

TCM Group Management's review

Interim report Q2 2020 (April 1 - June 30)

(All figures in brackets refer to the corresponding period in 2019)

Revenue growth in Q2 2020, despite an extraordinary market situation.

CEO Torben Paulin:

“Q2 was marked by an extraordinary market situation due to the Covid-19 virus outbreak, and we are proud that we managed to grow revenue in the quarter. Also in the light of Q2 2019 being a strong comparison up 11% on the year before.

We have continued to protect the health and safety of our employees, customers, and business partners, and have taken the necessary safety precautions. We are monitoring the situation and recommendations from the authorities carefully. I wish to thank all of our employees and our partners for the exemplary manner in which they have acted and the flexibility they have demonstrated in this extraordinary period.

In the beginning of Q2 store traffic was hit hard, but has increased during the quarter. In the early stage of the virus outbreak, we temporarily supported our store network to a greater extent than normal with sales campaigns primarily focused on the B2C market. As a result of this a.o. order intake has shown an increasing trend during the quarter.

The higher level of discounts together with a change in sales mix, and to a lesser degree costs associated with Covid-19 precautions, had a negative margin impact in the quarter, resulting in earnings below the same quarter last year.

We now have data for the first half of the year and although visibility going forward is still limited, we have decided to reinstate guidance for the 2020 financial year, while emphasising that our guidance is surrounded by more uncertainty than is usually the case at this point in the financial year. Based on an assumption of no new total or partial lockdown of Denmark in the remaining months of 2020, we estimate a full-year revenue in the range DKK 980-1,020 million, which is at a level on par with 2019. We estimate a full-year EBIT in a range of DKK 135-145 million, slightly below last year.”

Financial highlights Q2

- Revenue DKK 260.2 million (DKK 258.2 million) corresponding to a revenue growth of 0.8%.
- EBITDA down DKK 2.4 million to DKK 44.9 million (DKK 47.3 million), corresponding to a decrease of 5.1%. EBITDA margin was 17.3% (18.3%). The decrease in EBITDA margin was driven by a lower gross margin impacted by higher level of discounts from sales campaigns and a change in sales mix.
- EBIT down DKK 2.5 million to DKK 39.6 million (DKK 42.1 million), corresponding to an EBIT margin of 15.2% (16.3%).
- Net profit down DKK 2.0 million to DKK 30.1 million (DKK 32.1 million).
- Free cash flow was DKK 68.6 million (DKK 45.9 million). Free cash flow was positively impacted by extended credit for VAT and income taxes provided in government's stimulus packages of c. DKK 25 million.
- Cash conversion ratio was 101.8% (102.6%)

Financial highlights H1 2020

- Revenue DKK 514.4 million (DKK 507.8 million) corresponding to an organic growth of 1.3%.
- EBITDA down DKK 3.4 million to DKK 79.9 million (DKK 83.3 million), corresponding to a decrease of 4.2%. EBITDA margin was 15.5% (16.4%).
- EBIT down DKK 3.8 million to DKK 69.3 million (DKK 73.1 million), corresponding to a decrease of 5.2%. EBIT margin was 13.5% (14.4%).
- Net profit down DKK 2.7 million to DKK 52.8 million (DKK 55.5 million).
- Free cash flow was DKK 46.2 million (DKK 48.2 million).
- Full-year guidance for the financial year 2020 is revenue in the range DKK 980-1,020 million, and EBIT in the range DKK 135-145 million.

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Key figures and ratios

DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Income statement					
Revenue	260.2	258.2	514.4	507.8	1,006.9
Gross profit	71.3	73.8	136.6	137.2	279.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	44.9	47.3	79.9	83.3	167.4
Adjusted EBITDA	44.9	47.3	79.9	83.3	174.4
Earnings before interest, tax and amortisation (EBITA)	41.5	44.0	73.1	76.9	154.1
Adjusted EBITA	41.5	44.0	73.1	76.9	161.1
Operating profit (EBIT)	39.6	42.1	69.3	73.1	146.6
Profit before tax	38.7	41.1	67.6	70.9	142.4
Net profit for the period	30.1	32.1	52.8	55.5	111.3
Balance sheet					
Total assets	989.2	896.8	989.2	896.8	911.1
Net working capital (NWC)	(89.0)	(68.5)	(89.0)	(68.5)	(108.9)
Net interest-bearing debt (NIBD)	18.9	150.5	18.9	150.5	51.7
Equity	525.5	416.9	525.5	416.9	472.7
Cash Flow					
Free cash flow excl. acquisitions of operations	68.6	45.9	46.2	48.2	132.3
Cash conversion, %	101.8%	102.6%	101.8%	102.6%	99.9%
Growth ratios					
Revenue growth, %	0.8%	11.3%	1.3%	13.9%	11.9%
Gross profit growth, %	(3.4%)	6.7%	(0.4%)	9.7%	6.4%
Adjusted EBITDA growth, %	(5.1%)	11.0%	(4.2%)	14.0%	12.1%
EBIT growth, %	(6.1%)	8.8%	(5.2%)	15.6%	6.1%
Net profit growth, %	(6.2%)	10.1%	(5.0%)	17.6%	7.3%
Margins					
Gross margin, %	27.4%	28.6%	26.6%	27.0%	27.8%
EBITDA margin, %	17.3%	18.3%	15.5%	16.4%	16.6%
Adjusted EBITDA margin, %	17.3%	18.3%	15.5%	16.4%	17.3%
EBIT margin, %	15.2%	16.3%	13.5%	14.4%	14.6%
Other ratios					
Solvency ratio, %	53.1%	46.5%	53.1%	46.5%	51.9%
Leverage ratio	0.07	0.84	0.07	0.84	0.31
NWC ratio, %	(8.8%)	(7.1%)	(8.8%)	(7.1%)	(10.8%)
Capex ratio excl. acquisitions, %	1.5%	0.8%	1.6%	1.1%	1.5%
Share information					
Earnings per share before dilution, DKK	3.01	3.21	5.28	5.55	11.13
Earnings per share after dilution, DKK	3.01	3.21	5.28	5.55	11.13

Reference is made to the consolidated financial statements for 2019 prepared in accordance with IFRS for definitions of key figures and ratios.

Business review

Q2 2020 was a quarter in light of the Covid-19 situation and by all parameters without comparison. As the restrictions on movement and daily life was gradually lifted during the quarter, we saw increasing customer traffic to the branded stores (Svane and Tvis) and towards the end of the quarter, traffic was almost back at a normal level. The kitchen market in Denmark has up to this point shown robust resilience, and demand has kept up despite the increased macro economic uncertainty following the virus outbreak. In the Norwegian market a combination of a weakened currency, lower oil price, and the Covid-19 pandemic has weakened demand and the market has remained soft throughout the quarter. In the early stage of virus outbreak, we temporarily supported our store network to a greater extent than normal with sales campaigns, which has supported a high order intake.

Our supply chain was relatively unaffected from the Covid-19 situation, and our factories and stores operated fairly normal in the quarter.

Revenue in Q2 2020 increased by 0.8% to DKK 260.2 million (DKK 258.2 million). The relatively low growth in Q2 2020 should be seen in the light of a strong Q2 2019, where revenue grew 11%.

TCM Group's primary market is Denmark which contributed with 92% of Group revenue in Q2 2020. Revenue in Denmark was DKK 239.4 million (DKK 234.2 million), an increase of 2.2%. In Q2 2020, growth in Denmark was driven by growth within Nettoline towards the DIY market as well as a higher revenue from 3rd party products.

Revenue in other countries was down 12.8% to DKK 20.8 million (DKK 23.9 million). The decrease was primarily due to a decrease in sales to the Norwegian market. The Norwegian market declined, influenced by the Covid-19 situation, a lower oil price, and currency fluctuations.

Gross margin declined from 28.6% to 27.4%. The decline was primarily caused by an increase in the discounts offered as part of the sales campaigns, which were put in place in the quarter in order to stimulate demand. The effect of these extraordinary campaigns will also impact gross margin negatively in the third quarter of the financial year.

At the end of Q2 2020, the total number of Svane and Tvis branded stores was 69 (66). In May 2020, Svane store number 10 in Norway opened in Kristiansand. In June 2020, a new Tvis Køkkener store opened in Vejle. In Denmark, Nettoline has converted most of its dealers into the Nettoline store concept, and therefore we now consider these stores to be branded in line with the Svane and Tvis branded stores. At the end of Q2 2020, Nettoline had 20 branded stores in Denmark, bringing the total number of branded stores in TCM Group to 89.

Total number of employees at the end of Q2 2020 was 480 (507).

Other events in Q2 2020

The Annual General Meeting was held on 11 June 2020 and the Board of Directors were all reelected. The proposal from the Board of Directors regarding no dividend payment in 2020 was approved by the Annual General Meeting.

Events after the reporting period

No events of importance to the consolidated interim financial statements have occurred after the reporting period.

Financial outlook

We now have data for the first half of the year and although visibility going forward is still limited, we have decided to reinstate guidance for the 2020 financial year, while emphasising that our guidance is surrounded by more uncertainty than is usually the case at this point in the financial year. Based on an assumption of no new total or partial lockdown of Denmark in the remaining months of 2020, we estimate a full-year revenue in the range DKK 980-1,020 million, which is at a level on par with 2019. We estimate a full-year EBIT in a range of DKK 135-145 million, slightly below last year.

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 2019 Annual Report prepared in accordance with IFRS.

The Covid-19 situation and the possible risk of this leading to a macro economic recession is a significant risk to impact TCM Group's financial results.

Financial review

Revenue

In Q2 2020 revenue grew by 0.8% to DKK 260.2 million (DKK 258.2 million).

Revenue in Denmark in Q2 2020 was up 2.2% to DKK 239.4 million (DKK 234.2 million) driven by growth within Nettoline towards the DIY market as well as a higher revenue from 3rd party products. Revenue in other countries in Q2 2020 was down 12.8% to DKK 20.8 million (DKK 23.9 million).

Revenue for the first six months of 2020 was up 1.3% to DKK 514.4 million (DKK 507.8 million). Revenue in Denmark for the first six months of 2020 was up 1.8% to DKK 468.3 million (DKK 459.8 million) and revenue in other countries for the first six months of 2020 was down 4.1% to DKK 46.0 million (DKK 48.0 million).

Gross profit

Gross profit in Q2 2020 was DKK 71.3 million (DKK 73.8 million), corresponding to a gross margin of 27.4% (28.6%). The lower gross margin was adversely impacted by sales campaigns, through which we, in the early stage of the Covid-19 virus outbreak, temporarily supported our store network to a greater extent than normal. Furthermore, the decline in margin reflects a sales mix with a higher growth rate within the DIY market, which structurally has a slightly lower margin, and a higher share of revenue from 3rd party products with a lower margin. Additional costs and efficiency loss in the production related to the Covid-19 precautions amounted to c. DKK 1 million in the quarter and was included in cost of goods sold.

Gross profit for the first six months of 2020 was DKK 136.6 million (DKK 137.2 million), corresponding to a gross margin of 26.6% (27.0%).

Operating expenses

Operating expenses in Q2 2020 were DKK 31.7 million (DKK 31.6 million). Operating expenses represented 12.2% of revenue in Q2 2020, which was on par with Q2 2019.

Operating expenses for the first six months of 2020 were DKK 67.3 million (DKK 64.1 million). Operating expenses represented 13.1% of revenue for the first six months of 2020 (12.6%).

EBITDA

EBITDA in Q2 2020 was DKK 44.9 million (DKK 47.3 million), corresponding to an EBITDA margin of 17.3% (18.3%). The decrease in EBITDA was primarily due to the lower gross profit.

EBITDA for the first six months of 2020 was DKK 79.9 million (DKK 83.3 million), corresponding to an EBITDA margin of 15.5% (16.4%)

EBIT

EBIT in Q2 2020 decreased to DKK 39.6 million (DKK 42.1 million). The decrease was primarily due to the decrease in EBITDA. Depreciations and amortizations were on par with Q2 2019.

EBIT for the first six months of 2020 decreased to DKK 69.3 million (DKK 73.1 million). The decrease was primarily due to the decrease in EBITDA. Depreciations and amortizations increased by DKK 0.4 million compared to the first six months of 2019.

Net profit

Net profit in Q2 2020 decreased to DKK 30.1 million (DKK 32.1 million). The decrease was primarily due to a decrease in EBIT. Financial income and expenses were on the same level as Q2 2019.

Net profit for the first six months of 2020 decreased to DKK 52.8 million (DKK 55.5 million). The decrease was primarily due to an decrease in EBIT. Change in the financial expenses had a positive impact on the net profit of DKK 0.4 million due to lower debt.

Free cash flow and cash conversion

Free cash flow in Q2 2020 was DKK 68.6 million (DKK 45.9 million). The increase in cash flow in Q2 2020 compared to Q2 2019 was primarily due to change in net working capital of DKK 27.7 million (DKK 0.7 million) The extended credit for VAT and income taxes provided in the government's stimulus packages impacted cash flow positively by c. DKK 25 million. This will have a similar adverse impact on cash flow in Q3 2020.

Free cash flow for the first six months of 2020 was DKK 46.2 million (DKK 48.2 million). Investments in the first six months of 2020 were DKK 8.0 million compared to DKK 5.6 million in H1 2019.

Net working capital

Net working capital at the end of Q2 2020 was DKK -89.0 million (DKK -68.5 million). NWC ratio at the end of Q2 2020 was -8.8% (-7.1%).

	End of Q2	
DKK million	2020	2019
Inventories	50.2	42.0
Trade and other receivables	73.3	81.0
Trade and other payables	(212.5)	(191.5)
Net working capital	(89.0)	(68.5)
NWC ratio	(8.8%)	(7.1%)

Inventories increased by DKK 8.2 million, which was primarily due to building up buffer stock to ensure high delivery assurance with regards to the Covid-19 situation. Trade receivables and other receivables decreased by DKK 7.7 million primarily due to a lower number of outstanding debtor days at the end of Q2 compared to last year. Other receivables as of 30 June 2020 presented above is excluding the value of DKK 5.8 million, which relates to subleases due to the implementation of IFRS 16. This is not included in the net working capital. The increase in trade payables and other payables of DKK 21.0 million was primarily due to the extended credit for VAT and income taxes provided in the government's stimulus package of c. DKK 25 million.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 18.9 million at the end of Q2 2020 (DKK 150.5 million). Net interest-bearing debt decreased by DKK 57.8 million in Q2 2020. The implementation of IFRS 16 resulted in an increase in net interest-bearing debt of DKK 39.1 million as per end of Q2 2020 compared to DKK 44.5 million last year. Leverage ratio measured as net interest bearing debt excluding tax liabilities divided by EBITDA LTM end of Q2 2020 was 0.07 (0.84).

Equity

Equity at the end of Q2 2020 amounted to DKK 525.5 million (DKK 416.9 million). The equity increased by DKK 30.1 million in Q2 2020.

The solvency ratio was 53.1% at the end of Q2 2020 (46.5%). The solvency ratio is negatively affected by the implementation of IFRS 16 by 2.2%-points (2.4%-points).

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 2020 and 2021:

11 November 2020	Interim report Q3 2020
24 February 2021	Interim report Q4 2020 and Annual report 2020
13 April 2021	Annual General Meeting

Presentation

The interim report will be presented on Tuesday 18 August at 9:30 CEST in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/22depdp9>

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

Confirmation Code: **1385535**

Denmark, Copenhagen ... **+45 327 28042**

United Kingdom **+44 (0) 8445718892**

Sweden, Stockholm **+46 (0) 850692180**

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 (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		H1	
		2020	2019	2020	2019
Revenue	2	260.2	258.2	514.4	507.8
Cost of goods sold		(188.9)	(184.4)	(377.8)	(370.7)
Gross profit		71.3	73.8	136.6	137.2
Selling expenses		(18.6)	(18.3)	(39.8)	(37.6)
Administrative expenses		(13.1)	(13.3)	(27.5)	(26.5)
Other operating income		0.0	0.0	0.0	0.0
Operating profit before non-recurring items		39.6	42.1	69.3	73.1
Non-recurring items		0.0	0.0	0.0	0.0
Operating profit		39.6	42.1	69.3	73.1
Financial income		0.1	0.0	0.2	0.0
Financial expenses		(1.0)	(1.1)	(1.9)	(2.2)
Profit before tax		38.7	41.1	67.6	70.9
Tax for the period		(8.6)	(8.9)	(14.8)	(15.4)
Net profit for the period		30.1	32.1	52.8	55.5
Earnings per share before dilution, DKK		3.01	3.21	5.28	5.55
Earnings per share after dilution, DKK		3.01	3.21	5.28	5.55

Consolidated statement of comprehensive income

DKK m	Q2		H1	
	2020	2019	2020	2019
Net profit for the period	30.1	32.1	52.8	55.5
Other comprehensive income				
Items that are or may be reclassified subsequent to profit or loss				
Value adjustments of cash-flow hedges before tax	0.0	0.0	0.0	0.1
Tax on value adjustments of cash-flow hedges	0.0	0.0	0.0	(0.0)
Other comprehensive income for the period	0.0	0.0	0.0	0.1
Total comprehensive income for the period	30.1	32.1	52.8	55.6

Consolidated balance sheet

DKK m	Note	End of Q2 2020	2019	End of 2019
ASSETS				
Intangible assets				
Goodwill		369.8	369.8	369.8
Brand		172.0	172.0	172.0
Other intangible assets		5.3	13.5	9.2
		547.1	555.3	551.0
Tangible assets				
Land and buildings		86.8	89.2	86.5
Tangible assets under construction and prepayments		1.2	0.0	0.0
Machinery and other technical equipment		20.8	13.4	19.4
Equipment, tools, fixtures and fittings		8.1	4.3	5.1
		116.9	106.9	111.0
Financial assets		16.2	22.0	19.1
Total non-current assets		680.2	684.3	681.1
Inventories		50.2	42.0	40.2
Current receivables				
Trade receivables		62.9	72.5	22.3
Current tax receivables		0.0	0.0	2.5
Other receivables		15.4	12.1	23.2
Prepaid expenses and accrued income		0.9	2.0	2.5
		79.1	86.6	50.4
Cash and cash equivalents		179.8	84.0	139.4
Total current assets		309.1	212.6	230.0
Total assets		989.2	896.8	911.1

Consolidated balance sheet

DKK m	Note	End of Q2 2020	2019	End of 2019
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital		1.0	1.0	1.0
Retained earnings		524.5	415.9	471.7
Total shareholders' equity		525.5	416.9	472.7
Deferred tax		52.6	53.9	53.5
Mortgage loans		32.1	34.9	33.4
Bank loans		93.9	116.6	97.6
Lease liabilities		29.3	35.0	30.3
Other liabilities		0.0	3.5	12.3
Total long-term liabilities		207.9	243.9	227.2
Mortgage loans		2.8	2.7	2.8
Bank loans		22.7	22.6	18.8
Lease liabilities		10.5	10.7	10.6
Prepayments from customers		4.6	4.4	4.6
Trade payables		118.4	129.7	128.6
Current tax liabilities		7.4	11.9	0.0
Other liabilities		89.4	53.9	45.7
Total short-term liabilities		255.9	236.0	211.1
Total shareholders' equity and liabilities		989.2	896.8	911.1

Change in consolidated shareholders' equity

	Share capital DKK m	Value adjust- ments of Cash flow hedges after tax DKK m	Retained earnings DKK m	Total DKK m
Opening balance 01.01.2019	1.0	(0.1)	407.9	408.8
Net profit for the period	0.0	0.0	55.5	55.5
Other comprehensive income for the period	0.0	0.1	0.0	0.1
Total comprehensive income for the period	0.0	0.1	463.4	55.6
Dividend paid	0.0	0.0	(47.5)	(47.5)
Closing balance 30.06.2019	1.0	0.0	415.9	416.9
Opening balance 01.01.2020*	1.0	0.0	471.7	472.7
Net profit for the period	0.0	0.0	52.8	52.8
Other comprehensive income for the period	0.0	0.0	0.0	0.0
Closing balance 30.06.2020	1.0	0.0	524.5	525.5

*At the general meeting on 11 June 2020, it was concluded that no dividend were to be distributed regarding the financial year 2019.

Consolidated cash flow statement

DKK m	Note	Q2		H1	
		2020	2019	2020	2019
Operating activities					
Operating profit		39.6	42.1	69.3	73.1
Depreciation and amortization		5.3	5.2	10.6	10.2
Income tax paid		0.0	0.0	(5.8)	(4.9)
Change in net working capital		27.7	0.7	(19.9)	(25.8)
Cash flow from operating activities		72.6	48.0	54.2	52.6
Investing activities					
Investments in fixed assets		(4.0)	(2.1)	(8.0)	(5.6)
Sale of fixed assets		0.0	0.0	0.0	0.1
Divestments of operations		0.0	0.0	0.0	1.0
Cash flow from investing activities		(4.0)	(2.1)	(8.0)	(4.5)
Financing activities					
Interest paid		(0.8)	(1.0)	(1.5)	(2.0)
Repayments of loans		(0.7)	(12.2)	(1.4)	(12.9)
Repayments of lease liabilities		(1.4)	(1.4)	(2.9)	(2.7)
Dividend paid		0.0	(47.5)	0.0	(47.5)
Cash flow from financing activities		(2.9)	(62.0)	(5.8)	(65.0)
Cash flow for the period		65.7	(16.1)	40.4	(16.9)
Cash and cash equivalents at the beginning of the period					
		114.1	100.1	139.4	100.9
Cash flow for the period		65.7	(16.1)	40.4	(16.9)
Cash and cash equivalents at the end of the period		179.8	84.0	179.8	84.0

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 2019 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 43-52 and 70.

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 2020 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	Q2		H1	
	2020	2019	2020	2019
Denmark	239.4	234.2	468.4	459.8
Other countries	20.8	23.9	46.0	48.0
	260.2	258.2	514.4	507.8

Revenue consists of sale of goods and services.

3. Financial instruments – fair value

Interest rate swaps have expired in Q1 2019 and therefore have a value of DKK 0.0 million (DKK 0.0 million). 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 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.

4. Related party transactions

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

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 2020 – 30 June 2020.

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 2020 and of the results of the Group's operations and cash flows for the period 1 January to 30 June 2020.

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 August, 2020

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

Supplementary financial disclosure

Quarterly overview

DKK million	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Income statement					
Revenue	258.2	237.5	261.6	254.2	260.2
Gross profit	73.8	66.7	75.7	65.3	71.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	47.3	39.5	44.5	35.0	44.9
Adjusted EBITDA	47.3	42.5	48.5	35.0	44.9
Earnings before interest, tax and amortisation (EBITA)	44.0	36.0	41.3	31.6	41.5
Adjusted EBITA	44.0	39.0	45.3	31.6	41.5
Operating profit (EBIT)	42.1	34.1	39.4	29.7	39.6
Profit before tax	41.1	33.1	38.3	28.9	38.7
Net profit for the period	32.1	25.9	29.8	22.6	30.1
Balance sheet					
Total assets	896.8	907.4	911.1	915.2	989.2
Net working capital	(68.5)	(72.7)	(108.9)	(61.3)	(89.0)
Net interest-bearing debt (NIBD)	150.5	118.5	51.7	76.7	18.9
Equity	416.9	442.9	472.7	495.3	525.5
Cash Flow					
Free cash flow excl. acquisitions of operations	45.9	39.5	44.7	(22.4)	68.6
Margins					
Gross margin, %	28.6%	28.1%	28.9%	25.7%	27.4%
EBITDA margin, %	18.3%	16.7%	17.0%	13.8%	17.3%
Adjusted EBITDA margin, %	18.3%	17.9%	18.5%	13.8%	17.3%
EBIT margin, %	16.3%	14.4%	15.0%	11.7%	15.2%
Other ratios					
Solvency ratio, %	46.5%	48.8%	51.9%	54.1%	53.1%