ANNUAL REPORT 2018

ABOUT TCM GROUP

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

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

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

TCM
Group

tvis køkkener

SVANE KØKKENET

kitchn.dk KØKKEN · BAD · GARDEROBE

nettoline KØKKEN · BAD · GARDEROBE

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STRONG DOUBLE-DIGIT ORGANIC GROWTH

LETTER TO OUR SHAREHOLDERS

2018 was another great year for TCM Group and marked the first full year as a listed company following the successful listing on Nasdaq Copenhagen on 24 November 2017.

We are proud that we reached the 900 mDKK revenue milestone. Thereby, we continued the growth journey with double-digit growth rates for the fifth consecutive year with an organic revenue growth of 10.1%. We estimate that the Danish kitchen market grew by 2-3% in 2018, meaning that TCM Group once again gained market share. We deliver on our organic growth strategy through increased same store sales and at the same time we expand our store network.

During 2018 five new branded stores opened in Svane Køkkenet and Tvis Køkkener. Furthermore, two additional branded store openings will take place in the beginning of 2019. 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, where we achieved growth in our branded stores on par with Denmark.

Product development and innovation is key to TCM Group. Every year, we launch a new and innovative kitchen line within the Svane Køkkenet brand. The 2018 introduction, the exclusive RAW-line, was very well received by our customers. In December 2018, the new 2019 introduction, S19, was launched and the initial feedback from the market has been very positive.

Looking at the financial performance, it is very rewarding to see that we continue to improve profitability during our strong growth. Adjusted EBITA* was DKK 148 million corresponding to an adjusted EBITA margin of 16.4%, up from 15.0% in 2017. EBIT was DKK 138 million corresponding to an EBIT margin of 15.3%, up from 9.9% in 2017. The improved profitability is a result of a continuous focus on optimising our production setup, including the use of robot technology, increasing capacity utilization and synergies related to the integration of Nettoline.

Both revenue and earnings came in at the high end of the ranges in our financial guidance for 2018, which was raised after the second quarter. In 2018, we also maintained the strong performance in the net working capital with a level of -10.5%.

Based on the strong results in 2018, the Board of Directors propose a dividend distribution of DKK 4.75 per share corresponding to 46% of net profit for the period.

For 2019, we expect to continue our growth journey. We expect a net revenue in the range of DKK 960-1,000 million, corresponding to an expected organic growth of 7-11%. The Danish kitchen market is estimated to grow around 1-2% during the year.

The achievements are not least due to the efforts and dedication of our 469 employees. We would like to thank all of our colleagues, who worked dedicated to achieve the 2018 results, and our customers for their trust and support.

We are committed to continue the development of TCM Group through innovation of kitchens with high quality and affordable prices, designed and produced in Denmark.

Sanna Mari
Suvanto-Harsaae
Chairman

Ole Lund Andersen
CEO

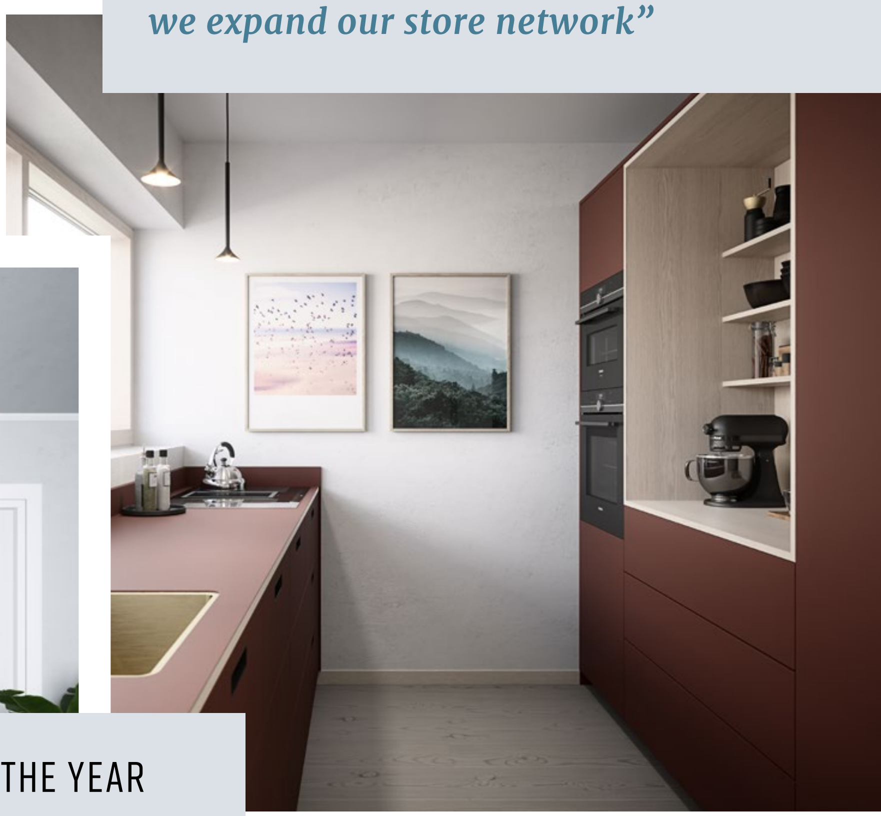
* Adjusted EBITA: Operating profit before non-recurring items (Adjusted EBIT) plus amortization.

HIGHLIGHTS

ORGANIC GROWTH

10.1%

"We deliver on our organic growth strategy through increased same store sales and at the same time we expand our store network"



FINANCIAL HIGHLIGHTS FOR THE YEAR

- Revenue DKK 899.9 million, corresponding to an organic growth of 10.1%
- Adjusted EBITA up DKK 24.9 million to DKK 147.7 million, corresponding to an adjusted EBITA margin of 16.4%
- Non-recurring items had a negative impact of DKK 2.0 million primarily from costs related to the integration of Nettoline
- EBIT up DKK 57.2 million to DKK 138.1 million, corresponding to an EBIT margin of 15.3%
- NWC ratio was (10.5)%
- Capex ratio was 1.0%
- Free cash flow excl. acquisitions of operations was DKK 141.4 million
- Cash conversion ratio was 102.6%
- Proposed dividend distribution of DKK 4.75 per share corresponding to 46% of net profit

ADJUSTED EBITA GROWTH

20.3%

BUSINESS REVIEW

The Danish kitchen market, which is TCM Group's primary market, continued to grow in 2018 supported by new build activity and a continued positive development in the Danish economy. We estimate that the market grew by 2-3%, with the B2B market outgrowing the B2C market. TCM Group's organic growth in the Danish market in 2018 was 12%, clearly underlining that we once again gained market share.

Within the B2B, which accounts for more than 50% of total sales, we are pleased to see stable growth across the entire Danish market and store network in the four B2B categories: large house-builders, social housing associations, project sales and other B2B customers.

Revenue to Other Countries, mainly Norway, saw a total 6% decline to DKK 90 million in 2018. A strong growth of 12% in branded store sales was more than offset by a disappointing decline in the sale of non-branded DIY kitchens. While we continue to see great potential in the existing branded stores in Norway as well as potential of covering the full market with Svane Køkkenet stores, we are also focusing on correcting the development in non-branded DIY sales. To support this effort an experienced, Norway-based country manager for non-branded DIY kitchens was employed in Q4 2018.

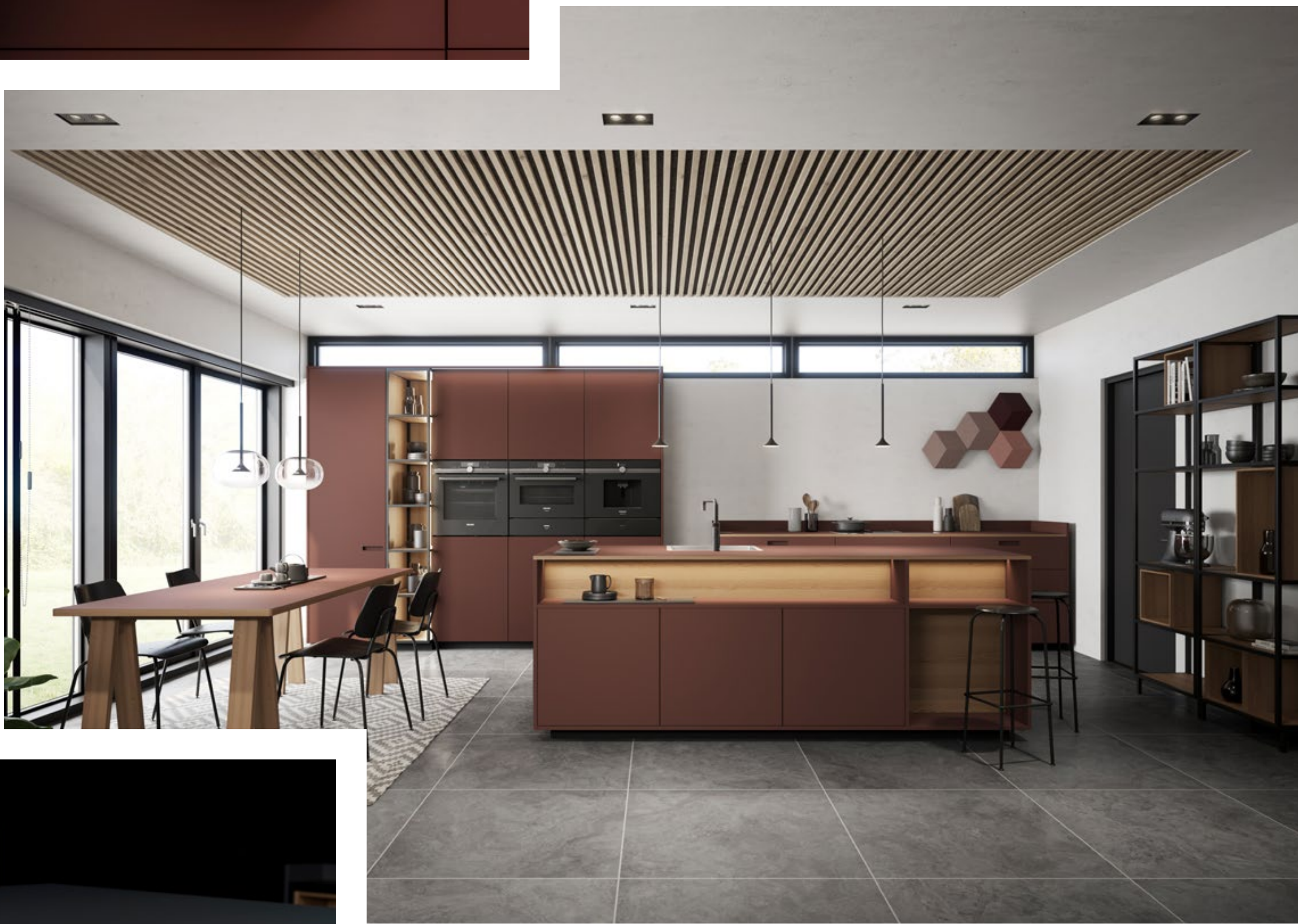
In total, TCM Group revenue grew organically by 10.1% in 2018.

The number of branded stores (Svane and Tvis) increased from 60 to 65 during 2018. Within Tvis Køkkener we have opened four stores in Denmark during 2018. In Norway, Svane Køkkenet opened a store in Trondheim and a new store will open in Drammen in April 2019. Furthermore, a new Svane Køkkenet store in Køge, Denmark opened 1 February 2019.

On 30 June 2018, TCM Group acquired the Svane Køkkenet store in Aabenraa from our franchisee. The store has been divested again with effect from 1 February 2019. The financial impact from the acquisition and the divestment of the Svane Køkkenet store in Aabenraa is immaterial.

The integration of Nettoline, which we acquired in January 2017, has been successfully finalized and the synergies on the back of the acquisition has impacted earnings positively in 2018. We work determined towards Nettoline becoming an even stronger brand going forward and that TCM through Nettoline can build a strong footprint in the large marked for lower priced affordable kitchen solutions. To help with this effort Erik Theill Christensen joined TCM Group as Managing Director for Nettoline as of 29 October 2018. Erik Theill Christensen has a strong background within the Nordic kitchen industry.

During 2018 we have further optimized 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 the first steps of utilizing the third shift. Furthermore, we have been introducing robot technology as well as other investments that will increase production efficiency and enable us to increase capacity and future earnings. As of 1 November 2018, Lis Hammelsvang joined TCM Group as Supply Chain Manager. Lis Hammelsvang brings solid production management experience from both the wind turbine industry and kitchen industry to the Group.



KEY FIGURES AND RATIOS

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

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

FINANCIAL REVIEW

DEVELOPMENT IN ACTIVITIES AND FINANCES*

REVENUE - 10.1% ORGANIC GROWTH

Revenue in 2018 grew organically by 10.1% to DKK 899.9 million (DKK 817.3 million). Revenue was in the range of the latest guidance of DKK 890-910 million.

TCM Group's primary market is Denmark. The total market for kitchen and related products in Denmark developed positively during 2018 and we estimate that the market grew by 2-3%. Revenue in Denmark were DKK 809.9 million (DKK 721.3 million), with an organic growth of 12.3%. 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 90.0 million (DKK 96.0 million), down 6.2% solely due to a decline in the sale of non-branded DIY kitchens, which was in part negatively impacted by the warm summer. We achieved a strong growth in our branded stores in Norway in 2018.

GROSS PROFIT - FAVORABLE IMPACT FROM SYNERGIES RELATED TO THE INTEGRATION OF NETTOLINE

Gross profit in 2018 was DKK 262.8 million (DKK 231.1 million), corresponding to a gross margin of 29.2% (28.3%). The gross margin was positively affected by synergies related to the integration of Nettoline, a more favorable sales mix and efficiency improvements.

OPERATING EXPENSES - DECREASING COST RATIO

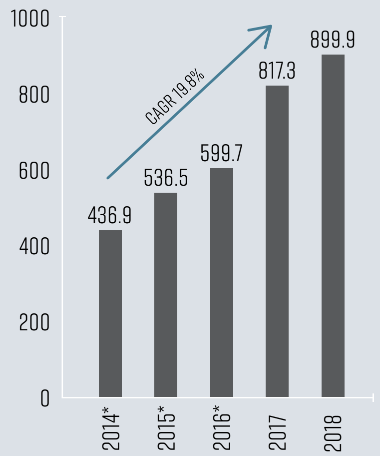
Operating expenses in 2018 were DKK 122.8 million (DKK 116.0 million). The increase in operating expenses of DKK 6.8 million was primarily due to costs related to being a listed company and costs related to the Svane Køkkenet store in Aabenraa. Operating expenses represent 13.6% of revenue in 2018 (14.2%), demonstrating a positive scale effect.

ADJUSTED EBITA – 16.4% MARGIN

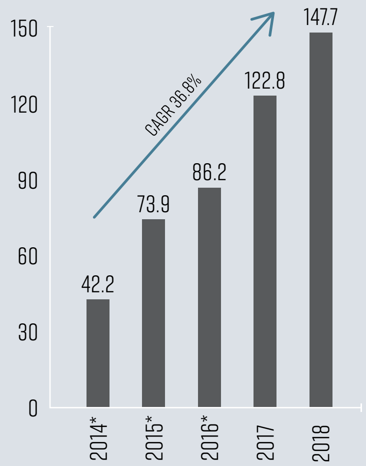
Adjusted EBITA in 2018 was DKK 147.7 million (DKK 122.8 million), corresponding to an adjusted EBITA margin of 16.4% (15.0%), which was in the high end of the range of the latest guidance of DKK 140-150 million. The increase in adjusted EBITA was driven by revenue growth and a higher gross margin primarily due to favorable impact from synergies related to the integration of Nettoline, a more favorable sales mix and other efficiency improvements. Depreciations were DKK 7.9 million (DKK 8.6 million).

*Figures in brackets refer to the corresponding period in 2017.

REVENUE (DKKM)



ADJUSTED EBITA (DKKM)



* PRO FORMA FIGURES FROM THE FORMER HOLDING COMPANY

NON-RECURRING ITEMS – AFFECTED BY THE IPO AND NETTOLINE INTEGRATION

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

NON-RECURRING ITEMS

Non-recurring items, DKK m	2018	2017
Amoritization of order backlog from business combinations	0.0	0.4
Transaction costs related to business combinations	0.0	0.8
Costs related to the Initial Public Offering of the company	0.0	16.7
Costs related to integration of Nettoline	2.0	9.1
Impairment of assets held for sale related to site shutdown	0.0	7.2
Non-recurring items, total	**2.0**	**34.3**

EBIT

EBIT for the financial year 2018 increased to DKK 138.1 million (DKK 80.9 million), which was in the high end of the range of the latest guidance of DKK 130-140 million. The increase was primarily due to an increase in revenue, a higher gross margin and a decrease in non-recurring items. Amortizations were on par with last year.

NET PROFIT

Net profit for the financial year 2018 increased to DKK 103.7 million (DKK 48.0 million). The increase was primarily due to an increase in EBIT. Change in financial expenses had a positive impact on net profit of DKK 8.5 million due to improved interest rate terms, lower debt and one-off costs in 2017 related to reversal of capitalized loan costs when the former credit facility agreement was refinanced as a part of the listing proces.

FREE CASH FLOW EXCL. ACQUISITIONS OF OPERATION – 103% CASH CONVERSION

Free cash flow excl. acquisitions of operations for 2018 was DKK 141.4 million (DKK 99.8 million). The increase in cash flow for 2018 was primarily due to higher operating profit off-set by higher tax payment of DKK 32.6 million (DKK 27.0 million) and a change in net working capital of DKK 13.1 million (DKK 26.5 million). The sale of the site in Horsens in Q1 2018 impacted the cash flow favourably with DKK 16.6 million. Cash conversion in 2018 was 102.6% (110.0%).

NET WORKING CAPITAL

Net working capital at the end of 2018 was DKK -94.1 million (DKK -80.8 million). NWC ratio at the end of 2018 was -10.5 (-9.9%).

The increase in inventory of DKK 2.0 million was primarily due to higher activity level.

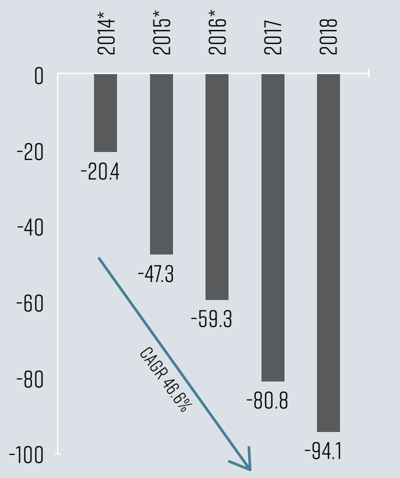
The increase in trade and other receivables of DKK 7.1 million was primarily due to the organic revenue growth.

The increase in trade and other payables of DKK 22.4 million was primarily due to the higher activity level as well as improved payment terms with suppliers.

NET INTEREST-BEARING DEBT – LEVERAGE RATIO 0.58

Net interest-bearing debt amounted to DKK 90.7 million at the end of 2018 (DKK 225.8 million). The decrease in net interest-bearing debt was due to the positive cash flow from operating activities. The leverage ratio measured as net interest bearing debt excluding tax liabilities divided with adjusted EBITDA LTM end of 2018 was 0.58. TCM Group targets a leverage ratio of maximum 2.25.

NET WORKING CAPITAL (DKKM)



* PRO FORMA FIGURES FROM THE FORMER HOLDING COMPANY

NWC RATIO

-10.5%

EQUITY - SOLVENCY RATIO 48.4%

Equity at the end of 2018 amounted to DKK 408.8 million (DKK 304.8 million). The equity increased by DKK 104.1 million since 1 January 2018, affected by net profit for the period. No dividend has been distributed during the period.

The Board of Directors recommends to the annual general meeting that a dividend of DKK 4.75 per share to be declared and paid following the annual general meeting. The dividend corresponds to 46% of Net profit for the period.

The solvency ratio was 48.4% at the end of 2018 (37.8%).

EVENTS AFTER THE BALANCE SHEET DATE

Peter Jelkeby resigned from the Board of Directors of TCM Group as of 31 January 2019.

The Board of Directors of TCM Group will hereafter consist of Sanna Suvanto-Harsaae (chairman), Anders Skole Sørensen (deputy chairman), Carsten Bjerg and Søren Mygind Eskildsen, all elected by the annual general meeting.

The Svane Køkkenet store in Aabenraa has been sold with effect from 1 February 2019.

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

STRATEGY AND FINANCIAL TARGETS

STRATEGY

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

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

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

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

2. Increase organic growth through expanding geographical retail footprint.

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

- For the Danish market, TCM Group has identified a number of white spot opportunities and intends to expand its store network in Denmark with 5-8 new dealer-based stores in the short to medium term in addition to the 6 new stores which opened during 2018 and 2 further stores which will open in the beginning of 2019.
- TCM Group is currently present in Norway with all four brands, however, the Group still sees significant potential in further expanding market presence. The Group has identified a number of white spot opportunities and intends to expand its store network in Norway with 8-12 stores in the short to medium term. In 2018, one new store opened in Norway and one further store will be opening in the beginning of 2019.
- TCM Group has only limited geographical retail coverage in Sweden. The executive management team is currently considering the best possible expansion strategy into Sweden, which could be organic and/or through acquisitions.

3. Facilitate and expand the online sales channel.

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

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

In addition to the organic growth avenue, TCM Group is considering growth through acquisitions. TCM Group's main objectives when evaluating potential acquisition candidates are the ability to either strengthen or expand the Group's market presence as well as to contribute 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 improvements and this will continue going forward.

FINANCIAL TARGETS

TCM Group estimates revenue for the financial year 2019 to be in the range DKK 960-1,000 million.

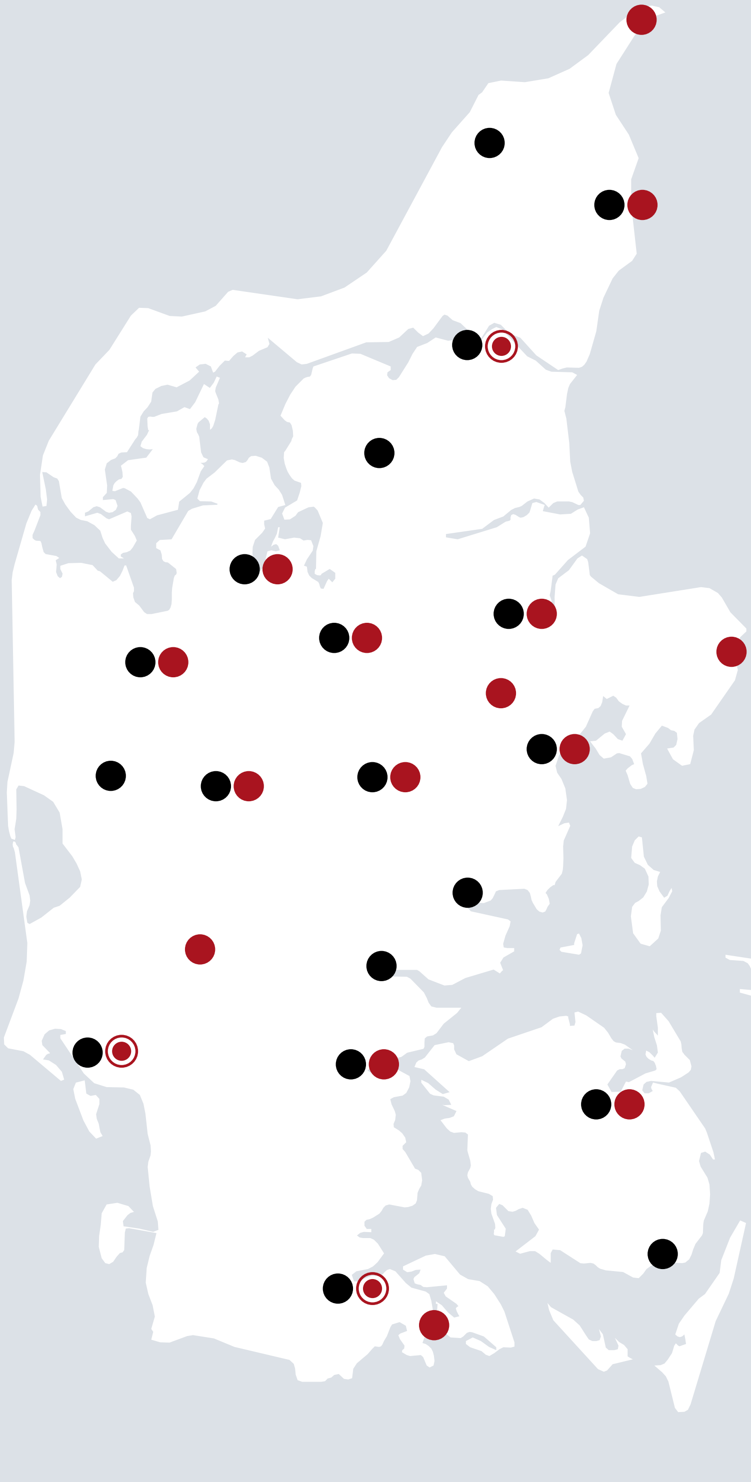
Adjusted EBITA is estimated to be in the range DKK 155-165 million, translating into an EBIT in the range DKK 145-155 million.

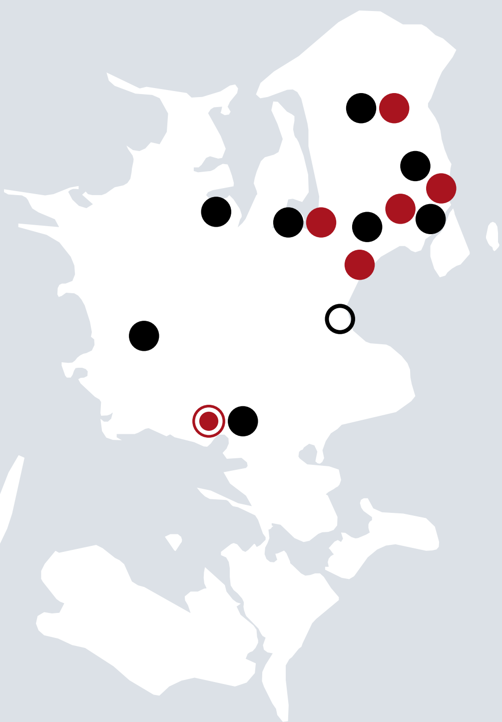
The guidance is based on the expectation that the Danish market will grow by 1-2%.

FORWARD LOOKING STATEMENTS

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

DANISH DESIGN AND DANISH PRODUCTION





PRODUCTION

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

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

PRESENCE IN DENMARK

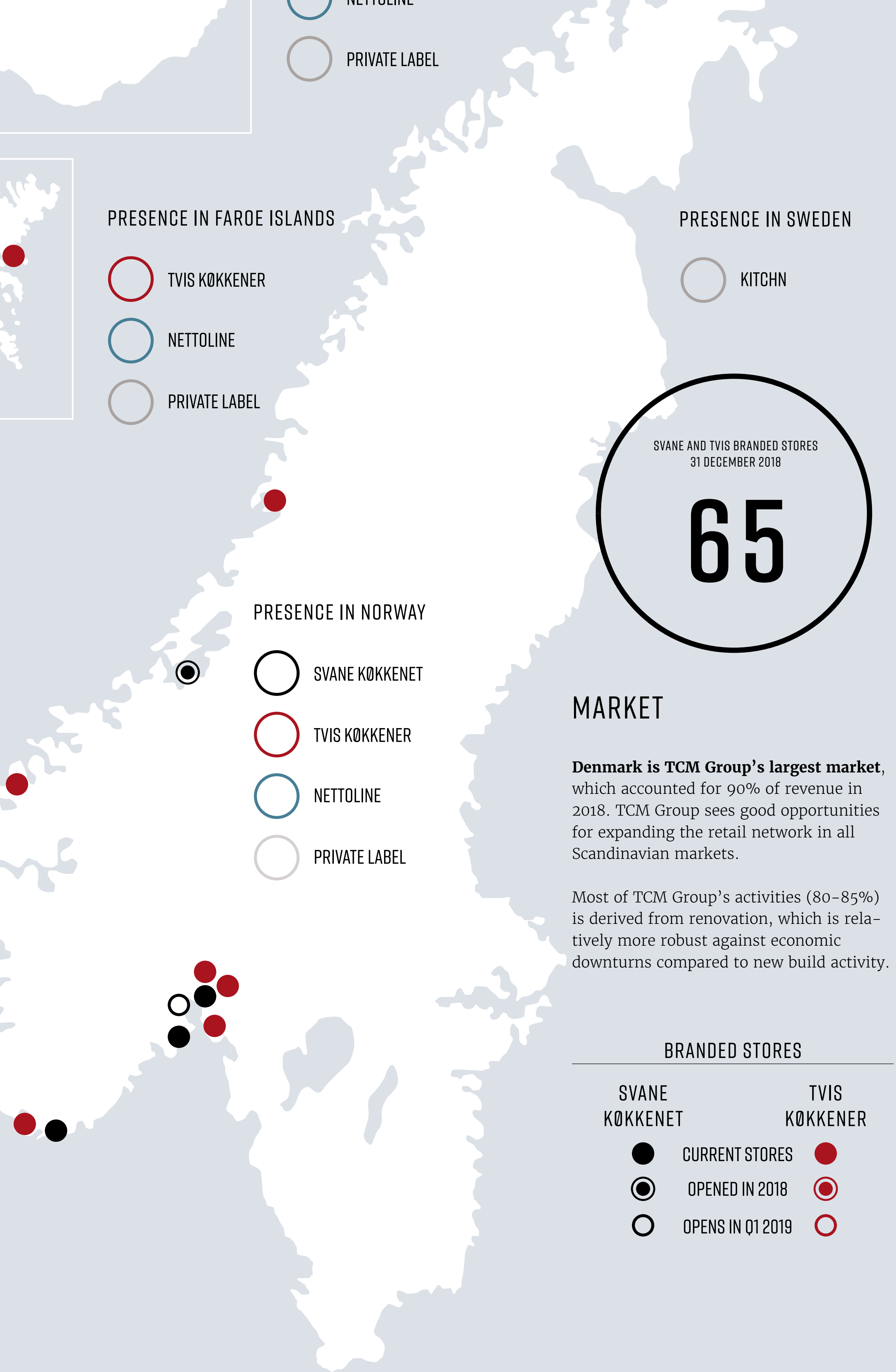
SVANE KØKKENET

TVIS KØKKENER

NETTOLINE

KITCHN

PRIVATE LABEL



MARKET

Denmark is TCM Group's largest market, which accounted for 90% of revenue in 2018. 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 65 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-by 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 2018 financial year, 10 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 four 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 entire Board of Directors is currently included in the Audit Committee. The Audit Committee work is led by Anders Skole-Sørensen.

NOMINATION COMMITTEE

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

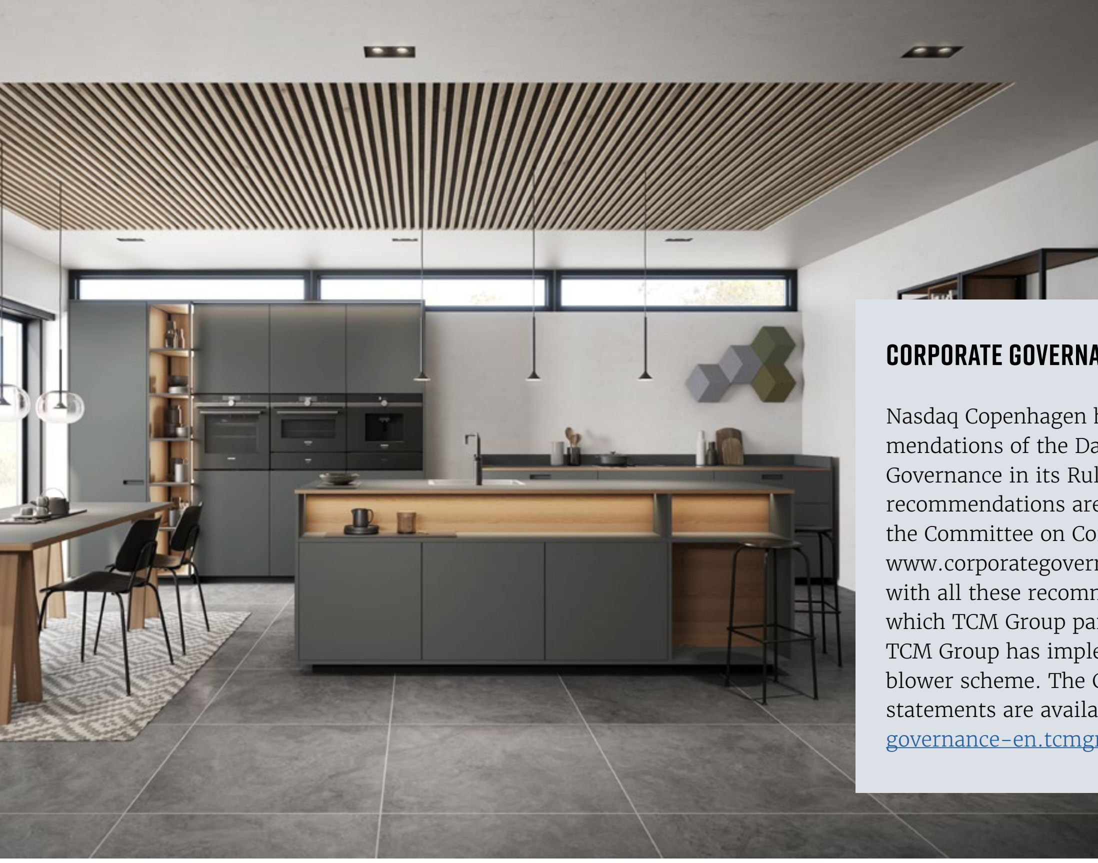
REMUNERATION COMMITTEE

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

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

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

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



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. In 2018, TCM Group has implemented a formal whistleblower scheme. The Group's corporate governance statements are available on our website at governance-en.tcmgroup.dk

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.
Independent.
Danish and Finnish nationality.
Born in 1966.
Member since: 2016
Participated in 10 board meetings in 2018.
Number of shares end 2018: 36.381 (2017: 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, Workz A/S, Altia Oyj, and Footway AB.

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

ANDERS SKOLE-SØRENSEN

Deputy Chairman.
Independent.
Danish nationality.
Born in 1962.
Member since: 2017
Participated in 9 board meetings in 2018.
Number of shares end 2018: 7.653 (2017: 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 6 board meetings in 2018.
Number of shares end 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 4 board meetings in 2018.
Number of shares end 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.

EXECUTIVE MANAGEMENT

OLE LUND ANDERSEN
Chief Executive Officer since 2008.
Danish nationality.
Born in 1959.
Number of shares end 2018: 514.208
(2017: 494.604)

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 2018: 37.402
(2017: 34.851)

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

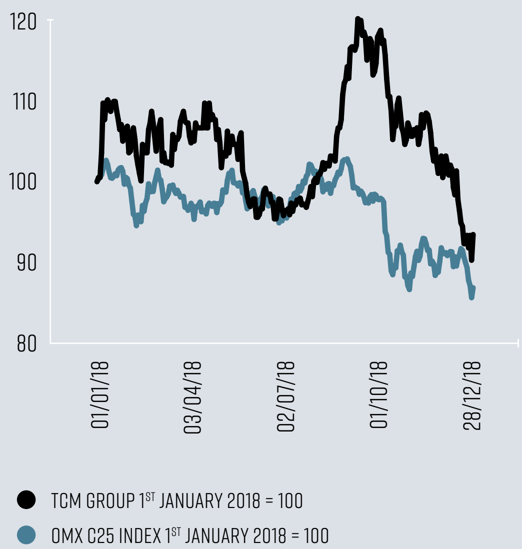
Prior to joining the Group, Mogens Elbrønd Pedersen had been the director of finance and senior director, group finance of Bang & Olufsen A/S (listed on Nasdaq Copenhagen) since 2011.

SHAREHOLDER INFORMATION

TCM GROUP SHARE PRICE DEVELOPMENT IN 2018

TCM Group A/S has been listed on Nasdaq Copenhagen since 24 November 2017 and is a part of the OMX Copenhagen Small Cap index. The share price closed at DKK 91.1 on 31 December 2018, equivalent to a decline of 6.6% in 2018. For comparison, the OMX C25 Index declined by 13.2% in 2018.

SHARE PRICE DEVELOPMENT 2018



SHARE CAPITAL

The nominal value of the company's share capital at 31 December 2018 was DKK 1 million divided into shares of DKK 0.1, equivalent to 10 million shares and 10 million votes.

OWNERSHIP

At 31 December 2018, five shareholders had notified shareholdings above 5% of the share capital: Arbejdsmarkedets Tillægspension (12.9%), BI Asset Manegement Fondsmæglerselskab A/S (12.0%), Handelsbanken Fonder AB (5.9%), Luxempart S.A. (5.7%), and Ole Lund Andersen (5.1%).

As of 8 January 2019, Lannebo Fonder AB has notified a shareholding of 6.0%.

Members of the Board of Directors held at 31 December 2018 44,034 shares, and members of the Executive Management held 551,610 shares, in total 595,644 shares, equivalent to 6.0% 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 4.75 per share for the 2018 financial year. The proposed dividend per share corresponds to a total dividend distribution of DKK 47.5 million, equivalent to 46% of consolidated net profit for the period.

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

During the year, TCM Group published 21 company announcements. All announcements are available on the investor site of TCM Group's website together with other relevant information.

FINANCIAL CALENDAR

The financial year covers the period 1 January – 31 December, and the following dates have been fixed for releases etc. in the financial year 2019:

11 APRIL 2019	ANNUAL GENERAL MEETING 2018
7 MAY 2019	INTERIM REPORT Q1 2019
14 AUGUST 2019	INTERIM REPORT Q2 2019
6 NOVEMBER 2019	INTERIM REPORT Q3 2019
26 FEBRUARY 2020	INTERIM REPORT Q4 2019 AND ANNUAL REPORT 2019
31 MARCH 2020	ANNUAL GENERAL MEETING 2019

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 **Michael Rasmussen**
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, 11 April 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".

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

Human rights
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
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
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
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. 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 2018 or in previous years were developed or produced using child labor.

LABOUR AND WORKING CONDITIONS

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

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-BY WORK ACCIDENTS

	2018	2017	2016
# of reported near-by work accidents in TCM Group	780	627	619

As a natural part of ensuring a *Safety First* culture throughout the company, we have a high focus on reporting near-by work accidents and mitigating the underlying root causes as a means of increasing safety awareness and preventing accidents. The number of reported near-by accidents has increased to 780 reported near-by work accidents in TCM Group in 2018, whereas 627 near-by accidents were reported in 2017, indicating increased safety awareness.

Sickness and absence is another one of our key focus areas, and especially absence related to work accidents. From 2017 to 2018 the absence ratio related to work accidents increased from 1.4‰ to 1.7‰, which is not satisfactory. The increase in the absence ratio was negatively affected by a few incidents with a relatively long absence period following the incidents. Health and safety is a key focus area in 2019 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 have launched specific initiatives in order to reduce the number of work accidents, e.g. improved education of new employees on health and safety topics, introducing "safety first" meetings at the start of each shift in production and generally increase the focus on safety in the organization.

SICKDAYS AND ABSENCE

	2018	2017	2016
# of sickdays caused by work accidents	184	128	157
Absence ratio related to work accidents (‰)	1.7	1.4	2.3

Overall, the sickness related absence (excl. absence due to sick children and maternity leave) in TCM Group was at 3.5% in 2018 versus 2.5% in 2017. A major reasoning behind this increase is the high number of new hires in the production, due to sales growth, especially on our evening shift. The average absence level in the industry is 3.1% according to Dansk Arbejdsgiverforening (2017).

In 2018, TCM Group has launched specific initiatives in order to reduce the absence ratio. We 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.

APPRENTICES IN TCM GROUP

	2018	2017	2016
# of apprentices in TCM Group	14	12	11

Furthermore, TCM Group is committed to work within the framework of the 10 UN Global Compact principles.

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 2017 to 2018 the number of apprentices in TCM Group has increased from 12 to 14.

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.

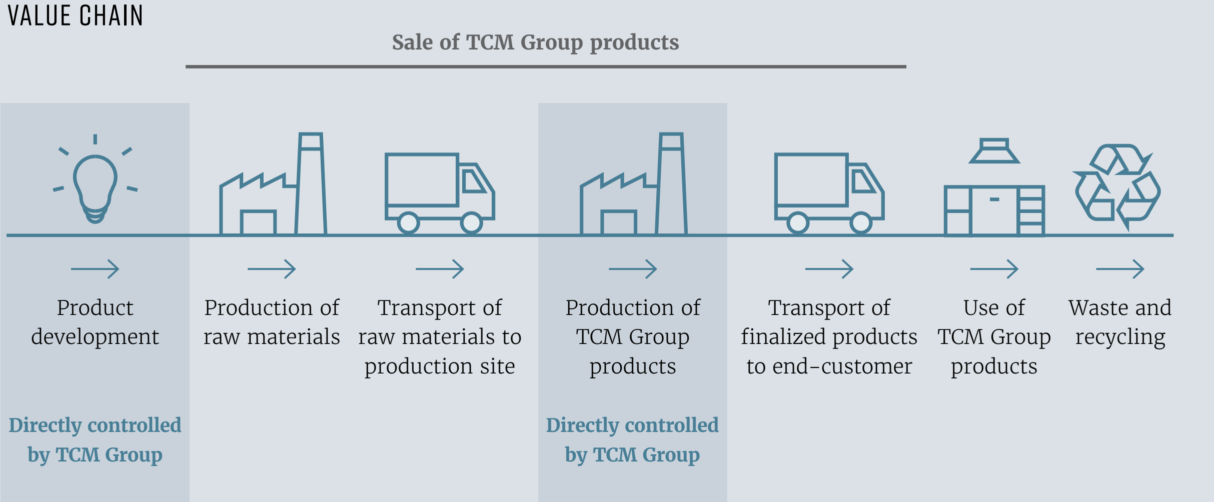
GENDER DIVERSITY (# OF UNDERREPRESENTED GENDER)

	2018	2017	2016
Board of Directors	1 of 5	1 of 5	1 of 3
Mgmt. (Executive mgmt. and Middle mgmt.)	2 of 12	1 of 9	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 2018, 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 candi-

VALUE CHAIN



dates' 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. If the required competencies are present, we will assure that the final pool of candidates is diversified.

As of 31 December 2018, the gender distribution in the management group is 17% women and 83% men.

In 2019, we will consider the need to initiate specific actions to promote a higher level of gender diversity in the management group compared to TCM Group requirements and taking the Group's size, industry, geography etc. into consideration.

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 have started to measure our CO_2 emissions, by following the GRI standards G4-EN15 (Scope 1) and G4-EN16 (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 TCM Group is currently 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.

2017 EMISSIONS

	Total [ton CO_2]	Percent of total
Scope 1 (GRI: G4-EN15)	1,237	46%
Scope 2 (GRI: G4-EN16)	1,433	54%
Total	**2,669**	**100%**

In 2017, our total scope 1+2 emission was 2,669 ton CO_2. This means that our emission was 3.3 ton CO_2 per 1 mDKK net revenue.

2018 EMISSIONS

	Total [ton CO_2]	Percent of total
Scope 1 (GRI: G4-EN15)	1,360	47%
Scope 2 (GRI: G4-EN16)	1,523	53%
Total	**2,883**	**100%**

In 2018, our total scope 1+2 emission has increased to 2,883 ton CO_2, mainly due to the increased activity level in our production facilities. Our emission was 3.2 ton CO_2 per 1 mDKK net revenue, whereby our emission has decreased by 0.1 ton CO_2 per 1 mDKK net revenue.

2017 - KEY FIGURES

	Total (ton)	Unit
Emission per 1 mDKK net revenue	3.3	ton CO_2e/ mDKK

2018 - KEY FIGURES

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

The main sources of emission are our electricity and heat consumption, which are mainly related to our production facilities. In 2017, our electricity consumption was 53% of our total scope 1+2 emissions whereas our heat consumption was 40%. The remaining 7% was emission related to transport activities (company cars and vehicles at our production facilities). In 2018, electricity and heat consumption was 53% and 41% respectively, whereas 6% 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 2018, the electricity consumption was 12.4 kWh per kDKK revenue, whereby our 2020 target has already been achieved. However, we stay committed to continue reducing our electricity consumption ratio.

ELECTRICITY CONSUMPTION

	2018	**2017**	**2016**
Electricity consumption (kWh) per 1.000 sales ratio	12.4	12.5	14.3

We continuously focus on reducing the energy consumption of our products by actively using and promoting LED instead of Halogen-lighting. As an example, our new Svane Køkkenet S19 product introduction provides our customers with the opportunity to integrate LED-lighting systems in their kitchen, bath and wardrobe.

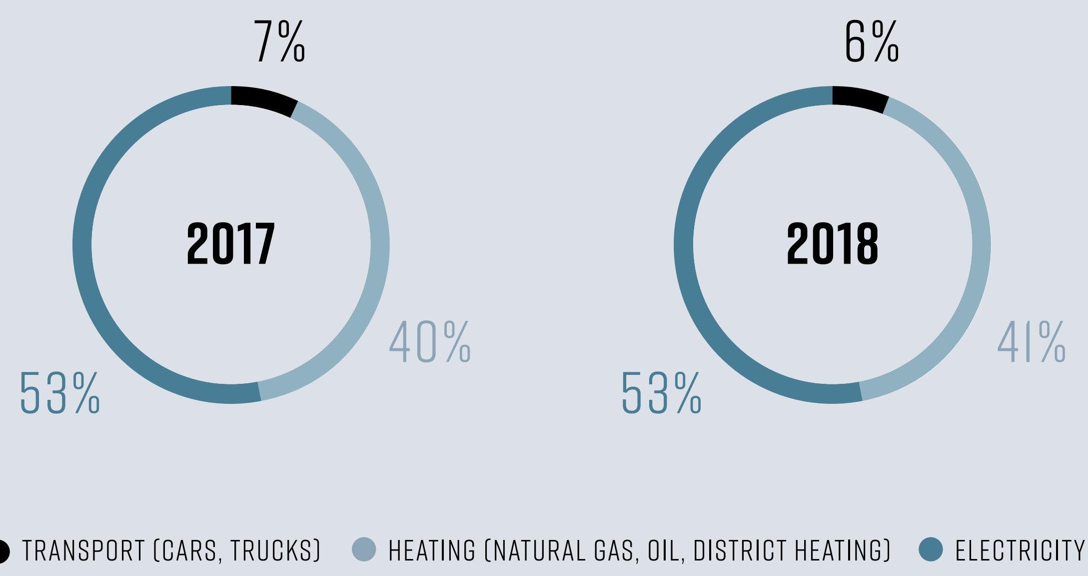
The production process in TCM Group is mainly characterized by woodworking, gluing and painting / lacquering. Throughout our entire production process we have a high focus on reducing the amount of waste material. As an example, the waste wood from our cutting of chipboard is returned to our suppliers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

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 sustainability by guaranteeing that no more trees are being trapped than the amount of trees the respective forest is able to reproduce. 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.

DISTRIBUTION OF CO_2 EMISSIONS



WHISTLE BLOWER SYSTEM

In 2018, TCM Group decided to implement 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.

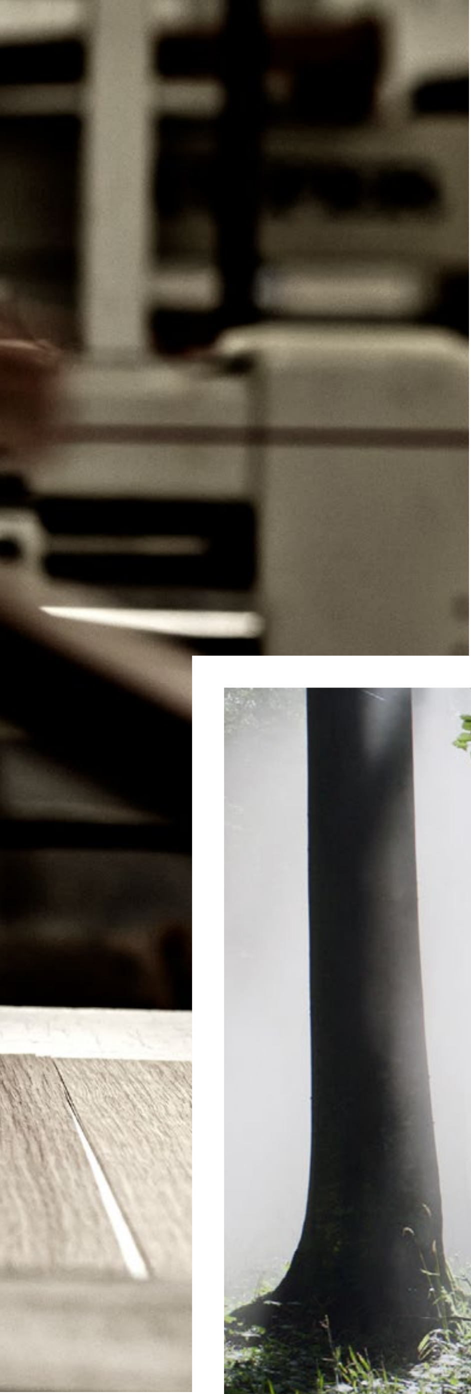
Implementation of the whistle blower system started during December 2018.

ANTI-CORRUPTION

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

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

There has been no incidents violating the anti-corruption policy in 2018.



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.

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 approximately 95% in 2018 and cover all suppliers from non-EU countries.

During 2018, TCM Group has requested all of our suppliers, which use sub-suppliers in Asia, to conduct audits on their sub-suppliers. These audits have shown no signs of non-compliant behavior from our suppliers or sub-suppliers. However, TCM Group will continue to monitor all suppliers in 2019 and conduct arbitrary audits, though with special attention on the suppliers doing business in Asia.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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

DKK'000	NOTE	2018	2017
			DKK'000
Revenue	3	899,911	817,330
Cost of goods sold	4, 5, 7, 8	(637,076)	(586,205)
Gross profit		**262,835**	**231,126**
Selling expenses	4, 5, 7, 8	(70,704)	(69,824)
Administrative expenses	4, 5, 6, 7, 8	(52,127)	(46,159)
Other operating income		104	50
Operating profit before non-recurring items		**140,108**	**115,193**
Non-recurring items	7, 9	(1,996)	(34,297)
Operating profit		**138,112**	**80,896**
Financial income	10	109	275
Financial expenses	10	(5,921)	(14,430)
Profit before tax		**132,300**	**66,741**
Tax for the period	11	(28,589)	(18,748)
Net profit for the period		**103,710**	**47,993**
Earnings per share before dilution, DKK	20	10.37	4.80
Earnings per share after dilution, DKK	20	10.37	4.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2018	2017
Net profit for the period		103,710	47,993
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Value adjustments of cash-flow hedges before tax		451	59
Tax on value adjustments of cash-flow hedges		(99)	(13)
Other comprehensive income for the period		**351**	**46**
Total comprehensive income for the period		**104,062**	**48,038**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2018	2017
ASSETS			
INTANGIBLE ASSETS	12		
Goodwill		369,796	369,796
Brand		171,961	171,961
Other intangible assets		17,889	26,831
		559,646	**568,588**
TANGIBLE ASSETS	13		
Land and buildings		70,868	70,021
Tangible assets under construction and prepayments		1,063	164
Machinery and other technical equipment		12,544	12,129
Equipment, tools, fixtures and fittings		3,058	2,625
		87,533	**84,939**
Financial assets	14	**748**	**748**
Total non-current assets		**647,927**	**654,275**
INVENTORIES			
Raw materials and consumables		18,555	14,274
Products in progress		8,646	9,113
Finished products		9,314	11,110
	15	**36,514**	**34,497**
CURRENT RECEIVABLES			
Trade receivables	2	41,165	35,141
Other receivables		13,916	12,277
Prepaid expenses and accrued income	16	3,000	3,568
		58,081	**50,985**
Cash and cash equivalents	17	100,857	49,167
Assets held for sale	27	664	16,618
Total current assets		**196,117**	**151,267**
Total assets		**844,044**	**805,541**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2018	2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	18, 20	1,000	1,000
Value adjustments of cash flow hedges	19	(83)	(435)
Retained earnings		360,422	304,212
Proposed dividend for the financial year	21	47,500	0
Total shareholders' equity		**408,839**	**304,777**
Deferred tax	22	54,835	58,919
Mortgage loans	23	36,245	39,018
Bank loans	23	129,000	196,143
Other liabilities	2	2,319	0
Total long-term liabilities		**222,399**	**294,081**
Mortgage loans	23	2,756	16,381
Bank loans	23	23,052	23,056
Prepayments from customers		2,254	2,177
Trade payables	2	133,165	117,229
Current tax liabilities		521	387
Derivative instruments		107	557
Other liabilities	2	50,950	46,280
Deferred income		0	618
Total short-term liabilities		**212,806**	**206,684**
Total shareholders' equity and liabilities		**844,044**	**805,541**

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 01.01.2018	**1,000**	**(435)**	**304,212**	**0**	**304,777**
Net profit for the period	0	0	56,210	47,500	103,710
Other comprehensive income for the period	0	351	0	0	351
Total comprehensive income for the period	**0**	**351**	**56,210**	**47,500**	**104,062**
Closing balance 31.12.2018	**1,000**	**(83)**	**360,422**	**47,500**	**408,839**
Opening balance 01.01.2017	**100**	**(480)**	**340,246**	**0**	**339,865**
Net profit for the period	0	0	47,993	0	47,993
Other comprehensive income for the period	0	46	0	0	46
Total comprehensive income for the period	**0**	**46**	**47,993**	**0**	**48,039**
Share-based payments	0	0	3,349	0	3,349
Bonus issue	900	0	(900)	0	0
Cash settlement of warrants	0	0	(86,476)	0	(86,476)
Closing balance 31.12.2017	**1,000**	**(435)**	**304,212**	**0**	**304,777**

CONSOLIDATED CASH FLOW STATEMENT

DKK'000	NOTE	2018	2017
OPERATING ACTIVITIES			
Operating profit		138,024	80,896
Depreciation/amortization/impairment		15,419	23,742
Share-based payments		0	3,349
Income tax paid		(32,639)	(26,986)
Change in inventories		(2,081)	4,653
Change in operating receivables		(6,796)	(8,085)
Change in operating liabilities		21,935	29,902
Cash flow from operating activities		**133,862**	**107,471**
INVESTING ACTIVITIES			
Investments in tangible assets		(9,192)	(8,158)
Investments in intangible assets		0	(260)
Investments in financial assets		0	(61)
Sale of tangible assets		16,739	805
Acquisition of operations	28	(450)	(52,786)
Cash flow from investing activities		**7,097**	**(60,460)**
Operating cash flow before acquisitions of operations		**141,409**	**99,797**
Operating cash flow after acquisitions of operations		**140,959**	**47,011**
FINANCING ACTIVITIES			
Interest paid		(5,278)	(7,846)
Proceeds from loans	25	975	219,109
Repayments of loans	25	(84,966)	(219,241)
Cash settlement of warrants		0	(86,476)
Cash flow from financing activities		**(89,269)**	**(94,454)**
Cash flow for the period		**51,690**	**(47,443)**
Cash and cash equivalents at the beginning of the period		**49,167**	**96,610**
Cash flow for the period		51,690	(47,443)
Cash and cash equivalents at year-end		**100,857**	**49,167**

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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 implementation of IFRS 9 og IFRS 15.

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 12, 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 2018 financial year, including IFRS 9 "Financial Instruments" that replaced IAS 39 "Financial Instruments: Recognition and Measurement", and IFRS 15 "Revenue from Contracts with Customers" both with effective date 1 January 2018.

The implemention has not had any significant impact on recognition, measurement or disclosures in the Annual Report 2018 and is not expected to have significant impact on the financial reporting for future periods. See further description below.

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

The amendments of recognition and measurement has not impacted the consolidated financial statements. Since bad debt losses have been and are expected to be very limited, the effect is immaterial. The new rules for hedge accounting has no material effect on the recognition in the consolidated financial statements.

With effect from 1 January 2018, IFRS 15 "Revenue from Contracts with Customers" entails that IFRS will contain a single, principles based model for all industries, which has replaced existing standards and statements on revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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

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.

IFRS 16 "Leases" will replace 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 the income statement. Agreements for primarily the lease of premises, which currently comprise operating leases (see note 8), are not recognized in the balance sheet as an asset and liability except for the accrued amounts arising in connection with the financial statements. Calculations of the effects based on 2018 input, in terms of amounts, that capitalization of these leases may give rise to, indicates no significant impact on profit before tax, a favorable impact on EBITA margin of c. 0.1%-point and an adverse impact on the solvency ratio of c. 2-3%-points.

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

CLASSIFICATION, ETC.

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

ASSETS HELD FOR SALE

Assets classified as held for sale comprise assets for which it is highly probable that the value will be recovered through a sale within 12 months rather than through continued use. Assets classified as held for sale are measured at the carrying amount at the classification date as "held for sale" or at market value less selling costs if lower. The carrying amount is measured in accordance with the Group's accounting policies. No depreciation is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS

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

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

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

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

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 the Initial Public Offering, transactions cost related to business combinations and amortization of identified items in a business combination not previously recognized and that are amortized fully within the first year after the acquisition, e.g. the fair value of an order backlog. Such amortization is non-recurring in nature.

OPERATING EXPENSES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INCOME AND EXPENSES

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

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

TAX

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

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

Deferred tax is calculated according to the 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.

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

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

TANGIBLE ASSETS

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

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

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

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

Land is not depreciated.

Expected useful lives and residual values are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

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

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

RESEARCH AND PRODUCT DEVELOPMENT

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

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

LEASES

Leases concerning tangible assets in which the Group essentially carries the same risks and enjoys the same benefits that direct ownership would entail are classified as 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 payable, loan liabilities and derivative instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

RECOGNITION IN AND DERECOGNITION FROM THE BALANCE SHEET

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

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

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

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

MEASUREMENT

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

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

The recognized cost is initially based on, and regularly adjusted in relation to, the number of share options/share rights that are expected to be vested by considering how many participants are expected to remain in service during the vesting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS

FOREIGN EXCHANGE RISK

TCM Group A/S has limited currency exposure and risk and, therefore, no currency hedging is applied. Sale is in DKK and purchase is primarily in DKK and EUR. Due to the current DKK-EUR fixing, purchase is not hedged. Purchase in other currencies was DKK 2 million in 2018 (DKK 4 million).

TRANSLATION EXPOSURE

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

CREDIT RISK

TCM Group A/S' customer base comprises of 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.

AGE ANALYSIS, TRADE RECEIVABLE

DKK'000	2018	2017
Trade receivables	**41,165**	**35,141**
Non-due trade receivable	38,842	30,533
Past due trade receivable 0-30 days	1,723	3,126
Past due trade receivable 30-90 days	788	1,901
Past due trade receivable >90 days	897	1,179
Total overdue	**3,409**	**6,205**
Of which secured	1,607	3,982
- Impaired	0	0
Of which unsecured	1,801	2,223
- Impaired	(1,085)	(1,598)
Total overdue after impairment	**2,324**	**4,607**
Impairment loss recognized in the income statement during the period	**880**	**265**

Trade receivables as of 1 January 2017 amounted to DKK 32.5 million.

Changes in impairment of trade receivables in 2018 amounted to 0.5 million and is recognized as an income in the income statement 2018 in administrative expenses.

Actual losses on debtors in 2018 and 2017 have been immaterial in relation to the size of the Group and its activities, and no material losses are expected in 2019, why no further provisions have been made for expected losses. The provision of DKK 1.1 million constitutes 0.1% of net revenue for the year, which is considered sufficient to cover future expected losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

FINANCIAL EXPOSURE

Bank loans with a nominal amount of DKK 152 million have a term of 5 years and expire in 2022 (DKK 220 million expiring in 2022). Borrowing costs of DKK 1.9 million are capitalized on the loans and amortized in accordance with the repayment terms stated in the loan agreements.

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

Mortgage loans with a nominal amount of DKK 39 million (DKK 56 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.

In 2016, the Group entered into an interest rate swap with a principal amount of DKK 116 million corresponding to 76% of the outstanding debt on bank loans of DKK 152 million as at 31 December 2018. The interest rate swap expires on 29 March 2019. The change in the fair value of interest rate swap is recognized in other comprehensive income and is included as a portion of the hedging reserve in equity until the hedged item impacts net profit for the period and as long as the criteria for hedge accounting and effectiveness is fulfilled. The interest rate for the term of the agreement has been fixed at 0.1%.

For the Group's floating rate cash and cash equivalents and debt to banks, an increase in interest rate level of 1% p.a. relative to the actual interest rates would have a negative impact on the profit for the period and on equity at 31 December 2018 of DKK 0.6 million (DKK 0.9 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 2018. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

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 2018 is 0.58.

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 4.75 per share (2017: DKK 0 per share) be declared and paid. The dividend corresponds to 46% (2017: 0%) of Net profit for the period.

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:

DKK'000	2018	2017
Interest rate swaps	(107)	(557)
	(107)	**(557)**

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 available. Available liquidity comprised DKK 101 million (DKK 49 million) as of 31 December 2018.

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
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
Financial 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**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION

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

DKK'000	REVENUE FROM CUSTOMERS 2018	INTANGIBLE AND TANGIBLE ASSETS 2018	REVENUE FROM CUSTOMERS 2017	INTANGIBLE AND TANGIBLE ASSETS 2017
GEOGRAPHIC AREAS				
Denmark	809,882	647,179	721,337	653,527
Other countries	90,029	0	95,993	0
	899,911	**647,179**	**817,330**	**653,527**

Revenue consists of sale of goods and services.

4. STAFF COSTS

TOTAL COSTS FOR EMPLOYEE BENEFITS

DKK'000	2018	2017
Salaries and other remuneration	176,599	157,139
Social security costs	4,651	3,789
Pension costs – defined contribution plans	20,936	18,568
Other staff costs	139	40
Share-based payments	0	3,349
Total costs for employees	**202,326**	**182,886**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS (CONTINUED)

REMUNERATION AND OTHER BENEFITS

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	SHARE-BASED PAYMENTS	TOTAL	NUMBER OF INDIVIDUALS
2018							
Board of Directors	1,562	0	55	0	0	1.617	5
Executive Management	5,616	4,965	362	301	0	11,244	3
Total	**7,178**	**4,965**	**417**	**301**	**0**	**12,861**	**8**

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

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

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 16 thousand (DKK 0 thousand) during the period.

BOARD OF DIRECTORS

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

EXECUTIVE MANAGEMENT

Executive Management, which in 2018 in average totals 3 individuals, received salaries and benefits during the fiscal year amounting to DKK 5.6 million plus variable salary portions based on results for 2018 of DKK 5.0 million.

In addition to basic salary, Executive Management has a Short-term Incentive program (STI) and a Long-term Incentive program (LTI) which is governed by the Remuneration policy. The STI for 2018 is capped at 50% of the annual basic salary and is based on annual KPIs.

The LTI is applicable for the period 2018-2020. The LTI is cash based upon total absolute and relative shareholder return (annual target and three-year target) and earnings per share (three-year target). The LTI is capped at 50% of the annual basic salary.

SHARE OPTION SCHEME 2016 (WARRANTS)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS (CONTINUED)

change in control over the Group or a public offering and listing of the shares of the Group. The warrants were settled with the listing of the Company on the 24 November 2017.

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

5. AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD

	2018	2017
Average number of employees	458	410
Board members	5	5
Of which women	*1*	*1*
Executive Management	3	3
Of which women	*0*	*0*

Carsten Bjerg and Søren Mygind Eskildsen have been elected as Board members in 2018. Kristian Carlsson Kemppinen and Erik Albert Ingemarsson have resigned as Board members in 2018 and Peter Liebert Jelkeby has resigned as a Board member in January 2019. Thus the Board of Directors consists of 4 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	2018	2017
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	595	595
Other assurance engagements	0	2,012
Tax and indirect taxes advisory	8	318
Other services	82	2,285
	685	**5,210**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 0.1 million in 2018 and consited of various services. In 2017, the fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 4.6 million and consisted of services related to the Initial Public Offering, issuance of various assurance reports and accounting advisory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. DEPRECIATION/AMORTIZATION AND IMPAIRMENT BY ACTIVITY

DKK'000	DEPRECIATION/ AMORTIZATION 2018	IMPAIRMENT 2018	DEPRECIATION/ AMORTIZATION 2017	IMPAIRMENT 2017
Cost of goods sold	5,390	0	5,884	0
Selling expenses	5	0	22	0
Administrative expenses	10,087	0	10,268	0
Non-recurring items	0	0	405	7,211
Total depreciation/amortization and impairment	**15,482**	**0**	**16,579**	**7,211**

8. OPERATING LEASES

For the years 2019-2024, non-cancellable leases have been entered into regarding rental contracts for premises and vehicles mainly. The leases are made with fixed lease payments, which are indexed. The leases are non-cancellable until the period mentioned and are then cancellable within 3-12 months.

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

DKK'000	2018	2017
Falling due for payment within one year	10,587	11,091
Falling due for payment between one and two years	7,743	8,012
Falling due for payment between two and three years	7,280	7,322
Falling due for payment between three and four years	4,002	6,824
Falling due for payment between four and five years	1,348	3,961
Falling due for payment later	225	1,768
Total	**31,186**	**38,977**
Expensed during the period	12,844	14,753
Income during the period	7,853	8,001

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

DKK'000	2018	2017
Falling due for payment within one year	6,032	6,661
Falling due for payment between one and two years	4,649	4,541
Falling due for payment between two and three years	4,649	4,541
Falling due for payment between three and four years	3,235	4,541
Falling due for payment between four and five years	1,348	3,200
Falling due for payment later	225	1,768
Total	**20,138**	**25,252**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. NON-RECURRING ITEMS

DKK'000	2018	2017
Transaction costs related to business combinations	0	844
Amortization of order backlog from business combinations	0	405
Costs related to the Initial Public Offering of the Company	0	16,734
Costs related to integration of Nettoline	1,996	9,103
Impairment of assets held for sale related to site shutdown	0	7,211
Total	**1,996**	**34,297**

10. FINANCIAL INCOME AND EXPENSES

DKK'000	2018	2017
FINANCIAL INCOME		
Interest income on financial assets measured at amortized costs	109	275
FINANCIAL EXPENSES		
Interest expense on liabilities measured at amortized costs	(5,921)	(14,430)
Total	**(5,812)**	**(14,155)**

11. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME
TAX FOR THE PERIOD CAN BE SPECIFIED AS FOLLOWS:			
Current tax	32,674	99	32,773
Change in deferred tax during the period	(4,084)	0	(4,084)
Total	**28,589**	**99**	**28,688**
TAX FOR THE PREVIUS PERIOD CAN BE SPECIFIED AS FOLLOWS:			
Current tax	21,374	13	21,387
Change in deferred tax during the period	(2,626)	0	(2,626)
Total	**18,748**	**13**	**18,761**

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

DKK'000	%	2018	%	2017
Tax rate	22.0	29,106	22.0	14,683
Non-deductible expenses	0.0	3	5.5	3,686
Other	(0.4)	(519)	0.6	379
Effective tax rate for the period	**21.6**	**28,589**	**28.1**	**18,748**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. INTANGIBLE ASSETS

DKK'000	2018	2017
GOODWILL		
Opening carrying amount	369,796	315,779
Acquisition of operations	0	54,017
Closing carrying amount	**369,796**	**369,796**
BRAND		
Opening carrying amount	171,961	171,961
Acquisition of operations	0	0
Closing carrying amount	**171,961**	**171,961**

IMPAIRMENT TESTING OF GOODWILL AND BRAND

At the end of 2018, 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.

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 revenue, 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 2018, the Group's weighted cost of capital before tax amounted to 8.3% (7.9%) and after tax to 6.5% (6.2%).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. INTANGIBLE ASSETS (CONTINUED)

OTHER INTANGIBLE ASSETS

DKK'000	2018	2017
Opening cost	49,086	48,422
Investments for the period	0	664
Acquisition of operations	0	0
Closing accumulated cost	**49,086**	**49,086**
Opening amortization	22,255	12,909
Amortization for the period	8,942	9,346
Closing accumulated amortization	**31,197**	**22,255**
CLOSING CARRYING AMOUNT		
Of which:		
Software	1,509	2,891
Franchise set-up	16,380	23,940
Closing carrying amount	**17,889**	**26,831**

In connection with the acquisition of Nettoline A/S in 2017, see note 28, the fair value of an order backlog of DKK 0.4 million has been recognised under Other intangible assets. As all orders have been delivered during the period, the full amount of the order backlog has been amortized in 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TANGIBLE ASSETS

DKK'000	BUILDINGS	LAND AND LAND IMPROVEMENTS	TANGIBLE ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	MACHINERY AND OTHER TECHNICAL EQUIPMENT	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS
Opening cost at 1 January 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					**1,157**
Opening cost at 1 January 2017	**87,196**	**8,986**	**1,680**	**11,193**	**3,628**
Investments for the period	1,304	0	164	4,624	2,265
Transfer	0	0	(1,480)	1,443	37
Disposals for the period	0	0	(200)	(37)	(1,254)
Acquisition of operations	0	0	0	854	169
Reclassification to assets held for sale	(22,480)	(2,153)	0	0	0
Closing cost amount at 31 December 2017	**66,020**	**6,833**	**164**	**18,077**	**4,845**
Opening depreciation and impairment at 1 January 2017	1,794	0	0	2,191	1,122
Disposals for the period	0	0	0	(16)	(433)
Depreciation for the period	1,843	0	0	3,774	1,530
Reclassification to assets held for sale	(804)	0	0	0	0
Closing depreciation and impairment at 31 December 2017	**2,832**	**0**	**0**	**5,948**	**2,220**
Closing carrying amount at 31 December 2017	**63,188**	**6,833**	**164**	**12,129**	**2,625**
Of which carrying amount of financial leased assets					**1,137**

No impairment was charged to tangible assets in 2018 or 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. FINANCIAL ASSETS

DKK'000	2018	2017
Deposits	748	748
Total	**748**	**748**
Opening cost	748	686
Investments for the period	1	62
Closing cost	**748**	**748**

15. INVENTORIES

DKK'000	2018	2017
Raw materials and consumables	18,555	14,274
Products in progress	11,646	12,113
Finished products	11,484	12,880
Total write-down of inventories	(5,170)	(4,770)
	36,514	**34,497**

Costs of goods sold recognized as an expense during the period are DKK 637.1 million (DKK 586.2 million) and write downs of inventory recognized as an expense during the period are DKK 0.4 million (DKK (1.6) million).

16. PREPAID EXPENSES AND ACCRUED INCOME

DKK'000	2018	2017
Contract work in progress	2,306	2,606
Other prepaid expenses	695	962
Total	**3,000**	**3,568**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. CASH AND CASH EQUIVALENTS

DKK'000	2018	2017
Cash and bank balances	100,857	49,167
Total	**100,857**	**49,167**

Unutilised overdraft facilities, which are not included in cash and cash equivalents, totaled DKK 75 million (DKK 30 million) as of 31 December 2018.

18. SHARE CAPITAL

	NO. OF REGISTERED SHARES	NO. OF SHARES OUTSTANDING	NOMINAL VALUE
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**
As of 1 January 2017	100,000	100,000	100,000
Bonus issue	900,000	900,000	900,000
Change of nominel value per share	9,000,000	9,000,000	0
As of 31 December 2017	**10,000,000**	**10,000,000**	**1,000,000**

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.

19. VALUE ADJUSTMENTS OF CASH-FLOW HEDGES

DKK'000	VALUE ADJUSTMENT OF CASH FLOW HEDGES 2018	TOTAL 2018	VALUE ADJUSTMENT OF CASH FLOW HEDGES 2017	TOTAL 2017
Opening balance	**(435)**	**(435)**	**(480)**	**(480)**
Value adjustments of cash flow hedges, before tax	451	451	59	59
Tax on value adjustments of cash-flow hedges	(99)	(99)	(13)	(13)
Closing balance	**(83)**	**(83)**	**(435)**	**(435)**

HEDGING RESERVE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. 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	2018	2017
Profit attributable to shareholders (DKK'000)	103,710	47,993
Weighted average number of outstanding ordinary shares before dilution	10,000,000	10,000,000
Earnings per share before dilution (DKK)	10.37	4.80

EARNINGS PER SHARE AFTER DILUTION

To calculate earnings per share after dilution, the weighted average number of outstanding ordinary shares were adjusted for the dilution effect of all potential ordinary shares. These potential ordinary shares were attributable to the employee share options that were allotted to certain senior executives in 2016. Refer to note 4, on page 56.

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

DKK	2018	2017
Weighted average number of outstanding ordinary shares	10,000,000	10,000,000
Employee share option scheme	0	1,366,000
Weighted average number of outstanding ordinary shares after dilution	10,000,000	10,646,264
Earnings per share after dilution	10.37	4.51

21. DIVIDEND

The Board of Directors recommends to the annual general meeting as of 11 April 2019 that a dividend of DKK 4.75 per share (2017: DKK 0 per share) be declared and paid.

The dividend corresponds to 46% (2017: 0%) of Net profit for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. DEFERRED TAX

DKK'000	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET
Opening balance, 1 January 2018	0	58,919	58,919
Recognized in net profit for the period	0	(4,084)	(4,084)
Closing balance, 31 December 2018	**0**	**54,835**	**54,835**
Opening balance, 1 January 2017	0	61,166	61,166
Acquisition of operations	0	379	379
Recognized in net profit for the period	0	(2,626)	(2,626)
Closing balance, 31 December 2017	**0**	**58,919**	**58,919**

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 2018	**44,493**	**15,043**	**(617)**	**58,919**
Recognized in net profit for the period	(1,780)	(2,406)	102	(4,084)
As of 31 December 2018	**42,713**	**12,637**	**(515)**	**54,835**
As of 1 January 2017	**45,644**	**16,529**	**(1,008)**	**61,166**
Acquisition of operations	662	(170)	(112)	379
Recognized in net profit for the period	(1,813)	(1,316)	503	(2,626)
As of 31 December 2017	**44,493**	**15,043**	**(617)**	**58,919**

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

23. BANK LOANS AND MORTGAGE LOANS

DKK'000	2018	2017
MATURITY STRUCTURE		
Within 1 year	25,808	39,437
Between 1 and 5 years	140,067	207,118
Longer than 5 years	25,178	28,043
Total	**191,054**	**274,598**

Refer to note 2 for additional information about bank loans and mortgage loans. During 2018, an extraordinary repayment has been made on bank loans of DKK 45 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL ASSETS AND LIABILITIES

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
Other liabilities	107	0	53,269	53,376
Total	**107**	**0**	**377,488**	**377,594**

2017 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	35,141	0	35,141
Cash and cash equivalents	0	49,167	0	49,167
Total	**0**	**85,056**	**0**	**85,056**
Long-term interest-bearing liabilities	0	0	235,161	235,161
Current interest-bearing liabilities	0	0	39,437	39,437
Accounts payable	0	0	117,229	117,229
Other liabilities	557	0	46,280	46,837
Total	**557**	**0**	**438,107**	**438,664**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	MORTGAGE LOANS	BANK LOANS	FINANCIAL LEASE LIABILITIES	OTHER LIABILITIES	TOTAL
Opening balance, 1 January 2018	55,399	218,156	1,043	0	274,598
Non-cash change					
Acquisition of operations					0
Amortization of borrowing costs	71	375	0	0	446
	71	**375**	**0**	**0**	**446**
Financing cash flows					
Proceeds from loans	0	0	975	0	975
Repayment of loans	(16,469)	(68,000)	(497)	0	(84,966)
	(16,469)	**(68,000)**	**478**	**0**	**(83,991)**
Closing balance, 31 December 2018	**39,001**	**150,531**	**1.521**	**0**	**191,053**
Opening balance, 1 January 2017	59,050	203,737	511	0	263,298
Non-cash change					
Acquisition of operations	2,125	0	0	3,000	5,125
Amortization of borrowing costs	13	6,294	0	0	6,307
	2,138	**6,294**	**0**	**3,000**	**11,432**
Financing cash flows					
Proceeds from loans	0	218,125	984	0	219,109
Repayment of loans	(5,789)	(210,000)	(452)	(3,000)	(219,241)
	(5,789)	**8,125**	**532**	**(3,000)**	**(132)**
Closing balance, 31 December 2017	**55,399**	**218,156**	**1,043**	**0**	**274,598**

26. 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 39.0 million (DKK 55.4 million), pledges have been given in land and buildings with a carrying amount as of 31 December 2018 amounting to DKK 70.9 million (DKK 86.6 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 9.6 million (DKK 8.7 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. ASSETS HELD FOR SALE

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

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

DKK'000	2018 DKK'000	2017 DKK'000
ASSETS HELD FOR SALE		
Other intangible assets	100	0
Tangible fixed assets	0	16,618
Inventories	564	0
Total	**664**	**16,618**

28. ACQUISITION OF OPERATIONS (BUSINESS COMBINATIONS)

2018: THERE HAVE BEEN NO ACQUISITION OF OPERATIONS IN 2018

2017: ACQUISITION OF NETTOLINE A/S

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

Revenue attributable to Nettoline A/S since the date of acquisition amounts to DKK 107.9 million.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. ACQUISITION OF OPERATIONS (CONTINUED)

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

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

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

29. RELATED PARTY TRANSACTIONS

RELATED PARTIES WITH A CONTROLLING INTEREST

As at 31 December 2018, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. EVENTS AFTER THE BALANCE SHEET DATE

Peter Jelkeby resigned from the Board of Directors of TCM Group as of 31 January 2019.

The Board of Directors of TCM Group will hereafter consist of Sanna Suvanto-Harsaae (chairman), Anders Skole Sørensen (deputy chairman), Carsten Bjerg and Søren Mygind Eskildsen, all elected by the annual general meeting.

The Svane Køkkenet store in Aabenraa has been sold with effect from 1 February 2019.

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.

31. COMPANIES IN THE TCM GROUP

	BUSINESS REGISTRATION NO	DOMICILE	SHARE OF EQUITY
PARANT COMPANY			
TCM Group A/S	37291269	Holstebro	
SUBSIDIARIES			
TCM Group Invest ApS	37291382	Holstebro	100%
TMK A/S	75924712	Holstebro	100%
Køkkenretail ApS	32556108	Holstebro	100%
Svane Køkkenet A/S	28517939	Holstebro	100%
Nettoline A/S	31599555	Aulum	100%

Shareholdings in subsidiaries are unchanged compared to last year.

DEFINITIONS

KEY FIGURES

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

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

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

RATIOS:

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

The definition and calculation formula for earnings per share before and after dilution can be found in note 20 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	2018	2017
Revenue		8,600	1,725
Gross profit		**8,600**	**1,725**
Administrative expenses	2, 3	(14,507)	(4,198)
Operating loss before non-recurring items		**(5,907)**	**(2,473)**
Non-recurring items	4	0	(16,207)
Operating loss		**(5,907)**	**(18,681)**
Dividend from subsidiaries		10,000	70,000
Financial income	5	117	0
Financial expenses	5	(1,005)	(170)
Profit before tax		**3,204**	**51,149**
Tax for the period	6	1,561	723
Net profit for the period		**4,766**	**51,872**
Other comprehensive income after tax		0	0
Total comprehensive income		**4,766**	**51,872**

BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2018	2017
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	7	314,558	314,558
Financial non-current assets		**314,558**	**314,558**
Total non-current assets		**314,558**	**314,558**
CURRENT ASSETS			
Receivables from subsidiaries		15,923	5,083
Other receivables		0	1,614
Prepaid expenses and accrued income		580	844
Total assets		**16,503**	**7,542**
Cash and cash equivalents		6,689	26,404
Total current assets		**23,192**	**33,945**
Total assets		**337,749**	**348,503**
EQUITY AND LIABILITIES			
Share capital		1,000	1,000
Retained earnings		236,799	279,533
Proposed dividend for the financial year		47,500	0
Total equity		**285,299**	**280,533**
Bank loans	8	29,778	39,706
Other payables		2,319	0
Total long-term liabilities		**32,097**	**39,706**
CURRENT LIABILITIES			
Bank loans	8	9,925	9,925
Trade payables		576	9,055
Payables to subsidiaries		3,649	3,835
Current tax liabilities		521	387
Other payables		5,683	5,061
Total current liabilities		**20,353**	**28,263**
Total liabilities		**52,450**	**67,969**
Total equity and liabilities		**337,749**	**348,503**

CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	RETAINED EARNINGS	PROPOSED DIVIDEND	TOTAL
Opening balance 01.01.2018	**1,000**	**279,534**	**0**	**280,533**
Net profit for the period	0	(42,734)	47,500	4,766
Other comprehensive income for the period	0	0	0	0
Total comprehensive income (loss) for the period	**0**	**(42,734)**	**47,500**	**4,766**
Closing balance 31.12.2018	**1,000**	**236,799**	**47,500**	**285,299**
Opening balance 01.01.2017	**100**	**311,689**	**0**	**311,789**
Net profit for the period	0	51,872	0	51,872
Other comprehensive income for the period	0	0	0	0
Total comprehensive income (loss) for the period	**0**	**51,872**	**0**	**51,872**
Share-based payments	0	3,349	0	3,349
Bonus issue	900	(900)	0	0
Cash settlement of warrants	0	(86,476)	0	(86,476)
Closing balance 31.12.2017	**1,000**	**279,534**	**0**	**280,533**

CASH FLOW STATEMENT

DKK'000	NOTE	2018	2017
OPERATING ACTIVITIES			
Operating loss		(5,907)	(18,681)
Share-based payments		0	608
Income tax recieved		(32,489)	8
Change in operating receivables		25,224	(6,432)
Change in operating liabilities		(5,727)	17,916
Cash flow from operating activities		**(18,899)**	**(6,581)**
Received dividend		10,000	70,000
Acquisition of operations		0	0
Cash flow from investing activities		**10,000**	**70,000**
Interest paid		(816)	(164)
Proceeds from loans	9	0	49,625
Repayments of loans	9	(10,000)	0
Cash settlement of warrants		0	(86,476)
Cash flow from financing activities		**(10,816)**	**(37,015)**
Cash flow for the period		**(19,715)**	**26,404**
Cash at start of period		26,404	0
Cash flow for the period		(19,715)	26,404
Cash at end of period		**6,689**	**26,404**

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	2018	2017
TOTAL COSTS FOR EMPLOYEE BENEFITS		
Salaries and other remuneration	11,996	4,145
Social security costs	17	3
Pension costs – defined contribution plans	485	118
Share-based payments	0	609
Total costs for employees	**12,498**	**4,874**

REMUNERATION AND OTHER BENEFITS

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	SHARE-BASED PAYMENTS	TOTAL	NUMBER OF INDIVIDUALS
2018							
Board of Directors	1,562	0	55	0	0	1,617	5
Executive Management	5,616	4,965	0	301	0	10,882	3
Total	**7,177**	**4,965**	**55**	**301**	**0**	**12,498**	**8**
2017							
Board of Directors	1,261	0	0	0	14	1,275	5
Executive Management	1,307	1,625	0	72	547	3,551	3
Total	**2,568**	**1,625**	**0**	**72**	**561**	**4,826**	**8**

The Executive Management has received remuneration from the parent company from 1 October 2017.

Refering to note 4 of the consolidated financial statement for description of the share option sheme 2016 (warrants) and 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	2018	2017
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	140	140
Other assurance engagements	0	1,951
Tax and indirect taxes advisory	0	318
Other services	46	2,204
	186	**4,613**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 46 thousand in 2018 and consited of various services. In 2017, the fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 4.5 million and consisted of services related to the listing of the shares in the Group on Nasdaq Copenhagen, issuance of various assurance reports and accounting advisory.

4. NON-RECURRING ITEMS

DKK'000	2018	2017
Costs related to the Initial Public Offering of the Company	0	16,207
Total	**0**	**16,207**

5. FINANCIAL EXPENSES

DKK'000	2018	2017
FINANCIAL INCOME		
Interest income from subsidiaries	116	0
Interest income on financial assets measured at amortized costs	1	0
FINANCIAL EXPENSES		
Interest expense to subsidiaries	0	(19)
Interest expense on liabilities measured at amortized costs	(1,005)	(151)
Total	**(888)**	**(170)**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

6. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME
Tax for the period can be specified as follows:			
Current tax	1,561	0	1,561
Total	**1,561**	**0**	**1,561**
Tax for the previus period can be specified as follows:			
Current tax	723	0	723
Total	**723**	**0**	**723**

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

DKK'000	%	2018	%	2017
Tax rate	22.0	705	22.0	11,253
Non-taxable income	(68.7)	(2,200)	(30.1)	(15,400)
Non-deductible expenses	(2.1)	(66)	6.4	3,290
Other	0.0	0	0.3	134
Effective tax rate for the period	**(48.7)**	**(1,561)**	**(1.4)**	**(723)**

7. INVESTMENTS IN SUBSIDIARIES

DKK'000	2018	2017
INVESTMENTS IN SUBSIDIARIES		
Cost at start of period	314,558	311,817
Contribution of share based payment	0	2,740
Cost at end of period	314,558	314,558
Carrying amount at end of period	**314,558**	**314,558**

Investments in subsidiaries comprise:

TCM Group Invest ApS, 100%

Refer to note 31 of the consolidated financial statements for a list of all companies in the TCM Group.

The carrying amount of the Parent's investments in subsidiaries is tested for impairment if an indication of impairment exists. The impairment assessment indicate no existence of impairment indicators as of 31 December 2018 and 2017.

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

8. BANK LOANS

DKK'000	2018	2017
MATURITY STRUCTURE		
Within 1 year	9,925	9,925
Between 1 and 5 years	29,778	39,706
Longer than 5 years	0	0
Total	**39,703**	**49,631**

9. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	BANK LOANS	TOTAL
Opening balance, 1 January 2018	49,631	49,631
Non-cash change		
Amortization of borrowing costs	72	72
	72	**72**
Financing cash flows		
Repayments of loans	(10,000)	(10,000)
	(10,000)	**(10,000)**
Closing balance, 31 December 2018	**39,703**	**39,703**
Opening balance, 1 January 2017	0	0
Non-cash change		
Amortization of borrowing costs	6	6
	6	**6**
Financing cash flows		
Proceeds from loans	49,625	49,625
	49,625	**49,625**
Closing balance, 31 December 2017	**49,631**	**49,631**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

10. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

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

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

11. RELATED PARTIES

For specification of related parties refer to note 28 and 31 of the consolidated financial statements.

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

Management fee to subsidiaries in the financial year amounts to DKK 8.6 million (DKK 1.7 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 period.

12. EVENTS AFTER THE BALANCE SHEET DATE

Peter Jelkeby resigned from the Board of Directors of TCM Group as of 31 January 2019.

The Board of Directors of TCM Group will hereafter consist of Sanna Suvanto-Harsaae (chairman), Anders Skole Sørensen (deputy chairman), Carsten Bjerg and Søren Mygind Eskildsen, all elected by the annual general meeting.

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.

13. ACCOUNTING POLICIES

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

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

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

INVESTMENTS IN SUBSIDIARIES
Investments in subsidiaries are measured at cost 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

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

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.

14. 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 40 million have a term of 5 years and expire in 2022 (DKK 50 million expiring in 2022). Borrowing cost of DKK 0.3 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 period. 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 period and on equity at 31 December 2018 of DKK 0.3 million (DKK 0.2 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 2018. 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 2018 is 0.58.
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 4.75 per share (2017: DKK 0 per share) be declared and paid. The dividend corresponds to 46% (2017: 0%) of Net profit for the period.

LIQUIDITY RISKS

Liabilities are expected to be repaid in the 2019 financial year except bank debt falling due in accordance with note 8 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 01.01.2018 – 31.12.2018. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018 as well as of the results of their operations and the consolidated cash flows for the period 01.01.2018 – 31.12.2018.

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, 27 February 2019

EXECUTIVE MANAGEMENT

Ole Lund Andersen	Mogens Elbrønd Pedersen
Chief Executive Officer	*Chief Financial Officer*

BOARD OF DIRECTORS

Sanna Mari Suvanto-Harsaae	Anders Tormod Skole-Sørensen
Chairman	*Deputy Chairman*
Carsten Bjerg	Søren Mygind Eskildsen

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TCM GROUP A/S

OPINION

We have audited the consolidated financial statements and the parent financial statements of TCM Group A/S for the financial year 1 January to 31 December 2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2018, and of the results of their operations and cash flows for the financial year 1 January to 31 December 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 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 two years up to and including the financial year 2018.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

At 31 December 2018, the Group has intangible assets of DKK 559,646 thousand comprising primarily goodwill of DKK 369,796 thousand and brand of DKK 171,961 thousand (2017: DKK 369,796 thousand and DKK 171,961 thousand, respectively).

The carrying value of goodwill and brand rely on the discounted expected future cash flows (value in use) which are complex to determine and require significant judgment and estimation by Management. The estimates used for impairment evaluation include determination of future growth rates and profit margins as well as discount rate assumptions. There is a risk that the assets will be impaired if these future cash flows significantly deviate negatively from the Group's expectations.

We refer to note 12 in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

How the matter was addressed in our audit
We have evaluated and tested the appropriateness of the Group's processes for evaluating impairment of goodwill and brand.

We obtained the Group's impairment test and assessed Management's assumptions and thereby assessment of future sales and earnings possibilities. We assessed:

- The impairment model applied to ensure consistency with prior year
- The forecast of future cash flows by reviewing budget for 2019 and strategic plans and discussing key assumptions with Management
- Discount rates by testing the Group's weighted average cost of capital (WACC).

We obtained and evaluated Management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions.

We also evaluated the impairment testing disclosures.

CHANGES FROM PREVIOUS YEAR

As stated in the consolidated financial statements for 2017, non-recurring items amounted to DKK 34,297 thousand and required significant judgement and estimation by Management. In 2018, non-recurring items amounts to DKK 1,996 thousand and is not subject to the same level of judgement and materality compared to 2017. The non-recurring items in 2018 are, therefore, no longer significant to the consolidated financial statements, and we have not considered non-recurring items as a key audit matter for 2018.

Furthermore, business combination was considered as a key audit matter in 2017 due to the assumptions and judgements applied by Mangagement as part of the acquistion of Nettoline A/S. In 2018, the Group has not made any significant business combinations. As a result hereof business combinations are not significant to the consolidated financial statements for 2018, and we have not considered business combinations as a key audit matter for 2018.

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.

INDEPENDENT AUDITOR'S REPORT

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the 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 Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

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

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

Copenhagen, 27 February 2019

DELOITTE
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

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