

TCM Group Management's review

Interim report Q1 2018 (January 1 - March 31)

(All figures in brackets refer to the corresponding period in 2017)

Our growth journey continues in 2018

Financial highlights Q1

- Revenue DKK 213.6 million (DKK 206.4 million). Underlying organic growth adjusted mainly for the number of production days was around 10%, while reported organic growth quarter on quarter was 3.5%
- Adjusted EBITA up DKK 4.1 million to DKK 28.4 million (DKK 24.3 million), corresponding to an adjusted EBITA margin of 13.3% (11.8%)
- Non-recurring items had a negative impact of DKK 2.0 million (negative DKK 0.7 million) due to costs related to integration of Nettoline
- EBIT up DKK 2.8 million to DKK 24.5 million (DKK 21.7 million), corresponding to an EBIT margin of 11.5% (10.5%)
- Free cash flow excl. acquisitions of operations was DKK 24.6 million (DKK 16.1 million)
- Cash conversion ratio was 109.4% (104.3%)
- Net profit up 23.3% to DKK 18.0 million (DKK 14.6 million)
- Outlook for the financial year 2018 is unchanged. Revenue is expected to be in the range DKK 870-900 million, adjusted EBITA in the range DKK 130-140 million and EBIT of DKK 120-130 million

CEO Ole Lund Andersen:

“We continue our growth journey in 2018 with an underlying growth adjusted for e.g. the number of production days of around 10% in the first quarter. The Q1 result was in line with our expectations and we maintain our full-year financial outlook.

The 2018 RAW collection from Svane has in particular been very well received by the market and it underlines the importance of our focus on innovation. We are pleased that we are able to attract new dealers in both Denmark and Norway, and thereby further expand our store network.”

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Key figures and ratios

DKK million	Q1 2018	Q1 2017	FY 2017
Income statement			
Revenue	213.6	206.4	817.3
Gross profit	55.9	54.4	231.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	28.4	26.0	97.1
Adjusted EBITDA	30.4	26.7	131.4
Earnings before interest, tax and amortisation (EBITA)	26.4	23.6	88.5
Adjusted EBITA	28.4	24.3	122.8
Operating profit (EBIT)	24.5	21.7	80.9
Profit before tax	22.7	19.1	66.7
Net profit for the period	18.0	14.6	48.0
Balance sheet			
Total assets	814.1	837.1	805.5
Net working capital (NWC)	-65.2	-44.2	-80.8
Net interest-bearing debt (NIBD)	206.6	222.5	225.8
Equity	322.8	355.4	304.8
Cash Flow			
Free cash flow excl. acquisitions of operations	24.6	16.1	99.8
Cash conversion, %	109.4%	104.3%	110.0%
Growth ratios (FY 2017 against FY 2016 pro forma*)			
Revenue growth, %	3.5%		36.3%
Gross profit growth, %	2.7%		29.1%
Adjusted EBITA growth, %	17.0%		42.4%
EBIT growth, %	13.0%		34.9%
Net profit growth, %	23.3%		51.3%
Margins			
Gross margin, %	26.2%	26.4%	28.3%
EBITDA margin, %	13.3%	12.6%	11.9%
Adjusted EBITA margin, %	13.3%	11.8%	15.0%
EBIT margin, %	11.5%	10.5%	9.9%
Other ratios			
Solvency ratio, %	39.7%	42.5%	37.8%
Leverage ratio	1.50	2.16	1.72
NWC ratio, %	-7.9%	-6.6%	-9.9%
Capex ratio excl. acquisitions, %	0.4%	0.5%	1.0%
Share information			
Earnings per share before dilution, DKK	1.80	1.46	4.80
Earnings per share after dilution, DKK	1.80	1.43	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.

Business review

Revenue in Q1 2018 increased organically 3.5% to DKK 213.6 million (DKK 206.4 million). Revenue was negatively affected by a decrease in number of production days compared to Q1 2017 of 5% due to the timing of Easter, and the divestment of the Svane store in Lyngby in Q2 2017. Adjusted for this, the underlying growth was around 10%.

TCM Group's primary market is Denmark. Revenue in Denmark was DKK 190.3 million (DKK 179.8 million), with an unadjusted organic growth of 5.8%. The total market for kitchen and related products in Denmark developed positively during Q1 2018 compared to same period 2017. We estimate that the Danish market in 2018 will grow by 2-3%.

Revenue in other countries was DKK 23.4 million (DKK 26.6 million), down 12.2% primarily due to the decrease in number of production days and a decline in sale of non-branded kitchens.

At the end of Q1 2018, the total number of Svane and Tvis branded stores was 62 (63). During 2017 three smaller Tvis stores were closed and one new Tvis store in Grenaa opened. 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. The store is expected to open around year-end 2018 and is the next step in TCM Group's strategy of opening 8-12 branded stores in Norway in the short to medium term. With the new stores, the number of branded stores will increase to 64.

The 2018 RAW collection from Svane has in particular been very well received by the market. We have seen a faster reaction and demand for the new collection than with previous launches. This underlines the importance of our focus on innovation.

The integration of Nettoline is moving ahead and we maintain our previously communicated estimate of impact in 2018 from synergies of DKK 8-10 million. In Q1 2018, non-recurring costs related to the integration of Nettoline including the merge of two production sites was DKK 2 million. We expect limited non-recurring costs related to the integration of Nettoline going forward.

Total number of employees at the end of Q1 2018 was 449 (396). 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 Q1 2018

The sale of the site in Horsens was effectuated on 15 January 2018. The sale of the site has reduced Net Interest Bearing Debt with DKK 17 million in Q1 2018.

Events after the reporting period

The Annual General Meeting was held on 12 April 2018, where the Annual Report 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. Former Carsten was 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 (vice 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 and got 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 consists of six Board Members.

Financial outlook

The financial outlook is unchanged:

TCM Group estimates revenue for the financial year 2018 to be in the range DKK 870-900 million.

Adjusted EBITA is estimated to be in the range DKK 130-140 million, translating into an EBIT in the range DKK 120-130 million.

The outlook is based on the expectation that the Danish market will continue to develop positively in 2018 however with an expected lower growth rate compared to 2017 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 Q1 2018 were up 3.5% to DKK 213.6 million (DKK 206.4 million). Revenue was affected by a decrease in number of production days compared to Q1 2017 of 5% due to the timing of Easter, and the divestment of the Svane store in Lyngby in Q2 2017. Adjusted for this, the underlying growth was around 10%.

The revenue growth is entirely organic growth.

Revenue in Denmark in Q1 2018 was up 5.8% to DKK 190.3 million (DKK 179.8 million) and revenue in other countries in Q1 2018 was down 12.2% to DKK 23.4 million (DKK 26.6 million).

Gross profit

Gross profit in Q1 2018 was DKK 55.9 million (DKK 54.4 million), corresponding to a gross margin of 26.2% (26.4%). The gross margin was negatively affected by the higher growth within the B2B market and the divestment of the Svane store in Lyngby in Q2 2017. This was off-set partly by a favorable impact from synergies related to the integration of Nettoline and other efficiency improvements.

Operating expenses

Operating expenses in Q1 2018 were DKK 29.4 million (DKK 32.1 million). The decrease in operating expenses of DKK 2.6 million were primarily due to the divestment of Svane Lyngby and impact from synergies related to the integration of Nettoline. Operating expenses represented 13.8% of revenue in Q1 2018 (15.5%).

Adjusted EBITA

Adjusted EBITA in Q1 2018 was DKK 28.4 million (DKK 24.3 million), corresponding to an adjusted EBITA margin of 13.3% (11.8%). The adjusted EBITA was positively affected by a lower operating expense ratio. Depreciation was on par with Q1 2017. The divestment of the Svane store in Lyngby had no significant impact on adjusted EBITA.

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:

Non-recurring items, DKK m	Q1		12 months
	2018	2017	2017
Amortization of order backlog from business combinations	0.0	0.4	0.4
Transaction costs related to business combinations	0.0	0.3	0.8
Costs related to the Initial Public Offering of the company	0.0	0.0	16.7
Costs related to integration of Nettoline	2.0	0.0	9.1
Impairment of assets held for sale related to site shutdown	0.0	0.0	7.2
Total	2.0	0.7	34.3

EBIT

EBIT in Q1 2018 increased to DKK 24.5 million (DKK 21.7 million). The increase was primarily due to the profit impact from the increase in revenue and the lower operating expense ratio. Amortization was on par with Q1 2017.

Net profit

Net profit in Q1 2018 increased to DKK 18.0 million (DKK 14.6 million). The increase was primarily due to an increase in EBIT. Financial expenses have a positive impact on net profit of DKK 0.9 million due to improved interest rate terms.

Free cash flow excl. acquisitions of operation and cash conversion

Free cash flow excl. acquisitions in Q1 2018 was DKK 24.6 million (DKK 16.1 million). The increase in cash flow in Q1 2018 was primarily due to sale of the site in Horsens in Q1 2018 with a positive cash flow of DKK 16.6 million off-set by higher tax payments of DKK 4.0 million (DKK 0.0 million) and a change in net working capital of DKK -15.6 million (DKK -10.2 million). Cash conversion in Q1 2018 was 109.4% (104.3%).

Net working capital

Net working capital at the end of Q1 2018 was DKK -65.2 million (DKK -44.2 million). NWC ratio at the end of Q1 2018 was -7.9% (-6.6%).

DKK million	End of Q1	
	2018	2017
Inventory	40.1	42.6
Trade and other receivables	65.3	68.6
Trade and other payables	<u>(170.6)</u>	<u>(155.3)</u>
Net working capital	<u>(65.2)</u>	<u>(44.2)</u>
NWC ratio	<u>(7.9)%</u>	<u>(6.6)%</u>

The decrease in inventory of DKK 2.4 million was primarily due to the divestment of the Svane store in Lyngby and to the impact from synergies related to the integration of Nettoline.

The decrease in trade and other receivables of DKK 3.3 million was primarily due to the divestment of the Svane store in Lyngby.

The increase in trade and other payables of DKK 15.3 million was primarily due to the higher activity level as well as improved payment terms with suppliers. In addition, the last bank day in Q1 2018 was 28 March due to the timing of Easter, which postponed some payments to suppliers to April.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 206.6 million at the end of Q1 2018 (DKK 222.5 million). Net interest-bearing debt decreased by DKK 19.3 million in Q1 2018 primarily due to the sale of the site in Horsens of DKK 16.6 million. The leverage ratio measured as net interest bearing debt excluding tax liabilities divided by adjusted EBITDA LTM end of Q1 2018 was 1.50 (2.16).

Equity

Equity at the end of Q1 2018 amounted to DKK 322.8 million (DKK 355.4 million). The equity increased by DKK 18.1 million in Q1 2018, which was due to net profit for the period. No dividend has been distributed during the period. The solvency ratio was 39.7% at the end of Q1 2018 (42.5%).

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:

15 August 2018	Interim report Q2 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	Q1 2018	2017	12 months 2017
Revenue	2	213.6	206.4	817.3
Cost of goods sold		<u>(157.7)</u>	<u>(152.0)</u>	<u>(586.2)</u>
Gross profit		55.9	54.4	231.1
Selling expenses		(17.6)	(19.4)	(69.8)
Administrative expenses		(11.9)	(12.7)	(46.2)
Other operating income		<u>0.0</u>	<u>0.0</u>	<u>0.1</u>
Operating profit before non-recurring items		<u>26.5</u>	<u>22.4</u>	<u>115.2</u>
Non-recurring items	3	<u>(2.0)</u>	<u>(0.7)</u>	<u>(34.3)</u>
Operating profit		<u>24.5</u>	<u>21.7</u>	<u>80.9</u>
Financial income		0.1	0.0	0.3
Financial expenses		<u>(1.8)</u>	<u>(2.6)</u>	<u>(14.4)</u>
Profit before tax		<u>22.7</u>	<u>19.1</u>	<u>66.7</u>
Tax for the period		<u>(4.7)</u>	<u>(4.5)</u>	<u>(18.7)</u>
Net profit for the period		<u>18.0</u>	<u>14.6</u>	<u>48.0</u>
Earnings per share before dilution, DKK		1.80	1.46	4.80
Earnings per share after dilution, DKK		1.80	1.43	4.51

Consolidated statement of comprehensive income

DKK m	<u>2018</u>	<u>Q1 2017</u>	<u>12 months 2017</u>
Net profit for the period	18.0	14.6	48.0
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	0.0	0.1
Tax on value adjustments of cash-flow hedges	0.0	0.0	0.0
Other comprehensive income for the period	0.1	0.0	0.0
Total comprehensive income for the period	18.1	14.6	48.0

Consolidated balance sheet

DKK m	Note	End of Q1 2018	2017	End of 2017
ASSETS				
Intangible assets				
Goodwill	5	369.8	369.8	369.8
Brand		172.0	172.0	172.0
Other intangible assets		<u>24.6</u>	<u>33.2</u>	<u>26.8</u>
		<u>566.4</u>	<u>575.0</u>	<u>568.6</u>
Tangible assets				
Land and buildings		69.6	93.9	70.0
Tangible assets under construction and prepayments		0.0	0.0	0.2
Machinery and other technical equipment		11.6	11.0	12.1
Equipment, tools, fixtures and fittings		<u>2.8</u>	<u>2.6</u>	<u>2.6</u>
	5	<u>84.1</u>	<u>107.5</u>	<u>84.9</u>
Financial assets		<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Total non-current assets		<u>651.2</u>	<u>683.3</u>	<u>654.3</u>
Inventories		<u>40.1</u>	<u>42.6</u>	<u>34.5</u>
Current receivables				
Trade receivables		58.8	66.1	35.1
Other receivables		4.9	1.5	12.3
Prepaid expenses and accrued income		<u>1.2</u>	<u>1.0</u>	<u>3.6</u>
		<u>65.3</u>	<u>68.6</u>	<u>51.0</u>
Cash and cash equivalents		57.5	42.7	49.2
Assets held for sale	4	<u>0.0</u>	<u>0.0</u>	<u>16.6</u>
Total current assets		<u>162.9</u>	<u>153.8</u>	<u>151.3</u>
Total assets		<u>814.1</u>	<u>837.1</u>	<u>805.5</u>

Consolidated balance sheet

DKK m	<u>End of Q1 2018</u>	<u>2017</u>	<u>End of 2017</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	1.0	0.1	1.0
Value adjustments of cash flow hedges	(0.4)	(0.5)	(0.4)
Retained earnings	<u>322.2</u>	<u>355.8</u>	<u>304.2</u>
Total shareholders' equity	<u>322.8</u>	<u>355.4</u>	<u>304.8</u>
Deferred tax	56.2	60.6	58.9
Mortgage loans	38.3	54.5	39.0
Bank loans	<u>196.0</u>	<u>157.5</u>	<u>196.1</u>
Total long-term liabilities	<u>290.5</u>	<u>272.7</u>	<u>294.1</u>
Mortgage loans	2.7	3.7	16.4
Bank loans	23.1	38.1	23.1
Prepayments from customers	4.1	5.4	2.2
Trade payables	111.4	100.7	117.2
Current tax liabilities	3.9	11.4	0.4
Derivative instruments	0.5	0.6	0.6
Other liabilities	55.0	48.7	46.3
Deferred income	<u>0.2</u>	<u>0.5</u>	<u>0.6</u>
Total short-term liabilities	<u>200.8</u>	<u>209.0</u>	<u>206.7</u>
Total shareholders' equity and liabilities	<u>814.1</u>	<u>837.1</u>	<u>805.5</u>

Change in consolidated shareholders' equity

	<u>Share capital DKK m</u>	<u>Value adjust- ments of Cash flow hedges after tax DKK m</u>	<u>Retained earnings DKK m</u>	<u>Total DKK m</u>
Opening balance 01.01.2017	0.1	(0.5)	340.3	339.9
Net profit for the period	0.0	0.0	14.6	14.6
Other comprehensive income for the period	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total comprehensive income for the period	0.0	0.0	14.6	14.6
Share-based payments	<u>0.0</u>	<u>0.0</u>	<u>0.9</u>	<u>0.9</u>
Closing balance 31.03.2017	1.0	(0.5)	355.8	355.4
Opening balance 01.01.2018	1.0	(0.4)	304.2	304.8
Net profit for the period	0.0	0.0	18.0	18.0
Other comprehensive income for the period	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>
Total comprehensive income for the period	0.0	0.1	18.0	18.1
Share-based payments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Closing balance 31.03.2018	1.0	(0.4)	322.2	322.8

Consolidated cash flow statement

DKK m	Note	Q1 2018	Q1 2017	12 months 2017
Operating activities				
Operating profit		24.5	21.7	80.9
Depreciation and amortization		3.9	4.7	23.7
Share-based payments		0.0	0.9	3.3
Income tax paid		(4.0)	0.0	(27.0)
Change in net working capital		<u>(15.6)</u>	<u>(10.2)</u>	<u>26.5</u>
Cash flow from operating activities		<u>8.8</u>	<u>17.1</u>	<u>107.5</u>
Investing activities				
Investments in fixed assets		(0.8)	(1.0)	(8.5)
Sale of fixed assets		16.6	0.0	0.8
Acquisition of operations	5	<u>0.0</u>	<u>(52.8)</u>	<u>(52.8)</u>
Cash flow from investing activities		<u>15.8</u>	<u>(53.8)</u>	<u>(60.5)</u>
Financing activities				
Interest paid		(1.6)	(2.3)	(7.8)
Proceeds from loans		0.0	0.0	219.1
Repayments of loans		(14.6)	(14.9)	(219.2)
Cash settlement of warrants		<u>0.0</u>	<u>0.0</u>	<u>(86.5)</u>
Cash flow from financing activities		<u>(16.2)</u>	<u>(17.2)</u>	<u>(94.5)</u>
Cash flow for the period		<u>8.4</u>	<u>(53.9)</u>	<u>(47.4)</u>
Cash and cash equivalents at the beginning of the period				
		49.2	96.6	96.6
Cash flow for the period		<u>8.4</u>	<u>(53.9)</u>	<u>(47.4)</u>
Cash and cash equivalents at the end of the period		<u>57.5</u>	<u>42.7</u>	<u>49.2</u>

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.

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.

Revenue by region

	Q1	12 months
	2018	2017
	DKK m	DKK m
	<u> </u>	<u> </u>
Denmark	190.3	179.8
Other countries	<u>23.4</u>	<u>26.6</u>
Group	<u>213.6</u>	<u>206.4</u>
	<u> </u>	<u> </u>
	<u>817.3</u>	<u> </u>

Revenue consists of sale of goods and services.

3. Non-recurring items

	Q1	12 months
	2018	2017
	DKK m	DKK m
	<u> </u>	<u> </u>
Amortization of order backlog from business combinations	0.0	0.4
Transaction costs related to business combinations	0.0	0.3
Costs related to the Initial Public Offering of the company	0.0	0.0
Costs related to integration of Nettoline	2.0	0.0
Impairment of assets held for sale related to site shutdown	<u>0.0</u>	<u>0.0</u>
Total	<u>2.0</u>	<u>0.7</u>
	<u> </u>	<u>34.3</u>

Notes to the interim consolidated financial statements

4. Financial instruments – fair value

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

5. Related party transactions

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

6. Events after the reporting period

The Annual General Meeting was held on 12 April 2018, where the Annual Report 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. Former Carsten was CEO and Group President of Grundfos Holding A/S. Carsten is member of a.o. Board of Directors at Vestas Wind Systems A/S and Rock-wool International A/S (vice 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 and got 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 consists of six Board Members.

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 – 31 March 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 31 March 2018 and of the results of the Group's operations and cash flows for the period 1 January to 31 March 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, 9 May, 2018

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

Anders Tormod Skole-Sørensen

Peter Liebert Jelkeby

Søren Mygind Eskildsen

Carsten Bjerg

Supplementary financial disclosure

Quarterly overview

DKK million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Income statement					
Revenue	206.4	211.1	184.8	215.0	213.6
Gross profit	54.4	56.7	52.6	67.3	55.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)	26.0	30.3	12.1	28.7	28.4
Adjusted EBITDA	26.7	33.3	30.3	41.3	30.4
Earnings before interest, tax and amortisation (EBITA)	23.6	28.0	10.1	26.8	26.4
Adjusted EBITA	24.3	30.8	28.4	39.3	28.4
Operating profit (EBIT)	21.7	26.1	8.3	24.9	24.5
Profit before tax	19.1	23.7	6.2	17.8	22.7
Net profit for the period	14.6	17.8	3.3	12.3	18.0
Balance sheet					
Total assets	837.1	832.4	840.5	805.5	814.1
Net working capital	(44.2)	(38.7)	(48.5)	(80.8)	(65.2)
Net interest-bearing debt (NIBD)	222.5	206.4	185.0	225.8	206.6
Equity	355.4	374.2	378.3	304.8	322.5
Cash Flow					
Free cash flow excl. acquisitions of operations	16.1	24.7	27.7	31.4	24.6
Margins					
Gross margin, %	26.4%	26.9%	28.5%	31.3%	26.2%
EBITDA margin, %	12.6%	14.4%	6.6%	13.3%	13.3%
Adjusted EBITA margin, %	11.8%	14.6%	15.3%	18.3%	13.3%
EBIT margin, %	10.5%	12.4%	4.5%	11.6%	11.5%
Other ratios					
Solvency ratio, %	42.5%	45.0%	45.0%	37.8%	39.7%