TCM Group

Management's review
Interim report Q3 2017 (January 1 - September 30)
(All figures in brackets refer to the corresponding period in 2016)

Financial highlights for the quarter
- Net sales up 34.3% to DKK 184.8 million (DKK 137.6 million), positively impacted by acquisition of Nettoline A/S per 1 January 2017
- Organic net sales growth was 15.2%
- Adjusted EBITA up DKK 10.1 million to DKK 28.4 million (DKK 18.3 million), corresponding to an adjusted EBITA margin of 15.3% (13.3%)
- Non-recurring items had a negative impact of DKK 18.2 million (DKK 0.4 million) primarily related to impairment of assets, integration of Nettoline A/S and costs related to listing of the company.
- EBITA down DKK 7.8 million to DKK 10.1 million (DKK 17.9 million), corresponding to an EBITA margin of 5.5% (13.0 %)
- Free cash flow excl. acquisitions of operations was DKK 27.7 million (DKK 14.3 million)
- Cash conversion ratio was 108.9%
- Profit for the period down 68.2% to DKK 3.3 million (DKK 10.3 million)
- Outlook for the financial year 2017 is expected to be in the range DKK 795-805 million in net sales, adjusted EBITA in the range DKK 116-122 million and EBIT of DKK 76-86 million.

Q3 was a strong quarter with organic net sales growth of 15.2% compared to last year
"We are pleased with the results for the third quarter. Q3 was a stong quarter with organic net sales growth of 15.2% compared to last year. Adjusted EBITA was up from DKK 18.3 million to DKK 28.4 million. We have increased our production capacity and manning to meet the demand we see in the market. The integration of Nettoline A/S is ongoing and as of 1 October 2017 we have merged two production sites. We are on track to reach our full-year guidance." says CEO Ole Lund Andersen

Contact
For further information, please contact:
CEO Ole Lund Andersen +45 97435200
CFO Mogens Elbrønd Pedersen +45 97435200

Key figures and ratios

DKK million	Q3 2017	Q3 2016	9mth 2017	9mth 2016*	9 mth 2016 Pro Forma*	FY 2016*	FY 2016 Pro Forma*
Income statement							
Revenue	**184.8**	**137.6**	**602.3**	**346.2**	**437.4**	**508.5**	**599.7**
Gross profit	52.6	40.6	163.8	103.8	127.8	155.0	179.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	12.1	19.9	68.4	37.5	45.8	66.9	75.2
Adjusted EBITDA	30.3	20.3	90.1	55.8	64.1	85.6	93.9
Earnings before interest, tax and amortisation (EBITA)	10.1	17.9	61.7	32.8	39.8	60.5	67.5
Adjusted EBITA	**28.4**	**18.3**	**83.4**	**51.2**	**58.2**	**79.2**	**86.2**
Operating profit (EBIT)	8.2	16.0	56.0	28.4	34.1	54.2	60.0
Profit before tax	6.2	13.5	49.0	17.8	22.0	41.0	45.1
Net profit for the period	3.3	10.3	35.7	10.8	14.0	28.5	31.7
Balance sheet							
Total assets	840.5	776.0	840.5	776.0	776.0	795.8	795.8
Net working capital (NWC)	-48.5	-29.9	-48.5	-29.9	-29.9	-59.3	-59.3
Net interest-bearing debt (NIBD)	185.0	219.9	185.0	219.9	219.9	170.6	170.6
Equity	378.3	320.4	378.3	320.4	320.4	339.9	339.9
Cash Flow							
Free cash flow excl. acquisitions of operations	27.7	14.2	68.5	34.2	30.2	79.8	75.8
Cash conversion, %	108.9%		108.9%				
Growth ratios							
Revenue growth, %	34.3%		74.0%				
Gross profit growth, %	29.5%		57.8%				
EBITA growth, %	-43.5%		88.1%				
Adjusted EBITA growth, %	54.7%		63.0%				
Net profit growth, %	-68.2%		229.5%				
Margins							
Gross margin, %	28.5%	29.5%	27.2%	30.0%	29.2%	30.5%	29.9%
EBITDA margin, %	6.6%	14.5%	11.4%	10.8%	10.5%	13.2%	13.2%
EBITA margin, %	5.5%	13.0%	10.2%	9.5%	9.1%	11.9%	11.3%
Adjusted EBITA margin, %	15.3%	13.3%	13.9%	14.8%	13.3%	15.6%	14.4%
Other ratios							
Solvency ratio, %	45.0%	41.3%	45.0%	41.3%	41.3%	42.7%	42.7%
NWC ratio, %	-6.3%		-6.3%		-5.1%		-9.9%
Capex ratio excl. acquisitions, %	1.3%		0.9%		0.7%		0.7%
Share information							
Earnings per share before dilution, DKK	13.17	102.88	238.48	125.96	163.12	319.45	355.22
Earnings per share after dilution, DKK	12.97	102.46	232.53	125.73	162.82	316.13	351.53

Reference is made to the consolidated financial statements for 2016 prepared in accordance with IFRS for definitions of key figures and ratios.

* The income statement 9mth 2016 covers the period 9 December 2015 – 30 September 2016, but only include 7 months of business activity following the acquisition of TCM Group A/S as at 1 March 2016. 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 (see description of the Group on page 5).

Business update

Net sales in Q3 2017 rose 34.3% to DKK 184.8 million (DKK 137.6 million), positively impacted by the acquisition of Nettoline A/S per 1 January. Organic growth was 15.2% in the quarter.

TCM Group's primary market is the home market in Denmark. The total market for kitchen and related products in Denmark had developed positively during Q3 2017 compared to same period 2016. Net sales in Denmark were DKK 164.8 million (DKK 128.7 million), with organic growth of 16.3%.

Net sales in Other countries were DKK 20.0 million (DKK 8.9 million), up 123.7% primarily due to the acquisition of Nettoline A/S. The organic growth was -0.3%.

At the end of Q3 2017, the total number of Svane and Tvis branded stores was 60 (61).

Total number of employees at the end of Q3 2017 was 434 (337). The increase in number of employees was primarily due to the acquisition of Nettoline A/S, which had 65 employees at the end of Q3 2017, and increased manning in production to increase capacity to support the revenue growth.

The integration of Nettoline A/S including optimization of the supply chain setup is progressing according to plan. As of 1 October 2017 Nettoline A/S and Concepta Skabe A/S have been merged with Nettoline A/S as the continuing company.

Other events in Q3 2017

Peter Liebert Jelkeby has been appointed board member as of 15 September 2017. Peter has just left a position as COO and acting CEO of Swedish retailer Clas Ohlson and has had different management positions in IKEA previously. He brings to the board of directors years of experience within the retail industry in Scandinavia.

As of 15 September 2017, the company has been converted to a public liability company ("aktieselskab") compared to being a private limited company ("anpartsselskab") before as changed its name to TCM Group A/S following a merger of the former TCM Group A/S and its subsidiary TMK A/S with TMK A/S as the continuing entity.

As of 15 September 2017, the company has made a capital increase of DKK 0.9 million by converting free reserves to share capital. The share capital subsequently amounts to DKK 1.0 million.

Events after the reporting period

As of 1 October 2017 Nettoline A/S and Concepta Skabe A/S have been merged with Nettoline A/S as the continuing company. The merger has been completed with effect as of 1 January 2017.

As of 2 October 2017, CFO Mogens Elbrønd Pedersen and COO Karsten Rydder Pedersen joined the executive management.

As of 3 October 2017, the site in Horsens has been sold with effect from 15 January 2018. The sale of the site impacted EBIT with a non-recurring loss of DKK 7 million, which was recognized in Q3 under non-recurring items. The site was classified as held for sale as of 30 June 2017. The sale of the site will have a positive impact on Net Interest Bearing Debt of DKK 17 million.

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.

Outlook

TCM Group estimates net sales for the financial year 2017 to be in the range DKK 795-805 million, adjusted EBITA in the range DKK 116-122 million and EBIT in the range DKK 76-86 million. Previous guidance provided in the consolidated financial statements for 2016 prepared in accordance with IFRS, estimated revenue in the range DKK 780-800 million, adjusted EBITA in the range DKK 110-120 million and EBIT in the range DKK 73-84 million. The adjustment is primarily based on a higher than expected organic growth.

The full year guidance is based on the expectation that the Danish market will continue to develop positively in Q4 2017 compared to same quarter 2016.

Forward looking statements

This interim report contains statements relating to the future, including statements regarding TCM Group A/S's future operating results, financial position, cash flows, business strategy and plans for the future. The statements can be identified by the use of words such as "believes", "expects", "estimates", "projects", "plans", "anticipates", "continues" and "intends" or any variations of such words or other words with similar meaning. 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 A/S'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 note 2 of the 2016 Annual Report prepared in accordance with IFRS. During the first nine months of 2017, the overall market trend is deemed to have improved.

Financial review

The Group

TCM Group A/S was founded as of 9 December 2015 under the name Rotavonni Holding ApS with no business activity until the acquisition of TCM Group A/S as of 1 March 2016. Subsequently, the company changed its name to TCM Group A/S following a merger of the former TCM Group A/S and its subsidiary TMK A/S with TMK A/S as the continuing company.

Consequently, the income statement and cash flow statement for the first nine months 2016 cover the period 9 December 2015 – 30 September 2016, but only include 7 months of business activity following the acquisition. The income statement and cash flow statement for 2016 cover the financial year 2016 (9 December 2015 – 31 December 2016), but only include 10 months of business activity following the acquisition.

Net sales

Net sales in Q3 2017 were up 34.3% to DKK 184.8 million (DKK 137.6 million), positively impacted by the acquisition of Nettoline A/S per 1 January 2017.

Sales increased organically by 15.2%. Nettoline A/S generated sales of DKK 26.0 million in the third quarter.

Sales to Denmark in Q3 2017 were up 28.0% to DKK 164.8 million (DKK 128.7 million) and sales to other countries in Q3 2017 were up 123.7% to DKK 20.0 million (DKK 8.9 million).

Sales for the first nine months were up 74.0% to DKK 602.3 million (346.2 million). Sales increased organically by 18.7 %. Nettoline A/S generated sales of DKK 83.0 million in the first nine months of 2017.

Gross profit

Gross profit in Q3 2017 was DKK 52.6 million (DKK 40.6 million), corresponding to a gross margin of 28.5% (29.5%). The gross margin was negatively affected by the higher growth within the B2B market as B2B has a lower gross margin than the B2C market, by Nettoline A/S having a structurally lower gross margin and by the divestment of the Svane store in Lyngby in Q2 2017.

Gross profit for the first nine months of 2017 was DKK 163.8 million (DKK 103.8 million), corresponding to a gross margin of 27.2% (30.0%).

Operating expenses

Operating expenses in Q3 2017 were DKK 26.2 million (DKK 24.2 million). The increase in operating expenses of DKK 2 million were primarily due to the acquisition of Nettoline A/S, which had operating expenses of DKK 3.1 million in the period. Operating expenses represent 14.2% of revenue in Q3 2017 (17.6%). The decrease in the operating expense ratio was primarily due to a scale effect since the operating expenses were on par with Q3 2016 excluding the acquisition of Nettoline A/S.

Operating expenses for the first nine months of 2017 were DKK 86.0 million (DKK 57.1 million). The increase of DKK 28.9 million was primarily due to the acquisition of Nettoline A/S, which had operating expenses of DKK 10.1 million in the first nine months of 2017, and the fact that 9 months 2016 only consists of 7 months business activities. Operating expenses represent 14.3% of revenue for the first six months of 2017 (16.5%).

Adjusted EBITA

Adjusted EBITA in Q3 2017 was DKK 28.4 million (DKK 18.3 million), corresponding to an adjusted EBITA margin of 15.3% (13.3%). The adjusted EBITA was negatively affected by the lower gross margin which was partly offset by a lower operating expense ratio.

Adjusted EBITA for the first nine months of 2017 was DKK 83.4 million (DKK 51.2 million), corresponding to an adjusted EBITA margin of 13.9% (14.8%).

Non-recurring items

TCM Group presents non-recurring items separately to ensure comparability. Non-recurring items consist of income and expenses that are exceptional and of a non-recurring nature. In 2016 and 2017, non-recurring items consisted of amortization of order backlog and transaction costs related to business combinations, costs related to listing of the company, costs related to integration of Nettoline A/S a.o. including merger of two production sites and impairment of assets held for sale related to site shutdown, and are specified below:

	Q3		**9 months[1]**	
Non-recurring items, DKK m	**2017**	**2016**	**2017**	**2016**
Amortization of order backlog from business combinations	0.0	0.0	0.4	5.5
Transaction costs related to business combinations	0.0	0.4	0.9	12.9
Costs related to listing of the company	5.7	0.0	7.9	0.0
Costs related to integration of Nettoline A/S	5.4	0.0	5.4	0.0
Impairment of assets held for sale related to site shutdown	7.2	0.0	7.2	0.0
Non-recurring items, total	**18.2**	**0.4**	**21.7**	**18.4**

[1] The 9 months period in 2016 covers the period 9 December 2015 to 30 September 2016.

Net profit

Net profit in Q3 2017 decreased to DKK 3.3 million (DKK 10.3 million). The decrease was primarily due to a high level of non-recurring items off-setting the profit impact from the increase in revenue.

Net profit for the first nine months of 2017 increased to DKK 35.7 million (DKK 10.8 million). The increase was primarily due to an increase in revenue, the acquisition of Nettoline A/S, which generated net profit of DKK 5.3 million during the first nine months of 2017, off-set by an increase in non-recurring items to DKK 21.7 million in the first nine months of 2017 (DKK 18.4 million).

Free cash flow excl. acquisitions of operation and cash conversion

Free cash flow excl. acquisitions in Q3 2017 was DKK 27.7 million (DKK 14.3 million). The increase in cash flow in Q3 2017 was primarily due to a positive change in net working capital of DKK 9.9 million (DKK -5.3 million). Cash conversion in Q3 2017 was 108.9%.

Free cash flow excl. acquisitions for the first nine months of 2017 was DKK 68.5 million (DKK 34.2 million). The increase in cash flow for the first nine months of 2017 was primarily due to higher operating profit.

Net working capital

Net working capital at the end of Q3 2017 was DKK -48.5 million (DKK -29.9 million). NWC ratio at the end of Q3 2017 was -6.3%.

	End of Q3	
DKK million	**2017**	**2016**
Inventory	36.0	33.7
Trade and other receivables	75.0	55.5
Trade and other payables	(159.5)	(119.1)
Net working capital	**(48.5)**	**(29.9)**

The increase in inventory of DKK 2.3 million was primarily due to the acquisition of Nettoline A/S, which had inventory of DKK 12.7 million at the end of Q3 2017, and a decrease in inventory in Concepta Skabe, which had inventory of DKK 1.3 million at the end of Q3 2017 (DKK 7.5 million).

The increase in trade and other receivables of DKK 19.5 million was primarily due to the acquisition of Nettoline A/S, which had trade receivables of DKK 7.9 million at the end of Q3 2017, and impact from the revenue growth.

The increase in trade and other payables of DKK 40.4 million was primarily due to the acquisition of Nettoline A/S, which had trade payables of DKK 15.1 million at the end of Q3 2017, and the higher activity as well as improved payment terms with suppliers.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 185.0 million at the end of Q3 2017 (DKK 219.9 million). The leverage ratio measured as net interest bearing debt excluding tax liabilities divided with adjusted EBITDA LTM end of Q3 2017 was 1.36. TCM Group targets a leverage ratio of maximum 2.25.

Equity

Equity at the end of Q3 2017 amounted to DKK 378.3 million (DKK 320.4 million). The equity increased by DKK 38.5 million since 1 January 2017, which was primarily due to net profit for the period. No dividend has been distributed during the period. The solvency ratio was 45.1% at the end of Q3 2017 (41.3%).
As of 15 September 2017 a capital increase of DKK 0.9 million was made by converting free reserves to share capital. The share capital subsequently amounts to DKK 1.0 million.

Additional information

Financial calender

The financial year covers the period 1 January – 31 December, and the following dates have been fixed for releases etc. in the financial year 2017:

28 February 2018	Interim report Q4 2017 and annual report 2017
12 April 2018	Annual General Meeting

About TCM Group A/S

TCM Group is Scandinavia's third largest kitchen manufacturer, with the major part of its business concentrated in Denmark. Specifically, the product offering includes cabinets, table tops, sliding doors, and other products related hereto, including accessories and white goods.

Manufacturing is generally carried out in-house and configured to provide a high degree of production flexibility. Production sites are located in Denmark, with factories in Tvis and Aulum (outskirts of Holstebro).

The Group pursues a multi-brand strategy, under which the main brand is Svane and the secondary brands are Tvis, Nettoline, Kitchn and private label. Combined, the brands cater for the entire price spectrum. In addition to price segments, the Group diversifies across customer groups via the store network that services both B2C and B2B customer groups. Products are mainly marketed through an elaborate network of franchise stores and independent kitchen retailers.

Company information

TCM Group A/S
Skautrupvej 16
DK-7500 Holstebro, Denmark
Business Registration No: 37 29 12 69

Phone: +45 97435200
Internet: www.tcmgroup.dk
E-mail: post@tcmgroup.dk

Consolidated interim financial statements

Consolidated income statement

DKK m	Note	Q3 2017	Q3 2016	9 months[1] 2017	9 months[1] 2016
Revenue	2	184.8	137.6	602.3	346.2
Cost of goods sold		(132.1)	(97.0)	(438.5)	(242.4)
Gross profit		**52.6**	**40.6**	**163.8**	**103.8**
Selling expenses		(14.9)	(15.0)	(50.6)	(36.0)
Administrative expenses		(11.3)	(9.3)	(35.4)	(21.0)
Other operating income		0.0	0.0	0.0	0.0
Operating profit before non-recurring items		**26.5**	**16.4**	**77.8**	**46.8**
Non-recurring items	3	(18.2)	(0.4)	(21.7)	(18.4)
Operating profit		**8.2**	**16.0**	**56.0**	**28.4**
Financial income		0.0	0.0	0.0	0.2
Financial expenses		(2.1)	(2.6)	(7.1)	(10.8)
Profit before tax		**6.2**	**13.5**	**49.0**	**17.8**
Tax on net profit for the period		(2.9)	(3.2)	(13.3)	(7.0)
Net profit for the period		**3.3**	**10.3**	**35.7**	**10.8**
Earnings per share before dilution, DKK		13.17	102.88	238.48	125.96
Earnings per share after dilution, DKK		12.97	102.46	232.53	125.73

[1] The 9 months period in 2016 covers the period 9 December 2015 to 30 September 2016.

Consolidated statement of comprehensive income

DKK m	Q3 2017	Q3 2016	9 months[1] 2017	9 months[1] 2016
Net profit for the period	3.3	10.3	35.7	10.8
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	(0.9)	0.0	(0.9)
Tax on value adjustments of cash-flow hedges	0.0	0.2	0.0	0.2
Other comprehensive income for the period	**0.1**	**(0.7)**	**0.0**	**(0.7)**
Total comprehensive income for the period	**3.4**	**9.6**	**35.7**	**10.1**

[1] The 9 months period in 2016 covers the period 9 December 2015 to 30 September 2016.

Consolidated balance sheet

DKK m	Note	End of Q3 2017	End of Q3 2016	End of 2016
ASSETS				
Intangible assets				
Goodwill	5	369.8	315.8	315.8
Brand		172.0	172.0	172.0
Other intangible assets		29.1	37.4	35.5
		570.9	**525.2**	**523.3**
Tangible assets				
Land and buildings		70.3	94.4	94.4
Tangible assets under construction and prepayments		0.0	0.0	1.7
Machinery and other technical equipment		11.0	9.4	9.0
Equipment, tools, fixtures and fittings		1.9	2.8	2.5
	5	**83.3**	**106.6**	**107.6**
Other non-current receivables		0.8	0.7	0.7
Total non-curent assets		**654.9**	**632.5**	**631.5**
Inventories		**36.0**	**33.7**	**29.1**
Current receivables				
Trade receivables		68.0	50.4	32.5
Other receivables		4.5	3.4	5.0
Prepaid expenses and accrued income		2.5	1.7	1.2
		75.0	**55.5**	**38.6**
Cash and cash equivalents		58.1	54.4	96.6
Assets held for sale	4	16.6	0.0	0.0
Total current assets		**185.7**	**143.6**	**164.3**
Total assets		**840.5**	**776.0**	**795.8**

Consolidated balance sheet

DKK m	End of Q3 2017	End of Q3 2016	End of 2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	1.0	0.1	0.1
Reserves in shareholders' equity	(0.5)	(0.7)	(0.5)
Retained earnings	377.8	321.1	340.3
Total shareholders' equity	**378.3**	**320.4**	**339.9**
Deferred tax	59.0	61.3	61.2
Mortgage loans	52.6	56.3	55.4
Bank loans	150.3	165.0	165.1
Total long-term liabilities	**262.0**	**282.6**	**281.7**
Mortgage loans	3.7	3.6	3.7
Bank loans	14.7	39.1	39.1
Prepayments from costumers	3.1	7.5	5.2
Trade payables	91.0	70.5	84.8
Current tax liabilities	21.8	10.2	3.9
Derivative instruments	0.6	0.9	0.6
Other liabilities	65.2	41.0	36.7
Deferred income	0.2	0.1	0.3
Total short-term liabilities	**200.2**	**173.0**	**174.2**
Total shareholders' equity and liabilities	**840.5**	**776.0**	**795.8**

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 09.12.2015, incorporation	**0.1**	**0.0**	**0.0**	**0.1**
Net profit for the period	0.0	0.0	10.8	10.8
Other comprehensive income for the period	0.0	(0.7)	0.0	(0.7)
Total comprehensive income for the period	**0.0**	**(0.7)**	**10.8**	**10.1**
Share-based payments	0.0	0.0	0.7	0.7
Capital increase	0.1	0.0	309.6	309.6
Closing balance 30.09.2016	**0.1**	**(0.7)**	**321.1**	**320.4**
Opening balance 01.01.2017	**0.1**	**(0.5)**	**340.3**	**339.9**
Net profit for the period	0.0	0.0	35.7	35.7
Other comprehensive income for the period	0.0	0.0	0.0	0.0
Total comprehensive income for the period	**0.0**	**0.0**	**35.7**	**35.7**
Share-based payments	0.0	0.0	2.7	2.7
Bonus issue	0.9	0.0	(0.9)	0.0
Closing balance 30.09.2017	**1.0**	**(0.5)**	**377.8**	**378.3**

Consolidated cash flow statement

DKK m	Note	Q3 2017	Q3 2016	9 months[1] 2017	9 months[1] 2016
Operating activities					
Operating profit		8.3	16.0	56.0	28.4
Depreciation and amortization		11.1	3.9	20.0	14.6
Share-based payments		0.9	0.5	2.7	0.7
Income tax paid		0.0	0.0	0.0	(2.6)
Change in net working capital		9.9	(5.3)	(5.7)	(5.2)
Cash flow from operating activities		**30.1**	**15.2**	**73.0**	**35.8**
Investing activities					
Investments in fixed assets		(2.4)	(0.9)	(5.3)	(1.6)
Sale of fixed assets		0.0	0.0	0.8	0.0
Acquisition of operations	5	0.0	0.0	(52.8)	(479.4)
Cash flow from investing activities		**(2.4)**	**(0.9)**	**(57.3)**	**(481.1)**
Financing activities					
Interest paid		(1.8)	(2.3)	(6.3)	(9.9)
Proceeds from loans		0.0	0.0	0.0	202.9
Repayments of loans		(8.7)	(1.0)	(48.0)	(3.1)
Capital increase		0.0	0.0	0.0	309.7
Cash flow from financing activities		**(10.5)**	**(3.3)**	**(54.2)**	**499.6**
Cash flow for the period		**17.2**	**10.9**	**38.5**	**54.4**
Cash and cash equivalents at the beginning of the period		**40.9**	**43.4**	**96.6**	**0**
Cash flow for the period		17.2	10.9	38.5	54.4
Cash and cash equivalents at year-end		**58.1**	**54.4**	**58.1**	**54.4**

[1] The 9 months period in 2016 covers the period 9 December 2015 to 30 September 2016.

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 2016 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 page 5-6 and 18-30.

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.

Net sales by region

	Q3		9 months[1]	
	2017 DKK m	**2016 DKK m**	**2017 DKK m**	**2016 DKK m**
Denmark	164.8	128.7	531.1	317.4
Other countries	20.0	8.9	71.2	28.8
Group	**184.8**	**137.6**	**602.3**	**346.2**

[1] The 9 months period in 2016 covers the period 9 December 2015 to 30 September 2016.

Revenue consists of sale of goods and services.

3. Specification of non-recurring items

	Q3		9 months[1]	
Non-recurring items, DKK m	**2017**	**2016**	**2017**	**2016**
Amortization of order backlog from business combinations	0.0	0.0	0.4	5.5
Transaction costs related to business combinations	0.0	0.4	0.9	12.9
Costs related to listing of the company	5.7	0.0	7.9	0.0
Costs related to integration of Nettoline A/S	5.4	0.0	5.4	0.0
Impairment of assets held for sale related to site shutdown	7.2	0.0	7.2	0.0
Non-recurring items, total	**18.2**	**0.4**	**21.7**	**18.4**

[1] The 9 months period in 2016 covers the period 9 December 2015 to 30 September 2016.

Notes to the interim consolidated financial statements

4. Specification of assets held for sale

Assets held for sale, DKK m	End of Q3 2017	End of Q3 2016
Assets held for sale related to site shutdown	16.6	0.0

Assets held for sale consist of the Group's production site in Horsens, which was reclassified as held for sale on 30 June 2017. An impairment loss of DKK 7.2 million has been recognised in connection with measuring the property at fair value less costs to sell. Refer to note 8 for information on the subsequent sale of the property.

5. Company acquisitions (business combinations)

Acquisition of Nettoline A/S

On 1 January 2017, TCM Group A/S acquired 100% of the share capital of Nettoline A/S through a wholly owned subsidiary. Transaction costs for the acquisition amounted to DKK 1.2 million and are recognized under non-recurring items. Of the transaction costs DKK 0.3 million was recognized in Q4 2016, DKK 0.3 million was recognized in Q1 2017 and DKK 0.6 million was recognized in Q2 2017.

Revenue attributable to Nettoline A/S since the date of acquisition amounts to DKK 83.0 million and the result amounts to DKK 5.3 million.

	DKK m
Purchase price	52.9
Negative fair value of acquired net assets	1.1
Goodwill	**54.0**

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

	Fair value DKK m	Acquired carrying amount DKK m
Assets and liabilities included in the acquisition		
Cash and cash equivalents	0.3	0.3
Tangible assets	1.0	1.0
Intangible assets	0.4	0.0
Inventories	10.1	10.1
Trade receivable and other receivables	4.2	4.2
Accounts payable and other operating liabilities	(14.5)	(14.5)
Interest-bearing liabilities	(2.3)	(2.3)
Deferred taxes, net	(0.4)	(0.3)
Acquired net assets	**(1.1)**	**(1.4)**

Notes to the interim consolidated financial statements

5. Company acquisitions (business combinations) (continued)

	DKK m
Purchase consideration paid in cash	52.9
Cash and cash equivalents in acquired subsidiaries	0.1
Reduction in the Group's cash and cash equivalents in conjunction with acquisition	**52.8**

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

6. Financial instruments – fair value

Interest rate swaps at a value of DKK (0.6) 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.

7. Related party transactions

During Q3 2017, the Group has paid advisory fee and travel expenses totalling DKK 0.1 million (DKK 0.0 million) to IK Investment Partners Ltd, which is associated to the parent company, and DKK 0.1 million (DKK 5.9 million) for the first nine months of 2017. Except for remuneration to senior executives and Board of Directors, there were no other transactions with related parties.

8. Events after the reporting period

As of 1 October 2017 Nettoline A/S and Concepta Skabe A/S have been merged with Nettoline A/S as the continuing company. The merger has been completed with effect as of 1 January 2017.

As of 2 October 2017, CFO Mogens Elbrønd Pedersen and COO Karsten Rydder Pedersen joined the executive management.

As of 3 October 2017, the site in Horsens has been sold with effect from 15 January 2018. The sale of the site impacted EBIT with a non-recurring loss of DKK 7 million, which was recognized in Q3 under non-recurring items. The site was recognized under assets held for sale as of 30 June 2017. The sale of the site will have a positive impact on Net Interest Bearing Debt of DKK 17 million.

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 periods 1 January 2017 – 30 September 2017 and 9 December 2015 – 30 September 2016.

The interim report, which has been 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 September 2017 and 30 September 2016 and of the results of the Group's operations and cash flows for the periods 1 January to 30 September 2017 and 9 December 2015 – 30 September 2016.

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.

Holstebro, 2 November, 2017

Executive Management

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

Board of Directors

Sanna Mari Suvanto-Harsaae Chairman	Kristian Carlsson Kemppinen Deputy Chairman
Erik Albert Ingemarsson	Anders Tormod Skole-Sørensen
Peter Liebert Jelkeby	

Independent auditor's review report

Independent auditor's review report on the consolidated interim financial statements of TCM Group A/S for the periods 1 January 2017 – 30 September 2017 and 9 December 2015 – 30 September 2016.

To the shareholders of TCM Group A/S

We have reviewed the consolidated interim financial statements of TCM Group A/S for the periods 1 January 2017 – 30 September 2017 and 9 December 2015 – 30 September 2016, which includes an consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement and change in consolidated shareholders' equity as well as notes to the consolidated interim financial statements.

Management's responsibility for the consolidated interim financial statements

Management is responsible for the preparation of the consolidated interim financial statements in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for listed companies. It is also responsible for such internal control as management determines is necessary to enable the preparation of the consolidated interim financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated interim financial statements. We conducted our review in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Group and additional requirements under Danish audit regulation. This requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This also requires us to comply with ethical requirements.

A review of the consolidated interim financial statements in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Group is a limited assurance engagement.

The auditor performs procedures, primarily consisting of making inquiries of management and others within the Group, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements for the periods 1 January 2017 – September 2017 and 9 December 2015 – 30 September

2016, is not prepared in all material respects in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish requirements for listed companies.

Copenhagen, 2 November, 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Bill Haudal Pedersen	Sumit Sudan
State-Authorised	State-Authorised
Public Accountant	Public Accountant

TCM Group

Supplementary financial disclosure

Quarterly overview

DKK million	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Income statement					
Revenue	**137.6**	**162.3**	**206.4**	**211.1**	**184.8**
Gross profit	40.6	51.2	54.4	56.7	52.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	19.9	29.5	26.0	30.3	12.1
Adjusted EBITDA	20.3	29.8	26.7	33.3	30.3
Earnings before interest, tax and amortisation (EBITA)	17.9	27.7	23.6	28.0	10.1
Adjusted EBITA	**18.3**	**28.0**	**24.3**	**30.8**	**28.4**
Operating profit (EBIT)	16.0	25.8	21.7	26.1	8.3
Profit before tax	13.5	23.2	19.1	23.7	6.2
Net profit for the period	10.3	17.7	14.6	17.8	3.3
Balance sheet					
Total assets	776.0	795.8	837.1	832.4	840.5
Net working capital	(29.9)	(59.3)	(44.2)	(38.7)	(48.5)
Net interest-bearing debt (NIBD)	219.9	170.6	222.5	206.4	185.0
Equity	320.4	339.9	355.4	374.2	378.3
Cash Flow					
Free cash flow excl. acquisitions of operations	14.3	45.6	13.1	24.7	27.7
Margins					
Gross margin, %	29.5%	31.5%	26.4%	26.9%	28.5%
EBITDA margin, %	14.5%	18.2%	12.6%	14.4%	6.6%
EBITA margin, %	13.0%	17.1%	11.4%	13.3%	5.5%
Adjusted EBITA margin, %	13.3%	17.3%	11.8%	14.6%	15.3%
Other ratios					
Solvency ratio, %	41.3%	42.7%	42.5%	45.0%	45.0%