TCM Group

Management's review

Interim report Q4 2017 (January 1 - December 31)

(All figures in brackets refer to the corresponding period in 2016)

Financial highlights Q4

- Net sales up 32.5% to DKK 215.0 million (DKK 162.3 million), positively impacted by 15.3% from the acquisition of Nettoline and 17.1% from organic net sales growth.
- Adjusted EBITA up DKK 11.3 million to DKK 39.3 million (DKK 28.0 million), corresponding to an adjusted EBITA margin of 18.3% (17.3%)
- Non-recurring items had a negative impact of DKK 12.6 million (DKK 0.3 million) primarily related to costs related to the Initial Public Offering of the company and integration of Nettoline.
- EBIT down DKK 0.9 million to DKK 24.9 million (DKK 25.8 million), corresponding to an EBIT margin of 11.6% (15.9%)
- Free cash flow excl. acquisitions of operations was DKK 31.4 million (DKK 45.6 million)
- Cash conversion ratio was 110.0%
- Profit for the period down 30.5% to DKK 12.3 million (DKK 17.7 million)

Financial highlights 2017

- Net sales up 36.3% to DKK 817.3 million (DKK 599.7 million pro forma), positively impacted by 18% from the acquisition of Nettoline and 18.3% from organic net sales growth.
- Adjusted EBITA up DKK 36.5 million to DKK 122.8 million (DKK 86.2 million pro forma), corresponding to an adjusted EBITA margin of 15.0% (14.4% pro forma)
- Non-recurring items had a negative impact of DKK 34.3 million (DKK 18.7 million) primarily related to costs related to the Initial Public Offering of the company and acquisitioin and integration of Nettoline.
- EBIT up DKK 20.9 million to DKK 80.9 million (DKK 60.0 million pro forma), corresponding to an EBIT margin of 9.9% (10.0% pro forma)
- Financial guidance for the financial year 2018 is expected to be in the range DKK 870-900 million in net sales and adjusted EBITA in the range DKK 130-140 million, translating into an EBIT in the range DKK 120-130 million.

Please see attached 2017 Annual Report for further details about the full-year 2017.

2017 was a strong year for TCM Group

"2017 was a strong year for TCM Group and we exceeded our guidance in terms of revenue and adjusted EBITA. Sales increased organically by around 18%, meaning the we again gained market share in a growing market. For 2018 we expect to continue to grow sales as well as earnings," says CEO Ole Lund Andersen

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Key figures and ratios

DKK million	Q4 2017	Q4 2016	FY 2017	FY 2016*	FY 2016 Pro Forma*
Income statement					
Revenue	**215.0**	**162.3**	**817.3**	**508.5**	**599.7**
Gross profit	67.3	51.2	231.1	155.0	179.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	28.7	29.5	97.1	66.9	75.2
Adjusted EBITDA	41.3	29.8	131.4	85.6	93.9
Earnings before interest, tax and amortisation (EBITA)	26.8	27.7	88.5	60.5	67.5
Adjusted EBITA	**39.3**	**28.0**	**122.8**	**79.2**	**86.2**
Operating profit (EBIT)	**24.9**	**25.8**	**80.9**	**54.2**	**60.0**
Profit before tax	17.8	23.2	66.7	41.0	45.1
Net profit for the period	12.3	17.7	48.0	28.5	31.7
Balance sheet					
Total assets	805.5	795.8	805.5	795.8	795.8
Net working capital (NWC)	-80.8	-59.3	-80.8	-59.3	-59.3
Net interest-bearing debt (NIBD)	225.8	170.6	225.8	170.6	170.6
Equity	304.8	339.9	304.8	339.9	339.9
Cash Flow					
Free cash flow excl. acquisitions of operations	31.4	45.6	99.8	79.8	75.8
Cash conversion, %	110.0%		110.0%		
Growth ratios (FY 2017 against FY 2016 pro forma)					
Revenue growth, %	32.5%		36.3%		
Gross profit growth, %	31.5%		29.1%		
Adjusted EBITA growth, %	40.2%		42.4%		
EBIT growth, %	-3.5%		34.9%		
Net profit growth, %	-30.5%		51.3%		
Margins					
Gross margin, %	31.3%	31.5%	28.3%	30.5%	29.9%
EBITDA margin, %	13.3%	18.2%	11.9%	13.2%	12.5%
Adjusted EBITA margin, %	18.3%	17.3%	15.0%	15.6%	14.4%
EBIT margin, %	11.6%	15.9%	9.9%	10.7%	10.0%
Other ratios					
Solvency ratio, %	37.8%	42.7%	37.8%	42.7%	42.7%
NWC ratio, %	-9.9%		-9.9%		-9.9%
Capex ratio excl. acquisitions, %	1.5%		1.0%		0.7%
Share information					
Earnings per share before dilution, DKK	1.23	1.77	4.80	3.19	3.55
Earnings per share after dilution, DKK	1.18	1.72	4.51	3.16	3.52

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

* The income statement FY 2016 covers the financial year 2016 (9 December 2015 – 31 December 2016), but only include 10 months of business activity following the acquisition of TCM Group A/S as at 1 March 2016. Proforma figures includes business activity from 1 January 2016 to cover the full period (see description of the Group on page 5).

Business review

Net sales in Q4 2017 rose 32.5% to DKK 215.0 million (DKK 162.3 million), positively impacted by the acquisition of Nettoline per 1 January. Organic growth was 17.1% in the quarter.

TCM Group's primary market is Denmark. Net sales in Denmark were DKK 190.5 million (DKK 128.7 million), with an organic growth of 17.1%. The total market for kitchen and related products in Denmark developed positively during Q4 2017 compared to same period 2016. We estimate a market increase of 5-7%.

Net sales in Other countries were DKK 24.6 million (DKK 11.8 million), up 108.4% primarily due to the acquisition of Nettoline. Organic growth was 17.2%.

At the end of Q4 2017, the total number of Svane and Tvis branded stores was 60 (62).

Total number of employees at the end of Q4 2017 was 442 (333). The increase in number of employees was primarily due to the acquisition of Nettoline, which had 51 employees at the acquisition date, and increased manning in production to increase capacity to support the revenue growth.

Other events in Q4 2017

The integration of Nettoline including optimization of the supply chain setup led to a merger of Nettoline A/S and Concepta Skabe A/S and the closure of the the Concepta production site in Horsens on 1 October 2017.

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

On 3 October 2017, the production site in Horsens was sold with effect from 15 January 2018. The sale of the site impacted EBIT with a non-recurring loss of DKK 7 million, which was recognized in Q3 under non-recurring items.

On 24 November 2017, TCM Group A/S finalized the Initial Public Offering with the first day of trading on Nasdaq Copenhagen. In connection with the Initial Public Offering, the share option program was net cash settled impacting Net Interest Bearing Debt with DKK 86 million.

Events after the reporting period

As noted above, the sale of the site in Horsens was effectuated on 15 January 2018. The sale of the site will reduce Net Interest Bearing Debt with DKK 17 million in 2018.

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

Financial targets

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

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

The guidance is based on the expectation that the Danish market will continue to develop positively in 2018 however with an expected lower growth rate compared to 2017 in the level of 2-3%.

Forward looking statements

This interim report contains statements relating to the future, including statements regarding TCM Group's future operating results, financial position, cash flows, business strategy and plans for the future. The statements are based on management's reasonable expectations and forecasts at the time of the disclosure of the report. Any such statements are subject to risks and uncertainties, and a number of different factors, many of which are beyond TCM Group's control, could mean that actual performance and actual results will differ significantly from the expectations expressed in this interim report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive matters, supplier issues and financial issues.

Significant risks in the Group

TCM Group is exposed to strategic, operating and financial risks, which are described in the management review and note 2 of the 2017 Annual Report prepared in accordance with IFRS.

Financial review

The Group

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

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

Net sales

Net sales in Q4 2017 were up 32.5% to DKK 215.0 million (DKK 162.3 million), positively impacted by the acquisition of Nettoline per 1 January 2017.

Sales increased organically by 17.1%. Nettoline generated sales of DKK 24.9 million in the fourth quarter.

Sales to Denmark in Q4 2017 were up 26.5% to DKK 190.5 million (DKK 150.5 million) and sales to other countries in Q4 2017 were up 108.4% to DKK 24.6 million (DKK 11.8 million).

Sales for the financial year 2017 were up 36.3% to DKK 817.3 million (508.5 million, DKK 599.7 million pro forma). Sales increased organically by 18.3%. Nettoline generated sales of DKK 107.9 million in the financial year 2017.

Gross profit

Gross profit in Q4 2017 was DKK 67.3 million (DKK 51.2 million), corresponding to a gross margin of 31.3% (31.5%). The gross margin was negatively affected by the higher growth within the B2B market, Nettoline having a lower gross margin historically and the divestment of the Svane store in Lyngby in Q2 2017. This was offset partly by a favorable impact from synergies related to the integration of Nettoline.

Gross profit in 2017 was DKK 231.1 million (DKK 155.0 million, DKK 179.0 million pro forma), corresponding to a gross margin of 28.3% (30.5%, 29.9% pro forma).

Operating expenses

Operating expenses in Q4 2017 were DKK 29.9 million (DKK 25.1 million). The increase in operating expenses of DKK 4.9 million were primarily due to the acquisition of Nettoline. Operating expenses represented 13.9% of revenue in Q4 2017 (15.4%) due to a positive scale effect.

Operating expenses in 2017 were DKK 116.0 million (DKK 82.1 million, DKK 100.4 million pro forma). The increase in operating expenses of DKK 15.6 million was primarily due to the acquisition of Nettoline. Operating expenses represented 14.2% of revenue in 2017 (16.1%, 16.7% pro forma).

Adjusted EBITA

Adjusted EBITA in Q4 2017 was DKK 39.3 million (DKK 28.0 million), corresponding to an adjusted EBITA margin of 18.3% (17.3%). The adjusted EBITA was positively affected by a lower operating expense ratio offset by the lower gross margin. The divestment of the Svane store in Lyngby had no significant impact on adjusted EBITA.

Adjusted EBITA in 2017 was DKK 122.8 million (DKK 79.2 million, DKK 86.2 million pro forma), corresponding to an adjusted EBITA margin of 15.0% (15.6%, 14.4% pro forma).

Non-recurring items

TCM Group presents non-recurring items separately to ensure comparability. Non-recurring items consist of income and expenses that are special and of a non-recurring nature. In 2016 and 2017, non-recurring items included amortization of order backlog and transaction costs related to business combinations, costs related to the Initial Public Offering (IPO) of the company, costs related to the integration of Nettoline (including the merger of two production sites) and impairment of assets held for sale related to the shutdown of a production site, and are specified below:

	Q4		**12 months[1]**	
Non-recurring items, DKK m	**2017**	**2016**	**2017**	**2016**
Amortization of order backlog from business combinations	0.0	0.0	0.4	5.5
Transaction costs related to business combinations	0.0	0.3	0.8	13.2
Costs related to the Initial Public Offering of the Company	8.8	0.0	16.7	0.0
Costs related to integration of Nettoline	3.7	0.0	9.1	0.0
Impairment of assets held for sale related to site shutdown	0.0	0.0	7.2	0.0
Non-recurring items, total	**12.6**	**0.4**	**34.3**	**18.7**

[1] The 12 months period in 2016 covers the period 9 December 2015 to 31 December 2016.

EBIT

EBIT in Q4 2017 decreased to DKK 24.9 million (DKK 25.8 million). The decrease was primarily due to a high level of non-recurring items off-setting the profit impact from the increase in revenue.

EBIT for the financial year 2017 increased to DKK 80.9 million (DKK 54.2 million, DKK 60.0 million pro forma). The increase was primarily due to an increase in revenue and the acquisition of Nettoline off-set by an increase in non-recurring costs.

Net profit

Net profit in Q4 2017 decreased to DKK 12.3 million (DKK 17.7 million). The decrease was primarily due to an decrease in EBIT and by increase in financial expenses due to the reversal of capitalized loan cost related to former credit facility agreement.

Net profit for the financial year 2017 increased to DKK 48.0 million (DKK 28.5 million, DKK 31.7 million pro forma). The increase was primarily due to an increase in EBIT off-set by increase in financial expenses due to the amortization of capitalized loan cost related to former credit facility agreement.

Free cash flow excl. acquisitions of operation and cash conversion

Free cash flow excl. acquisitions in Q4 2017 was DKK 31.4 million (DKK 45.6 million). The decrease in cash flow in Q4 2017 was primarily due to higher tax payments of DKK 27.0 million (DKK 12.0 million). Cash conversion in Q4 2017 was 110.0%.

Free cash flow excl. acquisitions for 2017 was DKK 99.8 million (DKK 79.8 million, DKK 75.8 million pro forma). The increase in cash flow for 2017 was primarily due to higher operating profit.

Net working capital

Net working capital at the end of Q4 2017 was DKK -80.8 million (DKK -59.3 million). NWC ratio at the end of Q4 2017 was -9.9% and on par with last year despite the acquisition of Nettoline, which had a NWC ratio of 5% when acquired by TCM Group.

	End of Q4	
DKK million	**2017**	**2016**
Inventory	34.5	29.1
Trade and other receivables	51.0	38.6
Trade and other payables	(166.3)	(127.0)
Net working capital	**(80.8)**	**(59.3)**
NWC ratio	**(9.9)%**	**(9.9)%**

The increase in inventory of DKK 5.4 million was primarily due to the acquisition of Nettoline.

The increase in trade and other receivables of DKK 12.4 million was primarily due to the organic revenue growth and the acquisition of Nettoline.

The increase in trade and other payables of DKK 39.3 million was primarily due to the acquisition of Nettoline, the higher activity level as well as improved payment terms with suppliers.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 225.8 million at the end of Q4 2017 (DKK 170.6 million). The increase in net interest-bearing debt was due to the cash settlement of warrants of DKK 86.5 million in connection with the IPO and the acquisition of Nettoline off-set by net profit for the period. The leverage ratio measured as net interest bearing debt excluding tax liabilities divided with adjusted EBITDA LTM end of Q4 2017 was 1.72. TCM Group targets a leverage ratio of maximum 2.25.

Equity

Equity at the end of Q4 2017 amounted to DKK 304.8 million (DKK 339.9 million). The equity decreased by DKK 35.1 million since 1 January 2017, primarily affected by the cash settlement of warrants of DKK 86.5 million in connection with the IPO off-set by net profit for the period. No dividend has been distributed during the period. The solvency ratio was 37.8% at the end of Q4 2017 (42.7%).

On 15 September 2017 a capital increase of DKK 0.9 million was made by converting free reserves to share capital. The share capital subsequently amounts to DKK 1.0 million.

Additional information

Financial calendar

The financial year covers the period 1 January – 31 December, and the following dates have been fixed for releases etc. in the financial year 2018:

12 April 2018	Annual General Meeting
9 May 2018	Interim report Q1 2018
15 August 2018	Interim report Q2 2018
7 November 2018	Interim report Q3 2018

About TCM Group A/S

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

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

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

Company information

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Consolidated interim financial statements

Consolidated income statement

DKK m	Note	Q4 2017	Q4 2016	12 months[1] 2017	12 months[1] 2016
Revenue	2	215.0	162.3	817.3	508.5
Cost of goods sold		(147.7)	(111.1)	(586.2)	(353.5)
Gross profit		**67.3**	**51.2**	**231.1**	**155.0**
Selling expenses		(19.2)	(14.2)	(69.8)	(50.3)
Administrative expenses		(10.8)	(10.8)	(46.2)	(31.9)
Other operating income		0.0	0.0	0.1	0.0
Operating profit before non-recurring items		**37.4**	**26.2**	**115.2**	**72.9**
Non-recurring items	3	(12.6)	(0.3)	(34.3)	(18.7)
Operating profit		**24.9**	**25.8**	**80.9**	**54.2**
Financial income		0.2	0.1	0.3	0.2
Financial expenses		(7.4)	(2.7)	(14.4)	(13.5)
Profit before tax		**17.8**	**23.2**	**66.7**	**41.0**
Tax for the period		(5.4)	(5.5)	(18.7)	(12.5)
Net profit for the period		**12.3**	**17.7**	**48.0**	**28.5**
Earnings per share before dilution, DKK		1.23	1.77	4.80	3.19
Earnings per share after dilution, DKK		1.18	1.72	4.51	3.16

[1] The 12 months period in 2016 covers the period 9 December 2015 to 31 December 2016.

Consolidated statement of comprehensive income

DKK m	Q4 2017	Q4 2016	12 months[1] 2017	12 months[1] 2016
Net profit for the period	12.3	17.7	48.0	28.5
Other comprehensive income				
Items that are or may be reclassified subsequent to profit or loss				
Value adjustments of cash-flow hedges before tax	0.1	0.3	0.1	(0.6)
Tax on value adjustments of cash-flow hedges	0.0	(0.1)	0.0	0.1
Other comprehensive income for the period	**0.0**	**0.3**	**0.0**	**(0.5)**
Total comprehensive income for the period	**12.4**	**18.0**	**48.0**	**28.0**

[1] The 12 months period in 2016 covers the period 9 December 2015 to 31 December 2016.

Consolidated balance sheet

DKK m	Note	End of 2017	2016
ASSETS			
Intangible assets			
Goodwill	5	369.8	315.8
Brand		172.0	172.0
Other intangible assets		26.8	35.5
		568.6	**523.3**
Tangible assets			
Land and buildings		70.0	94.4
Tangible assets under construction and prepayments		0.2	1.7
Machinery and other technical equipment		12.1	9.0
Equipment, tools, fixtures and fittings		2.6	2.5
	5	**84.9**	**107.6**
Financial assets		0.7	0.7
Total non-curent assets		**654.3**	**631.5**
Inventories		**34.5**	**29.1**
Current receivables			
Trade receivables		35.1	32.5
Other receivables		12.3	5.0
Prepaid expenses and accrued income		3.6	1.2
		51.0	**38.6**
Cash and cash equivalents		49.2	96.6
Assets held for sale	4	16.6	0.0
Total current assets		**151.3**	**164.3**
Total assets		**805.5**	**795.8**

Consolidated balance sheet

DKK m	End of 2017	2016
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	1.0	0.1
Value adjustments of cash flow hedges	(0.4)	(0.5)
Retained earnings	304.2	340.3
Total shareholders' equity	**304.8**	**339.9**
Deferred tax	58.9	61.2
Mortgage loans	39.0	55.4
Bank loans	196.1	165.1
Total long-term liabilities	**294.1**	**281.7**
Mortgage loans	16.4	3.7
Bank loans	23.1	39.1
Prepayments from customers	2.2	5.2
Trade payables	117.2	84.8
Current tax liabilities	0.4	3.9
Derivative instruments	0.6	0.6
Other liabilities	46.3	36.7
Deferred income	0.6	0.3
Total short-term liabilities	**206.7**	**174.2**
Total shareholders' equity and liabilities	**805.5**	**795.8**

Change in consolidated shareholders' equity

	Share capital DKK m	Value adjustments of Cash flow hedges after tax DKK m	Retained earnings DKK m	Total DKK m
Opening balance 09.12.2015, incorporation	**0.1**	**0.0**	**0.0**	**0.1**
Net profit for the period	0.0	0.0	28.5	28.5
Other comprehensive income for the period	0.0	(0.5)	0.0	(0.5)
Total comprehensive income for the period	**0.0**	**(0.5)**	**28.5**	**28.0**
Share-based payments	0.0	0.0	2.1	2.1
Capital increase	0.1	0.0	309.6	309.6
Closing balance 31.12.2016	**0.1**	**(0.5)**	**340.3**	**339.9**
Opening balance 01.01.2017	**0.1**	**(0.5)**	**340.3**	**339.9**
Net profit for the period	0.0	0.0	48.0	48.0
Other comprehensive income for the period	0.0	0.0	0.0	0.0
Total comprehensive income for the period	**0.0**	**0.0**	**48.0**	**48.0**
Share-based payments	0.0	0.0	3.3	3.3
Bonus issue	0.9	0.0	(0.9)	0.0
Cash settlement of warrants	0.0	0.0	(86.5)	(86.5)
Closing balance 31.12.2017	**1.0**	**(0.4)**	**304.2**	**304.8**

Consolidated cash flow statement

DKK m	Note	Q4 2017	Q4 2016	12 months[1] 2017	12 months[1] 2016
Operating activities					
Operating profit		24.9	25.8	80.9	54.2
Depreciation and amortization		3.8	3.7	23.7	18.3
Share-based payments		0.6	1.5	3.3	2.1
Income tax paid		(27.0)	(12.0)	(27.0)	(14.6)
Change in net working capital		32.3	29.4	26.5	24.2
Cash flow from operating activities		**34.6**	**48.4**	**107.5**	**84.2**
Investing activities					
Investments in fixed assets		(3.2)	(2.8)	(8.5)	(4.4)
Sale of fixed assets		0.0	0.0	0.8	0.0
Acquisition of operations	5	0.0	0.0	(52.8)	(479.4)
Cash flow from investing activities		**(3.2)**	**(2.8)**	**(60.5)**	**(483.9)**
Financing activities					
Interest paid		(1.6)	(2.4)	(7.8)	(12.3)
Proceeds from loans		219.1	0.0	219.1	202.9
Repayments of loans		(171.3)	(1.0)	(219.2)	(4.1)
Cash settlement of warrants		(86.5)	0.0	(86.5)	0.0
Capital increase		0.0	0.0	0.0	309.7
Cash flow from financing activities		**(40.2)**	**(3.4)**	**(94.5)**	**496.2**
Cash flow for the period		**(8.9)**	**42.2**	**(47.4)**	**96.6**
Cash and cash equivalents at the beginning of the period		**58.1**	**54.4**	**96.6**	**0**
Cash flow for the period		(8.9)	42.2	(47.4)	96.6
Cash and cash equivalents at the end of the period		**49.2**	**96.6**	**49.2**	**96.6**

[1] The 12 months period in 2016 covers the period 9 December 2015 to 31 December 2016.

Notes to the consolidated interim financial statements

1. Accounting policies

This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and Danish disclosure requirements for listed companies. TCM Group has applied the same accounting policies in this interim report as were applied in the consolidated financial statements for 2017 prepared in accordance with IFRS, why reference is made to note 1 of these financial statements for accounting policies and for definitions of key figures and ratios on pages 39-46 and 69.

2. Revenue and segment information

The Group's business activities are managed within a single operating segment that is producing and selling kitchens, bathrooms and storage. Kitchens and related products cover products for kitchen. The result of the operating segment is monitored by the Group's management to evaluate it and to allocate resources.

Net sales by region

	Q4		12 months[1]	
	2017 DKK m	**2016 DKK m**	**2017 DKK m**	**2016 DKK m**
Denmark	190.5	150.5	721.3	469.2
Other countries	24.6	11.8	96.0	39.4
Group	**215.0**	**162.3**	**817.3**	**508.5**

[1] The 12 months period in 2016 covers the period 9 December 2015 to 31 December 2016.

Revenue consists of sale of goods and services.

3. Non-recurring items

	Q4		12 months[1]	
Non-recurring items, DKK m	**2017**	**2016**	**2017**	**2016**
Amortization of order backlog from business combinations	0.0	0.0	0.4	5.5
Transaction costs related to business combinations	0.0	0.3	0.8	13.2
Costs related to the Initial Public Offering of the company	8.8	0.0	16.7	0.0
Costs related to integration of Nettoline	3.7	0.0	9.1	0.0
Impairment of assets held for sale related to site shutdown	0.0	0.0	7.2	0.0
Total	**12.6**	**0.4**	**34.3**	**18.7**

[1] The 12 months period in 2016 covers the period 9 December 2015 to 31 December 2016.

Notes to the interim consolidated financial statements

4. Assets held for sale

Assets held for sale, DKK m	End of Q4 2017	End of Q4 2016
Tangible fixed assets	16.6	0.0

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

5. Acquisition of operations (business combinations)

Acquisition of Nettoline A/S

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

Revenue attributable to Nettoline A/S since the date of acquisition amounts to DKK 107.9 million.

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

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

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

Notes to the interim consolidated financial statements

5. Acquisition of operations (business combinations) (continued)

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

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

6. Financial instruments – fair value

Interest rate swaps at a value of DKK (0.6) million (DKK (0.6) million) are valued using an income approach (discounted cash flow). Expected future cash flows are based on relevant observable swap rates and discounted using a discount rate that reflects the credit risk of the relevant counterparties (level 2).

The fair value of financial assets and financial liabilities measured at amortised cost is approximately equal to carrying amount, due to the short maturity of financial assets and the floating rate of the financial liabilities.

7. Related party transactions

During Q4 2017, the Group has paid advisory fee and travel expenses totalling DKK 0.0 million (DKK 0.0 million) to IK Investment Partners Ltd, which is associated to the parent company until the listing in November 2017, and DKK 0.1 million (DKK 5.9 million) for the first nine months of 2017.

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

8. Events after the reporting period

On 15 January 2018, the sale of the site in Horsens was effectuated. The sale of the site will have a positive impact on Net Interest Bearing Debt of DKK 17 million in 2018.

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

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and adopted the interim report of TCM Group A/S for the period 1 January 2017 – 31 December 2017.

The interim report, which has been neither audited nor reviewed by the company's auditors, was prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the period 1 January to 31 December 2017.

Furthermore, in our opinion, the management review includes a fair review of the development and performance of the business, the results for the period and of the Group's financial position in general and describes the principal risks and uncertainties that it faces.

Tvis, 28 February, 2018

Executive Management

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

Board of Directors

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

Supplementary financial disclosure

Quarterly overview

DKK million	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Income statement					
Revenue	**162.3**	**206.4**	**211.1**	**184.8**	**215.0**
Gross profit	51.2	54.4	56.7	52.6	67.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	29.5	26.0	30.3	12.1	28.7
Adjusted EBITDA	29.8	26.7	33.3	30.3	41.3
Earnings before interest, tax and amortisation (EBITA)	27.7	23.6	28.0	10.1	26.8
Adjusted EBITA	**28.0**	**24.3**	**30.8**	**28.4**	**39.3**
Operating profit (EBIT)	**25.8**	**21.7**	**26.1**	**8.3**	**24.9**
Profit before tax	23.2	19.1	23.7	6.2	17.8
Net profit for the period	17.7	14.6	17.8	3.3	12.3
Balance sheet					
Total assets	795.8	837.1	832.4	840.5	805.5
Net working capital	(59.3)	(44.2)	(38.7)	(48.5)	(80.8)
Net interest-bearing debt (NIBD)	170.6	222.5	206.4	185.0	225.8
Equity	339.9	355.4	374.2	378.3	304.8
Cash Flow					
Free cash flow excl. acquisitions of operations	45.6	13.1	24.7	27.7	31.4
Margins					
Gross margin, %	31.5%	26.4%	26.9%	28.5%	31.3%
EBITDA margin, %	18.2%	12.6%	14.4%	6.6%	13.3%
Adjusted EBITA margin, %	17.3%	11.8%	14.6%	15.3%	18.3%
EBIT margin, %	15.9%	10.5%	12.4%	4.5%	11.6%
Other ratios					
Solvency ratio, %	42.7%	42.5%	45.0%	45.0%	37.8%