

TCM Group Management's review
Interim report Q1 2022 (January 1 - March 31)

(All figures in brackets refer to the corresponding period in 2021)

7% underlying revenue growth and solid order intake. Earnings impacted by an unstable supply chain situation in Q1 2022.**CEO Torben Paulin:**

“Reported revenue in Q1 was on par with a strong Q1 last year, where revenue grew organically 13% y-o-y. The reported revenue numbers consist of an underlying like-for-like growth of 7% in our core business excluding revenue from third party products. The low margin revenue from the sale of third party products, mainly white goods, declined, which led to a flat total revenue development. We continue to see encouraging growth rates in revenue outside Denmark, which was up 12% compared to Q1 last year.

The revenue growth in Q1 was primarily driven by sales price increases implemented in the quarter. Demand was solid in the quarter, but our ability to fully meet the demand was curtailed by continued supply chain challenges. A restricted flow of both raw materials and components limited our overall production capacity in the quarter.

The supply chain situation was almost back to a normal level by the end of the quarter. However, the unstable supply chain situation led to higher production costs and some loss of efficiency in the production processes throughout the quarter.

Gross margin in the quarter was negatively impacted by rising raw material prices causing a diluting effect on the margin. Furthermore, higher energy and transportation costs impacted earnings negatively. The negative effects were partly offset by the change in sales mix, mentioned above, with a lower share of revenue stemming from low margin third party products.

The Russian invasion of Ukraine has impacted the overall supply of raw materials in the European market. For TCM Group the impact has primarily been felt through further pressure on raw material prices and higher energy and transportation costs.

During the first quarter of 2022 we have announced a further sale price increase in response to the increase in raw material prices and rising cost inflation, in particular higher energy costs. Due to the nature of our business the positive effect on margins from the price increases will materialise with some delay.

The Russian invasion of Ukraine, increased inflation, and higher interest rates mean more uncertainty as to future consumer demand. In the short term, however, the order pipeline is solid for the coming 3-6 months providing some visibility and assurance of the short term customer demand.

We are constantly monitoring the development in customer behaviour and demand, and we have prepared a number of initiatives which can swiftly be put into action to mitigate a slump in demand if necessary. It is worth noting that a very substantial part of our cost base consists of variable costs, and we therefore have a very flexible setup and can quickly adjust our cost base according to demand thereby protecting our margin and profitability.

We reiterate our financial outlook: a full year revenue guidance in the range DKK 1,150-1,225 million, corresponding to organic growth of 4-11%, and an adjusted EBIT in the range DKK 140-170 million.”

Financial highlights Q1

- Revenue DKK 281.4 million (DKK 281.1 million) corresponding to a revenue growth of 0.1%. Organic like-for-like growth was 7% excluding revenue from third party products (core business).
- Adjusted EBITDA DKK 30.3 million (DKK 37.6 million). Adjusted EBITDA margin was 10.8% (13.4%).
- Adjusted EBIT down DKK 6.9 million to DKK 26.0 million (DKK 33.0 million). Adjusted EBIT margin was 9.3% (11.7%).
- Non-recurring items had a total negative impact of DKK 5.4 million (DKK 1.3 million). Non-recurring items included costs related to related supply chain disruptions and Covid-19 precautions.
- EBIT down DKK 11.0 million to DKK 20.6 million (DKK 31.6 million), corresponding to an EBIT margin of 7.3% (11.3%).
- Net profit down DKK 9.1 million to DKK 15.6 million (DKK 24.7 million).
- Free cash flow was DKK -32.9 million (DKK -24.6 million).
- Cash conversion ratio was 60.5% (83.4%).
- Full-year guidance for the financial year 2022 is revenue in the range DKK 1,150-1,225 million, and adjusted EBIT in the range DKK 140-170 million.

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Key figures and ratios

DKK million	Q1 2022	Q1 2021	FY 2021
Income statement			
Revenue	281.4	281.1	1,108.3
Gross profit	60.0	66.0	254.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	24.8	36.3	155.4
Adjusted EBITDA	30.3	37.6	154.7
Earnings before interest, tax and amortisation (EBITA)	20.6	32.9	139.7
Adjusted EBIT	26.0	33.0	137.8
Operating profit (EBIT)	20.6	31.6	138.4
Financial items	(0.7)	(0.3)	(3.3)
Profit before tax	20.9	31.4	135.7
Net profit for the period	16.6	24.7	110.7
Balance sheet			
Total assets	971.5	944.6	907.3
Net working capital (NWC)	(37.6)	(68.9)	(81.6)
Net interest-bearing debt (NIBD)	277.8	(14.1)	199.5
Equity	423.0	597.8	419.7
Cash Flow			
Free cash flow excl. acquisitions of operations	(32.9)	(24.6)	44.5
Cash conversion, %	60.5%	83.4%	58.3%
Growth ratios			
Revenue growth, %	0.1%	10.6%	8.2%
Gross profit growth, %	(9.2%)	1.1%	(6.7%)
Adjusted EBIT growth, %	(21.0%)	11.0%	(1.4%)
EBIT growth, %	(34.9%)	6.6%	2.8%
Net profit growth, %	(32.7%)	9.3%	8.3%
Margins			
Gross margin, %	21.3%	23.5%	23.0%
Adjusted EBITDA margin, %	10.8%	13.4%	14.0%
Adjusted EBIT margin, %	9.3%	11.7%	12.4%
EBIT margin, %	7.3%	11.3%	12.5%
Other ratios			
Solvency ratio, %	43.5%	63.3%	46.3%
Leverage ratio	1.89	(0.09)	1.33
NWC ratio, %	(3.4%)	(6.6%)	(7.4%)
Capex ratio excl. acquisitions, %	1.9%	2.8%	2.6%
Share information			
Number of outstanding shares	9,067,294	10,000,000	9,174,073
Weighted average number of outstanding shares	9,097,924	10,000,000	9,584,933
Number of treasury shares	932,706	0	825,927
Earnings per share before dilution, DKK	1.83	2.47	11.55
Earnings per share after dilution, DKK	1.83	2.47	11.54

Reference is made to the consolidated financial statements for 2020 prepared in accordance with IFRS for definitions of key figures and ratios.

Business review

In Q1 2022 revenue increased by 0.1% to DKK 281.4 million (DKK 281.1 million). The organic like-for-like growth excluding third party revenue (core business) was 7% in the quarter. The organic revenue growth was offset by a decline in revenue from third party products and the technical impact from the merge of the e-commerce activities in kitchn.dk and Celebert.

TCM Group's primary market is Denmark which contributed with 90% of Group revenue in Q1 2022. Customer demand in the Danish kitchen market remained solid in the quarter. For TCM Group, revenue in Denmark was down 1.1% (organic like-for-like growth excluding third party revenue (core business) was +7%) driven by growth within our DIY segment (Nettoline and e-commerce) and within Svane Køkkenet.

Revenue outside Denmark increased by 12.4% compared to Q1 2021. The growth was driven by increased sales to the Norwegian market, both organic growth and growth from new stores.

Gross margin decreased from 23.5% in Q1 2021 to 21.3% in Q1 2022. The merge of the e-commerce activities in kitchn.dk and Celebert had a technical negative impact on gross margin of in total 1.0%-point in the quarter. Furthermore, the gross margin was negatively affected by increased energy and logistic costs, and a lower margin following the significantly increased raw material prices, which, despite being mitigated by price increases, had a diluting impact on gross margin in the quarter. This was partly offset by the positive impact from the sales mix with increased sales in the core business, while sales of third party products, with a structurally lower margin, fell.

At the end of Q1 2022, the total number of branded stores was 94 (91). In Q1 2022, a new Nettoline store opened in Næstved. Furthermore, new Svane Køkkenet stores will open during Q2 and Q3 in Fredrikstad, Arendal, and Oslo in Norway, and in addition a new store in Copenhagen. Furthermore, a new Tvis Køkken store is expected to open in Slagelse during Q3 2022.

In line with our ESG strategy TCM Group continuously work with improving our products and the impact they have on the indoor environment. To validate our products and their impact in on the indoor environment we use external certification bodies. In Q1 2022 TCM Group added 13 product lines to the portfolio of indoor climate certified products.

Wood is the primary material category of input to our production hence it is of utmost importance to us to only use wood from certified responsible sources. In addition to using a high level of recycled material. TCM Group have been partially FSC® certified since 2010, and during Q1 2022 we expanded our scope of certification to cover our entire product portfolio.

Total number of employees at the end of Q1 2022 was 496 (498).

Events after the reporting period

The annual general meeting was held on 5 April 2022. The annual general meeting approved the proposed dividend distribution of DKK 6 per share, in total DKK 54 million with no dividend distributed for TCM Group's treasury shares. Furthermore, it was approved to authorize the Board of Directors to distribute an extraordinary dividend up to a maximum of DKK 75,000,000 in total in the calendar year 2022.

Jan Amtoft was appointed as new board member at the annual general meeting. Jan Amtoft is CIO in Rockwool A/S. He brings to the Board of Directors experience within digitalisation and automation in production. The Board of Directors hereafter consists of six independent board members, all elected by the annual general meeting.

It was approved to reduce the share capital of TCM Group A/S by DKK 85,770.6 from DKK 1,000,000 to DKK 914,229.4 by allocation of a special reserve. The capital reduction was carried out through annulment of the company's holding of treasury shares. Following the capital reduction the company's holding of treasury shares totals DKK 7,500.

Besides from the above, no events of importance to the consolidated interim financial statements have occurred after the reporting period.

Financial outlook

We reiterate our financial outlook: a full-year revenue for 2022 in the range of DKK 1,150-1,225 million and an adjusted EBIT outlook in the range of DKK 140-170 million.

Forward looking statements

This interim 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 interim report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive matters, supplier issues and financial issues.

Significant risks in the Group

TCM Group is exposed to strategic, operating and financial risks, which are described in the management review and note 2 of the 2021 Annual Report prepared in accordance with IFRS. The Russian invasion of Ukraine has impacted the overall supply of raw materials in the European market. For TCM Group the impact has primarily been felt through the further pressure on raw material prices and higher energy and transportation costs. There is a possible risk of this leading to significant cost inflation and challenges with raw material availability, both of which can impact TCM Group's financial results negatively.

Financial review

Revenue

In Q1 2022 revenue grew by 0.1% to DKK 281.4 million (DKK 281.1 million).

Revenue in Denmark in Q1 2022 was DKK 252.4 million (DKK 255.3 million) corresponding to a decrease of 1.1%. The organic like-for-like growth excluding third party revenue (core business) was 7% in the quarter, offset by lower revenue from third party products and the technical impact from the merge of the e-commerce activities in kitchn.dk and Celebert. Revenue in other countries in Q1 2022 was up 12.4% to DKK 29.0 million (DKK 25.8 million).

Gross profit

Gross profit in Q1 2022 was DKK 60.0 million (DKK 66.0 million), corresponding to a gross margin of 21.3% (23.5%). The merge of the e-commerce activities in kitchn.dk and Celebert had a technical negative impact on gross margin of 1.0%-point in the quarter. Furthermore, the gross margin was negatively affected by increased energy and logistic costs, and lower margin following the significantly increased raw material prices, which, despite being mitigated by price increases, had a diluting impact on gross margin in the quarter. This was partly offset by the positive impact from the sales mix with increased sales in the core business, while sales of third party products, with a structurally lower margin, fell.

Operating expenses

Operating expenses in Q1 2022 were DKK 33.9 million (DKK 33.1 million). Operating expenses represented 12.1% of revenue in Q1 2022 (11.8%). The increase in operating expenses was primarily due to higher sales and marketing expenses, partly off-set by a decline due to the merge of the e-commerce activities in kitchn.dk and Celebert.

Adjusted EBITDA

Adjusted EBITDA in Q1 2022 was DKK 30.3 million (DKK 37.6 million), corresponding to an adjusted EBITDA margin of 10.8% (13.4%).

Adjusted EBIT

Adjusted EBIT in Q1 2022 was DKK 26.0 million (DKK 33.0 million), corresponding to an adjusted EBIT margin of 9.3% (11.7%). The Celebert/kitchn.dk transaction in Q3 2021 has a negative impact on adjusted EBIT when compared to historic data, since the profit from the activities in kitchn.dk previously included in EBIT is now presented as profit in associated companies and thereby not included in EBIT. The full year technical impact from this is a lower single digit DKK million figure.

Non-recurring items

TCM Group presents non-recurring items separately to ensure comparability. Non-recurring items consist of income and expenses that are special and of a non-recurring nature. In Q1 2022 non-recurring items included costs related to supply chain disruptions and Covid-19 precautions. These items are considered non-recurring by nature and material, and are presented as non-recurring items.

	Q1		12 month
	2022	2021	2021
Non-recurring items, DKK m			
Costs related to supply chain disruptions and Covid-19 precautions	5.4	2.5	14.0
Restructuring	0.0	1.3	1.3
Net gain from the Celebert/kitchn.dk transaction	0.0	0.0	(13.5)
Gain from the divestment of an own operated store	0.0	(2.5)	(2.5)
Total	5.4	1.3	(0.7)

EBIT

EBIT in Q1 2022 decreased to DKK 20.6 million (DKK 31.6 million). The decrease was primarily due to the decrease in EBITDA. Depreciations and amortizations in Q1 2022 were DKK 4.5 million (DKK 5.2 million). The decline was primarily driven by lower amortizations, because our franchise setup was fully amortized during Q1 2021.

Net profit

Net profit in Q1 2022 decreased to DKK 16.6 million (DKK 24.7 million). Financial income and expenses in Q1 2022 were DKK 0.4 million higher than in Q1 2021.

Free cash flow

Free cash flow in Q1 2022 was DKK -32.9 million (DKK -24.6 million). The cash flow in Q1 2022 was negatively impacted by lower operating profit compared to Q1 2021. Investments were DKK 7.4 million in Q1 2022 compared to DKK 8.1 million last year.

Net working capital

Net working capital at the end of Q1 2022 was DKK -37.6 million (DKK -68.9 million). NWC ratio at the end of Q1 2022 was -3.4% (-6.6%).

DKK million	End of Q1	
	2022	2021
Inventories	87.2	56.2
Trade and other receivables	81.2	81.3
Trade and other payables	(206.0)	(206.5)
Net working capital	(37.6)	(68.9)
NWC ratio	(3.4%)	(6.6%)

The increase in inventory of DKK 31.0 million was due to impact from increased raw material prices, and a decision to increase the stock of parts and raw materials to ensure a high delivery assurance.

Trade receivables and other receivables decreased by DKK 0.1 million. Other receivables as of 31 March 2022 is excluding the value of DKK 7.6 million, which relates to subleases due to the implementation of IFRS 16. This is not included in the net working capital.

The operating liabilities decreased by DKK 0.4 million. The development in operating liabilities was a mix of higher trade payables and significantly lower other payables. Other payables as of 31 March 2022 was compared to last year affected by the transfer of the holiday allowance to the government fund during Q3 2021, which had a negative impact when comparing to 31 March 2021 of DKK 19 million. Furthermore, the extended credit for VAT and payroll taxes provided in the government's stimulus package impacted the operating liabilities last year positively by c. DKK 5 million as of 31 March.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 277.8 million at the end of Q1 2022 (DKK -14.1 million). Net interest-bearing debt increased by DKK 78.4 million in Q1 2022. As of 1 January 2022 the expected useful life of IFRS 16 contracts were reassessed, which increased net interest-bearing debt by DKK 22.5 million. Leverage ratio, measured as net interest bearing debt excluding tax liabilities divided by adjusted EBITDA LTM, end of Q1 2022 was 1.89 (-0.09).

Equity

Equity at the end of Q1 2022 amounted to DKK 423.0 million (DKK 597.8 million). The equity increased by DKK 3.3 million in Q1 2022 due to net profit for the period off-set by the implementation of a share buy back program, of which DKK 14.4 million has been carried out during Q1 2022. As of 31 March 2021, the total share buy back program of DKK 150 million has been carried out.

The solvency ratio was 43.5% at the end of Q1 2022 (63.3%).

Additional 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 2022:

19 August 2022	Interim report Q2 2022
15 November 2022	Interim report Q3 2022
24 February 2023	Interim report Q4 2022 and Annual report 2022
13 April 2023	Annual General Meeting

Presentation

The interim report will be presented on Wednesday 18 May at 9:30 CEST in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/486yjh4n>.

To participate in the teleconference, and thus have the possibility to ask questions, call one of the following numbers:

Confirmation Code: **8496279**

Standard International **+44 (0) 2071 928338**

Denmark, Copenhagen ... **+45 32 72 04 17**

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Sweden, Stockholm..... **+46 (0) 0856618467**

About TCM Group A/S

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 manufactures to a specific customer order. Production sites are located in Denmark, with three factories in Tvis and Aulum (in the western part of Denmark).

The Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the secondary brands are Tvis Køkken, Nettoline and private label. Combined, the brands cater for the entire price range. Products are mainly marketed through a network of franchise stores and independent kitchen retailers. Furthermore, TCM Group is supplier to the 45% owned e-commerce kitchen business Celebert, which operates under the brands kitchn.dk, billigskabe.dk, Celebert and Just Wood.

Company information

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Consolidated interim financial statements

Consolidated income statement

DKK m	Note	Q1		12 month
		2022	2021	2021
Revenue	2	281.4	281.1	1,108.3
Cost of goods sold		(221.5)	(215.1)	(853.7)
Gross profit		60.0	66.0	254.6
Selling expenses		(21.3)	(19.5)	(70.1)
Administrative expenses		(12.6)	(13.6)	(46.7)
Other operating income		0.0	0.0	(0.0)
Operating profit before non-recurring items		26.0	33.0	137.8
Non-recurring items	3	(5.4)	(1.3)	0.7
Operating profit		20.6	31.6	138.4
Share of profit/loss in associated companies		1.0	0.0	0.6
Financial income		0.4	0.1	0.3
Financial expenses		(1.1)	(0.4)	(3.6)
Profit before tax		20.9	31.4	135.7
Tax for the period		(4.3)	(6.7)	(25.0)
Net profit for the period		16.6	24.7	110.7
Earnings per share before dilution, DKK		1.83	2.47	11.55
Earnings per share after dilution, DKK		1.83	2.47	11.54

Consolidated statement of comprehensive income

DKK m	Q1		12 month
	2022	2021	2021
Net profit for the period	16.6	24.7	110.7
Other comprehensive income			
Items that are or may be reclassified subsequent to profit or loss			
Value adjustments of currency hedges before tax	1.4	(1.7)	0.8
Tax on value adjustments of currency hedges	(0.3)	0.4	(0.2)
Other comprehensive income for the period	1.1	(1.3)	0.6
Total comprehensive income for the period	17.7	23.4	111.3

Consolidated balance sheet

DKK m	Note	End of Q1 2022	2021	End of 2021
ASSETS				
Intangible assets				
Goodwill		369.8	369.8	369.8
Brand		172.0	172.0	172.0
Other intangible assets		6.3	0.4	4.6
		548.1	542.2	546.3
Tangible assets				
Land and buildings		93.6	83.7	85.1
Tangible assets under constructions and prepayments		0.0	10.6	11.8
Machinery and other technical equipment		47.5	33.5	42.5
Equipment, tools, fixtures and fittings		6.1	7.2	6.6
		147.2	135.0	146.0
Investments in associated companies		47.4	0.0	47.4
Financial assets		33.2	15.0	8.5
Total non-current assets		775.9	692.2	748.3
Inventories		87.2	56.2	77.8
Current receivables				
Trade receivables		73.3	74.6	28.2
Current tax receivables		9.9	6.5	6.4
Other receivables		15.5	14.3	31.5
Prepaid expenses and accrued income		0.0	0.0	3.2
		98.7	95.4	69.4
Cash and cash equivalents		9.6	100.9	11.9
Total current assets		195.6	252.5	159.0
Total assets		971.5	944.6	907.3

Consolidated balance sheet

DKK m	Note	End of Q1		End of
		2022	2021	2021
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital		1.0	1.0	1.0
Treasury shares		(150.4)	0.0	(136.0)
Value adjustments of currency hedging		1.1	(1.9)	0.0
Retained earnings		516.9	468.7	500.3
Proposed dividend for the financial year		54.4	130.0	54.4
Total shareholders' equity		423.0	597.8	419.7
Deferred tax		54.1	53.6	53.7
Mortgage loans		27.2	30.8	27.8
Bank loans		0.0	0.0	0.0
Lease liabilities		38.0	22.7	15.2
Other liabilities		1.3	0.0	1.1
Total long-term liabilities		120.6	107.1	97.8
Mortgage loans		2.8	1.9	2.8
Bank loans		208.2	19.7	160.7
Lease liabilities		11.4	11.7	11.2
Prepayments from customers		0.0	0.0	3.0
Trade payables		168.6	134.9	158.9
Liabilities to associated companies		0.9	0.0	0.9
Other liabilities		36.1	71.6	52.2
Total short-term liabilities		427.8	239.8	389.8
Total shareholders' equity and liabilities		971.5	944.6	907.3

Change in consolidated shareholders' equity

	Share capital DKK m	Trea- sury shares DKK m	Value adjust- ments of currency hedges after tax DKK m	Retained earnings DKK m	Propo- sed divi- dend DKK m	Total DKK m
Opening balance 01.01.2021	1.0	0.0	(0.6)	444.0	130.0	574.4
Net profit for the period	0.0	0.0	0.0	24.7	0.0	24.7
Other comprehensive income for the period	0.0	0.0	(1.3)	0.0	0.0	(1.3)
Total comprehensive income for the period	0.0	0.0	(1.3)	24.7	0.0	23.4
Closing balance 31.03.2021	1.0	0.0	(1.9)	468.7	130.0	597.8
Opening balance 01.01.2022	1.0	(136.0)	0.0	500.3	54.4	419.7
Net profit for the period	0.0	0.0	0.0	16.6	0.0	16.6
Other comprehensive income for the period	0.0	0.0	1.1	0.0	0.0	1.1
Total comprehensive income for the period	0.0	0.0	1.1	16.6	0.0	17.7
Purchase of treasury shares	0.0	(14.4)	0.0	0.0	0.0	(14.4)
Closing balance 31.03.2022	1.0	(150.4)	1.1	516.9	54.4	423.0

Consolidated cash flow statement

DKK m	Note	Q1 2022	2021	12 month 2021
Operating activities				
Operating profit		20.6	31.6	138.4
Depreciation and amortization		4.2	4.7	16.9
Other non-cash operating items		0.0	0.0	(17.3)
Income tax paid		(7.7)	(7.2)	(25.9)
Change in net working capital		(42.7)	(48.4)	(38.3)
Cash flow from operating activities		(25.5)	(19.3)	73.8
Investing activities				
Investments in fixed assets		(7.4)	(8.1)	(33.9)
Acquisition of operations, net		0.0	0.0	(23.2)
Divestments of operations		0.0	2.8	4.6
Cash flow from investing activities		(7.4)	(5.3)	(52.5)
Financing activities				
Interest paid		(0.7)	(0.3)	(2.9)
Repayments of loans		(0.7)	(0.6)	(22.8)
Repayments of lease liabilities		(1.0)	0.5	(4.2)
Purchase of treasury shares		(14.4)	0.0	(136.0)
Dividend paid		0.0	0.0	(130.0)
Cash flow from financing activities		(16.8)	(0.4)	(295.9)
Cash flow for the period		(49.7)	(25.0)	(274.7)
Cash and cash equivalents at the beginning of the period				
		(148.8)	125.9	125.9
Cash flow for the period		(49.7)	(25.0)	(274.7)
Cash and cash equivalents at the end of the period		(198.6)	100.9	(148.8)

Notes to the consolidated interim financial statements

1. Accounting policies

This interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and Danish disclosure requirements for listed companies. TCM Group has applied the same accounting policies in this interim report as were applied in the consolidated financial statements for 2021 prepared in accordance with IFRS, why reference is made to note 1 of these financial statements for accounting policies and for definitions of key figures and ratios on pages 45-49 and 64.

Impact from new IFRS standards

TCM Group A/S has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2022 as adopted by the European Union.

Implementation of the standards and amendments have not had any material impact on the Group’s Financial Statements and are likewise not expected to have any significant future impact.

2. 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. The result of the operating segment is monitored by the Group’s management to evaluate it and to allocate resources.

Revenue by region, DKK m	Q1		12 month
	2022	2021	2021
Denmark	252.4	255.3	1,011.4
Other countries	29.0	25.8	96.9
	281.4	281.1	1,108.3

Revenue consists of sale of goods and services.

3. Non-recurring items

Non-recurring items, DKK m	Q1		12 month
	2022	2021	2021
Costs related to supply chain disruptions and Covid-19 precautions	5.4	2.5	14.0
Restructuring	0.0	1.3	1.3
Net gain from the Celebert/kitchn.dk transaction	0.0	0.0	(13.5)
Gain from the divestment of an own operated store	0.0	(2.5)	(2.5)
Total	5.4	1.3	(0.7)

4. Acquisition of operations (business combinations)

2021: Acquisition 45% af Celebert ApS

On 6 July 2021, TCM Group entered into a strategic partnership with, and acquired stake in the fast growing Danish e-commerce kitchen business Celebert. TCM Group merged its e-commerce activities in kitchen.dk with the activities of Celebert and has initially acquired a 45% stake in Celebert.

	<u>DKK m</u>
Purchase price	29.0
Merged activities	<u>32.2</u>
	61.2
Fair value of acquired net assets – 45%	<u>(15.5)</u>
Goodwill before elimination	45.7
Elimination of internal profit	<u>(14.3)</u>
Goodwill after elimination	<u>31.4</u>

Goodwill is attributable to future expected growth potential and expected synergies with the merger of our e-commerce activities in kitchen.dk with Celebert ApS.

5. Related party transactions

Except for remuneration to senior executives and Board of Directors, there were no other transactions with related parties.

6. Events after the reporting period

The annual general meeting was held on 5 April 2022. The annual general meeting approved the proposed dividend distribution of DKK 6 per share, in total DKK 54 million with no dividend distributed for TCM Group's treasury shares. Furthermore, it was approved to authorize the Board of Directors to distribute an extraordinary dividend up to a maximum of DKK 75,000,000 in total in the calendar year 2022.

Jan Amtoft was appointed as new board member at the annual general meeting. Jan Amtoft is CIO in Rockwool A/S. He brings to the Board of Directors experience within digitalisation and automation in production. The Board of Directors hereafter consists of six independent board members, all elected by the annual general meeting.

It was approved to reduce the share capital of TCM Group A/S by DKK 85,770.6 from DKK 1,000,000 to DKK 914,229.4 by allocation of a special reserve. The capital reduction was carried out through annulment of the company's holding of treasury shares. Following the capital reduction the company's holding of treasury shares totals DKK 7,500.

Besides from the above, no events of importance to the consolidated interim financial statements have occurred after the reporting period.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and adopted the interim report of TCM Group A/S for the period 1 January 2022 – 31 March 2022.

The interim report, which has been neither audited nor reviewed by the company's auditors, was prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 31 March 2022 and of the results of the Group's operations and cash flows for the period 1 January to 31 March 2022.

Furthermore, in our opinion, the management review includes a fair review of the development and performance of the business, the results for the period and of the Group's financial position in general and describes the principal risks and uncertainties that it faces.

Tvis, 18 May, 2022

Executive Management

Torben Paulin
CEO

Mogens Elbrønd Pedersen
CFO

Board of Directors

Sanna Mari Suvanto-Harsaae
Chairman

Anders Tormod Skole-Sørensen
Deputy Chairman

Søren Mygind Eskildsen

Carsten Bjerg

Danny Feltmann Espersen

Jan Amtoft

Supplementary financial disclosure

Quarterly overview

DKK million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Income statement					
Revenue	281.1	290.7	262.4	274.2	281.4
Gross profit	66.0	74.6	56.3	57.7	60.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	36.3	46.2	47.8	25.0	24.8
Adjusted EBITDA	37.6	47.7	35.8	33.5	30.3
Earnings before interest, tax and amortisation (EBITA)	32.9	42.6	43.7	20.5	20.6
Adjusted EBIT	33.0	44.1	31.7	29.0	26.0
Operating profit (EBIT)	31.6	42.6	43.7	20.5	20.6
Financial items	(0.3)	(1.8)	(0.5)	(0.7)	(0.7)
Profit before tax	31.4	40.8	43.6	20.0	20.9
Net profit for the period	24.7	31.9	38.0	16.1	16.6
Balance sheet					
Total assets	944.6	838.9	903.2	907.3	971.5
Net working capital	(68.9)	(76.3)	(50.4)	(81.6)	(37.6)
Net interest-bearing debt (NIBD)	(14.1)	152.9	223.9	199.5	277.8
Equity	597.8	418.4	424.9	419.7	423.0
Cash Flow					
Free cash flow excl. acquisitions of operations	(24.6)	52.2	(11.7)	28.6	(32.9)
Margins					
Gross margin, %	23.5%	25.7%	21.5%	21.1%	21.3%
Adjusted EBITDA margin, %	13.4%	16.4%	13.7%	12.2%	10.8%
Adjusted EBIT margin, %	11.7%	15.2%	12.1%	10.6%	9.3%
EBIT margin, %	11.3%	14.6%	16.6%	7.5%	7.3%
Other ratios					
Solvency ratio, %	63.3%	49.9%	47.0%	46.3%	43.5%