TCM Group

ANNUAL REPORT 2022

SVANE KØKKENET

nettoline Det personlige køkken

TVIS KØKKEN RESPEKT FOR DIT HJEM SIDEN 1952

TCM Group A/S, Skautrupvej 16, DK-Holstebro, Denmark, CVR Nr. 37291269

OUR PURPOSE

Our overall purpose is to create a better home life for everyone. Regardless of family constellation's, housing type and financial situation.

We want to be a contributor to our customer's everyday happiness, and we do so by working together across teams and organizations, always with the customer in focus.

We create better kitchen environments for the heart of your home

Svane Køkkenet
INFINITY Leaf
Front page photo

ABOUT TCM GROUP

TCM Group is Scandinavia's third largest kitchen manufacturer, with headquarter in Denmark and selling through approximately 140 stores across Scandinavia. The majority 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 at three manufacturing sites located in Tvis and Aulum (in the western part of Denmark).

TCM Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the other brands are Tvis køkken, Nettoline 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. Furthermore, TCM Group is supplier to the 45% owned e-commerce kitchen business Celebert, which operates under the brands kitchn.dk, billigskabe.dk, Celebert and Just Wood.

TCM Group is listed on Nasdaq Copenhagen.

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Satin mat sort

2 SVANE KØKKENET
INFINITY Leaf

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At Svane Køkkenet, we are driven by innovation.

We are constantly challenging the established by curiously going new ways.

CHAIRMAN AND CEO'S REPORT

SVANE KØKKENET

S19 Brændt Grå

LETTER TO OUR SHAREHOLDERS

1,146 MIO.
Revenue

3.4%
Revenue growth

With the slowdown in the danish kitchen market during 2022 in mind, the organic like-for-line growth in our core business in Denmark of 4.5% is deemed satisfatory.

* Organic like-for-like growth in core business is revenue excluding 3rd party revenue and the merge the e-commerce activities Celebert/kitchn.dk.

TCM Group has been a member of the United National Global Compact since 2011 and commits to the 10 UNGC principles.

At this time last year, with the Covid-19 pandemic receding, we, along with many others, had a clear expectation the exceptional year 2021 would be followed by a return to "normality" in 2022. Soon after, Russia invaded Ukraine, shattering any such hope and ensuring that 2022 would also be a year far from normal.

With Covid-19 behind 2022 started out optimistically and characterized by a high demand and activity level. Following the Russian invasion of Ukraine in late February uncertainty about supply chains in general and the risk of energy shortages in particular led to higher energy costs and higher raw material prices. Furthermore, the sharp increase in inflation prompted a significant rise in interest rates and the booming housing market halted sharply during the year leading to a drop in the demand for kitchens.

Given the backdrop of a general slowdown in the Danish kitchen market during 2022, we consider the organic like-for-like growth in our core business* in Denmark of 4.5% as satisfactory. Furthermore, our strategic focus on the Norwegian market resulted in a revenue growth outside Denmark of 17.2% in 2022, albeit from a low starting point.

During 2022 the benefit of our strong position in B2B were clearly demonstrated. As the slowdown in demand began to impact B2C sales in the second half of 2022, our sales were supported by a strong long tailed pipeline with B2B, which helped to keep production close to capacity throughout the year. However, the slowdown in B2C sales had a negative impact on the gross margin as it meant that high margin B2C sales were replaced by lower margin B2B project sales during the year. Thus the gross margin was negatively impacted by the change in sales mix in 2022.

In addition, gross margin was negatively impacted by the significantly higher prices on raw materials and components we experienced throughout 2022. The higher input costs were passed on to our customers through multiple sales price increases, but naturally the mitigating impact from the sales price increases comes with some delay. As a consequence the significant cost price inflation we saw in 2022 had a significant adverse net influence on the earnings in TCM Group in 2022 as a whole. As the supply situation normalised towards the end of 2022, we expect a more stable input cost level for the coming year.

With the currently uncertain situation both economically and politically the outlook for the kitchen market in 2023 is very cloudy. We remain cautious and vigilant and ready to react to any changes in the demand situation. TCM Group benefits from a high degree of variability in the cost base and thus is well suited to retain profitability even under adverse conditions and we remain committed to develop our brands and the store network further in 2023.

During 2022, we added three new Svane Køkkenet stores in Norway as well as a new and unique flagship store in the Copenhagen area. Furthermore, additional new stores were added to the Tvis køkken and Nettoline brands. We will continue to add more stores in Norway and to consolidate our strong position in the Danish market.

During 2022 we completed the share buy back program of DKK 150 million and cancelled c. 9% of the number of shares. In addition, we distributed an ordinary dividend of DKK 54 million. As a consequence of a higher degree of uncertainty, the Board of Directors has decided not to propose a distribution of an ordinary dividend, and instead propose to the upcoming Annual General Meeting, that a mandate is provided to the Board of Directors with the option to distribute a dividend during the second half of 2023 of up to DKK 30 million.

The development in 2023 is characterised by a high degree of uncertainty with regards to the macro economic development and the derived effect on the demand for kitchens. Macro economic headwind during 2022 with high inflation a.o. following the war in Ukraine, higher energy costs, higher interest rates etc. has led to a slowdown of the Danish housing market with a significant drop in number of houses sold and order intake from house builders. This has impacted the kitchen market with lower demand especially within B2C. As a consequence of the above, we expect lower activity in 2023 in general and we believe B2C sales will continue to be low going into 2023.

Based on the above, we have widened our range for the financial outlook for 2023 compared to previous years. Our financial outlook for full year revenue for 2023 is in the range of DKK 950-1,050 million and adjusted EBIT in the range of DKK 70-100 million.

Finally, we would like to thank our employees and business partners for their dedicated efforts during a year with many challenges.

SANNA MARI SUVANTO-HARSAAE
Chairman

TORBEN PAULIN
CEO

We rethink expressions and materials. We add functional technology.

This is how we create modern living spaces that add tranquility, energy and luxury to everyday life.

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

TOTAL OF STORES

94

(branded stores include Svane Køkkenet, Tvis køkken and Danish Nettoline stores)

41
Svane Køkkenet

28
Tvis køkken

25
Nettoline

REVENUE, DKK

1,146 Mio.

(1,108)

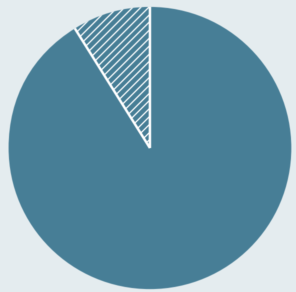
REVENUE GROWTH

3 %

(11)

REVENUE

Other countries **10%** (9)



Denmark **90%** (91)

AVERAGE NO. OF EMPLOYEES

496

(504)

ADJUSTED EBIT, DKK

103 Mio.

(138)

ADJUSTED EBIT MARGIN

9.0 %

(12.4)

NWC RATIO (31 DECEMBER)

-5.0 %

(-7.4)

LEVERAGE RATIO (31 DECEMBER)

2.35

(1.33)

BUSINESS REVIEW

Reported revenue grew by 3.4% in 2022 to DKK 1,146 million (DKK 1,108 million). The organic like-for-like growth in the core business was 6.0% (revenue excluding 3rd party revenue and the merge of the e-commerce activities Celebert/kitchn.dk).

Revenue in Denmark grew from DKK 1,011 million in 2021 to DKK 1,032 million corresponding to an increase of 2.1%. The organic like-for-like growth in the core business in Denmark was 4.5% (excluding 3rd party revenue and the merge of the e-commerce activities Celebert/kitchn.dk).

Revenue outside Denmark grew from DKK 97 million in 2021 to DKK 114 million corresponding to an increase of 17.2%. The growth was driven by both same store growth and revenue from new stores in Norway primarily within Svane Køkkenet. The number of branded stores increased to 94 during 2022.

Reported revenue of DKK 1,146 million was in line with the latest financial outlook of DKK 1,120-1,160 million. Initial financial outlook for 2022, stated in the Annual report 2021, was DKK 1,150-1,225 million.

Within Svane Køkkenet a new unique flagship store opened in The Greather Copenhagen area.

Within Svane Køkkenet a new unique flagship store opened in the Greater Copenhagen area, and three new stores opened in Norway. This was offset by a closure of the store in Taastrup as part of the restructuring of the store network, and the closure of a store in Mandal, Norway. Within Tvis køkken a new store opened in Slagelse, whereas a few Norwegian dealers converted to private label customers and transferred to Nettoline and thereby are no longer considered branded stores. In the Nettoline brand new stores opened in Næstved, Odense and Ringsted.

The slowdown in the kitchen market during 2022 initially impacted the B2C sales, which declined in the second half of the year. The long term strategic focus on B2B pursued by TCM for a number of years proved its worth, as strong B2B pipeline ensured that overall sales remained strong in spite of the slowdown in B2C sales during H2 2022. However, the change in sales mix with lower B2C sales offset by higher B2B project sales had a negative impact on gross margin. Furthermore, gross margin was negatively impacted by significant higher cost prices on raw materials and components. The higher input costs were passed on to our customers through multiple sales price increases during the year. However, the mitigating impact from the implemented sales price increases came with some delay resulting in a lower gross margin 20.4% compared to 23.0% in 2021.

Adjusted EBIT ended at DKK 103.4 million compared to DKK 137.8 million in 2021 and the latest financial outlook in the range of DKK 100-130 million. Initial financial outlook for 2022, stated in the Annual report 2021, was DKK 140-170 million.

Innovation and development of new attractively designed products following the latest trends and customer demands plays an important role of the strategy of TCM Group. In 2022 TCM launched new products in all of the three brands a.o. the new H22 in Svane Køkkenet, Tirano Nordic oak in Nettoline, and the MG50 line in Tvis køkken. With the launch of INFINITY in Svane Køkkenet 2023, TCM Group takes another big step towards working with circular product design.

The average number of employees in 2022 was 496 compared to 504 in 2021. Towards the end of the year the third shift (night shift) was shut down and the organisation was restructured. The restructuring was implemented to mitigate the slowdown in demand and the third shift was discontinued as increased efficiency in the production sites has increased the overall production capacity in the remaining two shifts. At the end of December 2022 the number of employees was 482.

The focus on sustainability and our ESG strategy continued in 2022. Among other achievements TCM delivered a significant reduction in the CO_2 emissions of the group (scope 1+2) of 18% compared to 2021. This was a good step forwards towards the ambition of TCM, which is to achieve a CO_2 neutral production by 2028. To promote diversity and inclusion, TCM during 2022 formed a diversity and inclusion policy, formalizing the work towards ensuring minimum 40% representation of the underrepresented gender throughout the organisation. Please refer to the ESG section for further information.

TVIS KØKKEN
M-line Mørk Eg
Momento Antracit

94

Branded stores at the end of 2022

KEY FIGURES AND RATIOS

DKK'000	2022	2021	2020	2019*	2018
INCOME STATEMENT					
Revenue	**1,146,052**	**1,108,274**	**1,024,588**	**1,006,942**	**899,911**
Gross profit	234,020	254,601	272,819	279,622	262,835
Earnings before interest. tax. depreciation and amortisation (EBITDA)	114,864	155,365	156,058	167,387	153,594
Adjusted EBITDA	121,342	154,674	161,058	174,399	155,590
Earnings before interest. tax and amortisation (EBITA)	96,913	139,707	142,277	154,118	145,672
Operating profit before non-recurring items (Adjusted EBIT)	**103,391**	**137,756**	**139,717**	**153,570**	**140,108**
Operating profit (EBIT)	**96,913**	**138,447**	**134,717**	**146,558**	**138,112**
Financial items	-8,809	-3,262	-3,997	-4,201	-5,812
Profit before tax	89,401	135,738	130,720	142,357	132,300
Net profit for the year	70,492	110,709	102,243	111,322	103,710
BALANCE SHEET					
Total assets	970,227	907,321	929,451	911,096	844,044
Net working capital	-57,080	-81,649	-116,978	-108,868	-94,092
Net interest-bearing debt (NIBD)	288,112	199,461	-42,873	51,702	90,718
Equity	420,629	419,691	574,373	472,744	408,839
CASH FLOW					
Operating cash flow before acquisitions of operations	39,478	44,462	101,048	132,326	141,409
Capex excl. acquisitions	22,696	29,168	30,993	14,996	9,192
Cash conversion, %	61.0%	58.3%	85.8%	99.9%	102.6%

* As of 1 January 2019 IFRS 16 Leases is implemented without restating comparative figures, why 2019 is not directly comparable to previus periods.
Reference is made to description in note 1 Accounting policies.
Reference to definitions of Key figures and ratios - see page 65

DKK'000	2022	2021	2020	2019*	2018
GROWTH RATIOS					
Revenue growth, %	3.4%	8.2%	1.8%	11.9%	10.1%
Gross profit growth, %	-8.1%	-6.7%	-2.4%	6.4%	13.7%
Adjusted EBIT growth, %	-24.9%	-1.4%	-9.0%	9.6%	21.6%
EBIT growth, %	-30.0%	2.8%	-8.1%	6.1%	70.7%
Net profit growth, %	-36.3%	8.3%	-8.2%	7.3%	116.1%
MARGINS					
Gross margin, %	20.4%	23.0%	26.6%	27.8%	29.2%
Adjusted EBITDA margin, %	10.6%	14.0%	15.7%	17.3%	17.3%
Adjusted EBIT margin, %	9.0%	12.4%	13.6%	15.3%	15.6%
EBIT margin, %	8.5%	12.5%	13.1%	14.6%	15.3%
OTHER RATIOS					
Solvency ratio, %	43.4%	46.3%	61.8%	51.9%	48.4%
Leverage ratio	2.35	1.33	-0.23	0.31	0.58
NWC ratio, %	-5.0%	-7.4%	-11.4%	-10.8%	-10.5%
Capex ratio excl. acquisitions, %	2.0%	2.6%	3.0%	1.5%	1.0%
SHARE INFORMATION					
Number of outstanding shares	9,067,294	9,174,073	10,000,000	10,000,000	10,000,000
Weighted average number of outstanding shares	9,074,847	9,584,933	10,000,000	10,000,000	10,000,000
Number of treasury shares	75,000	825,927	0	0	0
Earnings per share before dilution, DKK	7.77	11.55	10.22	11.13	10.37
Earnings per share after dilution, DKK	7.75	11.54	10.22	11.13	10.37

FINANCIAL REVIEW

REVENUE - 6.0% CORE ORGANIC LIKE-FOR-LIKE GROWTH
Revenue in 2022 grew by 3.4% to DKK 1,146.1 million (DKK 1,108.3 million).

Revenue in Denmark was DKK 1,032.5 million (DKK 1,011.4 million). The organic like-for-like growth in the core business was 4.5% excluding third party revenue and the effect from the merge of the e-commerce activities in kitchn.dk and Celebert.

Revenue in Other countries was DKK 113.6 million (DKK 96.9 million), up 17.2%.

GROSS PROFIT - GROSS MARGIN OF 20.4%
Gross profit in 2022 was 234.0 DKK million (DKK 254.6 million), corresponding to a gross margin of 20.4% (23.0%). The merge of the e-commerce activities in kitchn.dk and Celebert had a technical negative impact on gross margin of 0.5%-point compared to 2021. The Russian invasion of Ukraine led to further input cost inflation, which has been mitigated through sales price increase. The impact from the sales price increases though implemented immediately came with some delay, and therefore the gross margin for the financial year as a whole, has been negatively impacted by the rise of cost of raw materials and energy etc. During the second half of the year B2C sales declined resulting in a sales mix with a higher share of lower margin B2B project sales.The change in sales mix had a significant negative impact on gross margin in the second half of the year.

OPERATING EXPENSES - COST RATIO 11.4%
Operating expenses in 2022 were DKK 130.6 million (DKK 116.8 million). The increase in operating expenses of DKK 13.8 million was primarily due to higher marketing spend a.o. related to product launches in all three brands, higher costs related to new stores opened during the year, and an increase in the provisions made to cover potential losses on debtors, given the higher macro economic uncertainty. Operating expenses amounted to 11.4% of revenue in 2022 against 10.5% in 2021.

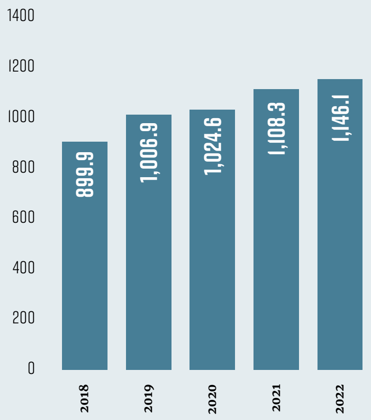
ADJUSTED EBITDA - 10.6% MARGIN
Adjusted EBITDA in 2022 was DKK 121.3 million (DKK 154.7 million), corresponding to an EBITDA margin of 10.6% (14.0%). The decrease in Adjusted EBITDA margin was primarily driven by a lower gross margin.

ADJUSTED EBIT - 9.0% MARGIN
Adjusted EBIT in 2022 was DKK 103.4 million (DKK 137.8 million), corresponding to an adjusted EBIT margin of 9.0% (12.4%). The decrease in adjusted EBIT was driven by a lower gross margin. Depreciations and amortizations were DKK 18.0 million (DKK 16.9 million).

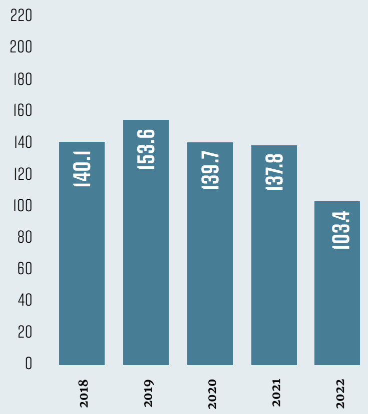
NON-RECURRING ITEMS
TCM Group presents non-recurring items separately to ensure comparability. Non-recurring items consist of income and expenses that are special and of a non-recurring nature. For 2022 non-recurring items consist of costs related to Covid-19 and supply chain disruptions, restructuring costs related to the restructuring of the store network in the Greater Copenhagen area as well as organisational restructuring carried out during 2022. The non-recurring costs are partly offset by a non-recurring gain from the final earn-out from the Celebert/kitchn.dk transaction. The non-recurring items are specified next page:

* Figures in brackets refer to the corresponding period in 2021.

REVENUE (DKKM)



ADJUSTED EBIT (DKKM)



REPORTED REVENUE GROWTH

3.4%

ADJUSTED EBIT MARGIN

9.0%

NON-RECURRING ITEMS

Non-recurring items, DKK m	2022	2021
Costs related to Covid-19 and supply chain disruptions	5.4	14.0
Restructuring	4.7	1.3
Net gain from the Celebert/ kitchn.dk transaction	-3.5	-13.5
Gain from the divestment of an own operated store	0.0	-2.5
Total	**6.5**	**-0.7**

EBIT
EBIT for the financial year 2022 was DKK 96.9 million (DKK 138.4 million). The decrease in EBIT compared to 2021 was driven by a lower gross margin and non-recurring costs.

NET PROFIT
Net profit for the financial year 2022 was DKK 70.5 million (DKK 110.7 million).

FREE CASH FLOW EXCL. ACQUISITIONS OF OPERATION
Free cash flow excl. acquisitions of operations for 2022 was DKK 39.5 million against DKK 44.5 million in 2021. Free cash flow was negatively impacted by a lower operating profit and a change in NWC of DKK -35.9 million compared to DKK -38.3 million in 2021.

Cash conversion in 2022 was 61.0% (58.3%).

NET WORKING CAPITAL - NWC RATIO -5.0%
Net working capital at the end of 2022 was DKK -57.1 million (DKK -81.6 million). NWC ratio at the end of 2022 was -5.0 (-7.4%).

The increase in inventory of DKK 2.9 million was due to impact from increased raw material prices. During the unstable supply situation during the Covid-19 pandemic,it was decided to increase inventory levels to create a buffer against supply chain disruptions. As the supply chain situation normalised during 2022, the buffer levels for inventory were reduced towards the end of the year.

Trade receivables and other receivables increased by DKK 9.9 million. The increase was driven by higher trade receivables due to accruals as a result of the normal production shutdown during Christmas holidays starting later than previous years leading to a higher number of outstanding debtor days as of 31 December compared to 2021. Other receivables as of 31 December 2022 is excluding the value of DKK 8.3 million, which relates to subleases due to the implementation of IFRS 16. This is not included in the net working capital.

The operating liabilities decreased by DKK 11.8 million driven by lower trade payables due to a reduction in supply of raw material towards the end of the year as the buffer levels for inventory were reduced.

NET INTEREST-BEARING DEBT - LEVERAGE RATIO 2.35
Net interest-bearing debt amounted to DKK 288.1 million at the end of 2022 (DKK 199.5 million). The increase in net interest-bearing debt was a.o. due to the completion of the share buyback program initiated in 2021 and the distribution of dividend of DKK 54.4 million.

EQUITY - SOLVENCY RATIO 43.4%
Equity at the end of 2022 amounted to DKK 420.6 million (DKK 419.7 million). The equity increased by DKK 0.9 million since 1 January 2022. The net profit for the year was offset by the dividend distribution of DKK 54.4 million and the completion of the share buy back program initiated in 2021, of which DKK 14.4 million of the total of DKK 150 million has been carried out during 2022.

The solvency ratio was 43.4% at the end of 2022 (46.3%).

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 this annual report.

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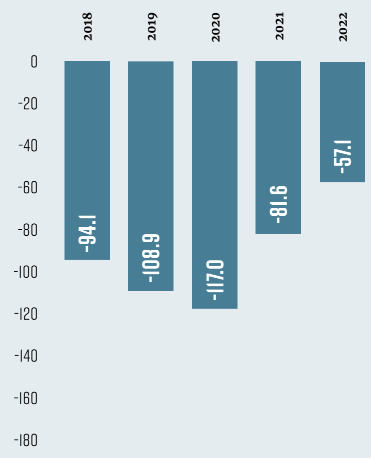
Momento Kridt Hvid

NET WORKING CAPITAL (DKKM)



Equity at the end of 2022 amounted to DKK 420.6 million. The solvency ratio was 43.4% at the end of 2022.

NWC RATIO (%)	LEVERAGE RATIO
-5.0	2.35

Nettoline kitchens are made for everyday life. Our kitchens are created for the user – not the other way around.

Our kitchens are born out of the idea that functionality, design, and price are not opposites.

OUR BUSINESS

WE WILL BE THE CUSTOMERS' FIRST CHOICE OF KITCHENS

We create better kitchen environments for the heart of your home

STRATEGIC CHOICES	Aim for double-digit annual revenue growth	Agile and flexible supply chain	Responsibility for people, planet and products	Strengthen the value chain through continuous improvement	Friendly and professional customer service throughout the value chain
STRATEGIC INITIATIVES	Realize the potential in Norway	Create capacity through simplification	Develop competencies and resources	Quality in everything we do	New customer service concept

ENABLERS	Brand and product development	Increase digitalization	Invest in efficient production facilities	A proactive and result-oriented mindset

VALUES Ambition – Team Spirit – Pride

STRATEGY AND FINANCIAL TARGETS

Even though we invest in growth, our target is to remain in the top tier of the kitchen industry with regards to profit-ability and cash flow.

STRATEGY

TCM Group's overall strategy is to aim for double-digit annual growth rates short- to mid-term. This means that we aim for growth in all brands, markets and channels. Even though we invest in growth, our target is to remain in the top tier of the kitchen industry with regards to profitability and cash flow. This will be achieved through investments and optimization in our production and supply chain setup. In addition to organic growth, the Group is monitoring the market for attractive acquisition opportunities primarily in Scandinavia.

STRATEGIC CHOICES AND INITIATIVES IN THE GROWTH STRATEGY:

The Svane Køkkenet branded store network is fully established in Denmark, however there is still room for growing market share, both within the B2C and the B2B segment. In recent years we have increased our focus on the B2B segment with the ambition to gain further market share as a contributor to growth in revenue and earnings. Furthermore, the B2B segment has a different cycle compared to the B2C segment a.o. including a pipeline with a longer time horizon, which is a positive factor in case of a recession scenario. Towards the end of 2022 the strategy has proven to be right as we have seen a slowdown in the B2C segment, whereas the order intake in B2B remained solid. To further strengthen the distribution network in the B2B segment, we have built cluster store networks in the three biggest cities in Denmark in cooperation with our franchisees.

For Svane Køkkenet in Norway, the mid-term target is to open another 6-8 stores, and thereby to bring the store network up to 18-20 stores. 3 new stores opened during 2022, and the search for further new stores is ongoing. As market share and brand awareness for the Svane brand in Norway is relatively low, same store growth and marketing activities will grow hand in hand over the coming years.

The Tvis køkken brand has opened and relocated several stores in the past years, but there are still a few white spots in Denmark to be addressed. Market share and brand awareness is to be increased in line with the development of the store network. During 2022 we have put even more effort into product development for the Tvis køkken brand through the new MG50 line designed by Morten Georgsen and a repositioning of the brand a.o. via a new logo.

The Nettoline brand is selling through single brand stores in Denmark and multibrand stores in Norway. In both markets there is room for additional stores, which will grow the brand awareness and turnover. The cooperation with private labels clients will continue as seen in the recent years.

The online activity with brands kitchn.dk, billigskabe.dk, Celebert and Just Wood is expected to continue to gain a greater share of the kitchen market in Denmark, and during 2022 we started selling to the Norwegian and Swedish markets through the online channel.

To extend the different positionings of our brands and being our customers' first choice for the heart of their homes, we will continue to develop new, exciting and sustainable kitchen, bath and storage solutions, designs and functionalities.

To support the growth ambitions in all brands and markets, we continue to invest in increased capacity and flexibility in our three factories, step by step as demand emerge short-term while also having a focus on supporting our long-term growth ambitions. Furthermore, we focus on increasing productivity and efficiency as well as improving quality. We will invest in further digitalizing all important processes in the supply chain, in the administration and in the retail network, and thereby continuously improve and strengthen the entire value chain of our business.

In all that we do, we are determined to do this as responsible as possible with regards to people, planet and products. A cross functional task force is identifying and driving initiatives within these three important areas. We refer to the separate ESG section for further elaboration of our strategic targets and initiatives.

FINANCIAL OUTLOOK 2023

TCM Group estimates revenue for the financial year 2023 to be in the range DKK 950-1,050 million.

EBIT* is estimated to be in the range DKK 70-100 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

BRANDED STORES

(branded stores include Svane Køkkenet, Tvis køkken and Danish Nettoline stores)

31 december 2022

94

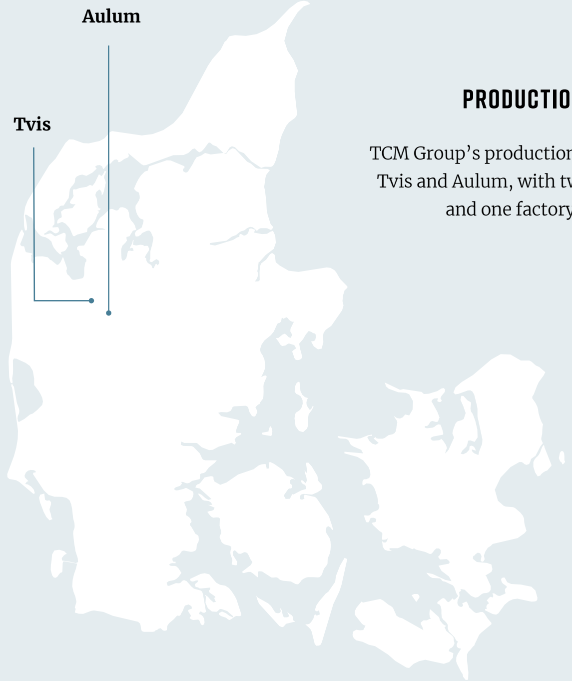
STORE OPENINGS

2022

Total store openings

8

4 Svane Køkkenet
1 Tvis køkken
3 Nettoline



PRODUCTION SITES

TCM Group's production sites are located in Tvis and Aulum, with two factories in Tvis and one factory in Aulum.

140

stores across Scandinavia

SVANE KØKKENET

Denmark
Norway

TVIS KØKKEN RESPEKT FOR DIT HJEM SIDEN 1952

Denmark
Norway
Faroe Islands

E-COMMERCE IN CELEBERT

Denmark
Norway
Sweden

nettoline Det personlige køkken

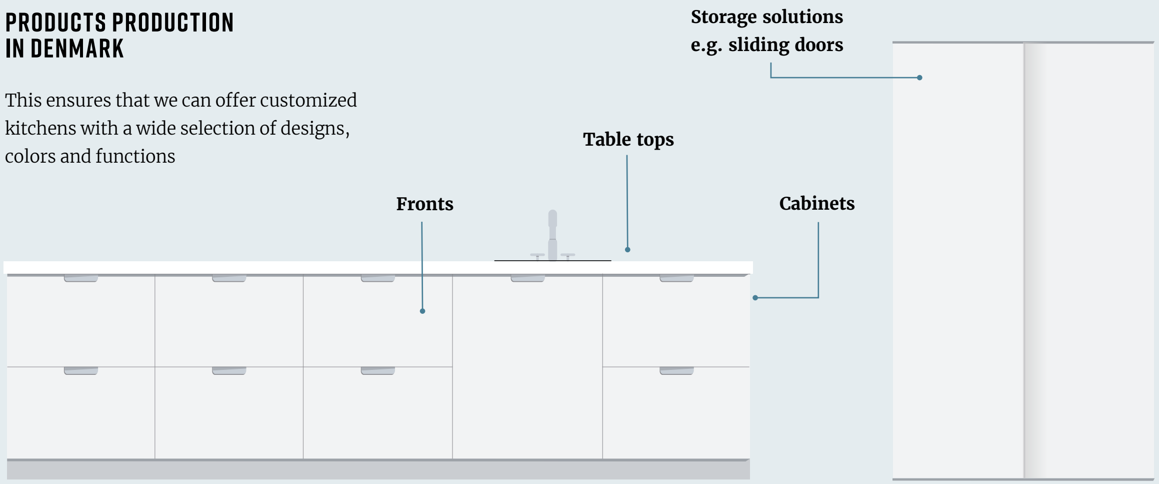
Denmark
Norway
Sweden
Iceland
Faroe Islands

PRIVATE LABEL

Denmark
Norway
Iceland
Faroe Islands

PRODUCTS PRODUCTION IN DENMARK

This ensures that we can offer customized kitchens with a wide selection of designs, colors and functions



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.

Besides this yearly assessment, the Board of Directors and the Executive Management have a continuous dialogue regarding significant risks with potential 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. The Group is order producing 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 køkken and Nettoline 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 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 certain 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 94 Branded stores. Having typically a fragmented ownership of the stores, 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.

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.

Following the Covid-19 outbreak, 2022 has been charaterized by global supply challenges and high inflation. TCM Group has mitigated the higher level of input costs through sales price increases. However, the effect from the sales price increases have come with some delay.

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.

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.

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.

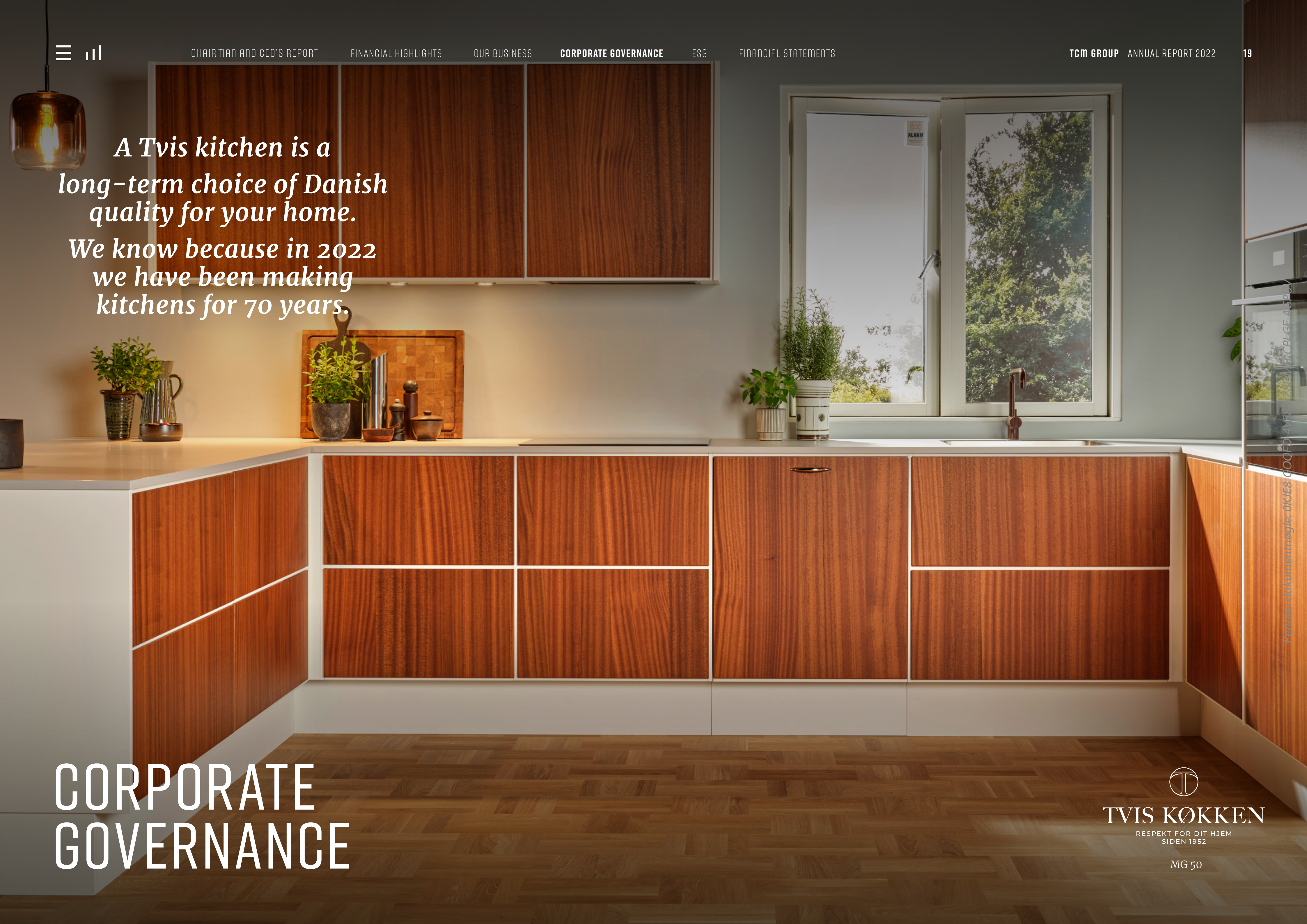
CREDIT RISK
The Group's customer base comprises both professional customers and consumers. Credit management and payment terms are monitored for each customer group. The Group primarily provides credit to franchisees and dealers, which are the Group's primary customers. Credit assessments are continuously performed on customers who make regular purchases. Bank guarantees, 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 area. Invoicing of sales is charged in DKK and NOK. In terms of invoicing of sales in NOK, the Group 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
The group manages interest rate risk by applying a mix of bank loans and mortgage loans. It is Group policy to fully or partially hedge interest rate risks on loans if the interest rate risk is material. An interest rate increase of 1% will have a negative impact on TCM Group's profit of c. DKK 2 million.

SVANE KØKKENET
Snedker

A Tvis kitchen is a long-term choice of Danish quality for your home. We know because in 2022 we have been making kitchens for 70 years.



CORPORATE GOVERNANCE

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 6 ordinary meetings each year and will further convene as needed. In the financial year 2022, 12 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 six 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 businesspeople 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 at 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 7 meetings in the financial year 2022.

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 a 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 currently consists of 3 members, Sanna Suvanto-Harsaae, Anders Skole-Sørensen and Carsten Bjerg, and is led by Sanna Suvanto-Harsaae. The Nomination Committee held 4 meetings in the financial year 2022.

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 2022.

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. 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

DATA PROTECTION POLICY

In connection with TCM Group's delivery of products and services within kitchen, bathroom and storage, TCM Group collects relevant data. Our policy regarding data protection and confidentiality is accessible on our website at

investor-en.tcmgroup.dk/CorporateGovernance

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. The Group's corporate governance statements are available on our website at

investor-en.tcmgroup.dk/CorporateGovernance

12

Board meetings in 2022

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.

TAX-POLICY

- Our tax policy is designed so as to achieve a competitive taxation level in a socially responsible manner.

Read more on our website.

SVANE KØKKENET
S12 HAVGRØN

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

SANNA MARI SUVANTO-HARSAAE

Chairman of the company

Danish and Finnish nationality.
Born in 1966.

Chairman of Nomination Committee and Remuneration Committee and member of Audit Committee.
Independent.
Member since: 2016
Participated in 12 board meetings in 2022.
Number of shares end 2022: 19,781 (2021:19,781)

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, Orthex Oyj, and Posti Oy. Sanna Mari Suvanto- Harsaae is also member of the board of directors of Elopak AS, Broman Group Oyj and CEPOS.

ANDERS SKOLE-SØRENSEN

Deputy Chairman

Danish nationality.
Born in 1962.

Chairman of Audit Committee and member of Nomination Committee and Remuneration Committee.
Independent.
Member since: 2017
Participated in 12 board meetings in 2022.
Number of shares end 2022: 10,153 (2021: 7,653)

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

Other positions:
Anders Skole-Sørensen is a member of the board in Firtal Group ApS. and a member of the board of directors of F. Uhrenholt Holding A/S.

CARSTEN BJERG

Board member

Danish nationality.
Born in 1959.

Member of Nomination Committee and Remuneration Committee.
Independent.
Member since: 2018
Participated in 12 board meetings in 2022.
Number of shares end 2022: 2,441 (2021: 2,441)

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), COWI Holding A/S, Bjerringbro-Silkeborg Håndbold A/S, and Aarhus University. Carsten Bjerg is chairman of the board of directors of Guldager A/S, Robco Engineering A/S, Hydrema A/S, Bogballe A/S, and Arminox A/S. Carsten Bjerg is member of the Board of directors of Dansk Smede- og Maskinteknik A/S, and Agrometer A/S.

SØREN MYGIND ESKILDSEN

Board member

Danish nationality.
Born in 1972.

Independent.
Member since: 2018
Participated in 12 board meetings in 2022.
Number of shares end 2022: 3,850 (2021: 3,850)

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

Danish nationality.
Born in 1968.

Independent.
Member since: 2019
Participated in 12 board meetings in 2022.
Number of shares end 2022: 4,400 (2021: 4,400)

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

Other positions:
Chairman for BeckSöndergaard Holding Anno 2022.

JAN AMTOFT

Board member

Danish nationality.
Born in 1964.

Independent.
Elected in 2022.
Participated in 7 board meetings in 2022.
Number of shares end 2022: 0 (2021: 0)

Jan Amtoft holds a Bachelor of Computer Science (Hons) from DeMontfort University.

Other positions:
Jan Amtoft is CIO at Rockwool A/S.

EXECUTIVE MANAGEMENT

TORBEN PAULIN

Chief Executive Officer

Danish nationality.
Born in 1965.

Since March 2020
Number of shares end 2022: 48,125
(2021: 10,000)

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 member of the board of directors of Zefyr Invest A/S.

MOGENS ELBRØND PEDERSEN

Chief Financial Officer

Danish nationality.
Born in 1975.

Since 2015
Number of shares end 2022: 43,477
(2021:39,902)

Prior to joining the Group, Mogens Elbrønd Pedersen had worked with Bang & Olufsen A/S (listed on Nasdaq OMX Copenhagen), Bestseller and PwC.

SVANE KØKKENET
Garderobe Snedker

SHAREHOLDER INFORMATION

TCM GROUP SHARE PRICE DEVELOPMENT IN 2022

TCM Group A/S is a part of the Nasdaq OMX Copenhagen Mid Cap index. The development in TCM Group's share price during 2022 has been affected by the general negative sentiment in the stock market with high macro-economic uncertainty, increasing interest rates, and a declining housing market. In line with peers the share price declined to DKK 73 on 31 December 2022 from an opening value of DKK 159. Average share price during 2022 was DKK 89.

During 2022 TCM Group completed the share buy back program totalling DKK 150 million, and following the Annual General Meeting in April 2022, the number of shares was reduced by 9%. The nominal value of the company's share capital at 31 December 2022 was DKK 0.9 million divided into shares of DKK 0.1, equivalent to 9.1 million shares and 9.1 million votes. As of 31 December 2022, TCM Group A/S owns 75,000 treasury shares, corresponding to 0.8% of the share capital.

OWNERSHIP

At 31 December 2022, the following shareholders had notified shareholdings above 5% of the share capital (see below).

Members of the Board of Directors held at 31 December 2022 40,625 shares (31 December 2021 38,125 shares), and members of the Executive Management held 91,602 shares (31 December 2021 49,902 shares), in total 132,227 shares (31 December 2021 88,027 shares), equivalent to 1.4% of the share capital (31 December 2021 0.9%).

NAME	BUSINESS REGISTRATION NO	DOMICILE	SHARE
BI Asset Management Fondsmæglerselskab A/S	20896477	Copenhagen, Denmark	12.3%
Paradigm Capital Value Fund	B129149	Luxembourg, Luxembourg	10.8%
Arbejdsmarkedets Tillægspension	43405810	Hillerød, Denmark	10.1%
Handelsbanken Fonder AB	556418-8851	Stockholm, Sweden	6.9%
Luxempart S.A.	B232467	Leudelange, Luxembourg	6.1%
Taiga Investment Funds PLC	C49550	Dublin, Ireland	5.3%
Paradigm Capital Value LP	99-0375707	Delaware, USA	5.2%

FINANCIAL CALENDER

The financial year covers the period 1 January – 31 December, and the following dates have been fixed for releases etc. in the financial year 2023:

13 APRIL 2023
Annual general Meeting 2023

17 MAY 2023
Interim report Q1 2023

18 AUGUST 2023
Interim report Q2 2023

17 NOVEMBER 2023
Interim report Q3 2023

28 FEBRUARY 2024
Interim report Q4 2023 and Annual report 2023

11 APRIL 2024
Annual general Meeting 2024

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.

DIVIDEND

During 2022, TCM Group distributed an ordinary dividend of DKK 6 per share. Excluding treasury shares this corresponds to a total distribution of DKK 54 million. For the financial year 2022, the Board of Directors has decided not to propose a distribution of an ordinary dividend, and instead propose to the upcoming Annual General Meeting, that a mandate is provided to the Board of Directors with the option to distribute a dividend during the second half of 2023 of up to DKK 30 miliion.

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. Payment of dividends, and the amounts and timing thereof, will depend on a number of factors, including future revenue, profits, general financial and business conditions, 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.

TVIS KØKKEN
M-line Mørk Eg
Momento Antracit

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 five analysts:

ABG Sundal Collier **Benjamin Silverstone**
Aktieinfo **John Stihøj**
Carnegie **Frederikke Due Olsen**
Danske Bank **Poul Ernst Jessen**
SEB **Ulrik Bak**

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 Thursday, 13 April 2023 at 5 p.m. at Skautrupvej 22b, Tvis, 7500 Holstebro.

SHARE INFORMATION

Exchange: Nasdaq Copenhagen
Trading symbol: TCM018
Identification number/ISIN: DK0060915478
Number of shares: 9.1 million shares of DKK 0.1 each with one vote
Share classes: 1
Sector: Kitchens, bathrooms and storage
Segment: MID CAP

Responsibility and sustainability have always been a part of the way we do business. Responsibility towards the environment, responsibility towards the customers and responsibility towards our employees and stakeholders.

The chipboards that TCM Group uses for production consists of min. 90% recycled timber

ESG

SVANE KØKKENET

INFINITY Leaf

HIGHLIGHTS 2022

This section covers Communication on Progress according to United Nations Global Compact and the statutory statement by the Danish Financial Statements' Act 99a, 99b, 99d and 107d.

INDOOR CLIMATE CERTIFIED

Kitchen models certified: 100%

THE INDOOR CLIMATE LABEL

WASTE RECYCLE 2022

By weight

90%

UN SUSTAINABLE DEVELOPMENT GOALS (SDG)

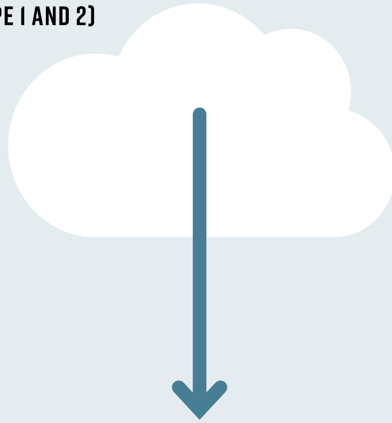
5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 15 LIFE ON LAND

SGD, 5 Gender equality (target 5.5), 8. Decent work and economic growth (target 8.5 and 8.8), 12. Responsible consumption and production, 13. Climate action, 15. Life on Land.

CO_2 EMISSION REDUCTION 2022 (SCOPE I AND 2)

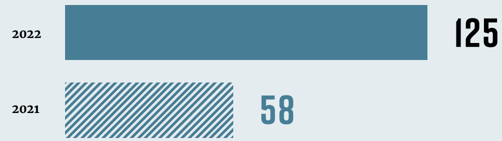
Compared to 2021

18%



ACCIDENTS 2022

Sickdays caused by work accidents

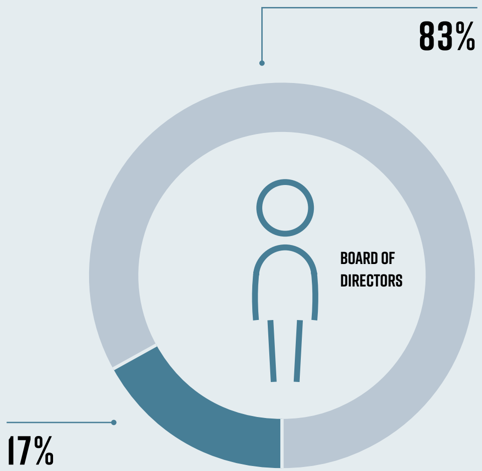


0.1% Absence ratio related to work accidents in 2022

GENDER EQUALITY

TCM Group has a target of having equal gender representaton on the Board of Directors before 2026. As of 31 December 2022, the distribution is 17%/83% underrepresented gender, which means that the target is not met.

BOARD OF DIRECTORS	17%	83%
MANAGEMENT	28%	72%
EMPLOYEES	36%	64%



ESG STRATEGY & APPROACH

Building on our longstanding commitment to responsibility we are very conscious of our responsibility towards society. Responsibility towards the environment, responsibility towards our customers, and responsibility towards our employees and stakeholders. In 2021 we launched our ESG strategy setting the direction to embed sustainability ever deeper in the way we do business. A strategy that is guided by the UN Sustainable Development Goals and builds on our core values and brands - and integrating sustainability throughout our value chain from raw materials to after-sales and service.

Our ESG strategy sets out transformative targets to drive decisions and actions within four areas of priority:

- A sustainable work life
- We take responsibility
- New ways ahead
- Together we improve

These are the areas where we believe we have the greatest impact on sustainable development through our business activities. Our systematic approach to sustainability makes us capable of strengthening our relationships with all key stakeholders and supporting business growth while continuously mitigating negative impacts by continuous learning and improvement.

TCM Group has been a signatory to the UN Global Compact for more than a decade, and this ESG section serves as our annual Communication on Progress. We commit to the Ten Principles of the UN Global Compact on human rights, labor, environment, and anti-corruption.

OUR VALUE CHAIN IMPACT

The largest share of our impact in terms of sustainability originates from our value chain. As a result, we work actively to promote sustainability throughout the entire value chain with innovative product design, close cooperation with business partners, and a constant focus to improve across our value chain

PRODUCT DEVELOPMENT

We develop high-quality products with long durability and sustainability is an integrated part of our design process.

PRODUCTION OF RAW MATERIALS

We work closely with our suppliers on social, environmental, and ethical issues and the majority of our sourcing is locally based.

TRANSPORT OF RAW MATERIALS

We work actively together with our suppliers to secure and promote the optimal form of transport.

MANUFACTURE

We work continuously with optimizing and minimizing the use of materials in manufacturing with an ongoing focus on health and safety.

SALES

We inspire, inform and challenge to provide the most sustainable solution for our customers.

TRANSPORT

We collaborate very closely with our external distributors to maximize truck loads and minimize distance.

USE

We ensure our kitchens are durable, of high quality, and labeled with the indoor climate certificate to reduce the impact on the indoor environment. The kitchens are customized to the customer's specific needs to prolong the lifetime.

WASTE AND RECYCLING

We work with materials and processes based on the foundation of RE:DUCE – RE:USE – RE:THINK and promote circular design and materials.

A SUSTAINABLE WORK LIFE

UN Global Compact principle 1, 2, 3, 4, 5, 6, 10

TCM Group's continued success is relying on employing the most qualified people, and we are committed to ensuring a safe and healthy working environment, characterized by mutual trust and respect. We work actively to create "a sustainable work life" characterized by the following principles

- A safe and secure work environment that also enhances personal development.
- Flexibility to support a clear balance between work/private life, between individuals, teams, and organization.
- Diversity and social commitment.

We pay high respect for every single individual balanced with an understanding of the role we each must fulfill in the organization. But most of all, we celebrate the joint victories that the individual teams achieve.

HUMAN AND LABOR RIGHTS

Our signatory to the UN Global Compact more than a decade ago testify to our long track record of working with human and labor rights. The primary risk we face in connection to non-compliance of human and labor rights are discrimination of employees and cases where specific conditions at our suppliers do not comploy with these principles.
Our Employee Handbook and Code of Conduct guide our employees and suppliers in terms of human and labor rights. Our focus is to have the right mechanisms, systems, and programs in place to ensure no violations and promote responsibility toward others. We meet Danish and international standards regarding human rights as well as laws regarding equality and offer fair and equal conditions in employment and working conditions, regardless of gender, ethnic origin, religion, and other personal circumstance.

Our whistleblower hotline and internal controls make up key instruments for controlling and reporting potential violations by employees and third parties. Furthermore, we conduct arbitrary supplier audits to monitor compliance with human and labor rights standards. Read more on our whistleblower hotline and supplier management in specific sections (page 35 and page 36).

SAFE WORKING ENVIRONMENTS

In TCM Group, we continually strive to provide the very best working environment. At our production sites, safety is our number one priority, and a lot of focus is on building and maintaining a safety culture to ensure that all our employees are safe while working. This means minimizing risks and enabling the best circumstances to provide a healthy and safe workplace for all our employees.

Work safety has a great impact on employees and their families, as well as communities and the business. In 2022, we have increased the number of working environment representatives and all representatives have obtained training in both physical and mental working environments. The latter includes specific upskilling on for example "the difficult conversation" with employees and colleagues. We already see early results in terms of an increase in knowledge sharing across locations and a reinforced focus on behavior and safety culture based on zero accidents.

We monitor the occupational health and safety of our employees by measuring data on accidents, near-miss work accidents, as well as sickness absences. In 2022, we had a total of 19 accidents. Elleven accidents have resulted in a total of 125 days of absence after the accident. The other eight accidents did not result in absence, but in some cases required the employee to perform a less strenuous job for a period after the accident. The accidents were primarily related to behavior, where employees in their eager to do a good job disregarded safety instructions.The increase in number of accidents has been less significant, and the large increase in the number of absences caused by accidents was driven by a few more severe accidents. We have further increased the focus on behavior and emphasized that no matter what, personal safety always come first. Safety will continue to be on top of the agenda in the year to come.

FOCUS ON ONGOING LEARNING

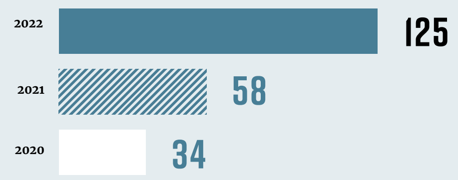
One of the guiding principles for sustainable working life is the training of our employees.

CASE: CODE OF CARE

Our participation in the Code of Care is already showing a good impact. In 2022 engaged with a person with social autism that since starting a flexible job has been able to increase working hours and next up is getting a truck certificate – a wish that seemed unrealistic to deliver on just a year ago.

SICKDAYS AND ABSENCE

#sickdays caused by work accidents

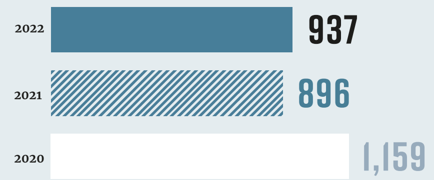


0.1% Absence ratio related to work accidents in 2022

4.38% Absence ratio related to sickness in 2022

REPORTED NEAR MISS WORK ACCIDENTS

#of reported near miss work accidents in TCM Group



We strive to continuously upskill our employees, so the value of the individual employee increases and the employee skills remain relevant both inside as well as outside of TCM Group.

Besides working with learning and training internally, our TCM Learning platform also covers the training of sales staff for our brands and kitchen installers. In 2022, we have strengthened the competencies in TCM learning and we have taken active steps towards making training available when it is most relevant for the individual employee. In contrast, to offer a fixed course in a specific time slot. The objective is that the learning should be available when the employee needs it and can apply the learning in practice.

In 2022 we developed a new e-learning platform as part of TCM-learning. All our employees have been offered a module focusing on ESG basics and the ESG strategy in TCM Group. 39% of our employees have completed the ESG training in 2022. In 2023 we continue training and expand our training catalogue to include training on sustainability in a commercial context including a focus on sustainable building schemes such as DGNB.

TOLERANT WORKPLACE

We must take responsibility for training the next generation of qualified employees and give them the chance to learn relevant competencies and gain useful work experience. Throughout the year, TCM Group helps many people to gain practical work experience, all of whom for some reason need a helping hand to gain a foothold on the job market.

In 2022, the Group joined the work of Code of Care, a non-profit organization that works to help citizens on the edge of the labor market back into regular employment. The work takes place within the framework of a task force consisting of local companies, which together identify "small jobs" that help citizens on the road to a permanent connection to the labor market.

We work continuously with apprentices in TCM Group and in 2022 we had 6 apprentices in the Group. We have become more focused on hiring people with different backgrounds to our offices to reap the benefits of diversity. We are also committed to creating positions with reduced working hours, wherever it is practically possible, and we continuously offer citizens job clarification processes in close collaboration with the municipality.

A TALENTED AND DIVERSE WORKFORCE

At TCM Group we are convinced that a diverse and inclusive work environment will benefit our business and our society in general. At TCM Group, we recognize the differences between our employees. We believe that diverse teams, including management groups, have a better as well as more innovative collaboration leading to better decision-making that are encouraging inclusiveness and tolerance among employees.

In TCM Group, we work actively to be a responsible workplace that recruits, promotes, and develops employees based on the individual's competencies and support diversity. We thus aim for our recruitment, promotions, terms of employment, and any dismissals to be carried out without regard to gender, age, nationality, sexual orientation, physical ability, disability, political opinion, ethnicity, family status, religiosity, or other beliefs. We also aim to achieve an appropriate equal distribution of men and women in managerial positions. To promote diversity and inclusion, we have during 2022 formed a diversity and inclusion policy. The policy is available on TCM Group homepage. We constantly strive to ensure that every employee has the same opportunities, regardless of gender. As a result, we focus on equal terms and identify candidates of different genders when we hire new managers. We also seek to ensure a workforce composition consisting of a combination of both young and experienced employees.

We seek to promote diversity and achieve sensible gender diversity in both the Board of directors and the Executive Management and other management levels. TCM Group aims for a gender composition in the rest of management as well as in the total workforce, where the underrepresented gender makes up at least 40% in line with the objective for the composition of the board of directors (see governance section page 36).

The current composition reflects the traditional gender distribution within manufacturing companies, where there is a predominance of male foremen, and at the administrative level, a slight predominance of female employees occurs.

A barrier for TCM Group to attract the right candidate and ensure a diverse workforce is the fact that many of our staff do not speak other languages than Danish and the company language is Danish. This a challenge that we are very much aware of. As with everything else in our business we are constantly challenging ourselves and trying to move the needle in the right direction. For instance, we employed 28 refugees from Ukraine despite language difficulties. Even though the language is a barrier, by using on-job training and assigning mentors we succeeded in creating well functioning and balanced teams.

COMPENSATION

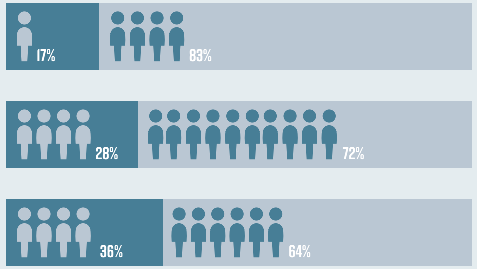
At TCM Group it is our policy that equal jobs are rewarded with equal pay. Any difference in pay is solely based on qualifications and experience.

Male/Female white collar only*	1.18
CEO total compensation relative to FTE average total compensation	8.4

* We exclusively report on white collar as the hourly wage is calculated hourly and there is no differentiation.

GENDER DIVERSITY (# OF UNDERREPRESENTED GENDER)

	2022	2021	2020
Board of directors	1 of 6 (17%)	1 of 5 (20%)	1 of 5 (20%)
Mgmt. (executive mgmt. and mgmt. group)	4 of 14 (28%)	3 of 14 (21%)	4 of 15 (27%)
Total workforce of underrepresented gender	36%	32%	29%



WE TAKE RESPONSIBILITY

UN Global Compact principles: 7, 8, 9

We take pride in the fact that all our products are both designed and produced in Denmark. Good craftsmanship is a focal point in our production in combination with quality and a high degree of innovation. We focus continuously on reducing our climate impact, and our production waste and increasing the recycling rate of our waste.

ENVIRONMENTAL SUSTAINABILITY AND EMISSIONS

It is TCM Group's ambition to achieve net zero direct and indirect emissions from sources owned or controlled by TCM Group (scope 1 and scope 2). During 2022, TCM Group reduced its total emission for scope 1 and 2 by 18% compared to 2021. These reductions have been enabled through investments in new lacquering systems, switching from ICE forklifts to electric, and implementation of heating and energy-saving projects, but also as a direct result of an increased focus on habits and behavior during our daily operations.

As part of this increased focus on habits, we have engaged our colleagues in idea generation on new ways to reduce energy consumption and CO_2 emissions. This has led to several tangible proposals for the optimization of our daily operations, which will support our continued focus on both investments in energy optimization and good behavior in terms of energy usage.

Finally phasing out the surface treatment system based on natural gas, as well as the transition from natural gas to district heating and heat pumps are all important contributors to the positive development. This has led to a reduction in gas consumption at our production sites corresponding to respectively 15-20% and a reduction in consumption of oil for heating by more than 80%.

Nonetheless, we have continued our search for energy savings and identified new potential CO_2 reductions that will contribute to lowering our total emissions. Examples are additional energy reductions on electricity and heating, transition to renewable energy sources, and signing a contractual power agreement ensuring that from January 1st, 2023, our electricity consumption will be fully covered by renewable energy certificates from wind and solar power.

Furthermore, TCM Group is following the Danish government's guidance on how to save energy and has reduced the temperature to 19 degrees Celsius to mitigate the increased energy costs for all of us.

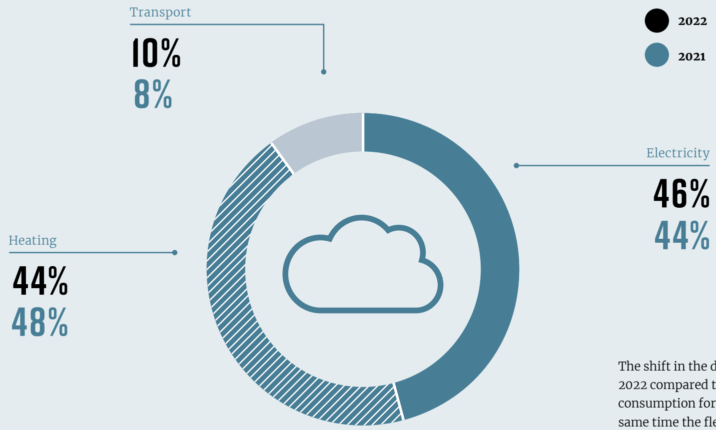
During 2022 TCM Group has started to analyze our scope 3 emissions. Our aim is that we no later than 2025 have a full understanding of our scope 3 emissions and will be able to report on our scope 3 ambition and progress.

Emission per 1 mDKK net revenue in ton CO_2 e/mDKK

CASE: EMPLOYEE ENGAGEMENT IN ENERGY SAVINGS

Due to the increased societal focus on energy savings and optimization TCM employees have initiated electric walks in production. Electric walks are comparable to safety walks focusing on healthy work environments but only this time with healthy energy usage as the focal point. In practice, a cross-functional team of employees, management, and maintenance used their breaks to walk through our buildings looking for new ways to reduce our energy consumption and use the energy smarter. Several, both small and large, energy-saving projects were identified resulting in an increased focus on habits and behavior and a showdown with "what we usually do". Examples of identified savings potentials are idle consumption during lunch breaks and the timespan needed for pre-heating a selection of production equipment.

DISTRIBUTION OF CO_2 EMISSION



The shift in the distribution of TCM Group Co2 emission in 2022 compared to 2021, is a direct result from decrease of our consumption for both electricity and district heating. At the same time the fleet has increased.

ELECTRICITY CONSUMPTION

The consumption of electricity in relation to revenue has decreased by 17% during 2022 compared to the year before. The direct savings was because TCM Group has made several investments to increase energy efficiency and actively promoted how daily awareness and behavior can affect energy efficiency at our production facilities. For now, we have seen a reduction in electricity consumption at our production sites corresponding to 14% compared to 2021 and we will keep searching for new ways to reduce it even further.

ELECTRIC COMPANY CARS

TCM Group operates a company car fleet consisting of 20 mixed passenger cars and commercial vans. To reduce our impact, we have in 2022 introduced electric cars to our company car policy. Transition to electric cars will happen gradually and at the pace that follows the development of charging networks and the lead times for manufacturing and delivery of electric cars. We continuously monitor the technology, range, and infrastructure to support and promote the use of electric cars.

WASTE

On our journey to use waste as a resource, we have in 2022 introduced new waste sorting bins in our office environment securing more comprehensive sorting and recycling going forward as well as maintaining our focus on finding new purposes for our production waste. At TCM Group manufacturing sites all waste is sorted in material fractions, which allows us to ensure that waste is used with the highest possible resource value. Our timber fraction is returned to our chipboard supplier and together with timber from Danish Recycling Center used for chipboard production. Timber from our worktop production of useable size finds new use as serving trays or is delivered to wood workshops at local schools.

Even though we continuously find new purposes for our waste, we still have smaller material categories in our production currently used as energy recovery, or hazardous waste.
However, we have in 2022 taken yet another important step towards our 2025 ambition of recycling 99.7% (based on weight) of all material categories.

WATER MANAGEMENT

TCM Group uses very limited amounts of water for production. Water is primarily used for sanitation and heating purposes. Water used for production, is used to support our painting processes, any waste water in that respect is carefully sorted and disposed in right manner.

IN 2022 THE DISTRIBUTION OF WASTE WAS AS ILLUSTRATED BELOW

*Based on tons waste.

90.3%

Recycle

9.7%

9.6% Energy recovery

0.1% Hazardous waste

SVANE KØKKENET
INFINITY Leaf, REUSE

CASE: FROM FOOD WASTE TO BIOFUEL

This summer we signed an agreement with DAKA ReFood on handling our food waste. The agreement with DAKA may only cover a small percentage of our total waste but it enables us to ensure that, yet another waste fraction finds new purposes. The collected food waste will be converted to either biofuel or used as part of plate materials. The collaboration was initiated in august 2022 and from august till year-end 1,958 tons of food waste from TCM factories was transformed into 77 days of energy for heating in a standard family home.

NEW WAYS AHEAD

UN Global Compact principles: 12

Innovation and new ideas are essential for sustainability as it helps find solutions to the environmental and resource challenges that we face. Innovation and product development have always been a part of our DNA. To accelerate our product development, we have included three focus areas in our current design and development process under the principle of New Ways Ahead.

EXTENDED LIFECYCLE

In TCM Group, the design, development, and production of high-quality products with high durability are always in focus. An important part of decreasing our climate impact and maximizing product value is extending the life of our products, their design, and their use. Aesthetics however also plays a crucial role in terms of retrofitting existing kitchens to continuously match current living and design standards. In 2021 we defined a goal to ensure that all kitchen models produced from 2010 can be upgraded to extend their lifetime by 2023. We are happy to share that we have now met that goal. This enables all our kitchens produced in the last decade to stay relevant in the coming years. An example from 2022 is the launch of RE/DO under our brand Svane Køkkenet. The RE/DO concept enables us to actively help Svane customers upgrade their existing kitchens and it is not limited to only supporting Svane kitchens. We will continue this journey to help our other brands and customers in the future.

CIRCULAR DESIGN

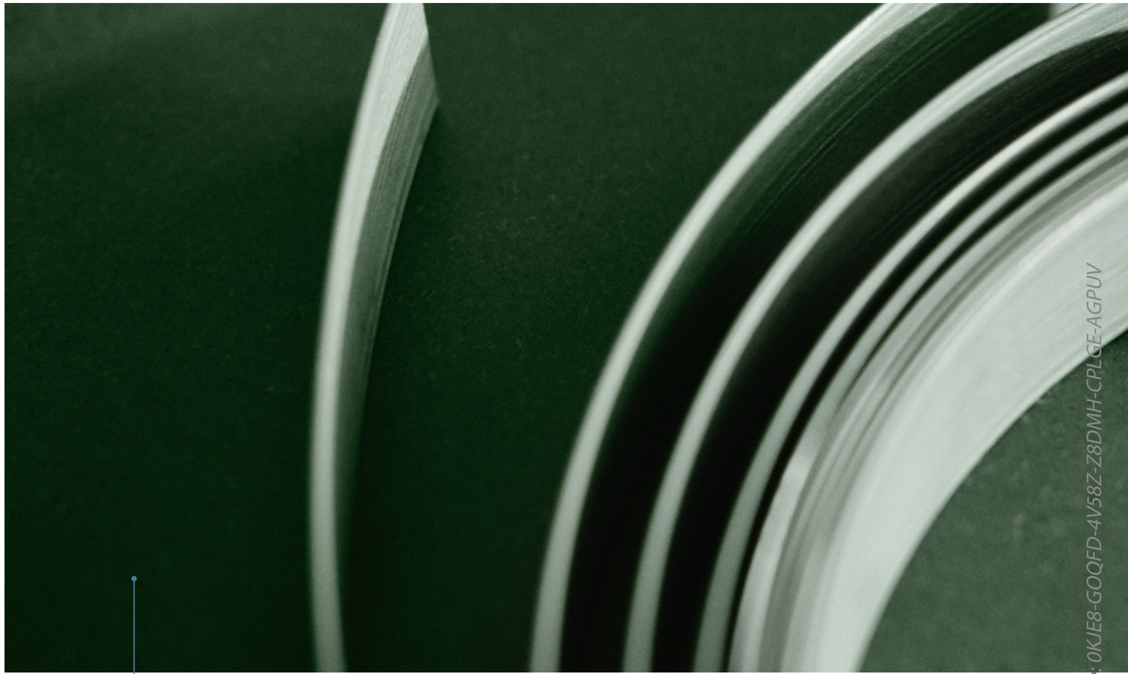
Circular design is important because it helps to create products and systems that are designed for sustainability. This can involve designing products that are made from renewable or recycled materials, that are durable and easy to repair or refurbish, and that can be reused, recycled, or repurposed at the end of their useful life. Circular design is really gaining momentum in TCM Group and in 2022 we have spent significant resources on mapping input materials, and energy sources used for material processing and considering proper disassembly and possibilities in terms of recycling at a component level. This is yet another important step towards our ambition, that in 2025 all our new designs will be 100% circular.

A HEALTHY INDOOR CLIMATE

When creating better kitchen environments for the heart of our customers' homes daily thrive and a healthy indoor climate are both important factors. We constantly strive to positively impact the indoor environment via e.g., research and development within surface treatment and new materials. As a result of this, we have now phased out all acid-catalyzed varnish leading to reduced degassing, and included laminated tabletops in our range of certified products. We ensure valid and documented progress via third parties and external certifications. In 2022 we updated all external certifications and included all kitchen models in our range of certified products.

INDOOR CLIMATE CERTIFICATE

# of certificate	8
% of Kitchen Lines covered by external validation	100%



SVANE KØKKENET
INFINITY Leaf
EVO edgeband

CASE: INFINITY AND EVO EDGE BAND

When entering 2022, we set out to create a genuinely circular product, embracing as many details and materials as possible. Our research and development resources have worked all year to make this happen, and the result is our new product "INFINITY". In "INFINITY" a minimum of 90% of the chipboard is made up of crushed industrial waste and waste from recycling stations and the remaining 10% from fast-growing trees. Both waste and chipboards are sourced and produced locally. Lastly, Infinity is equipped with an EVO edge band a new type of PP ISSC-certified edge band with validated and certified recycled content (min. 50%). Infinity is both a fully circular product that can be recycled repeatedly and an important step on our path to more fully circular product ranges.

TOGETHER WE IMPROVE

15 LIFE ON LAND

UN Global Compact principles:
1, 2, 3, 4, 5, 6, 7, 8, 9, 10

Like with the impact of our activities, our responsibility and commitment do not stop at our gates. Thus, we work with ESG and sustainability across our value chain both upstream and downstream. Our largest environmental impact originates from the materials we source from suppliers and sub-suppliers. Therefore, close collaboration and partnership with suppliers and business partners are crucial to continuously move the needle in the right direction.

Transparency, valid data, and certifications are all crucial instruments to improve the performance of ESG parameters across our value chain. Besides supplier management in general we focus, in line with most material issues, on sustainable forestry, transport, and packaging.

RESPONSIBLE FORESTRY

The world continues to face an increasing number of complex and interconnected challenges, with the climate crisis and loss of biodiversity being the most critical. It is through climate change mitigation efforts and the use of responsible wood that we can have the greatest impact on biodiversity in TCM Group. TCM Group's work with certified wood goes a long way back and the Group has been FSC® certified since 2010 but not for the entire product assortment. However, as timber is the primary material category of input to our production, it is very important to us to exclusively use timber from certified responsible sources. In addition to using a high level of recycled material.

FSC
www.fsc.org
FSC® C100465
The mark of responsible forestry

In close collaboration with our suppliers, we have extended our certification to cover our entire product portfolio and reached the target to make all the timber we buy FSC® or PEFC®-certified. Due to increased market volatility and low stock conversion rate for some components, we still have some non-certified material in our inventories. We are determined to phase out these components to meet our target of 100% certified timber in our production.

TRANSPORT

Inbound and outbound transportation across our value chain is another focus area in terms of reducing CO_2 -emissions. All our transport providers have as a minimum requirement signed our code of conduct. In 2022 we initiated a measurement of our other indirect (Scope 3) GHG emissions (GRI standard 305-3) with a focus on our impact from downstream transportation and distribution. We have now successfully established a baseline and engaged in a dialogue on electrification and alternative fuels with one of our larger carriers. As a result of this, we have decided to carry out a more comprehensive scope 3 analysis covering relevant needs and possibilities before both launching specific initiatives and maturing our future scope 3 path and ambition. No later than 2025 we will report on our scope 3 ambition and progress.

PACKAGING MATERIAL

Our target on the packaging is that all material is recyclable by 2024. In 2022 we carried out a mapping of our packaging material to get a more valid and holistic overview of the current situation of the recyclability of packaging. The initial analysis is promising and indicates an already high pro-

CASE: ENGAGING CUSTOMERS IN SUSTAINABLE FORESTRY

To engage the customers in our journey on sustainability the Nettoline brand initiated the planting of trees for each kitchen sold in support of Danske Folkeskove (woods for citizens). The customers were invited to join a "day in the forest" when the trees were planted. Sometimes many little things add up to a lot and 2,350 trees have been planted in the woods of Rugballegaard, Lundager, and Greve.

91%

of all production of direct materials and components to our production is made in Europe.

portion of recycled content across our packaging. Another focus of our analysis is the "right" packaging volume. Here the focus is to hit the right balance between reducing the amount of packaging without jeopardizing that the product becomes damaged under transport. We expect to identify areas for optimizing the balance and thereby applying less packaging in the future than today.

SUPPLIER MANAGEMENT

Our' responsible sourcing practices are focused on environmental, social, and governance issues across our value chain. TCM Group is committed to respecting human rights as outlined in the United Nations Universal Declaration of Human Rights and the UN Global Compact. The backbone of our work with suppliers on ESG matters is our Code of Conduct. The total share of TCM Group's purchasing, covered by our Code-of-Conduct was 100% in 2022 which also covers all suppliers from non-EU countries. However, we are currently revising the Code of Conduct to ensure, among other things, an even higher strategic fit with our ESG strategy and an increased focus on human rights.

We have an ongoing dialogue with our suppliers about sustainability, ESG matters and human right, something that we intended to continue in 2023. In 2022, we have extended the focus on screening sub-suppliers e.g. suppliers of tabletops, mirrors, etc. based on the demands and provisions in the buildings certifications DGNB and the Nordic Ecolabel.

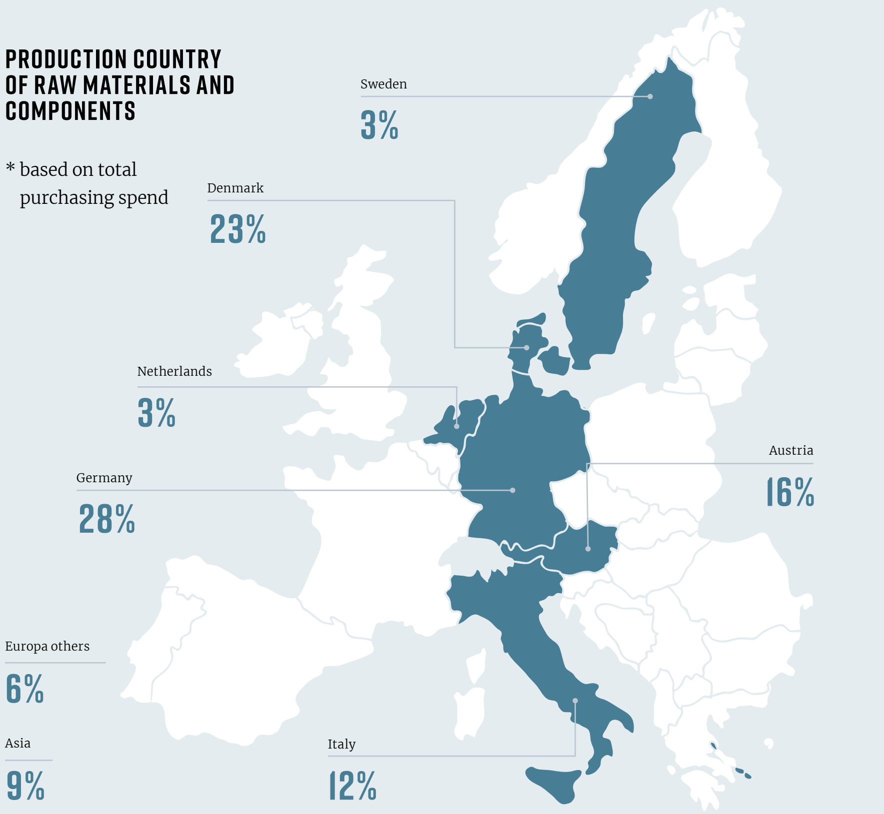
TCM Group suppliers are primarily located in Europe and a majority of these are located relatively close to our production sites in Tvis and Aulum. In 2022, 91% of materials directly used in our production are made in Europe, of which 54% originate from Denmark or our neighboring countries (DK, DE, SE).

ANTI-CORRUPTION

TCM Group is exposed to the risk of non-compliance with anti-corruption rules and regulations for example by obtaining an advantage with illegal means, via our employees, suppliers, franchisees and dealers. In TCM Group we have a zero-tolerance approach to corruption and bribery. Thus, our policy is to comply with all applicable regulations and to promote anti-corruption behavior in all our business relations. Our Code of Conduct lay out our zero-tolerance approach to corruption for employees, suppliers, franchisees, and dealers. Besides having firm values and a strong culture we conduct internal controls and make our whistleblower hotline available to detect breaches. There have been no incidents violating the anticorruption policy in 2022. In 2023 we will continue our work with promoting anti-corruption in all our business relations.

PRODUCTION COUNTRY OF RAW MATERIALS AND COMPONENTS

* based on total purchasing spend



SVANE KØKKENET
NORDIC Eg
CRAFT handle

GOVERNANCE

ORGANIZING ESG

Effective organization and management of ESG are essential to ensure steady progress on our ambitions and targets and to maintain and develop ESG as an integrated part of our way of doing business. TCM Group has defined an ESG Steering Committee that is organized about our strategic focus areas and with the involvement of the relevant stakeholders. It consists of the CFO, Head of Assortment, Head of Supply, and Head of HR. The ESG steering committee cover issues such as sustainability risks, and opportunities, as well as recommendations for further improvements, and convenes monthly.

The sustainability manager is responsible for strategy deployment as well as identifying and pursuing further strategic opportunities. Cross-functional teams from the line of business support the daily operation and ensure progress in each of the strategic focus areas.

Organizational, the Sustainability manager is placed with the assortment team, a department that is involved with the decision-making around TCM product assortment throughout the value chain.

To increase our efforts and integration of ESG even more we aim to integrate ESG oversight as part of the responsibilities of the audit committee in 2023.

DIVERSITY POLICY

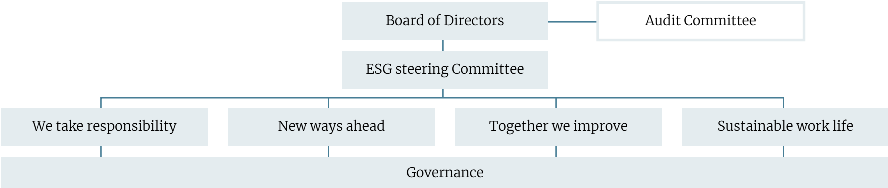
During 2022 we have formed a diversity and inclusion policy. The policy is available on TCM Group homepage.

GENDER DIVERSITY ON THE BOARD OF DIRECTORS AND AMONG OTHER EXECUTIVES

When composing the members elected by the general meeting, TCM Group focuses on diversity as well as on the members' skills and experience. We aim for an equal gender composition, which also reflects essential competencies within TCM Group's focus areas.

To ensure that the group's board is composed of the right profiles and skills, TCM Group has defined a target for the board's gender and status as an independent. The Group wants a board where both sexes are represented and where all members are independent. We believe this can create the basis for the best debates and add different perspectives and input to how we run and develop the business and approach challenges.

For the board elected by the general meeting, TCM Group wants a representation of the underrepresented gender of at least 40%. With a distribution of 1 woman and 5 men of the 6 members elected by the general meeting in 2022, we did not meet our target and cf. the Danish Business Authority's definition, we do not have an equal gender distribution on the board. Within the coming 4 years and no later than 2026, TCM Group seeks to gradually change towards the target set for the gender balance of the board of directors.



INCENTIVE PAY

In 2021 and 2022 ESG performance-related criteria with a target of a significant carbon emission reduction have been included in the long-term incentive program for TCM Group's executive management.

TAX RESIDENCE

TCM Group A/S operates in Denmark and Norway, is listed on the Copenhagen Stock Exchange (Nasdaq MIDCAP Copenhagen), and pays taxes locally in Denmark and Norway. In 2022 TCM Group paid 39.1 mio. kr. in tax. 99.6% in Denmark and 0.4% in Norway. Our tax policy is available at the TCM Group homepage.

DATA ETHICS POLICY

TCM Group collects data to ensure delivery of products and services within kitchen, bathroom and storage, and to service customers best in case of quality complaints or inquires regarding information on specific orders. TCM Group primarily uses the collected data in connection with order processesing, ie. order confirmation and delivery, and in any follow-up complaints or inquiries. Data in the daily work and storage of data is operationalized and systematized via internal procedures and policies across the entire TCM Group. The overall responsibility for decisions, application and implementation of new technologies as well as the use of non-personally identifiable and personally identifiable data is anchored in TCM Group's executive management.

EU TAXONOMY

In 2021 TCM Group reported on EU Taxonomy eligible turnover, OpEx and CapEx as required by the EU Relgulation (EU 2020/852, article 8, the "EU Taxonomy"). The EU regulation applies to listed companies with more than 500 employees. In 2022 TCM Group had less than 500 employees and therefore did not fulfil the requirement of entities in scope of the Regulation. TCM Group will reassume Taxonomy reporting by 2025 or if TCM Group before 2025 falls within the reporting requirements according to the Corporate Sustainability Reporting Directive (CSRD).

TCM Group will continue to develop and optimize internal processes to ensure alignment to EU Taxonomy.

WHISTLEBLOWER SYSTEM

TCM Group whistleblower system is available for internal and external reporting of any witnessed activities or reasonable suspicion of serious and reprehensible conditions or illegalities to the group.

All TCM Group employees, customers, suppliers, advisors, and other individuals with a connection to the company can access the whistleblower 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 whistleblower report back to the reporting individual.

TCM Group Whistleblower system can be access here.

To remove potential barriers to reporting TCM Group has in 2022 upgraded the reporting platform, to make sure that the process is as intuitive as possible, and expanded the number of local languages to make sure that it is possible for everyone who may have concerns to report in their local languages.

Internally the reporting platform has been promoted to make sure that employees at TCM Group know that there is an anonymous platform available.

0 In 2022 there has been no reported cases

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

ESG KEY FIGURES

ESG PERFORMANCE

We continuously seek to improve our data registration, collection, and reporting of relevant ESG indicators, and provide data that can be measured year after year. The ESG data collection and reporting support our business to direct action plans and it provides transparency for all stakeholders in our sustainability work.

	UNIT	2022	2021	2020	REFERENCE STANDARD	UNGC PRINCIPLES ALLIGNMENT	REFERENCE REPORT PAGE	ACCOUNTING PRACTICES
CLIMATE AND ENVIRONMENT								
CO_2-emissions					**GRI 305 Emissions**	**Environment principles 7, 8, 9**	**page 31**	
CO_2e, Scope 1 [ton]	**tCO_2e**	**1,032**	**1,299**	**1,435**				
Vehicles	tCO_2e	184	174.5	210				
Natural gas	tCO_2e	836	1,077.5	1,191				
Others	tCO_2e	12	47	34				
CO_2e, Scope 2 [ton]	**tCO_2e**	**892**	**1,041**	**1,703**				
Electric power	tCO_2e	888	1,035	1,698				
District heating	tCO_2e	4	6	5				
CO_2, total Scope 1+2	**tCO_2e**	**1,924**	**2,340**	**3,138**				
CO_2-e intensity (revenue)	ratio	1.7	2.1	3.1				Emission per 1m DKK net revenue /ton CO_2e
Energy							**page 31, 32**	
Energy consumption	MWh	7,294.3	8,490.8	8,749.9				
Renewable energy	%	82	82					Standard energy market mix in Denmark, Environmental product declaration ENERGINET per 1st of June 2021
Electricity consumption/revenue	ratio	6.4	7.7	12.8				Electricity consumption (kWh) / net revenue (kDKK)
Resources								
Water								
Water consumption	m^3	5,899.86						
Waste	**ton**	**4,409.98**	***6,184.4**	**4,414.62**	**GRI 306-5 Waste**		**page 32**	
Recycling	%	90.3	92.1	96.9				
Energy recovery	%	9.6	7.3	2.3				
Landfill	%	0	0	0				
Hazardous waste	%	0.1	0.6	0.8				

* In 2021 there has been made an registration error of the amount of waste generated. This has lead to an update of the values and distribution of the waste generated in 2021 in 2022

(ESG KEY FIGURES CONTINUED)	UNIT	2022	2021	2020	REFERENCE STANDARD	UNGC PRINCIPLES ALLIGNMENT	REFERENCE REPORT PAGE	ACCOUNTING PRACTICES
SOCIAL DATA								
Diversity						**Labour 3, 4, 5, 6**	**page 29, 30**	
Full-time employees, end of the period	# FTE	482	504	483				Number of full-time employees. Calculated excluding temporary and short-term employments
Blue collar workers	%	23%						% of total FTEs
White collar workers	%	77%						% of total FTEs
Flex jobs etc.	#	5						Number of employees on flex job contracts or similar by the end of the finansial year
Trainee, interns, apprentices	#	6	13	16				Number of employees on trainee contracts by the end of the finansial year
Gender diversity overall	%	36	32	29	GRI 404 Diversity and Equal Opportunity			All TCM Group employees
Gender diversity, other management levels		4 of 14 (28%)	3 of 14 (21%)	4 of 15 (27%)				Management (executive mgmt. and mgmt group), m/f
Pay gap between genders, white collar		1.18						Average pay, white collar m/f (minus executive management)
Occupational health and safety						**Labour 3, 4, 5, 6**	**page 29, 30**	
Absence ratio related to sickness in 2021	%	4.38	3.3	2.9				Sickness related absence (excl. absence due to sick children and maternity leave)
Sickdays caused by work accidents	#	47	21	34				Absence related to work accidents (number of days)
Absence ratio related to work accidents	%	0.1	0.006	0.03				Total number of working hours/absence related to work accidents
Near-miss work accident registrations	#	937	896	1,159				Number of Near-miss work accidents registered during the financial year
Employee engagement score	(5-point scale)	-	4.2	-				Engagement score based on a 5-point scale. Performed every second year (next time year 2023)
Engagement survey participation	%	-	92	-				% of employees that have participated in the engagement survey Performed every second year (next time year 2023)

(ESG KEY FIGURES CONTINUED)	UNIT	2022	2021	2020	REFERENCE STANDARD	UNGC PRINCIPLES ALLIGNMENT	REFERENCE REPORT PAGE	ACCOUNTING PRACTICES
GOVERNANCE								
Composition of the board of directors								
Members of the board of directors	#	6	5	5			page 20 -22	TCMs board members at publication date
Board meetings	#	12	11	8			page 20	Number of TCM board meetings held. Does not cover other board seminars or committees
Board meeting attendance	%	100%	100%	97.5%			page 22	Number of board meetings attended relative to number of board meetings held.
Gender diversity, board of directors	#	1 of 6	1 of 5	1 of 5			page 29, 36	Distribution of women and men on TCM' Board of Directors.
	%	17%	20%	20%				
Percentage of independent board members	%	100%	100%	100%			page 22	Distribution of independent and non-independent board members
Risk and regulation						**Anti-Corruption 10**	**page 34-36**	
Suppliers covered by CODE of CONDUCT, signed	%	100	100	100				
Whistleblower reports	#	0	0	0			page 36	Whistleblower reports to TCM falling within the correct use of the whistleblower scheme
Whistleblower cases resolved	**%**	100	100	100			page 36	% of Whistleblower reports to TCM falling iwthin the correct use of the whistleblower scheme resolved
Remuneration								
Shares held by members of the board of directors		40,625	38,125	38,125			page 22	Number of shares held by members of the Board of Directors as a percentage of the total number of shares
Shares held by the executive management		91,602	49,902	49,902			page 23	Number of shares held by members of the Executive Management as a percentage of the total number of shares.
CEO total compensation relative to FTE average total compensation		7.9	8.8	-			page 30	Based on average salary of an employee of TCM (excluding members of the Executive Management)

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INCOME STATEMENT

DKK'000	NOTE	2022	2021
Revenue	3	1,146,052	1,108,274
Cost of goods sold	4, 5, 7	(912,032)	(853,673)
Gross profit		**234,020**	**254,601**
Selling expenses	4, 5, 7	(79,632)	(70,097)
Administrative expenses	4, 5, 6, 7	(50,975)	(46,749)
Other operating income		(22)	0
Operating profit before non-recurring items		**103,391**	**137,756**
Non-recurring items	8	(6,478)	691
Operating profit		**96,913**	**138,447**
Share of profit/loss in associated companies		1,263	554
Financial income	9	441	338
Financial expenses	9	(9,215)	(3,600)
Profit before tax		**89,401**	**135,738**
Tax for the year	10	(18,909)	(25,029)
Net profit for the year		**70,493**	**110,709**
Earnings per share before dilution, DKK	19	7.77	11.55
Earnings per share after dilution, DKK	19	7.75	11.54

STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2022	2021
Net profit for the year		70,493	110,709
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Value adjustments of currency hedges before tax		(1,137)	750
Tax on value adjustments of currency hedges		250	(165)
Other comprehensive income for the year		**(887)**	**585**
Total comprehensive income for the year		**69,606**	**111,294**

BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2022	2021
ASSETS			
INTANGIBLE ASSETS	11		
Goodwill		369,796	369,796
Brand		171,961	171,961
Other intangible assets		14,081	4,561
		555,838	**546,318**
TANGIBLE ASSETS	12		
Land and buildings		127,127	85,101
Tangible assets under construction and prepayments		1,119	11,774
Machinery and other technical equipment		42,542	42,524
Equipment, tools, fixtures and fittings		8,875	6,622
		179,664	**146,021**
FINANCIAL ASSETS			
Investments in associated companies	13	48,702	47,439
Other financial assets	15	26,814	8,524
		75,516	**55,963**
Total non-current assets		**811,018**	**748,302**
INVENTORIES			
Raw materials and consumables		41,075	46,104
Products in progress		28,647	21,929
Finished products		10,980	9,731
	14	**80,702**	**77,764**
CURRENT RECEIVABLES			
Trade receivables	23	40,984	28,235
Other receivables	15	30,200	31,505
Tax receivables		0	6,395
Prepaid expenses and accrued income	16	2,932	3,235
		74,116	**69,370**
Cash and cash equivalents		4,392	11,884
Total current assets		**159,209**	**159,019**
Total assets		**970,227**	**907,321**

BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2022	2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	17, 19	914	1,000
Treasury shares	17	(12,087)	(135,976)
Reserve for cash flow hedges	18	(916)	(29)
Retained earnings		432,718	500,292
Proposed dividend for the year	20	0	54,404
Total shareholders' equity		**420,629**	**419,691**
Deferred tax	21	53,393	53,692
Mortgage loans	2, 22	25,060	27,825
Lease liabilities	2	48,813	15,189
Other liabilities	2	483	1,132
Total long-term liabilities		**127,748**	**97,838**
Mortgage loans	2, 22	2,766	2,804
Bank loans	2, 22	200,329	160,701
Lease liabilities	2	11,973	11,222
Prepayments from customers		0	2,985
Trade payables	2	151,892	158,924
Liabilities to associated companies		115	928
Current tax liabilities		3,564	0
Other liabilities	2	51,211	52,227
Total short-term liabilities		**421,849**	**389,792**
Total shareholders' equity and liabilities		**970,227**	**907,321**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	TREASURY SHARES	RESERVE FOR CASH FLOW HEDGES	RETAINED EARNINGS	PROPOSED DIVIDEND	TOTAL
Opening balance 01.01.2022	**1,000**	**(135,976)**	**(29)**	**500,292**	**54,404**	**419,691**
Net profit for the year	0	0	0	70,493	0	70,493
Other comprehensive income for the year	0	0	(887)	0	0	(887)
Total comprehensive income for the year	**0**	**0**	**(887)**	**70,493**	**0**	**69,606**
Dividend paid	0	0	0	0	(54,404)	(54,404)
Share based incentive program	0	0	0	104	0	104
Purchase of treasury shares	0	(14,368)	0	0	0	(14,368)
Reduction of share capital	(86)	138,257	0	(138,171)	0	0
Closing balance 31.12.2022	**914**	**(12,087)**	**(916)**	**432,718**	**0**	**420,629**
Opening balance 01.01.2021	**1,000**	**0**	**(614)**	**443,987**	**130,000**	**574,373**
Net profit for the year	0	0	0	56,305	54,404	110,709
Other comprehensive income for the year	0	0	585	0	0	585
Total comprehensive income for the year	**0**	**0**	**585**	**56,305**	**54,404**	**111,294**
Dividend paid	0	0	0	0	(130,000)	(130,000)
Purchase of treasury shares	0	(135,976)	0	0	0	(135,976)
Closing balance 31.12.2021	**1,000**	**(135,976)**	**(29)**	**500,292**	**54,404**	**419,691**

CASH FLOW STATEMENT

DKK'000	NOTE	2022	2021
OPERATING ACTIVITIES			
Operating profit		96,913	138,447
Depreciation/amortization		17,951	16,918
Other non-cash operating items		2,113	(17,342)
Income tax paid		(8,933)	(25,899)
Change in inventories		(2,938)	(29,508)
Change in operating receivables		(21,479)	(13,944)
Change in operating liabilities		(11,451)	5,132
Cash flow from operating activities		**72,177**	**73,804**
INVESTING ACTIVITIES			
Investments in tangible assets		(22,593)	(29,168)
Investments in intangible assets		(10,116)	(4,466)
Investments in financial assets		10	(308)
Acquisition of operations (associated company)	24	(2,180)	(23,200)
Divestments of operations		0	4,600
Cash flow from investing activities		**(34,879)**	**(52,542)**
Operating cash flow before acquisitions of operations		**39,478**	**44,462**
Operating cash flow after acquisitions of operations		**37,298**	**21,262**
FINANCING ACTIVITIES			
Interest paid		(8,774)	(2,897)
Proceeds from loans	25	39,628	140,701
Repayments of loans	25	(2,805)	(2,823)
Repayments of lease liabilities	25	(4,068)	(4,237)
Purchase of treasury shares		(14,368)	(135,976)
Dividend paid		(54,404)	(130,000)
Cash flow from financing activities		**(44,790)**	**(135,232)**
Cash flow for the year		**(7,492)**	**(113,971)**
Cash and cash equivalents at the beginning of the year		**11,884**	**131,683**
Divestments of operations		0	(5,828)
Cash flow for the year		(7,492)	(113,971)
Cash and cash equivalents at year-end		**4,392**	**11,884**
SPECIFICATION:			
Cach and cach equivalents at year-end		**4,392**	**11,884**

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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.

REPORTING UNDER THE ESEF REGULATION

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) requires the use of a particular electronic reporting format for annual reports of listed companies in the EU. More specifically, the ESEF Regulation requires the annual report to be prepared in XHTML format with iXBRL tagging of the consolidated financial statements including notes.

TCM Group A/S' iXBRL tagging has been made using the ESEF taxonomy disclosed in the annexes to the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

The line items in the consolidated financial statements are XBRL-tagged to the elements of the ESEF taxonomy that are considered to match the content of those line items. For line items not considered to be covered by line items defined in the taxonomy, entity-specific extensions to the taxonomy have been incorporated. Except for subtotals, these extensions are anchored to standard elements of the ESEF taxonomy.

Consistently with the requirements of the ESEF Regulation, the annual report approved by Management is comprised of a ZIP file TCM-Group-2022-12-31-en.zip which includes an XHTML file that may be opened using standard web browsers, and a number of technical XBRL files enabling mechanical retrieval of the XBRL data incorporated.

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 performs annual 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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.

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
The Group sells kitchen products through a number of independent stores, DIY chains and other retailers. 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 DAP. General credit terms vary between 8-30 days. Sales are recognized net after VAT and discounts.

COST OF GOODS SOLD
Cost of goods sold include the manufacturing costs incurred to achieve revenue for the year. Costs consist of raw material, direct labour costs, transportation costs and indirect costs related to manufacturing such as salaries, rental and maintenance costs as well as depreciation of production facilities.

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 as well as costs related to Covid-19 precautions and related supply chain disruptions. Such costs are non-recurring in nature.

OPERATING EXPENSES (SELLING AND ADMINISTRATIVE EXPENSES)
Operating expenses primarily comprise selling and administrative expenses. Selling expenses include staff costs and other costs related to sales and marketing. Administrative expenses include staff costs and other costs related to administration.

SHARE OF PROFIT/LOSS IN ASSOCIATED COMPANIES
In the income statement, the Group's share of associates' results after tax and after elimination of the proportionate share of internal profit/loss is recognized.

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 measured 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 annually or if 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. To a great extent, product development is based on a further development of existing materials and designs, 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.

LEASES

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associates are measured using the equity method, whereby the investments in the balance sheet are measured at the proportionate share of the companies' net asset value calculated in accordance with the Group's accounting policy after elimination of the proportionate share of unrealized internal profit/loss and with addition of value added on acquisition, including goodwill.

Investments in associates are testet for impairment if an indication of an impairment requirement arises.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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).

Impairment 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 based on the level of unsecured balances past due. 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
Dividends are recognized as a liability after the Annual General Meeting has approved the dividend.

Treasury shares
The treasury share reserve comprises cost of acquisition for the Group's portfolio of treasury shares. Dividends received from treasury shares are recognised directly in retained earnings in equity. Gains and losses from the sale of treasury shares are recognised in share premium.

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.

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 has an equity-settled, share-based Long-term Incentive program (LTI) for the Executive Management, which is governed by the Remuneration policy. The LTI is a share-based program and consists of annual commencing individual Performance Share Unit Plans (PSU) with rolling 3 year performance periods. The fair value of employee services received for the grant of shares is recognised as an expence and allocated over the vesting period. And the end od each reporting period, TCM revises its estimates of the numbers of shares expected to vest. TCM recognises the impact of the revision of original estimates, if any, in the income statement and in a corresponding adjustment to equity over the remaining vesting period. Adjustments relating to prior years are included in the income statement in the year of adjustment.

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, entirely related to sales in NOK, where hedging in the range 70-100% of the net payments is applied. Other revenue 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 4 million in 2022 (DKK 4 million).

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	2022 DKK'000	2021 DKK'000
Trade receivables before impairment	**44,602**	**29,296**
Non-due trade receivable	32,209	22,411
Past due trade receivable 0-30 days	4,036	1,902
Past due trade receivable 30-90 days	2,335	1,015
Past due trade receivable >90 days	6,022	3,968
Total overdue	**12,392**	**6,886**
Of which secured	4,036	3,046
– Impaired	0	0
Of which unsecured	8,357	3,840
– Impaired	(3,618)	(1,061)
Total overdue unsecured after impairment	**4,739**	**2,779**
Impairment loss recognized in the income statement during the period	**861**	**25**

Trade receivables as of 1 January 2021 amounted to DKK 24.4 million.

Changes in impairment of trade receivables in 2022 amounted to DKK 2.6 million and is recognized as an expence in the income statement 2022.

Actual losses on debtors in 2022 and 2021 have been immaterial in relation to the size of the Group and its activities. Due to the market situation and a higher overdue amount, provisions for possible losses have been increased. The provision of DKK 3.6million constitutes 0.3% of net revenue for the year, which is considered sufficient to cover future expected losses.

FINANCIAL EXPOSURE

The Group has signed a finance agreement with Nykredit Bank comprising a committed facility of DKK 300 million. The agreement initially includes a 3 year commitment plus an option to extend the facility with two 1-year extension options on similar terms, of whitch the Group has exercised the first 1-year extension.

The bank loans contain a leverage covenant of 4.0. There has been no breach of any covenant during the period. The interest rates on the bank loans are variable.

Mortgage loans with a nominal amount of DKK 28 milion (DKK 31 million) are amortised over 20 years and expire in 2032. The interest rates of mortgage loans are variable.

INTEREST-RATE RISK

It is group policy to 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 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 negative impact on the profit for the year and on equity at 31 December 2022 of DKK 2.2 million (DKK 1.8million).

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 2022. 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 Board of Directors has adopted a dividend policy with a target payout ratio of 40-60 percent of consolidated net profit for the year.

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL RISKS (CONTINUED)

CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS:	2022 DKK'000	2021 DKK'000
Hedging – currency fluctuation	(1,173)	(37)
	(1,173)	**(37)**

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

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

The company has an available facility up to DKK 300 million and until 31 March 2025, with an option to extend it to 31 March 2026. The facility has an unused amount of DKK 100 million at 31 december 2022 and futher DKK 4 million in liquidity. With budgeted numbers for 2023 and further sensitivity of 10% in lower revenue and a sligth decrease in margin to budget, this will still be within the covenant in the agreement and with sufficient headroom in avaiable liquidity during 2023.

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
2022						
Bank loans	200.3	1.3	1.3	203.6	0.0	206.2
Mortgage loans	27.8	1.5	1.5	11.8	14.6	29.4
Lease liabilities	60.8	6.2	6.2	28.8	22.1	63.3
Trade payables	151.9	151.9	0.0	0.0	0.0	151.9
Other liabilities	51.7	47.5	3.6	0.6	0.0	51.7
Financial and operational liabilities at 31 December 2022		**208.4**	**12.6**	**244.8**	**36.7**	**502.5**

DKK MILLION	NOMINAL AMOUNT, FUNCTIONAL CURRENCY	0-6 MONTHS	6-12 MONTHS	1-5 YEARS	5 YEARS OR LATER	TOTAL
2021						
Bank loans	160.7	1.0	1.0	163.3	0.0	165.4
Mortgage loans	30.6	1.5	1.5	11.9	17.5	32.4
Lease liabilities	26.4	5.8	5.7	15.3	0.0	26.8
Trade payables	158.9	158.9	0.0	0.0	0.0	158.9
Other liabilities	53.4	50.1	2.2	1.1	0.0	53.4
Financial and operational liabilities at 31 December 2021		**217.3**	**10.4**	**191.7**	**17.5**	**436.9**

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 2022	INTANGIBLE AND TANGIBLE ASSETS 2022	REVENUE FROM CUSTOMERS 2021	INTANGIBLE AND TANGIBLE ASSETS 2021
GEOGRAPHIC AREAS				
Denmark	1,032,496	735,502	1,011,380	692,339
Other countries	113,556	0	96,894	0
	1,146,052	**735,502**	**1,108,274**	**692,339**

Revenue consists of sale of goods and services.

4. STAFF COSTS

TOTAL COSTS FOR EMPLOYEE BENEFITS

DKK'000	2022	2021
Salaries and other remuneration	216,535	206,347
Social security costs	5,736	5,806
Pension costs – defined contribution plans	17,356	25,328
Other staff costs	445	210
Total costs for employees	**240,072**	**237,691**

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, CASH BASED (STI)	VARIABLE REMUNERATION, SHARE BASED (LTI)	OTHER BENEFITS	PENSION COSTS	TOTAL	NUMBER OF INDIVIDUALS
2022							
Board of Directors	2,375	0	0	34	0	2,409	6
Executive Management	4,642	317	48	648	398	6,053	2
Total	**7,017**	**317**	**48**	**682**	**398**	**8,462**	**8**
2021							
Board of Directors	2,188	0	0	10	0	2,198	5
Executive Management	4,567	0	377	602	383	5,929	2
Total	**6,755**	**0**	**377**	**612**	**383**	**8,127**	**7**

	2022	2021
NUMBER OF OPTIONS		
As at 1 January	15,989	0
Granted during the year	17,427	15,989
Exercised during the year	0	0
Forfeited during the year	(6,246)	0
As at 31 December	27,170	15,989

No options expired during the periods covered by the above tables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS (CONTINUED)

	2022	2021
SHARE OPTIONS OUTSTANDING AT THE OF THE YEAR HAVE THE FOLLOWING EXPIRY DATES:		
31 March 2024	9,743	15,989
31 March 2025	17,427	0
Total	**27,170**	**15,989**
Weighted average remaining contractual life of options outstanding at end of the period	1.89	2.25

DKK'000	2022	ESTIMATED EXERCISE RATIO	2021	ESTIMATED EXERCISE RATIO
FAIR VALUE AT 31 DECEMBER:				
Granted in 2021	483	35%	1,132	50%
Granted in 2022	312	28%	0	n.a.
Total	**795**	**32%**	**1,132**	**50%**

Fair value is estimated based on an estimate of the expected exercise ratio out of the maximum number of Performance Share Units and the share price when the LTI program was granted (share price in 2022: 65)

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 34 thousand (DKK 2 thousand) during the year.

The remuneration report for the Board of Directors and the Executive Management is available on TCM Group´s website.

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 2022 in average totals 2 individuals, received salaries and benefits during the fiscal year amounting to DKK 4.6 million plus variable remuneration and other benefits amounting to a total salary for 2022 of DKK 5.5 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 2022 is capped at 50% of the annual basic salary and is based on annual KPIs. The bonus criterias for the STI are revenue, EBITDA and NWC ratio. The STI includes a threshold for the EBITDA target which, if not achieved, will result in no STI bonus to be paid, regardless of performance on other KPIs.

The LTI program is entirely granted to Executive Management and consists of annually commencing individual Performance Share Unit Plans with rolling three-year performance periods for the periods 2021-2023 and 2022-2024. When the LTI program is granted to the participants, a maximum of 50% of the annual basic salary is converted to a maximum number of performance share units based on the current share price e.g. an avarage over a 3 month period. At the end of each performance period, the performance share units may be converted into shares in TCM Group A/S, which will be granted free of charge. The performance measures for the LTI are all three-year accumulative and consist of absolute total shareholder return of the Company's share, EBITDA, and carbon emission reduction. The fair value of the LTI program is estimated on an annual basis.

5. AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD

	2022	2021
Average number of employees	496	504
Board members	6	5
Of which women	*1*	*1*
Executive Management	2	2
Of which women	*0*	*0*

The Board of Directors consists of 6 members in total at the date of approval of these consolidated financial statements.

6. AUDIT FEE

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

DKK'000	2022	2021
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	675	0
Other assurance engagements	0	0
Tax and indirect taxes advisory	0	0
Other services	0	0
	675	**0**

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 0.0 million in 2022. In addition to statutory audit, the former auditors appointed at the Annual General Meeting, Deloitte Statsautoriseret Revisionspartnerselskab, provided other assurance engagements and other services to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. AUDIT FEE (CONTINUED)

DKK'000	2022	2021
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	0	595
Other assurance engagements	0	65
Tax and indirect taxes advisory	0	30
Other services	0	73
	0	**763**

7. DEPRECIATION/AMORTIZATION AND IMPAIRMENT BY FUNCTION

DKK'000	DEPRECIATION/ AMORTIZATION 2022	IMPAIRMENT 2022	DEPRECIATION/ AMORTIZATION 2021	IMPAIRMENT 2021
Cost of goods sold	14,567	0	12,562	0
Selling expenses	964	0	1,060	0
Administrative expenses	2,421	0	3,296	0
Total depreciation/amortization and impairment	**17,952**	**0**	**16,918**	**0**

8. NON-RECURRING ITEMS

DKK'000	2022	2021
Costs related to Covid-19 and supply chain disruptions	5,440	14,010
Restructuring	4,658	1,300
Net gain from the Celebert/kitchn.dk transaction	(3,620)	(13,503)
Gain from the divestment of an own operated store	0	(2,498)
Total	**6,478**	**(691)**

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

DKK'000	2022	2021
Revenue	1,146,052	1,108,274
Cost of goods sold	(918,272)	(869,583)
GROSS PROFIT	**227,780**	**238,691**
Selling expenses	(79,832)	(71,675)
Administrative expenses	(52,075)	(48,536)
Other operating income	1,040	19,966
Operating profit	**96,913**	**138,447**

TCM Group presents non-recurring items separately to ensure comparability. Nonrecurring items consist of income and expenses that are special and of a non-recurring nature. For 2022 non-recurring items consist of costs related to Covid-19 and supply chain disruptions, restructuring costs related to the restructuring of the store network in the Greater Copenhagen area as well as organisational restructuring carried out during 2022. The non-recurring costs are partly offset by a non-recurring gain from the final earn-out from the Celebert/kitchn.dk transaction.

9. FINANCIAL INCOME AND EXPENSES

DKK'000	2022	2021
FINANCIAL INCOME		
Interest income on financial assets measured at amortized costs	86	149
Interest income on discounted subleases	355	189
FINANCIAL EXPENSES		
Interest expense on liabilities measured at amortized costs	(8,493)	(3,220)
Interest expenses on discounted lease liabilities	(722)	(380)
Total	**(8,774)**	**(3,262)**

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	19,140	250	19,390
Change in deferred tax during the year	(231)	0	(231)
Total	**18,909**	**250**	**19,159**
TAX FOR THE PREVIUS YEAR CAN BE SPECIFIED AS FOLLOWS:			
Current tax	24,557	165	24,722
Change in deferred tax during the year	472	0	472
Total	**25,029**	**165**	**25,194**

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

DKK'000	%	2022	%	2021
Tax rate	22.0	19,668	22.0	29,816
Non-taxable income	(0.3)	(278)	(3.3)	(4,468)
Non-deductible expenses	0.1	49	0.2	293
Other	(0.6)	(530)	(0.5)	(612)
Effective tax rate for the year	**21.2**	**18,909**	**18.5**	**25,029**

Non-taxable income primarily relates to result of associated companies. In 2021 non-taxable income includes technical gains from divested activities.

11. INTANGIBLE ASSETS

DKK'000	2022	2021
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 2022, 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.

Goodwill is 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, 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

In 2022, the Group's weighted cost of capital before tax amounted to 12.3% (11.0%) and after tax 9.6% (8.6%).

Brand is subject to an annual impairment test by a relief from royalty test. The recovarable amount is calculated based on the expected cash flow based on the budget for the forthcoming fiscal year and a forecast for the next four years, a royalty of the expected brand revenue, discounted by a weighted avarage cost of capital (WACC) after tax. WACC is based on similer assumptions as with regards to the above. The recoverable amount is compared with the carrying amount.

Testing of goodwill and brand did not lead to any impairment in 2022 or 2021. 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	2022	2021
Opening cost	53,753	49,624
Investments for the period	10,116	4,465
Disposals for the period	0	(336)
Closing accumulated cost	**63,869**	**53,753**
Opening amortization	49,192	47,927
Amortization for the period	596	1,400
Disposals for the period	0	(134)
Closing accumulated amortization	**49,788**	**49,193**
CLOSING CARRYING AMOUNT		
Of which:		
Software and ERP platform	14,081	4,561
Closing carrying amount	**14,081**	**4,561**

12. TANGIBLE ASSETS

DKK'000	BUILDINGS	LAND AND LAND IMPROVE-MENTS	TANGIBLE ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	MACHINERY AND OTHER TECHNICAL EQUIPMENT	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS
Opening cost at 1 January 2022	**94,971**	**6,988**	**11,773**	**56,020**	**15,247**
Investments for the period	32,306	5,417	1,119	6,792	5,533
Transfer	8,988	0	(11,773)	2,786	0
Disposals for the period	(350)	0	0	(10)	(576)
Closing cost amount at 31 December 2022	**135,915**	**12,405**	**1,119**	**65,588**	**20,204**
Opening depreciation and impairment at 1 January 2022	16,858	0	0	13,496	8,625
Disposals for the period	(210)	0	0	(10)	(547)
Depreciation for the period	4,545	0	0	9,560	3,251
Closing depreciation and impairment at 31 December 2022	**21,193**	**0**	**0**	**23,046**	**11,329**
Closing carrying amount at 31 December 2022	**114,722**	**12,405**	**1,119**	**42,542**	**8,875**
Of which right-of-use assets					
Opening carrying amount at 1 January 2022	7,788				1,879
Investment for the period	26,847				1,623
Disposals for the period	(350)				(566)
Depreciation for the period	(2,284)				(788)
Closing carrying amount at 31 December 2022	**32,001**				**2,148**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. TANGIBLE ASSETS (CONTINUED)

DKK'000	2022
Amounts recognized in the income statement	
Cost of short term leases	1,256
Variable leasing costs that are not included in leasing liabilities	138
	1,394

DKK'000	BUILDINGS	LAND AND LAND IMPROVE-MENTS	TANGIBLE ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	MACHINERY AND OTHER TECHNICAL EQUIPMENT	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS
Opening cost at 1 January 2021	**95,002**	**6,833**	**11,855**	**33,286**	**13,700**
Investments for the period	5,023	155	11,575	11,326	4,273
Transfer	160	0	(11,657)	11,497	0
Disposals for the period	(5,215)	0	0	(89)	(2,726)
Closing cost amount at 31 December 2021	**94,971**	**6,988**	**11,773**	**56,020**	**15,247**
Opening depreciation and impairment at 1 January 2021	14,722	0	0	5,590	7,112
Disposals for the period	(2,097)	0	0	(89)	(1,780)
Depreciation for the period	4,232	0	0	7,994	3,292
Closing depreciation and impairment at 31 December 2021	**16,858**	**0**	**0**	**13,496**	**8,625**
Closing carrying amount at 31 December 2021	**78,113**	**6,988**	**11,773**	**42,524**	**6,622**

DKK'000	BUILDINGS	LAND AND LAND IMPROVE-MENTS	TANGIBLE ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	MACHINERY AND OTHER TECHNICAL EQUIPMENT	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS
Of which right-of-use assets					
Opening carrying amount at 1 January 2021	13,315				2,129
Investment for the period	0				1,832
Disposals for the period	(3,118)				(631)
Depreciation for the period	(2,410)				(1,450)
Closing carring amount at 31 December 2021	**7,788**				**1,879**

DKK'000	2021
Amounts recognized in the income statement	
Cost of short term leases	891
Variable leasing costs that are not included in leasing liabilities	152
	1,043

No impairment was charged to tangible assets in 2022 or 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. INVESTMENTS IN ASSOCIATED COMPANIES

DKK'000	2022	2021
Cost at start of year	61,178	0
Additions	0	61,178
Carrying amount at end of year	**61,178**	**61,178**
Value adjustments at start of year	(13,740)	0
Elimination of internal profit	0	(14,292)
Share of profit/(loss)	1,263	554
Value adjustments at end of year	**(12,477)**	**(13,740)**
Carrying amount as at end of year	**48,702**	**47,439**

The associated company Celebert ApS sells kitchens online and has balance sheet date as at 30th of June. As of 30 June 2022 Celebert Aps had a gross profit on DKK 14 million and a net profit on DKK 3 million. As of 30 june 2022 assets in Celebert ApS. amounted to DKK 42 million of which DKK 11 million was current assets. As of 30 June 2022 short-term liabilities amounted to DKK 7 million.

At the end of 2022, recognized goodwill related to associated companies amounted to DKK 45.6 million (DKK 45.6 million). No impairment was charged to goodwill related to associated companies in 2022 and 2021.

14. INVENTORIES

DKK'000	2022	2021
Raw materials and consumables	41,075	46,104
Products in progress	29,647	22,929
Finished products	11,180	9,931
Total write-down of inventories	(1,200)	(1,200)
	80,702	**77,764**

Costs of goods sold recognized as an expense during the period are DKK 912.0 million (DKK 853.7 million) and write downs of inventory recognized as an income off-setting scrapped inventory during the period are DKK 0.0 million (income of DKK 0.2 million).

15. OTHER FINANCIAL ASSETS AND OTHER RECEIVABLES

DKK'000	2022	2021
OTHER FINANCIAL ASSETS		
Subleases	16,394	7,559
Receivables falling due in 12 month or later	9,450	0
Deposits	970	965
Total	**26,814**	**8,524**
OTHER RECEIVABLES		
Subleases	8,312	7,120
Other receivables	21,888	24,384
Total	**30,200**	**31,505**

Subleases are specified as follows:

	2022		2021	
DKK'000	BOOK VALUE	UNDISCOUNTED VALUE	BOOK VALUE	UNDISCOUNTED VALUE
Falling due for payment within one year	8,312	8,521	7,120	7,234
Falling due for payment within one and two years	5,173	5,314	7,337	7,379
Falling due for payment within two and three years	5,332	5,420	222	222
Falling due for payment within three and four years	5,495	5,528	0	0
Falling due for payment within four and five years	396	397	0	0
Falling due for payment later	0	0	0	0
Total	**24,708**	**25,180**	**14,679**	**14,836**

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)

16. PREPAID EXPENSES AND ACCRUED INCOME

DKK'000	2022	2021
Other prepaid expenses	2,932	3,235
Total	**2,932**	**3,235**

17. SHARE CAPITAL

SHARE CAPITAL	NO. OF REGISTERED SHARES	NO. OF SHARES OUTSTANDING	NOMINAL VALUE
As of 1 January 2022	10,000,000	10,000,000	1,000,000
Reduction of share capital	(857,706)	(857,706)	(85,771)
As of 31 December 2022	**9,142,294**	**9,142,294**	**914,229**
As of 1 January 2021	10,000,000	10,000,000	1,000,000
As of 31 December 2021	**10,000,000**	**10,000,000**	**1,000,000**

Share capital amounted to nominal DKK 914,229. 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.

TREASURY SHARES	NO. OF SHARES	NOMINEL VALUE	PURCHARES PRICE	% OF SHARES
As of 1 January 2022	832,227	83,223	135,976	8.3
Purchase of treasury shares	100,479	10,048	14,368	1.0
Reduction of share capital	(857,706)	(85,771)	(138,257)	(8.6)
As of 31 December 2022	**75,000**	**7,500**	**12,087**	**0.8**
As of 1 January 2021	0	0	0	0
Purchase of treasury shares	832,227	83,223	135,976	8.3
As of 31 December 2021	**832,227**	**83,223**	**135,976**	**8.3**

18. VALUE ADJUSTMENTS OF CURRENCY HEDGES

DKK'000	VALUE ADJUSTMENT OF CASH FLOW HEDGES 2022	TOTAL 2022	VALUE ADJUSTMENT OF CASH FLOW HEDGES 2021	TOTAL 2021
Opening balance	**(29)**	**(29)**	**(614)**	**(614)**
Value adjustments of currency hedges before tax	(1,137)	(1,137)	750	750
Tax on value adjustments of currency hedges	250	250	(165)	(165)
Closing balance	**(916)**	**(916)**	**(29)**	**(29)**

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)

19. 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.

	2022	2021
Profit attributable to shareholders (DKK'000)	70,493	110,709
Weighted average number of outstanding ordinary shares before dilution	9,074,847	9,584,933
Earnings per share before dilution (DKK)	7.77	11.55

EARNINGS PER SHARE AFTER DILUTION

To calculate earnings per share after dilution, the weighted average number of outstanding ordinary shares were adjusted for the dilution effect of all potential ordinary shares. These potential ordinary shares were attributable to the Long-term Incentive program (LTI) that were allotted to the Executive Management in 2021 and 2022. Refer to note 4.

If all the performance targets set for the first plan, PSU 2021 – 2023 and 2022-2024, are fully achieved, the aggregate allocated maximum number of share units and, accordingly, shares to be awarded 27,170 shares (gross earning).

	2022	2021
Weighted average number of outstanding ordinary shares	9,074,847	9,584,933
Employee share option scheme	17,427	7,995
Weighted average number of outstanding ordinary shares after dilution	9,092,274	9,592,928
Earnings per share after dilution (DKK)	7.75	11.54

20. DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a mandate is provided to the Board of Directors with the option to distribute a dividend during the second half of 2023 of up to DKK 30 million.

21. DEFERRED TAX

DKK'000	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET
Opening balance, 1 January 2022	0	53,692	53,692
Recognized in net profit for the year	0	(299)	(299)
Closing balance, 31 December 2022	**0**	**53,393**	**53,393**
Opening balance, 1 January 2021	0	53,220	53,220
Recognized in net profit for the year	0	472	472
Closing balance, 31 December 2021	**0**	**53,692**	**53,692**

The change in deferred tax liabilities for the period:

DEFERRED TAX LIABILITIES

DKK'000	TEMPORARY DIFFERENCES IN INTANGIBLE ASSETS	TEMPORARY DIFFERENCES TANGIBLE ASSETS	TEMPORARY DIFFERENCES INVENTORY	TEMPORARY DIFFERENCES RECEIVABLES	TEMPORARY DIFFERENCES MORGAGE DEBT	TOTAL
As of 1 January 2022	**39,391**	**14,315**	**543**	**(179)**	**(378)**	**53,692**
Recognized in net profit for the year	15	152	52	(487)	(31)	(299)
As of 31 December 2022	**39,406**	**14,467**	**595**	**(666)**	**(409)**	**53,393**
As of 1 January 2021	**39,336**	**13,544**	**972**	**(143)**	**(489)**	**53,220**
Recognized in net profit for the year	55	771	-429	(36)	111	472
As of 31 December 2021	**39,391**	**14,315**	**543**	**(179)**	**(378)**	**53,692**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. BANK LOANS AND MORTGAGE LOANS

DKK'000	2022	2021
MATURITY STRUCTURE		
Within 1 year	203,095	163,506
Between 1 and 5 years	11,028	11,049
Longer than 5 years	14,032	16,776
Total	**228,155**	**191,332**

Refer to note 2 for additional information regarding bank loans and mortgage loans.

23. FINANCIAL ASSETS AND LIABILITIES

2022 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	10,420	0	10,420
Trade receivable	0	40,984	0	40,984
Cash and cash equivalents	0	4,392	0	4,392
Total	**0**	**55,796**	**0**	**55,796**
Long-term interest-bearing liabilities	0	0	73,873	73,873
Current interest-bearing liabilities	0	0	215,068	215,068
Accounts payable	0	0	151,892	151,892
Long-term other liabilities	0	0	587	587
Short-term current other liabilities	1,116	0	50,095	51,211
Total	**1,116**	**0**	**491,515**	**492,631**

23. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2021 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	965	0	965
Trade receivable	0	28,235	0	28,235
Cash and cash equivalents	0	11,884	0	11,884
Total	**0**	**41,084**	**0**	**41,084**
Long-term interest-bearing liabilities	0	0	43,014	43,014
Current interest-bearing liabilities	0	0	174,727	174,727
Accounts payable	0	0	158,924	158,924
Long-term other liabilities	0	0	1,132	1,132
Short-term current other liabilities	37	0	52,187	52,224
Total	**37**	**0**	**429,984**	**430,021**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. ACQUISITION OF OPERATIONS (ASSOCIATED COMPANIES)

2021: ACQUISITION 45% AF CELEBERT APS

On 6 July 2021, TCM Group entered into a strategic partnership with, and acquired stake in the fast growing Danish e-commerce kitchn business Celebert. TCM Group merged its e-commerce activities in kitchn.dk with the activities of Celebert and has initially acquired a 45% stake in Celebert.

Cost related to the transaction amounted to DKK 4.0 million and are presented under non-recurring items for 2021.

2022:

Final settlement of earn out amounted to DKK 2.2 million in 2022.

DKK'000	
ASSETS HELD FOR SALE	
Purchase price	29,000
Merged activities	32,178
	61,178
Equity value of acquired net assets – 45%	(15,528)
Goodwill before elimination	**45,650**
Elimination of internal profit	(14,292)
Goodwill after elimination	**31,358**

Goodwill is attributable to future expected growth potential and expected synergies with the merger of our e-commerce activities in kitchn.dk with Celebert ApS.

25. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	MORTGAGE LOANS	BANK LOANS	LEASE LIABILITIES	TOTAL
Opening balance, 1 January 2022	30,629	160,701	26,411	217,741
Non-cash change				
New lease liabilities	0	0	28,573	28,573
Terminated leases	0	0	(158)	(158)
Subleases settled directly from the franchisee	0	0	10,028	10,028
Amortization of borrowing costs	0	0	0	0
	0	**0**	**38,443**	**38,443**
Financing cash flows				
Repayment of loans	(2,805)	0	(4,068)	(6,873)
Changes in cash pool	0	39,628	0	39,628
	(2,805)	**39,628**	**(4,068)**	**32,755**
Closing balance, 31 December 2022	**27,825**	**200,329**	**60,786**	**288,939**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

DKK'000	MORTGAGE LOANS	BANK LOANS	LEASE LIABILITIES	TOTAL
Opening balance, 1 January 2021	33,443	19,641	34,936	88,020
Non-cash change				
New lease liabilities	0	0	3,184	3,184
Terminated leases	0	0	(411)	(411)
Subleases settled directly from the franchisee	0	0	(7,061)	(7,061)
Amortization of borrowing costs	9	359	0	368
	9	**359**	**(4,288)**	**(3,920)**
Financing cash flows				
Repayment of loans	(2,823)	(20,000)	(4,237)	(27,060)
Changes in cash pool	0	160,701	0	160,701
	(2,823)	**140,701**	**(4,237)**	**133,641**
Closing balance, 31 December 2021	**30,630**	**160,701**	**26,411**	**217,741**

26. PLEDGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

The Group has, in respect of it's commitment to Nykredit, issued a pledge ban on the Group' assets.

For collateral for debt to mortgage lender, DKK 27.8 million (DKK 30.6 million), pledges have been given in land and buildings with a carrying amount as of 31 December 2022 amounting to DKK 95.1million (DKK 77.3 million).

Guarantees related to AB92 - provisions of work and supplies within building and engineering – amount to a total of DKK 1.4 million (DKK 1.9 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.

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

27. RELATED PARTY TRANSACTIONS

RELATED PARTIES WITH A CONTROLLING INTEREST

As at 31 December 2022, 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.

The Group has had transactions with the associated company Celebert ApS. Transactions related to sales amounted to DKK 20.2 million and transactions related to administration fees amounted to DKK 0.2 million.

There are no other transactions with related parties.

28. 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 this annual report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. 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%
Nettoline A/S	31599555	Aulum	100%
ASSOCIATED COMPANIES			
Celebert ApS	27428959	Aalborg	45%

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 EBIT:	Operating profit before non-recurring items (Adjusted EBIT).
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
Adjusted EBITDA margin	Adjusted EBITDA * 100 Revenue
Adjusted EBIT margin	Adjusted EBIT * 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
NWC ratio	Net working capital (1) * 100 12 months revenue
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 (1) and capex excluding acquisitions divided by adjusted EBITDA. The ratio is for the last twelve months.

The definition and calculation formula for earnings per share before and after dilution can be found in note 19 in the consolidated financial statements.

(1) Net working capital is adjusted with assets and liabilities held for sale.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

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INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

DKK'000	NOTE	2022	2021
Revenue		7,296	8,000
Gross profit		**7,296**	**8,000**
Administrative expenses	2, 3	(11,179)	(12,130)
Operating loss		**(3,883)**	**(4,130)**
Dividend from subsidiaries		115,000	150,000
Financial income	4	2,283	422
Financial expenses	4	(6,332)	(2,126)
Profit before tax		**107,068**	**144,166**
Tax for the year	5	1,742	1,231
Net profit for the year		**108,810**	**145,398**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Value adjustments of cash-flow hedges before tax		0	0
Tax on value adjustments of cash-flow hedges		0	0
Other comprehensive income for the year		**0**	**0**
Total comprehensive income		**108,810**	**145,398**

BALANCE SHEET AS OF 31 DECEMBER

DKK'000	NOTE	2022	2021
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		111,641	24,832
Other receivables		80	0
Deferred tax assets		66	0
Tax receivables		0	6,395
Prepaid expenses and accrued income		1,556	2,273
Total current assets		**113,343**	**33,500**
Cash and cash equivalents		0	12
Total current assets		**113,343**	**33,511**
Total assets		**610,099**	**530,267**

BALANCE SHEET AS OF 31 DECEMBER (CONTINUED)

DKK'000	NOTE	2022	2021
EQUITY AND LIABILITIES			
Share capital		914	1,000
Treasury shares		(12,089)	(135,976)
Retained earnings		415,164	444,421
Proposed dividend for the financial year		0	54,404
Total equity		**403,989**	**363,849**
Bank loans	7	0	0
Other payables		587	1,132
Total long-term liabilities		**587**	**1,132**
CURRENT LIABILITIES			
Bank loans	7	200,329	160,701
Trade payables		1,734	2,235
Payables to subsidiaries		0	1,525
Current tax liabilities		3,460	0
Other payables		0	826
Total current liabilities		**205,523**	**165,287**
Total liabilities		**206,110**	**166,419**
Total equity and liabilities		**610,099**	**530,267**

CHANGES IN SHAREHOLDERS' EQUITY

DKK'000	SHARE CAPITAL	TREASURY SHARES	RETAINED EARNINGS	PROPOSED DIVIDEND	TOTAL
Opening balance 01.01.2022	**1,000**	**(135,976)**	**444,421**	**54,404**	**363,849**
Net profit for the year	0	0	108,810	0	108,810
Total comprehensive income for the year	**0**	**0**	**108,810**	**0**	**108,810**
Dividend paid	0	0	0	(54,404)	(54,404)
Share based incentive program	0	0	104	0	104
Purchase of treasury shares	0	(14,370)	0	0	(14,370)
Reduction of share capital	(86)	138,257	(138,171)	0	0
Closing balance 31.12.2022	**914**	**(12,089)**	**415,164**	**0**	**403,989**
Opening balance 01.01.2021	**1,000**	**0**	**353,427**	**130,000**	**484,427**
Net profit for the year	0	0	90,994	54,404	145,398
Total comprehensive income for the year	**0**	**0**	**90,994**	**54,404**	**145,398**
Dividend paid	0	0	0	(130,000)	(130,000)
Purchase of treasury shares	0	(135,976)	0	0	(135,976)
Closing balance 31.12.2021	**1,000**	**(135,976)**	**444,421**	**54,404**	**363,849**

CASH FLOW STATEMENT

DKK'000	NOTE	2022	2021
OPERATING ACTIVITIES			
Operating loss		(3,883)	(4,130)
Income tax paid		(15,326)	(25,874)
Change in operating receivables		(59,144)	4,629
Change in operating liabilities		(3,464)	(851)
Cash flow from operating activities		**(81,817)**	**(26,226)**
Dividend received		115,000	150,000
Cash flow from investing activities		**115,000**	**150,000**
Interest paid		(4,049)	(1,344)
Proceeds and repayment of loans	8	39,628	140,701
Purchase of treasury shares		(14,370)	(135,976)
Dividend paid		(54,404)	(130,000)
Cash flow from financing activities		**(33,195)**	**(126,619)**
Cash flow for the year		**(12)**	**(2,845)**
Cash at start of year		12	2,857
Cash flow for the year		(12)	(2,845)
Cash at end of year		**0**	**12**

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.

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

2. STAFF COSTS

DKK'000	2022	2021
TOTAL COSTS FOR EMPLOYEE BENEFITS		
Salaries and other remuneration	6,505	7,341
Social security costs	1	21
Pension costs – defined contribution plans	399	574
Total costs for employees	**6,905**	**7,936**

Further employee benefits for executive management a.o. company car, phone etc. are presented as administration costs.

REMUNERATION AND OTHER BENEFITS

DKK'000	BASE SALARY, DIRECTORS FEES	VARIABLE RE-MUNERATION, CASH BASED (STI)	VARIABLE RE-MUNERATION, SHARE BASED (LTI)	OTHER BENEFITS	PENSION COSTS	TOTAL	NUMBER OF INDIVIDUALS
2022							
Board of Directors	2,375	0	0	34	0	2,409	6
Executive Management	4,642	317	48	648	398	6,053	2
Total	**7,017**	**317**	**48**	**682**	**398**	**8,462**	**8**
2021							
Board of Directors	2,188	0	0	10	0	2,198	5
Executive Management	4,567	0	377	602	383	5,929	2
Total	**6,755**	**0**	**377**	**612**	**383**	**8,127**	**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).

3. AUDIT FEE

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

DKK'000	2022	2021
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	255	0
Other assurance engagements	0	0
	255	**0**

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Company amounted to DKK 0.0 million in 2022.

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

DKK'000	2022	2021
SPECIFICATION BY TYPE OF COSTS		
Statutory audit	0	185
Other assurance engagements	0	65
	0	**250**

4. FINANCIAL INCOME AND EXPENSES

DKK'000	2022	2021
FINANCIAL INCOME		
Interest income from subsidiaries	2,283	422
FINANCIAL EXPENSES		
Interest expense on liabilities measured at amortized costs	(6,332)	(2,125)
Total	**(4,049)**	**(1,704)**

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

5. CORPORATION TAX

DKK'000	INCOME STATEMENT	OTHER COMPREHEN-SIVE INCOME	TOTAL COMPREHEN-SIVE INCOME
Tax for the year can be specified as follows:			
Current tax	1,742	0	1,742
Total	**1,742**	**0**	**1,742**
Tax for the previus year can be specified as follows:			
Current tax	1,231	0	1,231
Total	**1,231**	**0**	**1,231**

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

DKK'000	%	2022	%	2021
Tax rate	22.0	23,555	22.0	31,717
Non-taxable income	(23.6)	(25,300)	(22.9)	(33,000)
Non-deductible expenses	0.0	4	0.0	52
Effective tax rate for the year	**(1.6)**	**(1,741)**	**(0.9)**	**(1,231)**

Non-taxable income relates to dividend from subsidiaries.

6. INVESTMENTS IN SUBSIDIARIES

DKK'000	2022	2021
INVESTMENTS IN SUBSIDIARIES		
Cost at start of year	496,756	496,756
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 29 of the consolidated financial statements for a list of all companies in the TCM Group.

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. CHANGES IN LIABILITIES ATTRIBUTABLE TO THE FINANCING ACTIVITIES

DKK'000	BANK LOANS	TOTAL
Opening balance, 1 January 2022	160,701	160,701
Non-cash change		
Amortization of borrowing costs	0	0
	0	**0**
Financing cash flows		
Repayment of loans	0	0
Changes in cash pool	**39,628**	**39,628**
	39,628	**39,628**
Closing balance, 31 December 2022	**200,329**	**200,329**
Opening balance, 1 January 2021	19,641	19,641
Non-cash change		
Amortization of borrowing costs	359	359
	359	**359**
Financing cash flows		
Repayment of loans	(20,000)	(20,000)
Changes in cash pool	160,701	160,701
	140,701	**140,701**
Closing balance, 31 December 2021	**160,701**	**160,701**

8. GUARANTEES, CONTINGENT LIABILITIES AND COLLATERAL

The Company has, in respect of the Group's commitment to Nykredit, issued a pledge ban on all assets.

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.

9. RELATED PARTIES

For specification of related parties refer to note 27 and 29 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 7.3 million (DKK 8.0 million).

Intragroup 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.

10. 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 this annual report.

11. 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.

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 recieved.

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.

NOTES TO THE PARENT FINANCIAL STATEMENTS (CONTINUED)

12. 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
The Group has signed a finance agreement with Nykredit Bank comprising a committed facility of DKK 300 million. The agreement initially includes a 3 year commitment plus an option to extend the facility with two 1-year extension options on similar terms, of whitch the Group has exercised the first 1-year extension.

The bank loans contain a leverage covenant of 4.0. There has been no breach of any covenant during the period. The interest rates on the bank 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.

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 2022 of DKK 2.0 million (DKK 1.6 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 2022. 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 Board of Directors has adopted a dividend policy with a target payout ratio of 40-60 percent of consolidated net profit for the year.

LIQUIDITY RISKS
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 100 million (DKK 39 million) as of 31 December 2022.

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Management have today considered and adopted the annual report for the financial year 1 January 2022 – 31 December 2022. The Consolidated Financial Statements and the Parent Company 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 Company Financial statements give a true and fair view of the Group's and the Parent Company Financial position at 31 December 2022 as well as of the results of their operations and the cash flows for the period 1 January 2022 – 31 December 2022.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

In our opinion, the annual report of TCM Group A/S for the financial year 1 January to 31 December 2022 with the file name TCM Group-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation. We recommend that the Annual Report be adopted at the Annual General Meeting.

Holstebro, 24 February 2023

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	Jan Amtoft

INDEPENDENT AUDITOR'S REPORT

To the shareholders of TCM Group A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of TCM Group A/S for the financial year 1 January to 31 December 2022 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in shareholders' equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Appointment

We were first appointed auditors of TCM Group A/S on 5 April 2022 for the financial year 2022.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Impairment test of goodwill and brand At 31 December 2022 the Group's intangible assets amounts to DKK 555,838 thousand primarily related to goodwill of DKK 369,796 thousand and brand of DKK 171,961 thousand. Impairment tests related to goodwill and brand includes significant judgement and estimation by management, including determination of future growth rates for revenue, profit margins and investments in the budget and forecast periods, as well as discount rate and royalty rate. We focused on impairment tests related to goodwill and brand as accounting estimates are complex and associated with subjectivity in the determination of significant assumptions and data used. We refer to note 11 in the consolidated financial statements.	We considered the appropriateness of the accounting policies for assessing the recoverability of the carrying amount of goodwill and brand. Our audit procedures included assessment of the applied impairment model with focus on significant assumptions in determination of future cash flow, including growth rates for revenue, profit margins and investment in the budget and forecast periods, as well as discount rate and royalty rate used. We assessed sensitivity analysis performed by management to evaluate the impact of reasonable changes in key assumptions. Further, we evaluated the accuracy in managements' estimates by comparing the budget for 2022 with actual figures. We also assessed the appropriateness of the disclosures related to impairment tests.

Statement on Management's Review

Management is responsible for Management's Review.
Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Financial Statements.

As part of an audit 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 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 Company'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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast sig-

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

nificant doubt on the Group's and the Parent Company'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 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 or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the 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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of TCM Group A/S for the financial year 1 January to 31 December 2022 with the filename TCM Group-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes. Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of TCM Group A/S for the financial year 1 January to 31 December 2022 with the file name TCM-Group-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Aarhus, 24 February 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Claus Lyngsø Sørensen
State Authorised Public Accountant
mne34539

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Mogens Elbrønd Pedersen
Direktionsmedlem
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IP: 188.120.xxx.xxx
2023-02-27 09:36:57 UTC
MitID

Sanna Mari Suvanto-Harsaae
Bestyrelsesformand
Serienummer: PID:9208-2002-2-420948919641
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2023-02-27 09:38:02 UTC
NEM ID

Danny Espersen
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-559256484845
IP: 185.50.xxx.xxx
2023-02-27 09:42:08 UTC
NEM ID

Torben Paulin
Adm. direktør
Serienummer: PID:9208-2002-2-825148660500
IP: 188.120.xxx.xxx
2023-02-27 11:04:42 UTC
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Anders Tormod Skole-Sørensen
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Serienummer: 1ff28298-f84d-4367-bbd5-8cebbe2426af
IP: 131.164.xxx.xxx
2023-02-27 13:46:26 UTC
MitID

Jan Amtoft
Bestyrelsesmedlem
Serienummer: 4af04fbf-569a-4e02-8220-75ec162e9172
IP: 86.52.xxx.xxx
2023-02-28 06:35:26 UTC
MitID

Søren Mygind Eskildsen
Bestyrelsesmedlem
Serienummer: PID:9208-2002-2-156295135438
IP: 194.255.xxx.xxx
2023-02-28 10:29:46 UTC
NEM ID

Carsten Bjerg
Bestyrelsesmedlem
Serienummer: ff41091a-0041-4876-bf03-543ac8bf7a0d
IP: 37.75.xxx.xxx
2023-03-01 09:03:43 UTC
MitID

Claus Lyngsø Sørensen
Statsautoriseret revisor
Serienummer: CVR:33771231-RID:15905839
IP: 208.127.xxx.xxx
2023-03-01 09:14:54 UTC

NEM ID

Claus Lindholm Jacobsen
Statsautoriseret revisor
Serienummer: PID:9208-2002-2-038386302281
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2023-03-01 11:46:52 UTC

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