ANNUAL REPORT 2019

tvis køkkener

SVANE KØKKENET

kitchn.dk

nettoline Det personlige køkken

TCM Group

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 kitchen, bathroom and storage solutions.

Manufacturing is 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 cover the entire price spectrum. Products are mainly marketed through a network of franchise stores and independent kitchen retailers.

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TCM GROUP ACHIEVED THE 1 BILLION DKK REVENUE MILESTONE

LETTER TO OUR SHAREHOLDERS

In 2019 TCM Group achieved an important milestone exceeding 1 billion DKK revenue for the first time in the company's history.

Thereby, we continued the organic growth journey and added another year with double-digit growth rates. We continued to gain market share in a Danish kitchen market, which we estimate grew by 1-2% in 2019.

During the recent years we have continously developed our strong brands Svane Køkkenet, Tvis køkkener, Nettoline and kitchn.dk. We have built a strong brand positioning with our different brands, that cover the entire kitchen market.

One of the primary drivers for this position has been a dedicated strategy on product innovation with a high focus on design, quality and bringing new trends to the market. This strategy has been successful and we consider TCM Group to be market leader in innovation.

Furthermore, we have a strong momentum in attracting new dealers to our different brands, and we continue our efforts in expanding our store network with an increasing focus especially on the Norwegian market. This is key in our strategy of establishing TCM Group as a significant kitchen provider in the Scandinavian market.

During 2019 we have focused on building a stronger platform and nationwide chain with Nettoline, converting existing dealers into a more uniform store concept with a clear brand perception, and at the same time we add new stores to the store network. In this value-for-money market, we see a significant potential for Nettoline to be an even stronger player in the future.

The results that TCM Group has achieved would not be possible if we did not have dedicated and competent employees. In 2019, once again the TCM Group employees and the employees in the franchisee and dealer operated stores have made great efforts to grow the business and be exemplary ambassadors for our brands. We thank all of you for your strong contribution to bringing TCM Group and each of our brands forward.

For 2020, we expect to continue our growth journey. We expect a net revenue in the range of DKK 1,040-1,080 million, corresponding to an expected organic growth of 3-7%.

To support the future growth, we are investing in our production setup e.g. with a significant investment in our lacquering department that will increase capacity, improve quality and reduce our CO_2 emission by c. 5%.

Furthermore, we are safeguarding the production capacity to support the future growth and demand. First step in this plan has been to sign an option to buy additional land in connection to our main factories in Tvis, which can enable us to build an additional highly automized factory.

Thereby we prepare for future growth on the longer term and ensure that our production setup can support that TCM Group continues the growth journey.

Sanna Mari
Suvanto-Harsaae
Chairman

Ole Lund Andersen
CEO

* Adjusted EBITA: Operating profit before non-recurring items (Adjusted EBIT) plus amortization.

HIGHLIGHTS

ORGANIC GROWTH

11.9%

"We achieved the 1 billion DKK revenue milestone and continued to gain market share in the Danish market"

FINANCIAL HIGHLIGHTS FOR THE YEAR

- **Revenue DKK 1,006.9 million, corresponding to an organic growth of 11.9%**
- **Adjusted EBITA up DKK 13.5 million to DKK 161.1 million, corresponding to an adjusted EBITA margin of 16.0%**
- **Non-recurring items had a negative impact of DKK 7.0 million due to a production setback following a lightning strike at one of our 3 factories**
- **EBIT up DKK 8.4 million to DKK 146.6 million, corresponding to an EBIT margin of 14.6%**
- **NWC ratio was (10.8)%**
- **Capex ratio was 1.5%**
- **Free cash flow was DKK 132.3 million**
- **Cash conversion ratio was 99.9%**
- **Proposed dividend distribution of DKK 5.25 per share corresponding to 47% of net profit**

ADJUSTED EBITA GROWTH

9.1%

BUSINESS REVIEW

In 2019 we continued to gain market share in the Danish kitchen market, which is TCM Group's primary market. We estimate that the market grew by 1-2%. In 2019, the growth was primarily driven by growth in the B2B market spread across the four B2B categories: large house-builders, social housing associations, project sales and other B2B customers.

TCM Group's organic growth in the Danish market in 2019 was 13.4%, clearly underlining that we once again gained market share.

Revenue to Other Countries, mainly Norway, declined in total by 1.8% to DKK 88 million in 2019. We increased revenue through the branded stores by 3.8%, which was offset by lower sales through non-branded DIY stores.

In total, TCM Group revenue grew organically by 11.9% in 2019 to DKK 1,007 million exceeding the one billion revenue milestone for the first time in our company's history.

The number of branded stores (Svane and Tvis) increased from 65 to 68 during 2019. Svane Køkkenet have opened stores in Køge, Denmark and Drammen, Norway during 2019 and we are continuing to expand the number of stores in Norway, and during Q1 2020 a new Svane Køkkenet store will open in Aalesund, Norway. Tvis Køkkener have opened a new store in Holbæk, Denmark during 2019.

Within Nettoline the total number of stores increased by 14 during 2019. The stores were primarily opened in Denmark with new stores in Hillerød, Nykøbing Falster, Kolding and Kås, and in Sweden, where we signed an agreement with Kökscentrum, part of the ELON chain, which increased the number of Swedish stores by net 10.

On 1 February 2019, TCM Group sold the Svane Køkkenet store in Aabenraa to a franchisee. The financial impact from the divestment of the Svane Køkkenet store in Aabenraa was immaterial.

We continue our focus on product innovation and within the Svane Køkkenet brand we launched S19 as our 2019 introduction. In Q4 the S19 assortment was expanded a.o. including the launch of an innovative design feature and pioneering multi-functional concept called "Drains".

In august 2019 a lightning stroke in one of our factories causing disruptions in our supply chain which led to additional non-recurring costs in order to minimize impact towards our customers. The non-recurring costs amounted to DKK 7 million. The supply chain situation was back to normal during Q4.

During 2019 we continued to invest in further optimization of our production setup and increased the utilization of the production capacity in our factories. In our main production sites this has a.o. let to a higher utilization of the third shift. Furthermore, we have a.o. invested significantly in our lacquering department and thereby increased capacity, improved quality and at the same time the investment will enable us to reduce our CO2 emission by c. 5%. In 2020 we will continue to optimize our production setup.

KEY FIGURES AND RATIOS

DKK'000	2019*	2018	2017	2015/ 2016**	2015/2016 Pro Forma**
INCOME STATEMENT					
Revenue	**1,006,942**	**899,911**	**817,330**	**508,531**	**599,749**
Gross profit	279,622	262,835	231,126	155,008	179,040
Earnings before interest, tax, depreciation and amortisation (EBITDA)	167,387	153,594	97,070	66,941	75,231
Adjusted EBITDA	174,399	155,590	131,367	85,638	93,928
Earnings before interest, tax and amortisation (EBITA)	154,118	145,672	88,456	60,529	67,524
Adjusted EBITA	**161,130**	**147,668**	**122,753**	**79,226**	**86,221**
Operating profit (EBIT)	**146,558**	**138,112**	**80,896**	**54,229**	**59,964**
Profit before tax	142,357	132,300	66,741	40,983	45,132
Net profit for the year	111,322	103,710	47,993	28,528	31,723
BALANCE SHEET					
Total assets	911,096	844,044	805,541	795,848	795,848
Net working capital	(108,868)	(94,092)	(80,821)	(59,295)	(59,295)
Net interest-bearing debt (NIBD)	51,702	90,718	225,818	170,578	170,578
Equity	472,744	408,839	304,777	339,865	339,865
CASH FLOW					
Free cash flow excl. acquisitions of operations	132,326	141,409	99,797	79,813	75,804
Capex excl. acquisitions	14,996	9,192	8,418	4,378	4,378
Cash conversion, %	99.9%	102.6%	110.0%	108.1%	108.1%
GROWTH RATIOS**					
Revenue growth, %	11.9%	10.1%	36.3%		
Gross profit growth, %	6.4%	13.7%	29.1%		
Adjusted EBITA growth, %	9.1%	20.3%	42.4%		
EBIT growth, %	6.1%	70.7%	34.9%		
Net profit growth, %	7.3%	116.1%	51.3%		
MARGINS					
Gross margin, %	27.8%	29.2%	28.3%	30.5%	29.9%
EBITDA margin, %	16.6%	17.1%	11.9%	13.2%	12.5%
EBITA margin, %	15.3%	16.2%	10.8%	11.9%	11.3%
Adjusted EBITA margin, %	16.0%	16.4%	15.0%	15.6%	14.4%
EBIT margin, %	14.6%	15.3%	9.9%	10.7%	10.0%
OTHER RATIOS					
Solvency ratio, %	51.9%	48.4%	37.8%	42.7%	42.7%
Leverage ratio	0.31	0.58	1.72	1.77	1.77
NWC ratio, %	(10.8%)	(10.5%)	(9.9%)	(9.9)%	(9.9)%
Capex ratio excl. acquisitions, %	1.5%	1.0%	1.0%	0.9%	0.7%
SHARE INFORMATION					
Earnings per share before dilution, DKK	11.13	10.37	4.80	3.19	3.55
Earnings per share after dilution, DKK	11.13	10.37	4.51	3.16	3.52

* As of 1 January 2019 IFRS 16 Leases is implemented without restating comparative figures, why 2019 is not directly comparable to previus periods. Reference is made to description in note 1 Accounting policies.

** 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. Growth ratios in 2017 are against 2015/2016 Pro Forma figures.

FINANCIAL REVIEW

DEVELOPMENT IN ACTIVITIES AND FINANCES*

REVENUE - 11.9% ORGANIC GROWTH

Revenue in 2019 grew organically by 11.9% to DKK 1,006.9 million (DKK 899.9 million). Revenue was in the guided range of DKK 1,000-1,030 million.

TCM Group's primary market is Denmark. The total market for kitchen and related products in Denmark developed positively during 2019 and we estimate that the market grew by 1-2%. Revenue in Denmark were DKK 918.6 million (DKK 809.9 million), with an organic growth of 13.4%. The organic growth was driven by growth in the Svane Køkkenet and Tvis Køkkener branded stores primarily within the B2B.

Revenue in Other countries were DKK 88.4 million (DKK 90.0 million), down 1.8%. Sales through branded stores increased by 3.8%, which was off-set by lower sales through non-branded DIY stores.

GROSS PROFIT - LOWER GROSS MARGIN DUE TO SALES MIX

Gross profit in 2019 was DKK 279.6 million (DKK 262.8 million), corresponding to a gross margin of 27.8% (29.2%). The decline in gross margin reflects a higher growth within the B2B market, which has a structurally lower gross margin, and a higher share of revenue from 3rd party products e.g. white goods and table tops, also with a structurally lower gross margin.

OPERATING EXPENSES - DECREASING COST RATIO

Operating expenses in 2019 were DKK 126.2 million (DKK 122.8 million). The increase in operating expenses of DKK 3.3 million was primarily due to increased selling expenses. Operating expenses amounted to 12.5% of revenue in 2019 against 13.6% in 2018, thus a positive scale effect of growing the business.

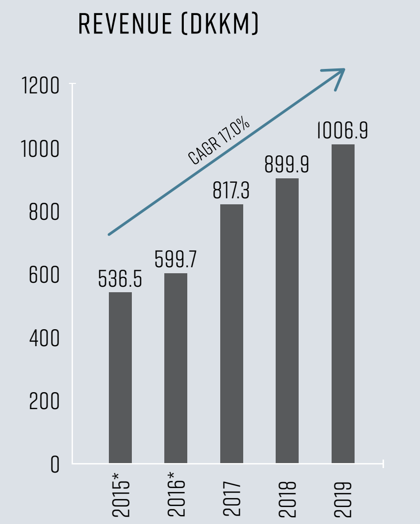
NON-RECURRING ITEMS

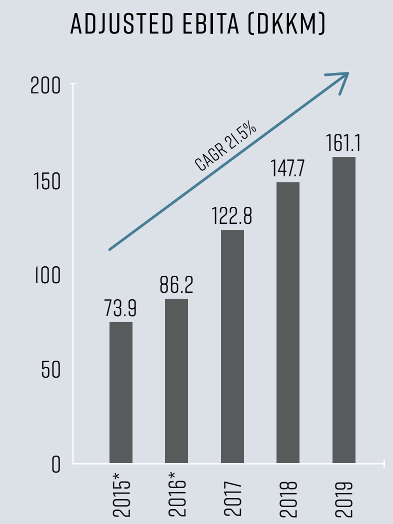
TCM Group presents non-recurring items separately to ensure comparability. Non-recurring items consist of income and expenses that are special and of a non-recurring nature and are specified below:

* Figures in brackets refer to the corresponding period in 2018.

NON-RECURRING ITEMS

Non-recurring items, DKK m	2019	2018
Costs related to integration of Nettoline	0.0	2.0
Cost related to production setback following a lightning strike	7.0	0.0
Non-recurring items, total	**7.0**	**2.0**





* PRO FORMA FIGURES FROM THE FORMER HOLDING COMPANY

EBITDA – 16.6% MARGIN
EBITDA in 2019 was DKK 167.4 million (DKK 153.6 million), corresponding to an EBITDA margin of 16.6% (17.1%). The increase in EBITDA was primarily driven by revenue growth. The implementation of IFRS 16 as of 1 January 2019 affected EBITDA positively by DKK 5.0 million, corresponding to an impact on EBITDA margin of 0,5%-points.

ADJUSTED EBITA – 16.0% MARGIN
Adjusted EBITA in 2019 was DKK 161.1 million (DKK 147.7 million), corresponding to an adjusted EBITA margin of 16.0% (16.4%), which was in the guided range of DKK 160-170 million. The increase in adjusted EBITA was driven by revenue growth. Depreciation were DKK 13.3 million (DKK 7.9 million). The implementation of IFRS 16 increased depreciation by DKK 5.0 million.

EBIT
EBIT for the financial year 2019 increased to DKK 146.6 million (DKK 138.1 million). Adjusted for non-recurring items EBIT was DKK 153.5 million compared to guided range of DKK 150-160 million. The increase in EBIT of DKK 8.4 million was primarily due to an increase in revenue. Amortization were on par with last year. The implementation of IFRS 16 had no significant impact on EBIT.

NET PROFIT
Net profit for the financial year 2019 increased to DKK 111.3 million (DKK 103.7 million). The increase was primarily due to an increase in EBIT. Financial expenses fell by DKK 1.6 million due to improved interest rate terms and lower debt, which had a positive impact on net profit. The implementation of IFRS 16 affected financial expenses negatively by DKK 0.2 million.

FREE CASH FLOW EXCL. ACQUISITIONS OF OPERATION – 100% CASH CONVERSION
Free cash flow excl. acquisitions of operations for 2019 was DKK 132.3 million against DKK 141.4 million in 2018, which included a positive impact of DKK 16.6 million from the sale of the site in Horsens. Free cash flow was positively impacted by a higher operating profit, which was off-set by investments of DKK 15.0 milllion compared to DKK 9.2 million in 2018. Cash conversion in 2019 was 99.9% (102.6%).

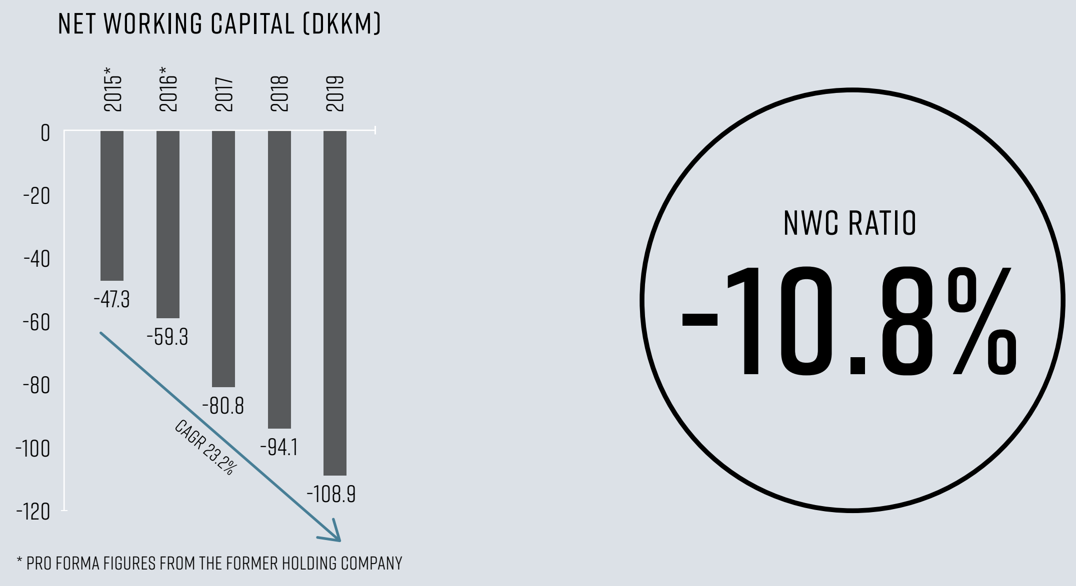
NET WORKING CAPITAL - NWC RATIO -10.8%
Net working capital at the end of 2019 was DKK -108.9 million (DKK -94.1 million). NWC ratio at the end of 2019 was -10.8 (-10.5%).

The increase in inventory of DKK 3.7 million was primarily due to higher activity level.

The decrease in trade and other receivables of DKK 15.9 million was primarily due to a lower number of outstanding debtor days at the end of the year compared to last year.

The increase in trade and other payables of DKK 2.6 million was primarily due to the higher activity level.

NET INTEREST-BEARING DEBT – LEVERAGE RATIO 0.31
Net interest-bearing debt amounted to DKK 51.7 million at the end of 2019 (DKK 90.7 million). The decrease in net interest-bearing debt was due to the positive cash flow from operating activities. The implementation of IFRS 16 resulted in an increase in net interest-bearing debt of DKK 39.6 million at the end of the year. The leverage ratio measured as net interest bearing debt excluding tax liabilities divided with adjusted EBITDA LTM end of 2019 was 0.31. TCM Group targets a leverage ratio of maximum 2.25.



EQUITY - SOLVENCY RATIO 51.9%
Equity at the end of 2019 amounted to DKK 472.7 million (DKK 408.8 million). The equity increased by DKK 63.9 million since 1 January 2019, affected by net profit for the year and dividend distribution of DKK 4.75 per share, totalling DKK 47.5 million.

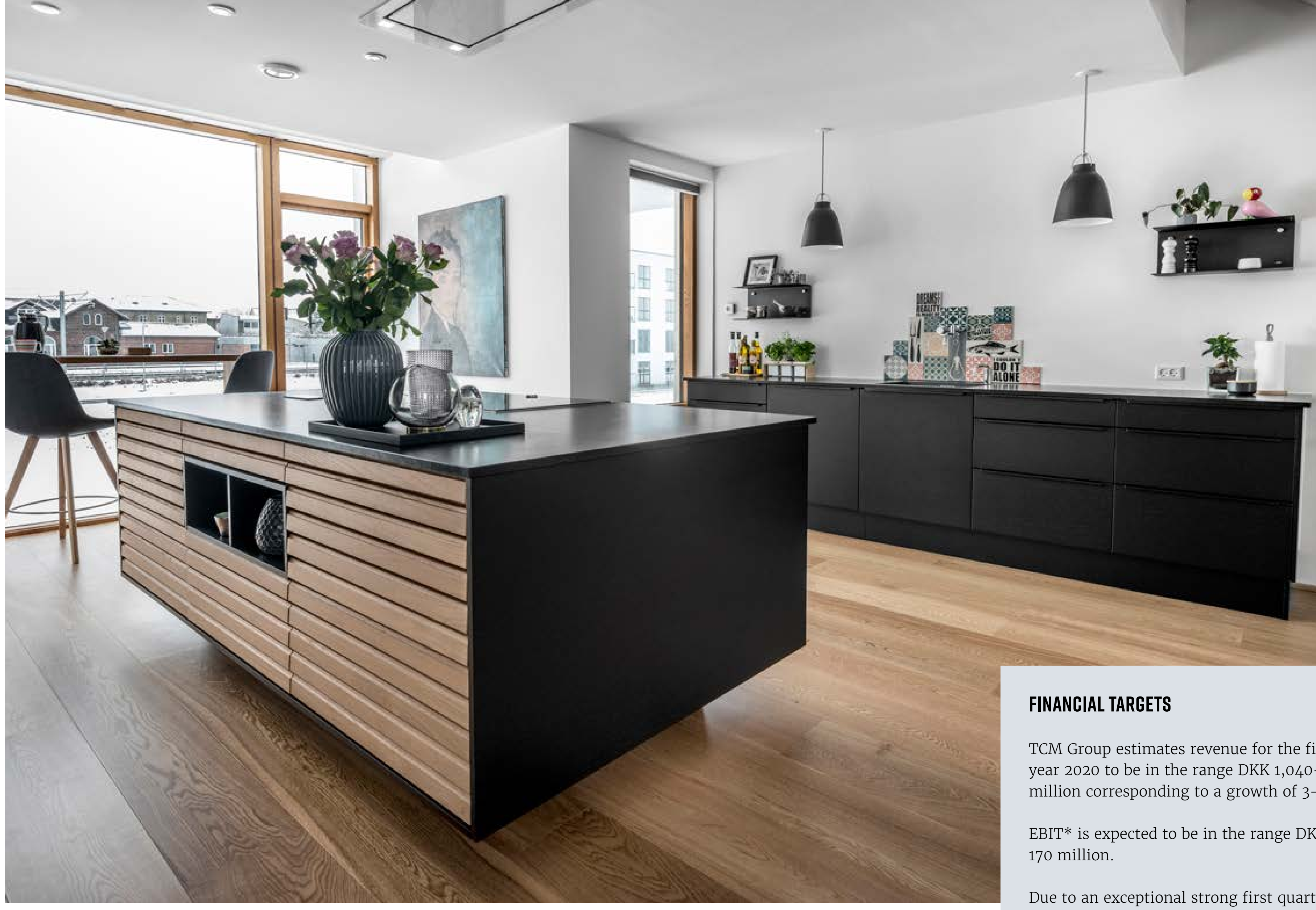
The Board of Directors recommends to the annual general meeting that a dividend of DKK 5.25 per share to be declared and paid following the annual general meeting. The dividend corresponds to 47% of Net profit for the year.

The solvency ratio was 51.9% at the end of 2019 (48.4%). The solvency ratio is negatively affected by the implementation of IFRS 16 by 2.4%-points.

EVENTS AFTER THE BALANCE SHEET DATE
TCM Group CEO Ole Lund Andersen has decided to step down as CEO to focus on board assignments. Torben Paulin has been appointed as new CEO, and will take over on 1 March, 2020. Torben Paulin comes from a position as CEO/chairman of lighting company Frandsen Group. Previously, Torben Paulin was CEO of tyre and wheel firm Nordisk Dæk Import and CEO of furniture group BoConcept.

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 TCM 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 and dealers 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 number of white spot opportunities and intends to expand its store network in Denmark with 5-8 new dealer based stores within Tvis køkkener and Nettoline 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 within Svane Køkkenet from the current 8 stores up to 15-18 stores in the short to medium term. Furthermore, we see a potential for a few additional Nettoline dealers in Norway.
- TCM Group has only limited geographical retail coverage in Sweden through Nettoline dealers. We expect to expand the number of stores within Nettoline and we see a potential entry with Svane Køkkenet in Sweden, and we are currently considering the best possible expansion strategy into Sweden.

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 to 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 setup. 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 improvement and this will continue going forward.

We estimate that the current production setup can support a revenue in the range DKK 1.2-1.3 billion, and we are considering our options to support further growth in the future. Continuous investments and improvement may enable further production capacity as well as the possibility of the use of sub-suppliers, but we are currently also considering the manufacturing footprint with regards to building a new and highly automated factory, and we have signed an option to buy additional land in connection to our main factory in Tvis.

FINANCIAL TARGETS

TCM Group estimates revenue for the financial year 2020 to be in the range DKK 1,040-1,080 million corresponding to a growth of 3-7%.

EBIT* is expected to be in the range DKK 158-170 million.

Due to an exceptional strong first quarter last year, we expect the growth in 2020 to materialize in the last part of the year. The Danish market is characterized by a higher level of macroeconomic uncertainty, and the guidance is based on a flat or marginally growing market in 2020.

*EBIT excluding non-recurring items

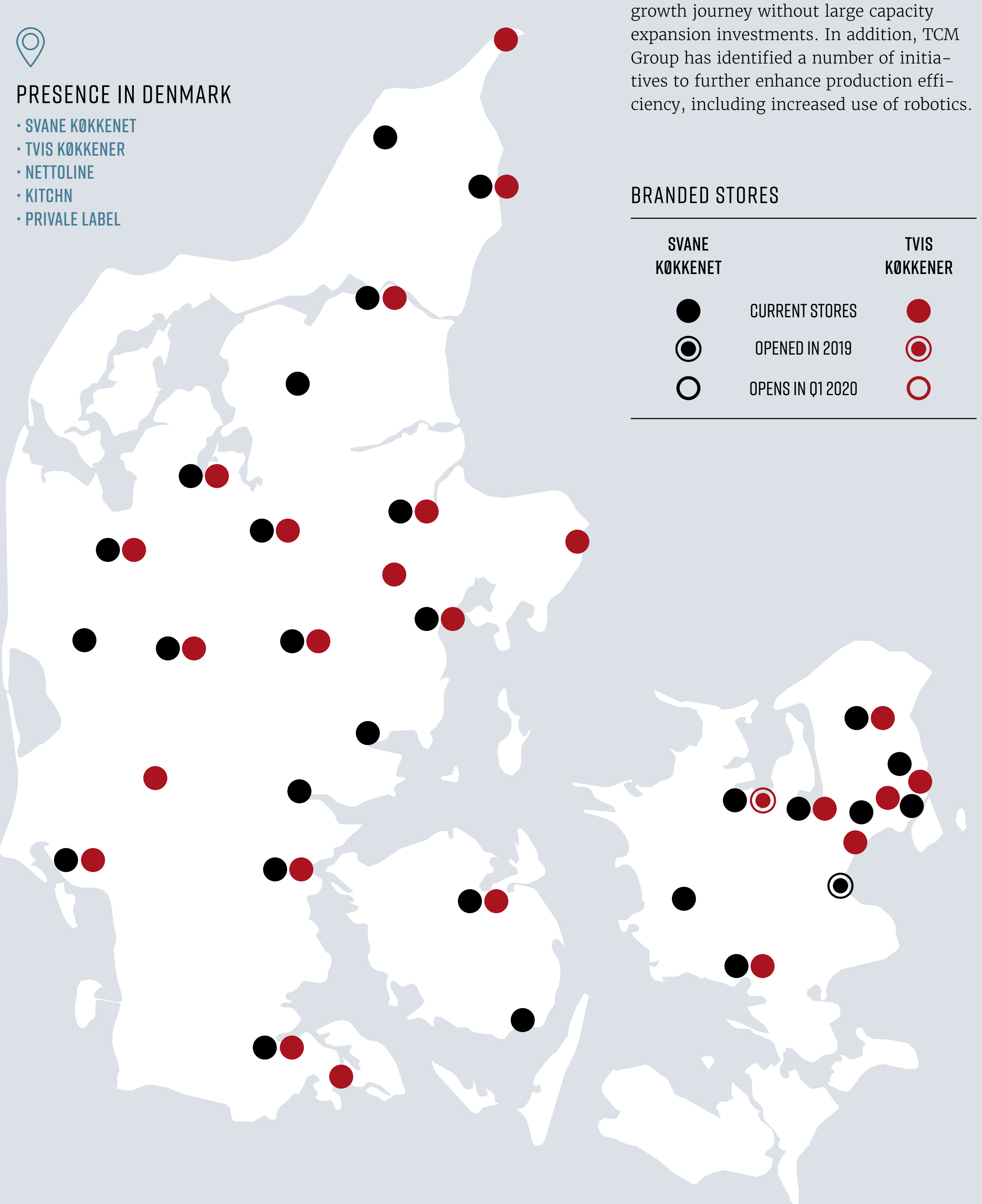
FORWARD LOOKING STATEMENTS

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

PRESENCE IN DENMARK

- SVANE KØKKENET
- TVIS KØKKENER
- NETTOLINE
- KITCHN
- PRIVALE LABEL



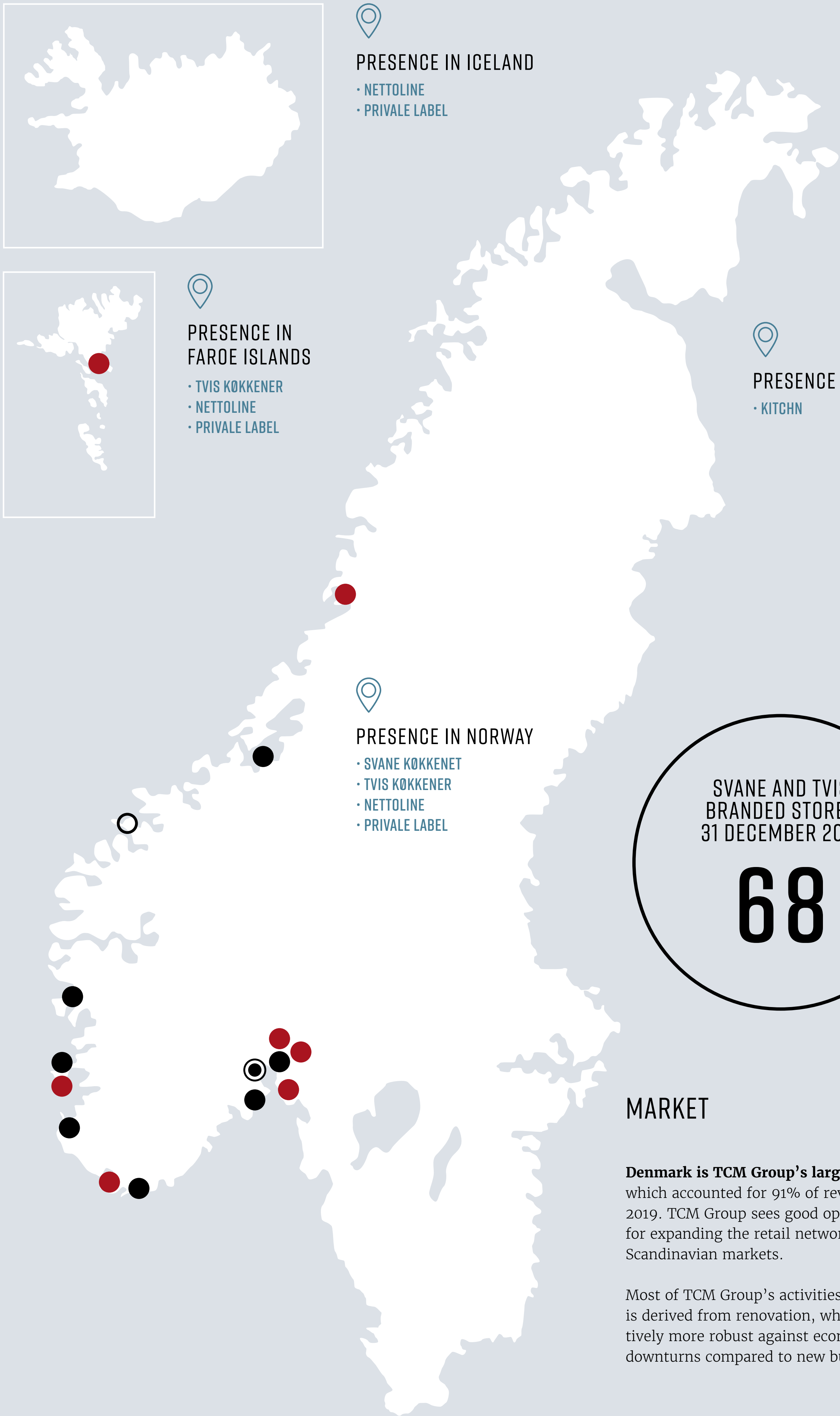
PRODUCTION

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.

BRANDED STORES

SVANE KØKKENET		TVIS KØKKENER
●	CURRENT STORES	●
◉	OPENED IN 2019	◉
○	OPENS IN Q1 2020	○



PRESENCE IN ICELAND

- NETTOLINE
- PRIVALE LABEL

PRESENCE IN FAROE ISLANDS

- TVIS KØKKENER
- NETTOLINE
- PRIVALE LABEL

PRESENCE IN SWEDEN

- KITCHN

PRESENCE IN NORWAY

- SVANE KØKKENET
- TVIS KØKKENER
- NETTOLINE
- PRIVALE LABEL

SVANE AND TVIS BRANDED STORES 31 DECEMBER 2019

68

MARKET

Denmark is TCM Group's largest market, which accounted for 91% of revenue in 2019. 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 workforce, 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, some of which 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 68 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 cooperation with our production employees typically based on multi-year collective wage negotiation 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-miss accidents focusing on the prevention of future incidents. An occupational health organization 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, which are the Group's primary customers. 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 if the interest rate risk is material. The group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings, and by use of interest rate swap contracts.

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.

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 2019 financial year, 8 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. All 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. All Board Members are up for election on each Annual General Meeting.

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 Audit Committee consists currently of 2 members, Sanna Suvanto-Harsaae and Anders Skole-Sørensen, and is led by Anders Skole-Sørensen. The Audit Committee held 4 meetings in the 2019.

NOMINATION COMMITTEE

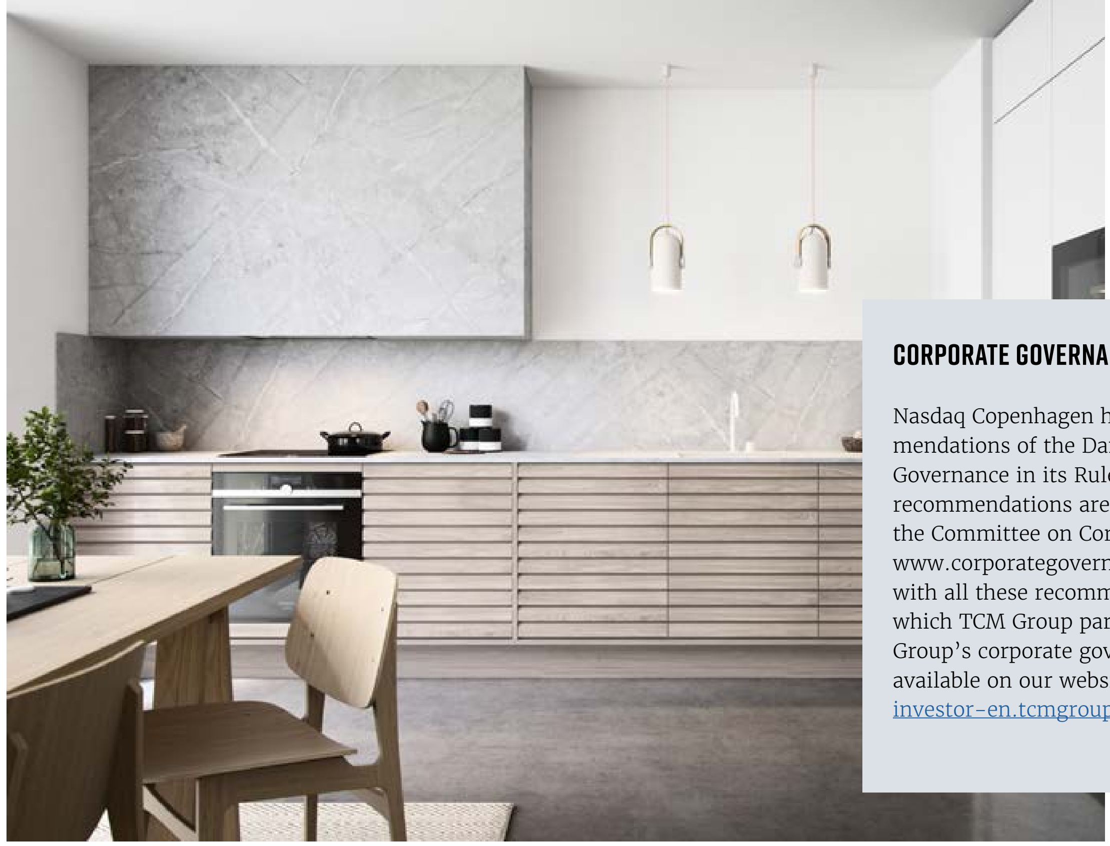
The Board of Directors has set up a Nomination Committee comprising at least two members of the Board of Directors, where at least one is also member of the Remuneration Committee. The Chairman of the Board of Directors is also the Chaiman of the Nomination Committee. The overall purpose of the Nomination 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 consists currently of 2 members, Sanna Suvanto-Harsaae and Anders Skole-Sørensen, and is led by Sanna Suvanto-Harsaae. The Nomination Committee held 4 meetings in the 2019.

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 consists currently of 2 members, Sanna Suvanto-Harsaae and Anders Skole-Sørensen, and is led by Sanna Suvanto-Harsaae. The Remuneration Committee held 7 meetings in the 2019.

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 governance-en.tcmgroup.dk.



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 from one, which TCM Group partly complies with. The Group's corporate governance statements are available on our website at investor-en.tcmgroup.dk/CorporateGovernance

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 IN RELATION TO THE FINANCIAL REPORTING PROCESS

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 are deemed appropriate and sufficient in relation to the Group's activities and operations. The internal control systems are 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 in relation to the financial reporting process 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 procedures in relation to the financial reporting process 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 in relation to the financial reporting process 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.
Chairman of Nomination Committee and Remuneration Committee and member of Audit Committee.
Independent.
Danish and Finnish nationality.
Born in 1966.
Member since: 2016
Participated in 8 board meetings in 2019.
Number of shares end 2019: 36.081 (2018: 36.381)

Sanna Mari Suvanto-Harsaae holds a Bachelor of Science 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, Nordic Pet Care Group A/S, BoConcept A/S, Paulig Oyj, Isadora AB, Altia Oyj, and Footway AB.

Sanna Mari Suvanto-Harsaae is also member of the board of directors of SAS AB, Broman Group Oyj, and CEPOS.

ANDERS SKOLE-SØRENSEN
Deputy Chairman.
Chairman of Audit Committee and member of Nomination Committee and Remuneration Committee.
Independent.
Danish nationality.
Born in 1962.
Member since: 2017
Participated in 8 board meetings in 2019.
Number of shares end 2018: 7.653 (2018: 7.653)

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 F. Uhrenholt Holding A/S and entities within the Matas group.

CARSTEN BJERG
Board member.
Independent.
Danish nationality.
Born in 1959.
Member since: 2018
Participated in 8 board meetings in 2019.
Number of shares end 2019: none (2018: none)

Carsten Bjerg holds a Bachelor in Production Engineering from the Technical University of Denmark.

Other positions:
Carsten Bjerg is deputy chairman of the board of directors of Rockwool International A/S (listed on Nasdaq Copenhagen) and a member of the board of directors of Vestas Wind Systems A/S (listed on Nasdaq Copenhagen), Dansk Smede- og maskinteknik A/S, and Agrometer A/S.

Carsten Bjerg is chairman of board of directors of Ellepot A/S, Guldager A/S, PCH Engineering A/S, Robco Engineering A/S, Hydrema A/S, Bogballe A/S, Bjerringbro-Silkeborg EliteHåndbold A/S, and Arminox A/S.

SØREN MYGIND ESKILDSEN
Board member.
Independent.
Danish nationality.
Born in 1972.
Member since: 2018
Participated in 7 board meetings in 2019.
Number of shares end 2019: none (2018: none)

Søren Mygind Eskildsen holds a Bachelor of Engineering and MBA from the Southern University of Denmark.

Other positions:
Søren Mygind Eskildsen is CEO of Louis Poulsen A/S.

Søren Mygind Eskildsen is chairman of board of directors of Vestas Aircoil A/S.

Søren Mygind Eskildsen is a member of board of directors of Egetæpper A/S.

DANNY FELTMANN ESPERSEN
Board member
Independent.
Danish nationality.
Born in 1968.
Member since: 2019
Participated in 5 board meetings in 2019.
Number of shares end 2019: 4.400 (2018: none)

Danny Feltmann Espersen holds a MSc in accounting and Finance from Aarhus Business School.

Other positions:
Danny Feltmann Espersen is CEO of MENU Holding A/S and associated entities.

In addition Danny Feltmann Espersen is CEO in his privately owned companies.

EXECUTIVE MANAGEMENT

OLE LUND ANDERSEN

Chief Executive Officer since 2007.
Danish nationality.
Born in 1959.
Number of shares end 2019: 524.208
(2018: 514.208)

Ole Lund Andersen holds a Bachelor 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, Contino Holding A/S, and Nissen Capital A/S.

MOGENS ELBRØND PEDERSEN

Chief Financial Officer since 2015.
Danish nationality.
Born in 1975.
Number of shares end 2019: 39.902
(2018: 37.402)

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

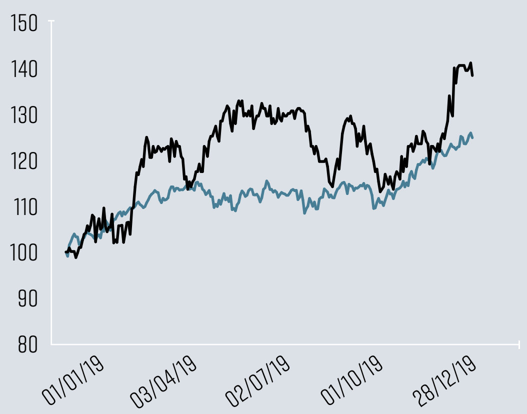
Prior to joining the Group, Mogens Elbrønd Pedersen had been the director of finance and senior director, group finance of Bang & Olufsen A/S (listed on Nasdaq OMX Copenhagen) since 2011.

SHAREHOLDER INFORMATION

TCM GROUP SHARE PRICE DEVELOPMENT IN 2019

TCM Group A/S is a part of the Nasdaq OMX Copenhagen Small Cap index. The share price closed at DKK 126.0 on 31 December 2019, equivalent to an increase of 38.3% in 2019. For comparison, the OMX C25 Index increased by 24.8% in 2019.

SHARE PRICE DEVELOPMENT 2019



SHARE CAPITAL

The nominal value of the company's share capital at 31 December 2019 was DKK 1 million divided into shares of DKK 0.1, equivalent to 10 million shares and 10 million votes.

OWNERSHIP

At 31 December 2019, five shareholders had notified shareholdings above 5% of the share capital:

Name	Business Registration No	Domicile	Share
Arbejdsmarkedets Tillægspension	43405810	Hillerød, Denmark	13.5%
BI Asset Management Fondsmæglerselskab A/S	20896477	Copenhagen, Denmark	11.2%
Luxempart PIPE S.á.r.l.	B232467	Leudelange, Luxembourg	9.9%
Handelsbanken Fonder AB	556418-8851	Stockholm, Sweden	6.6%
Ole Lund Andersen	private	Silkeborg, Denmark	5.2%

Members of the Board of Directors held at 31 December 2019 48,134 shares, and members of the Executive Management held 564,110 shares, in total 612,244 shares, equivalent to 6.1% 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 proposes an ordinary dividend of DKK 5.25 per share for the 2019 financial year. The proposed dividend per share corresponds to a total dividend distribution of DKK 52.5 million, equivalent to 47% of consolidated net profit for the year.

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.

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

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 2020:

31 MARCH 2020	ANNUAL GENERAL MEETING 2019
6 MAY 2020	INTERIM REPORT Q1 2020
18 AUGUST 2020	INTERIM REPORT Q2 2020
11 NOVEMBER 2020	INTERIM REPORT Q3 2020
24 FEBRUARY 2021	INTERIM REPORT Q4 2020 AND ANNUAL REPORT 2020
13 APRIL 2021	ANNUAL GENERAL MEETING 2020

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 four analysts:

ABG Sundal Collier **Morten Raunholt Eismark**
Aktieinfo **John Stihøj**
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, 31 March 2019 at 5 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 are key elements 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 consider 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 not cause harm or damage and environmental impact should be minimized.

TCM Group's business model and strategy are described in section "Strategy and financial targets".

It is our ambition to promote the UN Sustainable Development Goals through our core business operations. In order to do so, we focus on the Sustainable Development Goals, which are most relevant to our business. The specific Sustainable Development Goals which we have selected to focus on are:

Furthermore, TCM Group is committed to work within the framework of the 10 UN Global Compact principles (UNGC):

Human rights (UN SDG 5+8)
1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that TCM Group is not complicit in human rights abuses

Labour (UN SDG 5+8)
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Eliminate all forms of forced and compulsory labour
5. Effectively abolish child labour
6. Eliminate discrimination in respect of employment and occupation

Environment (UN SDG 12+13+15)
7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption (UN SDG 12)
10. Work against corruption in all its forms, including extortion and bribery

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. This section covers the statutory statement by the Danish Financial Statements' Act 99a and 99b.

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. The primary risks we face in connection to human rights incompliance are discrimination of employees and cases where specific conditions at our suppliers do not comply with the human rights principles. TCM Group takes specific measures to ensure that no incompliance with human rights principles takes place within the company or via our suppliers. The measures are e.g. full implementation of a whistle blower system and conducting arbitrary supplier audits. Both measures will be further outlined in sections "Whistle Blower System" and "Supplier Management".

TCM Group can firmly state that no products sold in 2019 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. We continuously strive to create a working environment characterized by a high focus on safety and a good collegial unity. There is further a risk to work related accidents, that it could impact our ability to attract and retain employees.

The physical workplace is one of our key focus areas. We have formed multiple working groups throughout the entire organization 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. Furthermore, we conduct regular examinations of our workplace, by asking all employees to rate their working conditions and encourage them to give their recommendations and ideas on how we can improve our working environment.

REPORTED NEAR-MISS WORK ACCIDENTS

	2019	2018	2017
# of reported near-miss work accidents in TCM Group	1,139	780	627

As a natural part of ensuring a *Safety First* culture throughout the company, we have an increasingly high focus on reporting near-miss work accidents and mitigating the underlying root causes as a means of increasing safety awareness and preventing accidents. The number of reported near-miss accidents has increased to 1,139 reported near-miss work accidents in TCM Group in 2019, whereas 780 near-miss accidents were reported in 2018, indicating increased safety awareness.

Sickness and absence is another one of our key focus areas, and especially absence related to work accidents. From 2018 to 2019 the absence ratio related to work accidents decreased from 1.7‰ to 0.8‰, which is a very satisfactory development. The decrease in the absence ratio has been obtained through various initiatives all focused on how to commission employees in the daily operation as quickly as possible after an incident, e.g. by introducing the employee to new tasks and areas of responsibility. Health and safety will continue to be a key focus area in 2020 in all parts of the organization. The TCM Group motto is that "one work accident is one too many". Safety has top management attention and we will continue to launch specific initiatives in order to reduce the number of work accidents.

SICKDAYS AND ABSENCE

	2019	2018	2017
# of sickdays caused by work accidents	83	184	128
Absence ratio related to work accidents (‰)	0.8	1.7	1.4

From 2018 to 2019 the absence ratio related to work accidents decreased from 1.7‰ to 0.8‰, which is a very satisfactory development.

Overall, the sickness related absence (excl. absence due to sick children and maternity leave) in TCM Group was at 3.3% in 2019 versus 3.5% in 2018. A major reasoning behind this decrease is an increased focus on dialogue with and support to our most vulnerable employees.

We continue to offer light duty jobs for employees who are temporarily ill and we have a continuous dialogue with employees who have an absence level higher than the standard, in order to understand the reasoning behind their absence. In our internal occupational health and safety organization we continuously try to increase the knowledge and competence level in order to support our employees in the best way possible. The average absence level in the industry is 3.3% according to Dansk Arbejdsgiverforening (2018).

APPRENTICES IN TCM GROUP

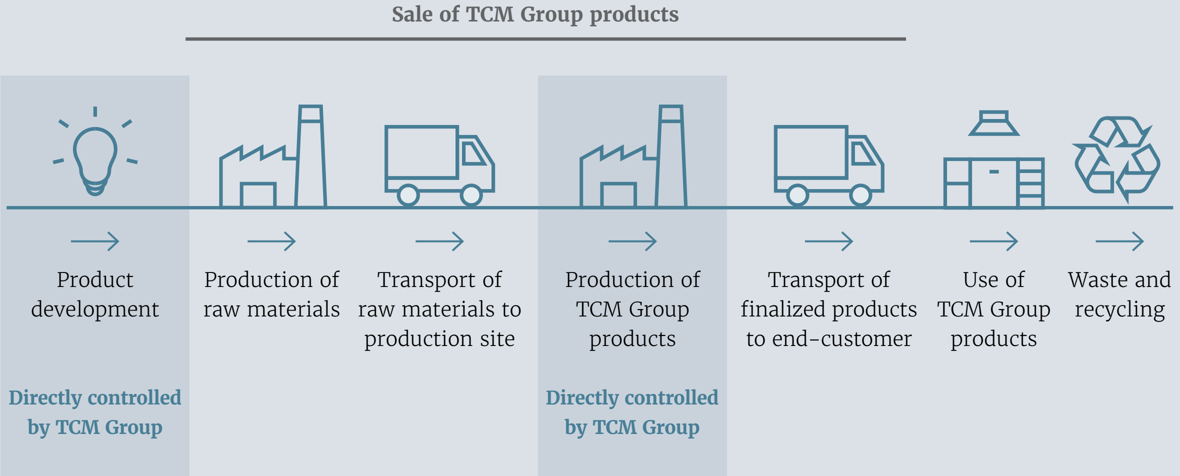
	2019	2018	2017
# of apprentices in TCM Group	17	14	12

TCM Group is determined to support the education of our next generation workforce. We do so by hiring apprentices in our production and some of our staff functions. From 2018 to 2019 the number of apprentices in TCM Group has increased from 14 to 17.

GENDER DIVERSITY

TCM Group is determined to promote diversity and achieve 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 within the company. It is the Board's goal that its members should complement each other as far as age, background, nationality, gender etc. are concerned. We identify and assess new candidates for the Board based on these conditions, and nomination of candidates is always based on an assessment of candidates' competencies, their match with the needs of the group and contributions to the Board's overall effectiveness.

VALUE CHAIN



GENDER DIVERSITY (# OF UNDERREPRESENTED GENDER)

	2019	2018	2017
Board of Directors	1 of 5	1 of 5	1 of 5
Mgmt. (Executive mgmt. and Middle mgmt.)	2 of 10	2 of 12	1 of 9

TCM Group has a target for the Board of Directors that both genders are represented by at least 20%. As of 31 December 2019, the distribution is 20% women and 80% men, which means that the target is met.

In terms of the Executive Management and the management group below, the goal is to have a management group that complement each other in all aspects. When recruiting management group members internally or externally, the selection is always based on the candidates' competencies and whether they match the requirements of TCM Group. TCM Group does not allow discrimination of any kind e.g. regarding age, nationality, gender, religion, sexual orientation, disability etc. As far as possible, we assure that the final pool of candidates is diversified.

As of 31 December 2019, the gender distribution in the management group is 20% women and 80% men. This is an improvement from 2018 in terms of gender diversity in the management group.

2018 EMISSIONS

	Total [ton CO_2]	Percent of total
Scope 1 (GRI 305-1)	1,360	47%
Scope 2 (GRI 305-2)	1,523	53%
Total	**2,883**	**100%**

In 2018, our total scope 1+2 emission was 2,883 ton CO_2. This means that our emission was 3.2 ton CO_2 per 1 mDKK net revenue.

2018 - KEY FIGURES

	Total (ton)	Unit
Emission per 1 mDKK net revenue	3.2	ton CO_2e/mDKK

2019 EMISSIONS

	Total [ton CO_2]	Percent of total
Scope 1 (GRI 305-1)	1,427	45%
Scope 2 (GRI 305-2)	1,727	55%
Total	**3,154**	**100%**

In 2019, our total scope 1+2 emission has increased to 3,154 ton CO_2, mainly due to the increased activity level in our production facilities. Our emission was 3.1 ton CO_2 per 1 mDKK net revenue, whereby our emission has decreased by 0.1 ton CO_2 per 1 mDKK net revenue.

2019 - KEY FIGURES

	Total (ton)	Unit
Emission per 1 mDKK net revenue	3.1	ton CO_2e/mDKK

ENVIRONMENT AND CLIMATE IMPACT

TCM Group is committed to reduce the environmental impact of our production processes. In order to do so and to create transparency on the progress of our pollution reduction initiatives, we measure our CO_2 emissions, by following the GRI standards 305-1 (Scope 1) and 305-2 (Scope 2). Scope 1 implies the direct emissions of our business activities whereas Scope 2 measures the indirect emissions via our electricity and heat consumption. We are not yet measuring our other indirect emissions (Scope 3), but are evaluating whether to start measuring Scope 3 in the near future. This also means that we are not measuring the emissions related to our distribution processes, as the distribution has been outsourced and is thereby not within scope 1 or 2. Further information about the GRI standards is available at www.globalreporting.org/standards.

The main sources of emission are our electricity and heat consumption, which are mainly related to our production facilities. In 2018, our electricity consumption was 53% of our total scope 1+2 emissions whereas our heat consumption was 41%. The remaining 6% was emission related to transport activities (company cars and vehicles at our production facilities). In 2019, electricity and heat consumption was 55% and 40% respectively, whereas 5% of our emission was related to transport activities.

TCM Group has set a target to reduce the electricity consumption with 25% per kDKK revenue in 2020, from 19.2 kWh in 2011 to 14.4 kWh in 2020. In 2019, the electricity consumption was 13.1 kWh per kDKK revenue, whereby our 2020 target has already been achieved. However, we stay committed to continue reducing our electricity consumption ratio.

By the end of 2019, TCM Group invested in a comprehensive upgrade of our lacquering production unit, which will enable us to increase efficiency in our lacquering process, reduce the number of production errors and significantly reduce the electricity consumption in this part of the production process. In the end this will result in a significant reduction of our CO_2 footprint.

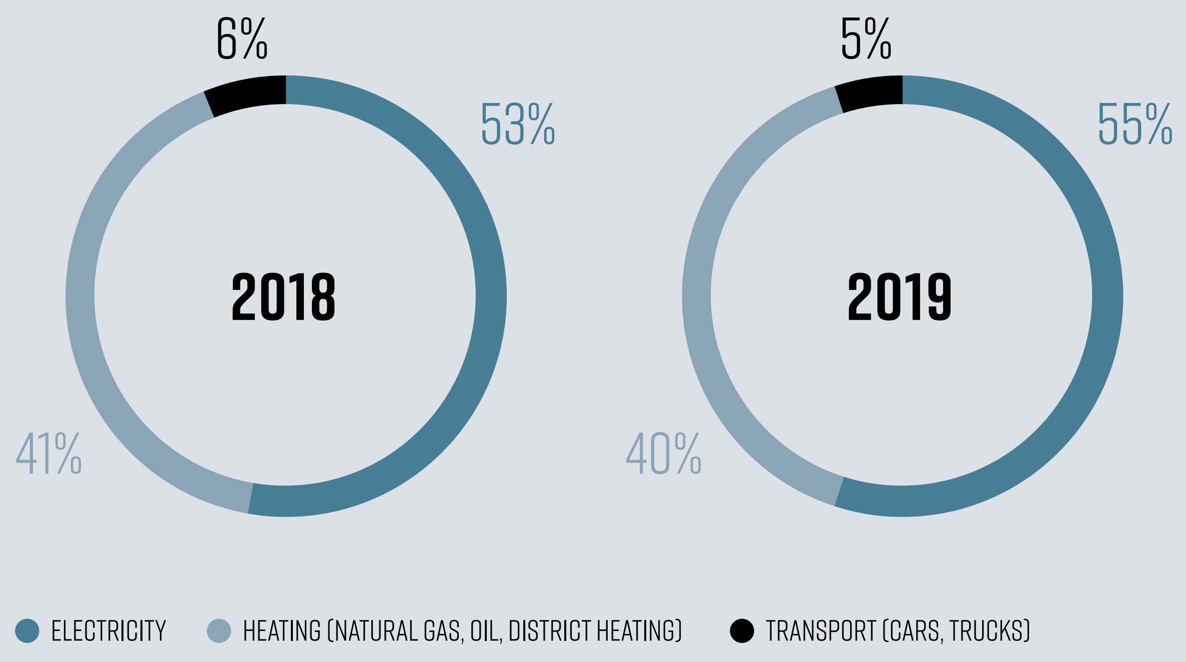
From a risk perspective it is a considerable risk if TCM Group is not considered an environmentally responsible company, that it could damage our brand value.

ELECTRICITY CONSUMPTION

	2019	2018	2017
Electricity consumption (kWh) per kDKK revenue	13.1	12.4	12.5

The production process in TCM Group 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.

DISTRIBUTION OF CO_2 EMISSIONS



WHISTLE BLOWER SYSTEM

In 2019, TCM Group finalized the implementation of an internal whistle blower system, which allows our employees to report any concerns or witnessed activities regarding non-compliance with our Human Rights, Labour, Environmental or Anti-corruption rules and regulations.

All TCM Group employees, customers, suppliers, advisors and other individuals with connection to the company are able to access the whistle blower system through an externally hosted website. The system is anonymous and all communication is encrypted, which means that TCM Group is not able to trace any specific whistle blower report back to the reporting individual. Furthermore, the supplier of the whistle blower system complies with GDPR.

No whistle blower cases were registered during 2019.

Approximately 95% 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. TCM Group only produce massive wooden table tops, which are FSC® certified. The certification ensures that only sustainable logging is carried out. Furthermore, the FSC® certificate guarantees that vegetation and animals are protected and that the employees of the forest plantations are properly educated, use proper protective equipment and are paid fairly during their employment. Further information about FSC® is available at www.ic.fsc.org.

ANTI-CORRUPTION

TCM Group is exposed to the risk of non-compliance with anti-corruption rules and regulations, for example obtaining an advantage with illegal means, via our employees, suppliers, franchisees and dealers. The consequence could be fines and brand damage. Therefore, our policy is to comply with all applicable regulations and to promote an anti-corruption behaviour to all our business relations.

The total share of TCM Group' purchasing, covered by our Code-of-Conduct was 100% in 2019 and cover all suppliers from non-EU countries.

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 2019.

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 was 100% in 2019 and cover all suppliers from non-EU countries.

TCM Group will continue to monitor all suppliers in 2020 and conduct arbitrary audits, though with special attention on the suppliers doing business in Asia.

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CONSOLIDATED INCOME STATEMENT

DKK'000	NOTE	2019	2018
Revenue	3	1,006,942	899,911
Cost of goods sold	4, 5, 7	(727,321)	(637,076)
Gross profit		**279,622**	**262,835**
Selling expenses	4, 5, 7	(73,543)	(70,704)
Administrative expenses	4, 5, 6, 7	(52,623)	(52,127)
Other operating income		113	104
Operating profit before non-recurring items		**153,570**	**140,108**
Non-recurring items	7, 8	(7,012)	(1,996)
Operating profit		**146,558**	**138,112**
Financial income	9	530	109
Financial expenses	9	(4,731)	(5,921)
Profit before tax		**142,357**	**132,300**
Tax for the year	10	(31,035)	(28,589)
Net profit for the year		**111,322**	**103,710**
Earnings per share before dilution, DKK	18	11.13	10.37
Earnings per share after dilution, DKK	18	11.13	10.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2019	2018
Net profit for the year		111,322	103,710
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Value adjustments of cash-flow hedges before tax		107	451
Tax on value adjustments of cash-flow hedges		(23)	(99)
Other comprehensive income for the year		**83**	**351**
Total comprehensive income for the year		**111,405**	**104,062**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2019	2018
ASSETS			
INTANGIBLE ASSETS	11		
Goodwill		369,796	369,796
Brand		171,961	171,961
Other intangible assets		9,249	17,889
		551,006	**559,646**
TANGIBLE ASSETS	12		
Land and buildings		86,471	70,868
Tangible assets under construction and prepayments		0	1,063
Machinery and other technical equipment		19,381	12,544
Equipment, tools, fixtures and fittings		5,143	3,058
		110,995	**87,533**
Financial assets	14	**19,118**	**748**
Total non-current assets		**681,119**	**647,927**
INVENTORIES			
Raw materials and consumables		21,754	18,555
Products in progress		9,594	8,646
Finished products		8,857	9,314
	13	**40,205**	**36,514**
CURRENT RECEIVABLES			
Trade receivables	2	22,308	41,165
Other receivables	14	23,157	13,916
Tax receivables	2	2,482	0
Prepaid expenses and accrued income	15	2,465	3,000
		50,412	**58,081**
Cash and cash equivalents		139,360	100,857
Assets held for sale	25	0	664
Total current assets		**229,977**	**196,117**
Total assets		**911,096**	**844,044**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2019	2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	16, 18	1,000	1,000
Value adjustments of cash flow hedges	17	0	(83)
Retained earnings		419,244	360,422
Proposed dividend for the year	19	52,500	47,500
Total shareholders' equity		**472,744**	**408,839**
Deferred tax	20	53,517	54,835
Mortgage loans	2, 21	33,422	36,245
Bank loans	2, 21	97,615	129,000
Lease liabilities	2	30,333	0
Other liabilities	2	12,325	2,319
Total long-term liabilities		**227,212**	**222,399**
Mortgage loans	2, 21	2,816	2,756
Bank loans	2, 21	18,791	23,052
Lease liabilities	2	10,566	0
Prepayments from customers		4,647	2,254
Trade payables	2	128,600	133,165
Current tax liabilities		0	521
Derivative instruments		0	107
Other liabilities	2	45,719	50,950
Total short-term liabilities		**211,140**	**212,806**
Total shareholders' equity and liabilities		**911,096**	**844,044**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	VALUE ADJUSTMENTS OF CASH FLOW HEDGES AFTER TAX	RETAINED EARNINGS	PROPOSED DIVIDEND	TOTAL
Opening balance 01.01.2019	**1,000**	**(83)**	**360,422**	**47,500**	**408,839**
Net profit for the year	0	0	58,822	52,500	111,322
Other comprehensive income for the year	0	83	0	0	83
Total comprehensive income for the year	**0**	**83**	**58,822**	**52,500**	**111,405**
Dividend paid	**0**	**0**	**0**	**(47,500)**	**(47,500)**
Closing balance 31.12.2019	**1,000**	**0**	**419,244**	**52,500**	**472,744**
Opening balance 01.01.2018	**1,000**	**(435)**	**304,212**	**0**	**304,777**
Net profit for the year	0	0	56,210	47,500	103,710
Other comprehensive income for the year	0	351	0	0	351
Total comprehensive income for the year	**0**	**351**	**56,210**	**47,500**	**104,062**
Closing balance 31.12.2018	**1,000**	**(83)**	**360,422**	**47,500**	**408,839**

CONSOLIDATED CASH FLOW STATEMENT

DKK'000	NOTE	2019	2018
OPERATING ACTIVITIES			
Operating profit		146,558	138,024
Depreciation/amortization		20,829	15,419
Income tax paid		(35,379)	(32,639)
Change in inventories		(3,777)	(2,081)
Change in operating receivables		15,650	(6,796)
Change in operating liabilities		2,603	21,935
Cash flow from operating activities		**146,484**	**133,862**
INVESTING ACTIVITIES			
Investments in tangible assets		(14,996)	(9,192)
Investments in intangible assets		(336)	0
Sale of tangible assets		113	16,739
Sale of financial assets		61	0
Acquisition of operations		0	(450)
Sale of operations		1,000	0
Cash flow from investing activities		**(14,158)**	**7,097**
Operating cash flow before acquisitions of operations		**132,326**	**141,409**
Operating cash flow after acquisitions of operations		**132,326**	**140,959**
FINANCING ACTIVITIES			
Interest paid		(3,816)	(5,278)
Proceeds from loans	23	0	975
Repayments of loans	23	(37,273)	(84,966)
Repayments of lease liabilities	23	(5,234)	0
Dividend paid		(47,500)	0
Cash flow from financing activities		**(93,823)**	**(89,269)**
Cash flow for the year		**38,503**	**51,690**
Cash and cash equivalents at the beginning of the year		**100,857**	**49,167**
Cash flow for the year		38,503	51,690
Cash and cash equivalents at year-end		**139,360**	**100,857**

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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.

Accounting policies are unchanged compared to last year except for implementation of IFRS 16.

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.

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 financial years are primarily the following:

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 policies. The assumptions and assessments made pertaining to expected cash flows and the discount rate in the form of weighted average cost of capital are described in note 11, Intangible assets.

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 2019 financial year, including IFRS 16 "Leases", which is described below.

IFRS 16 Leases replaced IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease and related rules with application from 1 January 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.

IFRS 16: TRANSITION AND EXEMPTION RULES

TCM Group has applied the modified retrospective approach. This means that the accumulated effect of IFRS 16 is recognized in profit brought forward in the opening balance for 1 January 2019 without restating comparative figures. TCM Group has measured the right-of-use (the asset) at the amount corresponding to the lease liability (before adjustment for advance payments), which entails that the accumulated effect in profit brought forward in the opening balance does not arise.

TCM Group has applied the exemption rule of "grandfathering" the former definition of leases existing at transition. This means that the Group has applied IFRS 16 on all leases signed before 1 January 2019 and that were identified as leases according to IAS 17 and IFRIC 4. TCM Group has also applied the exemption rule of using the same discount rate for a portfolio of leases with similar characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

TCM Group has also applied the exemption rule of not including long-term leases whose remaining lease term is less than 12 months from the date of initial application. The Group has no short-term leases (leases with a term of maximum 12 months) or any leases of a low value (assets valued at about DKK 33.000 in new condition). If such leases occur, they will not be included in the lease liability and right-of-use asset.

ACCOUNTING EFFECT OF THE IMPLEMENTATION OF IFRS 16

As of 1 January 2019, TCM Group has recognized additional lease liabilities of DKK 49.1 million, right-of-use assets of DKK 19.4 million and other receivables regarding subleases of DKK 29.7 million.

Below is the difference between the disclosed operating lease obligation in accordance with IAS 17 in the Annual Report prior to the implementation of IFRS 16 (31 December 2018) and the lease liabilities recognized in the balance sheet as of 1. January 2019 (release date) shown.

	DKK'000
Operating lease obligations disclosed 31.12.2018	**31,186**
Discounting	(1,279)
Extension options including rent increases, which will be exercised with reasonable certainty	24,006
Other costs than rent related to lease agreements	(3,894)
Other	(698)
Transition rules:	
Contracts that expire within 12 months	(194)
Lease liabilities recognized 01.01.2019	**49,127**

In 2019 the implementation of IFRS 16 has affected EBITDA positively with DKK 5.0 million and profit before tax negatively by DKK 0.2 million. Financiel expenses are impacted by DKK 0.5 million and financial income is impacted by DKK 0.3 million. There is no significant impact on EBITA margin and EBIT margin with a negative impact of less than 0.1%-point. Solvency ratio is negatively affected with 2.4%-point.

As of 31 December 2019, TCM Group has recognized additional lease liabilities of DKK 39.8 million, right-of-use assets of DKK 15.5 million and other receivables regarding subleases of DKK 24.1 million.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS RELATED TO IFRS 16

Lease period
The company recognizes the lease obligations on the basis of the future payments during the lease period. The lease period consists of the non-cancellable period and periods covered by extension and termination options.

The company rents properties for production and for retail leases. Often leases do not have a fixed expiry date, but continue after the non-cancellable period until the lessee terminates the contract. The company therefore assesses whether it is reasonably certain of exercising extension options or failing to exercise termination options when determining the lease term. For both production buildings and retail leases, the lease term is estimated to be 5 years.

Retail leases are in most cases subleased to franchisees on the same terms, why the lease term is estimated to be the same period. The right-of-use assets is therefore recoqnized as a 'Other receiveables' in the balance sheet.

Incremental borrowing rate
The company has chosen to subdivide their leases into the following categories:
- Rental contracts for premises
- Vehicles

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

The borrowing rate is set at the transition date for IFRS 16. If the company considers that a change in the residual value guarantee, termination and renewal options, the incremental borrowing rate is revised.

For the company's vehicles, the incremental borrowing rate is calculated based on the company's borrowing rate. This interest rate takes into account credit assessments, collateral, leasing periods, etc.

For rental contracts for premises, the possibility of using mortgage financing of real estate has been taken into account.

NEW IFRS STANDARDS THAT HAVE NOT YET BEEN APPLIED

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

There are no amendments to accounting policies with future application that are deemed to have any material effect on the consolidated financial statements.

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 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 recorded 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

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 decision-maker 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
Revenue is recognised when control of goods sold has transferred to the customer, being when the goods have been delivered according to the delivery terms. When the Group provides installation services, revenue is recognised as a performance obligation satisfied over time. Revenue is recognised for these installation services based on the stage of completion of the contract.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 in connection with e.g. material restructuring and other items relating to fundamental reorganisations as well as gains or losses on major disposals. Furthermore, non-recurring items include costs related to 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, cost related to integration of a new business as well as cost related to production setback following a lightning strike. Such costs are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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 balance-sheet 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.

Deferred tax is measered at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. 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 op-erations, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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 11 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

ACCOUNTING POLICIES FROM JANUARY 1, 2019

When entering into an agreement, the company assesses whether an agreement is a lease agreement or contains a lease element. A lease is an agreement that transfers the right to control the use of an identifiable asset for a period against payment. In assessing whether an agreement contains a lease item that has been transferred to the lessee, it is necessary to consider whether the lessee has the right, during the useful life, to obtain virtually all the economic benefits from the use of the identifiable asset and the right to decide on the use of the the identifiable asset.

The company recognizes a right-of-use (the asset) and a lease obligation at the start of the lease period. The right-of-use asset is recognized in the category of assets, which it belongs to.

The right-of-use asset is measured at cost, which is calculated as the present value of the lease obligation plus any direct costs associated with entering the lease, any costs for demolition and disposal of the asset at the end of the lease period which the lessee is obliged to pay, and prepaid leasing payments.

The right-of-use asset is depreciated on a straight-line basis over the shortest period of the lease term and the useful life of the asset. If the lease agreement contains a purchase option that the company expects to exercise, the right-of-use asset is depreciated on a straight-line basis over the total expected useful life of the asset.

The company leases vehicles which include a service element in the payments to the lessor. This service is deducted from the lease payment when measuring the lease obligation. Where the company cannot reliably separate leasing and non-leasing items, it is considered a single leasing payment.

Short leases with a maximum lease term of 12 months and leases where the underlying asset has a low value are not recognized in the balance sheet.

The lease obligation, which is recognized under "Lease liabilities", is measured at the present value of the remaining lease payments, discounted by the company's incremental loan interest rate, if the implicit interest rate is not stated in the lease agreement or can reasonably be determined. The leasing payment consist of fixed and variable leasing payments that are regulated by index or interest rate, guaranteed residual values, the exercise of purchase options and the cost of cancelling the lease. The lease obligation is subsequently adjusted if:

- The value of the index or interest rate on which the lease payments are based changes.
- There is a change in the exercise of options to extend or shorten the lease period due to a material event or material change in circumstances which are within the control of the lessee.
- The lease term is changed as a result of exercising an option to extend or shorten the lease term.
- The estimate of a residual value guarantee is changed.
- The contract is renegotiated or modified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Subsequent adjustment of the lease obligation is recognized as a correction to the right-of-use asset. However, if the right-of-use asset has a value of DKK 0, a negative reassessment of the right-of-use asset is recognized in the income statement.

ACCOUNTING POLICIES PRIOR TO JANUARY 1, 2019

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 finance leases. Finance leases are recognized at the start of the lease period at the lower of the lease object's fair value and the present value of minimum lease fees. Finance leases are recognized in the balance sheet as tangible assets and financial liabilities, respectively. Future lease payments are divided between repayment of the liabilities and financial expenses whereby each accounting period is charged with an amount of interest corresponding to a fixed-interest rate on the liability recognized during the respective period. Lease 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 operating lease. Lease 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 an operating lease. 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 price 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 and cost 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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.

LOANS AND TRADE RECEIVABLES
The category of loans and trade receivables 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 financial assets and trade receivables 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 receivables 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 rate 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 rate 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 rate 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 to the impairment testing of assets other than financial assets, which are tested according to IFRS 9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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
Trade receivables are recognised initially at their transaction price less allowance for expected credit losses over the lifetime of the receivable and are subsequently measured at amortised cost adjusted for changes in expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix with reference to past default experience of the debtors, adjusted for expected changes in defaults in the future based on forward looking information, if relevant. The Group has historically experienced insignificant credit losses.

Receivables, for which the Group has no reasonable expectation of recovery, are written off in part or entirely.

The allowances for expected credit losses and write-offs for trade receivables are recognised in profit or loss and included in administrative expenses.

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 undefinite 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.

STATEMENT OF CASH FLOWS
The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of businesses is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognized in the cash flow statement from the date of acquisition, and cash flows from disposed businesses are recognized up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as operating profit adjusted for non-cash operating items, changes in working capital, and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and operations and of intangible and tangible assets and other non-current assets as well as dividend received.

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, interest and payment of dividends to shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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 grant.

The Group have a Long-term Incentive program (LTI) for the Executive Management, which is governed by the Remuneration policy. A provision is recognized for the anticipated cost of LTI bonus payments when the Group has a current legal or contractive obligation to make such payments, based on the conditions in the Remuneration policy.

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 recognized for the anticipated cost of bonus payments when the Group has a current legal or contractive obligation to make such payments, based on the services being obtained from the employees and it being possible to reliably estimate the obligation.

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 purchases are primarily in DKK and EUR. Due to the current DKK-EUR fixing, purchases are not hedged. Purchases in other currencies were DKK 3 million in 2019 (DKK 2 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 collateral are utilized for the different markets and customer categories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

AGE ANALYSIS, TRADE RECEIVABLE	2019 DKK'000	2018 DKK'000
Trade receivables	**22,308**	**41,165**
Non-due trade receivable	18,053	38,842
Past due trade receivable 0-30 days	3,775	1,723
Past due trade receivable 30-90 days	721	788
Past due trade receivable >90 days	464	897
Total overdue	**4,961**	**3,409**
Of which secured	4,008	1,607
– Impaired	0	0
Of which unsecured	953	1,801
– Impaired	(705)	(1,085)
Total overdue after impairment	**4,256**	**2,324**
Impairment loss recognized in the income statement during the period	**115**	**880**

Trade receivables as of 1 January 2018 amounted to DKK 35.1 million.

Changes in impairment of trade receivables in 2019 amounted to 0.4 million and is recognized as an income in the income statement 2019.

Actual losses on debtors in 2019 and 2018 have been immaterial in relation to the size of the Group and its activities, and no material losses are expected in 2020, why no further provisions have been made for expected losses. The provision of DKK 0.7 million constitutes 0.1% of net revenue for the year, which is considered sufficient to cover future expected losses.

FINANCIAL EXPOSURE

Bank loans with a nominal amount of DKK 116 million have a term of 5 years and expire in 2022 (DKK 152 million expiring in 2022). Borrowing costs of DKK 1.1 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.

Mortgage loans with a nominal amount of DKK 36 million (DKK 39 million) in total have a term of 20 years and expire in 2032. The interest rates of mortgage loans are variable.

INTEREST-RATE RISK

It is group policy to fully or partially hedge interest rate risks on loans when it is assessed that the debt is material. The group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings, and by use of interest rate swap contracts. The interest rate swap expired in 2019.

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 year and on equity at 31 December 2019 of DKK 0.1 million (DKK 0.6 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

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 2019. 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 2019 is 0.31.

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 recommends to the annual general meeting that a dividend of DKK 5.25 per share (2018: DKK 4.75 per share) be declared and paid. The dividend corresponds to 47% (2018: 46%) of Net profit for the year.

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)

CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS:

	2019 DKK'000	2018 DKK'000
Interest rate swaps	0	(107)
	0	**(107)**

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 139 million (DKK 101 million) as of 31 December 2019. In addition, the Group has unutilised overdraft facilities, which are not included in available liquidity, totalling DKK 75 million (DKK 75 million) as of 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

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
2019						
Bank loans	116.4	10.2	10.1	100.0	0.0	120.4
Mortgage loans	36.2	1.5	1.5	12.0	23.4	38.4
Lease liabilities	40.9	5.6	5.4	30.8	0.0	41.7
Trade payables	128.6	128.6	0.0	0.0	0.0	128.6
Other liabilities	58.0	38.7	7.0	12.3	0.0	58.0
Financial and operational liabilities at 31 December 2019		**184.6**	**24.1**	**155.2**	**23.4**	**387.2**

DKK MILLION	NOMINAL AMOUNT, FUNCTIONAL CURRENCY	0-6 MONTHS	6-12 MONTHS	1-5 YEARS	5 YEARS OR LATER	TOTAL
2018						
Bank loans	150.5	12.3	12.3	132.1	0.0	156.7
Mortgage loans	39.0	1.5	1.5	12.1	26.3	41.5
Lease liabilities	1.5	0.2	0.2	1.1	0.0	1.5
Trade payables	133.2	133.2	0.0	0.0	0.0	133.2
Other liabilities	53.3	41.4	9.0	2.8	0.0	53.3
Financial and operational liabilities at 31 December 2018		**188.7**	**23.0**	**148.1**	**26.3**	**386.2**

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 2019	INTANGIBLE AND TANGIBLE ASSETS 2019	REVENUE FROM CUSTOMERS 2018	INTANGIBLE AND TANGIBLE ASSETS 2018
GEOGRAPHIC AREAS				
Denmark	918,577	662,001	809,882	647,179
Other countries	88,365	0	90,029	0
	1,006,942	**662,001**	**899,911**	**647,179**

Revenue consists of sale of goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS

TOTAL COSTS FOR EMPLOYEE BENEFITS

DKK'000	2019	2018
Salaries and other remuneration	195,101	176,599
Social security costs	5,036	4,651
Pension costs – defined contribution plans	23,171	20,936
Other staff costs	286	139
Total costs for employees	**223,594**	**202,326**

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

REMUNERATION AND OTHER BENEFITS

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	TOTAL	NUMBER OF INDIVIDUALS
2019						
Board of Directors	1,251	0	34	0	1,285	5
Executive Management	4,526	5,118	243	205	10,092	2
Total	**5,777**	**5,118**	**277**	**205**	**11,377**	**7**

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	TOTAL	NUMBER OF INDIVIDUALS
2018						
Board of Directors	1,562	0	55	0	1,617	5
Executive Management	5,616	4,965	362	301	11,244	3
Total	**7,178**	**4,965**	**417**	**301**	**12,861**	**8**

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 157 thousand (DKK 16 thousand) during the year.

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 in 2019 in average totals 2 individuals, received salaries and benefits during the fiscal year amounting to DKK 4.5 million plus variable salary portions based on results for 2019 of DKK 5.1 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 2019 is capped at 50% of the annual basic salary and is based on annual KPIs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS (CONTINUED)

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.

5. AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD

	2019	2018
Average number of employees	489	458
Board members	5	5
Of which women	*1*	*1*
Executive Management	2	3
Of which women	*0*	*0*

Danny Feltmann Espersen has been elected as Board member in 2019 and replaced Peter Liebert Jelkeby. 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 services to the Group.

DKK'000	2019	2018
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	600	595
Other assurance engagements	33	0
Tax and indirect taxes advisory	5	8
Other services	99	82
	736	**685**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 0.1 million in 2019 and consited of various services. In 2018, the fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 0.1 million and consited of various services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. DEPRECIATION/AMORTIZATION AND IMPAIRMENT BY FUNCTION

DKK'000	DEPRECIATION/ AMORTIZATION 2019	IMPAIRMENT 2019	DEPRECIATION/ AMORTIZATION 2018	IMPAIRMENT 2018
Cost of goods sold	8,345	0	5,390	0
Selling expenses	1,286	0	5	0
Administrative expenses	11,199	0	10,087	0
Total depreciation/amortization and impairment	**20,829**	**0**	**15,482**	**0**

8. NON-RECURRING ITEMS

DKK'000	2019	2018
Costs related to integration of Nettoline	0	1,996
Costs related to production setback following a lightning strike	7,012	0
Total	**7,012**	**1,996**

Below is how the income statement (extract) would have been presented if there were not adjusted for non-recurring items:

DKK'000	2019	2018
Revenue	1,006,942	899,911
Cost of goods sold	(732,833)	(638,468)
GROSS PROFIT	**274,110**	**261,443**
Selling expenses	(75,043)	(70,704)
Administrative expenses	(52,623)	(52,731)
Other operating income	113	104
Operating profit	**146,558**	**138,112**

9. FINANCIAL INCOME AND EXPENSES

DKK'000	2019	2018
FINANCIAL INCOME		
Interest income on financial assets measured at amortized costs	258	109
Interest income on discounted subleases	271	0
FINANCIAL EXPENSES		
Interest expense on liabilities measured at amortized costs	(4,217)	(5,921)
Interest expenses on discounted lease liabilities	(513)	0
Total	**(4,201)**	**(5,812)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME
TAX FOR THE YEAR CAN BE SPECIFIED AS FOLLOWS:			
Current tax	32,353	23	32,376
Change in deferred tax during the year	(1,318)	0	(1,318)
Total	**31,035**	**23**	**31,058**
TAX FOR THE PREVIUS YEAR CAN BE SPECIFIED AS FOLLOWS:			
Current tax	32,674	99	32,773
Change in deferred tax during the year	(4,084)	0	(4,084)
Total	**28,589**	**99**	**28,688**

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

DKK'000	%	2019	%	2018
Tax rate	22.0	31,318	22.0	29,106
Non-deductible expenses	0.0	51	0.0	3
Other	(0.2)	(335)	(0.4)	(519)
Effective tax rate for the year	**21.8**	**31,035**	**21.6**	**28,589**

11. INTANGIBLE ASSETS

DKK'000	2019	2018
GOODWILL		
Opening carrying amount	369,796	369,796
Closing carrying amount	**369,796**	**369,796**
BRAND		
Opening carrying amount	171,961	171,961
Closing carrying amount	**171,961**	**171,961**

IMPAIRMENT TESTING OF GOODWILL AND BRAND

At the end of 2019, recognized goodwill amounted to DKK 369.8 million (DKK 369.8 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 were 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 here to.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

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, a Group-wide range, 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 2019, the Group's weighted cost of capital before tax amounted to 8.3% (8.3%) and after tax to 6.5% (6.5%).

Testing of goodwill and brand did not lead to any impairment in 2019 or 2018. In management's assessment, likely changes in the basic assumptions will not lead to the carrying amount exceeding the recoverable amount.

OTHER INTANGIBLE ASSETS

DKK'000	2019	2018
Opening cost	49,086	49,086
Investments for the period	336	0
Closing accumulated cost	**49,422**	**49,086**
Opening amortization	31,197	22,255
Amortization for the period	8,976	8,942
Closing accumulated amortization	**40,173**	**31,197**
CLOSING CARRYING AMOUNT		
Of which:		
Software	429	1,509
Franchise set-up	8,820	16,380
Closing carrying amount	**9,249**	**17,889**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. 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 2019	**68,474**	**6,833**	**1,063**	**22,201**	**6,487**
Additions by change in accounting policy, IFRS 16	17,124	0	0	0	2,321
Investments for the period	3,058	0	0	10,386	2,576
Transfer	538	0	(1,063)	525	0
Disposals for the period	0	0	0	0	(342)
Closing cost amount at 31 December 2019	**89,195**	**6,833**	**0**	**33,112**	**11,042**
Opening depreciation and impairment at 1 January 2019	4,439	0	0	9,657	3,429
Disposals for the period	0	0	0	0	(342)
Depreciation for the period	5,118	0	0	4,073	2,813
Closing depreciation and impairment at 31 December 2019	**9,557**	**0**	**0**	**13,731**	**5,899**
Closing carrying amount at 31 December 2019	**79,638**	**6,833**	**0**	**19,381**	**5,143**
Of which right-of-use assets					
Opening carrying amount at 1 January 2019	17,124				3,908
Investment for the period	0				1,024
Depreciation for the period	(3,425)				(2,041)
Closing carring amount at 31 December 2019	**13,699**				**2,892**

	2019
Amounts recognized in the income statement	
Variable leasing costs that are not included in leasing liabilities	96
Cost of leases that expire within 12 months	35
	131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. 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 1 January 2018	**66,020**	**6,833**	**164**	**18,077**	**4,845**
Investments for the period	2,454	0	1,063	3,992	1,683
Transfer	0	0	(164)	164	0
Disposals for the period	0	0	0	(33)	(41)
Closing cost amount at 31 December 2018	**68,474**	**6,833**	**1,063**	**22,201**	**6,487**
Opening depreciation and impairment at 1 January 2018	2,832	0	0	5,948	2,220
Disposals for the period	0	0	0	(33)	(41)
Depreciation for the period	1,607	0	0	3,741	1,249
Closing depreciation and impairment at 31 December 2018	**4,439**	**0**	**0**	**9,657**	**3,429**
Closing carrying amount at 31 December 2018	**64,035**	**6,833**	**1,063**	**12,544**	**3,058**
Of which carrying amount of financial leased assets					**1,587**

No impairment was charged to tangible assets in 2019 or 2018.

13. INVENTORIES

DKK'000	2019	2018
Raw materials and consumables	21,754	18,555
Products in progress	12,094	11,646
Finished products	11,227	11,484
Total write-down of inventories	(4,870)	(5,170)
	40,205	**36,514**

Costs of goods sold recognized as an expense during the period are DKK 727.3 million (DKK 637.1 million) and write downs of inventory recognized as an income during the period are DKK 0.3 million (expense of DKK 0.4 million), due to reversal of previous years write-down.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. FINANCIAL ASSETS AND OTHER RECEIVABLES

DKK'000	2019	2018
FINANCIAL ASSETS		
Subleases	18,431	0
Deposits	687	748
Total	**19,118**	**748**
OTHER RECEIVABLES		
Subleases	5,711	0
Other receivables	17,445	13,916
Total	**23,156**	**13,916**

	2019		2018	
DKK'000	BOOK VALUE	UNDISCOUNTED VALUE	BOOK VALUE	UNDISCOUNTED VALUE
SUBLEASES ARE SPECIFIED AS FOLLOWS:				
Falling due for payment within one year	5,711	5,926	0	0
Falling due for payment within one and two years	5,888	6,045	0	0
Falling due for payment within two and three years	6,068	6,166	0	0
Falling due for payment within three and four years	6,253	6,289	0	0
Falling due for payment within four and five years	222	222	0	0
Falling due for payment later	0	0	0	0
Total	**24,143**	**24,649**	**0**	**0**

Subleases falling due for payment later than one year are presented as finansial assets. Subleases falling due for payment within one year are presented as other receivables, but are not included in the calculation of net working capital.

15. PREPAID EXPENSES AND ACCRUED INCOME

DKK'000	2019	2018
Contract work in progress	968	2,306
Other prepaid expenses	1,497	695
Total	**2,465**	**3,000**

As of 1 January 2018, contract work in progress amounted to DKK 2.6 million and prepayments from customers amounted to DKK 2.2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. SHARE CAPITAL

	NO. OF REGISTERED SHARES	NO. OF SHARES OUTSTANDING	NOMINAL VALUE
As of 1 January 2019	10,000,000	10,000,000	1,000,000
As of 31 December 2019	**10,000,000**	**10,000,000**	**1,000,000**
As of 1 January 2018	10,000,000	10,000,000	1,000,000
As of 31 December 2018	**10,000,000**	**10,000,000**	**1,000,000**

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.

17. VALUE ADJUSTMENTS OF CASH-FLOW HEDGES

DKK'000	VALUE ADJUSTMENT OF CASH FLOW HEDGES 2019	TOTAL 2019	VALUE ADJUSTMENT OF CASH FLOW HEDGES 2018	TOTAL 2018
Opening balance	**(83)**	**(83)**	**(435)**	**(435)**
Value adjustments of cash flow hedges, before tax	107	107	451	451
Tax on value adjustments of cash-flow hedges	(24)	(24)	(99)	(99)
Closing balance	**0**	**0**	**(83)**	**(83)**

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.

It is group policy to fully or partially hedge interest rate risks on loans when it is assessed that the debt is material. The group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings, and by use of interest rate swap contracts.

18. 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	2019	2018
Profit attributable to shareholders (DKK'000)	111,322	103,710
Weighted average number of outstanding ordinary shares before dilution	10,000,000	10,000,000
Earnings per share before dilution (DKK)	11.13	10.37

EARNINGS PER SHARE AFTER DILUTION

There are no factors that dilute the earnings per share, why it is the same as earnings per share before dilution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. DIVIDEND

The Board of Directors recommends to the annual general meeting that a dividend of DKK 5.25 per share (2018: DKK 4.75 per share) be declared and paid.

The dividend corresponds to 47% (2018: 46%) of Net profit for the year.

20. DEFERRED TAX

DKK'000	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET
Opening balance, 1 January 2019	0	54,835	54,835
Recognized in net profit for the year	0	(1,319)	(1,319)
Closing balance, 31 December 2019	**0**	**53,516**	**53,516**
Opening balance, 1 January 2018	0	58,919	58,919
Recognized in net profit for the year	0	(4,084)	(4,084)
Closing balance, 31 December 2018	**0**	**54,835**	**54,835**

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 2019	**42,713**	**12,637**	**(515)**	**54,835**
Recognized in net profit for the year	(1,714)	295	100	(1,319)
As of 31 December 2019	**40,999**	**12,932**	**(415)**	**53,516**
As of 1 January 2018	**44,493**	**15,043**	**(617)**	**58,919**
Recognized in net profit for the year	(1,780)	(2,406)	102	(4,084)
As of 31 December 2018	**42,713**	**12,637**	**(515)**	**54,835**

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

21. BANK LOANS AND MORTGAGE LOANS

DKK'000	2019	2018
MATURITY STRUCTURE		
Within 1 year	21,607	25,808
Between 1 and 5 years	108,794	140,067
Longer than 5 years	22,242	25,178
Total	**152,644**	**191,054**

Refer to note 2 for additional information about bank loans and mortgage loans. During 2019, an extraordinary repayment has been made on bank loans of DKK 11.5 million.

22. FINANCIAL ASSETS AND LIABILITIES

2019 DKK'000	DERIVATIVE HEDGING INSTRUMENTS MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	TOTAL CARRYING AMOUNT
Other long-term receivables	0	687	0	687
Trade receivable	0	22,308	0	22,308
Cash and cash equivalents	0	139,360	0	139,360
Total	**0**	**162,355**	**0**	**162,355**
Long-term interest-bearing liabilities	0	0	161,371	161,371
Current interest-bearing liabilities	0	0	32,173	32,173
Accounts payable	0	0	128,600	128,600
Long-term other liabilities	0	0	12,325	12,325
Current other liabilities	0	0	45,719	45,719
Total	**0**	**0**	**380,188**	**380,188**

2018 DKK'000	DERIVATIVE HEDGING INSTRUMENTS MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	TOTAL CARRYING AMOUNT
Other long-term receivables	0	748	0	748
Trade receivable	0	41,165	0	41,165
Cash and cash equivalents	0	100,857	0	100,857
Total	**0**	**142,771**	**0**	**142,771**
Long-term interest-bearing liabilities	0	0	165,245	165,245
Current interest-bearing liabilities	0	0	25,808	25,808
Accounts payable	0	0	133,165	133,165
Long-term other liabilities	0	0	2,319	2,319
Current other liabilities	107	0	50,950	51,057
Total	**107**	**0**	**377,488**	**377,594**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	MORTGAGE LOANS	BANK LOANS	FINANCIAL LEASE LIABILITIES	TOTAL
Opening balance, 1 January 2019	39,001	150,531	1,521	191,053
Additions by change of accounting policies, IFRS 16	0	0	49,126	49,126
Non-cash change				
New lease liabilities	0	0	1,025	1,025
Subleases settled directly from the franchisee	0	0	(5,539)	(5,539)
Amortization of borrowing costs	9	375	0	384
	9	**375**	**(4,514)**	**-4,130**
Financing cash flows				
Repayment of loans	(2,773)	(34,500)	(5,234)	(42,507)
	(2,773)	**(34,500)**	**(5,234)**	**(42,507)**
Closing balance, 31 December 2019	**36,237**	**116,406**	**40,899**	**193,542**

In 2019, the total amount of cash flows related to lease liabilities was DKK 5.7 million, of which the interest payments related to the recognized lease liabilities were DKK 0.5 million and repayments DKK 5.2 million.

Opening balance, 1 January 2018	55,399	218,156	1,043	274,598
Non-cash change				
Amortization of borrowing costs	71	375	0	446
	71	**375**	**0**	**446**
Financing cash flows				
Proceeds from loans	0	0	975	975
Repayment of loans	(16,469)	(68,000)	(497)	(84,966)
	(16,469)	**(68,000)**	**478**	**(83,991)**
Closing balance, 31 December 2018	**39,001**	**150,531**	**1,521**	**191,053**

24. PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

The Group has, in respect of the it'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 36.2 million (DKK 39.0 million), pledges have been given in land and buildings with a carrying amount as of 31 December 2019 amounting to DKK 72.8 million (DKK 70.9 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.

Guarantees related to AB92 - provisions of work and supplies within building and engineering – amount to a total of DKK 8.7 million (DKK 9.6 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. ASSETS HELD FOR SALE

Assets held for sale consists in 2018 of assets related to the Svane Køkkenet store in Aabenraa, which have been sold with effect from 1 February 2019.

DKK'000	2019	2018
ASSETS HELD FOR SALE		
Other intangible assets	0	100
Inventories	0	564
Total	**0**	**664**

26. RELATED PARTY TRANSACTIONS

RELATED PARTIES WITH A CONTROLLING INTEREST

As at 31 December 2019, there are no related parties with a controlling interest 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.

There are no other transactions with related parties.

27. EVENTS AFTER THE BALANCE SHEET DATE

TCM Group CEO Ole Lund Andersen has decided to step down as CEO to focus on board assignments. Torben Paulin has been appointed as new CEO, and will take over on 1 March, 2020. Torben Paulin comes from a position as CEO/chairman of lighting company Frandsen Group. Previously, Torben Paulin was CEO of tyre and wheel firm Nordisk Dæk Import and CEO of furniture group BoConcept.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. COMPANIES IN THE TCM GROUP

	BUSINESS REGISTRATION NO	DOMICILE	SHARE OF EQUITY
PARANT COMPANY			
TCM Group A/S	37291269	Holstebro	
SUBSIDIARIES			
TMK A/S	75924712	Holstebro	100%
Køkkenretail ApS	32556108	Holstebro	100%
Nettoline A/S	31599555	Aulum	100%

Shareholdings in subsidiaries are unchanged compared to last year.

With effect from 1 January 2019, TMK A/S was merged with its subsidiary, Svane Køkkenet A/S, with TMK A/S as the continuing company.

With effect from 1 January 2019, TCM Group A/S was merged with its subsidiary, TCM Group Invest ApS, with TCM Group A/S as the continuing company.

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 (excluding subleases) and prepayments less the sum of prepayments from costumers, trade payables and other liabilities.

RATIOS:

Ratio	Calculation formula
Gross margin	Gross profit * 100 / Revenue
EBITDA margin	EBITDA * 100 / Revenue
EBITA margin	EBITA * 100 / Revenue
Adjusted EBITA margin	Adjusted EBITA * 100 / Revenue
EBIT margin	EBIT * 100 / Revenue
Solvency ratio	Equity * 100 / Balance sheet total
Leverage ratio	Net interest-bearing debt excluding tax liabilities / 12 months adjusted EBITDA (1)
NWC ratio	Net working capital * 100 / 12 months revenue (1)
Capex ratio excl. acquisitions	Capex ratio excluding acquisitions is calculated as investments in 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 18 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

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INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2019	2018
Revenue		8,700	8,600
Gross profit		**8,700**	**8,600**
Administrative expenses	2, 3	(14,991)	(14,507)
Operating loss before non-recurring items		**(6,291)**	**(5,907)**
Non-recurring items		0	0
Operating loss		**(6,291)**	**(5,907)**
Dividend from subsidiaries		80,000	10,000
Financial income	4	36	117
Financial expenses	4	(2,974)	(1,005)
Profit before tax		**70,771**	**3,204**
Tax for the year	5	2,024	1,561
Net profit for the year		**72,795**	**4,766**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Value adjustment of cash-flow hedges before tax		107	0
Tax on value adjustments of cash-flow hedges		(23)	0
Other comprehensive income for the year		**83**	**0**
Total comprehensive income		**72,878**	**4,766**

BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	6	496,756	314,558
Financial non-current assets		**496,756**	**314,558**
Total non-current assets		**496,756**	**314,558**
CURRENT ASSETS			
Receivables from subsidiaries		6,810	15,923
Deffered tax assets		77	0
Tax receivable		2,482	0
Prepaid expenses and accrued income		1,401	580
Total current assets		**10,769**	**16,503**
Cash and cash equivalents		13,803	6,689
Total current assets		**24,572**	**23,192**
Total assets		**521,328**	**337,749**
EQUITY AND LIABILITIES			
Share capital		1,000	1,000
Retained earnings		339,377	236,799
Proposed dividend for the financial year		52,500	47,500
Total equity		**392,877**	**285,299**
Bank loans	7	97,615	29,778
Other payables		4,878	2,319
Total long-term liabilities		**102,493**	**32,097**
CURRENT LIABILITIES			
Bank loans	7	18,791	9,925
Trade payables		3,038	576
Payables to subsidiaries		0	3,649
Current tax liabilities		0	521
Other payables		4,128	5,683
Total current liabilities		**25,957**	**20,353**
Total liabilities		**128,451**	**52,450**
Total equity and liabilities		**521,328**	**337,749**

CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	VALUE ADJUSTMENTS OF CASH FLOW HEDGES	RETAINED EARNINGS	PROPOSED DIVIDEND	TOTAL
Opening balance 01.01.2019	**1,000**	**0**	**236,799**	**47,500**	**285,299**
Net profit for the year	0	0	20,295	52,500	72,795
Other comprehensive income for the year	0	83	0	0	83
Total comprehensive income for the year	**0**	**83**	**20,295**	**52,500**	**72,878**
Additions in connection with merger	0	(83)	82,283	0	82,200
Dividend paid	0	0	0	(47,500)	(47,500)
Closing balance 31.12.2019	**1,000**	**0**	**339,377**	**52,500**	**392,877**
Opening balance 01.01.2018	**1,000**	**0**	**279,534**	**0**	**280,533**
Net profit for the year	0	0	(42,734)	47,500	4,766
Other comprehensive income for the year	0	0	0	0	0
Total comprehensive income for the year	**0**	**0**	**(42,734)**	**47,500**	**4,766**
Closing balance 31.12.2018	**1,000**	**0**	**236,799**	**47,500**	**285,299**

CASH FLOW STATEMENT

DKK'000	NOTE	2019	2018
OPERATING ACTIVITIES			
Operating loss		(6,291)	(5,907)
Income tax paid		(35,379)	(32,489)
Change in operating receivables		43,303	25,224
Change in operating liabilities		2,767	(5,727)
Cash flow from operating activities		**4,400**	**(18,899)**
Dividend received		80,000	10,000
Cash flow from investing activities		**80,000**	**10,000**
Interest paid		(2,563)	(816)
Repayment of loans	8	(34,500)	(10,000)
Dividend paid		(47,500)	0
Cash flow from financing activities		**(84,563)**	**(10,816)**
Cash flow for the year		**(163)**	**(19,715)**
Cash at start of year		6,689	26,404
Additions by merger*		7,277	0
Cash flow for the year		(163)	(19,715)
Cash at end of year		**13,803**	**6,689**

* Additions by merger relates to cash and cash equivalents acquired in connection with the merger with TCM Group Invest ApS as of 1 January 2019.

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, which constitute a major share 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	2019	2018
TOTAL COSTS FOR EMPLOYEE BENEFITS		
Salaries and other remuneration	10,728	11,996
Social security costs	17	17
Pension costs – defined contribution plans	389	485
Total costs for employees	**11,134**	**12,498**

REMUNERATION AND OTHER BENEFITS

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	TOTAL	NUMBER OF INDIVIDUALS
2019						
Board of Directors	1,251	0	34	0	1,285	5
Executive Management	4,526	5,118	0	205	9,849	2
Total	**5,777**	**5,118**	**34**	**205**	**11,134**	**7**
2018						
Board of Directors	1,562	0	55	0	1,617	5
Executive Management	5,616	4,965	0	301	10,882	3
Total	**7,177**	**4,965**	**55**	**301**	**12,498**	**8**

Refering to note 4 of the consolidated financial statement for description of the Short-term Incentive program (STI) and Long-term Incentive program (LTI).

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 services to the Group.

DKK'000	2019	2018
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	155	140
Other assurance engagements	18	0
Tax and indirect taxes advisory	0	0
Other services	35	46
	208	**186**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 53 thousand in 2019 and consited of various services. In 2018, the fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 46 thousand and consisted of various services.

4. FINANCIAL INCOME AND EXPENSES

DKK'000	2019	2018
FINANCIAL INCOME		
Interest income from subsidiaries	36	116
Interest income on financial assets measured at amortized costs	0	1
FINANCIAL EXPENSES		
Interest expense on liabilities measured at amortized costs	(2,974)	(1,005)
Total	**(2,938)**	**(888)**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

5. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME
Tax for the year can be specified as follows:			
Current tax	2,024	(23)	2,001
Total	**2,024**	**(23)**	**2,001**
Tax for the previus year can be specified as follows:			
Current tax	1,561	0	1,561
Total	**1,561**	**0**	**1,561**

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

DKK'000	%	2019	%	2018
Tax rate	22.0	15,570	22.0	705
Non-taxable income	(24.9)	(17,600)	(68.7)	(2,200)
Non-deductible expenses	0.0	7	(2.1)	(66)
Effective tax rate for the year	**(2.9)**	**-2,024**	**(48.7)**	**(1,561)**

6. INVESTMENTS IN SUBSIDIARIES

DKK'000	2019	2018
INVESTMENTS IN SUBSIDIARIES		
Cost at start of year	314,558	314,558
Additions by merger	182,198	0
Cost at end of year	496,756	314,558
Carrying amount at end of year	**496,756**	**314,558**

Investments in subsidiaries comprise:

TMK A/S, 100%

Refer to note 28 of the consolidated financial statements for a list of all companies in the TCM Group.

With effect from 1 January 2019, TCM Group A/S was merged with its subsidiary, TCM Group Invest ApS, with TCM Group A/S as the continuing company.

The carrying amount of the Parent's investments in subsidiaries is tested for impairment if an indication of impairment exists. There has not been identified any indication of impairment.

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

7. BANK LOANS

DKK'000	2019	2018
MATURITY STRUCTURE		
Within 1 year	18,792	9,925
Between 1 and 5 years	97,615	29,778
Longer than 5 years	0	0
Total	**116,406**	**39,703**

8. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	BANK LOANS	TOTAL
Opening balance, 1 January 2019	39,703	39,703
Additions by merger	110,828	110,828
Non-cash change		
Amortization of borrowing costs	375	375
	375	**375**
Financing cash flows		
Repayment of loans	(34,500)	(34,500)
	(34,500)	**(34,500)**
Closing balance, 31 December 2019	**116,406**	**116,406**
Opening balance, 1 January 2018	49,631	47,631
Non-cash change		
Amortization of borrowing costs	72	72
	72	**72**
Financing cash flows		
Repayment of loans	(10,000)	(10,000)
	(10,000)	**(10,000)**
Closing balance, 31 December 2018	**39,703**	**39,703**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

9. 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.

10. RELATED PARTIES

For specification of related parties refer to note 26 and 28 of the consolidated financial statements.

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

Management fee from subsidiaries in the financial year amounts to DKK 8.6 million (DKK 8.6 million).

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 year.

11. EVENTS AFTER THE BALANCE SHEET DATE

TCM Group CEO Ole Lund Andersen has decided to step down as CEO to focus on board assignments. Torben Paulin has been appointed as new CEO, and will take over on 1 March, 2020. Torben Paulin comes from a position as CEO/chairman of lighting company Frandsen Group. Previously, Torben Paulin was CEO of tyre and wheel firm Nordisk Dæk Import and CEO of furniture group BoConcept.

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.

12. 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.

The Company is merged retroactively with its subdiliary, TCM Group Invest ApS, on 1 January 2019. As the merger is processed according to the book value-method, the comparative figures are not adjusted and therefore consist of the comparative figures for the continuing company in the merger, TCM Group A/S. The comparative period is therefore not directly comparable with the figures for the year.

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.

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

12. ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN SUBSIDIARIES
Investments in subsidiaries are measured at cost in the parent financial statements. 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.

13. FINANCIAL RISKS

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

CREDIT RISK
The Company does not have any external activities, why there is no material credit risk.

FINANCIAL EXPOSURE
Bank loan with a nominal amount of DKK 116.4 million have a term of 5 years and expire in 2022 (DKK 40 million expiring in 2022). Borrowing cost of DKK 1.1 million is capitalized on the loan and amortized in accordance with the repayment terms stated in the loan agreements.

There are covenants associated with the bank loan. There has been no breach of any covenant during the year. The interest rate on the bank loan is variable.

INTEREST-RATE RISK
It is group policy to fully or partially hedge interest rate risks on loans when it is assessed that the debt is material. The group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings, and by use of interest rate swap contracts.

For the Company'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 year and on equity at 31 December 2019 of DKK 1.0 million (DKK 0.3 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 2019. 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 2019 is 0.31.

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 recommends to the annual general meeting that a dividend of DKK 5.25 per share (2018: DKK 4.75 per share) be declared and paid. The dividend corresponds to 47% (2018: 46%) of Net profit for the year.

LIQUIDITY RISKS
Liabilities are expected to be repaid in the 2019 financial year except bank debt falling due in accordance with note 7 and a possible LTI bonus falling due in 2021.

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 1 January 2019 – 31 December 2019. 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 2019 as well as of the results of their operations and the consolidated cash flows for the period 1 January 2019 – 31 December 2019.

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, 26 February 2020

EXECUTIVE MANAGEMENT

Ole Lund Andersen
Chief Executive Officer

Mogens Elbrønd Pedersen
Chief Financial Officer

BOARD OF DIRECTORS

Sanna Mari Suvanto-Harsaae
Chairman

Anders Tormod Skole-Sørensen
Deputy Chairman

Carsten Bjerg

Søren Mygind Eskildsen

Danny Feltmann Espersen

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 2019 - 31 December 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2019, and of the results of their operations and cash flows for the financial year 1 January 2019 - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ***Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements*** section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

TCM Group A/S was listed on Nasdaq OMX Copenhagen upon completion of the initial public offering on 24 November 2017 from which date TCM Group A/S became a Public Interest Entity. We have been reappointed by decision of the Annual General Meeting for a total continuous engagement period of three years up to and including the financial year 2019.

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 2019 - 31 December 2019. We have determined that there are no key audit matters to communicate in our report.

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 misstatement of 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 Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Copenhagen, 26 February 2020

DELOITTE
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Sumit Sudan	Kåre Valtersdorf
State-Authorised Public Accountant	State-Authorised Public Accountant
MNE no mne33716	MNE no mne34490