TCM Group Management's review
Interim report Q2 2018 (April 1 - June 30)
(All figures in brackets refer to the corresponding period in 2017)

A strong Q2 for TCM Group with 10% revenue growth – outlook increased

Financial highlights Q2

- Revenue DKK 232.1 million (DKK 211.1 million) corresponding to an organic growth of 9.9%
- Adjusted EBITA up DKK 9.8 million to DKK 40.6 million (DKK 30.8 million), corresponding to an increase of 31.8%. Adjusted EBITA margin was 17.5% (14.6%)
- EBIT up DKK 12.6 million to DKK 38.7 million (DKK 26.1 million), corresponding to an EBIT margin of 16.7% (12.4%). Non-recurring items had a negative impact of DKK 2.8 million in Q2 2017
- Net profit up 64.0% to DKK 29.2 million (DKK 17.8 million)
- Free cash flow excl. acquisitions of operations was DKK 28.2 million (DKK 24.7 million)
- Cash conversion ratio was 103.6% (97.3%)

Financial highlights H1 2018

- Revenue DKK 445.7 million (DKK 417.5 million) corresponding to an organic growth of 6.7%
- Adjusted EBITA up DKK 13.9 million to DKK 69.0 million (DKK 55.1 million), corresponding to an adjusted EBITA margin of 15.5% (13.2%)
- Non-recurring items had a negative impact of DKK 2.0 million in H1 2018 due to costs related to the integration of Nettoline. This compares to non-recurring costs in H1 2017 of DKK 3.5 million related to the acquisition of Nettoline and Initial Public Offering
- EBIT up DKK 15.4 million to DKK 63.2 million (DKK 47.8 million), corresponding to an EBIT margin of 14.2% (11.4%)
- Net profit up 45.7% to DKK 47.2 million (DKK 32.4 million)
- Free cash flow excl. acquisitions of operations was DKK 52.8 million (DKK 40.8 million)
- Outlook for the financial year 2018 is upgraded to revenue in the range DKK 890-910 million (previously DKK 870-900 million), adjusted EBITA in the range DKK 140-150 million (previously DKK 130-140 million) and EBIT in the range of DKK 130-140 million (previously DKK 120-130 million)

CEO Ole Lund Andersen:

"TCM Group continued to see robust growth in Q2 of 2018. Revenue grew organically by 10% and we gained market share across the board. At the same time earnings developed positively growing more than 30% driven by revenue growth, production effeciencies and synergies. On the back of this performance we have adjusted our full year outlook upwards both with regards to revenue and earnings. Through our strong brands and product innovation TCM is proving to be an attractive partner for new franchisees and dealers supporting continued future growth."

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Key figures and ratios

DKK million	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017 *
Income statement					
Revenue	**232.1**	**211.1**	**445.7**	**417.5**	**817.3**
Gross profit	69.1	56.7	125.1	111.2	231.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	42.7	30.3	71.1	56.3	97.1
Adjusted EBITDA	42.7	33.1	73.1	59.8	131.4
Earnings before interest, tax and amortisation (EBITA)	40.6	28.0	67.0	51.6	88.5
Adjusted EBITA	**40.6**	**30.8**	**69.0**	**55.1**	**122.8**
Operating profit (EBIT)	**38.7**	**26.1**	**63.2**	**47.8**	**80.9**
Profit before tax	37.3	23.7	60.0	42.8	66.7
Net profit for the period	29.2	17.8	47.2	32.4	48.0
Balance sheet					
Total assets	791.5	832.4	791.5	832.4	805.5
Net working capital (NWC)	(51.3)	(38.7)	(51.3)	(38.7)	(80.8)
Net interest-bearing debt (NIBD)	188.9	206.4	188.9	206.4	225.8
Equity	352.2	374.2	352.2	374.2	304.8
Cash Flow					
Free cash flow excl. acquisitions of operations	28.2	24.7	52.8	40.8	99.8
Cash conversion, %	103.6%	97.3%	103.6%	97.3%	110.0%
Growth ratios					
Revenue growth, %	9.9%		6.7%		36.3%
Gross profit growth, %	21.9%		12.5%		29.1%
Adjusted EBITA growth, %	31.8%		25.3%		42.4%
EBIT growth, %	48.3%		32.3%		34.9%
Net profit growth, %	64.0%		45.7%		51.3%
Margins					
Gross margin, %	29.8%	26.9%	28.1%	26.6%	28.3%
EBITDA margin, %	18.4%	14.4%	16.0%	13.5%	11.9%
Adjusted EBITA margin, %	17.5%	14.6%	15.5%	13.2%	15.0%
EBIT margin, %	16.7%	12.4%	14.2%	11.4%	9.9%
Other ratios					
Solvency ratio, %	44.5%	45.0%	44.5%	45.0%	37.8%
Leverage ratio	1.22	1.72	1.22	1.72	1.72
NWC ratio, %	(6.1%)	(5.4%)	(6.1%)	(5.4%)	(9.9%)
Capex ratio excl. acquisitions, %	0.4%	0.9%	0.4%	0.7%	1.0%
Share information					
Earnings per share before dilution, DKK	2.92	1.78	4.72	3.24	4.80
Earnings per share after dilution, DKK	2.92	1.73	4.72	3.15	4.51

Reference is made to the consolidated financial statements for 2017 prepared in accordance with IFRS for definitions of key figures and ratios.

* The income statement FY 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. Proforma figures includes business activity from 1 January 2016 to cover the full period. Growth ratios for 2017 are measured against proforma figures.

Business review

Revenue in Q2 2018 increased by 9.9% to DKK 232.1 million (DKK 211.1 million). The revenue growth was entirely organic based on the same number of production days as Q2 2017.

TCM Group's primary market is Denmark. Revenue in Denmark was DKK 205.3 million (DKK 186.5 million), with an organic growth of 10.0%. The total market for kitchen and related products in Denmark developed positively during Q2 2018 compared to same period 2017. We estimate that the Danish market in 2018 will grow by 2-3%. In Q2 2018 we achieved growth both within the B2B and B2C segment. We continue to gain market shares through our strong brands and continued product innovation.

Revenue in other countries was DKK 26.8 million (DKK 24.6 million), up 9.0% primarily due to an increase in sales to the Norwegian market.

At the end of Q2 2018, the total number of Svane and Tvis branded stores was 62 (62). In March 2018, two new Tvis stores opened in Esbjerg and Aabenraa. Upcoming new stores include a Svane store in Køge, expected to open around year-end 2018. In addition, we have signed an agreement with a new dealer to open a Svane store in Trondheim, Norway, and the store is expected to open during Q4 2018. Furthermore, we have signed an agreement with a dealer to open a Svane store in Drammen, Norway, and the store is expected to open during Q1 2019. The two new stores are a part of TCM Group's strategy of opening 8-12 branded stores in Norway in the short to medium term. Finally, we have signed an agreement with a new dealer to open a Tvis store in Aalborg, and the store is expected to open during Q4 2018. With the new stores, the number of branded stores will increase to 66.

On 29 June 2018, TCM Group acquired the assets of the Svane store in Aabenraa. At the same time, a process has been initiated to find a new franchisee of the store.

The integration of Nettoline is moving ahead and the majority of the previously communicated estimate of impact in 2018 from synergies of DKK 8-10 million has been realized in Q1 and Q2 2018.

Total number of employees at the end of Q2 2018 was 467 (418). The increase in number of employees was primarily due to manning up in production to increase capacity to support the revenue growth in the last 12 months.

Other events in Q2 2018

The Annual General Meeting was held on 12 April 2018, where the Annual Repport of 2017 was approved. In addition, the following changes were made to the Board of Directors:

Erik Albert Ingemarsson did not stand for re-election and therefore resigned from the Board of Directors.

Carsten Bjerg was appointed board member as of 12 April 2018. Carsten was formerly CEO and Group President of Grundfos Holding A/S. Carsten is a.o. member of Board of Directors at Vestas Wind Systems A/S and Rockwool International A/S (deputy chairman). He brings to the Board of Directors years of CEO experience and his extensive board experience.

Søren Mygind Eskildsen was appointed board member as of 12 April 2018. Søren is CEO of Louis Poulsen A/S with an extensive management career from a.o. Danfoss Group. Søren is member of Board of Directors at Fiberline A/S. He brings to the Board of Directors years of COO/supply chain experience.

The Board of Directors consisted of six Board Members as of 30 June 2018.

On 24 May 2018, IK Investment Partner sold shares equivalent to 19.8% of the share capital after the lock-up period in connection with the Initial Public Offering of TCM Group in November 2017. Subsequently, IK Investment Partners does not own any shares in the Company.

On 28 June 2018, COO Karsten Rydder Pedersen informed the Company that he, after personal considerations, will leave TCM Group. It has been decided to split Karsten Rydder Pedersen's responsibilities into two new roles; a Supply Chain Manager and a Managing Director of Nettoline. For the new position as Supply Chain Manager, Lis Hammelsvang has been hired as of 1 November 2018. Lis Hammelsvang, who holds a M.Sc. in Engineering, has a strong supply chain background and will join TCM Group from a managerial position within the supply chain organisation of Nobia Denmark. The search for the position as Managing Director of Nettoline is on-going.

As a consequence of the above, the Executive Management will in the future consist of CEO Ole Lund Andersen and CFO Mogens Elbrønd Pedersen.

Events after the reporting period

Kristian Kemppinen, Partner in IK Investment Partners, resigned from the Board of Directors of TCM Group as of 5 July 2018 as a natural consequence of the fact that IK Investment Partners no longer owns shares in TCM Group. At the same time, board member Anders Skole-Sørensen replaced Kristian Kemppinen as deputy chairman of the Board of Directors, which consists of five members elected by the annual general meeting.

Financial outlook

Based on the strong performance in Q2 2018 and a continued good momentum in the beginning of Q3 2018, TCM Group estimates revenue for the financial year 2018 to be in the range DKK 890-910 million with an adjusted EBITA in the range of DKK 140-150 million, translating into an EBIT in the range of DKK 130-140 million. The previous outlook provided in the Q1 2018 interim report estimated a revenue in the range of DKK 870-900 million, adjusted EBITA in the range of DKK 130-140 million and EBIT in the range of DKK 120-130 million.

The outlook is based on the expectation that the Danish market will continue to develop positively in 2018 with a growth rate in the level of 2-3%.

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 2017 Annual Report prepared in accordance with IFRS.

Financial review

Revenue

Revenue in Q2 2018 grew organically by 9.9% to DKK 232.1 million (DKK 211.1 million).

Revenue in Denmark in Q2 2018 was up 10.0% to DKK 205.3 million (DKK 186.5 million) and revenue in other countries in Q2 2018 was up 9.0% to DKK 26.8 million (DKK 24.6 million).

Revenue for the first six months was up 6.7% to DKK 445.7 million (DKK 417.5 million). Revenue in Denmark for the first six months of 2018 was up 8.0% to DKK 395.5 million (DKK 366.3 million) and revenue in other countries for the first six months of 2018 was down 2.1% to DKK 50.2 million (DKK 51.2 million).

Gross profit

Gross profit in Q2 2018 was DKK 69.1 million (DKK 56.7 million), corresponding to a gross margin of 29.8% (26.9%). The gross margin was positively affected by a favorable impact from synergies related to the integration of Nettoline, other efficiency improvements and better sales mix compared to both Q2 2017 and Q1 2018.

Gross profit for the first six months of 2018 was DKK 125.1 million (DKK 111.2 million), corresponding to a gross margin of 28.1% (26.6%). The gross margin was positively affected by a favorable impact from synergies related to the integration of Nettoline and other efficiency improvements.

Operating expenses

Operating expenses in Q2 2018 were DKK 30.5 million (DKK 27.8 million). The increase in operating expenses of DKK 2.7 million were primarily due to increased administrative expenses, which was impacted by costs related to being a listed company. Operating expenses represented 13.2% of revenue in Q2 2018 (13.2%).

Operating expenses for the first six months of 2018 were DKK 60.0 million (DKK 59.9 million). Operating expenses represented 13.5% of revenue in Q2 2018 (14.3%).

Adjusted EBITA

Adjusted EBITA in Q2 2018 was DKK 40.6 million (DKK 30.8 million), corresponding to an adjusted EBITA margin of 17.5% (14.6%). The increase in adjusted EBITA was driven by revenue growth and a higher gross margin primarily due to synergies related to the integration of Nettoline and a better sales mix. Depreciations were DKK 2.0 million (DKK 2.3 million).

Adjusted EBITA for the first six months of 2018 was DKK 69.0 million (DKK 55.1 million), corresponding to an adjusted EBITA margin of 15.5% (13.2%). Depreciations for the first six months of 2018 were DKK 4.1 million (DKK 4.7 million).

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 2017 and 2018, non-recurring items included amortization of order backlog and transaction costs related to business combinations, costs related to the Initial Public Offering (IPO) of the company, costs related to the integration of Nettoline (including the merger of two production sites) and impairment of assets held for sale related to the shutdown of a production site, and are specified below:

	Q2		H1	
Non-recurring items, DKK m	**2018**	**2017**	**2018**	**2017**
Amortization of order backlog from business combinations	0.0	0.0	0.0	0.4
Transaction costs related to business combinations	0.0	0.6	0.0	0.8
Costs related to the Initial Public Offering of the company	0.0	2.3	0.0	2.3
Costs related to integration of Nettoline	0.0	0.0	2.0	0.0
Impairment of assets held for sale related to site shutdown	0.0	0.0	0.0	0.0
Total	**0.0**	**2.8**	**2.0**	**3.5**

EBIT

EBIT in Q2 2018 increased to DKK 38.7 million (DKK 26.1 million). The increase was primarily due to the profit impact from the revenue growth and a higher gross margin. Amortizations were on par with Q2 2017.

EBIT for the first six months of 2018 increased to DKK 63.2 million (DKK 47.8 million). The increase was primarily due to the profit impact from the revenue growth, a higher gross margin and a lower operating expense ratio. Amortizations were on par with same period last year.

Net profit

Net profit in Q2 2018 increased to DKK 29.2 million (DKK 17.8 million). The increase was primarily due to an increase in EBIT. Financial expenses had a positive impact on net profit of DKK 1.0 million due to improved interest rate terms and lower debt.

Net profit for the first six months of 2018 increased to DKK 47.2 million (DKK 32.4 million). The increase was primarily due to an increase in EBIT. Financial expenses had a positive impact on net profit of DKK 1.8 million due to improved interest rate terms and lower debt.

Free cash flow excl. acquisitions of operation and cash conversion

Free cash flow excl. acquisitions in Q2 2018 was DKK 28.2 million (DKK 24.7 million). The increase in cash flow in Q2 2018 was primarily due to the higher operating profit off-set by a change in net working capital of DKK -13.6 million (DKK -5.4 million). Cash conversion in Q2 2018 was 103.6% (97.3%).

Free cash flow excl. acquisitions for the first six months of 2018 was DKK 52.8 million (DKK 40.8 million). The cash flow for the first six months of 2018 was favourably impacted by the sale of the site in Horsens in Q1 2018 with DKK 16.6 million. The higher operating profit was off-set by higher tax payments of DKK 4.0 million (DKK 0.0 million) and a change in net working capital of DKK -29.2 million (DKK -15.6 million).

Net working capital

Net working capital at the end of Q2 2018 was DKK -51.3 million (DKK -38.7 million). NWC ratio at the end of Q2 2018 was -6.1% (-5.4%).

	End of Q2	
DKK million	**2018**	**2017**
Inventory	41.1	40.2
Trade and other receivables	75.5	71.2
Trade and other payables	(167.9)	(150.1)
Net working capital	**(51.3)**	**(38.7)**
NWC ratio	**(6.1%)**	**(5.4%)**

The increase in inventory of DKK 0.9 million was primarily due to the higher activity level and the investment of the Svane store in Aabenraa off-set by the impact from synergies related to the integration of Nettoline.

The increase in trade and other receivables of DKK 4.4 million was primarily due to the higher activity level.

The increase in trade and other payables of DKK 17.8 million was primarily due to the higher activity level as well as improved payment terms with suppliers.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 188.9 million at the end of Q2 2018 (DKK 206.4 million). Net interest-bearing debt decreased by DKK 17.7 million in Q2 2018 primarily due to the positive cash flow from operating activities. The leverage ratio measured as net interest bearing debt excluding tax liabilities divided by adjusted EBITDA LTM end of Q2 2018 was 1.22 (1.72).

Equity

Equity at the end of Q2 2018 amounted to DKK 352.2 million (DKK 374.2 million). The equity increased by DKK 29.4 million in Q2 2018, which was due to net profit for the period. No dividend has been distributed during the period. The solvency ratio was 44.5% at the end of Q2 2018 (45.0%).

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 2018:

7 November 2018	Interim report Q3 2018

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, sliding doors, accessories and white goods.

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 (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 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.

Company information

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Consolidated interim financial statements

Consolidated income statement

DKK m	Note	Q2 2018	Q2 2017	H1 2018	H1 2017
Revenue	2	232.1	211.1	445.7	417.5
Cost of goods sold		(162.9)	(154.4)	(320.6)	(306.4)
Gross profit		**69.1**	**56.7**	**125.1**	**111.2**
Selling expenses		(16.6)	(16.4)	(34.2)	(35.7)
Administrative expenses		(13.9)	(11.5)	(25.8)	(24.1)
Other operating income		0.1	0.0	0.1	0.0
Operating profit before non-recurring items		**38.7**	**28.9**	**65.2**	**51.3**
Non-recurring items	3	0.0	(2.8)	(2.0)	(3.5)
Operating profit		**38.7**	**26.1**	**63.2**	**47.8**
Financial income		0.0	0.0	0.1	0.0
Financial expenses		(1.4)	(2.5)	(3.3)	(5.0)
Profit before tax		**37.3**	**23.7**	**60.0**	**42.8**
Tax for the period		(8.1)	(5.9)	(12.8)	(10.4)
Net profit for the period		**29.2**	**17.8**	**47.2**	**32.4**
Earnings per share before dilution, DKK		2.92	1.78	4.72	3.24
Earnings per share after dilution, DKK		2.92	1.73	4.72	3.15

Consolidated statement of comprehensive income

	Q2		H1	
DKK m	**2018**	**2017**	**2018**	**2017**
Net profit for the period	29.2	17.8	47.2	32.4
Other comprehensive income				
Items that are or may be reclassified subsequent to profit or loss				
Value adjustments of cash-flow hedges before tax	0.1	0.1	0.2	0.1
Tax on value adjustments of cash-flow hedges	(0.0)	(0.0)	(0.0)	(0.0)
Other comprehensive income for the period	**0.1**	**0.1**	**0.2**	**0.1**
Total comprehensive income for the period	**29.3**	**17.9**	**47.4**	**32.5**

Consolidated balance sheet

		End of Q2		End of
DKK m	**Note**	**2018**	**2017**	**2017**
ASSETS				
Intangible assets				
Goodwill		369.8	369.8	369.8
Brand		172.0	172.0	172.0
Other intangible assets		22.4	31.2	26.8
		564.2	**573.0**	**568.6**
Tangible assets				
Land and buildings		69.2	70.0	70.0
Tangible assets under construction and prepayments		0.0	0.0	0.2
Machinery and other technical equipment		11.5	10.8	12.1
Equipment, tools, fixtures and fittings		2.6	1.8	2.6
		83.3	**82.6**	**84.9**
Financial assets		0.7	0.8	0.7
Total non-curent assets		**648.3**	**656.4**	**654.3**
Inventories		**41.1**	**40.2**	**34.5**
Current receivables				
Trade receivables		67.6	65.9	35.1
Other receivables		5.5	3.1	12.3
Prepaid expenses and accrued income		2.5	2.2	3.6
		75.5	**71.2**	**51.0**
Cash and cash equivalents		26.6	40.9	49.2
Assets held for sale		0.0	23.8	16.6
Total current assets		**143.2**	**176.1**	**151.3**
Total assets		**791.5**	**832.4**	**805.5**

Consolidated balance sheet

DKK m	Note	End of Q2 2018	End of Q2 2017	End of 2017
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital		1.0	0.1	1.0
Value adjustments of cash flow hedges		(0.3)	(0.4)	(0.4)
Retained earnings		351.5	374.5	304.2
Total shareholders' equity		**352.2**	**374.2**	**304.8**
Deferred tax		55.6	60.4	58.9
Mortgage loans		37.6	53.6	39.0
Bank loans		139.5	157.8	196.1
Total long-term liabilities		**232.8**	**271.7**	**294.1**
Mortgage loans		2.7	3.7	16.4
Bank loans		23.0	14.7	23.1
Prepayments from customers		5.3	1.9	2.2
Trade payables		104.9	98.0	117.2
Current tax liabilities		12.6	17.5	0.4
Derivative instruments		0.3	0.5	0.6
Other liabilities		57.4	50.0	46.3
Deferred income		0.4	0.3	0.6
Total short-term liabilities		**206.6**	**186.5**	**206.7**
Total shareholders' equity and liabilities		**791.5**	**832.4**	**805.5**

Change in consolidated shareholders' equity

	Share capital DKK m	Value adjustments of Cash flow hedges after tax DKK m	Retained earnings DKK m	Total DKK m
Opening balance 01.01.2017	**0.1**	**(0.5)**	**340.3**	**339.9**
Net profit for the period	0.0	0.0	32.4	32.4
Other comprehensive income for the period	0.0	0.1	0.0	0.1
Total comprehensive income for the period	**0.0**	**0.1**	**32.4**	**32.5**
Share-based payments	0.0	0.0	1.8	1.8
Closing balance 30.06.2017	**0.1**	**(0.4)**	**374.5**	**374.2**
Opening balance 01.01.2018	**1.0**	**(0.4)**	**304.2**	**304.8**
Net profit for the period	0.0	0.0	47.2	47.2
Other comprehensive income for the period	0.0	0.2	0.0	0.2
Total comprehensive income for the period	**0.0**	**0.2**	**47.2**	**47.4**
Share-based payments	0.0	0.0	0.0	0.0
Closing balance 30.06.2018	**1.0**	**(0.3)**	**351.5**	**352.2**

Consolidated cash flow statement

DKK m	Note	Q2 2018	Q2 2017	H1 2018	H1 2017
Operating activities					
Operating profit		38.7	26.1	63.2	47.8
Depreciation and amortization		3.9	4.2	7.9	8.9
Share-based payments		0.0	0.9	0.0	1.8
Income tax paid		0.0	0.0	(4.0)	0.0
Change in net working capital		(13.6)	(5.4)	(29.2)	(15.6)
Cash flow from operating activities		**29.1**	**25.8**	**37.9**	**42.8**
Investing activities					
Investments in fixed assets		(0.9)	(1.9)	(1.8)	(2.9)
Sale of fixed assets		0.0	0.8	16.6	0.8
Acquisition of operations		(0.5)	0.0	(0.5)	(52.8)
Cash flow from investing activities		**(1.4)**	**(1.1)**	**14.4**	**(54.9)**
Financing activities					
Interest paid		(1.3)	(2.2)	(2.9)	(4.5)
Repayments of loans		(57.3)	(24.3)	(72.0)	(39.3)
Cash flow from financing activities		**(58.7)**	**(26.5)**	**(74.9)**	**(43.7)**
Cash flow for the period		**(30.9)**	**(1.8)**	**(22.6)**	**(55.7)**
Cash and cash equivalents at the beginning of the period		**57.5**	**42.7**	**49.2**	**96.6**
Cash flow for the period		(30.9)	(1.8)	(22.6)	(55.7)
Cash and cash equivalents at the end of the period		**26.6**	**40.9**	**26.6**	**40.9**

TCM Group

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 2017 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 39-46 and 69.

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 2018 as adopted by the European Union.

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

Of the new standards and amendments implemented the most significant are IFRS 9 and IFRS 15, which are described 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 condensed consolidated interim 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 condensed consolidated interim 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.

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 the recognition of variable income and other changes in policies in IFRS 15 is immaterial.

Notes to the interim consolidated financial statements

1. Accounting policies (continued)

New IFRS standards that have not yet been applied

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease and related rules with application from 2019. The new standard entails for lessees that all leases that meet the definition in the standard of a lease are to be recognized as an asset and liability in the balance sheet, with depreciation and interest expense recognized in profit or loss. Agreements for primarily the lease of premises, which currently comprise operating leases, are not recognized in the balance sheet as an asset and liability except for the accrued amounts arising in connection with the financial statements.

As of the date of approval of the condensed consolidated interim financial statements there are no changes to the expectations set out in the Annual Report for 2017, in which information of the expected impact from the implementation of the standard is available.

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. 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.

	Q2		**H1**	
Revenue by region, DKK m	**2018**	**2017**	**2018**	**2017**
Denmark	205.3	186.5	395.5	366.3
Other countries	26.8	24.6	50.2	51.2
	232.1	**211.1**	**445.7**	**417.5**

Revenue consists of sale of goods and services.

3. Non-recurring items

	Q2		**H1**	
Non-recurring items, DKK m	**2018**	**2017**	**2018**	**2017**
Amortization of order backlog from business combinations	0.0	0.0	0.0	0.4
Transaction costs related to business combinations	0.0	0.6	0.0	0.8
Costs related to the Initial Public Offering of the company	0.0	2.3	0.0	2.3
Costs related to integration of Nettoline	0.0	0.0	2.0	0.0
Impairment of assets held for sale related to site shutdown	0.0	0.0	0.0	0.0
Total	**0.0**	**2.8**	**2.0**	**3.5**

Notes to the interim consolidated financial statements

4. Financial instruments – fair value

Interest rate swaps at a value of DKK (0.3) million (DKK (0.5) million) 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 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.

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

Kristian Kemppinen, Partner in IK Investment Partners, resigned from the Board of Directors of TCM Group as of 5 July 2018 as a natural consequence of the fact that IK Investment Partners no longer owns shares in TCM Group. At the same time, board member Anders Skole-Sørensen replaced Kristian Kemppinen as deputy chairman of the Board of Directors, which consists of five members elected by the annual general meeting.

Apart from the events recognized or disclosed in the consolidated interim financial statements, no other events have occurred after the reporting period of importance to the consolidated interim financial statements.

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 2018 – 30 June 2018.

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 30 June 2018 and of the results of the Group's operations and cash flows for the period 1 January to 30 June 2018.

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, 15 August, 2018

Executive Management

Ole Lund Andersen CEO	Mogens Elbrønd Pedersen CFO	Karsten Rydder Pedersen COO

Board of Directors

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

Supplementary financial disclosure

Quarterly overview

DKK million	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Income statement					
Revenue	**211.1**	**184.8**	**215.0**	**213.6**	**232.1**
Gross profit	56.7	52.6	67.3	55.9	69.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	30.3	12.1	28.7	28.4	42.7
Adjusted EBITDA	33.3	30.3	41.3	30.4	42.7
Earnings before interest, tax and amortisation (EBITA)	28.0	10.1	26.8	26.4	40.6
Adjusted EBITA	**30.8**	**28.4**	**39.3**	**28.4**	**40.6**
Operating profit (EBIT)	**26.1**	**8.3**	**24.9**	**24.5**	**38.7**
Profit before tax	23.7	6.2	17.8	22.7	37.3
Net profit for the period	17.8	3.3	12.3	18.0	29.2
Balance sheet					
Total assets	832.4	840.5	805.5	814.1	791.5
Net working capital	(38.7)	(48.5)	(80.8)	(65.2)	(51.3)
Net interest-bearing debt (NIBD)	206.4	185.0	225.8	206.6	188.9
Equity	374.2	378.3	304.8	322.5	352.2
Cash Flow					
Free cash flow excl. acquisitions of operations	24.7	27.7	31.4	24.6	28.2
Margins					
Gross margin, %	26.9%	28.5%	31.3%	26.2%	29.8%
EBITDA margin, %	14.4%	6.6%	13.3%	13.3%	18.4%
Adjusted EBITA margin, %	14.6%	15.3%	18.3%	13.3%	17.5%
EBIT margin, %	12.4%	4.5%	11.6%	11.5%	16.7%
Other ratios					
Solvency ratio, %	45.0%	45.0%	37.8%	39.7%	44.5%