ANNUAL REPORT 2020

tvis køkkener SVANE KØKKENET kitchn.dk nettoline Det personlige køkken TCM Group

ABOUT TCM GROUP

TCM Group is Scandinavia's third largest kitchen manufacturer, with headquarter in Denmark and selling though approximately 140 stores across Scandinavia. A major part of our business is concentrated in Denmark with Norway being the primary export market. The product offering includes kitchen, bathroom and storage solutions.

Manufacturing is to a large extent carried out in-house and more than 90% is manufactured to specific customer orders. Production sites are located in Denmark, with three factories in Tvis and Aulum (outskirts of Holstebro).

TCM Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the secondary brands are Tvis Køkkener, Nettoline, kitchn.dk and private label. Combined, the brands cover the entire price spectrum. Products are mainly marketed through a network of franchise stores and independent kitchen retailers.

TCM Group is listed on Nasdaq Copenhagen.

TCM GROUP PERFORMING WELL IN UNPRECEDENTED TIMES

LETTER TO OUR SHAREHOLDERS

In 2020 TCM Group had a change of CEO, with incoming CEO Torben Paulin starting early March, with a clear focus on continuing the successful development, which TCM Group has undergone in recent years.

2020 was an unprecedented year for TCM Group dominated by the Covid-19 pandemic. Demand in the Danish kitchen market has generally remained robust throughout the year despite the increased uncertainty, whereas we saw more instability in the Norwegian kitchen market. One of the trends in 2020, was the increased DIY-focus among customers and online sales channels, due to the lock-down limitations. However the safety precautions within the organisation had a negative impact on our cost base and loss of efficiency in the production.

In 2020 revenue grew to DKK 1,025 million (1,007), up 1.8%, and with an adjusted EBIT of DKK 140 million (154). Overall, revenue and EBIT was in line with our expectations for the year.

The results that TCM Group has achieved in 2020 would not have been possible without the dedication and determination of our employees and the employees in the franchisee and dealer operated stores. We thank you for your determination, flexibility and strong contribution to bringing TCM Group and our brands through a challenging year.

We maintain our focus on growth a.o. through gaining a stronger foothold in Norway and expanding our online sales channel, while continuing to gain market share in mature markets and brands. In order to support the growth initiatives, we will continue to focus on improving the customer journey, the quality level of our products and service setup, and increasing our production capacity.

For 2021 we predict a revenue in the range of DKK 1,040-1,100 million, corresponding to an expected organic growth of 4-10% on the continuing business excluding the divestment of the Svane store in Copenhagen, and EBIT in the range of DKK 145-160 million.

To support the future growth, we have in 2020 invested in our production setup e.g. with a significant investment in our lacquering department that will increase capacity, improve quality and reduce our CO_2 emission by c. 5%, as well as significant investments in a new automised board cutting and stacking solution a.o. We see a further potential in investing in our current production setup to increase efficiency and capacity.

Thereby we prepare for future growth on the longer term and ensure that our production setup can support that TCM Group continues the growth journey.

In 2020 TCM Group continued to generate a considerable positive cash flow building on an already strong financial position from previous years. As a consequence of this the Board of Directors will be recommending the following measures to the upcoming Annual General Meeting:

1. Ordinary dividend payment for 2020 of DKK 5.50 per share corresponding to 54% of Net profit.
2. Extraordinary dividend of DKK 7.50 per share.
3. The implementation of a share buy back program of in total up to DKK 150 million.

The extraordinary dividend should also be seen in light of the fact that due to the emerging Covid-19 pandemic, no dividend was distributed during 2020.

If the Annual General Meeting follows the recommendation of the Board of Directors, these measures will move TCM Group towards a capital structure in line with the long term guidelines set out by the Board of Directors.

Sanna Mari
Suvanto-Harsaae
Chairman

Torben Paulin
CEO

HIGHLIGHTS

FINANCIAL HIGHLIGHTS FOR THE YEAR

- **Revenue DKK 1,024.6 million, corresponding to an organic growth of 1.8%.**
- **Adjusted EBIT down DKK 13.8 million to DKK 139.7 million corresponding to adjusted EBIT margin of 13.6%.**
- **Non-recurring items had a negative impact of DKK 5.0 million due to Covid-19 precautions.**
- **EBIT down DKK 11.8 million to DKK 134.7 million, corresponding to an EBIT margin of 13.1%.**
- **NWC ratio was (11.4)%.**
- **Capex ratio was 3.0%.**
- **Free cash flow was DKK 101.0 million.**
- **Cash conversion ratio was 85.8%.**
- **Ordinary dividend of DKK 5.50 per share, extraordinary dividend of DKK 7.50 per share, and a share buy back program of up to DKK 150 million.**

BUSINESS REVIEW

The Danish kitchen market has remained robust during the Covid-19 pandemic, whereas we have seen more instability in the Norwegian kitchen market during the year. Correspondingly, our revenue development in Denmark has seen an increase of 2.5% in 2020, whereas revenue outside Denmark with Norway as the primary market decreased by 6.1%.

In total, TCM Group revenue grew organically by 1.8% in 2020 to DKK 1,025 million, which is a new all time high record. During 2020, we have supported sales through campaigns, to a greater extent than normal. This had a diluting margin effect and in addition to this Covid-19 precautions led to increased costs and lower production effiency with a negative impact of DKK 5 million.

The number of branded stores (Svane and Tvis) was 69 at the end of 2020 (68). Svane Køkkenet have opened stores in Aalesund and Kristiansand, Norway during 2020. In order to secure the continued expansion in Norway, a Country Manager for Svane Køkkenet was hired during 2020. During 2021 a new Svane Køkkenet store will open in Oslo, Norway. Tvis Køkkener have opened a new store in Vejle, Denmark during 2020. During 2020 Tvis Køkkener Grenaa was closed, and Tvis Køkkener Roskilde was converted to a Nettoline store. During 2021 a new Tvis Køkkener store will open in Roskilde, Denmark.

Within Nettoline the number of stores increased by 2 in Norway and 1 in Denmark during 2020. The new stores in Norway are located in Bergen and Gjøvik, and the new store in Denmark is located in Skive. In 2021, we will open new Nettoline stores in Tønsberg, Norway and in Fjerritslev and Køge, Denmark.

The kitchn.dk online sales channel experienced high growth in 2020, e.g. due to the strong customer focus on DIY projects during the pandemic. The kitchn.dk sales channel will continue to be a focus area for further growth in 2021 and onwards.

In December 2020, TCM Group sold the Svane Køkkenet store in Copenhagen to a franchisee, with effect from January 5, 2021. With the new ownership, we expect to unleash even more of the potential for Svane Køkkenet in the Copenhagen area.

In 2020, we continued our strong focus on product innovation. Within the Svane Køkkenet brand we launched the S19 model in full assortment and the S12 Raw Limited Edition as our primary 2020 introductions. The S12 Raw Limited Edition is our take on the architect-designed joinery kitchen. Within the Tvis Køkkener brand we launched the Momento model including the launch of the new Pocket-grip. In the Nettoline and kitchn brands we launched the new Satin model. With these new product launches, 2020 marks the year of the most product launches in one year in TCM Group history.

During 2020 we continued to invest in further optimization of our production setup and increased the utilization of the production capacity in our factories. We have a.o. completed phase two of a significant investment in our lacquering department, which will increase capacity, improve quality and at the same time enable us to reduce our CO_2 emission by c. 5%. Furthermore, we have invested in a flexible badge production unit and a new automised board cutting and stacking solution at our factories in Tvis. In 2021, we will invest in further optimization and modernization of our current production setup, whereby further increasing the efficiency and capacity.

KEY FIGURES AND RATIOS

DKK'000	2020	2019*	2018	2017	2015/ 2016**
INCOME STATEMENT					
Revenue	**1,024,588**	**1,006,942**	**899,911**	**817,330**	**508,531**
Gross profit	272,819	279,622	262,835	231,126	155,008
Earnings before interest. tax. depreciation and amortisation (EBITDA)	156,058	167,387	153,594	97,070	66,941
Adjusted EBITDA	161,058	174,399	155,590	131,367	85,638
Earnings before interest. tax and amortisation (EBITA)	142,277	154,118	145,672	88,456	60,529
Adjusted operating profit (EBIT)	**139,717**	**153,570**	**140,108**	**115,193**	**60,529**
Operating profit (EBIT)	**134,717**	**146,558**	**138,112**	**80,896**	**54,229**
Financial items	-3,997	-4,201	-5,812	-14,115	-13,246
Profit before tax	130,720	142,357	132,300	66,741	40,983
Net profit for the year	102,243	111,322	103,710	47,993	28,528
BALANCE SHEET					
Total assets	929,451	911,096	844,044	805,541	795,848
Net working capital	-116,978	-108,868	-94,092	-80,821	-59,295
Net interest-bearing debt (NIBD)	-42,873	51,702	90,718	225,818	170,578
Equity	574,373	472,744	408,839	304,777	339,865
CASH FLOW					
Free cash flow excl, acquisitions of operations	101,048	132,326	141,409	99,797	79,813
Capex excl, acquisitions	30,993	14,996	9,192	8,418	4,378
Cash conversion. %	85.8%	99.9%	102.6%	110.0%	108.1%
GROWTH RATIOS**					
Revenue growth. %	1.8%	11.9%	10.1%	36.3%	
Gross profit growth. %	-2.4%	6.4%	13.7%	29.1%	
Adjusted EBIT growth. %	-9.0%	9.6%	21.6%	70.6%	
EBIT growth. %	-8.1%	6.1%	70.7%	34.9%	
Net profit growth. %	-8.2%	7.3%	116.1%	51.3%	
MARGINS					
Gross margin. %	26.6%	27.8%	29.2%	28.3%	30.5%
EBITDA margin. %	15.2%	16.6%	17.1%	11.9%	13.2%
EBITA margin. %	13.9%	15.3%	16.2%	10.8%	11.9%
Adjusted EBIT margin. %	13.6%	15.3%	15.6%	14.1%	11.9%
EBIT margin. %	13.1%	14.6%	15.3%	9.9%	10.7%
OTHER RATIOS					
Solvency ratio. %	61.8%	51.9%	48.4%	37.8%	42.7%
Leverage ratio	-0.23	0.31	0.58	1.72	1.77
NWC ratio. %	-11.4%	-10.8%	-10.5%	-9.9%	-9.9 %
Capex ratio excl, acquisitions. %	3.0%	1.5%	1.0%	1.0%	0.9%
SHARE INFORMATION					
Earnings per share before dilution. DKK	10.22	11.13	10.37	4.80	3.19
Earnings per share after dilution. DKK	10.22	11.13	10.37	4.51	3.16

* As of 1 January 2019 IFRS 16 Leases is implemented without restating comparative figures. why 2019 is not directly comparable to previus periods.
** The income statement 2015/2016 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. Growth ratios in 2017 are against 2015/2016 Pro Forma figures covering 12 months of business activity.

FINANCIAL REVIEW

DEVELOPMENT IN ACTIVITIES AND FINANCES*

REVENUE - 1.8% ORGANIC GROWTH
Revenue in 2020 grew organically by 1.8% to DKK 1,024.6 million (DKK 1,006.9 million). Revenue was slightly higher than the guided range of DKK 980-1,020 million.

Revenue in Denmark was DKK 941.6 million (DKK 918.6 million), with an organic growth of 2.5%. The organic growth was driven by growth in the Nettoline brand primarily within the DIY segment and our e-commerce platform kitchn.dk. as well as a higher revenue from 3rd party products.

Revenue in Other countries was DKK 83.0 million (DKK 88.4 million), down 6.1%.

GROSS PROFIT - GROSS MARGIN OF 26.6%
Gross profit in 2020 was DKK 272.8 million (DKK 279.6 million), corresponding to a gross margin of 26.6% (27.8%). The decline in gross margin reflects an impact from sales campaigns, and a higher share of revenue from 3rd party products with a lower margin.

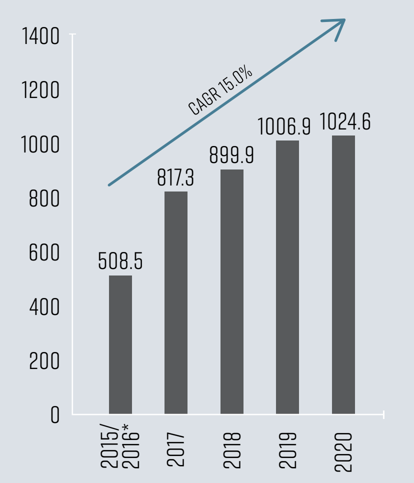
* Figures in brackets refer to the corresponding period in 2019.

OPERATING EXPENSES - COST RATIO 13.0%
Operating expenses in 2020 were DKK 133.1 million (DKK 126.1 million). The increase in operating expenses of DKK 6.9 million was primarily due to costs related to projects targeting operational efficiency improvements and higher marketing costs a.o. related to the new product launch of S12 RAW Limited edition for Svane Køkkenet. Operating expenses amounted to 13.0% of revenue in 2020 against 12.5% in 2019.

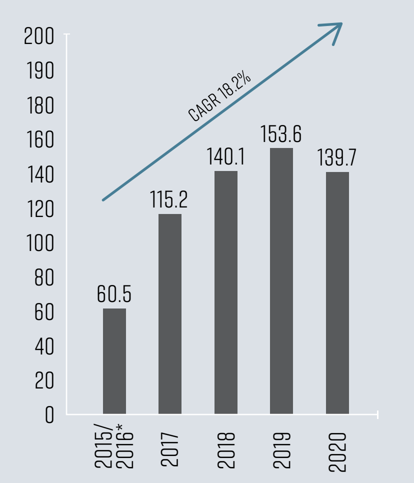
EBITDA – 15.2% MARGIN
EBITDA in 2020 was DKK 156.1 million (DKK 167.4 million), corresponding to an EBITDA margin of 15.2% (16.6%). The decrease in EBITDA was primarily driven by a lower gross profit.

ADJUSTED EBIT – 13.6% MARGIN
Adjusted EBIT in 2020 was DKK 139.7 million (DKK 153.6 million), corresponding to an adjusted EBIT margin of 13.6% (15.3%). Adjusted for non-recurring items EBIT was DKK 139.7 million compared to guided range of DKK 135-145 million. The decrease in adjusted EBIT was driven by a lower gross margin. Depreciations and amortizations were DKK 22.3 million (DKK 20.9 million).

REVENUE (DKKM)



ADJUSTED EBIT (DKKM)



* PRO FORMA FIGURES FROM THE FORMER HOLDING COMPANY

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 and are specified below:

NON-RECURRING ITEMS

Non-recurring items, DKK m	2020	2019
Costs related to Covid-19	5.0	0.0
Cost related to production setback following a lightning strike	0.0	7.0
Non-recurring items, total	**5.0**	**7.0**

EBIT
EBIT for the financial year 2020 decreased to DKK 134.7 million (DKK 146.6 million). The decrease in EBIT was driven of a lower gross margin and a slightly increased cost ratio.

NET PROFIT
Net profit for the financial year 2020 decreased to DKK 102.2 million (DKK 111.3 million).

FREE CASH FLOW EXCL. ACQUISITIONS OF OPERATION
Free cash flow excl. acquisitions of operations for 2020 was DKK 101.0 million against DKK 132.3 million in 2019. Free cash flow was negatively impacted by a lower operating profit, and investments of DKK 31.0 milllion compared to DKK 15.0 million in 2019. Cash conversion in 2020 was 85.8% (99.9%).

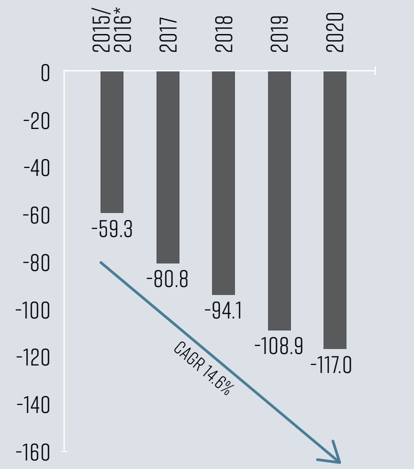
NET WORKING CAPITAL - NWC RATIO -11.4%
Net working capital at the end of 2020 was DKK -117.0 million (DKK -108.9 million). NWC ratio at the end of 2020 was -11.4 (-10.8%).

The increase in inventory of DKK 9.6 million was primarily due to building up buffer stock to ensure high delivery assurance.

The increase in operating liabilities of DKK 22.5 million was primarily due to the extended credit for VAT and payroll taxes provided in the goverment's stimulus package of c. DKK 15.0 million as of 31 December 2020.

NET INTEREST-BEARING DEBT - LEVERAGE RATIO -0.23
Net interest-bearing debt amounted to DKK -42.9 million (deposit) at the end of 2020 (DKK 51.7 million).

NET WORKING CAPITAL (DKKM)



* PRO FORMA FIGURES FROM THE FORMER HOLDING COMPANY

NWC RATIO

-11.4%

EQUITY - SOLVENCY RATIO 61.8%
Equity at the end of 2020 amounted to DKK 574.4 million (DKK 472.7 million). The equity increased by DKK 101.6 million since 1 January 2020, affected by net profit for the year. As concluded on the general meeting on 11 June 2020, no dividend was distributed for 2019.

The Board of Directors recommends to the Annual General Meeting that an ordinary dividend of DKK 55 million and an extraordinary dividend of DKK 75 million to be declared and paid following the Annual General Meeting. Furthermore, the Board of Directors recommends to the Annual General Meeting the implementation of a share buy back program of up to DKK 150 million.

The solvency ratio was 61.8% at the end of 2020 (51.9%).

EVENTS AFTER THE BALANCE SHEET DATE
The subsidiary which owns and operates the Svane store in Copenhagen has been sold with effect from 5 January 2021. The assets and liabilities in the company are presented in the balance as assets and liabilities held for sale.

Apart from the events recognized or disclosed in the annual report, no other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

STRATEGY AND FINANCIAL TARGETS

STRATEGY

The strategic aim for TCM Group is to further expand the market share in the Danish market and to expand on our primary export market Norway. Furthermore, the Group's profitability and cash flow must remain among the top tier of the kitchen industry. In addition to organic growth, the Group is monitoring the market for attractive acquisition opportunities.

TCM Group has identified five overall strategic focus areas for future growth in revenue and profitability:

1. Increase same store sales through focus on operational excellence and brand building.

In its existing stores, primarily located in Denmark and Norway, TCM Group will continue to work with its franchise partners and dealers to improve revenue growth and profitability for the individual stores, through increasing store traffic from B2C customers and attracting new B2B customers, and further building the store organisation.

2. Increase organic growth through expanding geographical retail footprint.

TCM Group intends to increase its geographical footprint primarily in Denmark and Norway in the short and medium term. TCM Group is one of the leading kitchen manufacturers in Denmark. TCM Group continuously analyses and evaluates its store networks and geographical presence and has identified a number of white spot opportunities. For the two main markets the high level short to medium term expansion strategy is:

- For the Danish market, TCM Group has identified a number of white spot opportunities and intends to expand its store network in Denmark with 5-8 new dealer based stores within Tvis køkkener and Nettoline in the short to medium term.
- In Norway, the Group has identified a number of white spot opportunities and intends to expand its store network within Svane Køkkenet from the current 10 stores up to 15-18 stores in the short to medium term. Furthermore, we see a potential for a few additional Nettoline dealers in Norway.

3. Facilitate and expand the online sales channel.

TCM Group is present in the online sales channel through kitchn.dk in Denmark. The online sales channel has so far only constituted a minor share of total sales, but TCM Group assesses a significant business potential in increased customer preference for online purchases of kitchens.

4. Product and design strategy.

Over the resent years, Svane Køkkenet has successfully built its strong brand position in the mid to high-end part of the kitchen market in Denmark. One of the key success factors has been the continuous focus on innovation and launching a new kitchen design every year.

We are determined to follow the innovative route also in the future and thereby continue to underline the very attractive Svane Køkkenet brand position as the most innovative brand in the industry.

In addition to this we will also develop and launch new designs and functionalities in our brands Tvis Køkkener, Nettoline and kitchn.

5. Enhance production optimisation and automation.

TCM Group has identified a range of opportunities to increase the capacity, flexibility and efficiency of its supply chain setup. This potential is to be realised though continuous planning and productions processes, and will also require investments of c. 2-3% of net revenue.

Furthermore, TCM Group considers the option of using sub-suppliers in order to increase capacity, and utilise excess production capacity during low season to increase product availability in high season.

The above initiatives will be implemented with the intend to increase the capacity of the current production facilities and thereby postpone the need for a new factory, for which we have signed an option to buy the required land in connection to our main factory in Tvis.

FINANCIAL TARGETS

TCM Group predicts revenue for the financial year 2021 to be in the range DKK 1,040-1,100 million corresponding to a growth of 4-10% on the continuing business excluding the divestment of the Svane store in Copenhagen.

EBIT* is predicted to be in the range DKK 145-160 million.

*EBIT excluding non-recurring items

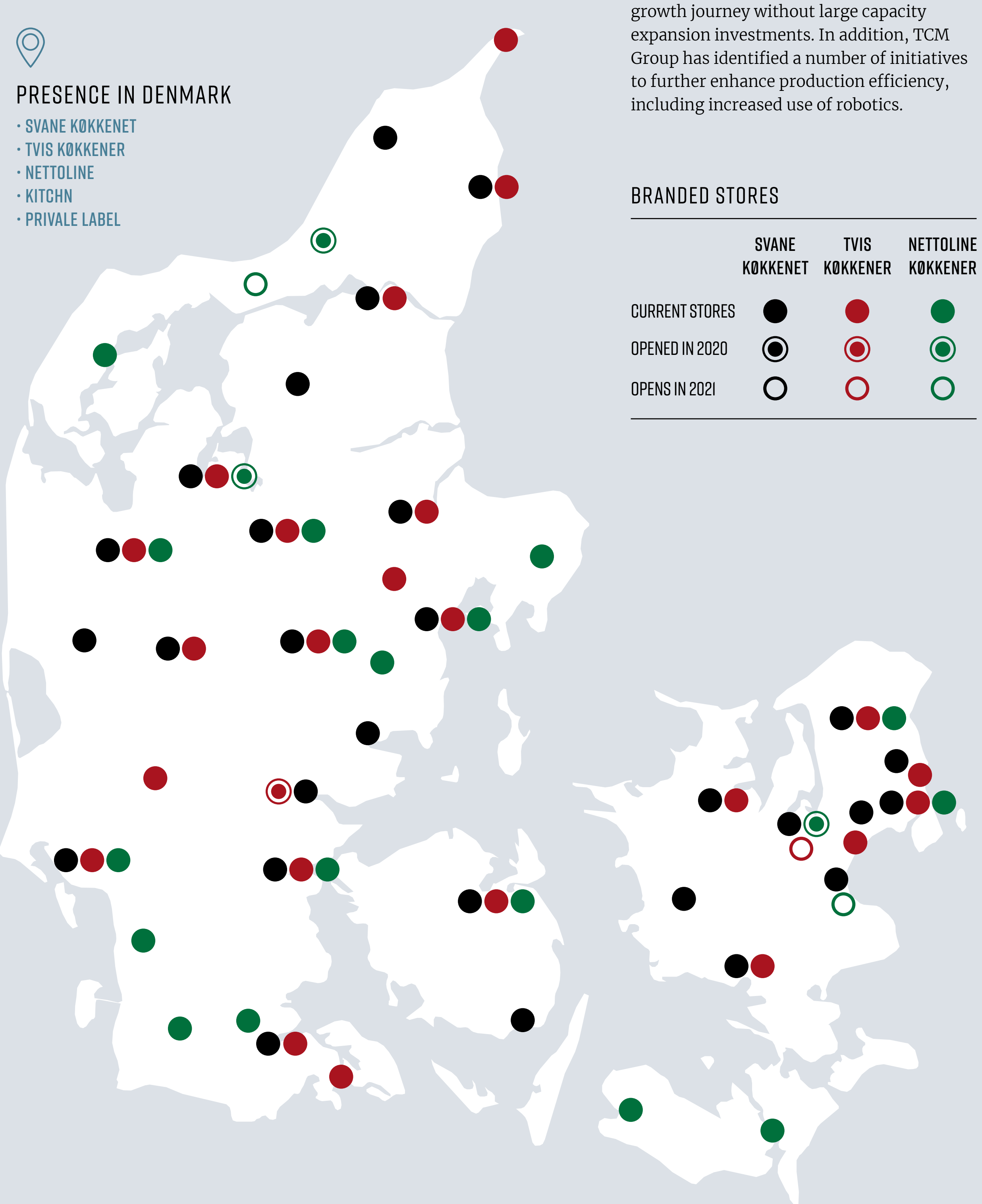
FORWARD LOOKING STATEMENTS

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

DANISH DESIGN AND DANISH PRODUCTION

PRESENCE IN DENMARK

- SVANE KØKKENET
- TVIS KØKKENER
- NETTOLINE
- KITCHN
- PRIVALE LABEL



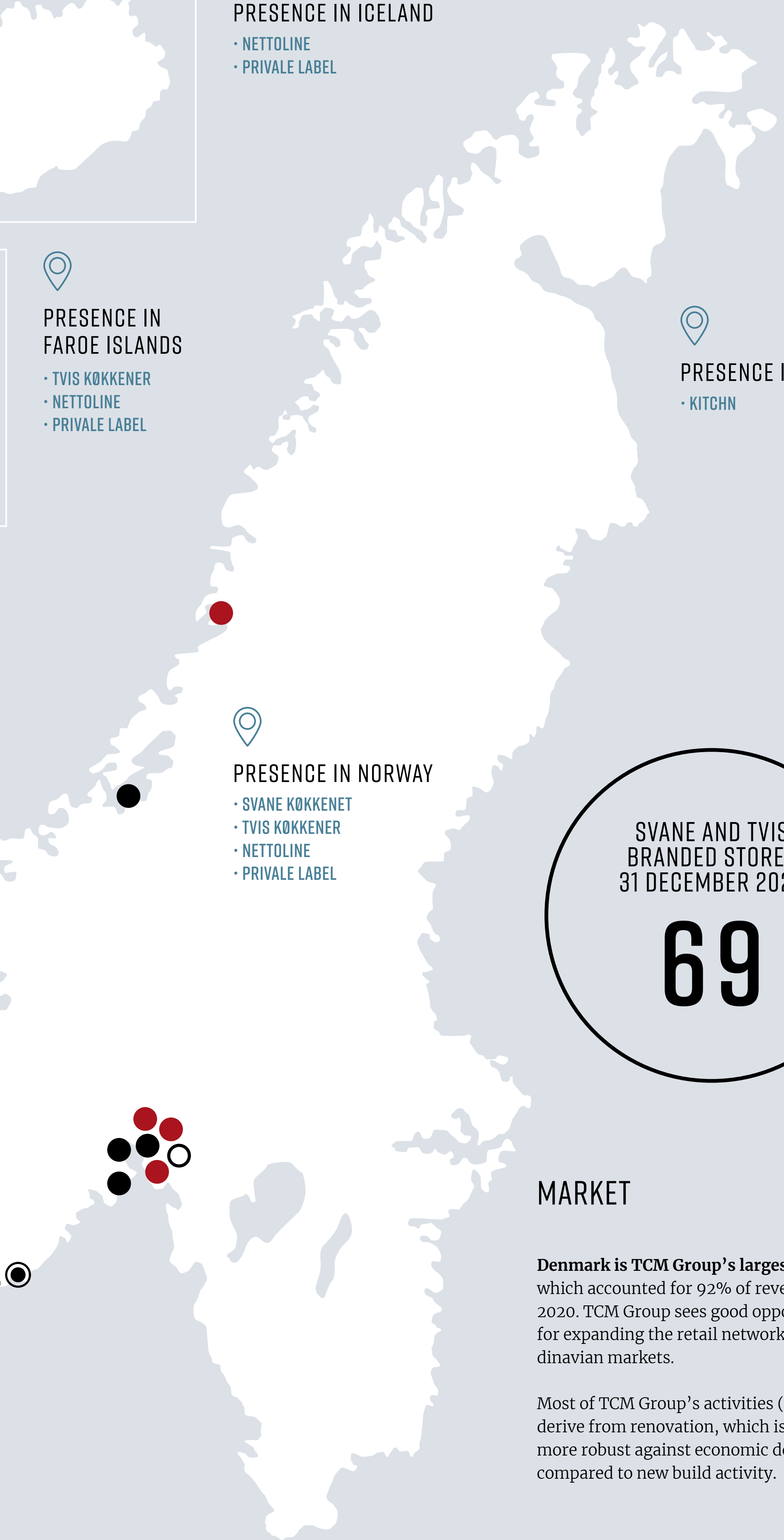
PRODUCTION

TCM Group's production sites are located in Tvis and Aulum. The production sites produce cabinets, fronts, table tops and sliding doors. This ensures that we can offer customized kitchens with a wide selection of designs, colors and functions.

Excess capacity at the production sites ensures room to continue TCM Group's growth journey without large capacity expansion investments. In addition, TCM Group has identified a number of initiatives to further enhance production efficiency, including increased use of robotics.

BRANDED STORES

	SVANE KØKKENET	TVIS KØKKENER	NETTOLINE KØKKENER
CURRENT STORES	●	●	●
OPENED IN 2020	◉	◉	◉
OPENS IN 2021	○	○	○



PRESENCE IN ICELAND

- NETTOLINE
- PRIVALE LABEL

PRESENCE IN FAROE ISLANDS

- TVIS KØKKENER
- NETTOLINE
- PRIVALE LABEL

PRESENCE IN SWEDEN

- KITCHN

PRESENCE IN NORWAY

- SVANE KØKKENET
- TVIS KØKKENER
- NETTOLINE
- PRIVALE LABEL

SVANE AND TVIS BRANDED STORES 31 DECEMBER 2020

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MARKET

Denmark is TCM Group's largest market, which accounted for 92% of revenue in 2020. TCM Group sees good opportunities for expanding the retail network in all Scandinavian markets.

Most of TCM Group's activities (80-85%) derive from renovation, which is relatively more robust against economic downturns compared to new build activity.

RISK MANAGEMENT

Risk management is an integral part of the management process at TCM Group. The objective is to limit uncertainties and risks with respect to the defined financial targets and strategic objectives for the Group.

Management performs a yearly assessment of business risks. A follow-up process has been established with the purpose of describing and evaluating a variety of business risks within the Group and implementing procedures to ensure risk mitigation. This assessment is discussed and evaluated by the Board of Directors once a year.

Beside this yearly assessment, the Board of Directors and the Executive Management have a continuous dialogue regarding significant risks with possible material impact on the Group.

The risk management, including internal controls in the financial reporting process, is designed to effectively minimize the risk of errors and omissions in the financial reporting.

The Executive Management is responsible for ensuring that risks are continuously identified, evaluated and mitigated in order to reduce the economic impact and/or likelihood of risks being realized.

Below are the main identified business and financial risks as well as comments on the actions undertaken within the individual areas:

BUSINESS RISKS

MARKET RISKS

The Group is exposed to a decline in new housing construction and home sales as well as developments in the overall economy. In addition, certain fashion changes can lead to significant sales fluctuations within the individual product ranges. The Group is orderproducing with a high degree of flexibility in the workforce, which means that the Group can respond quickly to market demand changes.

REPUTATIONAL RISKS

The Group considers the Svane Køkkenet, Tvis Køkkener, Nettoline and kitchn.dk brands to be some of the most important assets of the business. Thus, it is the Group's policy to register its trademarks and design rights in the main markets in which its products are sold. The reputation of the Group's brands is important for the products' attractiveness and customer appeal. Accordingly, the Group's brand reputation is important for sustaining and growing the Group's revenue and profitability.

STRATEGY RISKS

The success of the Group's strategy is subject to several factors, some of which depend in full or in part on the Group's ability to successfully execute such initiatives, e.g. expansion via acquisitions of other players in the industry. Such acquisitions require financing and the Group may need to incur futher debts or raise further equity capital to fund its acquisitions.

CUSTOMER RISKS

The Group's risks relate primarily to the sales development of the stores, with sales being distributed through 69 Branded stores. Having typically one owner per store, the operational risk is reduced. The debtor risk related to the stores represents the main financial risk and is closely monitored to minimize losses by primarily requiring appropriate collateral for current trading.

PRODUCTION RISKS

The Group is exposed to risks of not being able to fulfill customer orders e.g., due to fire, machine failure or lack of personnel. Fire prevention is a management priority and is carried out in cooperation with our insurance company. We have our own maintenance department who in cooperation with external experts conduct the necessary machine maintenance and repairs.

Finally, we have a constructive cooperation with our production employees typically based on multi-year collective wage negotiation agreements.

RAW MATERIAL PURCHASING RISKS

TCM Group aims to have multiple suppliers in each raw material category in order to improve commercial terms as well as to ensure adequate supply.

RISKS RELATED TO IT

The Group has its own IT system, which is regularly maintained and updated. IT security is a top Group priority. We work with external experts to achieve a level of security appropriate for the Group's type and size.

RISKS RELATED TO POLLUTION AND OCCUPATIONAL HEALTH

Optimizing occupational health conditions and preventing both internal and external contamination are important focus areas at TCM Group's production sites. The Group has a registration system for occupational accidents and near miss accidents focusing on the prevention of future incidents. An occupational health organization with participation from management and employee representatives is established and well functioning.

The Group is insured against significant damage to property, plant and equipment and is in close dialogue with authorities and insurance companies with a view to further improving the mitigation of risks related to, inter alia, fire and pollution. Production facilities are fully sprinkled and emphasis is placed on maintaining a high level of fire hygiene in the Group.

FINANCIAL RISKS

LIQUIDITY RISKS

The Board of Directors continuously assesses whether the Group's capital structure is in line with the interests of the Group and its stakeholders. The overall goal is to secure a capital structure that supports long-term profitable growth.

The Group's financial risks are managed centrally as well as the Group's liquidity management, including cash requirement and placement of excess liquidity.

It is Management's assessment that the current capital structure provides the necessary flexibility to accelerate and support the Group's future strategy.

CREDIT RISK

The Group's customer base comprises both professional customers and consumers. Credit management and payment terms are monitored for each customer group. The Group primarily provides credit to franchisees and dealers, which are the Group's primary customers. Credit assessments are continuously performed on customers who make regular purchases. Credit insurance, bank guarantees and other collaterals are utilized for the different markets and customer categories.

CURRENCY RISKS

The Group operates with a relatively low risk profile with regards to currency fluctuations. The Group does not purchase significant amounts of raw materials outside the EUR zone. Invoicing of sales is charged in DKK and NOK. In terms of invoicing of sales in NOK, we apply a hedging strategy to limit the impact of currency fluctuations. Close to all revenue relates to Denmark, the rest of the Nordic region or the EUR zone and, therefore, foreign exchange risks are limited.

INTEREST RATE RISK

It is Group policy to fully or partially hedge interest rate risks on loans if the interest rate risk is material. The group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings, and by use of interest rate swap contracts.

CORPORATE GOVERNANCE

TCM Group is committed to exercising good corporate governance, and the Board of Directors therefore evaluates the Group's management systems at least once a year to ensure that the structure is appropriate relative to the Group's shareholders and other stakeholders.

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

At TCM Group, management duties and responsibilities are divided between the company's Board of Directors and Executive Management. No one person is a member of both these bodies, and no member of the Board of Directors has previously been a member of the Executive Management. TCM Group has laid down rules of procedure for the Board of Directors, which are reviewed annually. The Board of Directors holds 5 ordinary meetings each year and will further convene as needed. In the financial year 2020, 8 board meetings were held.

The Group's Executive Management is in charge of the day-to-day management, while the Board of Directors supervises the work of the Executive Management and is responsible for the overall management and strategic direction.

In relation hereto, every year the Board of Directors considers the group's overall strategy in order to ensure continuous value creation.

The requirements for the Executive Management's timely, accurate and adequate reporting to the Board of Directors and for the communication between these two corporate bodies are laid down in the rules of procedure of the Executive Management, which are reviewed annually and approved by the Board of Directors.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors currently consists of five members elected at general meetings and has elected a Chairman and a Deputy Chairman. The members of the Board of Directors are a group of professionally experienced business people who also represent diversity, international experience and skills that are considered to be relevant to TCM Group. All members of the Board of Directors elected by the shareholders are regarded as independent.

The Board of Directors determines once a year the qualifications, experience and skills the Board of Directors must possess in order for the Board of Directors to best perform its tasks, taking into account the Group's current needs.

The Board of Directors evaluates its work on an annual basis. All Board Members are up for election on each Annual General Meeting.

AUDIT COMMITTEE

The Board of Directors has set up an Audit Committee. The Chairman of the Audit Committee is independent and is skilled in accounting. The purpose of the Audit Committee includes monitoring the financial reporting process, the company's internal control and risk management systems and the collaboration with the independent auditors. The Audit Committee consists currently of 2 members, Sanna Suvanto-Harsaae and Anders Skole-Sørensen, and is led by Anders Skole-Sørensen. The Audit Committee held 4 meetings in the financial year 2020.

NOMINATION COMMITTEE

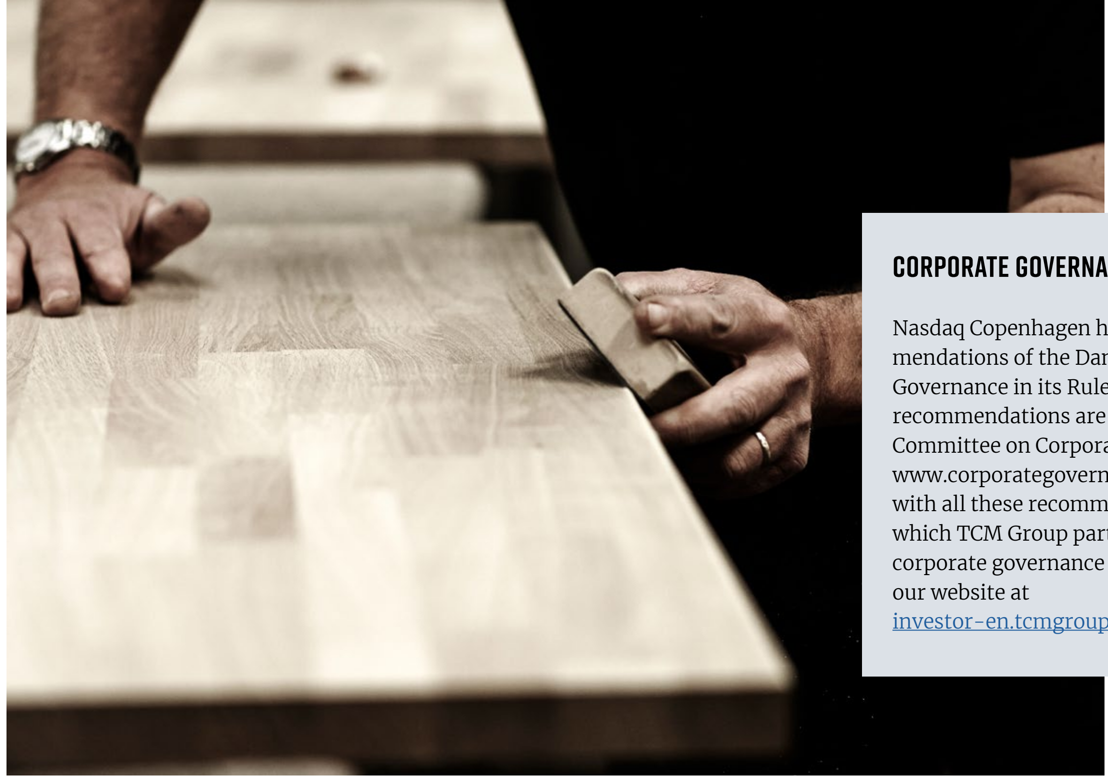
The Board of Directors has set up a Nomination Committee comprising at least two members of the Board of Directors, where at least one is also member of the Remuneration Committee. The Chairman of the Board of Directors is also the Chaiman of the Nomination Committee. The overall purpose of the Nomination Committee is to help the Board of Directors ensure that appropriate plans and processes are in place for the nomination of candidates to the Board of Directors and the Executive Management. The Nomination Committee consists currently of 3 members, Sanna Suvanto-Harsaae, Anders Skole-Sørensen and Carsten Bjerg, and is led by Sanna Suvanto-Harsaae. The Nomination Committee held 2 meetings in the financial year 2020.

REMUNERATION COMMITTEE

The Board of Directors has set up a Remuneration Committee comprising at least two members of the Board of Directors. The purpose of the Remuneration Committee is to ensure that the Group maintains a remuneration policy for the members of the Board of Directors and the Executive Management as well as general guidelines for incentive pay to the Executive Management. The Remuneration Committee consists currently of 3 members, Sanna Suvanto-Harsaae, Anders Skole-Sørensen and Carsten Bjerg, and is led by Sanna Suvanto-Harsaae. The Remuneration Committee held 3 meetings in the financial year 2020.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors has adopted a remuneration policy and general guidelines for incentive pay, which have been approved by the general meeting. Both policies are available at governance-en.tcmgroup.dk.



CORPORATE GOVERNANCE RECOMMENDATIONS

Nasdaq Copenhagen has incorporated the recommendations of the Danish Committee on Corporate Governance in its Rules for Issuers of Shares. These recommendations are available at the website of the Committee on Corporate Governance, www.corporategovernance.dk. TCM Group complies with all these recommendations except from one, which TCM Group partly complies with. The Group's corporate governance statements are available on our website at investor-en.tcmgroup.dk/CorporateGovernance

The remuneration policy supports the goal of attracting, motivating and retaining qualified members of the Board of Directors and the Executive Management. The remuneration is designed to align the interests of the Board of Directors, the Executive Management and the company's shareholders, to support the achievement of TCM Group's short-term and long-term strategic targets and stimulate value creation.

Reference is made to note 4 in the consolidated financial statements for a specification of the remuneration paid to the Executive Management and the Board of Directors.

DESCRIPTION OF PROCEDURES AND INTERNAL CONTROL IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Board of Directors and the Executive Management are ultimately responsible for the Group's risk management and internal controls in relation to its financial reporting, and approve the Group's general policies in this regard. The Audit Committee assists the Board of Directors in overseeing the reporting process and the most important risks. The Executive Management is responsible for the effectiveness of the internal controls and risk management and for the implementation of such controls aimed at mitigating the risk associated with the financial reporting.

The Company believes that the Group's reporting and internal control systems enable it to be compliant with disclosure obligations applying to issuers whose shares are admitted to trading and official listing on Nasdaq Copenhagen.

As part of the overall risk management, the Group has set up internal control systems, that are deemed appropriate and sufficient in relation to the Group's activities and operations. The internal control systems are evaluated on an ongoing basis.

The Group's procedures and internal controls are planned and executed to ensure a reasonable level of comfort that the financial reporting is reliable and in compliance with internal policies and gives a true and fair view of the Group's financial performance, the financial position and material risks. The procedures and controls are furthermore planned with a view to support the quality and efficiency of the Group's business processes and the safeguarding of the Group's assets. The evaluation of the risks includes an assessment of the likelihood that an error will occur and whether the financial impact of such error would be material.

In addition to the above, the Group has developed internal control and procedures in relation to the financial reporting process with the aim to enable the Group to monitor the Group's performance, operations, funding, risk and internal control. The Group continues to improve the internal control and procedures in relation to the financial reporting process and believes, that the current control and procedure in place enables the Group to be compliant with the disclosure obligations applying to issuers of shares on Nasdaq Copenhagen.

The internal controls and procedures in relation to the financial reporting process include, among other things:

- Weekly reports of incoming orders and gross and net revenue by month;
- Monthly revenue reports, on a per store basis, of the Group's sales to stores;
- Consolidated monthly reports summarising results for legal entities including balance sheet and cash flow results in comparison to budgeted performance and previous year performance and explanations of deviations, together with key performance indicators;
- Four-eye principle within the finance department to ensure the quality of the accounting records;
- The predominant majority of all invoices received go through a standardised authorisation process. In addition, a detailed review of cost on account level is made in connection with the monthly reports.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

SANNA MARI SUVANTO-HARSAAE
Chairman of the company.
Chairman of Nomination Committee and Remuneration Committee and member of Audit Committee.
Independent.
Danish and Finnish nationality.
Born in 1966.
Member since: 2016
Participated in 8 board meetings in 2020.
Number of shares end 2020: 19.871 (2019: 36.381 which included shares owned partly by related parties)

Sanna Mari Suvanto-Harsaae holds a Bachelor of Science from Lund University.

Other positions:
Sanna Mari Suvanto-Harsaae is member of the executive management of Rakaas ApS

Sanna Mari Suvanto-Harsaae is chairman of the board of Babysam A/S, Nordic Pet Care Group A/S, BoConcept A/S, Altia Oyj, and Posti Oy.

Sanna Mari Suvanto-Harsaae is also member of the board of directors of SAS AB, Broman Group Oyj, CEPOS and Harvia Oyj.

ANDERS SKOLE-SØRENSEN
Deputy Chairman.
Chairman of Audit Committee and member of Nomination Committee and Remuneration Committee.
Independent.
Danish nationality.
Born in 1962.
Member since: 2017
Participated in 8 board meetings in 2020.
Number of shares end 2020: 7.653 (2019: 7.653)

Anders Skole-Sørensen holds a MSc econ. from the University of Copenhagen.

Other positions:
Anders Skole-Sørensen is CFO at Matas A/S (listed on Nasdaq Copenhagen).

In addition Anders Skole-Sørensen is a member of the board of directors of F. Uhrenholt Holding A/S and entities within the Matas group.

CARSTEN BJERG
Board member.
Independent.
Danish nationality.
Born in 1959.
Member since: 2018
Participated in 8 board meetings in 2020.
Number of shares end 2020:2.441 (2019: none)

Carsten Bjerg holds a Bachelor in Production Engineering from the Technical University of Denmark.

Other positions:
Carsten Bjerg is deputy chairman of the board of directors of Rockwool International A/S (listed on Nasdaq Copenhagen) and a member of the board of directors of Vestas Wind Systems A/S (listed on Nasdaq Copenhagen), Dansk Smede- og maskinteknik A/S, and Agrometer A/S.

Carsten Bjerg is chairman of board of directors of Ellepot A/S, Guldager A/S, PCH Engineering A/S, Robco Engineering A/S, Hydrema A/S, Bogballe A/S, Bjerringbro-Silkeborg EliteHåndbold A/S, and Arminox A/S.

SØREN MYGIND ESKILDSEN
Board member.
Independent.
Danish nationality.
Born in 1972.
Member since: 2018
Participated in 7 board meetings in 2020.
Number of shares end 2020: 3.850 (2019: none)

Søren Mygind Eskildsen holds a Bachelor of Engineering and MBA from the Southern University of Denmark.

Other positions:
Søren Mygind Eskildsen is CEO of Louis Poulsen A/S.

Søren Mygind Eskildsen is chairman of board of directors of Ege Carpets A/S.

DANNY FELTMANN ESPERSEN
Board member
Independent.
Danish nationality.
Born in 1968.
Member since: 2019
Participated in 8 board meetings in 2020.
Number of shares end 2020: 4.400 (2019: 4.400)

Danny Feltmann Espersen holds a MSc in accounting and Finance from Aarhus Business School.

Other positions:
Danny Feltmann Espersen is CEO of MENU Holding A/S and associated entities.

In addition Danny Feltmann Espersen is CEO in his privately owned companies.

EXECUTIVE MANAGEMENT

TORBEN PAULIN
Chief Executive Officer since March 2020.
Danish nationality.
Born in 1965.
Number of shares end 2020: 10.000 (2019: none)

Prior to joining TCM Group, Torben Paulin was CEO at BoConcept, a leading Danish design and lifestyle brand with nearly 300 franchise stores in 60 countries.

Other positions:
Torben Paulin is Chairman of the Board at Skorstensgaard A/S and member of the board of directors of Zefyr Invest A/S.

MOGENS ELBRØND PEDERSEN
Chief Financial Officer since 2015.
Danish nationality.
Born in 1975.
Number of shares end 2020: 39.902 (2019:39.902)

Prior to joining the Group, Mogens Elbrønd Pedersen had been the director of finance and senior director, group finance of Bang & Olufsen A/S (listed on Nasdaq OMX Copenhagen) since 2011.

SHAREHOLDER INFORMATION

TCM GROUP SHARE PRICE DEVELOPMENT IN 2020
TCM Group A/S is a part of the Nasdaq OMX Copenhagen Small Cap index. The share price closed at DKK 139.0 on 31 December 2020, equivalent to an increase of 10,3% in 2020.

SHARE CAPITAL
The nominal value of the company's share capital at 31 December 2020 was DKK 1 million divided into shares of DKK 0.1, equivalent to 10 million shares and 10 million votes.

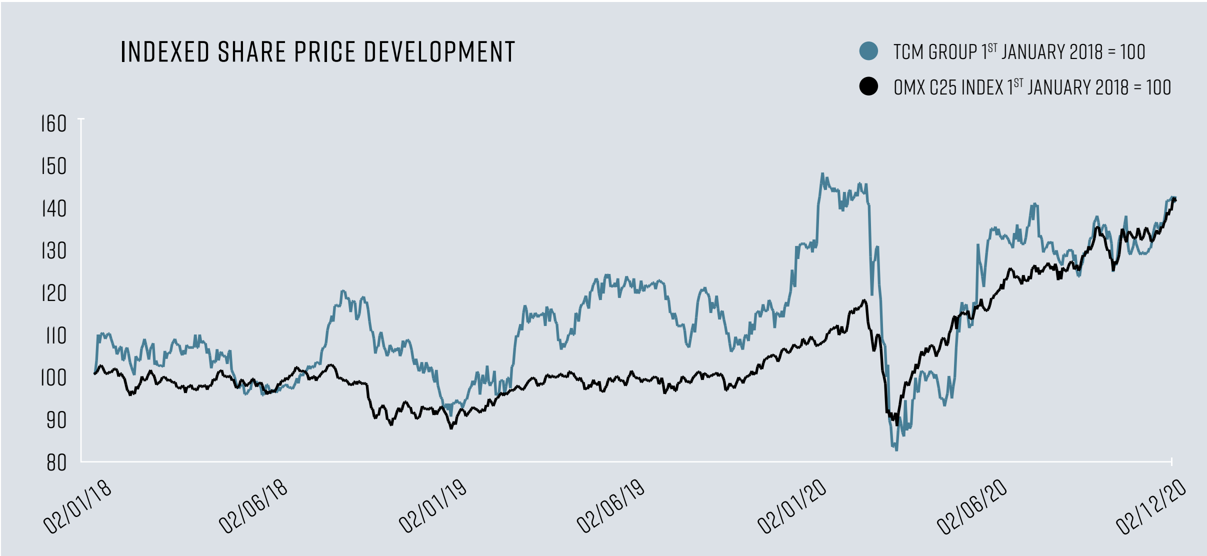
OWNERSHIP
At 31 December 2020, five shareholders had notified shareholdings above 5% of the share capital (see below).

Members of the Board of Directors held at 31 December 2020 38,215 shares, and members of the Executive Management held 49,902 shares, in total 88,117 shares, equivalent to 0.9% of the share capital.

DIVIDEND
The Board of Directors has adopted a dividend policy with a target payout ratio of 40-60 percent of consolidated net profit for the year. The Board of Directors proposes an ordinary dividend of DKK 5.50 per share for the 2020 financial year, equivalent to 54% of consolidated Net profit for the year. Furthermore, the Board of Directors proposes an extraordinary dividend of DKK 7.50 per share and the implementation of a share buy back program of up to DKK 150 million.

Payment of dividends, and the amounts and timing thereof, will depend on a number of factors, including future revenue, profits, financial conditions, general economic and business conditions, future prospects, strategic initiatives such as M&A activities or large scale investments decided upon by the Board of Directors, and such other factors as the Board of Directors may deem relevant as well as applicable legal and regulatory requirements. There can be no assurance that in any given year a dividend or share buyback will be proposed or declared or that the Company's financial performance will allow it to adhere to the dividend policy or any increase in the pay-out ratio. The Company's ability to pay dividends or buy back shares may be impaired as a result of various factors. Furthermore, the dividend policy is subject to change as decided by the Board of Directors from time to time.

TCM Group A/S was promoted to the Mid Cap segment from January 2021.



Name	Business Registration No	Domicile	Share
Arbejdsmarkedets Tillægspension	43405810	Hillerød, Denmark	10.8%
BI Asset Management Fondsmæglerselskab A/S	20896477	Copenhagen, Denmark	10.0%
Luxempart S.A.	B232467	Leudelange, Luxembourg	9.8%
Paradigm Capital Value Fund	B129149	Luxembourg, Luxembourg	8.4%
Handelsbanken Fonder AB	556418-8851	Stockholm, Sweden	6.9%

SHARE INFORMATION

EXCHANGE:	NASDAQ COPENHAGEN
TRADING SYMBOL:	TCM018
IDENTIFICATION NUMBER/ISIN:	DK0060915478
NUMBER OF SHARES:	10 MILLION SHARES OF DKK 0,1 EACH WITH ONE VOTE
SHARE CLASSES:	1
SECTOR:	KITCHENS, BATHROOMS AND STORAGE
SEGMENT:	MID CAP

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 2021:

13 APRIL 2021	ANNUAL GENERAL MEETING 2020
19 MAY 2021	INTERIM REPORT Q1 2021
20 AUGUST 2021	INTERIM REPORT Q2 2021
12 NOVEMBER 2021	INTERIM REPORT Q3 2021
25 FEBRUARY 2022	INTERIM REPORT Q4 2021 AND ANNUAL REPORT 2021
5 APRIL 2022	ANNUAL GENERAL MEETING 2021

The company's investor relations website, investor.tcmgroup.dk, contains all official financial reports, investor presentations, the financial calendar, corporate governance documents and other material.

ANALYST COVERAGE
TCM Group is currently covered by four analysts:

ABG Sundal Collier **Benjamin Silverstone**
Aktieinfo **John Stihøj**
Carnegie **Lars Topholm**
Danske Bank **Poul Ernst Jessen**

CONTACT
For further information, please contact:
CEO **Torben Paulin** +45 21210464
CFO **Mogens Elbrønd Pedersen** +45 97435200
IR Contact mail: ir@tcmgroup.dk

ANNUAL GENERAL MEETING
The annual general meeting will be held on Tuesday, 13 April 2021 at 5 p.m. at Skautrupvej 22b, Tvis, 7500 Holstebro.

CORPORATE SOCIAL RESPONSIBILITY

TCM Group is committed to ensuring that our business is conducted in all respects according to rigorous ethical, professional, and legal standards. We believe that social responsibility and sustainability are key elements in the continued development and success of our business.
Our general approach to social responsibility and sustainability has always been characterized by propriety and humility. We prefer to have a simple and manageable CSR focus, in order to make a wholehearted effort in this important area. We have established a CSR working group, which defines the initiatives we launch during the year. In general, we work with social responsibility and sustainability in several areas:

- Our employees are one of the company's most important assets. We therefore strive to create a safe, creative, and stimulating working environment.
- We consider the earth's unique resources as vulnerable and limited, and our products should therefore originate from sustainable sources.
- The environmental effect of our production and distribution should be minimized.
- The use of our products should not cause harm or damage and environmental impact should be minimized.

TCM Group's business model and strategy are described in section "Strategy and financial targets". It is our ambition to promote the UN Sustainable Development Goals through our core business operations. To do so, we focus on the Sustainable Development Goals, which are most relevant to our business. The specific Sustainable Development Goals which we have selected to focus on are:

(TARGET 5.5)

(TARGET 8.5 AND 8.8)

Furthermore, since 2010 TCM Group has been committed to work within the framework of the 10 UN Global Compact principles (UNGC):

Human rights (UN SDG 5+8)

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that TCM Group is not complicit in human rights abuses

Labour (UN SDG 5+8)

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Eliminate all forms of forced and compulsory labour
5. Effectively abolish child labour
6. Eliminate discrimination in respect of employment and occupation

Environment (UN SDG 12+13+15)

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

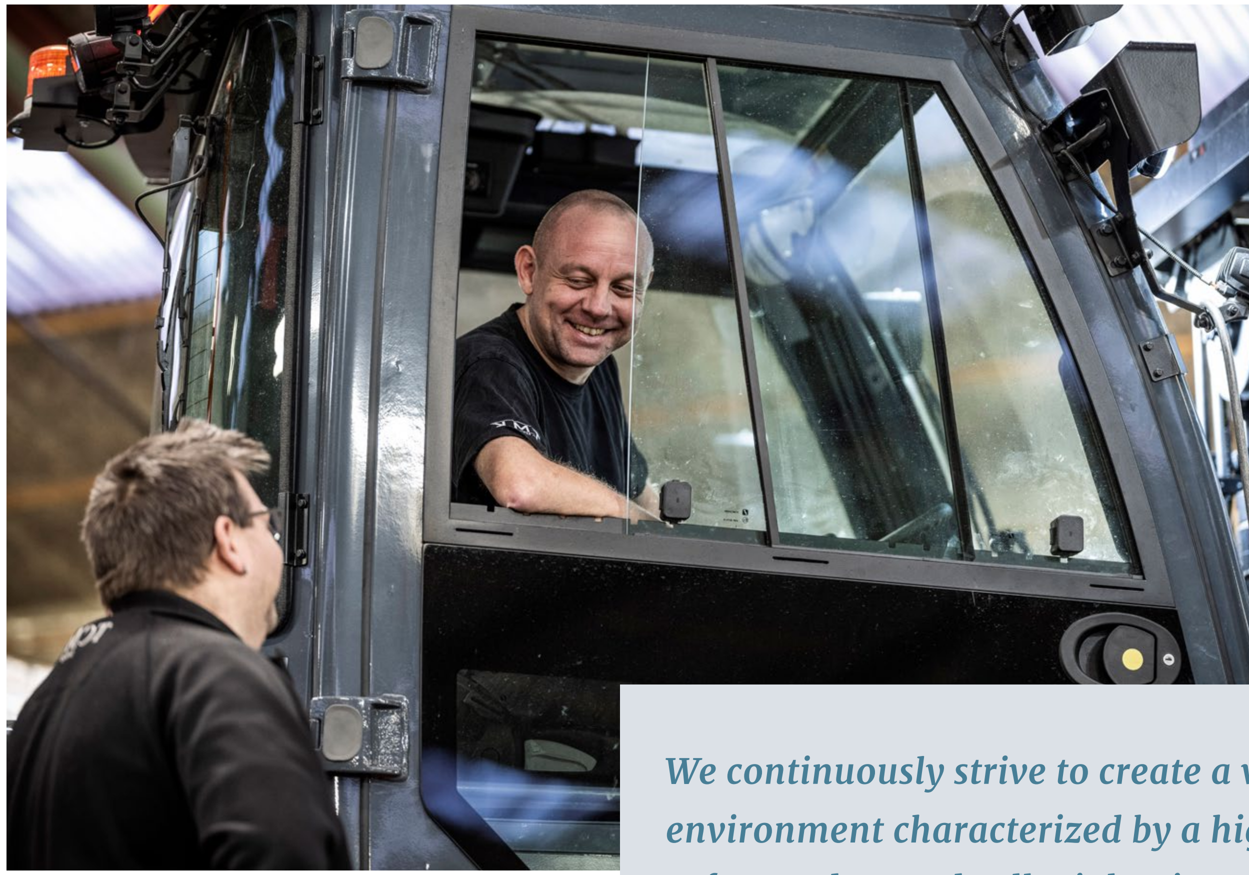
Anti-Corruption (UN SDG 12)

10. Work against corruption in all its forms, including extortion and bribery

Besides ensuring our own compliance with the 10 UNGC principles, we encourage our suppliers and business partners to conduct their businesses according to the 10 principles. This section covers the statutory statement by the Danish Financial Statements' Act 99a, 99b and 107d.

HUMAN RIGHTS

TCM Group strongly support and promote the principles regarding human rights outlined in the UNGC principles, and it is of utmost importance to us that we comply with these principles at any point in time. The primary risks we face in connection to human rights incompliance are discrimination of employees and cases where specific conditions at our suppliers do not comply with the human rights principles. TCM Group takes specific measures to ensure that no incompliance with human rights principles takes place within the company or via our suppliers. The measures are e.g., full implementation of a whistle blower system and conducting arbitrary supplier audits. Both measures will be further outlined in sections "Whistle Blower System" and "Supplier Management".



We continuously strive to create a working environment characterized by a high focus on safety and a good collegial unity.

TCM Group can firmly state that no products sold in 2020 or in previous years were developed or produced using child labor.

LABOUR AND WORKING CONDITIONS

In TCM Group, we acknowledge that our employees are one of our most important assets. We continuously strive to create a working environment characterized by a high focus on safety and a good collegial unity. Additionally, there is a risk that work related accidents could impact our ability to attract and retain employees.

The physical workplace is one of our key focus areas. We have multiple working groups throughout the entire organization each with clear areas of responsibility such as introduction of new employees to safety policies and procedures, prioritizing potential risk areas, suggesting concrete solutions, and influencing the safety culture on a daily basis. We conduct regular surveys of our workplace, by asking all employees to rate their working conditions and encourage them to give their recommendations and ideas on how we can improve our working environment. In 2020, these surveys have e.g., led to installation of driven runways in our lacquer production and several new cranes and height lifters, which has significantly reduced the extent of heavy push / pulls and lifts for our blue-collar employees. Furthermore, we have replaced our diesel trucks with electric trucks, whereby the fleet of trucks is now 100% electric, and installed a new industrial vacuum cleaner, which has improved the air quality in our production facilities.

REPORTED NEAR MISS WORK ACCIDENTS

	2020	2019	2018
# of reported near miss work accidents in TCM Group	1,159	1,139	780

As a natural part of ensuring a Safety-First culture throughout the company, we have an increasingly high focus on safety awareness via reporting near miss work accidents and mitigating the underlying causes as a means of preventing accidents. The number of reported near miss accidents has increased slightly in 2020 to 1,159 reported near miss work accidents in TCM Group, indicating a high awareness level, whereas 1,139 near miss accidents were reported in 2019.

Sickness and absence is another one of our key focus areas, and especially absence related to work accidents. From 2019 to 2020 the absence ratio related to work accidents decreased from 0.8‰ to 0.3‰, whereby we continue the very satisfactory development from last year. In total, 6 work accidents were recorded in 2020. The decrease in the absence ratio has been obtained through various initiatives all focused on how to commission employees in the daily operation as quickly as possible after an incident, e.g., by introducing the employee to new tasks and areas of responsibility. Health and safety will continue to be a key focus area in 2021 in all parts of the organization. The TCM Group motto is that "one work accident is one too many". Safety has top management attention, and we will continue to launch specific initiatives to reduce the number of work accidents.

Overall, the sickness related absence (excl. absence due to sick children and maternity leave) in TCM Group was at 2.9% in 2020 versus 3.3% in 2019. A major reasoning behind this decrease is an increased focus on dialogue with and support to our most vulnerable employees.

We continue to offer light duty jobs for employees who are temporarily ill, and we have a continuous dialogue with employees who have an absence level higher than the standard, in order to understand the reasoning behind their absence. In our internal occupational health and safety organization we continuously try to increase the knowledge and competence level to support our employees in the best way possible. The average absence level in the industry is 3.3% according to Dansk Arbejdsgiverforening (2019).

TCM Group is determined to support the education of our next generation workforce. We do so by hiring apprentices in our production and some of our staff functions. From 2019 to 2020 the number of apprentices in TCM Group has decreased from 17 to 16. In 2021, we will increase our focus on attracting and hiring apprentices.

SICKDAYS AND ABSENCE

	2020	2019	2018
# of sickdays caused by work accidents	34	83	184
Absence ratio related to work accidents (‰)	0.3	0.8	1.7

APPRENTICES IN TCM GROUP

	2020	2019	2018
# of apprentices in TCM Group	16	17	14

GENDER DIVERSITY

TCM Group is determined to promote diversity and achieve a sensible gender diversity in both the Board of Directors and the Executive Management based on a desire to strengthen the versatility, gathering competencies and better decision-making processes within the company. It is the Board's goal that the members of the Board of Directors, the Executive management and the management group represents our ambitions regarding diversity as far as age, background, nationality, gender etc. are concerned. We identify and assess new candidates for the Board based on these conditions, and nomination of candidates is always based on an assessment of candidates' competencies, their match with the needs of the group and contributions to the Board's overall effectiveness.

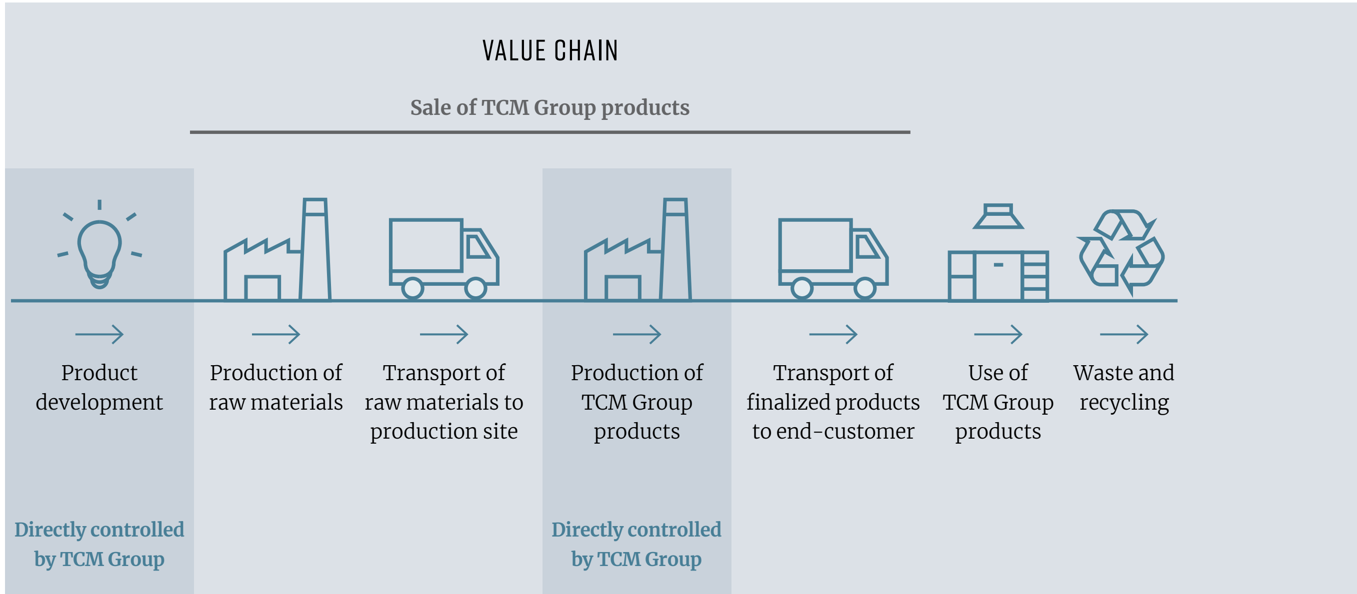
TCM Group has a target for the Board of Directors that both genders are represented by at least 20%. As of 31 December 2020, the distribution is 20% women and 80% men, which means that the target is met.

In terms of the Board of Directors, the Executive Management and the management group below, the goal is to have a management group that complement each other in all aspects. When recruiting management group members internally or externally, the selection is always based on the candidates' competencies and whether they match the requirements of TCM Group. TCM Group does not allow discrimination of any kind e.g., regarding age, nationality, gender, religion, sexual orientation, disability etc. As far as possible, we assure that the final pool of candidates is diversified.

As of 31 December 2020, the gender distribution in the management group is 27% women and 73% men. This is an improvement from 2019 in terms of gender diversity in the management group.

GENDER DIVERSITY (# OF UNDERREPRESENTED GENDER)

	2020	2019	2018
Board of Directors	1 of 5	1 of 5	1 of 5
Mgmt. (Executive mgmt. and Middle mgmt.)	4 of 15	2 of 10	2 of 12



ENVIRONMENTAL SUSTAINABILITY

TCM Group is committed to reduce the environmental impact of our production processes. To do so and to create transparency on the progress of our pollution reduction initiatives, we measure our CO_2 emissions, by following the GRI standards 305-1 (Scope 1) and 305-2 (Scope 2). Scope 1 implies the direct emissions of our business activities whereas Scope 2 measures the indirect emissions via our electricity and heat consumption. We are not yet measuring our other indirect emissions (Scope 3) but we are in dialogue with our suppliers regarding how we can support them in positively impacting Scope 3. This also means that we are not measuring the emissions related to our distribution processes, as the distribution has been outsourced and is thereby not within scope 1 or 2. Further information about the GRI standards is available at www.globalreporting.org/standards.

The main sources of emission are our electricity and heat consumption, which are mainly related to our production facilities. In 2019, our electricity consumption was 55% of our total scope 1+2 emissions whereas our heat consumption was 40%. The remaining 5% was emission related to transport activities (company cars and vehicles at our production facilities). In 2020, electricity and heat consumption was 54% and 39% respectively, whereas 7% of our emission was related to transport activities.

2019 EMISSIONS

	Total [ton CO_2]	Percent of total
Scope 1 (GRI: G4-EN15)	1,427	45%
Scope 2 (GRI: G4-EN16)	1,727	55%
Total	**3,154**	**100%**

In 2019, our total scope 1+2 emission was 3,154 ton CO_2. This means that our emission was 3.1 ton CO_2 per 1 mDKK net revenue.

2020 EMISSIONS

	Total [ton CO_2]	Percent of total
Scope 1 (GRI: G4-EN15)	1,435	46%
Scope 2 (GRI: G4-EN16)	1,703	54%
Total	**3,138**	**100%**

In 2020, our total scope 1+2 emission has decreased slightly to 3,138 ton CO_2. The activity level in our production facilities was on par with last year. Our emission was 3.1 ton CO_2 per 1 mDKK net revenue, which is similar to last year. Going forward, we aim to reduce our scope 1+2 CO_2 emission per mDKK net revenue by minimum 5% yearly.

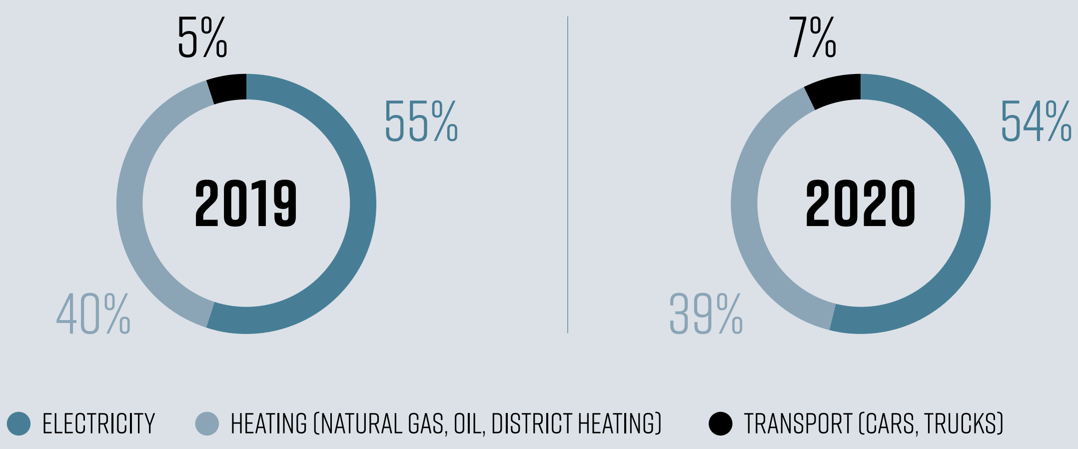
2019 - KEY FIGURES

	Total (ton)	Unit
Emission per 1 mDKK net revenue	3.1	ton CO_2e/mDKK

2020 - KEY FIGURES

	Total (ton)	Unit
Emission per 1 mDKK net revenue	3.1	ton CO_2e/mDKK

DISTRIBUTION OF CO_2 EMISSIONS



Investments in new and more environmentally friendly production equipment have been identified and scoped.

Comparing with corresponding figures for 2012, our emission has increased in total but decreased significantly when measured up against net revenue and number of employees. Hence, our emission has decreased 57% since 2012 per 1 mDKK net revenue and 25% per employee.

TCM Group has set a target to reduce the electricity consumption with 25% per kDKK revenue in 2020, from 19.2 kWh in 2011 to 14.4 kWh in 2020. In 2020, the electricity consumption was 12.8 kWh per kDKK revenue, whereby our 2020 target has been achieved with a reduction of electricity consumption per kDKK revenue of 33%. TCM Group is committed to continue reducing our electricity consumption ratio with a reduction target of minimum 5% per year.

In 2020, TCM Group finalized a comprehensive upgrade of our lacquering production unit, which enables us to increase efficiency in our lacquering process, reduce the number of production errors and significantly reduce the electricity consumption in this part of the production process.

ELECTRICITY CONSUMPTION

	2020	2019	2018
Electricity consumption (kWh) per kDKK revenue	12.8	13.1	12.4

Furthermore, we have invested in a flexible badge production unit and a new automised board cutting and stacking solution at our factory in Tvis, and a new exhaust system at our factory in Aulum. Additional investments in new and more environmentally friendly production equipment have been identified and scoped, with full implementation during the coming years. One of the key parameters in the process of scoping and approving these investments, is that they must have a significant positive impact on our CO_2 footprint. One of the primary production equipment investments in 2021, will be a new storage unit at our tabletop factory in Tvis. It applies to all our investments in the new production equipment that they will reduce the electricity consumption significantly compared to the old units they are replacing. From a risk perspective it is a considerable risk if TCM Group is not considered an environmentally responsible company, that it could damage our brand value.

The production process in TCM Group is mainly characterized by woodworking, gluing and painting / lacquering.

Throughout our entire production process, we have a high focus on reducing the amount of waste material. As an example, the waste wood from our cutting of chipboard is returned to our suppliers and reused in their production of new chipboard.

Approximately 95% of our purchased chipboards are produced using 70% waste wood from Danish industry production, incl. TCM Group. It is our aim to increase the purchased volume of waste wood chipboards from 95% to 100% within a foreseeable future.

To ensure that our handling and usage of paint and glue during the production process has as minimal an environmental impact as possible, we ensure that the application of paint and glue only takes place in appropriate and closed surroundings within our factory, and we handle all waste products with care.

All standard elements, fronts and sliding doors within the product assortment of Svane Køkkenet and Tvis Køkkener are indoor climate labelled, which means that these products do not emit any unpleasant fumes.

Going forward, we will continue to focus on sustainability, when we develop new products for our individual brands.

WHISTLE BLOWER SYSTEM

TCM Group's whistle blower system allows our employees to report any concerns or witnessed activities regarding non-compliance with our Human Rights, Labor, Environmental or Anticorruption rules and regulations.

All TCM Group employees, customers, suppliers, advisors, and other individuals with connection to the company can access the whistle blower system through an externally hosted website. The system is anonymous, and all communication is encrypted, which means that TCM Group is not able to trace any specific whistle blower report back to the reporting individual. Furthermore, the supplier of the whistle blower system complies with GDPR.

In 2020, TCM Group expanded the scope of the whistle blower system, which now also allows our employees to report any witnessed activities regarding bullying or harassment within our organization.

No whistle blower cases were registered during 2020.

In 2020, TCM Group's FSC® certificate for massive wooden table tops was renewed until 2025.

In 2010, TCM Group was FSC® certified and in 2017, Nettoline A/S also received a FSC® certification. In 2020, TCM Group's FSC® certificate for massive wooden table tops was renewed until 2025. In 2020, TCM Group can furthermore report that 90% of our purchased chipboards are FSC® certified.

Our target for 2021 is to obtain a FSC® certification, which covers our procurement of chipboards, in order for us to contribute to the development towards increased sustainability in the building sector.

The FSC® certification ensures that only sustainable logging is carried out. Furthermore, the FSC® certificate guarantees that vegetation and animals are protected and that the employees of the forest plantations are properly educated, use proper protective equipment and are paid fairly during their employment. Further information about FSC® is available at www.ic.fsc.org.

ANTI-CORRUPTION

TCM Group is exposed to the risk of non-compliance with anti-corruption rules and regulations, for example obtaining an advantage with illegal means, via our employees, suppliers, franchisees, and dealers. The consequence could be fines and brand damage. Therefore, our policy is to comply with all applicable regulations and to promote an anti-corruption behavior to all our business relations.

In TCM Group, no employee may receive or solicit any services, gifts or payments that may be considered an attempt to obtain benefits for themselves or the company. Violations of these rules will have disciplinary consequences for the employees involved.

There have been no incidents violating the anti-corruption policy in 2020.

SUPPLIER MANAGEMENT

TCM Group intends to influence suppliers via a Code-of-Conduct, which broadly covers all aspects of the principles outlined by the UN Global Compact.

TCM Group suppliers are primarily located in Europe and a majority of these are even located in Denmark, relatively close to our production sites in Tvis and Aulum. This has proven to be a very reasonable strategy, especially during the Covid-19 pandemic, where TCM Group has only experienced limited impact on the supplier side during 2020. By using suppliers located close to our production sites, we also limit the CO_2 emission during the transport process. However, some of our suppliers use subsuppliers located in Asia. TCM Group management is aware that production in Asia implies risks in terms of social responsibility and supplier management, and that our stakeholders expect us to actively ensure that these subsuppliers are fulfilling regulations in terms of working conditions and environmentalfriendly production.

TCM Group' Code-of-Conduct was developed and approved by the Board in 2011, and further improved in 2016. All our primary suppliers have signed our Code-of-Conduct.

The total share of TCM Group' purchasing, covered by our Code-of-Conduct was 100% in 2020 and cover all suppliers from non-EU countries.

TCM Group will continue to monitor all suppliers in 2021 and conduct arbitrary audits, though with special attention on the suppliers doing business in Asia.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK'000	NOTE	2020	2019
Revenue	3	1,024,588	1,006,942
Cost of goods sold	4, 5, 7	(751,769)	(727,321)
Gross profit		**272,819**	**279,622**
Selling expenses	4, 5, 7	(78,440)	(73,543)
Administrative expenses	4, 5, 6, 7	(54,662)	(52,623)
Other operating income		0	113
Operating profit before non-recurring items		**139,717**	**153,570**
Non-recurring items	8	(5,000)	(7,012)
Operating profit		**134,717**	**146,558**
Financial income	9	269	530
Financial expenses	9	(4,265)	(4,731)
Profit before tax		**130,720**	**142,357**
Tax for the year	10	(28,477)	(31,035)
Net profit for the year		**102,243**	**111,322**
Earnings per share before dilution, DKK	18	10.22	11.13
Earnings per share after dilution, DKK	18	10.22	11.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2020	2019
Net profit for the year		102,243	111,322
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Value adjustments of cash-flow hedges before tax		0	107
Tax on value adjustments of cash-flow hedges		0	(23)
Value adjustments of currency hedges before tax		(787)	0
Tax on value adjustments of currency hedges		173	0
Other comprehensive income for the year		**(615)**	**83**
Total comprehensive income for the year		**101,628**	**111,406**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2020	2019
ASSETS			
INTANGIBLE ASSETS	11		
Goodwill		369,796	369,796
Brand		171,961	171,961
Other intangible assets		1,697	9,249
		543,454	**551,006**
TANGIBLE ASSETS	12		
Land and buildings		87,113	86,471
Tangible assets under construction and prepayments		11,855	0
Machinery and other technical equipment		27,696	19,381
Equipment, tools, fixtures and fittings		6,588	5,143
		133,252	**110,995**
Financial assets	14	13,239	19,118
Total non-current assets		**689,944**	**681,119**
INVENTORIES			
Raw materials and consumables		25,359	21,754
Products in progress		16,070	9,594
Finished products		6,827	8,857
	13	**48,256**	**40,205**
CURRENT RECEIVABLES			
Trade receivables	2	24,395	22,308
Other receivables	14	23,742	23,157
Tax receivables		5,038	2,482
Prepaid expenses and accrued income	15	438	2,465
		53,611	**50,412**
Cash and cash equivalents		125,855	139,360
Assets held for sale	25	11,785	0
Total current assets		**239,507**	**229,977**
Total assets		**929,451**	**911,096**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2020	2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	16, 18	1,000	1,000
Value adjustments of currency hedges	17	(614)	0
Retained earnings		443,987	419,244
Proposed dividend for the year	19	130,000	52,500
Total shareholders' equity		**574,373**	**472,744**
Deferred tax	20	53,220	53,517
Mortgage loans	2, 21	30,630	33,422
Bank loans	2, 21	9,716	97,615
Lease liabilities	2	24,051	30,333
Other liabilities	2	24,187	12,325
Total long-term liabilities		**141,804**	**227,212**
Mortgage loans	2, 21	2,813	2,816
Bank loans	2, 21	9,925	18,791
Lease liabilities	2	10,885	10,566
Prepayments from customers		0	4,647
Trade payables	2	125,370	128,600
Other liabilities	2	55,242	45,719
Liabilities held for sale	25	9,038	0
Total short-term liabilities		**213,274**	**211,140**
Total shareholders' equity and liabilities		**929,451**	**911,096**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	VALUE ADJUSTMENTS OF CURRENCY HEDGES	RETAINED EARNINGS	PROPOSED DIVIDEND	TOTAL
Opening balance 01.01.2020	**1,000**	**0**	**419,244**	**52,500**	**472,744**
Reversed proposed dividend*	0	0	52,500	(52,500)	0
Net profit for the year	0	0	(27,757)	130,000	102,243
Other comprehensive income for the year	0	(614)	0	0	(614)
Total comprehensive income for the year	**0**	**(614)**	**(27,757)**	**130,000**	**101,629**
Dividend paid*	**0**	**0**	**0**	**0**	**0**
Closing balance 31.12.2020	**1,000**	**(614)**	**443,987**	**130,000**	**574,373**
Opening balance 01.01.2019	**1,000**	**(83)**	**360,422**	**47,500**	**408,839**
Net profit for the year	0	0	58,822	52,500	111,322
Other comprehensive income for the year	0	83	0	0	83
Total comprehensive income for the year	**0**	**83**	**58,822**	**52,500**	**111,405**
Dividend paid	**0**	**0**	**0**	**(47,500)**	**(47,500)**
Bonus issue	**0**	**0**	**0**	**0**	**0**
Cash settlement of warrants	**0**	**0**	**0**	**0**	**0**
Closing balance 31.12.2019	**1,000**	**0**	**419,244**	**52,500**	**472,744**

* 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'000	NOTE	2020	2019
OPERATING ACTIVITIES			
Operating profit		134,717	146,558
Depreciation/amortization		21,341	20,829
Income tax paid		(31,156)	(35,379)
Change in inventories		(9,555)	(3,777)
Change in operating receivables		(4,855)	15,650
Change in operating liabilities		21,759	2,603
Cash flow from operating activities		**132,251**	**146,484**
INVESTING ACTIVITIES			
Investments in tangible assets		(30,993)	(14,996)
Investments in intangible assets		(202)	(336)
Sale of tangible assets		0	113
Sale of financial assets		(8)	61
Sale of operations		0	1,000
Cash flow from investing activities		**(31,203)**	**(14,158)**
Operating cash flow before acquisitions of operations		**101,048**	**132,326**
Operating cash flow after acquisitions of operations		**101,048**	**132,326**
FINANCING ACTIVITIES			
Interest paid		(3,263)	(3,816)
Repayments of loans	23	(100,294)	(37,273)
Repayments of lease liabilities	23	(5,168)	(5,234)
Dividend paid		0	(47,500)
Cash flow from financing activities		**(108,725)**	**(93,823)**
Cash flow for the year		**(7,677)**	**38,503**
Cash and cash equivalents at the beginning of the year		**139,360**	**100,857**
Cash flow for the year		(7,677)	38,503
Cash and cash equivalents at year-end		**131,683**	**139,360**
Specification:			
Cash and cash equivalents at year-end		125,855	139,360
Cash and cash equivalents assets held for sale		5,828	0
		131,683	**139,360**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

PRINCIPLES APPLIED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS") and additional requirements of the Danish Financial Statements Act.

Accounting policies are unchanged compared to last year except for recognition of derivative instruments.

GENERAL PRINCIPLES

Assets and liabilities are recognised at historic acquisition value (cost), except for certain financial assets and liabilities and fixed assets held for sale. Financial assets and liabilities measured at fair value comprise derivative instruments. Fixed assets held for sale are recognised at the lower of the carrying amount and fair value, less selling expenses.

The Parent Company's functional currency is Danish kroner (DKK), which is also the presentation currency for the Parent Company and Group. Accordingly, the consolidated financial statements are presented in DKK. All amounts are stated in DKK thousand, unless otherwise stated.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparing the consolidated financial statements in accordance with IFRS requires that Management makes assessments, estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are regularly reviewed. Changes to estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both current periods and future periods. Assessments made by Management in the application of IFRS that have a material impact on the consolidated financial statements and estimates made that may lead to significant adjustments in the consolidated financial statements of future financial years are primarily the following:

IMPAIRMENT TESTING OF GOODWILL AND BRAND

Goodwill and brand with indefinite useful life are recognized at cost less any accumulated impairment. The Group regularly and at least annually performs impairment tests of goodwill and brand in accordance with the accounting policies. The assumptions and assessments made pertaining to expected cash flows and the discount rate in the form of weighted average cost of capital are described in note 11, Intangible assets.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS RELATED TO IFRS 16

Lease period
The company recognizes the lease obligations on the basis of the future payments during the lease period. The lease period consists of the non-cancellable period and periods covered by extension and termination options.

The company rents properties for production and for retail leases. Often leases do not have a fixed expiry date, but continue after the non-cancellable period until the lessee terminates the contract. The company therefore assesses whether it is reasonably certain of exercising extension options or failing to exercise termination options when determining the lease term. For both production buildings and retail leases, the lease term is estimated to be 5 years.

Retail leases are in most cases subleased to franchisees on the same terms, why the lease term is estimated to be the same period. The right-of-use assets is therefore recoqnized as a 'Other receiveables' in the balance sheet.

Incremental borrowing rate
The company has chosen to subdivide their leases into the following categories:

- Rental contracts for premises
- Vehicles

The borrowing rate is set at the transition date for IFRS 16. If the company considers that a change in the residual value guarantee, termination and renewal options, the incremental borrowing rate is revised.

For the company's vehicles, the incremental borrowing rate is calculated based on the company's borrowing rate. This interest rate takes into account credit assessments, collateral, leasing periods, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

For rental contracts for premises, the possibility of using mortgage financing of real estate has been taken into account.

NEW IFRS STANDARDS THAT HAVE NOT YET BEEN APPLIED

A number of new or amended IFRS standards will come into effect in future financial years, and have not been applied in advance when preparing these consolidated financial statements.

There are no amendments to accounting policies with future application that are deemed to have any material effect on the consolidated financial statements.

CLASSIFICATION, ETC.

Non-current assets essentially comprise amounts that are expected to be recovered more than 12 months after the balance sheet date. Current assets essentially comprise amounts that are expected to be recovered within the 12 months after the balance sheet date. Long-term liabilities comprise amounts that TCM Group A/S has an unconditional right, to pay later than 12 months after the closing date. Other liabilities comprise short-term liabilities.

ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities classified as held for sale comprise assets and liabilities for which it is highly probable that the value will be recovered through a sale within 12 months rather than through continued use. Assets and lialitities classified as held for sale are measured at the carrying amount at the classification date as “held for sale” or at market value less selling costs if lower. The carrying amount is measured in accordance with the Group’s accounting policies. No depreciation is recorded on property from the time when they are classified as “held for sale”. Impairment losses arising on first classification as “held for sale” and gains and losses from the subsequent measurement are recognized in the income statement.

CONSOLIDATION PRINCIPLES AND BUSINESS COMBINATIONS

SUBSIDIARIES

Subsidiaries are companies subject to the controlling influence of TCM Group A/S. A controlling influence entails the direct or indirect right to shape a company’s financial or operational strategies in a bid to receive financial benefits. When assessing whether a controlling influence exists, potential voting shares that can be immediately utilized or converted must be taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the controlling interest arises and are included in the consolidated financial statements until the date on which the controlling interest ceases.

If ownership is reduced to such an extent that controlling interests are lost, any remaining holdings are recognized at fair value and the change in value is recognized in profit or loss.

TRANSACTIONS THAT ARE ELIMINATED THROUGH CONSOLIDATION

Intra-group receivables and liabilities, income or expenses and unrealized gains or losses that arise from intra-group transactions between group companies, are eliminated in their entirety in the preparation of the consolidated financial statements.

BUSINESS COMBINATIONS

Business combinations are recognized in accordance with the acquisition method. According to this method the acquired identifiable assets and assumed liabilities and contingent liabilities are recognised at their fair value on the acquisition date. The consideration is measured at fair value of the consideration transferred to the former owner of the acquiree. Acquisition related costs are recognized in profit or loss as incurred.

Goodwill in business combinations is calculated as the total of the consideration transferred, any non-controlling interests and fair value of previously owned participations (for step acquisitions) less the fair value of the subsidiary’s identifiable assets and assumed liabilities. When the difference is negative, it is recognized directly in net profit for the year.

Contingent consideration in acquisitions is measured at fair value on both the acquisition date and continuously thereafter, with changes in value recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

For acquisitions of subsidiaries involving non-controlling interests, the Group recognizes net assets attributable to non-controlling interests either at fair value of all of the net assets except goodwill, or at fair value of all net assets including goodwill. The principle is decided individually for each acquisition.

When a business combination is achieved in stages, the Group’s previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

When controlling interests are achieved, changes in ownership are recognized as a reallocation of shareholders’ equity between the parent company’s owners and the non-controlling interest, without any remeasurement of the subsidiary’s net assets.

SEGMENT REPORTING

An operating segment is a part of the Group that conducts business activities from which it earns revenue and incurs expenses and for which independent financial information is available. Furthermore, the results of an operating segment are monitored by the company’s chief operating decision-maker to evaluate them and to allocate resources to the operating segment. TCM Group A/S has only one operating segment that is producing and selling kitchens, bathrooms and storage.

REVENUE RECOGNITION

Revenue is recognised when control of goods sold has transferred to the customer, being when the goods have been delivered according to the delivery terms. When the Group provides installation services, revenue is recognised as a performance obligation satisfied over time. Revenue is recognised for these installation services based on the stage of completion of the contract. Sales are recognized net after VAT and discounts.

NON-RECURRING ITEMS

Non-recurring items are used in connection with the presentation of the profit or loss for the year to distinguish income and expenses that are special and of a non-recurring nature from the consolidated operating profit for the year. Non-recurring items are assessed item by item and comprise restructuring costs, impairment charges in connection with e.g. material restructuring and other items relating to fundamental reorganisations as well as gains or losses on major disposals. Furthermore, non-recurring items include costs related to transactions costs related to business combinations, costs related to integration of a new business, costs related to production setback following a lightning strike as well as costs related to Covid-19 precautions. Such costs are non-recurring in nature.

OPERATING EXPENSES

Operating expenses primarily comprise marketing costs, administrative expenses and other operating costs including staff costs related to sales, marketing and administrative personnel.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest income on bank balances and receivables, interest expense on loans, gain/loss on interest rate swaps as well as exchange rate differences on financial items.

Interest income on receivables and interest expense on liabilities are calculated in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of all future receipts and disbursements during the fixed-interest term becoming equal to the carrying amount of the receivable or liability. The calculation includes all fees paid or received by contractual parties that are part of the effective interest rate, meaning transaction costs and surplus and deficit values.

TAX

Tax costs for the year comprise current tax and deferred tax. Income taxes are recognized in profit or loss except when the underlying transaction is recognized in other comprehensive income or in shareholders’ equity, whereby the associated tax effects are recognized in other comprehensive income or in shareholders’ equity.

Current tax is tax that is to be paid or received regarding the current year, by applying the tax rates determined or that have been determined in principle on the balance sheet date. This item also includes adjustments to current tax attributable to previous periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Deferred tax is calculated according to the balance-sheet method on all temporary differences arising between recognized and fiscal values of assets and liabilities.

The tax effect attributable to tax loss carryforwards that could be utilized against future profits is capitalized as a deferred tax asset. This applies to both accumulated loss carryforwards at the acquisition date and losses arising thereafter.

Deferred tax is measered at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is recognized in the balance sheet as a non-current asset or long-term liability. The income tax liability is recognized as a current receivable or current liability.

If the actual outcome differs from the amounts first recognized, the differences will affect current tax and deferred tax in the period in which these calculations are made.

TANGIBLE ASSETS

Tangible assets are recognized at cost with deductions for depreciation and any impairment. Cost includes expenses that can be directly attributed to the acquisition. Costs for repairs, maintenance and any interest expenses are recognized as costs in profit or loss in the period in which they arise.

In the event that an asset's carrying amount exceeds its estimated recoverable amount, the asset is written down to its recoverable amount, which is charged to operating profit.

In the income statement, operating profit is charged with straight-line depreciation, which is calculated on the original cost less estimated residual value after useful life and is based on the estimated useful lives of the assets as follows:

Buildings	36–40 years
Machinery and other technical equipment	3-10 years
Equipment, tools, fixtures and fittings	2-7 years
Land is not depreciated.	

Expected useful lives and residual values are reviewed annually.

INTANGIBLE ASSETS

Goodwill comprises the amount by which the cost of the acquired operation exceeds the established fair value of identifiable net assets, as recognized in the acquisition analysis. In connection with the acquisition of operations, goodwill is allocated to cash generating units. In connection with acquisitions the fair value of the different brands have been measured respectively. Since goodwill and brand have an indefinite useful life, it is not amortized. The indefinite useful life is justified by the long life of the brand, where there are no intention of changing the brand set-up. Thus, it is not possible to determine a useful life. Instead, goodwill and brand are subject to impairment testing either annually or when an indication of an impairment requirement arises. The carrying amount comprises the cost less any accumulated impairment losses. A description of the method and assumptions applied when conducting impairment tests is found in note 11 Intangible Assets.

Other intangible assets with definite useful life are recognized at cost less accumulated amortization and any impairment. It also includes capitalized costs for purchases and internal and external costs for the development of software for the Group's IT operations, patents and licenses. Amortization takes place according to the straight-line method based on the estimated useful life of the asset (three to five years).

RESEARCH AND PRODUCT DEVELOPMENT

Costs for product development are expensed immediately as and when they arise.

Product development within the Group is mainly in the form of design development and is conducted continuously to adapt to current style trends. This development is relatively fast, which is the reason that no portion of the costs for product development is recognized as an intangible asset. The Group does not carry out research and development in the true sense of such work, or to any significant extent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

LEASES

ACCOUNTING POLICIES FROM JANUARY 1, 2019

When entering into an agreement, the company assesses whether an agreement is a lease agreement or contains a lease element. A lease is an agreement that transfers the right to control the use of an identifiable asset for a period against payment. In assessing whether an agreement contains a lease item that has been transferred to the lessee, it is necessary to consider whether the lessee has the right, during the useful life, to obtain virtually all the economic benefits from the use of the identifiable asset and the right to decide on the use of the the identifiable asset.

The company recognizes a right-of-use (the asset) and a lease obligation at the start of the lease period. The right-of-use asset is recognized in the category of assets, which it belongs to.

The right-of-use asset is measured at cost, which is calculated as the present value of the lease obligation plus any direct costs associated with entering the lease, any costs for demolition and disposal of the asset at the end of the lease period which the lessee is obliged to pay, and prepaid leasing payments.

The right-of-use asset is depreciated on a straight-line basis over the shortest period of the lease term and the useful life of the asset. If the lease agreement contains a purchase option that the company expects to exercise, the right-of-use asset is depreciated on a straight-line basis over the total expected useful life of the asset.

The company leases vehicles which include a service element in the payments to the lessor. This service is deducted from the lease payment when measuring the lease obligation. Where the company cannot reliably separate leasing and non-leasing items, it is considered a single leasing payment.

Short leases with a maximum lease term of 12 months and leases where the underlying asset has a low value are not recognized in the balance sheet.

The lease obligation, which is recognized under "Lease liabilities", is measured at the present value of the remaining lease payments, discounted by the company's incremental loan interest rate, if the implicit interest rate is not stated in the lease agreement or can reasonably be determined. The leasing payment consist of fixed and variable leasing payments that are regulated by index or interest rate, guaranteed residual values, the exercise of purchase options and the cost of cancelling the lease. The lease obligation is subsequently adjusted if:

- The value of the index or interest rate on which the lease payments are based changes.
- There is a change in the exercise of options to extend or shorten the lease period due to a material event or material change in circumstances which are within the control of the lessee.
- The lease term is changed as a result of exercising an option to extend or shorten the lease term.
- The estimate of a residual value guarantee is changed.
- The contract is renegotiated or modified.

Subsequent adjustment of the lease obligation is recognized as a correction to the right-of-use asset. However, if the right-of-use asset has a value of DKK 0, a negative reassessment of the right-of-use asset is recognized in the income statement.

ACCOUNTING POLICIES PRIOR TO JANUARY 1, 2019

Leases concerning tangible assets in which the Group essentially carries the same risks and enjoys the same benefits that direct ownership would entail are classified as finance leases. Finance leases are recognized at the start of the lease period at the lower of the lease object's fair value and the present value of minimum lease fees. Finance leases are recognized in the balance sheet as tangible assets and financial liabilities, respectively. Future lease payments are divided between repayment of the liabilities and financial expenses whereby each accounting period is charged with an amount of interest corresponding to a fixed-interest rate on the liability recognized during the respective period. Lease assets are depreciated according to the same principles that apply to other assets of the same type. Costs for leases are divided between depreciation and interest in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Leasing of assets, where the lessor essentially remains the owner of the asset, is classified as operating lease. Lease fees are recognized on a straight-line basis during the leasing period. Operating leases are recognized in profit or loss as an operating expense. Leasing of cars and computers is normally treated as an operating lease. The value of these leases is not considered to be significant.

INVENTORIES

Inventories comprise finished and semi-manufactured products and raw materials. Inventories are valued according to the first-in, first-out (FIFO) principle, at the lower of the cost and net sales value on the balance sheet date. The net sales value comprises the estimated sales price in the ongoing operations less selling expenses. Cost of finished and semi-manufactured products are measured at manufacturing cost including raw materials, direct labour, other direct expenses and production related overheads based on normal production.

Inter-group profits on inventory is eliminated in the consolidated financial statements.

FINANCIAL INSTRUMENTS

Financial instruments recognized in the balance sheet include cash and cash equivalents, loans receivable, trade receivable and derivative instruments on the asset side. On the liability side, there are accounts and cost payable, loan liabilities and derivative instruments.

RECOGNITION IN AND DERECOGNITION FROM THE BALANCE SHEET

A financial asset or a financial liability is entered in the balance sheet when the company becomes a party in accordance with the contractual terms of the instrument. A receivable is recognized when the company has performed a service and a contractual payment obligation arises for the counterparty, even if an invoice has not been sent. Trade receivable are recognized in the balance sheet when revenue is recognized and an invoice has been sent. A liability is recognized when the counterparty has performed a service and a contractual payment obligation arises, even if an invoice has not been received. Accounts payable are recognized when a service or product has been received.

A financial asset is derecognized from the balance sheet when the rights resulting from the agreement have been realized, expire or the company loses control over them. The same applies to a part of a financial asset. A financial liability is derecognized from the balance sheet when the obligation resulting from the agreement has been realized or is extinguished in some other manner. The same applies to a part of a financial liability.

A financial asset and a financial liability may only be offset against each other and recognized net in the balance sheet if there is a legal right to offset the amounts and the intention is to settle the items in a net amount or to simultaneously sell the asset and settle the debt.

The acquisition or divestment of financial assets is recognized on the date of transaction for on demand transactions, which is the date when the company undertakes to acquire or sell the asset.

MEASUREMENT

Financial instruments that are not derivative instruments are initially recognized at cost corresponding to the instrument's fair value plus transaction costs. Transaction costs for derivative instruments are immediately expensed. On initial recognition, a financial instrument is classified on the basis of the purpose underlying the acquisition of the instrument. This classification determines how the financial instrument is measured after initial recognition, in the manner described below. For the recognition of derivative instruments, refer to cash-flow hedges below.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities in foreign currencies are valued at the balance sheet date rate. Exchange rate fluctuations pertaining to operating receivables and liabilities are recognized in operating profit, while exchange rate fluctuations pertaining to financial receivables and liabilities are recognized in net financial items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

LOANS AND TRADE RECEIVABLES

The category of loans and trade receivables comprises financial assets that are not derivative instruments, that have fixed or fixable payments and that are not listed on an active market. For TCM Group A/S, this category includes long-term financial assets and trade receivables and other receivables recognized as current assets. These assets are valued at amortized cost. Amortized cost is determined based on the effective rate calculated on the acquisition date. Loans and trade receivables are recognized at the amounts that are expected to be received, meaning less any provisions for decreases in value. Receivables with short maturities are not discounted.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash and bank balances and short-term investments with maturities not exceeding three months from the acquisition date.

FINANCIAL LIABILITIES

All transactions pertaining to financial liabilities are recognized on the settlement date. Liabilities (except for derivative instruments with negative values) are measured at amortized cost.

CASH-FLOW HEDGES, INTEREST-RATE RISK

Interest swaps can be used to hedge the uncertainty of highly probable forecasted interest-rate flows for borrowing at variable interest, whereby the company receives variable interest and pay fixed interest. Interest rate swaps are measured at fair value in the balance sheet. The interest coupon portion is continuously recognized in profit or loss as a portion of interest expense. Unrealized changes in fair value of interest rate swaps are recognized in other comprehensive income and are included as a portion of the hedging reserve until the hedged item impacted net profit for the year and as long as the criteria for hedge accounting and effectiveness are fulfilled. The gain or loss attributable to the ineffective portion of unrealized changes in value of interest rate swaps is recognized in profit or loss.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition in the balance sheet, derivate financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognized under other receivables or other payables.
Changes that are complying with requirements for hedging of future cashflow of a recognized asset or a recognized liability are recorded in the other comprehensive income statement.

IMPAIRMENT

The carrying amounts of the Group's assets are tested annually for indications of any impairment requirement. IAS 36 is applied to the impairment testing of assets other than financial assets, which are tested according to IFRS 9 inventories and deferred tax assets, if any.

IMPAIRMENT TESTING OF TANGIBLE AND INTANGIBLE ASSETS

If there is an indication of an impairment requirement, the recoverable amount of the asset is tested in accordance with IAS 36 (see below). For goodwill and assets with indefinite life e.g. brand, the recoverable amount is calculated annually. When testing for impairment requirements, if it is not possible to establish essentially independent cash flows for an individual asset, the assets must be grouped at the lowest level at which it is possible to identify essentially independent cash flows, known as cash generating units.

Impairment losses are recognized when the carrying amount of an asset or a cash generating unit (group of units) exceeds the recoverable amount. Impairment losses are charged against profit or loss. Impairment losses related to assets attributable to a cash generating unit are primarily allocated to goodwill. Subsequently, a proportional impairment of other assets included in the unit (group of units) is effected.

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating the value in use, future cash flows are discounted using a discounting factor that takes into account the risk-free interest rate and the risk associated with the specific asset or cash generating unit (group of units).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT TESTING OF FINANCIAL ASSETS
Trade receivables are recognised initially at their transaction price less allowance for expected credit losses over the lifetime of the receivable and are subsequently measured at amortised cost adjusted for changes in expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix with reference to past default experience of the debtors, adjusted for expected changes in defaults in the future based on forward looking information, if relevant. The Group has historically experienced insignificant credit losses.

Receivables, for which the Group has no reasonable expectation of recovery, are written off in part or entirely.

The allowances for expected credit losses and write-offs for trade receivables are recognised in profit or loss and included in administrative expenses.

IMPAIRMENT REVERSAL
An impairment loss on assets that come under the scope of IAS 36 is reversed if there is an indication that the impairment is no longer pertinent and that there has been a change in the assumptions upon which the calculation of the recoverable amount was based. However, an impairment loss on goodwill and brand with undefinite useful life is never reversed. A reversal is only performed to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that would have been recognized, less depreciation wherever applicable, if no impairment had been posted.

An impairment loss on loans and trade receivable recognized at amortized cost is reversed if the previous reasons for the impairment loss no longer exist and full payment can be expected to be received from the customer.

CONTINGENT LIABILITIES
A contingent liability is disclosed when the Company has a possible obligation deriving from an occurred event whose existence will be confirmed only by one or more uncertain future events, or when there is an obligation that has not been recognized as a liability or provision because it is not probable that an outflow of resources will be required, or alternatively because it is not possible to sufficiently reliably estimate the amount concerned.

SHAREHOLDERS' EQUITY
Dividends are recognized as a liability after the Annual General Meeting has approved the dividend.

STATEMENT OF CASH FLOWS
The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of businesses is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognized in the cash flow statement from the date of acquisition, and cash flows from disposed businesses are recognized up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as operating profit adjusted for non-cash operating items, changes in working capital, and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and operations and of intangible and tangible assets and other non-current assets as well as dividend received.

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, interest and payment of dividends to shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

EARNINGS PER SHARE
The calculation of earnings per share is based on consolidated net profit attributable to the Parent Company shareholders and on the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution, the average number of shares outstanding is adjusted to take into account the dilutive effects of potential ordinary shares including employee share options. The options are dilutive if the exercise price is lower than the share price. Dilution is greater, the greater the difference between the exercise price and the share price. For the options, the exercise price is added the value of future services.

EMPLOYEE BENEFITS
LONG-TERM REMUNERATION
The Group operates schemes for remuneration to employees for long service. The amount is deemed insignificant and the Group, therefore, recognizes the expense at the time of the anniversary.

The Group have a Long-term Incentive program (LTI) for the Executive Management, which is governed by the Remuneration policy. A provision is recognized for the anticipated cost of LTI bonus payments when the Group has a current legal or contractive obligation to make such payments, based on the conditions in the Remuneration policy.

SHORT-TERM REMUNERATION
Short-term remuneration to employees is calculated without discounting and is recognized as a cost when the related services are obtained. A provision is recognized for the anticipated cost of bonus payments when the Group has a current legal or contractive obligation to make such payments, based on the services being obtained from the employees and it being possible to reliably estimate the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS

FOREIGN EXCHANGE RISK
TCM Group A/S has limited currency exposure and risk and, therefore, no currency hedging was applied. Sale was in DKK and purchases were primarily in DKK and EUR. Due to the current DKK-EUR fixing, purchases were not hedged. Purchase in other currencies were DKK 3 million in 2020 (DKK 3 million).
For 2021 currency hedging against NOK was applied with DKK 46 million.

TRANSLATION EXPOSURE
The Group does not have any subsidiaries in foreign countries, why there is currently no translation exposure.

CREDIT RISK
TCM Group A/S' customer base comprises both professional customers and consumers. Credit management and payment terms are monitored for each customer group. The Group provides credit to professional customers whereas consumers usually do not get credit. Credit assessments are continuously performed on customers who make regular purchases. Credit insurance, bank guarantees and other collateral are utilized for the different markets and customer categories.

AGE ANALYSIS, TRADE RECEIVABLE	2020 DKK'000	2019 DKK'000
Trade receivables	**24,395**	**22,308**
Non-due trade receivable	20,063	18,053
Past due trade receivable 0-30 days	3,511	3,775
Past due trade receivable 30-90 days	860	721
Past due trade receivable >90 days	937	464
Total overdue	**5,308**	**4,961**
Of which secured	3,043	4,008
– Impaired	0	0
Of which unsecured	2,265	953
– Impaired	(977)	(705)
Total overdue after impairment	**4,331**	**4,256**
Impairment loss recognized in the income statement during the period	**683**	**115**

Trade receivables as of 1 January 2019 amounted to DKK 41.2 million.

Changes in impairment of trade receivables in 2020 amounted to 0.3 million and is recognized as an expence in the income statement 2020.

Actual losses on debtors in 2020 and 2019 have been immaterial in relation to the size of the Group and its activities, and no material losses are expected in 2020, why no further provisions have been made for expected losses. The provision of DKK 1.0 million constitutes 0.1% of net revenue for the year, which is considered sufficient to cover future expected losses.

FINANCIAL EXPOSURE
Bank loans with a nominal amount of DKK 20 million have a term of 5 years and expire in 2022 (DKK 10 million expiring in 2022). An extraordinary repayment of DKK 86 million was made in 2020. Borrowing costs of DKK 1.1 million are capitalized on the loans and amortized in accordance with the repayment terms stated in the loan agreements. In connection to the extraordinary repayment, capitalized borrowing cost was reversed with DKK 0.4 million.

There are covenants associated with the bank loans. There has been no breach of any covenant during the period. The interest rates on the bank loans are variable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

Mortgage loans with a nominal amount of DKK 33 million (DKK 36 million) in total have a term of 20 years and expire in 2032. The interest rates of mortgage loans are variable.

INTEREST-RATE RISK
It is group policy to fully or partially hedge interest rate risks on loans when it is assessed that the debt is material. The group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings, and by use of interest rate swap contracts. The interest rate swap expired in 2019.

For the Group's floating rate cash and cash equivalents and debt to banks, an increase in interest rate level of 1% p.a. relative to the actual interest rates would have a positive impact on the profit for the year and on equity at 31 December 2020 of DKK 0.7 million (negative DKK 0.1 million).

ASSUMPTIONS FOR ANALYSIS OF INTEREST-RATE SENSITIVITY
The stated sensitivities are calculated on the basis of the recognized financial assets and liabilities at 31 December 2020. No adjustments have been made for instalments, raising of loans, etc. during the course of the year.

The computed expected fluctuations are based on the current market situation and expectations for the market developments in the interest rate level.

CAPITAL MANAGEMENT
The Group targets a leverage ratio of max 2.25 x EBITDA. However, if acquisition opportunities arise, the Company may deviate from this policy. The leverage ratio as of 31 December 2032 is -0.23.

The Board of Directors has adopted a dividend policy with a target payout ratio of 40-60 percent of consolidated net profit for the year. The Board of Directors recommends to the Annual General Meeting that an ordinary dividend of DKK 5.50 per share, equivalent to 54% of Net profit for the year, and an extraordinary dividend of DKK 7.50 per share be declared and paid. Furthermore, the Board of Directors recommends to the Annual General Meeting the implementation of a share buy back program of up to DKK 150 million.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET
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 classification of financial instruments measured at fair value is disaggregated in accordance with the fair value hierarchy:

- Quoted prices in an active market for identical instruments (level 1)
- Quoted prices in an active market for similar assets or liabilities or other valuation methods where all significant inputs are based on observable market data (level 2)
- Valuation methods in which any significant input is not based on observable marked data (level 3)

CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS:

	2020 DKK'000	2019 DKK'000
Hedging – currency fluctuation	(787)	0
	(787)	**0**

During the financial period, the Group had no financial instruments in level 1 or 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

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.

LIQUIDITY RISK

Liquidity is controlled centrally with the aim of using available liquidity efficiently, at the same time keeping necessary reserves are available. Available liquidity comprised DKK 132 million (DKK 139 million) as of 31 December 2020. In addition, the Group has unutilised overdraft facilities, which are not included in available liquidity, totalling DKK 75 million (DKK 75 million) as of 31 December 2020.

MATURITY STRUCTURE, FINANCIAL AND OPERATIONAL LIABILITIES – UNDISCOUNTED CASH FLOWS

DKK MILLION	NOMINAL AMOUNT, FUNCTIONAL CURRENCY	0-6 MONTHS	6-12 MONTHS	1-5 YEARS	5 YEARS OR LATER	TOTAL
2020						
Bank loans	19.6	5.1	5.1	10.2	0.0	20.4
Mortgage loans	33.4	1.5	1.5	11.9	20.4	35.4
Lease liabilities	35.0	5.5	5.3	24.3	0.0	35.2
Trade payables	125.4	125.4	0.0	0.0	0.0	125.4
Other liabilities	79.4	52.3	2.9	24.2	0.0	79.4
Financial and operational liabilities at 31 December 2020		**189.9**	**14.8**	**70.7**	**23.4**	**295.8**

DKK MILLION	NOMINAL AMOUNT, FUNCTIONAL CURRENCY	0-6 MONTHS	6-12 MONTHS	1-5 YEARS	5 YEARS OR LATER	TOTAL
2019						
Bank loans	116.4	10.2	10.1	100.0	0.0	120.4
Mortgage loans	36.2	1.5	1.5	12.0	23.4	38.4
Lease liabilities	40.9	5.6	5.4	30.8	0.0	41.7
Trade payables	128.6	128.6	0.0	0.0	0.0	128.6
Other liabilities	58.0	38.7	7.0	12.3	0.0	58.0
Financial and operational liabilities at 31 December 2019		**184.6**	**24.1**	**155.2**	**23.4**	**387.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. 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.

DKK'000	REVENUE FROM CUSTOMERS 2020	INTANGIBLE AND TANGIBLE ASSETS 2020	REVENUE FROM CUSTOMERS 2019	INTANGIBLE AND TANGIBLE ASSETS 2019
GEOGRAPHIC AREAS				
Denmark	941,584	676,705	918,577	662,001
Other countries	83,004	0	88,365	0
	1,024,588	**676,705**	**1,006,942**	**662,001**

Revenue consists of sale of goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS

TOTAL COSTS FOR EMPLOYEE BENEFITS

DKK'000	2020	2019
Salaries and other remuneration	194,433	195,101
Social security costs	4,811	5,036
Pension costs – defined contribution plans	23,585	23,171
Other staff costs	168	286
Total costs for employees	**222,997**	**223,595**

The average number of employees and number of men and women among Board members and Executive Management are described in note 5.

REMUNERATION AND OTHER BENEFITS

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	TOTAL	NUMBER OF INDIVIDUALS
2020						
Board of Directors	2,188	0	16	0	2,204	5
Executive Management	4,536	2,004	344	481	7,365	2
Total	**6,724**	**2,004**	**360**	**481**	**9,569**	**7**

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	TOTAL	NUMBER OF INDIVIDUALS
2019						
Board of Directors	1,251	0	34	0	1,285	5
Executive Management	5,184	5,118	243	205	10,750	2
Total	**6,435**	**5,118**	**277**	**205**	**12,035**	**7**

Employees including the Board of Directors and Executive Management have the opportunity to buy kitchens, bathrooms and storage at a discounted price. The purchases are done indirectly through an independent store. The total value of the purchases made by the Board of Directors and Executive Management was DKK 173 thousand (DKK 157 thousand) during the year.

BOARD OF DIRECTORS

Remuneration to members of the Board of Directors is determined by resolutions taken at the Annual General Meeting.

EXECUTIVE MANAGEMENT

Executive Management, which in 2020 in average totals 2 individuals, received salaries and benefits during the fiscal year amounting to DKK 4.5 million plus variable salary portions based on results for 2020 of DKK 2.0 million.

In addition to basic salary, Executive Management has a Short-term Incentive program (STI) and a Long-term Incentive program (LTI) which is governed by the Remuneration policy. The STI for 2020 is capped at 50% of the annual basic salary and is based on annual KPIs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS (CONTINUED)

The LTI is applicable for the period 2018-2020. The LTI is cash based upon total absolute and relative shareholder return (annual target and three-year target) and earnings per share (three-year target). The LTI is capped at 50% of the annual basic salary.

5. AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD

	2020	2019
Average number of employees	483	489
Board members	5	5
Of which women	*1*	*1*
Executive Management	2	2
Of which women	*0*	*0*

Torben Paulin was appointed as new CEO 1 March 2020, when Ole Lund Andersen stepped down.

The Board of Directors consists of 5 members in total at the date of approval of these consolidated financial statements.

6. AUDIT FEE

In addition to statutory audit, Deloitte Statsautoriseret Revisionspartnerselskab, the auditors appointed at the Annual General Meeting, provides other assurance engagements and other services to the Group.

DKK'000	2020	2019
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	595	600
Other assurance engagements	0	33
Tax and indirect taxes advisory	5	5
Other services	13	99
	612	**736**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 0.0 million in 2020. In 2019, the fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 0.1 million and consited of various services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. DEPRECIATION/AMORTIZATION AND IMPAIRMENT BY FUNCTION

DKK'000	DEPRECIATION/ AMORTIZATION 2020	IMPAIRMENT 2020	DEPRECIATION/ AMORTIZATION 2019	IMPAIRMENT 2019
Cost of goods sold	9,489	0	8,345	0
Selling expenses	1,203	0	1,286	0
Administrative expenses	10,649	0	11,199	0
Total depreciation/amortization and impairment	**21,341**	**0**	**20,829**	**0**

8. NON-RECURRING ITEMS

DKK'000	2020	2019
Costs related to Covid-19	5,000	0
Costs related to production setback following a lightning strike	0	7,012
Total	**5,000**	**7,012**

Below is how the income statement (extract) would have been presented if not adjusted for non-recurring items:

DKK'000	2020	2019
Revenue	1,024,588	1,006,942
Cost of goods sold	(756,769)	(732,833)
GROSS PROFIT	**267,819**	**274,110**
Selling expenses	(78,440)	(75,043)
Administrative expenses	(54,662)	(52,623)
Other operating income	0	113
Operating profit	**134,717**	**146,558**

9. FINANCIAL INCOME AND EXPENSES

DKK'000	2020	2019
FINANCIAL INCOME		
Interest income on financial assets measured at amortized costs	54	258
Interest income on discounted subleases	215	271
FINANCIAL EXPENSES		
Interest expense on liabilities measured at amortized costs	(3,840)	(4,217)
Interest expenses on discounted lease liabilities	(425)	(513)
Total	**(3,996)**	**(4,201)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME
TAX FOR THE YEAR CAN BE SPECIFIED AS FOLLOWS:			
Current tax	28,774	(173)	28,601
Change in deferred tax during the year	(296)	0	(296)
Total	**28,477**	**(173)**	**28,304**
TAX FOR THE PREVIUS YEAR CAN BE SPECIFIED AS FOLLOWS:			
Current tax	32,353	23	32,376
Change in deferred tax during the year	(1,318)	0	(1,318)
Total	**31,035**	**23**	**31,058**

Reconciliation of the effective tax rate for the period can be specified as follows:

DKK'000	%	2020	%	2019
Tax rate	22.0	28,760	22.0	31,318
Non-deductible expenses	0.0	40	0.0	51
Other	(0.2)	(322)	(0.2)	(335)
Effective tax rate for the year	**21.8**	**28,477**	**21.8**	**31,035**

11. INTANGIBLE ASSETS

DKK'000	2020	2019
GOODWILL		
Opening carrying amount	369,796	369,796
Closing carrying amount	**369,796**	**369,796**
BRAND		
Opening carrying amount	171,961	171,961
Closing carrying amount	**171,961**	**171,961**

IMPAIRMENT TESTING OF GOODWILL AND BRAND

At the end of 2020, recognized goodwill amounted to DKK 369.8 million (DKK 369.8 million) and recognized brand amounted to DKK 172.0 million (DKK 172.0 million).

Goodwill has been allocated to cash generating unit (CGU) when the unit were acquired. TCM Group A/S has one CGU corresponding to the operating segment “Producing and selling kitchens, bathrooms and storage”, hence the acquired goodwill has been allocated here to.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

Goodwill and brand are subject to an annual impairment test by calculating the expected recoverable amount of the CGU. The recoverable amount is calculated as the expected cash flow discounted by a weighted average cost of capital (WACC) after tax for the CGU. The recoverable amount, calculated in conjunction with this, is compared with the carrying amount, including goodwill and brand, for the CGU. The starting point of the calculation is the estimated future cash flows based on the financial budget for the forthcoming fiscal year. A forecast for the next four years is prepared based on this budget and expectations regarding market trends in the years ahead, which reflects previous experience.

When calculating the expected cash flow, significant assumptions applied include expected demand, growth in net sales, operating margin and working capital requirements. Various economic indicators are used to analyse the business climate, as well as external and internal analyses of these. The assumptions are also based on the impact of the Group's long-term strategic initiatives, comprising differentiated brands, a Group-wide range, central sourcing and product development. In order to extrapolate the cash flows beyond the first five years, a growth rate of 2% (2%) is applied.

The weighted average cost of capital is calculated on the average debt/equity ratio for large companies in similar industries and costs of debt and equity. The cost of shareholders' equity is determined on the basis of the assumption that all investors require at least the same level of return as for risk-free government bonds, with an additional risk premium for the estimated risks assumed when they invest in cash generating units. The risk premium has been established based on the long-term historical return on the stock market for large companies in similar industries by taking into consideration the risk profile of the business unit. The required return on debt financed capital is also calculated on the return on risk-free government bonds and by applying a borrowing margin based on an estimated company-specific risk. The current tax rate of 22% is applied.

In 2020, the Group's weighted cost of capital before tax amounted to 8.4% (8.3%) and after tax to 6.6% (6.5%).

Testing of goodwill and brand did not lead to any impairment in 2020 or 2019. In management's assessment, likely changes in the basic assumptions will not lead to the carrying amount exceeding the recoverable amount.

OTHER INTANGIBLE ASSETS

DKK'000	2020	2019
Opening cost	49,422	49,086
Investments for the period	202	336
Closing accumulated cost	**49,624**	**49,422**
Opening amortization	40,173	31,197
Amortization for the period	7,754	8,976
Closing accumulated amortization	**47,927**	**40,173**
CLOSING CARRYING AMOUNT		
Of which:		
Software	437	429
Franchise set-up	1,260	8,820
Closing carrying amount	**1,697**	**9,249**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. TANGIBLE ASSETS

DKK'000	BUILDINGS	LAND AND LAND IMPROVEMENTS	TANGIBLE ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	MACHINERY AND OTHER TECHNICAL EQUIPMENT	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS
Opening cost at 1 January 2020	**89,195**	**6,833**	**0**	**33,112**	**11,042**
Investments for the period	5,806	0	11,855	13,373	4,875
Transfer*	0	0	0	0	(1,454)
Disposals for the period	0	0	0	(13,199)	(763)
Closing cost amount at 31 December 2020	**95,002**	**6,833**	**11,855**	**33,286**	**13,700**
Opening depreciation and impairment at 1 January 2020	9,557	0	0	13,731	5,899
Disposals for the period	0	0	0	(13,199)	(735)
Transfer*	0	0	0	0	(1,415)
Depreciation for the period	5,164	0	0	5,059	3,364
Closing depreciation and impairment at 31 December 2020	**14,722**	**0**	**0**	**5,590**	**7,112**
Closing carrying amount at 31 December 2020	**80,280**	**6,833**	**11,855**	**27,696**	**6,588**
Of which right-of-use assets					
Opening carrying amount at 1 January 2020	13,699				1,774
Investment for the period	3,024				1,919
Disposals for the period	0				(762)
Depreciation for the period	(3,408)				(1,538)
Disposals for the period	0				736
Closing carring ammount at 31 December 2020	**13,315**				**2,129**

	2020
Amounts recognized in the income statement	
Variable leasing costs that are not included in leasing liabilities	26
Cost of leases with a lease term of 12 months or less at commencement of the lease	352
	378

*Transfer refers assets held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. TANGIBLE ASSETS (CONTINUED)

DKK'000	BUILDINGS	LAND AND LAND IMPROVEMENTS	TANGIBLE ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	MACHINERY AND OTHER TECHNICAL EQUIPMENT	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS
Opening cost at 1 January 2019	**68,474**	**6,833**	**1,063**	**22,201**	**6,487**
Additions by change in accounting policy, IFRS 16	17,124	0	0	0	2,321
Investments for the period	3,058	0	0	10,386	2,576
Transfer	538	0	(1,063)	525	0
Reclassification to assets held for sale	0	0	0	0	0
Closing cost amount at 31 December 2019	**89,195**	**6,833**	**0**	**33,112**	**11,042**
Opening depreciation and impairment at 1 January 2019	4,439	0	0	9,657	3,429
Disposals for the period	0	0	0	0	(342)
Reclassification to assets held for sale	0	0	0	0	0
Closing depreciation and impairment at 31 December 2019	**9,557**	**0**	**0**	**13,731**	**5,899**
Closing carrying amount at 31 December 2019	**79,638**	**6,833**	**0**	**19,381**	**5,143**

No impairment was charged to tangible assets in 2020 or 2019.

Of which right-of-use assets		
Opening carrying amount at 1 January 2019	17,124	2,790
Investment for the period	0	1,024
Depreciation for the period	(3,425)	(2,041)
Closing carring ammount at 31 December 2019	**13,699**	**1,774**

	2019
Amounts recognized in the income statement	
Variable leasing costs that are not included in leasing liabilities	96
Cost of leases with a lease term of 12 months or less at commencement of the lease	35
	131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. INVENTORIES

DKK'000	2020	2019
Raw materials and consumables	25,359	21,754
Products in progress	17,195	12,094
Finished products	7,127	11,227
Total write-down of inventories	(1,425)	(4,870)
	48,256	**40,205**

Costs of goods sold recognized as an expense during the period are DKK 751.8 million (DKK 727.3 million) and write downs of inventory recognized as an income off-setting scrapped inventory during the period are DKK 1.3 million (expense of DKK 0.3 million), due to reversal of previous years write-down.

14. FINANCIAL ASSETS AND OTHER RECEIVABLES

DKK'000	2020	2019
FINANCIAL ASSETS		
Subleases	12,543	18,431
Deposits	695	687
Total	**13,239**	**19,118**
OTHER RECEIVABLES		
Subleases	5,888	5,711
Other receivables	17,854	17,445
Total	**23,742**	**23,156**

	2020		2019	
DKK'000	BOOK VALUE	UNDISCOUNTED VALUE	BOOK VALUE	UNDISCOUNTED VALUE
SUBLEASES ARE SPECIFIED AS FOLLOWS:				
Falling due for payment within one year	5,888	6,045	5,711	5,926
Falling due for payment within one and two years	6,068	6,166	5,888	6,045
Falling due for payment within two and three years	6,253	6,289	6,068	6,166
Falling due for payment within three and four years	222	222	6,253	6,289
Falling due for payment within four and five years	0	0	222	222
Falling due for payment later	0	0	0	0
Total	**18,432**	**18,723**	**24,142**	**24,648**

Subleases falling due for payment later than one year is presented as finansial assets. Subleases falling due for payment within one year are presented as other receivables, but are not included in the calculation of net working capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. PREPAID EXPENSES AND ACCRUED INCOME

DKK'000	2020	2019
Contract work in progress	0	968
Other prepaid expenses	438	1,497
Total	**438**	**2,465**

Contract work in progress relates to assets held for sale.

As of 1 January 2019, contract work in progress amounted to DKK 2.3 million and prepayments from customers amounted to DKK 0.7 million.

16. SHARE CAPITAL

	NO. OF REGISTERED SHARES	NO. OF SHARES OUTSTANDING	NOMINAL VALUE
As of 1 January 2020	10,000,000	10,000,000	1,000,000
As of 31 December 2020	**10,000,000**	**10,000,000**	**1,000,000**
As of 1 January 2019	10,000,000	10,000,000	1,000,000
As of 31 December 2019	**10,000,000**	**10,000,000**	**1,000,000**

Share capital amounted to nominal DKK 1,000,000. The share's nominal value is DKK 0,1.
All of the registered shares are fully paid. All shares are ordinary shares of the same type.

17. VALUE ADJUSTMENTS OF CURRENCY HEDGES

DKK'000	VALUE ADJUSTMENT OF CURRENCY HEDGES 2020	TOTAL 2020	VALUE ADJUSTMENT OF CASH FLOW HEDGES 2019	TOTAL 2019
Opening balance	**0**	**0**	**(83)**	**(83)**
Value adjustments of cash flow hedges, before tax	0	0	107	107
Tax on value adjustments of cash-flow hedges	0	0	(24)	(24)
Value adjustments of currency hedges before tax	(787)	(787)	0	0
Tax on value adjustments of currency hedges	173	173	0	0
Closing balance	**(614)**	**(614)**	**0**	**0**

HEDGING RESERVE

The fair value adjustment of unrealized gains/losses of the forward exchange contracts is adjusted in equity.

The forward exchange contracts, which have been entered into with the company's usual bank connection, cover a period 0-12 months from the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. EARNINGS PER SHARE

EARNINGS PER SHARE BEFORE DILUTION

Earnings per share before dilution are calculated by dividing profit attributable to the shareholders by the weighted average number of outstanding ordinary shares during the period.

DKK	2020	2019
Profit attributable to shareholders (DKK'000)	102,243	111,322
Weighted average number of outstanding ordinary shares before dilution	10,000,000	10,000,000
Earnings per share before dilution (DKK)	10.22	11.13

EARNINGS PER SHARE AFTER DILUTION

There are no factors that dilute the earnings per share, why it is the same as earnings per share before dilution.

19. DIVIDEND

The Board of Directors recommends to the Annual General Meeting that an ordinary dividend of DKK 5.50 per share, equivalent to 54% of Net profit for the year, and an extraordinary dividend of DKK 7.50 per share be declared and paid. Furthermore, the Board of Directores recommends to the Annual General Meeting the implementation of a share buy back program of up to DKK 150 million.

20. DEFERRED TAX

DKK'000	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET
Opening balance, 1 January 2020	0	53,516	53,516
Recognized in net profit for the year	0	(296)	(296)
Closing balance, 31 December 2020	**0**	**53,220**	**53,220**
Opening balance, 1 January 2019	0	54,835	54,835
Recognized in net profit for the year	0	(1,319)	(1,319)
Closing balance, 31 December 2019	**0**	**53,516**	**53,516**

The change in deferred tax liabilities for the period:

DEFERRED TAX LIABILITIES

DKK'000	TEMPORARY DIFFERENCES IN INTANGIBLE ASSETS	TEMPORARY DIFFERENCES IN TANGIBLE ASSETS	OTHER	TOTAL
As of 1 January 2020	**40,999**	**12,932**	**(415)**	**53,516**
Recognized in net profit for the year	(1,663)	612	755	(296)
As of 31 December 2020	**39,336**	**13,544**	**340**	**53,220**
As of 1 January 2019	**42,713**	**12,637**	**(515)**	**53,416**
Recognized in net profit for the year	(1,714)	295	100	(1,319)
As of 31 December 2019	**40,999**	**12,932**	**(415)**	**53,516**

Corporation tax-rate in Denmark for the year is 22.0%. There are no loss carryforwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. BANK LOANS AND MORTGAGE LOANS

DKK'000	2020	2019
MATURITY STRUCTURE		
Within 1 year	12,738	21,607
Between 1 and 5 years	20,587	108,794
Longer than 5 years	19,759	22,242
Total	**53,085**	**152,644**

Refer to note 2 for additional information about bank loans and mortgage loans. During 2020, an extraordinary repayment has been made on bank loans of DKK 86.0 million (DKK 11.5 million).

22. FINANCIAL ASSETS AND LIABILITIES

2020 DKK'000	DERIVATIVE HEDGING INSTRUMENTS MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	TOTAL CARRYING AMOUNT
Other long-term receivables	0	695	0	695
Trade receivable	0	24,395	0	24,395
Cash and cash equivalents	0	125,855	0	125,855
Total	**0**	**150,945**	**0**	**150,945**
Long-term interest-bearing liabilities	0	0	64,397	64,397
Current interest-bearing liabilities	0	0	23,623	23,623
Accounts payable	0	0	125,368	125,368
Long-term other liabilities	0	0	24,187	24,187
Other short-term liabilities	787	0	54,455	55,242
Total	**787**	**0**	**292,030**	**292,817**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2019 DKK'000	DERIVATIVE HEDGING INSTRUMENTS MEASURED AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT AMORTIZED COST	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	TOTAL CARRYING AMOUNT
Other long-term receivables	0	687	0	687
Trade receivable	0	22,308	0	22,308
Cash and cash equivalents	0	139,360	0	139,360
Total	**0**	**162,356**	**0**	**162,356**
Long-term interest-bearing liabilities	0	0	161,371	161,371
Current interest-bearing liabilities	0	0	32,173	32,173
Accounts payable	0	0	128,600	128,600
Long-term other liabilities	0	0	12,325	12,325
Other short-term liabilities	0	0	45,719	45,719
Total	**0**	**0**	**380,188**	**380,188**

23. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	MORTGAGE LOANS	BANK LOANS	FINANCIAL LEASE LIABILITIES	TOTAL
Opening balance, 1 January 2020	36,237	116,406	40,899	193,542
Non-cash change				
New lease liabilities	0	0	4,916	4,916
Subleases settled directly from the franchisee	0	0	(5,711)	(5,711)
Amortization of borrowing costs	0	735	0	735
	0	**735**	**(795)**	**(60)**
Financing cash flows				
Repayment of loans	(2,794)	(97,500)	(5,168)	(105,462)
	(2,794)	**(97,500)**	**(5,168)**	**(105,462)**
Closing balance, 31 December 2020	**33,443**	**19,641**	**34,936**	**88,020**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES (CONTINUED)

In 2020, the total amount of cash flows related to lease liabilities was DKK 5.9 million, of which the interest payments related to the recognized lease liabilities were DKK 0.2 million and repayments DKK 5.2 million.

DKK'000	MORTGAGE LOANS	BANK LOANS	FINANCIAL LEASE LIABILITIES	TOTAL
Opening balance, 1 January 2019	39,001	150,531	1,521	191,053
Additions by change of accounting policies, IFRS 16	*0*	*0*	*49,126*	*49,126*
Non-cash change				
New lease liabilities	*0*	*0*	*1,025*	*1,025*
Subleases settled directly from the franchisee	0	0	(5,539)	(5,539)
Amortization of borrowing costs	9	375	0	384
	9	**375**	**(4,514)**	**(4,130)**
Financing cash flows				
Repayment of loans	(2,773)	(34,500)	(5,234)	(42,507)
	(2,773)	**(34,500)**	**(5,234)**	**(42,507)**
Closing balance, 31 December 2019	**36,237**	**116,406**	**40,899**	**193,542**

24. PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

The Group has, in respect of the it's commitment to Nordea, issued a pledge ban on movable property, fixed assets and furniture in leased premises, as well as debt collateral.

For collateral for debt to mortgage lender, DKK 33.4 million (DKK 36.2 million), pledges have been given in land and buildings with a carrying amount as of 31 December 2020 amounting to DKK 74.2 million (DKK 72.8 million).

The Group has contingent liabilities pertaining to sub-contractor guarantees that arise in normal commercial operations. No significant liabilities are expected to arise through these contingent liabilities.

Guarantees related to AB92 - provisions of work and supplies within building and engineering – amount to a total of DKK 3.4 million (DKK 8.7 million).

Other bank guarantees amount in total to DKK 0.6 million (DKK 0.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale consists in 2020 of assets and liabilities related to the Svane Køkkenet store in Copenhagen, which has been sold with effect from 5 January 2021.

DKK'000	2020	2019
ASSETS HELD FOR SALE		
Tangible fixed assets	39	0
Trade receivables	3,667	0
Inventories	1,504	0
Cash and cash equivalents	5,828	0
Prepaid expenses and accrued income	747	0
Total	**11,785**	**0**
LIABILITIES HELD FOR SALE		
Prepayments from customers	4,890	0
Trade payables	1,147	0
Other liabilities	3,001	0
Total	**9,038**	**0**

26. RELATED PARTY TRANSACTIONS

RELATED PARTIES WITH A CONTROLLING INTEREST

As at 31 December 2020, there are no related parties with a controlling interest in the Company.

TRANSACTIONS BETWEEN RELATED PARTIES

During the financial period, the Group has had the following transactions with related parties:

Referring to note 4: Remuneration to Executive Management and Board of Directors.

There are no other transactions with related parties.

27. EVENTS AFTER THE BALANCE SHEET DATE

The subsidiary which owns and operate the Svane store in Copenhagen has been sold with the effect from 5 Janaury 2021.

Assets and liabilities in the company are presented in the balance as assets and liabilities held for sale.

Apart from the events recognized or disclosed in the annual report, no other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

28. COMPANIES IN THE TCM GROUP

	BUSINESS REGISTRATION NO	DOMICILE	SHARE OF EQUITY
PARANT COMPANY			
TCM Group A/S	37291269	Holstebro	
SUBSIDIARIES			
TMK A/S	75924712	Holstebro	100%
Køkkenretail ApS	32556108	Holstebro	100%
Nettoline A/S	31599555	Aulum	100%

Shareholdings in subsidiaries are unchanged compared to last year. With effect from 5 January 2021, TMK A/S sold it's subsidiary, Køkkenretail ApS.

DEFINITIONS

KEY FIGURES

Key figures and financial ratios have been defined and calculated as stated below:

Following key figures are not directly derived from the face of the income statement or balance sheet and as such are defined as follows:

Adjusted EBITDA:	Operating profit before non-recurring items (Adjusted EBIT) plus depreciation and amortization.
Adjusted EBITA:	Operating profit before non-recurring items (Adjusted EBIT) plus amortization.
Net interest-bearing debt:	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash and cash equivalents.
Net working capital:	The sum of inventories, trade receivables, other receivables (excluding subleases) and prepayments less the sum of prepayments from costumers, trade payables and other liabilities.

RATIOS:

Ratio	Calculation formula
Gross margin	Gross profit * 100 / Revenue
EBITDA margin	EBITDA * 100 / Revenue
EBITA margin	EBITA * 100 / Revenue
Adjusted EBITA margin	Adjusted EBITA * 100 / Revenue
EBIT margin	EBIT * 100 / Revenue
Solvency ratio	Equity * 100 / Balance sheet total
Leverage ratio	Net interest-bearing debt excluding tax liabilities / 12 months adjusted EBITDA (1)
NWC ratio	Net working capital (2) * 100 / 12 months revenue (1)
Capex ratio excl. acquisitions	Capex ratio excluding acquisitions is calculated as investments in tangible assets (capex) divided with revenue. Capex is exclusive investments in connection with acquisitions.
Cash conversion ratio	Cash conversion ratio is calculated as adjusted EBITDA less the change in net working capital (2) and capex excluding acquisitions divided by adjusted EBITDA. The ratio is for the last twelve months (1).

The definition and calculation formula for earnings per share before and after dilution can be found in note 18 in the consolidated financial statements.

(1) Adjustment to twelve months assumes that the acquisition of the Former TCM Group was effected on 1 January 2016.
(2) Net working capital is adjusted with assets and liabilities held for sale.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2020	2019
Revenue		5,704	8,700
Gross profit		**5,704**	**8,700**
Administrative expenses	2, 3	(14,041)	(14,991)
Operating loss before non-recurring items		**(8,337)**	**(6,291)**
Non-recurring items		0	0
Operating loss		**(8,337)**	**(6,291)**
Dividend from subsidiaries		100,000	80,000
Financial income	4	165	36
Financial expenses	4	(2,662)	(2,974)
Profit before tax		**89,166**	**70,771**
Tax for the year	5	2,384	2,024
Net profit for the year		**91,550**	**72,795**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Value adjustments of cash-flow hedges before tax		0	107
Tax on value adjustments of cash-flow hedges		0	(23)
Other comprehensive income for the year		**0**	**83**
Total comprehensive income		**91,550**	**72,878**

BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	6	496,756	496,756
Financial non-current assets		**496,756**	**496,756**
Total non-current assets		**496,756**	**496,756**
CURRENT ASSETS			
Receivables from subsidiaries		5,350	6,810
Deferred tax assets		78	77
Tax receivables		5,050	2,482
Prepaid expenses and accrued income		291	1,401
Total current assets		**10,768**	**10,769**
Cash and cash equivalents		2,857	13,803
Total current assets		**13,625**	**24,572**
Total assets		**510,381**	**521,328**
EQUITY AND LIABILITIES			
Share capital		1,000	1,000
Retained earnings		353,427	339,377
Proposed dividend for the financial year		130,000	52,500
Total equity		**484,427**	**392,877**
Bank loans	7	9,715	97,615
Other payables		4,878	4,878
Total long-term liabilities		**14,593**	**102,493**
CURRENT LIABILITIES			
Bank loans	7	9,925	18,791
Trade payables		267	3,038
Other payables		1,168	4,128
Total current liabilities		**11,360**	**25,957**
Total liabilities		**25,954**	**128,451**
Total equity and liabilities		**510,381**	**521,328**

CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	VALUE ADJUSTMENTS OF CASH FLOW HEDGES	RETAINED EARNINGS	PROPOSED DIVIDEND	TOTAL
Opening balance 01.01.2020	**1,000**	**0**	**339,377**	**52,500**	**392,877**
Reversed proposed dividend*	0	0	52,500	(52,500)	0
Net profit for the year	0	0	(38,450)	130,000	91,550
Total comprehensive income for the year	**0**	**0**	**(38,450)**	**130,000**	**91,550**
Dividend paid*	0	0	0	0	0
Closing balance 31.12.2020	**1,000**	**0**	**353,427**	**130,000**	**484,427**
Opening balance 01.01.2019	**1,000**	**0**	**236,799**	**47,500**	**285,299**
Net profit for the year	0	0	20,295	52,500	72,795
Other comprehensive income for the year	0	83	0	0	83
Total comprehensive income for the year	**0**	**83**	**20,295**	**52,500**	**72,878**
Additions in connection with merger	0	(83)	82,283	0	82,200
Dividend paid	0	0	0	(47,500)	(47,500)
Closing balance 31.12.2019	**1,000**	**0**	**339,377**	**52,500**	**392,877**

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

CASH FLOW STATEMENT

DKK'000	NOTE	2020	2019
OPERATING ACTIVITIES			
Operating loss		(8,337)	(6,291)
Income tax paid		(31,157)	(35,379)
Change in operating receivables		33,543	43,303
Change in operating liabilities		(5,732)	2,767
Cash flow from operating activities		**(11,683)**	**4,400**
Dividend received		100,000	80,000
Cash flow from investing activities		**100,000**	**80,000**
Interest paid		(1,763)	(2,563)
Repayment of loans	8	(97,500)	(34,500)
Dividend paid		0	(47,500)
Cash flow from financing activities		**(99,263)**	**(84,563)**
Cash flow for the year		**(10,946)**	**(163)**
Cash at start of year		13,803	6,689
Additions by merger *		0	7,277
Cash flow for the year		(10,946)	(163)
Cash at end of year		**2,857**	**13,803**

* Additions by merger relates to cash and cash equivalents acquired in connection with the merger with TCM Group Invest ApS as of 1 January 2019.

NOTES TO THE PARENT FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Determining the carrying amount of certain assets and liabilities requires an estimate of how future events will affect the value of those assets and liabilities at the balance sheet date. Estimates that are significant to the Parent's financial reporting are made, for instance, related to valuation of investments in subsidiaries, which constitute a major share of the Parent's total assets.

Subsidiaries are tested for impairment if events or other circumstances indicate that the carrying amount is not recoverable. Measuring subsidiaries requires significant estimates to be made when making different assumptions, including expected future cash flows, discount rate and terminal value growth rates. The sensitivity to changes in the assumptions applied collectively and individually – may be significant.

Particular estimation uncertainties and judgements made in respect of the Group is discussed in note 1 to the consolidated financial statements.

2. STAFF COSTS

DKK'000	2020	2019
TOTAL COSTS FOR EMPLOYEE BENEFITS		
Salaries and other remuneration	8,728	11,553
Social security costs	16	34
Pension costs – defined contribution plans	481	205
Total costs for employees	**9,225**	**11,792**

REMUNERATION AND OTHER BENEFITS

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION COSTS	TOTAL	NUMBER OF INDIVIDUALS
2020						
Board of Directors	2,188	0	16	0	2,204	5
Executive Management	4,536	2,004	0	481	7,021	2
Total	**6,724**	**2,004**	**16**	**481**	**9,225**	**7**
2019						
Board of Directors	1,251	0	34	0	1,285	5
Executive Management	5,184	5,118	0	205	10,507	2
Total	**6,434**	**5,118**	**34**	**205**	**11,792**	**7**

Refering to note 4 of the consolidated financial statement for description of the Short-term Incentive program (STI) and Long-term Incentive program (LTI).

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

3. AUDIT FEE

In addition to statutory audit, Deloitte Statsautoriseret Revisionspartnerselskab, the auditors appointed at the Annual General Meeting, provides other assurance engagements and other services to the Group.

DKK'000	2020	2019
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	150	155
Other assurance engagements	0	18
Other services	0	35
	150	**208**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 0 thousand in 2020. In 2019, the fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 53 thousand and consisted of various services.

4. FINANCIAL INCOME AND EXPENSES

DKK'000	2020	2019
FINANCIAL INCOME		
Interest income from subsidiaries	165	36
FINANCIAL EXPENSES		
Interest expense on liabilities measured at amortized costs	(2,662)	(2,974)
Total	**(2,497)**	**(2,938)**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

5. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHENSIVE INCOME	TOTAL COMPREHENSIVE INCOME
Tax for the year can be specified as follows:			
Current tax	2,384	0	2,384
Total	**2,384**	**0**	**2,384**
Tax for the previous year can be specified as follows:			
Current tax	2,024	(23)	2001
Total	**2024**	**(23)**	**2001**

Reconciliation of the effective tax rate for the year can be specified as follows:

DKK'000	%	2020	%	2019
Tax rate	22.0	19,616	22.0	15,570
Non-taxable income	(22.0)	(22,000)	(24.9)	(17,600)
Non-deductible expenses	0.0	1	0.0	7
Effective tax rate for the year	**0.0**	**(2,383)**	**(2.9)**	**(2,023)**

6. INVESTMENTS IN SUBSIDIARIES

DKK'000	2020	2019
INVESTMENTS IN SUBSIDIARIES		
Cost at start of year	496,756	314,558
Additions by merger	0	182,198
Cost at end of year	496,756	496,756
Carrying amount at end of year	**496,756**	**496,756**

Investments in subsidiaries comprise:

TMK A/S, 100%

Refer to note 28 of the consolidated financial statements for a list of all companies in the TCM Group.

With effect from 1 January 2019, TCM Group A/S was merged with its subsidiary, TCM Group Invest ApS, with TCM Group A/S as the continuing company.

The carrying amount of the Parent's investments in subsidiaries is tested for impairment if an indication of impairment exists. There has not been identified any indication of impairment.

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

7. BANK LOANS

DKK'000	2020	2019
MATURITY STRUCTURE		
Within 1 year	9,925	18,792
Between 1 and 5 years	9,715	97,615
Longer than 5 years	0	0
Total	**19,640**	**116,407**

8. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	BANK LOANS	TOTAL
Opening balance, 1 January 2020	116,406	116,406
Non-cash change		
Amortization of borrowing costs	735	735
	735	**735**
Financing cash flows		
Repayment of loans	(97,500)	(97,500)
	(97,500)	**(97,500)**
Closing balance, 31 December 2020	**19,641**	**19,641**
Opening balance, 1 January 2019	39,703	39,703
Additions by merger	110,828	110,828
Non-cash change		
Amortization of borrowing costs	375	375
	375	**375**
Financing cash flows		
Repayment of loans	(34,500)	(34,500)
	(34,500)	**(34,500)**
Closing balance, 31 December 2019	**116,406**	**116,406**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

9. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

The Company has, in respect of the Group's commitment to Nordea, issued a pledge ban on movable property, fixed assets and furniture in leased premises, as well as debt collateral.

TCM Group A/S is the management company in the Danish joint taxation. Consequently, refering to the Danish Corporation Tax Act regulations, TCM Group A/S is, with effect from the financial year 2016, liable for any income taxes, etc. for the jointly taxed companies, and TCM Group A/S is likewise liable for any obligations to withhold tax at source on interests, royalities and returns for the jointly taxed companies.

10. RELATED PARTIES

For specification of related parties refer to note 26 and 28 of the consolidated financial statements.

Referring to note 4 of the consolidated financial statements: Remuneration to Executive Management and Board of Directors.

Management fee from subsidiaries in the financial year amounts to DKK 5.7 million (DKK 8.7 million).

Intergroup transactions are carried out on arm's length principles.

Aside from this, no transactions with the Executive Management or major shareholders or other related parties have been made during the year.

11. EVENTS AFTER THE BALANCE SHEET DATE

Apart from the events recognized or disclosed in the annual report, no other events have occurred after the balance sheet date to this date which would influence the evaluation of the annual report.

12. ACCOUNTING POLICIES

These parent financial statements are prepared under the historical cost convention and presented in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Accounting policies are unchanged compared to last year.

DESCRIPTION OF ACCOUNTING POLICIES APPLIED
Compared with the accounting policies described for the consolidated financial statements (see note 1 to the consolidated financial statements), the accounting policies applied by the Parent are different in the following:

DIVIDEND INCOME
Distribution of profits accumulated by subsidiaries is taken to income in the Parent's income statement in the financial year in which the dividend is declared. If an amount is distributed exceeding the subsidiary's comprehensive income for the year, then an impairment test is performed.

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

12. ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN SUBSIDIARIES
Investments in subsidiaries are measured at cost in the parent financial statements. If an indication of impairment exists, then an impairment test is performed as described in the accounting policies for the consolidated financial statements. If the carrying amount exceeds the recoverable amount, investments are written down to such lower amount.

If distribution is made from reserves other than accumulated profits of subsidiaries, such distribution will reduce the cost of the investments if the distribution is in the nature of a repayment of the Parent's investment.

13. FINANCIAL RISKS

TRANSLATION EXPOSURE
The Company does not have any subsidiaries in foreign countries, why there is no translation exposure.

CREDIT RISK
The Company does not have any external activities. No material credit risk have been identified.

FINANCIAL EXPOSURE
Bank loan with a nominal amount of DKK 19.6 million have a term of 5 years and expire in 2022 (DKK 9 million expiring in 2022). Borrowing cost of DKK 0.4 million is capitalized on the loan and amortized in accordance with the repayment terms stated in the loan agreements.

There are covenants associated with the bank loan. There has been no breach of any covenant during the year. The interest rate on the bank loan is variable.

INTEREST-RATE RISK
It is group policy to fully or partially hedge interest rate risks on loans when it is assessed that the debt is material. The group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings, and by use of interest rate swap contracts.

For the Company's floating rate cash and cash equivalents and debt to banks, an increase in interest rate level of 1% p.a. relative to the actual interest rates would have a negative impact on the profit for the year and on equity at 31 December 2020 of DKK 0.2 million (DKK 1.0 million).

ASSUMPTIONS FOR ANALYSIS OF INTEREST-RATE SENSITIVITY
The stated sensitivities are calculated on the basis of the recognized financial assets and liabilities at 31 December 2020. No adjustments have been made for instalments, raising of loans, etc. during the course of the year.

The computed expected fluctuations are based on the current market situation and expectations for the market developments in the interest rate level.

CAPITAL MANAGEMENT
The Group targets a leverage ratio of max 2.25 x EBITDA. However, if acquisition opportunities arise, the Company may deviate from this policy. The leverage ratio as of 31 December 2020 is -0.23.

The Board of Directors has adopted a dividend policy with a target payout ratio of 40-60 percent of consolidated net profit for the year. The Board of Directors recommends to the Annual General Meeting that an ordinary dividend of DKK 5.50 per share, equivalent to 54% of Net profit for the year, and an extraordinary dividend of DKK 7.50 per share be declared and paid. At the general meeting on 11 June 2020, it was concluded that no dividend were to be destributed regarding the financial year 2019.

LIQUIDITY RISKS
Liabilities are expected to be repaid in the 2021 financial year except bank debt falling due in accordance with note 8.

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Management have today considered and approved the annual report for the period 1 January 2020 – 31 December 2020. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2020 as well as of the results of their operations and the consolidated cash flows for the period 1 January 2020 – 31 December 2020.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the period and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

Holstebro, 24 February 2021

EXECUTIVE MANAGEMENT

Torben Paulin
Chief Executive Officer

Mogens Elbrønd Pedersen
Chief Financial Officer

BOARD OF DIRECTORS

Sanna Mari Suvanto-Harsaae
Chairman

Anders Tormod Skole-Sørensen
Deputy Chairman

Carsten Bjerg

Søren Mygind Eskildsen

Danny Feltmann Espersen

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TCM GROUP A/S

OPINION

We have audited the consolidated financial statements and the parent financial statements of TCM Group A/S for the financial year 01.01.2020 – 31.12.2020, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020, and of the results of their operations and cash flows for the financial year 01.01.2020 – 31.12.2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

TCM Group A/S was listed on Nasdaq OMX Copenhagen upon completion of the initial public offering on 24 November 2017 from which date TCM Group A/S became a Public Interest Entity. We have been reappointed by decision of the Annual General Meeting for a total continuous engagement period of four years up to and including the financial year 2020.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 01.01.2020 – 31.12.2020. We have determined that there are no key audit matters to communicate in our report.

STATEMENT ON THE MANAGEMENT REVIEW

Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 24 February 2021

DELOITTE
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Vedel State-Authorised Public Accountant Identification No (MNE) mne10052	Kåre Kansonen Valtersdorf State-Authorised Public Accountant Identification No (MNE) mne34490