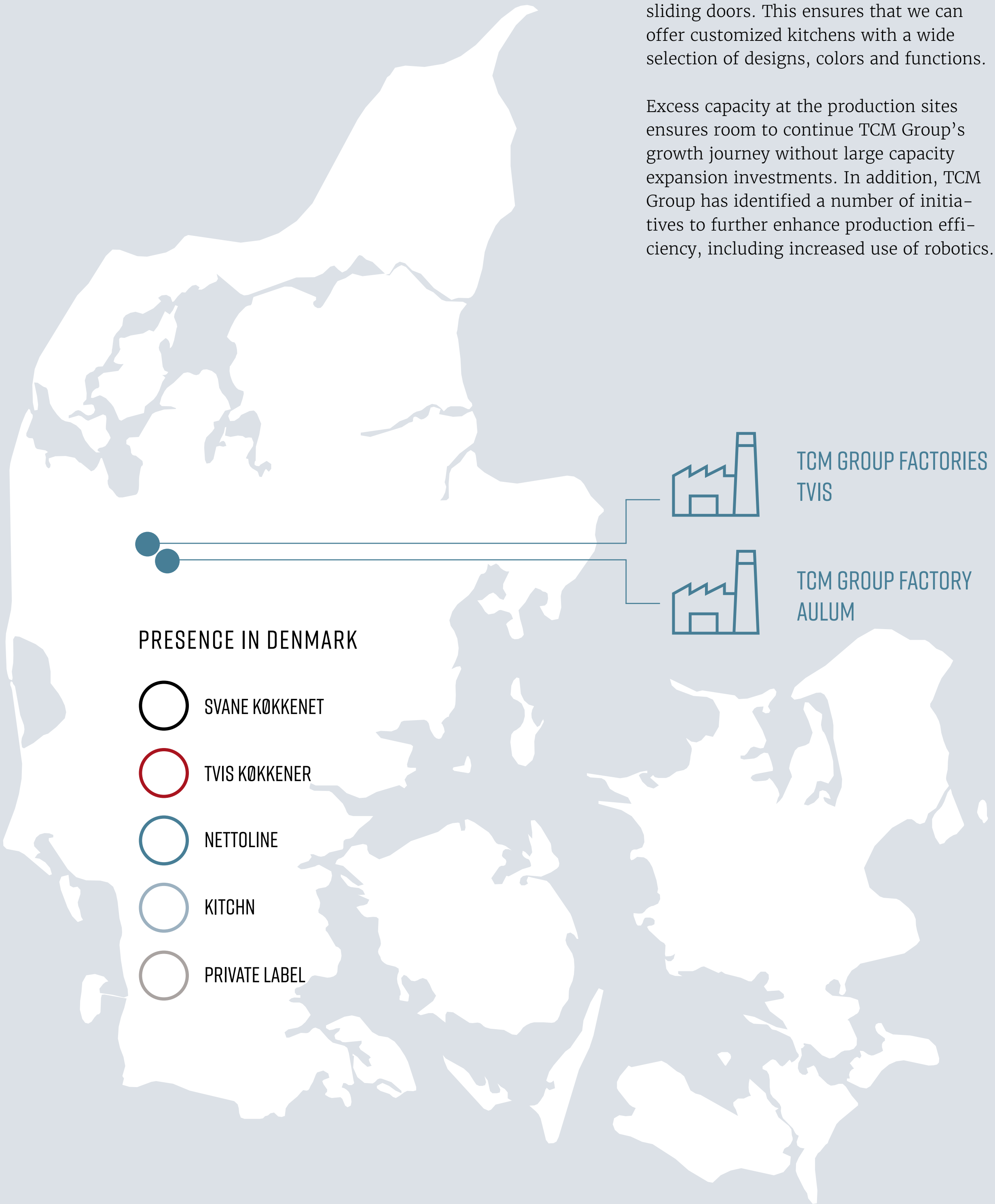
This report contains statements relating to the future, including statements regarding TCM Group's future operating results, financial position, cash flows, business strategy and plans for the future. The statements are based on management's reasonable expectations and forecasts at the time of the disclosure of the report. Any such statements are subject to risks and uncertainties, and a number of different factors, many of which are beyond TCM Group's control, could mean that actual performance and actual results will differ significantly from the expectations expressed in this annual report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive matters, supplier issues and financial issues.

DANISH DESIGN AND DANISH PRODUCTION

PRODUCTION

TCM Group's production sites are located in Tvis and Aulum. The production sites produce cabinets, fronts, table tops and sliding doors. This ensures that we can offer customized kitchens with a wide selection of designs, colors and functions.

Excess capacity at the production sites ensures room to continue TCM Group's growth journey without large capacity expansion investments. In addition, TCM Group has identified a number of initiatives to further enhance production efficiency, including increased use of robotics.

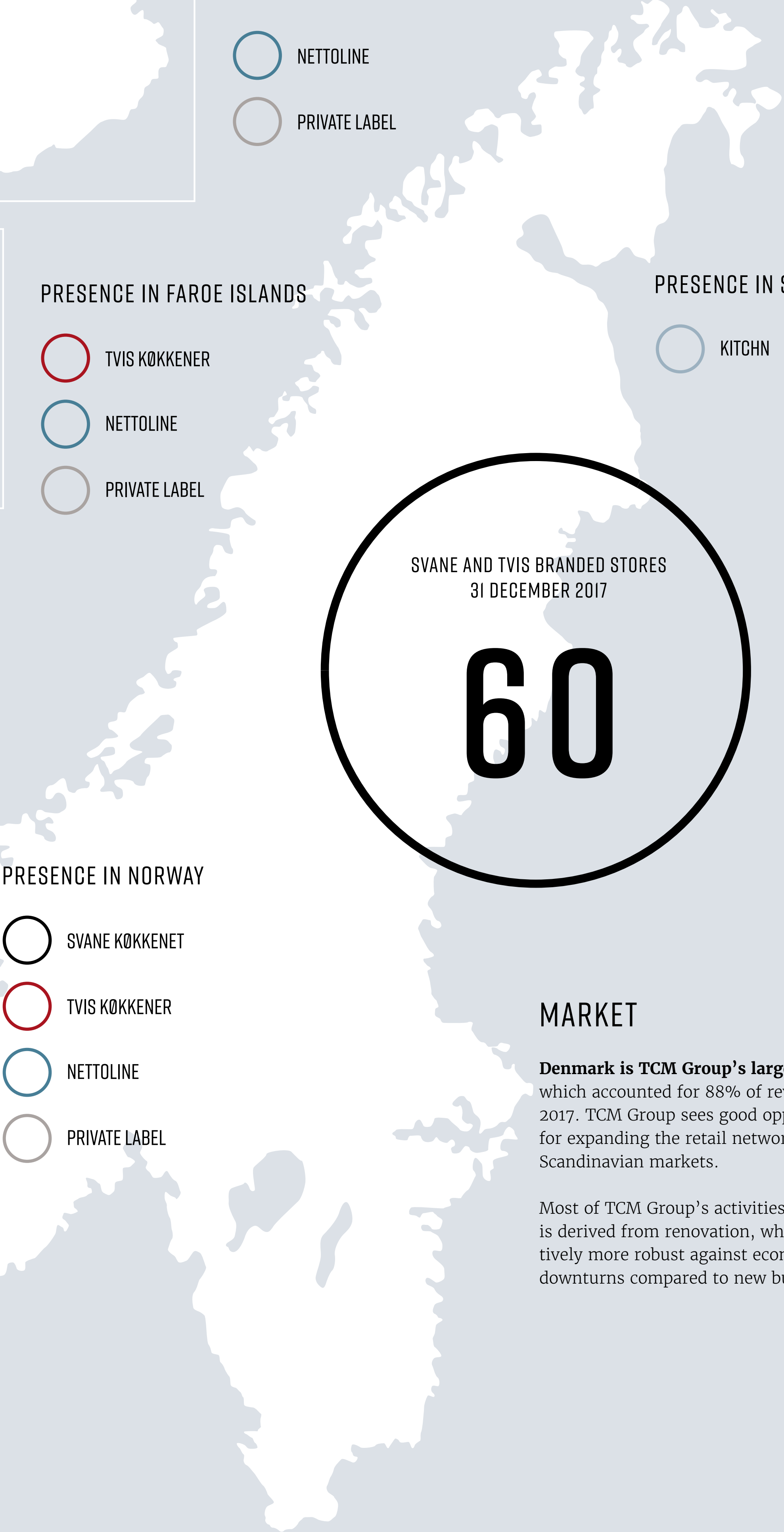


PRESENCE IN ICELAND

- NETTOLINE
- PRIVATE LABEL

PRESENCE IN FAROE ISLANDS

- TVIS KØKKENER
- NETTOLINE
- PRIVATE LABEL



PRESENCE IN SWEDEN

- KITCHN

SVANE AND TVIS BRANDED STORES
31 DECEMBER 2017

60

PRESENCE IN NORWAY

- SVANE KØKKENET
- TVIS KØKKENER
- NETTOLINE
- PRIVATE LABEL

MARKET

Denmark is TCM Group's largest market, which accounted for 88% of revenue in 2017. TCM Group sees good opportunities for expanding the retail network in all Scandinavian markets.

Most of TCM Group's activities (80–85%) is derived from renovation, which is relatively more robust against economic downturns compared to new build activity.

RISK MANAGEMENT

Risk management is an integral part of the management process at TCM Group. The objective is to limit uncertainties and risks with respect to the defined financial targets and strategic objectives for the Group.

Management performs a yearly assessment of business risks. A follow-up process has been established with the purpose of describing and evaluating a variety of business risks within the Group and implementing procedures to ensure risk mitigation. This assessment is discussed and evaluated by the Board of Directors once a year.

Beside this yearly assessment, the Board of Directors and the Executive Management have a continuous dialogue regarding significant risks with possible material impact on the Group.

The risk management, including internal controls in the financial reporting process, is designed to effectively minimize the risk of errors and omissions in the financial reporting.

The Executive Management is responsible for ensuring that risks are continuously identified, evaluated and mitigated in order to reduce the economic impact and/or likelihood of risks being realized.

Below are the main identified business and financial risks as well as comments on the actions undertaken within the individual areas:

BUSINESS RISKS

MARKET RISKS

The Group is exposed to a decline in new housing construction and home sales as well as developments in the overall economy. In addition, certain fashion changes can lead to significant sales fluctuations within the individual product ranges. The Group is order-producing with a high degree of flexibility in the work-force, which means that the Group can respond quickly to market demand changes.

REPUTATIONAL RISKS

The Group considers the Svane Køkkenet, Tvis Køkkener, Nettoline and kitchn.dk brands to be some of the most important assets of the business. Thus, it is the Group's policy to register its trademarks and design rights in the main markets in which its products are sold. The reputation of the Group's brands are important for the products' attractiveness and customer appeal. Accordingly, the Group's brand reputation is important for sustaining and growing the Group's revenue and profitability.

STRATEGY RISKS

The success of the Group's strategy is subject to several factors, for which some depends in full or in part on the Group's ability to successfully execute such initiatives, e.g. expansion via acquisitions of other players in the industry. Such acquisitions require financing and the Group may need to incur futher debts or raise further equity capital to fund its acquisitions.

CUSTOMER RISKS

The Group's risk relate primarily to the sales development of the stores, with sales being distributed through 60 Branded stores. Having typically one owner per store, the operational risk is reduced. The debtor risk related to the stores represents the main financial risk and is closely monitored to minimize losses by primarily requiring appropriate collateral for current trading.

PRODUCTION RISKS

The Group is exposed to risks of not being able to fulfill customer orders e.g., due to fire, machine failure or lack of personnel. Fire prevention is a management priority and is carried out in cooperation with our insurance company. We have our own maintenance department who in cooperation with external experts conduct the necessary machine maintenance and repairs. Finally, we have a constructive co-operation with our production employees typically based on multi-year collective wage bargaining agreements.

RAW MATERIAL PURCHASING RISKS

TCM Group aims to have multiple suppliers in each raw material category in order to improve commercial terms as well as to ensure adequate supply.

RISKS RELATED TO IT

The Group has its own IT system, which is regularly maintained and updated. IT security is a top Group priority. We work with external experts to achieve a level of security appropriate for the Group's type and size.

RISKS RELATED TO POLLUTION AND OCCUPATIONAL HEALTH

Optimizing occupational health conditions and preventing both internal and external contamination are important focus areas at TCM Group's production sites. The Group has a registration system for occupational accidents and near-by accidents focusing on the prevention

of future incidents. An occupational healthorganization with participation from management and employee representatives is established and well functioning.

The Group is insured against significant damage to property, plant and equipment and is in close dialogue with authorities and insurance companies with a view to further improving the mitigation of risks related to, inter alia, fire and pollution. Production facilities are fully sprinkled and emphasis is placed on maintaining a high level of fire hygiene in the Group.

FINANCIAL RISKS

LIQUIDITY RISKS

The Board of Directors continuously assesses whether the Group's capital structure is in line with the interests of the Group and its stakeholders. The overall goal is to secure a capital structure that supports long-term profitable growth.

The Group's financial risks are managed centrally as well as the Group's liquidity management, including cash requirement and placement of excess liquidity.

It is Management's assessment that the current capital structure provides the necessary flexibility to accelerate and support the Group's future strategy.

CREDIT RISK

The Group's customer base comprises both professional customers and consumers. Credit management and payment terms are monitored for each customer group. The Group primarily provides credit to franchisees and dealers. Credit assessments are continuously performed on customers who make regular purchases. Credit insurance, bank guarantees and other collaterals are utilized for the different markets and customer categories.

CURRENCY RISKS

The Group operates with a low risk profile with regards to currency fluctuations. The Group does not purchase significant amounts of raw materials outside the EUR zone, and invoicing of sales is charged entirely in DKK. Close to all revenue relates to Denmark, the rest of the Nordic region or the EUR zone and, therefore, foreign exchange risks are insignificant.

INTEREST RATE RISK

It is Group policy to fully or partially hedge interest rate risks on loans when it is assessed that the interest payment can be hedged satisfactorily. Hedging is usually made by means of interest rate swaps where loans at floating interest rates are fully or partially converted to loans with a fixed interest rate.

CORPORATE GOVERNANCE

TCM Group is committed to exercising good corporate governance, and the Board of Directors therefore evaluates the Group's management systems at least once a year to ensure that the structure is appropriate relative to the Group's shareholders and other stakeholders.

CORPORATE GOVERNANCE RECOMMENDATIONS

Nasdaq Copenhagen has incorporated the recommendations of the Danish Committee on Corporate Governance in its Rules for Issuers of Shares. These recommendations are available at the website of the Committee on Corporate Governance, www.corporategovernance.dk. TCM Group complies with all these recommendations except for a formal whistleblower scheme. The Group's corporate governance statements are available on our website at governance-en.tcmgroup.dk.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

At TCM Group, management duties and responsibilities are divided between the company's Board of Directors and Executive Management. No one person is a member of both these bodies, and no member of the Board of Directors has previously been a member of the Executive Management. TCM Group has laid down rules of procedure for the Board of Directors, which are reviewed annually. The Board of Directors holds 5 ordinary meetings each year and will further convene as needed. In the 2017 financial year, 11 board meetings were held.

The Group's Executive Management is in charge of the day-to-day management, while the Board of Directors supervises the work of the Executive Management and is responsible for the overall management and strategic direction.

In relation hereto, every year the Board of Directors considers the group's overall strategy in order to ensure continuous value creation.

The requirements for the Executive Management's timely, accurate and adequate reporting to the Board of Directors and for the communication between these two corporate bodies are laid down in the rules of procedure of the Executive Management, which are reviewed annually and approved by the Board of Directors.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors currently consists of five members elected at general meetings and has elected a Chairman and a Deputy Chairman. The members of the Board of Directors are a group of professionally experienced business people who also represent diversity, international experience and skills that are considered to be relevant to TCM Group. Three members of the Board of Directors elected by the shareholders are regarded as independent.

The Board of Directors determines once a year the qualifications, experience and skills the Board of Directors must possess in order for the Board of Directors to best perform its tasks, taking into account the Group's current needs. The Board of Directors evaluates its work on an annual basis.

AUDIT COMMITTEE

The Board of Directors has set up an Audit Committee. The Chairman of the Audit Committee is independent and is skilled in accounting. The purpose of the Audit Committee includes monitoring the financial reporting process, the company's internal control and risk management systems and the collaboration with the independent auditors. The entire Board of Directors is currently included in the Audit Committee. The Audit Committee work is led by Anders Skole-Sørensen.

NOMINATION COMMITTEE

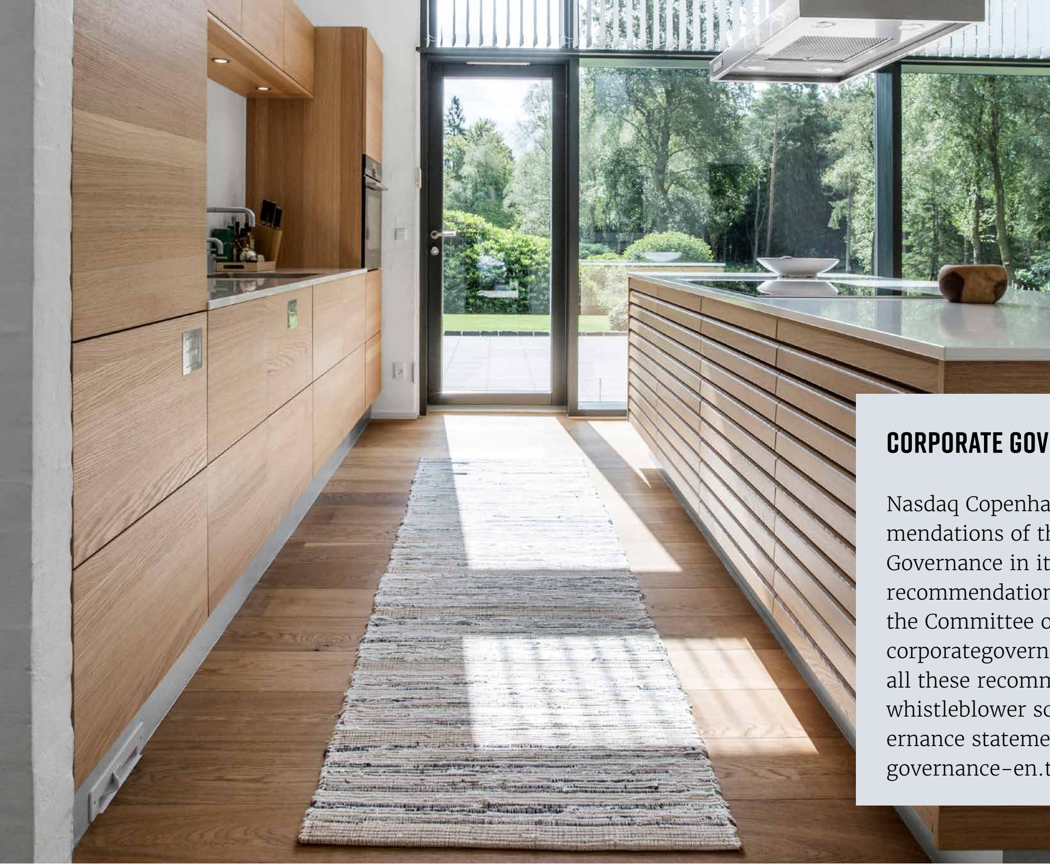
The Board of Directors has set up a Nomination Committee comprising at least two members of the Board of Directors, where at least one is also member of the Remuneration Committee. The Chairman of the Board of Directors is also the Chaiman of the Nomination Committee. The overall purpose of the Nomination Committee is to help the Board of Directors ensure that appropriate plans and processes are in place for the nomination of candidates to the Board of Directors and the Executive Management. The Nomination Committee work is led by Sanna Suvanto-Harsaae.

REMUNERATION COMMITTEE

The Board of Directors has set up a Remuneration Committee comprising at least two members of the Board of Directors. The purpose of the Remuneration Committee is to ensure that the Group maintains a remuneration policy for the members of the Board of Directors and the Executive Management as well as general guidelines for incentive pay to the Executive Management. The Remuneration Committee work is led by Sanna Suvanto-Harsaae.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors has adopted a remuneration policy and general guidelines for incentive pay, which have been approved by the general meeting. Both policies are available at investor-en.tcmgroup.dk.



CORPORATE GOVERNANCE RECOMMENDATIONS

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The remuneration policy supports the goal of attracting, motivating and retaining qualified members of the Board of Directors and the Executive Management. The remuneration is designed to align the interests of the Board of Directors, the Executive Management and the company's shareholders, to support the achievement of TCM Group's short-term and long-term strategic targets and stimulate value creation.

Reference is made to note 4 in the consolidated financial statements for a specification of the remuneration paid to the Executive Management and the Board of Directors.

DESCRIPTION OF PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and the Executive Management are ultimately responsible for the Group's risk management and internal controls in relation to its financial reporting, and approve the Group's general policies in this regard. The Audit Committee assists the Board of Directors in overseeing the reporting process and the most important risks. The Executive Management is responsible for the effectiveness of the internal controls and risk management and for the implementation of such controls aimed at mitigating the risk associated with the financial reporting.

The Company believes that the Group's reporting and internal control systems enable it to be compliant with disclosure obligations applying to issuers whose shares are admitted to trading and official listing on Nasdaq Copenhagen.

As part of the overall risk management, the Group has set up internal control systems, that is deemed appropriate and sufficient in relation to the Group's activities and operations. The internal control system is evaluated on an ongoing basis.

The Group's procedures and internal controls are planned and executed to ensure a reasonable level of comfort that the financial reporting is reliable and in compliance with internal policies and gives a true and fair view of the Group's financial performance, the financial position and material risks. The procedures and controls are furthermore planned with a view to support the quality and efficiency of the Group's business processes and the safeguarding of the Group's assets. The evaluation of the risks includes an assessment of the likelihood that an error will occur and whether the financial impact of such error would be material.

In addition to the above, the Group has developed internal control and procedures over the financial reporting with the aim to enable the Group to monitor the Group's performance, operations, funding, risk and internal control. The Group continues to improve the internal control and procedure over the financial reporting and believes, that the current control and procedure in place enables the Group to be compliant with the disclosure obligations applying to issuers of shares on Nasdaq Copenhagen.

The internal control and procedures over financial reporting include, among other things:

- Weekly reports of incoming orders and gross and net revenue by month;
- Monthly revenue reports, on a per store basis, of the Group's sales to stores;
- Consolidated monthly reports summarising results for legal entities including balance sheet and cash flow results in comparison to budgeted performance and previous year performance and explanations of deviations, together with key performance indicators;
- Four-eye principle within the finance department to ensure the quality of the accounting records;
- The predominant majority of all invoices received go through a standardised authorisation process. In addition, a detailed review of cost on account level is made in connection with the monthly reports.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

SANNA MARI SUVANTO-HARSAAE
Chairman of the company.
Independent.
Danish and Finnish nationality.

Sanna Mari Suvanto-Harsaae holds a Bachelor of Sience from Lund University

Other positions:
Sanna Mari Suvanto-Harsaae is member of the executive management of Rakaas ApS

Sanna Mari Suvanto-Harsaae is chairman of the board of Babysam A/S, Basa Holding A/S, Danske Kon-cept Restauranter A/S, Vital Petfood Group A/S, BoConcept Holding A/S, BoConcept A/S, Workz A/S, Best VPG Holding A/S, VPG Holding A/S, Go Care A/S, Layout Bidco A/S, Layout Holdco A/S, Selskabet af 12. marts 2013 A/S, Altia Oyj, Best Friend Danmark A/S, Best Friend Oyj, Best Friend AB and Foot-way AB (listed on Nasdaq Stockholm).

Sanna Mari Suvanto-Harsaae is also deputy chairman of the board of directors of Paulig Oyj and a member of the board of directors of Best Sales A/S, Upplands Motor AB, SAS AB (listed on Nasdaq Stockholm), Broman Group Oyj and CEPOS.

KRISTIAN CARLSSON KEMPPINEN
Deputy Chairman.
Non-independent.
Finnish and Swedish nationality.

Kristian Carlsson Kemppinen holds a MSc econ. from the Helsinki School of Economics and Business Administration.

Other positions:
Kristian Carlsson Kemppinen is partner with IK Investment Partners

Kristian Carlsson Kemppinen is also chairman of the board of directors of IK Investment Partners Norden AB, Frangipani AB and Cosigrande AB and a member of the board of directors of Touristry AB, Touristry Group Holding AB, Touristry Group AB, OpenSolution Nordic Group Holding AB, OpenSolution Nordic Group AB.

ERIK ALBERT INGEMARSSON

Board member
Non-independent.
Swedish nationality.

Erik Albert Ingemarsson holds a MSc in Economics and Business from Stockholm School of Economics.

Other positions:
Erik Albert Ingemarsson is a Partner with IK Investment Partners.

Erik Albert Ingemarsson is member of the board of directors of Touristry Group Holding AB, Touristry Group AB, Touristry AB, OpenSolution Nordic Group Holding AB, OpenSolution Nordic Group AB, OS Group AB, AEOM Holding AB and STL Holding AB and an alternate director of Ingemarsson Perinatal Progress Aktiebolag, I. Ingemarsson AB, Petter Ingemarsson AB and Eva Ingemarsson AB.

ANDERS SKOLE-SØRENSEN

Board member
Independent.
Danish nationality.

Anders Skole-Sørensen holds a MSc econ. from the University of Copenhagen.

Other positions:
Anders Skole-Sørensen is CFO at Matas A/S (listed on Nasdaq Copenhagen).

In addition Anders Skole-Sørensen is a member of the board of directors of Matas Operations A/S, Matas Property A/S, F. Uhrenholt Holding A/S and MHolding 3 A/S.

Anders Skole-Sørensen is also the chief executive officer of Stylebox A/S, Matas Operations A/S, Matas Property A/S, and MHolding 3 A/S.

PETER JELKEBY

Board member
Independent.
Swedish nationality.

Peter Jelkeby holds a MSc in Business Administration from Gothenburg School of Economics.

Other positions:
Peter Jelkeby is a member of the board of directors of Smarteyes AB.

Previously, Peter Jelkeby has in the period 2008 – 2017 held the positions as Executive Vice President/COO at Clas Ohlson AB.

EXECUTIVE MANAGEMENT

OLE LUND ANDERSEN
Chief Executive Officer since 2008.
Danish nationality.

Ole Lund Andersen holds Bachelor a in Production Engineering from the Technical University of Denmark.

Before Ole Lund Andersen joined the Group, he was chief executive officer at Tvilum-Scanbirk, a world-leading manufacturer of flat-packed furniture.

Other positions:
Ole Lund Andersen is a member of the board of directors of Actona Company A/S, Scancom International A/S, Interstil A/S, Interstil AB, Contino Holding A/S and Nissen Capital A/S.

KARSTEN RYDDER PEDERSEN
Chief Operating Officer since 2009 (employed since 2006)
Danish nationality.

Karsten Rydder Pedersen holds a Master of Science (M.Sc.), Industrial Engineering from the University of Aalborg.

Before Karsten Rydder Pedersen joined the Group, he had experience from Qvartz and McKinsey.

MOGENS ELBRØND PEDERSEN
Chief Financial Officer since 2015.
Danish nationality.

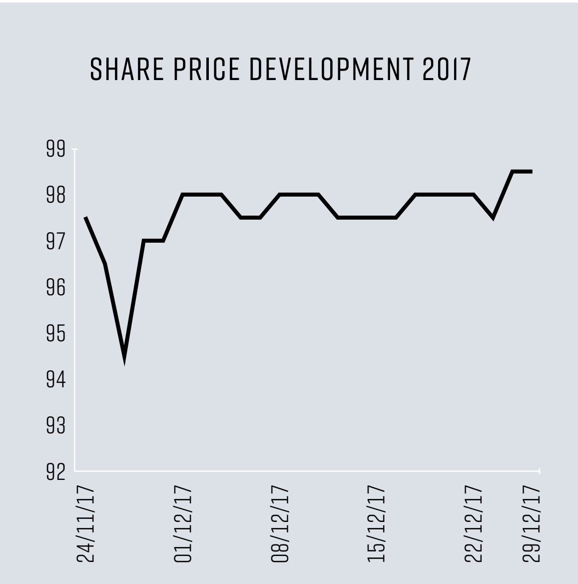
Mogens Elbrønd Pedersen holds a Graduate Diploma in Accounting and Financial Management from Herning Business and Engineering School.

Prior to joining the Group, Mogens Elbrønd Pedersen had been the director of finance and senior director, group finance of Bang & Olufsen A/S (listed on Nasdaq Copenhagen) since February 2011.

SHAREHOLDER INFORMATION

TCM SHARES IN 2017

TCM Group A/S has been listed on Nasdaq Copenhagen since 24 November 2017 and is a part of the OMX Copenhagen Small Cap index.



SHARE CAPITAL

The nominal value of the company's share capital at 31 December 2017 was DKK 1 million divided into shares of DKK 0.1, equivalent to 10 million shares and 10 million votes. In the course of the financial year, the share capital was increased by DKK 0.9 million, equivalent to a total of 9 million shares.

OWNERSHIP

In connection with the listing of TCM Group, Arbejdsmarkedets Tillægspension, BI Asset Management Fondsmæglerselskabet A/S on behalf of certain customers, Investeringsforeningen Fundamental Invest, Nordea Investment Management AB, Danmark (branch of Nordea Investment Management AB, Sweden), Handelsbanken (branch of Svenska Handelsbanken AB (publ.), Sweden), Nykredit Bank A/S and Spar Nord Bank A/S signed up as cornerstone investors.

At 31 December 2017, two shareholders had notified shareholdings above 5% of the share capital: Innovator International S.á.r.l. a portfolio company held by the IK Small Cap 1 Fund and advised by IK Investment Partners Limited, a European private equity firm, (19.7%) and Arbejdsmarkedets Tillægspension (11.0%).

At 31 December 2017, members of the Board of Directors held 46,380 shares, and members of the Executive Management held 628,906 shares, in total 675,286 shares, equivalent to 6.8% of the share capital.

DIVIDEND

The Board of Directors has adopted a dividend policy with a target payout ratio of 40-60 percent of consolidated net profit for the year. The Board of Directors is planning not to distribute dividend for the financial year 2017.

Payment of dividends, and the amounts and timing thereof, will depend on a number of factors, including future revenue, profits, financial conditions, general economic and business conditions, future prospects, strategic initiatives such as M&A activities or large scale investments decided upon by the Board of Directors, and such other factors as the Board of Directors may deem relevant as well as applicable legal and regulatory requirements. There can be no assurance that in any given year a dividend or share buyback will be proposed or declared or that the Company's financial performance will allow it to adhere to the dividend policy or any increase in the pay-out ratio. The Company's ability to pay dividends or buy back shares may be impaired as a result of various factors. Furthermore, the dividend policy is subject to change as decided by the Board of Directors from time to time.

As an alternative or in addition to making dividend payments, the Board of Directors may initiate share buybacks. A decision by the Board of Directors to engage in share buybacks, if any, will be made in accordance with the factors applicable to dividend payments set forth above.

SHARE INFORMATION

EXCHANGE:	NASDAQ COPENHAGEN
TRADING SYMBOL:	TCM018
IDENTIFICATION NUMBER/ISIN:	DK0060915478
NUMBER OF SHARES:	10 MILLION SHARES OF DKK 0,1 EACH WITH ONE VOTE
SHARE CLASSES:	1
SECTOR:	KITCHENS, BATHROOMS AND STORAGE
SEGMENT:	SMALL CAP

During the year, TCM Group published 15 company announcements. All announcements are available on the investor site of TCM Group's website together with other relevant information.

FINANCIAL CALENDAR

The financial year covers the period 1 January – 31 December, and the following dates have been fixed for releases etc. in the financial year 2018:

12 APRIL 2018	ANNUAL GENERAL MEETING 2017
9 MAY 2018	INTERIM REPORT Q1 2018
15 AUGUST 2018	INTERIM REPORT Q2 2018
7 NOVEMBER 2018	INTERIM REPORT Q3 2018

The company's investor relations website, investor.tcmgroup.dk, contains all official financial reports, investor presentations, the financial calendar, corporate governance documents and other material.

ANALYST COVERAGE

TCM Group is currently covered by three analysts:

ABG Sundal Collier **Michael Rasmussen**
Carnegie **Lars Topholm**
Danske Bank **Poul Ernst Jessen**

CONTACT

For further information, please contact:
CEO **Ole Lund Andersen** +45 97435200
CFO **Mogens Elbrønd Pedersen** +45 97435200
IR Contact mail: ir@tcmgroup.dk

ANNUAL GENERAL MEETING

The annual general meeting will be held on Thursday, 12 April 2018 at 4 p.m. at Skautrupvej 22b, Tvis, 7500 Holstebro.

CORPORATE SOCIAL RESPONSIBILITY

TCM Group is committed to ensuring that our business is conducted in all respects according to rigorous ethical, professional and legal standards. We believe that social responsibility and sustainability is a key element in the continued development and success of our business. We therefore work with social responsibility and sustainability in a number of areas:

- Our employees are one of the company's most important assets. We therefore strive to create a safe, creative and stimulating working environment.
- We view the earth's unique resources as vulnerable and limited, and our products should therefore originate from sustainable sources.
- The environmental effect of our production and distribution should be minimized.
- The use of our products should be without causing harm or damage and minimize environmental impact.

Furthermore, TCM Group is committed to being a member of the UN Global Compact and thereby conduct our business according to the 10 UN Global Compact principles (UNGC). Further information is available at the UNGC website (www.unglobalcompact.org).

Besides ensuring our own compliance with the 10 UNGC principles, we encourage our suppliers and business partners to conduct their businesses according to the 10 principles.

HUMAN RIGHTS

TCM Group strongly support and promote the principles regarding human rights outlined in the UNGC principles, and it is of utmost importance to us that we comply with these principles at any point in time.

TCM Group can firmly state that no products sold in 2017 or in previous years were developed or produced using child labor.

LABOUR AND WORKING CONDITIONS

In TCM Group, we acknowledge that our employees are one of our most important assets. Hence, the welfare of our employees is important to us, and we continuously strive to create a working environment, which is characterized by a high focus on safety, creativity and a good collegial unity.

The physical workplace is one of our key focus areas. Both management and employees are active in our occupational health organization. We have formed 8 working groups each with clear areas of responsibility such as introduction of new employees to safety policies and procedures, prioritizing potential risk areas, suggesting concrete solutions and influencing the safety culture on a daily basis.

As a part of driving the safety culture, we focus on reporting near-by incidents. The number of reported near-by incidents at the factories in Tvis are approx. 10 times higher in 2017 compared to just 4 years earlier. This demonstrates that safety is more top-of-mind among our employees compared to earlier.

Sickness and absence is another one of our key focus areas, and especially absence related to work accidents. From 2016 to 2017 the absence ratio related to work accidents decreased from 2.3‰ to 1.4‰. Bringing down the absence ratio from work accidents continues to be a focus point for TCM Group.

Overall, the total absence rate (excl. absence due to sick children and maternity leave) in TCM Group was at 2.5% in 2017 (incl. Nettoline A/S) versus 2.6% in 2016 (excl. Nettoline A/S). This level is lower than the average reported by Dansk Arbejdsgiverforening of 3.3% (2016).

ENVIRONMENT AND CLIMATE IMPACT

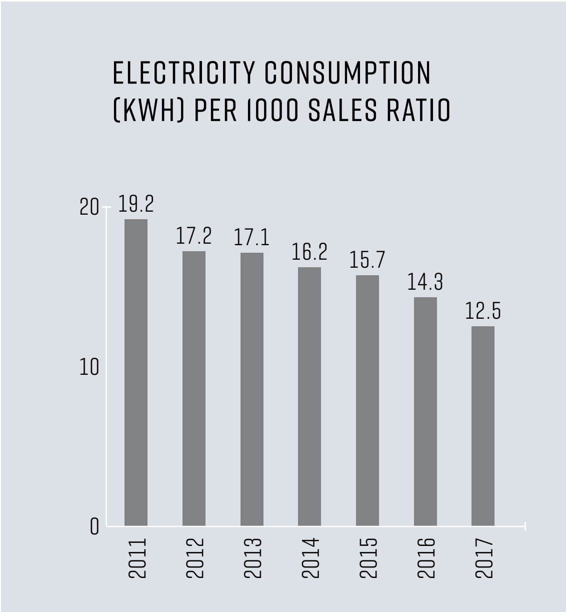
TCM Group is committed to reduce the environmental effects of our production and distribution. Our production process is mainly characterized by woodworking, gluing and painting/lacquering. Throughout our entire production process we have a high focus on reducing the amount of waste material. As an example, the waste wood from our cutting of chipboard is returned to our suppliers and re-used in their production of new chipboard.

Approximately 90% of our purchased chipboards are produced using 70% waste wood from Danish industry production, incl. TCM Group.

In order to ensure that our handling and usage of paint and glue during the production process has as minimal an environmental impact as possible, we ensure that the application of paint and glue only takes place in appropriate and closed surroundings within our factory, and we handle all waste products with care.

In 2010, TCM Group was FSC® certified and in 2015 our FSC certificate was renewed until 2020. In 2017, Nettoline A/S also received a FSC® certification. During 2017, TCM Group has only produced massive wooden table tops, which are FSC® certified. Further information about FSC is available at www.ic.fsc.org.

TCM Group has set a target to reduce the electricity consumption with 25% per 1.000 sales ratio in 2020, from 19.2 kWh in 2011 to 14.4 kWh in 2020. In 2017, the electricity consumption was 12.5 kWh per 1.000 sales ratio, whereby our 2020 target has already been achieved. However, we stay committed to continue reducing the electricity consumption ratio.



Furthermore, we reduce the energy consumption of our products by actively using and promoting LED instead of Halogen-lighting.

ANTI-CORRUPTION

TCM Group is exposed to non-compliance with anti-corruption rules and regulations via our employees, suppliers and franchisees / dealers. Our policy is to comply with all applicable regulations and to promote an anti-corruption behavior to all our business relations.

In TCM Group, no employee may receive or solicit any services, gifts or payments that may be considered an attempt to obtain benefits for themselves or the company. Violations of these rules will have disciplinary consequences for the employees involved.

There has been no incidents violating the anti-corruption policy in 2017.

SUPPLIER MANAGEMENT

TCM Group intends to influence suppliers via a Code-of-Conduct, which broadly covers all aspects of the principles outlined by the UN Global Compact.

TCM Group' suppliers are primarily located in Europe. However, some of our suppliers use sub-suppliers located in Asia. TCM Group' management is aware that production in Asia implies risks in terms of social responsibility and supplier management, and that our stakeholders expect us to actively ensure that these sub-suppliers are fulfilling regulations in terms of working conditions and environmental-friendly production.

TCM Group' Code-of Conduct was developed and approved by the Board in 2011, and further improved in 2016. All of our primary suppliers have signed our Code-of-Conduct.

The total share of TCM Group' purchasing, covered by our Code-of-Conduct has increased from 94% in 2016 to 95% in 2017 and cover all supplies from non-EU countries.

GENDER DIVERSITY

It is the Company's goal to promote diversity, including achieving a sensible gender diversity in both the Board of Directors and the Executive Management based on a desire to strengthen the versatility, gathering competencies and better decision-making processes. It is the Board's goal that its members should complement each other as far as age, background, nationality, gender, etc. are concerned. These conditions are assessed when new candidates are identified for the Board, and nomination of candidates will always be based on an assessment of candidates' competencies, their match with the needs of the Group and contributions to the Board's overall effectiveness.

The Group has a goal that both genders are represented by at least 20%. As of 31 December 2017, the distribution is 20% women and 80% men, and the objective is thus met.

For the management, defined as the executive management and the management group below, the goal is a management group that compliment each other to the highest degree. When recruiting management group members internally or externally, the selection will always be based on the candidates' competencies and whether they match the requirements of TCM Group. TCM Group does not allow discrimination of any kind inter alia regarding age, nationality, gender, religion, sexual orientation, disability etc. If the required compentencies are present, we will assure that the final pool of candidates is diversified.

As of 31 December 2017, the management group consists of one woman and nine men.

In 2018, we will consider the need to initiate specific actions to promote a higher level of gender diversity in the management group compared to TCM Group requirements and taking the Group's size, industry, geography etc. into consideration.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK'000	NOTE	2017	2015/2016*
Revenue	3	817,330	508,531
Cost of goods sold	4, 5, 7, 8	(586,205)	(353,523)
Gross profit		**231,126**	**155,008**
Selling expenses	4, 5, 7, 8	(69,824)	(50,253)
Administrative expenses	4, 5, 6, 7, 8	(46,159)	(31,863)
Other operating income		50	34
Operating profit before non-recurring items		**115,193**	**72,926**
Non-recurring items	4, 9	(34,297)	(18,697)
Operating profit		**80,896**	**54,229**
Financial income	10	275	232
Financial expenses	10	(14,430)	(13,478)
Profit before tax		**66,741**	**40,983**
Tax for the period	11	(18,748)	(12,454)
Net profit for the period		**47,993**	**28,529**
Earnings per share before dilution, DKK	21	4.80	3.19
Earnings per share after dilution, DKK	21	4.51	3.16

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2017	2015/2016*
Net profit for the period		47,993	28,529
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Value adjustments of cash-flow hedges before tax		59	(616)
Tax on value adjustments of cash-flow hedges		(13)	136
Other comprehensive income for the period		**46**	**(480)**
Total comprehensive income for the period		**48,038**	**28,048**

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2017	2016
ASSETS			
INTANGIBLE ASSETS			
Goodwill		369,796	315,779
Brand		171,961	171,961
Other intangible assets		26,831	35,513
	12	**568,588**	**523,253**
TANGIBLE ASSETS			
Land and buildings		70,021	94,388
Tangible assets under construction and prepayments		164	1,680
Machinery and other technical equipment		12,129	9,002
Equipment, tools, fixtures and fittings		2,625	2,506
	13	**84,939**	**107,576**
Financial assets	14	**748**	**686**
Total non-current assets		**654,275**	**631,515**
INVENTORIES			
Raw materials and consumables		14,274	13,645
Products in progress		9,113	5,397
Finished products		11,110	10,048
	15	**34,497**	**29,090**
CURRENT RECEIVABLES			
Trade receivables	2	35,141	32,463
Other receivables		12,277	4,980
Prepaid expenses and accrued income	17	3,568	1,190
		50,985	**38,633**
Cash and cash equivalents	18	**49,167**	**96,610**
Assets held for sale	28	**16,618**	**0**
Total current assets		**151,267**	**164,333**
Total assets		**805,541**	**795,848**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2017	2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	19, 21	1,000	100
Value adjustments of cash flow hedges	20	(435)	(480)
Retained earnings		304,212	340,245
Total shareholders' equity		**304,777**	**339,865**
Deferred tax	23	58,919	61,166
Mortgage loans	24	39,018	55,399
Bank loans	24	196,143	165,140
Total long-term liabilities		**294,081**	**281,705**
Mortgage loans	24	16,381	3,651
Bank loans	24	23,056	39,109
Prepayments from customers		2,177	5,198
Trade payables	2	117,229	84,770
Current tax liabilities		387	3,890
Derivative instruments		557	616
Other liabilities		46,280	36,696
Deferred income		618	349
Total short-term liabilities		**206,684**	**174,278**
Total shareholders' equity and liabilities		**805,541**	**795,848**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	VALUE ADJUSTMENTS OF CASH FLOW HEDGES AFTER TAX	RETAINED EARNINGS	TOTAL
Opening balance 01.01.2017	**100**	**(480)**	**340,246**	**339,865**
Net profit for the period	0	0	47,993	47,993
Other comprehensive income for the period	0	46	0	46
Total comprehensive income for the period	**0**	**46**	**47,993**	**48,039**
Share-based payments	0	0	3,349	3,349
Bonus issue	900	0	(900)	0
Cash settlement of warrants	0	0	(86,476)	(86,476)
Closing balance 31.12.2017	**1,000**	**(435)**	**304,212**	**304,777**
Opening balance 09.12.2015, incorporation	**50**	**0**	**0**	**50**
Net profit for the period	0	0	28,529	28,529
Other comprehensive income for the period	0	(480)	0	(480)
Total comprehensive income for the period	**0**	**(480)**	**28,529**	**28,048**
Share-based payments	0	0	2,131	2,131
Capital increase	50	0	309,586	309,636
Closing balance 31.12.2016	**100**	**(480)**	**340,246**	**339,865**

CONSOLIDATED CASH FLOW STATEMENT

DKK'000	NOTE	2017	2015/2016*
OPERATING ACTIVITIES			
Operating profit		80,896	54,229
Depreciation/amortization/impairment		23,742	18,290
Share-based payments		3,349	2,131
Income tax paid		(26,986)	(14,626)
Change in inventories		4,653	4,326
Change in operating receivables		(8,085)	(5,569)
Change in operating liabilities		29,902	25,452
Cash flow from operating activities		**107,471**	**84,233**
INVESTING ACTIVITIES			
Investments in tangible assets		(8,158)	(3,734)
Investments in intangible assets		(260)	(669)
Investments in financial assets		(61)	(17)
Sale of tangible assets		805	0
Acquisition of operations	29	(52,786)	(479,449)
Cash flow from investing activities		**(60,460)**	**(483,869)**
Operating cash flow before acquisitions of operations		**99,797**	**79,813**
Operating cash flow after acquisitions of operations		**47,011**	**(399,636)**
FINANCING ACTIVITIES			
Interest paid		(7,846)	(12,296)
Proceeds from loans	26	219,109	202,942
Repayments of loans	26	(219,241)	(4,085)
Cash settlement of warrants		(86,476)	0
Capital increase		0	309,686
Cash flow from financing activities		**(94,454)**	**496,247**
Cash flow for the period		**(47,443)**	**96,610**
Cash and cash equivalents at the beginning of the period		**96,610**	**0**
Cash flow for the period		(47,443)	96,610
Cash and cash equivalents at year-end		**49,167**	**96,610**

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

PRINCIPLES APPLIED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS") and additional requirements of the Danish Financial Statements Act.

It is the Group's second financial year with formation on 9 December 2015, why the comparative figures cover the period 9 December 2015 – 31 December 2016. TCM Group A/S was founded with no business activity until the acquisition of the former TCM Group A/S as of 1 March 2016. Consequently, the income statement and cash flow statement for 2015/16 only include 10 months of business activity following the acquisition.

GENERAL PRINCIPLES

Assets and liabilities are recognised at historic acquisition value (cost), except for certain financial assets and liabilities and fixed assets held for sale. Financial assets and liabilities measured at fair value comprise derivative instruments. Fixed assets held for sale are recognised at the lower of the carrying amount and fair value, less selling expenses.

The Parent Company's functional currency is Danish kroner (DKK), which is also the presentation currency for the Parent Company and Group. Accordingly, the consolidated financial statements are presented in DKK.
All amounts are stated in DKK thousand, unless otherwise stated.

DEFINING MATERIALITY

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the consolidated financial statements.

If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes. There are substantial disclosure requirements according to IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparing the consolidated financial statements in accordance with IFRS requires that Management makes assessments, estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are regularly reviewed. Changes to estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both current periods and future periods. Assessments made by Management in the application of IFRS that have a material impact on the consolidated financial statements and estimates made that may lead to significant adjustments in the consolidated financial statements of future fiscal years are primarily the following:

NON-RECURRING ITEMS

Identification and classification of income and expenses as non-recurring items is based on management's judgement of the individual income and expenses as being non-recurring by nature.

BUSINESS COMBINATIONS

On 1 January 2017, TCM Group A/S acquired 100% of the share capital of Nettoline A/S through a wholly owned subsidiary. The acquisition has been accounted for as a business combination by applying the acquisition method. According to this method the acquired identifiable assets and assumed liabilities and contingent liabilities are recognised at their fair value on the acquisition date. The assessment of fair values includes valuation techniques where estimates are applied typically relate to determining the present value of uncertain future cash flows or assessing other events in which the outcome is uncertain at the date of acquisition. The most significant estimates are made on the valuation of intangible assets, including the value of the acquired brand, franchise set-up, order backlog, and land and buildings.

IMPAIRMENT TESTING OF GOODWILL AND BRAND

Goodwill and brand with indefinite useful life are recognized at cost less any accumulated impairment. The Group regularly and at least annually performs impairment tests of goodwill and brand in accordance with the accounting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

policies. The assumptions and assessments made pertaining to expected cash flows and the discount rate in the form of weighted average cost of capital and are described in note 12, Intangible assets.

VALUATION OF INVENTORY

The Group estimates the net realisable value at the amount at which inventories are expected to be sold. Inventories are written down to net realisable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. Estimates are used when accounting for or measuring inventory writedowns, and these estimates depend upon subjective and complex judgements about certain circumstances, taking into account fluctuations in prices, excess quantities, condition of the inventory, nature of the inventory, and the estimated variable costs necessary to make the sale.

IMPACT FROM NEW IFRS STANDARDS

The TCM Group has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2017 financial year, which was amendments to IAS 7: Disclosure Initiative (issued 2016, effective date 1 January 2017).

The implemention has not had any significant impact on recognition, measurement or disclosures in the Annual Report 2017 and is not expected to have significant impact on the financial reporting for future periods.

NEW IFRS STANDARDS THAT HAVE NOT YET BEEN APPLIED

A number of new or amended IFRS standards will come into effect in future fiscal years, and have not been applied in advance when preparing these consolidated financial statements.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. Through IFRS 9, the IASB has made a number of changes to the recognition of financial instruments. The amendments contain new requirements for recognition and measurement of financial instruments, an expected loss impairment model and simplified requirements for hedge accounting. IFRS 9 comes into effect on 1 January 2018.

The amendments of recognition and measurement is not assessed to impact the consolidated financial statements. Since bad debt losses have been and are expected to be very limited, the effect will be immaterial. The new rules for hedge accounting are not expected to have any material effect on the recognition in the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers entails that IFRS will contain a single, principles based model for all industries, which is to replace existing standards and statements on revenue. IFRS 15 comes into effect on 1 January 2018.

Under IFRS 15, revenue is recognized at the point in time control over the goods passed to the customer. Revenue recognition for certain project sales, including the installation of kitchens, will be affected. Such sales comprise only a small percentage of the Group’s sales. On this basis, the impact regarding the recognition of variable income and other changes in policies in IFRS 15 is assessed to be immaterial.

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease and related rules with application from 2019. The new standard entails for lessees that all leases that meet the definition in the standard of a lease are to be recognized as an asset and liability in the balance sheet, with depreciation and interest expense recognized in profit or loss. Agreements for primarily the lease of premises, which currently comprise operating leases (see note 8), are not recognized in the balance sheet as an asset and liability except for the accrued amounts arising in connection with the financial statements. Calculations of the effects based on 2017 input, in terms of amounts, that capitalization of these leases may give rise to, indicates no significant impact on profit before tax, a favorable impact on EBIT margin of c. 0.1%-point and an adverse impact on the solvency ratio of c. 2-3%-points.

Other amendments to accounting policies with future application are not deemed to have any material effect on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

CLASSIFICATION, ETC.

Non-current assets essentially comprise amounts that are expected to be recovered more than 12 months after the balance sheet date. Current assets essentially comprise amounts that are expected to be recovered within the 12 months after the balance sheet date. Long-term liabilities comprise amounts that TCM Group A/S intends, and has an unconditional right, to pay later than 12 months after the closing date. Other liabilities comprise short-term liabilities.

ASSETS HELD FOR SALE

Assets classified as held for sale comprise assets for which it is highly probable that the value will be recovered through a sale within 12 months rather than through continued use. Assets classified as held for sale are measured at the carrying amount at the classification date as “held for sale” or at market value less selling costs if lower. The carrying amount is measured in accordance with the Group’s accounting policies. No depreciation is effected on property from the time when they are classified as “held for sale”. Impairment losses arising on first classification as “held for sale” and gains and losses from the subsequent measurement are recognized in the income statement.

CONSOLIDATION PRINCIPLES AND BUSINESS COMBINATIONS

SUBSIDIARIES

Subsidiaries are companies subject to the controlling influence of TCM Group A/S. A controlling influence entails the direct or indirect right to shape a company’s financial or operational strategies in a bid to receive financial benefits. When assessing whether a controlling influence exists, potential voting shares that can be immediately utilized or converted must be taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the controlling interest arises and are included in the consolidated financial statements until the date on which the controlling interest ceases.

If ownership is reduced to such an extent that controlling interests are lost, any remaining holdings are recognized at fair value and the change in value is recognized in profit or loss.

TRANSACTIONS THAT ARE ELIMINATED THROUGH CONSOLIDATION

Intra-Group receivables and liabilities, income or expenses and unrealized gains or losses that arise from intra-Group transactions between Group companies, are eliminated in their entirety in the preparation of the consolidated financial statements.

BUSINESS COMBINATIONS

Business combinations are recognized in accordance with the acquisition method. According to this method the acquired identifiable assets and assumed liabilities and contingent liabilities are recognised at their fair value on the acquisition date. The consideration is measured at fair value of the consideration transferred to the former owner of the acquiree. Acquisition related costs are recognized in profit or loss as incurred.

Goodwill in business combinations is calculated as the total of the consideration transferred, any non-controlling interests and fair value of previously owned participations (for step acquisitions) less the fair value of the subsidiary’s identifiable assets and assumed liabilities. When the difference is negative, it is recognized directly in net profit for the year.

Contingent consideration in acquisitions is measured at fair value on both the acquisition date and continuously thereafter, with changes in value recognized in profit or loss.

For acquisitions of subsidiaries involving non-controlling interests, the Group recognizes net assets attributable to non-controlling interests either at fair value of all of the net assets except goodwill, or at fair value of all net assets including goodwill. The principle is decided individually for each acquisition.

Ownership in companies that grow through acquisitions on several occasions is recognized as step acquisitions.
For step acquisitions that lead to a controlling interest, the previously acquired participations are remeasured according to the most recent acquisition and the arising gains or losses are recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

When controlling interests are achieved, changes in ownership are recognized as a reallocation of shareholders' equity between the parent company's owners and the non-controlling interest, without any remeasurement of the subsidiary's net assets.

SEGMENT REPORTING

An operating segment is a part of the Group that conducts business activities from which it earns revenue and incurs expenses and for which independent financial information is available. Furthermore, the results of an operating segment are monitored by the company's chief operating decisionmaker to evaluate them and to allocate resources to the operating segment. TCM Group A/S has only one operating segment that is producing and selling kitchens, bathrooms and storage.

REVENUE RECOGNITION

The Company recognizes revenue when the risk and benefit associated with the goods have been transferred to the customer in accordance with the terms of delivery. In cases where installation services are provided, revenue is recognized when the service has been completed. Sales are recognized net after VAT and discounts.

NON-RECURRING ITEMS

Non-recurring items are used in connection with the presentation of the profit or loss for the year to distinguish income and expenses that are special and of a non-recurring nature from the consolidated operating profit for the year. Non-recurring items are assessed item by item and comprise restructuring costs, impairment charges and other items relating to fundamental reorganisations as well as gains or losses on major disposals. Furthermore, non-recurring items include costs related to the Initial Public Offering, transactions cost related to business combinations and amortization of identified items in a business combination not previously recognized and that are amortized fully within the first year after the acquisition, e.g. the fair value of an order backlog. Such amortization is non-recurring in nature.

OPERATING EXPENSES

Operating expenses primarily comprise marketing costs, administrative expenses and other operating costs including staff costs related to sales, marketing and administrative personnel.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest income on bank balances and receivables, interest expense on loans, gain/loss on interest rate swaps as well as exchange rate differences on financial items.

Interest income on receivables and interest expense on liabilities are calculated in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of all future receipts and disbursements during the fixed-interest term becoming equal to the carrying amount of the receivable or liability. The calculation includes all fees paid or received by contractual parties that are part of the effective interest rate, meaning transaction costs and surplus and deficit values.

TAX

Tax costs for the year comprise current tax and deferred tax. Income taxes are recognized in profit or loss except when the underlying transaction is recognized in other comprehensive income or in shareholders' equity, whereby the associated tax effects are recognized in other comprehensive income or in shareholders' equity.

Current tax is tax that is to be paid or received regarding the current year, by applying the tax rates determined or that have been determined in principle on the balance sheet date. This item also includes adjustments to current tax attributable to previous periods.

Deferred tax is calculated according to the balancesheet method on all temporary differences arising between recognized and fiscal values of assets and liabilities.

The tax effect attributable to tax loss carryforwards that could be utilized against future profits is capitalized as a deferred tax asset. This applies to both accumulated loss carryforwards at the acquisition date and losses arising thereafter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

The tax rate effective at the balance sheet date is used for measuring deferred tax. Deferred tax is recognized in the balance sheet as a non-current asset or long-term liability. The income tax liability is recognized as a current receivable or current liability.

If the actual outcome differs from the amounts first recognized, the differences will affect current tax and deferred tax in the period in which these calculations are made.

TANGIBLE ASSETS

Tangible assets are recognized at cost with deductions for depreciation and any impairment. Cost includes expenses that can be directly attributed to the acquisition. Costs for repairs, maintenance and any interest expenses are recognized as costs in profit or loss in the period in which they arise.

In the event that an asset's carrying amount exceeds its estimated recoverable amount, the asset is written down to its recoverable amount, which is charged to operating profit.

In the income statement, operating profit is charged with straight-line depreciation, which is calculated on the original cost less estimated residual value after useful life and is based on the estimated useful lives of the assets as follows:

Buildings	36–40 years
Machinery and other technical equipment	3-10 years
Equipment, tools, fixtures and fittings	2-7 years

Land is not depreciated.

Expected useful lives and residual values are reviewed annually.

INTANGIBLE ASSETS

Goodwill comprises the amount by which the cost of the acquired operation exceeds the established fair value of identifiable net assets, as recognized in the acquisition analysis. In connection with the acquisition of operations, goodwill is allocated to cash generating units. In connection with acquisitions the fair value of the different brands have been measured respectively. Since goodwill and brand have an indefinite useful life, it is not amortized. The indefinite useful life is justified by the long life of the brand, where there are no intention of changing the brand set-up. Thus, it is not possible to determine a useful life. Instead, goodwill and brand are subject to impairment testing either annually or when an indication of an impairment requirement arises. The carrying amount comprises the cost less any accumulated impairment losses. A description of the method and assumptions applied when conducting impairment tests is found in note 12 Intangible Assets.

Other intangible assets with definite useful life are recognized at cost less accumulated amortization and any impairment. It also includes capitalized costs for purchases and internal and external costs for the development of software for the Group's IT operations, patents and licenses. Amortization takes place according to the straight-line method based on the estimated useful life of the asset (three to five years).

RESEARCH AND PRODUCT DEVELOPMENT

Costs for product development are expensed immediately as and when they arise.

Product development within the Group is mainly in the form of design development and is conducted continuously to adapt to current style trends. This development is relatively fast, which is the reason that no portion of the costs for product development is recognized as an intangible asset. The Group does not carry out research and development in the true sense of such work, or to any significant extent.

LEASES

Leases concerning tangible assets in which the Group essentially carries the same risks and enjoys the same benefits that direct ownership would entail are classified as financial leasing. Financial leases are recognized at the start of the leasing period at the lower of the leasing object's fair value and the present value of minimum leasing fees. Financial leases are recognized in the balance sheet as tangible assets and financial liabilities, respectively. Future leasing payments are divided between repayment of the liabilities and financial expenses whereby each accounting period is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

charged with an amount of interest corresponding to a fixed-interest rate on the liability recognized during the respective period. Leasing assets are depreciated according to the same principles that apply to other assets of the same type. Costs for leases are divided between depreciation and interest in the income statement.

Leasing of assets, where the lessor essentially remains the owner of the asset, is classified as operational leasing. Leasing fees are recognized on a straight-line basis during the leasing period. Operating leases are recognized in profit or loss as an operating expense. Leasing of cars and computers is normally treated as operational leasing. The value of these leases is not considered to be significant.

INVENTORIES

Inventories comprise finished and semi-manufactured products and raw materials. Inventories are valued according to the first-in, first-out (FIFO) principle, at the lower of the cost and net sales value on the balance sheet date. The net sales value comprises the estimated sales value in the ongoing operations less selling expenses. Cost of finished and semi-manufactured products are measured at manufacturing cost including raw materials, direct labour, other direct expenses and production related overheads based on normal production.

Inter-Group profits on inventory is eliminated in the consolidated financial statements.

FINANCIAL INSTRUMENTS

Financial instruments recognized in the balance sheet include cash and cash equivalents, loans receivable, trade receivable and derivative instruments on the asset side. On the liability side, there are accounts payable, loan liabilities and derivative instruments.

RECOGNITION IN AND DERECOGNITION FROM THE BALANCE SHEET

A financial asset or a financial liability is entered in the balance sheet when the company becomes a party in accordance with the contractual terms of the instrument. A receivable is recognized when the company has performed a service and a contractual payment obligation arises for the counterparty, even if an invoice has not been sent. Trade receivable are recognized in the balance sheet when revenue is recognized and an invoice has been sent. A liability is recognized when the counterparty has performed a service and a contractual payment obligation arises, even if an invoice has not been received. Accounts payable are recognized when a service or product has been received.

A financial asset is derecognized from the balance sheet when the rights resulting from the agreement have been realized, expire or the company loses control over them. The same applies to a part of a financial asset. A financial liability is derecognized from the balance sheet when the obligation resulting from the agreement has been realized or is extinguished in some other manner. The same applies to a part of a financial liability.

A financial asset and a financial liability may only be offset against each other and recognized net in the balance sheet if there is a legal right to offset the amounts and the intention is to settle the items in a net amount or to simultaneously sell the asset and settle the debt.

The acquisition or divestment of financial assets is recognized on the date of transaction for on demand transactions, which is the date when the company undertakes to acquire or sell the asset.

MEASUREMENT

Financial instruments that are not derivative instruments are initially recognized at cost corresponding to the instrument’s fair value plus transaction costs. Transaction costs for derivative instruments are immediately expensed. On initial recognition, a financial instrument is classified on the basis of the purpose underlying the acquisition of the instrument. This classification determines how the financial instrument is measured after initial recognition, in the manner described below. For the recognition of derivative instruments, refer to cash-flow hedges below.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities in foreign currencies are valued at the balance sheet date rate. Exchange rate fluctuations pertaining to operating receivables and liabilities are recognized in operating profit, while exchange rate fluctuations pertaining to financial receivables and liabilities are recognized in net financial items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

LOANS AND TRADE RECEIVABLE

The category of loans and trade receivable comprises financial assets that are not derivative instruments, that have fixed or fixable payments and that are not listed on an active market. For TCM Group A/S, this category includes long-term loans receivable recognized as financial assets and trade receivable and other receivables recognized as current assets. These assets are valued at amortized cost. Amortized cost is determined based on the effective rate calculated on the acquisition date. Loans and trade receivable are recognized at the amounts that are expected to be received, meaning less any provisions for decreases in value. Receivables with short maturities are not discounted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash and bank balances and short-term investments with maturities not exceeding three months from the acquisition date.

FINANCIAL LIABILITIES

All transactions pertaining to financial liabilities are recognized on the settlement date. Liabilities (except for derivative instruments with negative values) are measured at amortized cost.

CASH-FLOW HEDGES, INTEREST-RATE RISK

Interest swaps can be used to hedge the uncertainty of highly probable forecasted interest-rate flows for borrowing at variable interest, whereby the company receives variable interest and pay fixed interest. Interest swaps are measured at fair value in the balance sheet. The interest coupon portion is continuously recognized in profit or loss as a portion of interest expense. Unrealized changes in fair value of interest swaps are recognized in other comprehensive income and are included as a portion of the hedging reserve until the hedged item impacted net profit for the year and as long as the criteria for hedge accounting and effectiveness are fulfilled.
The gain or loss attributable to the ineffective portion of unrealized changes in value of interest swaps is recognized in profit or loss.

IMPAIRMENT

The carrying amounts of the Group's assets are tested annually for indications of any impairment requirement.
IAS 36 is applied for the impairment testing of assets other than financial assets, which are tested according to IAS 39, inventories, and deferred tax assets, if any.

IMPAIRMENT TESTING OF TANGIBLE AND INTANGIBLE ASSETS

If there is an indication of an impairment requirement, the recoverable amount of the asset is tested in accordance with IAS 36 (see below). For goodwill and assets with indefinite life e.g. brand, the recoverable amount is calculated annually. When testing for impairment requirements, if it is not possible to establish essentially independent cash flows for an individual asset, the assets must be grouped at the lowest level at which it is possible to identify essentially independent cash flows, known as cash generating units.

Impairment losses are recognized when the carrying amount of an asset or a cash generating unit (group of units) exceeds the recoverable amount. Impairment losses are charged against profit or loss. Impairment losses related to assets attributable to a cash generating unit are primarily allocated to goodwill. Subsequently, a proportional impairment of other assets included in the unit (group of units) is effected.

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating the value in use, future cash flows are discounted using a discounting factor that takes into account the risk-free interest rate and the risk associated with the specific asset or cash generating unit (group of units).

IMPAIRMENT TESTING OF FINANCIAL ASSETS

The Group evaluates whether there is any objective evidence to suggest that a financial asset or group of assets is subject to an impairment requirement. Objective evidence comprises observable conditions that have occurred and that have had a negative impact on recoverable amount. For trade receivable, objective evidence comprises, for example, payment difficulties among customers or imminent corporate reconstructions. Trade receivable that require impairment are recognized at the present value of expected future cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT REVERSAL
An impairment loss on assets that come under the scope of IAS 36 is reversed if there is an indication that the impairment is no longer pertinent and that there has been a change in the assumptions upon which the calculation of the recoverable amount was based. However, an impairment loss on goodwill and brand with indefinite useful life is never reversed. A reversal is only performed to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that would have been recognized, less depreciation wherever applicable, if no impairment had been posted.

An impairment loss on loans and trade receivable recognized at amortized cost is reversed if the previous reasons for the impairment loss no longer exist and full payment can be expected to be received from the customer.

CONTINGENT LIABILITIES
A contingent liability is disclosed when the Company has a possible obligation deriving from an occurred event whose existence will be confirmed only by one or more uncertain future events, or when there is an obligation that has not been recognized as a liability or provision because it is not probable that an outflow of resources will be required, or alternatively because it is not possible to sufficiently reliably estimate the amount concerned.

SHAREHOLDERS' EQUITY
Dividends are recognized as a liability after the Annual General Meeting has approved the dividend.

EARNINGS PER SHARE
The calculation of earnings per share is based on consolidated net profit attributable to the Parent company shareholders and on the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution, the average number of shares outstanding is adjusted to take into account the dilutive effects of potential ordinary shares including employee share options. The options are dilutive if the exercise price is lower than the share price. Dilution is greater, the greater the difference between the exercise price and the share price.
For the options, the exercise price is added the value of future services.

EMPLOYEE BENEFITS
LONG-TERM REMUNERATION
The Group operates schemes for remuneration to employees for long service.

The amount is deemed insignificant and the Group, therefore, recognizes the expense at the time of the anniversary.

SHARE-BASED REMUNERATION SCHEMES
Costs for employee benefits are recognized as the value of services received, allocated over the vesting periods for the plans, calculated as the fair value of the allotted equity instruments (IFRS 2). The fair value is determined on the allotment date, or the date on which TCM Group A/S and the employees have agreed on the terms and conditions of the plans. Since the plans were expected to be settled with equity instruments, they are classified as "equity settled" and an amount corresponding to the recognized cost for employee benefits is recognized directly in shareholders' equity (retained earnings).

The recognized cost is initially based on, and regularly adjusted in relation to, the number of share options/share rights that are expected to be vested by considering how many participants are expected to remain in service during the vesting period. Similarly, the allocation of the cost is based on, and regularly adjusted in relation to, the expected vesting period that is determined as the period until an exit defined as change in control over the Group or a public offering and listing of the shares of the Group.

SHORT-TERM REMUNERATION
Short-term remuneration to employees is calculated without discounting and is recognized as a cost when the related services are obtained. A provision is posted for the anticipated cost of bonus payments when the Group has a current legal or contractive obligation to make such payments, due to the services being obtained from the employees and it being possible to reliably estimate the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS

FOREIGN EXCHANGE RISK

TCM Group A/S has limited currency exposure and risk and, therefore, no currency hedging is applied.
Sale is in DKK and purchase is primarily in DKK and EUR. Due to the current DKK-EUR fixing, purchase is not hedged.
Purchase in other currencies was DKK 4 million in 2017 (DKK 4 million).

TRANSLATION EXPOSURE

The Group does not have any subsidiaries in foreign countries, why there is no translation exposure.

CREDIT RISK

TCM Group A/S' customer base comprises both professional customers and consumers. Credit management and payment terms are monitored for each customer group. The Group provides credit to professional customers whereas consumers usually do not get credit. Credit assessments are continuously performed on customers who make regular purchases. Credit insurance, bank guarantees and other collaterals are utilized for the different markets and customer categories.

An impairment loss is recognized when obvious reasons are deemed to exist that the Group will not receive the entire or part of the amount due. Obvious reasons may, in this context, pertain to external information that establishes that a receivable is doubtful. An impairment loss is initially recognized for each individual receivable. Collective impairment losses are recognized for a group of receivables with similar credit features and characteristics.

AGE ANALYSIS, TRADE RECEIVABLE

DKK'000	2017	2016
Trade receivables	**35,141**	**32,463**
Non-due trade receivable	30,533	29,557
Past due trade receivable 0-30 days	3,126	1,976
Past due trade receivable 30-90 days	1,901	1,222
Past due trade receivable >90 days	1,179	636
Total overdue	**6,205**	**3,834**
Of which secured	3,982	2,388
- Impaired	0	0
Of which unsecured	2,223	1,446
- Impaired	(1,598)	(928)
Total overdue after impairment	**4,607**	**2,906**
Impairment loss recognized in the income statement during the period	**265**	**360**

FINANCIAL EXPOSURE

Bank loans with a nominal amount of DKK 220 million have a term of 5 years and expire in 2022 (DKK 210 million expirering in 2022 and 2023). Borrowing costs of DKK 1.9 million are capitalized on the loans and amortized in accordance with the repayment terms stated in the loan agreements.

There are covenants associated with the bank loans. There has been no breach of any covenant during the period.
The interest rates on the bank loans are variable, but are partially hedged with an interest rate swap.

Mortgage loans with a nominal amount of DKK 56 million (DKK 59 milion) in total have a term of 20 years and expire in 2032. The interest rates of mortgage loans are variable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

INTEREST-RATE RISK

It is Group policy to fully or partially hedge interest rate risks on loans when it is assessed that the interest payment can be hedged satisfactorily. Hedging is usually made by means of interest rate swaps, where loans at floating interest rates are fully or partially converted to loans with a fixed interest rate.

In 2016, the Group entered into an interest rate swap with a principal amount of DKK 127 million corresponding to 58% of the outstanding debt on bank loans of DKK 220 million as at 31 December 2017. The interest rate swap expires on 29 March 2019. The change in the fair value of interest rate swap is recognized in other comprehensive income and is included as a portion of the hedging reserve in equity until the hedged item impacts net profit for the period and as long as the criteria for hedge accounting and effectiveness is fulfilled. The interest rate for the term of the agreement has been fixed at 0.1%.

For the Group's floating rate cash and cash equivalents and debt to banks, an increase in interest rate level of 1% p.a. relative to the actual interest rates would have a negative impact on the profit for the period and on equity at 31 December 2017 of DKK 0.9 million (DKK 0.4 million).

ASSUMPTIONS FOR ANALYSIS OF INTEREST-RATE SENSITIVITY

The stated sensitivities are calculated on the basis of the recognized financial assets and liabilities at 31 December 2017. No adjustments have been made for instalments, raising of loans, etc. during the course of the year.

The computed expected fluctuations are based on the current market situation and expectations for the market developments in the interest rate level.

CAPITAL MANAGEMENT

The Group targets a leverage ratio of max 2.25 x EBITDA. However, if acquisition opportunities arise, the Company may deviate from this policy. The leverage ratio as of 31 December 2017 is 1.72.

The Board of Directors has adopted a dividend policy with a target payout ratio of 40-60 percent of consolidated net profit for the year. The Board of Directors is planning not to distribute dividend for the financial year 2017 due to the cash settlement of the Company's management incentive programme in connection with the Initial Public Offering and the Company's strategic plan to expand also trough acquisitions.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

Interest rate swaps are valued using an income approach (discounted cash flow). Expected future cash flows are based on relevant observable swap rates and discounted using a discount rate that reflects the credit risk of the relevant counterparties (level 2).

The classification of financial instruments measured at fair value is disaggregated in accordance with fair value hierarchy:

- Quoted prices in an active market for identical instruments (level 1)
- Quoted prices in an active market for similar assets or liabilities or other valuation methods where all significant inputs are based on observable market data (level 2)
- Valuation methods in which any significant input is not based on observable marked data (level 3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS:

DKK'000	2017	2016
Interest rate swaps	(557)	(616)
	(557)	**(616)**

During the financial period, the Group had no financial instruments in level 1 or 3.

The fair value of financial assets and financial liabilities measured at amortised cost is approximately equal to carrying amount, due to the short maturity of financial assets and the floating rate of the financial liabilities.

LIQUIDITY RISK

Liquidity is controlled centrally with the aim of using available liquidity efficiently, at the same time keeping necessary reserves are available. Available liquidity comprised DKK 49 million (DKK 97 million) as of 31 December 2017.

MATURITY STRUCTURE, FINANCIAL AND OPERATIONAL LIABILITIES – UNDISCOUNTED CASH FLOWS

DKK MILLION	NOMINAL AMOUNT, FUNCTIONAL CURRENCY	0-6 MONTHS	6-12 MONTHS	1-5 YEARS	5 YEARS OR LATER	TOTAL
2017						
Bank loans	218.2	13.6	13.1	205.4	0.0	232.2
Mortgage loans	55.4	15.3	1.5	12.2	29.3	58.3
Financial lease liabilities	1.0	0.2	0.2	0.6	0.0	1.0
Trade payables	117.2	117.2	0.0	0.0	0.0	117.2
Other liabilities	46.3	37.7	7.1	1.4	0.1	46.3
Financial and operational liabilities at 31 December 2017		**184.0**	**22.0**	**219.6**	**29.4**	**455.0**

DKK MILLION	NOMINAL AMOUNT, FUNCTIONAL CURRENCY	0-6 MONTHS	6-12 MONTHS	1-5 YEARS	5 YEARS OR LATER	TOTAL
2015/16						
Bank loans	203.7	35.0	9.7	73.4	110.9	229.0
Mortgage loans	59.0	2.1	2.1	16.3	42.7	63.2
Financial lease liabilities	0.5	0.2	0.1	0.2	0.0	0.5
Trade payables	84.8	84.8	0.0	0.0	0.0	84.8
Other liabilities	36.7	29.7	6.1	0.8	0.1	36.7
Financial and operational liabilities at 31 December 2016		**151.8**	**18.0**	**90.7**	**153.7**	**414.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION

The Group's business activities are managed within a single operating segment that is producing and selling kitchens, bathrooms and storage. Kitchens and related products cover products for kitchen. The result of the operating segment is monitored by the Group's management to evaluate it and to allocate resources.

DKK'000	REVENUE FROM CUSTOMERS 2017	INTANGIBLE AND TANGIBLE ASSETS 2017	REVENUE FROM CUSTOMERS 2015/2016*	INTANGIBLE AND TANGIBLE ASSETS 2016
GEOGRAPHIC AREAS				
Denmark	721,337	653,527	467,922	630,829
Other countries	95,993	0	40,609	0
	817,330	**653,527**	**508,531**	**630,829**

Revenue consists of sale of goods and services.

4. STAFF COSTS

TOTAL COSTS FOR EMPLOYEE BENEFITS

DKK'000	2017	2015/2016*
Salaries and other remuneration	157,139	99,656
Social security costs	3,789	2,683
Pension costs – defined contribution plans	18,568	13,004
Other staff costs	40	44
Share-based payments	3,349	2,132
Total costs for employees	**182,886**	**117,519**

The average number of employees and number of men and women among Board members and Executive Management are described in note 5.

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. COSTS FOR EMPLOYEE BENEFITS (CONTINUED)

REMUNERATION AND OTHER BENEFITS

DKK'000	BASIC SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	SHARE-BASED PAYMENTS	TOTAL	NUMBER OF INDIVIDUALS
2017							
Board of Directors	1,261	0	0	0	79	1,340	5
Executive Management	5,064	2,750	576	293	3,009	11,692	3
Total	**6,325**	**2,750**	**576**	**293**	**3,088**	**13,032**	**8**

The net cash settlement og the share option scheme 2016 (refer to separate section below) related to the Board of Directors was DKK 2.0 million and to Executive Management DKK 77.7 million.

DKK'000	BASIC SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	SHARE-BASED PAYMENTS	TOTAL	NUMBER OF INDIVIDUALS
2015/16*							
Board of Directors	475	0	0	0	50	525	3
Executive Management	4,120	1,069	479	256	1,915	7,839	3
Total	**4,595**	**1,069**	**479**	**256**	**1,965**	**8,364**	**6**

Employees including the Board of Directors and Executive Management have the opportunity to buy kitchens, bathrooms and storage at a discounted price. The purchases are done indirectly through an independent store. The total value of the purchases made by the Board of Directors and Executive Management was DKK 0 thousand (DKK 137 thousand) during the period.

BOARD OF DIRECTORS

Remuneration to members of the Board of Directors is determined by resolutions taken at the Annual General Meeting.

EXECUTIVE MANAGEMENT

Executive Management, which comprise 3 individuals, received salaries and benefits during the fiscal year amounting to DKK 5.1 million plus variable salary portions based on results for 2017 of DKK 2.8 million.

In addition to basic salary, Executive Management has a Short-term Incentive program (STI) and a Long-term Incentive program (LTI) which is governed by the Remuneration policy. The STI for 2018 is capped at 50% of the annual basic salary and is based on annual KPIs.
The LTI is applicable for the period 2018-2020. The LTI is cash based upon total absolute and relative shareholder return (annual target and three-year target) and earnings per share (three-year target). The LTI is capped at 50% of the annual basic salary.

SHARE OPTION SCHEME 2016 (WARRANTS)

As of 24 November 2017, the share option scheme 2016 (warrants) has been exercised with a cash settlement of the warrants of DKK 86.5 million in connection with the listing of the company. Share-based remuneration (warrants) pertained to employee benefits, including the Chairman of the Board of Directors, Executive Management, and key employees in accordance with the employee share option scheme, allotted by TCM Group A/S in 2016. The share options were linked to investment in shares in TCM Group A/S and were conditional upon continued employment at an exit defined as change in control over the Group or a public offering and listing of the shares of the Group. The warrants were settled with the listing of the Company on the 24 November 2017.

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. COSTS FOR EMPLOYEE BENEFITS (CONTINUED)

	NUMBER OF SHARE OPTIONS	AVERAGE EXERCISE PRICE DKK PER OPTION
As of 1 January 2017	1,366,000	32.34
Exercised	(1,366,000)	34.69
As of 31 December 2017	**0**	**0**
As of 9 December 2015	0	0
Allotted	1,366,000	30.97
As of 31 December 2016	**1,366,000**	**32.34**

5. AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD

	2017	2016
Average number of employees	410	336
Board members	5	3
Of which women	*1*	*1*
Executive Management	3	3
Of which women	*0*	*0*

Anders Tormod Skole-Sørensen and Peter Liebert Jelkeby have been elected as a Board member in 2017 and thus the Board of Directors consists of 5 members in total at the date of approval of these consolidated financial statements.

6. AUDIT FEE

In addition to statutory audit, Deloitte Statsautoriseret Revisionspartnerselskab, the auditors appointed at the Annual General Meeting, provides other assurance engagements and other consultancy services to the Group.

DKK'000	2017	2015/2016*
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	595	315
Other assurance engagements	2,012	32
Tax and indirect taxes advisory	318	31
Other services	2,285	1,318
	5,210	**1,696**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounts to DKK 4.6 million and consists of advisory services related to the Initial Public Offering, issuance of various assurance reports, tax advisory services and accounting advisory.

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. DEPRECIATION/AMORTIZATION AND IMPAIRMENT BY ACTIVITY

DKK'000	DEPRECIATION/ AMORTIZATION 2017	IMPAIRMENT 2017	DEPRECIATION/ AMORTIZATION 2015/2016*	IMPAIRMENT 2015/2016
Cost of goods sold	5,884	0	4,056	0
Selling expenses	22	0	18	0
Administrative expenses	10,268	0	8,741	0
Non-recurring items	405	7,211	5,478	0
Total depreciation/amortization and impairment	**16,579**	**7,211**	**18,293**	**0**

8. OPERATING LEASES

For the years 2018-2024, non-cancellable leases have been entered into regarding rental contracts for premises and vehicles mainly. The leases are made with fixed lease payments, which are indexed. The leases are non-cancellable until the period mentioned and are then cancellable within 3-12 months.

The nominal values of contracted future leasing payments are specified as follows:

DKK'000	2017	2016
Falling due for payment within one year	11,091	11,417
Falling due for payment between one and two years	8,012	7,724
Falling due for payment between two and three years	7,322	5,678
Falling due for payment between three and four years	6,824	4,957
Falling due for payment between four and five years	3,961	4,823
Falling due for payment later	1,768	2,412
Total	**38,977**	**37,011**
Expensed during the period	6,752	4,851

The nominal values of rental contracts that are subleased (income) are specified as follows:

DKK'000	2017	2016
Falling due for payment within one year	6,661	7,178
Falling due for payment between one and two years	4,541	4,328
Falling due for payment between two and three years	4,541	2,440
Falling due for payment between three and four years	4,541	2,177
Falling due for payment between four and five years	3,200	2,177
Falling due for payment later	1,768	1,089
Total	**25,252**	**19,389**

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. NON-RECURRING ITEMS

DKK'000	2017	2015/2016*
Transaction costs related to business combinations	844	13,219
Amortization of order backlog from business combinations	405	5,478
Costs related to the Initial Public Offering of the Company	16,734	0
Costs related to integration of Nettoline	9,103	0
Impairment of assets held for sale related to site shutdown	7,211	0
Total	**34,297**	**18,697**

10. FINANCIAL INCOME AND EXPENSES

DKK'000	2017	2015/2016*
FINANCIAL INCOME		
Interest income on financial assets measured at amortized costs	275	232
FINANCIAL EXPENSES		
Interest expense on liabilities measured at amortized costs	(14,430)	(13,478)
Total	**(14,155)**	**(13,246)**

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME
TAX FOR THE PERIOD CAN BE SPECIFIED AS FOLLOWS:			
Current tax	21,374	13	21,387
Change in deferred tax during the period	(2,626)	0	(2,626)
Total	**18,748**	**13**	**18,761**
TAX FOR THE PREVIUS PERIOD* CAN BE SPECIFIED AS FOLLOWS:			
Current tax	16,012	(136)	15,876
Change in deferred tax during the period	(3,557)	0	(3,557)
Total	**12,455**	**(136)**	**12,319**

Reconciliation of the effective tax rate for the period can be specified as follows:

DKK'000	%	2017	%	2015/2016*
Tax rate	22.0	14,683	22.0	9,016
Non-taxable income	0.0	0	(0.2)	(104)
Non-deductible expenses	5.5	3,686	7.1	2,939
Other	0.6	379	1.5	604
Effective tax rate for the period	**28.1**	**18,748**	**30.4**	**12,455**

* 2015/16 covers the period 9 December 2015 to 31 December 2016, but only includes 10 months of business activity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. INTANGIBLE ASSETS

DKK'000	2017	2016
GOODWILL		
Opening carrying amount	315,779	0
Acquisition of operations	54,017	315,779
Closing carrying amount	**369,796**	**315,779**
BRAND		
Opening carrying amount	171,961	0
Acquisition of operations	0	171,961
Closing carrying amount	**171,961**	**171,961**

IMPAIRMENT OF TESTING OF GOODWILL AND BRAND

At the end of 2017, recognized goodwill amounted to DKK 369.8 million (DKK 315.8 million) and recognized brand amounted to DKK 172.0 million (DKK 172.0 million).

Goodwill has been allocated to cash generating unit (CGU) when the unit was acquired. TCM Group A/S has one CGU corresponding to the operating segment "Producing and selling kitchens, bathrooms and storage", hence the acquired goodwill has been allocated.

Goodwill and brand are subject to an annual impairment test by calculating the expected recoverable amount of the CGU. The recoverable amount is calculated as the expected cash flow discounted by a weighted average cost of capital (WACC) after tax for the CGU. The recoverable amount, calculated in conjunction with this, is compared with the carrying amount, including goodwill and brand, for the CGU. The starting point of the calculation is the estimated future cash flows based on the financial budget for the forthcoming fiscal year. A forecast for the next four years is prepared based on this budget and expectations regarding market trends in the years ahead, which reflects previous experience.

When calculating the expected cash flow, significant assumptions applied include expected demand, growth in net sales, operating margin and working capital requirements. Various economic indicators are used to analyse the business climate, as well as external and internal analyses of these. The assumptions are also based on the impact of the Group's long-term strategic initiatives, comprising differentiated brands, central sourcing and product development. In order to extrapolate the cash flows beyond the first five years, a growth rate of 2% (2%) is applied.

The weighted average cost of capital is calculated on the average debt/equity ratio for large companies in similar industries and costs of debt and equity. The cost of shareholders' equity is determined on the basis of the assumption that all investors require at least the same level of return as for risk-free government bonds, with an additional risk premium for the estimated risks assumed when they invest in cash generating units. The risk premium has been established based on the long-term historical return on the stock market for large companies in similar industries by taking into consideration the risk profile of the business unit. The required return on debt financed capital is also calculated on the return on risk-free government bonds and by applying a borrowing margin based on an estimated company-specific risk. The current tax rate of 22% is applied.

In 2017, the Group's weighted cost of capital before tax amounted to 7.9% (9.1%) and after tax to 6.2% (7.1%).

Testing of goodwill and brand did not lead to any impairment in 2017 or 2016. In management's assessment, likely changes in the basic assumptions will not lead to the carrying amount exceeding the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. INTANGIBLE ASSETS (CONTINUED)

OTHER INTANGIBLE ASSETS

DKK'000	2017	2016
Opening cost	48,422	0
Investments for the period	664	670
Acquisition of operations	0	47,752
Closing accumulated cost	**49,086**	**48,422**
Opening amortization	12,909	0
Amortization for the period	9,346	12,909
Closing accumulated amortization	**22,255**	**12,909**
CLOSING CARRYING AMOUNT		
Of which:		
Software	2,891	4,013
Franchise set-up	23,940	31,500
Closing carrying amount	**26,831**	**35,513**

In connection with the acquisition of Nettoline A/S, see note 29, the fair value of an order backlog of DKK 0.4 million has been recognised under Other intangible assets. As all orders have been delivered during the period, the full amount of the order backlog has been amortized during the period.

In connection with the acquisition of TCM Group A/S (Former Holding Company) in 2016, see note 29, the fair value of an order backlog of DKK 5.5 million has been recognised under Other intangible assets. As all orders have been delivered during the period, the full amount of the order backlog has been amortized during the period.

Amortization of order backlog is recognized as a non-recurring item in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TANGIBLE ASSETS

DKK'000	BUILDINGS	LAND AND LAND IMPROVEMENTS	TANGIBLE ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	MACHINERY AND OTHER TECHNICAL EQUIPMENT	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS
Opening cost at 1 January 2017	**87,196**	**8,986**	**1,680**	**11,193**	**3,628**
Investments for the period	1,304	0	164	4,624	2,265
Transfer	0	0	(1,480)	1,443	37
Disposals for the period	0	0	(200)	(37)	(1,254)
Acquisition of operations	0	0	0	854	169
Reclassification to assets held for sale	(22,480)	(2,153)	0	0	0
Closing cost amount at 31 December 2017	**66,020**	**6,833**	**164**	**18,077**	**4,845**
Opening depreciation and impairment at 1 January 2017	1,794	0	0	2,191	1,122
Disposals for the period	0	0	0	(16)	(433)
Depreciation for the period	1,843	0	0	3,774	1,530
Reclassification to assets held for sale	(804)	0	0	0	0
Closing depreciation and impairment at 31 December 2017	**2,832**	**0**	**0**	**5,948**	**2,220**
Closing carrying amount at 31 December 2017	**63,188**	**6,833**	**164**	**12,129**	**2,625**
Of which carrying amount of financial leased assets					**1,137**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TANGIBLE ASSETS (CONTINUED)

DKK'000	BUILDINGS	LAND AND LAND IMPROVEMENTS	TANGIBLE ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	MACHINERY AND OTHER TECHNICAL EQUIPMENT	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS
Opening cost at 9 December 2015	**0**	**0**	**0**	**0**	**0**
Investments for the period	500	248	1,680	788	518
Disposals for the period	0	0	0	0	(278)
Acquisition of operations	86,696	8,738	0	10,405	3,388
Closing cost amount at 31 December 2016	**87,196**	**8,986**	**1,680**	**11,193**	**3,628**
Opening depreciation and impairment at 9 December 2015	0	0	0	0	0
Disposals for the period	0	0	0	0	(274)
Depreciation for the period	1,794	0	0	2,191	1,396
Closing depreciation and impairment at 31 December 2016	**1,794**	**0**	**0**	**2,191**	**1,122**
Closing carrying amount at 31 December 2016	**85,402**	**8,986**	**1,680**	**9,002**	**2,506**
Of which carrying amount of financial leased assets					**603**

No impairment was charged to tangible assets in 2017 or 2016.

14. FINANCIAL ASSETS

DKK'000	2017	2016
Deposits	748	686
Total	**748**	**686**
Opening cost	686	0
Investments for the period	62	17
Acquisition of operations	0	669
Closing cost	**748**	**686**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. INVENTORIES

DKK'000	2017	2016
Raw materials and consumables	14,274	13,645
Products in progress	12,113	8,547
Finished products	12,880	13,234
Total write-down of inventories	(4,770)	(6,336)
	34,497	**29,090**

Costs of goods sold recognized as an expense during the period are DKK 586.2 million (DKK 353.5 million) and reversal of write downs of inventory recognized as an income during the period are DKK 1.6 million (DKK 0.2 million).

16. COMPANIES IN THE TCM GROUP

	BUSINESS REGISTRATION NO	DOMICILE	SHARE OF EQUITY	EQUITY AS OF 31 DECEMBER 2017 DKK'000	RESULT 2017 DKK'000
PARANT COMPANY					
TCM Group A/S	37291269	Holstebro			
SUBSIDIARIES					
TCM Group Invest ApS	37291382	Holstebro	100%	300,695	41,609
TMK A/S	75924712	Holstebro	100%	95,613	75,065
Køkkenretail ApS	32556108	Holstebro	100%	(1,023)	(1,565)
Svane Køkkenet A/S	28517939	Holstebro	100%	4,502	463
Nettoline A/S	31599555	Aulum	100%	20,414	2,499

Equity and result for the subsidiaries are recognized according to the Danish Financial Statements' Act.

17. PREPAID EXPENSES AND ACCRUED INCOME

DKK'000	2017	2016
Contract work in progress	2,606	395
Prepaid rent	0	661
Other prepaid expenses	962	134
Total	**3,568**	**1,190**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. CASH AND CASH EQUIVALENTS

DKK'000	2017	2016
Cash and bank balances	49,167	96,610
Total	**49,167**	**96,610**

Unutilised overdraft facilities, which are not included in cash and cash equivalents, totaled DKK 30 million (DKK 30 million) as of 31 December 2017.

19. SHARE CAPITAL

	No. of registered shares	No. of shares outstanding	Nominal value
As of 1 January 2017	100,000	100,000	100,000
Bonus issue	900,000	900,000	900,000
Change of nominel value per share	9,000,000	9,000,000	0
As of 31 December 2017	**10,000,000**	**10,000,000**	**1,000,000**
As of 9 December 2015	50,000	50,000	50,000
Capital increase	50,000	50,000	50,000
As of 31 December 2016	**100,000**	**100,000**	**100,000**

Share capital amounted to nominal DKK 1,000,000. The share's nominal value is DKK 0,1. All of the registered shares are fully paid. All shares are ordinary shares of the same type.

20. VALUE ADJUSTMENTS OF CASH-FLOW HEDGES

DKK'000	Value adjustment of cash flow hedges 2017	Total 2017	Value adjustment of cash flow hedges 2016	Total 2016
Opening balance	**(480)**	**(480)**	**0**	**0**
Value adjustments of cash flow hedges, before tax	59	59	(616)	(616)
Tax on value adjustments of cash-flow hedges	(13)	(13)	136	136
Closing balance	**(435)**	**(435)**	**(480)**	**(480)**

HEDGING RESERVE

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. EARNINGS PER SHARE

EARNINGS PER SHARE BEFORE DILUTION

Earnings per share before dilution are calculated by dividing profit attributable to the shareholders by the weighted average number of outstanding ordinary shares during the period.

DKK	2017	2016
Profit attributable to shareholders (DKK'000)	47,993	28,528
Weighted average number of outstanding ordinary shares before dilution	10,000,000	8,930,412
Earnings per share before dilution (DKK)	4.80	3.19

EARNINGS PER SHARE AFTER DILUTION

To calculate earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilution effect of all potential ordinary shares. These potential ordinary shares are attributable to the employee share options that were allotted to certain senior executives in 2016. Refer to note 4, on page 50-52.

Various circumstances may mean that the share options do not lead to any dilution. If net profit for the period is negative, the share options are not considered dilutive. Also, the share options do not lead to dilution if the achieved earnings per share are insufficient to entitle shares at the end of the vesting period. In addition, the share options are not dilutive if the exercise price, including a supplement for the value of remaining future services to report during the vesting period, exceed the average share price for the period.

DKK	2017	2016
Weighted average number of outstanding ordinary shares	10,000,000	8,930,412
Employee share option scheme	1,366,000	1,366,000
Weighted average number of outstanding ordinary shares after dilution	10,646,264	9,022,393
Earnings per share after dilution	4.51	3.16

22. DIVIDEND

No dividend for the fiscal year will be proposed at the Annual General Meeting on 12 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. DEFERRED TAX

DKK'000	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET
Opening balance, 1 January 2017	0	61,166	61,166
Acquisition of operations	0	379	379
Recognized in net profit for the period	0	(2,626)	(2,626)
Closing balance, 31 December 2017	**0**	**58,919**	**58,919**
Opening balance, 9 December 2015	0	0	0
Acquisition of operations	0	64,723	64,723
Recognized in net profit for the period	0	(3,557)	(3,557)
Closing balance, 31 December 2016	**0**	**61,166**	**61,166**

The change in deferred tax liabilities for the period:

DEFERRED TAX LIABILITIES

DKK'000	TEMPORARY DIFFERENCES IN INTANGIBLE ASSETS	TEMPORARY DIFFERENCES IN TANGIBLE ASSETS	OTHER	TOTAL
As of 1 January 2017	**45,644**	**16,529**	**(1,008)**	**61,166**
Acquisition of operations	662	(170)	(112)	379
Recognized in net profit for the period	(1,813)	(1,316)	503	(2,626)
As of 31 December 2017	**44,493**	**15,043**	**(617)**	**58,919**
As of 9 December 2015	**0**	**0**	**0**	**0**
Acquisition of operations	48,333	16,268	122	64,723
Recognized in net profit for the period	(2,689)	261	(1,130)	(3,557)
As of 31 December 2016	**45,644**	**16,529**	**(1,008)**	**61,166**

Corporation tax-rate in Denmark for the year is 22.0%. There are no loss carryforwards.

24. BANK LOANS AND MORTGAGE LOANS

DKK'000	2017	2016
MATURITY STRUCTURE		
Within 1 year	39,437	42,760
Between 1 and 5 years	207,118	72,562
Longer than 5 years	28,043	147,976
Total	**274,598**	**263,298**

Refer to note 2 for additional information about bank loans and mortgage loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL ASSETS AND LIABILITIES

2017 DKK'000	Derivative hedging instruments measured at fair value	Loans, receivables and cash	Financial liabilities measured at amortized cost	Total carrying amount
Other long-term receivables	0	748	0	748
Trade receivable	0	35,141	0	35,141
Cash and cash equivalents	0	49,167	0	49,167
Total	**0**	**85,056**	**0**	**85,056**
Long-term interest-bearing liabilities	0	0	235,161	235,161
Current interest-bearing liabilities	0	0	39,437	39,437
Accounts payable	0	0	117,229	117,229
Other liabilities	557	0	46,280	46,837
Total	**557**	**0**	**438,107**	**438,664**

2016 DKK'000	Derivative hedging instruments measured at fair value	Loans, receivables and cash	Financial liabilities measured at amortized cost	Total carrying amount
Other long-term receivables	0	686	0	686
Trade receivable	0	32,463	0	32,463
Cash and cash equivalents	0	96,610	0	96,610
Total	**0**	**129,759**	**0**	**129,759**
Long-term interest-bearing liabilities	0	0	220,539	220,539
Current interest-bearing liabilities	0	0	42,760	42,760
Accounts payable	0	0	84,770	84,770
Other liabilities	616	0	36,696	37,312
Total	**616**	**0**	**384,765**	**385,381**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	MORTGAGE LOANS	BANK LOANS	FINANCIAL LEASE LIABILITIES	OTHER LIABILITIES	TOTAL
Opening balance, 1 January 2017	59,050	203,737	511	0	263,298
Non-cash change					
Acquisition of operations	2,125	0	0	3,000	5,125
Amortization of borrowing costs	13	6,294	0	0	6,307
	2,138	**6,294**	**0**	**3,000**	**11,432**
Financing cash flows					
Proceeds from loans	0	218,125	984	0	219,109
Repayment of loans	(5,789)	(210,000)	(452)	(3,000)	(219,241)
	(5,789)	**8,125**	**532**	**(3,000)**	**(132)**
Closing balance, 31 December 2017	**55,399**	**218,156**	**1,043**	**0**	**274,598**
Opening balance, 9 December 2015	0	0	0	0	0
Non-cash change					
Acquisition of operations	62,657	0	834	0	63,491
Amortization of borrowing costs	14	937	0		951
	62,671	**937**	**834**	**0**	**64,442**
Financing cash flows					
Proceeds from loans	0	202,800	142	0	202,942
Repayment of loans	(3,620)	0	(465)	0	(4,085)
	(3,620)	**202,800**	**(323)**	**0**	**198,857**
Closing balance, 31 December 2016	**59,050**	**203,737**	**511**	**0**	**263,298**

27. PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

The Company has, in respect of the Group's commitment to Nordea, issued a pledge ban on movable property, fixed assets and furniture in leased premises, as well as debt collateral.

For collateral for debt to mortgage lender, DKK 55.4 million (DKK 59.1 million), pledges have been given in land and buildings with a carrying amount as of 31 December 2017 amounting to DKK 86.6 million (DKK 94.4 million).

The Group has contingent liabilities pertaining to sub-contractor guarantees that arise in normal commercial operations. No significant liabilities are expected to arise through these contingent liabilities.

Based on the Group's assessment, no provision has been recorded for ongoing tax cases.

Guarantees related to AB92 – provisions of work and supplies within building and engineering – amount to a total of DKK 8.7 million (DKK 3.4 million).

Other bank guarantees amount in total to DKK 0.3 million (DKK 0.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. ASSETS HELD FOR SALE

Assets held for sale consist of the Group's production site in Horsens, which was reclassified as held for sale on 30 June 2017 in accordance with IFRS 5. As of 3 october 2017, the site has been sold with effect from 15 January 2018. An impairment loss of DKK 7.2 million has been recognized in connection with measuring the property at fair value less costs to sell, which is presented under non-recurring items.

DKK'000	2017 DKK'000	2016 DKK'000
ASSETS HELD FOR SALE		
Tangible fixed assets	16,618	0
Total	**16,618**	**0**

29. ACQUISITION OF OPERATIONS (BUSINESS COMBINATIONS)

ACQUISITION OF NETTOLINE A/S

On 1 January 2017, TCM Group A/S acquired 100% of the share capital of Nettoline A/S through a wholly owned subsidiary. Transaction costs for the acquisition amounted to DKK 1.2 million and are presented under non-recurring items. Of the transaction costs DKK 0.3 million was recognized in 2016 and DKK 0.9 million was recognized in 2017. Revenue attributable to Nettoline A/S since the date of acquisition amounts to DKK 107.9 million.

	DKK'000
Purchase price	52,899
Fair value of acquired net assets	1,117
Goodwill	**54,016**

Goodwill is attributable to synergies that are expected to be achieved through additional coordination of sourcing, production, distribution and administration.

DKK'000	FAIR VALUE	ACQUIRED CARRYING AMOUNT
ASSETS AND LIABILITIES INCLUDED IN THE ACQUISITION		
Cash and cash equivalents	307	307
Tangible assets	1,024	1,024
Intangible assets	405	0
Inventories	10,060	10,060
Trade receivable and other receivables	4,237	4,237
Accounts payable and other operating liabilities	(14,452)	(14,452)
Interest-bearing liabilities	(2,319)	(2,319)
Deferred taxes, net	(379)	(290)
Acquired net assets	**(1,117)**	**(1,433)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. ACQUISITION OF OPERATIONS (CONTINUED)

	DKK'000
Purchase consideration paid in cash	52,899
Cash and cash equivalents in acquired subsidiaries	113
Reduction in the Group's cash and cash equivalents in conjunction with acquisition	**52,786**

Fair value of trade receivable amounts to DKK 3.9 million. The gross contractual receivables amount to DKK 4.1 million of which DKK 0.2 million is considered uncollectible.

ACQUISITION IN 2015/16: TCM GROUP A/S (FORMER HOLDING COMPANY)

On 1 March 2016, TCM Group A/S acquired 100% of the share capital of TCM Group A/S (Former Holding Company) via TCM Group Invest ApS. Transaction costs for the acquisition amounted to DKK 13.2 million and were presented under non-recurring items. Pro forma sales for the full-year 2016 would amount to approx. DKK 600 million and the result for the full-year 2016 would amount to approx. DKK 30 million. Sales and result after the acquisition are stated in the income statement and balance sheet, as this was the only activity in the Group in 2015/16.

	DKK'000
Purchase price	496,756
Fair value of acquired net assets	-180,977
Goodwill	**315,779**

The agreed purchase price was determined on the basis of expectations for future earnings and cash flows that exceed the fair value of the individual identified assets and liabilities. Goodwill was the remaining amount after fair value of acquired net assets were identified.

DKK'000	FAIR VALUE	ACQUIRED CARRYING AMOUNT
ASSETS AND LIABILITIES INCLUDED IN THE ACQUISITION		
Cash and cash equivalents	17,307	17,307
Tangible assets	109,896	109,896
Brand	171,961	0
Other intangible assets	47,752	4,475
Inventories	33,416	33,416
Trade receivable and other receivables	33,064	33,064
Accounts payable and other operating liabilities	(101,561)	(101,561)
Interest-bearing liabilities	(63,491)	(63,491)
Taxes, net	(2,644)	(2,644)
Deferred taxes, net	(64,723)	(17,371)
Acquired net assets	**180,977**	**13,091**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. ACQUISITION OF OPERATIONS (CONTINUED)

	DKK'000
Purchase consideration paid in cash	496,756
Cash and cash equivalents in acquired subsidiaries	17,307
Reduction in the Group's cash and cash equivalents in conjunction with acquisition	**479,449**

Fair value of trade receivable amounted to DKK 30.1 million. The gross contractual receivables amounted to DKK 31.2 million of which DKK 1.1 million was considered uncollectible.

30. RELATED PARTY TRANSACTIONS

RELATED PARTIES WITH A CONTROLLING INTEREST

As at 31 December 2017, there are no related parties with a controlling interest in the Company.

Until the Initial Public Offering at 24 November 2017, Innovator International S.a.r.l., Luxembourg, a portfolio company held by the IK Small Cap I Fund and advised by IK Investment Partners Limited, a European private equity firm, had 93% ownership in the Company.

TRANSACTIONS BETWEEN RELATED PARTIES

During the financial period, the Group has had the following transactions with related parties:

Referring to note 4: Remuneration to Executive Management and Board of Directors.

Advisory fee and travel expenses totalling DKK 0.1 million (DKK 5.9 million) have been paid to IK Investment Partners Ltd, which is associated to the parent company.

There are no other transactions with related parties.

31. EVENTS AFTER THE BALANCE SHEET DATE

As of 15 January 2018, the sale of the production site in Horsens has been effectuated. The sale of the site impacted EBIT with a non-recurring loss of DKK 7 million, which was recognized in Q3 2017 under non-recurring items. The site has been recognized under assets held for sale since 30 June 2017. The sale of the site will have a positive impact on Net Interest Bearing Debt of DKK 17 million.

Apart from the events recognized or disclosed in the annual report, no other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

DEFINITIONS

KEY FIGURES

Key figures and financial ratios have been defined and calculated as stated below:

Following key figures are not directly derived from the face of the income statement or balance sheet and as such are defined as follows:

Adjusted EBITDA:	Operating profit before non-recurring items (Adjusted EBIT) plus depreciation and amortization.
Adjusted EBITA:	Operating profit before non-recurring items (Adjusted EBIT) plus amortization.
Net interest-bearing debt:	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash and cash equivalents.
Net working capital:	The sum of inventories, trade receivables, other receivables and prepayments less the sum of prepayments from costumers, trade payables and other current liabilities.

RATIOS:

Ratio	Calculation formula
Gross margin	$\frac{\text{Gross profit * 100}}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA * 100}}{\text{Revenue}}$
EBITA margin	$\frac{\text{EBITA * 100}}{\text{Revenue}}$
Adjusted EBITA margin	$\frac{\text{Adjusted EBITA * 100}}{\text{Revenue}}$
EBIT margin	$\frac{\text{EBIT * 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity * 100}}{\text{Balance sheet total}}$
Leverage ratio	$\frac{\text{Net interest-bearing debt excluding tax liabilities}}{\text{12 months adjusted EBITDA (1)}}$
NWC ratio	$\frac{\text{Net working capital * 100}}{\text{12 months revenue (1)}}$
Capex ratio excl. acquisitions	Capex ratio excluding acquisitions is calculated as investments in intangible and tangible assets (capex) divided with revenue. Capex is exclusive investments in connection with acquisitions.
Cash conversion ratio	Cash conversion ratio is calculated as adjusted EBITDA less the change in net working capital and capex excluding acquisitions divided by adjusted EBITDA. The ratio is for the last twelve months (1).

The definition and calculation formula for earnings per share before and after dilution can be found in note 21 in the consolidated financial statements.

(1) Adjustment to twelve months assumes that the acquisition of the Former TCM Group was effected on 1 January 2016.

FINANCIAL STATEMENTS OF THE PARENT COMPANY TCM GROUP A/S

STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2017	2015/2016
Revenue		1,725	0
Gross profit		**1,725**	**0**
Administrative expenses	2, 3	(4,198)	(36)
Operating loss before non-recurring items		**(2,473)**	**(36)**
Non-recurring items	2,4	(16,207)	0
Operating loss		**(18,681)**	**(36)**
Dividend from subsidiaries		70,000	0
Financial expenses	5	(170)	0
Profit before tax		**51,149**	**(36)**
Tax for the period	6	723	8
Net profit for the period		**51,872**	**(28)**
Other comprehensive income after tax		0	0
Total comprehensive income		**51,872**	**(28)**

BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2017	2016
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	7	314,558	311,817
Financial non-current assets		**314,558**	**311,817**
Total non-current assets		**314,558**	**311,817**
CURRENT ASSETS			
Receivables from subsidiaries		5,083	0
Other receivables		1,614	0
Tax receivable		0	8
Prepaid expenses and accrued income		844	0
Total assets		**7,542**	**8**
Cash and cash equivalents		26,404	0
Total current assets		**33,945**	**8**
Total assets		**348,503**	**311,825**
EQUITY AND LIABILITIES			
Share capital		1,000	100
Retained earnings		279,533	311,689
Total equity		**280,533**	**311,789**
Bank loans	8	39,706	0
Total long-term liabilities		**39,706**	**0**
CURRENT LIABILITIES			
Bank loans	8	9,925	0
Trade payables		9,055	0
Payables to subsidiaries		3,835	0
Current tax liabilities		387	0
Other payables		5,061	36
Total current liabilities		**28.263**	**36**
Total liabilities		**67,969**	**36**
Total equity and liabilities		**348,503**	**311,825**

CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
Opening balance 01.01.2017	**100**	**311,689**	**311,789**
Net profit for the period	0	51,872	51,872
Other comprehensive income for the period	0	0	0
Total comprehensive income (loss) for the period	**0**	**51,872**	**51,872**
Share-based payments	0	3,349	3,349
Bonus issue	900	(900)	0
Cash settlement of warrants	0	(86,476)	(86,476)
Closing balance 31.12.2017	**1,000**	**279,534**	**280,533**
Opening balance 09.12.2015, incorporation	**50**	**0**	**50**
Net loss for the period	0	(28)	(28)
Other comprehensive income for the period	0	0	0
Total comprehensive income (loss) for the period	**0**	**(28)**	**(28)**
Share-based payments	0	2,131	2,131
Capital increase	50	309,586	309,636
Closing balance 31.12.2016	**100**	**311,689**	**311,789**

CASH FLOW STATEMENT

DKK'000	NOTE	2017	2015/2016
OPERATING ACTIVITIES			
Operating loss		(18,681)	(36)
Share-based payments		608	0
Income tax recieved		8	0
Change in operating receivables		(6,432)	0
Change in operating liabilities		17,916	36
Cash flow from operating activities		**(6,581)**	**0**
Received dividend		70,000	0
Acquisition of operations		0	(309,686)
Cash flow from investing activities		**70,000**	**(309,686)**
Interest paid		(164)	0
Proceeds from loans	9	49,625	0
Cash settlement of warrants		(86,476)	0
Capital increase		0	309,686
Cash flow from financing activities		**(37,015)**	**309,686**
Cash flow for the period		**26,404**	**0**
Cash at start of period		0	0
Cash flow for the period		26,404	0
Cash at end of period		**26,404**	**0**

NOTES TO THE PARENT FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Determining the carrying amount of certain assets and liabilities requires an estimate of how future events will affect the value of those assets and liabilities at the balance sheet date. Estimates that are significant to the Parent's financial reporting are made, for instance, related to valuation of investments in subsidiaries. They constitute a major portion of the Parent's total assets.

Subsidiaries are tested for impairment if events or other circumstances indicate that the carrying amount is not recoverable. Measuring subsidiaries requires significant estimates to be made when making different assumptions, including expected future cash flows, discount rate and terminal value growth rates. The sensitivity to changes in the assumptions applied collectively and individually – may be significant.

Particular estimation uncertainties and judgements made in respect of the Group is discussed in note 1 to the consolidated financial statements.

2. STAFF COSTS

DKK'000	2017	2015/2016
TOTAL COSTS FOR EMPLOYEE BENEFITS		
Salaries and other remuneration	4,145	0
Social security costs	3	0
Pension costs – defined contribution plans	118	0
Share-based payments	609	0
Total costs for employees	**4,874**	**0**

REMUNERATION AND OTHER BENEFITS

DKK'000	BASIC SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	SHARE-BASED PAYMENTS	TOTAL	NUMBER OF INDIVIDUALS
2017							
Board of Directors	1,261	0	0	0	14	1,275	5
Executive Management	1,307	1,625	0	72	547	3,551	3
Total	**2,568**	**1,625**	**0**	**72**	**561**	**4,826**	**8**

The Executive Management has received remuneration from the parent company from 1 October 2017.
Refering to note 4 of the consolidated financial statement for description of the share option sheme 2016 (warrants).

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

3. AUDIT FEE

In addition to statutory audit, Deloitte Statsautoriseret Revisionspartnerselskab, the auditors appointed at the Annual General Meeting, provides other assurance engagements and other consultancy services to the Group.

DKK'000	2017	2015/2016
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	140	15
Other assurance engagements	1,951	0
Tax and indirect taxes advisory	318	3
Other services	2,204	18
	4,613	**36**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounts to DKK 4.5 million and consists of advisory services related to the listing of the shares in the Group on Nasdaq Copenhagen, issuance of various assurance reports, tax advisory services and accounting advisory.

4. NON-RECURRING ITEMS

DKK'000	2017	2015/2016
Costs related to the Initial Public Offering of the Company	16,207	0
Total	**16,207**	**0**

5. FINANCIAL EXPENSES

DKK'000	2017	2015/2016
FINANCIAL EXPENSES		
Interest expense to subsidiaries	(19)	0
Interest expense on liabilities measured at amortized costs	(151)	0
Total	**(170)**	**0**

6. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME
Tax for the period can be specified as follows:			
Current tax	723	0	723
Total	**723**	**0**	**723**
Tax for the previus period can be specified as follows:			
Current tax	8	0	8
Total	**8**	**0**	**8**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

6. CORPORATION TAX (CONTINUED)

Reconciliation of the effective tax rate for the period can be specified as follows:

DKK'000	%	2017	%	2015/2016
Tax rate	22.0	11,253	22.0	8
Non-taxable income	(30.1)	(15,400)	0	0
Non-deductible expenses	6.4	3,290	0	0
Other	0.3	134	0	0
Effective tax rate for the period	**(1.4)**	**(723)**	**22.0**	**8**

7. INVESTMENTS IN SUBSIDIARIES

DKK'000	2017	2016
INVESTMENTS IN SUBSIDIARIES		
Cost at start of period	311,817	0
Acquisition during the period	0	309,686
Contribution of share based payment	2,740	2,131
Cost at end of period	314,557	311,817
Carrying amount at end of period	**314,557**	**311,817**

Investments in subsidiaries comprise:

TCM Group Invest ApS, 100%

Refer to note 16 of the consolidated financial statements for a list of all companies in the TCM Group.

The carrying amount of the Parent's investments in subsidiaries is tested for impairment if an indication of impairment exists. The impairment test conducted has not resulted in a need for impairments.

8. BANK LOANS

DKK'000	2017	2015/2016
MATURITY STRUCTURE		
Within 1 year	9,925	0
Between 1 and 5 years	39,706	0
Longer than 5 years	0	0
Total	**49,631**	**0**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

9. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	BANK LOANS	TOTAL
MATURITY STRUCTURE		
Opening balance, 1 January 2017	0	0
Non-cash change		
Amortization of borrowing costs	6	6
	6	6
Financing cash flows		
Proceeds from loans	49,625	49,625
	49,625	**49,625**
Closing balance, 31 December 2017	**49,631**	**49,631**

10. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

The Company has, in respect of the Group's commitment to Nordea, issued a pledge ban on movable property, fixed assets and furniture in leased premises, as well as debt collateral.

TCM Group A/S is the management company in a Danish joint taxation. Consequently, referring to the Danish Corporation Tax Act regulations, TCM Group A/S is, with effect from the financial year 2016, liable for any income taxes, etc. for the jointly taxed companies and TCM Group A/S is likewise liable for any obligations to withhold tax at source on interest, royalties and returns for the jointly taxed companies.

11. RELATED PARTIES

For specification of related parties refer to note 16 and 30 of the consolidated financial statements.

Referring to note 4 of the consolidated financial statements: Remuneration to Executive Management and Board of Directors.

Intragroup transactions are carried out on arm’s length principles.

Aside from this, no transactions with the Executive Management or major shareholders or other related parties have been made during the period.

12. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after 31 December 2017 other than those disclosed in the consolidated financial statements.

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

13. ACCOUNTING POLICIES

These parent financial statements are prepared under the historical cost convention and presented in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

DESCRIPTION OF ACCOUNTING POLICIES APPLIED

Compared with the accounting policies described for the consolidated financial statements (see note 1 to the consolidated financial statements), the accounting policies applied by the Parent are different in the following:

DIVIDEND INCOME

Distribution of profits accumulated by subsidiaries is taken to income in the Parent's income statement in the financial year in which the dividend is declared. If an amount is distributed exceeding the subsidiary's comprehensive income for the year, then an impairment test is performed.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are measured at cost. If an indication of impairment exists, then an impairment test is performed as described in the accounting policies for the consolidated financial statements. If the carrying amount exceeds the recoverable amount, investments are written down to such lower amount.

If distribution is made from reserves other than accumulated profits of subsidiaries, such distribution will reduce the cost of the investments if the distribution is in the nature of a repayment of the Parent's investment.

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Management have today considered and approved the annual report for the period 01.01.2017 – 31.12.2017. 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 31.12.2017 as well as of the results of their operations and the consolidated cash flows for the period 01.01.2017 – 31.12.2017.

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

Holstebro, 28 February 2018

EXECUTIVE MANAGEMENT

Ole Lund Andersen
Chief Executive Officer

Mogens Elbrønd Pedersen
Chief Financial Officer

Karsten Rydder Pedersen
Chief Operating Officer

BOARD OF DIRECTORS

Sanna Mari Suvanto-Harsaae
Chairman

Kristian Carlsson Kemppinen
Deputy Chairman

Erik Albert Ingemarsson

Anders Tormod Skole-Sørensen

Peter Liebert Jelkeby

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TCM GROUP A/S

OPINION

We have audited the consolidated financial statements and the parent financial statements of TCM Group A/S for the financial year 1 January to 31 December 2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in shareholders' equity, cash flow statement and notes, including a summary of accounting policies, for the Group as well as 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 December 2017, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under 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.

TCM Group A/S was listed on Nasdaq Copenhagen upon completion of the initial public offering on 24 November 2017 from which date TCM Group A/S became a Public Interest Entity.

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 January to 31 December 2017. 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.

CLASSIFICATION AND PRESENTATION OF NON-RECURRING ITEMS

Expenses recognised as non-recurring items in 2017 represent an expense of DKK 34.3 million (2015/16: an expense of DKK 18.9 million) and comprise expenses related to integration of Nettoline A/S and listing of TCM Group A/S on Nasdaq Copenhagen.

Classifying income and expenses as non-recurring items may have a material impact on the presentation of the Group's profit or loss and on comparability from year to year. In addition, estimates are included in the identification, classification and measurement of items presented as non-recurring items, due to the significance and non-routine nature of such items. There is also a risk that the Group's accounting policy for non-recurring items is not applied consistently.

Based on this, non-recurring items are considered to be a key audit matter.

We refer to note 1 and 9 in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

We have assessed the appropriateness of expenses classified and presented as non-recurring items and the consistency thereof with the Group's accounting policies. In this context, we:

- Assessed whether expenses classified and presented as non-recurring items in respect of integration of Nettoline A/S and the listing of TCM Group A/S on Nasdaq Copenhagen are directly or closely related to integration and listing, respectively.
- Assessed the completeness of the non-recurring items.
- Examined the calculations of all material income and expenses classified and presented as non-recurring items and verified amounts calculated to supporting documentation as well as assessed the reasonableness of the estimates made by Management in the calculation of the amounts.
- Assessed whether disclosures in note 9 are adequate and appropriate.

BUSINESS COMBINATION – ACQUISITION OF NETTOLINE A/S
Effective 1 January 2017, the Group acquired 100% of the shares in Nettoline A/S for a total consideration of DKK 52.9 million, resulting in the recognition of goodwill of DKK 54.0 million.

The allocation of the purchase price in the business combination to identifiable assets and liabilities acquired relies on assumptions and judgements made by Management. Management has performed fair value calculations which include judgements and estimates.

Based on this, the acquisition of Nettoline A/S is considered to be a key audit matter.

We refer to note 1 and 29 in the consolidated financial statements.

We tested the reasonableness of the key assumptions and judgements made in the purchase price allocation, including challenged Management's estimates used in its fair value calculations. In this context, we:

- Obtained supporting documentation of Management's estimates and key assumptions.
- Considered the impact of reasonable possible changes in key assumptions.
- Tested the mathematical accuracy of the calculations made in the purchase price allocation.
- Assessed whether disclosures in note 29 are adequate and appropriate

STATEMENT ON THE MANAGEMENT REVIEW
Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, 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 review and, in doing so, consider whether the management review 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 review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review 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 misstatements in the management review.

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, 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.

INDEPENDENT AUDITOR'S REPORT

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 Parent 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 Parent 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.

INDEPENDENT AUDITOR'S REPORT

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.

Copenhagen, 28 February 2018

DELOITTE
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Sumit Sudan
State-Authorised Public Accountant
MNE no mne33716

Kåre Valtersdorf
State-Authorised Public Accountant
MNE no mne34490