

TCM Group Management's review
Interim report Q2 2023 (April 1 - June 30)

(All figures in brackets refer to the corresponding period in 2022, and unless stated otherwise all figures are excl. Aubo Production A/S which was acquired effective 3 July 2023)

Margins improved in Q2 compared to Q1 while revenue in the quarter developed in line with expectations. Financial outlook on revenue and EBIT specified with narrower ranges.

CEO Torben Paulin:

“The Danish market for new kitchens showed signs of a potential recovery as the rate of decline in sales slowed in Q2. In TCM revenue declined by 3.5% compared to Q1, in line with our expectations. The decline in revenue was 19% compared to the same quarter last year, which, it must be recalled, was the strongest quarter ever for the TCM Group in terms of revenue.

We are pleased that order-intake for the B2B business remained stable in Q2 compared to Q1, while the order-intake for B2C decreased slightly in the quarter.

Gross margin was 20.0% in Q2 compared to 21.3% in Q2 last year, with the decline being attributable to a higher share of B2B sales and higher input cost. Compared to Q1 2023 gross margin improved by 1.5 percentage points due to increasing average sales prices, and the effect of cost reduction initiatives implemented during Q1. Raw material prices and the price of components, such as fixtures and fittings, remained high in the quarter with year-on-year increases of more than 10%, however we expect prices to start declining in Q3 supporting our margins further. As consumer demand is expected to remain soft in the second half of 2023 further capacity reductions were initiated towards the end of Q2 by reducing the blue-collar workforce by approximately 5% (equal to 20 FTE's).

During the quarter the Group incurred costs for dealership restructurings of DKK 2.4 million, accounted for as selling expenses.

On 19 June 2023 the Group announced the acquisition of 100% of the shares in Aubo Production A/S. This strategic acquisition will further strengthen the Groups market position primarily in Norway. The transaction was completed on 3 July 2023, and Aubo Production A/S will form part of the consolidated figures for the Group as from 3 July 2023. In connection with the acquisition of Aubo Production A/S the Group completed a directed rights issue on 26 June 2023 providing proceeds of DKK 77.0 million, and we are very pleased with the strong support shown by several existing shareholders in this connection.

Reflecting on both the information gained from the results for the first half of 2023 and the continued high degree of uncertainty characterising the current market conditions we adjust our financial outlook for the 2023 as follows: a full year revenue guidance in the range DKK 1,050-1,125 million (previously DKK 1,050-1,175 million), and an adjusted EBIT in the range DKK 68-90 million (previously DKK 68-102 million). The financial outlook includes figures for Aubo Production A/S as from 3 July 2023.”

Financial highlights Q2

- Revenue DKK 264.1 million (DKK 324.8 million) corresponding to a revenue decrease of 18.7%.
- Adjusted EBITDA DKK 27.5 million (DKK 43.5 million). Adjusted EBITDA margin was 10.4% (13.4%).
- Adjusted EBIT of DKK 22.3 million (DKK 39.1 million). Adjusted EBIT margin was 8.4% (12.0%).
- Non-recurring items had a total negative impact of DKK 2.8 million (positive impact of DKK 3.6 million). Non-recurring items included transaction costs related to the acquisition of Aubo Production A/S.
- EBIT of DKK 19.5 million (DKK 42.7 million), corresponding to an EBIT margin of 7.4% (13.1%).
- Net profit of DKK 12.2 million (DKK 32.2 million).
- Free cash flow was DKK -1.6 million (DKK 26.5 million).
- Cash conversion ratio was 56.1% (49.5%).

Financial highlights H1 2023

- Revenue DKK 537.7 million (DKK 606.2 million) corresponding to a revenue decrease of 11.3%.
- Adjusted EBITDA of DKK 45.5 million (DKK 73.8 million). Adjusted EBITDA margin was 8.5% (12.2%).
- Adjusted EBIT of DKK 35.4 million (DKK 65.1 million). Adjusted EBIT margin was 6.6% (10.7%).
- Non-recurring items had a negative impact of DKK 4.5 million (DKK 1.8 million).
- EBIT of DKK 30.9 million (DKK 63.3 million), corresponding to an EBIT margin of 5.7% (10.4%).
- Net profit of DKK 17.6 million (DKK 48.8 million).
- Free cash flow was DKK -36.6 million (DKK -6.4 million).
- Full-year guidance for the financial year 2023 is revenue in the range DKK 1,050-1,125 million, and adjusted EBIT in the range DKK 68-90 million (incl. Aubo Production A/S as from 3 July 2023).

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Key figures and ratios (excl. Aubo Production A/S)

| DKK million | Q2 2023 | Q2 2022 | H1 2023 | H1 2022 | FY 2022 |
|--|--------------|--------------|--------------|--------------|----------------|
| Income statement | | | | | |
| Revenue | 264.1 | 324.8 | 537.7 | 606.2 | 1,146.1 |
| Gross profit | 52.8 | 69.3 | 103.6 | 129.2 | 234.0 |
| Earnings before interest, tax, depreciation, and amortisation (EBITDA) | 24.7 | 47.1 | 41.0 | 71.9 | 114.9 |
| Adjusted EBITDA | 27.5 | 43.5 | 45.5 | 73.8 | 121.3 |
| Earnings before interest, tax, and amortisation (EBITA) | 19.5 | 42.7 | 30.9 | 63.3 | 96.9 |
| Adjusted EBIT | 22.3 | 39.1 | 35.4 | 65.1 | 103.4 |
| Operating profit (EBIT) | 19.5 | 42.7 | 30.9 | 63.3 | 96.9 |
| Financial items | (3.4) | (2.7) | (8.2) | (3.4) | (8.8) |
| Profit before tax | 16.3 | 40.1 | 23.1 | 61.0 | 89.4 |
| Net profit for the period | 12.2 | 32.2 | 17.6 | 48.8 | 70.5 |
| Balance sheet | | | | | |
| Total assets | 1,003.0 | 1,006.4 | 1,003.0 | 1,006.4 | 970.2 |
| Net working capital (NWC) | (11.7) | (29.4) | (11.7) | (29.4) | (57.1) |
| Net interest-bearing debt (NIBD) | 258.7 | 333.3 | 258.7 | 333.3 | 288.1 |
| Equity | 516.0 | 397.8 | 516.0 | 397.8 | 420.6 |
| Cash Flow | | | | | |
| Free cash flow excl. acquisitions of operations | (1.6) | 26.5 | (36.6) | (6.3) | 39.5 |
| Cash conversion, % | 56.1% | 49.5% | 56.1% | 49.5% | 61.0% |
| Growth ratios | | | | | |
| Revenue growth, % | (18.7%) | 11.7% | (11.3%) | 6.0% | 3.4% |
| Gross profit growth, % | (23.7%) | (7.1%) | (19.9%) | (8.1%) | (8.1%) |
| Adjusted EBIT growth, % | (42.9%) | (11.4%) | (45.7%) | (15.5%) | (24.9%) |
| EBIT growth, % | (54.3%) | 0.2% | (51.2%) | (14.7%) | (30.0%) |
| Net profit growth, % | (62.1%) | 1.0% | (63.9%) | (13.7%) | (36.3%) |
| Margins | | | | | |
| Gross margin, % | 20.0% | 21.3% | 19.3% | 21.3% | 20.4% |
| Adjusted EBITDA margin, % | 10.4% | 13.4% | 8.5% | 12.2% | 10.6% |
| Adjusted EBIT margin, % | 8.4% | 12.0% | 6.6% | 10.7% | 9.0% |
| EBIT margin, % | 7.4% | 13.1% | 5.7% | 10.4% | 8.5% |
| Other ratios | | | | | |
| Solvency ratio, % | 51.4% | 39.5% | 51.4% | 39.5% | 43.4% |
| Leverage ratio | 2.80 | 2.35 | 2.80 | 2.35 | 2.35 |
| NWC ratio, % | (1.1%) | (2.6%) | (1.1%) | (2.6%) | (5.0%) |
| Capex ratio excl. acquisitions, % | 2.2% | 1.0% | 1.6% | 1.4% | 2.0% |
| Share information | | | | | |
| Number of outstanding shares | 10,213,713 | 9,067,294 | 10,213,713 | 9,067,294 | 9,067,294 |
| Weighted average number of outstanding shares | 9,107,561 | 9,067,294 | 9,087,539 | 9,082,524 | 9,074,847 |
| Number of treasury shares | 75,000 | 7,500 | 75,000 | 7,500 | 75,000 |
| Earnings per share before dilution, DKK | 1.41 | 3.55 | 2.01 | 5.38 | 7.77 |
| Earnings per share after dilution, DKK | 1.41 | 3.55 | 2.00 | 5.37 | 7.75 |

Reference is made to the consolidated financial statements for 2022 prepared in accordance with IFRS for definitions of key figures and ratios.

Business review

(All figures in brackets refer to the corresponding period in 2022, and unless stated otherwise all figures are excl. Aubo Production A/S which was acquired effective 3 July 2023)

In Q2 2023 revenue decreased by 18.7% to DKK 264.1 million (DKK 324.8 million). The decline was attributable to lower sales primarily within B2C. Compared to Q1 revenue declined by 3.5%.

TCM Group's primary market is Denmark which contributed with 91% of Group revenue in Q2 2023. For TCM Group, revenue in Denmark was down 16.8% compared to Q2 last year. Order-intake for the B2B business remained stable compared to Q1, whereas order-intake in the B2C business decreased slightly. The Tvis Køkken brand showed good progress in the quarter with double digit growth in order-intake, as the brand started to reap the benefits of the investment in new stores and a more clearly defined brand profile.

Revenue outside Denmark decreased by 34.3% compared to Q2 2022, driven by lower sales in Norway. Sales in Norway decreased by 33.1% when measured in DKK (-28.7% measured in local currency).

Gross margin decreased from 21.3% in Q2 2022 to 20.0% in Q2 2023, with the decline being attributable to a higher share of B2B sales and higher input cost. Compared to Q1 2023, however, gross margin improved by 1.5 percentage points because of increasing average sales prices, and the effect of cost reduction initiatives implemented during Q1. Raw material prices and the price of components, such as fixtures and fittings, remained high in the quarter with year-on-year increases of more than 10%, however we expect prices to start declining in Q3 supporting our margins further. As consumer demand is expected to remain soft in the second half of 2023 further capacity reductions were initiated towards the end of Q2 by reducing the blue-collar workforce by approximately 5% (equal to 20 FTE's).

During the quarter the Group incurred costs for dealership restructurings of DKK 2.4 million, accounted for as selling expenses.

At the end of Q2 2023, the total number of branded stores was 91 (94). In Q2 2023, a new Tvis Køkken store opened in Lyngby further improving the brand positioning in the market.

Total number of employees at the end of Q2 2023 was 427 (535).

Other events in Q2 2023

On 19 June 2023 the Group announced the acquisition of 100% of the shares in Aubo Production A/S. On a debt free basis, the purchase price amounts to DKK 165 million plus potential earn-out payments linked to the performance of the company going forward. Assuming all targets in the earn-out agreements are met, the total purchase price will amount to DKK 225 million. This strategic acquisition will further strengthen the Groups market position primarily in Norway. The transaction was completed on 3 July 2023. Costs related to transaction, DKK 2.8 million were expensed in Q2 under non-recurring items.

In connection with the acquisition of Aubo Production A/S the Group completed a directed rights issue on 26 June 2023 issuing 1,221,419 new shares, providing net proceeds of DKK 77.0 million.

Events after the reporting period

In connection with the closing of the acquisition of Aubo Production A/S on 3 July 2023 the Board of Directors decided to issue 149,925 shares as part of the payment to the sellers. The share capital of TCM hereafter consist of 10,513,638 shares of DKK 0.10 each, equivalent to a registered share capital of nominally DKK 1,051,363.80.

Besides from the above, no events of importance to the consolidated interim financial statements have occurred after the reporting period.

Financial outlook

Reflecting on both the information gained from the results for the first half of 2023 and the continued high degree of uncertainty characterising the current market conditions we adjust our financial outlook for the 2023 as follows: a full year revenue guidance in the range DKK 1,050-1,125 million (previously DKK 1,050-1,175 million), and an adjusted EBIT in the range DKK 68-90 million (previously DKK 68-102 million). (incl. Aubo Production A/S as from 3 July 2023).

Forward looking statements

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

Significant risks in the Group

TCM Group is exposed to strategic, operating, and financial risks, which are described in the management review and note 2 of the 2022 Annual Report prepared in accordance with IFRS. The macroeconomic turbulence following the Russian invasion of Ukraine combined with rising inflation and higher interest rates have had and can continue to have a short-term negative impact on demand for kitchens, and thereby impacting TCM Group's financial results negatively.

Financial review

(All figures in brackets refer to the corresponding period in 2022, and unless stated otherwise all figures are excl. Aubo Production A/S which was acquired effective 3 July 2023)

Revenue

In Q2 2023 revenue decreased by 18.7 % to DKK 264.1 million (DKK 324.8 million).

Revenue in Denmark in Q2 2023 was DKK 241.3 million (DKK 290.1 million) corresponding to a decrease of 16.8%. Revenue in other countries in Q2 2023 was down 34.3% to DKK 22.8 million (DKK 34.7 million).

Revenue for the first six months of 2023 was down 11.3% to DKK 537.7 million (DKK 606.2 million). Revenue in Denmark for the first six months of 2023 was down 10.3% to DKK 486.8 million (DKK 542.5 million) and revenue in other countries for the first six months of 2023 was down 20.1% to DKK 50.9 million (DKK 63.7 million).

Gross profit

Gross profit in Q2 2023 was DKK 52.8 million (DKK 69.3 million), corresponding to a gross margin of 20.0% (21.3%).

Gross profit for the first six months of 2023 was DKK 103.6 million (DKK 129.2 million), corresponding to a gross margin of 19.3% (21.3%).

Operating expenses

Operating expenses in Q2 2023 were DKK 30.5 million (DKK 30.2 million). Operating expenses represented 11.6% of revenue in Q2 2023 (9.3%). Operating expenses included provisions for restructuring of the store network of DKK 2.4 million (DKK 0.3 million) as mentioned above.

Operating expenses for the first six months of 2023 were DKK 68.2 million (DKK 64.1 million), of which DKK 5.4 million (DKK 0.5 million) relates to provisions for restructuring of the store network. Operating expenses represented 12.7% of revenue for the first six months of 2023 (10.6%).

Adjusted EBITDA

Adjusted EBITDA in Q2 2023 was DKK 27.5 million (DKK 43.5 million), corresponding to an adjusted EBITDA margin of 10.4% (13.4%).

Adjusted EBITDA for the first six months of 2023 was DKK 45.5 million (DKK 73.8 million), corresponding to an adjusted EBITDA margin of 8.5% (12.2%).

Adjusted EBIT

Adjusted EBIT in Q2 2023 was DKK 22.3 million (DKK 39.1 million), corresponding to an adjusted EBIT margin of 8.4% (12.0%).

Adjusted EBIT for the first six months of 2023 was DKK 35.4 million (DKK 65.1 million), corresponding to an adjusted EBIT margin of 6.6% (10.7%).

Non-recurring items

TCM Group presents non-recurring items separately to ensure comparability. Non-recurring items consist of income and expenses that are special and of a non-recurring nature. In Q2 2023 non-recurring items consisted of transaction costs related to business combinations. This is considered non-recurring by nature and material and is therefore presented as non-recurring items.

| Non-recurring items, DKK m | Q2 | | H1 | |
|--|------------|--------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Transaction costs related to business combinations | 2.8 | 0.0 | 2.8 | 0.0 |
| Costs related to Covid-19 and supply chain disruptions | 0.0 | 0.0 | 0.0 | 5.4 |
| Restructuring costs | 0.0 | 0.0 | 1.7 | 0.0 |
| Net gain from the Celebert/kitchn.dk transaction | 0.0 | (3.6) | 0.0 | (3.6) |
| Total | 2.8 | (3.6) | 4.5 | 1.8 |

EBIT

EBIT in Q2 2023 decreased to DKK 19.5 million (DKK 42.7 million). The decrease was primarily due to the decrease in EBITDA. Depreciations and amortizations in Q2 2023 were DKK 5.2 million (DKK 4.4 million).

EBIT for the first six months of 2023 decreased to DKK 30.9 million (DKK 63.3 million). The decrease was primarily due to the decrease in EBITDA. Depreciations and amortizations for the first six months of 2023 were DKK 10.1 million (DKK 8.7 million).

Net profit

Net profit in Q2 2023 increased to DKK 12.2 million (DKK 32.2 million). Financial income and expenses in Q2 2023 were DKK 0.8 million higher than in Q2 2022, due to the higher level of interest-bearing debt during the quarter and higher interest rates.

Net profit for the first six months of 2023 decreased to DKK 17.6 million (DKK 48.8 million). Financial income and expenses in the first six months were DKK 4.9 million higher than the same period last year, due to the higher level of interest-bearing debt during the half year and higher interest rates.

Free cash flow

Free cash flow in Q2 2023 was DKK -1.6 million (DKK 26.5 million). The cash flow in Q2 2022 was negatively impacted by change in NWC of DKK -13.8 million compared to DKK -15.2 million in Q2 2022 as further described below. Investments were DKK 12.5 million in Q2 2023 compared to DKK 5.7 million last year. The increase in investments is primarily driven by investments into digitalisation and modernisation of the production equipment.

Free cash flow for the first six months of 2023 was DKK -36.6 million (DKK -6.4 million). Cash conversion was 56.1% (49.5%).

Net working capital

Net working capital at the end of Q2 2023 was DKK -11.7 million (DKK -29.4 million). NWC ratio at the end of Q2 2023 was -1.1% (-2.6%).

| DKK million | End of Q2 | |
|-----------------------------|---------------|---------------|
| | 2023 | 2022 |
| Inventories | 79.1 | 87.1 |
| Trade and other receivables | 79.1 | 87.1 |
| Trade and other payables | (169.8) | (203.7) |
| Net working capital | (11.7) | (29.4) |
| NWC ratio | (1.1%) | (2.6%) |

The decrease in inventory of DKK 8.0 million was due to the decision to decrease the stock of parts and raw materials after the supply situation in the market has stabilized.

Trade receivables and other receivables decreased by DKK 8.0 million. Other receivables are excluding the value of short-term lease receivables amounting DKK 6.7 million, as this is not considered part of the net working capital.

Operating liabilities decreased by DKK 33.9 million. The development in operating liabilities was a combination of lower trade payables and lower other payables. The decrease in trade and other payables was driven by the lower level of activity in the business, not only impacting the amount of trade payables related to product purchases but also payables related to, for example, customer bonuses, salaries and wages, other operating expenses, and indirect taxes.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 258.7 million at the end of Q2 2023 (DKK 333.3 million). Net interest-bearing debt decreased by DKK 74.6 million in Q2 2023 supported by the rights issue providing net proceeds of DKK 77.0 million. Leasing liabilities related to IFRS 16 increased net interest-bearing debt by DKK 12.5 million in the quarter. Net interest-bearing debt excluding the leasing liabilities related to IFRS 16 amounted to DKK 193,0 million at the end of Q2 2023 (DKK 263.5 million).

Leverage ratio, measured as net interest-bearing debt excluding tax liabilities divided by adjusted EBITDA LTM, end of Q2 2023 was 2.80 (2.35). Excluding the leasing liabilities related to IFRS 16, leverage ratio end of Q2 2023 was 2.17 (1.89).

Equity

Equity at the end of Q2 2023 amounted to DKK 516.0 million (DKK 397.8 million). The equity increased by DKK 118.2 million in Q2 2023, of which DKK 77.0 million was net proceeds from the issue of 1,221,419 new shares completed on 26 June 2023.

The solvency ratio was 51.4% at the end of Q2 2023 (39.5%).

Additional information

Financial calendar

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

Presentation

The interim report will be presented on Friday 18 August 2023 at 9:30 CEST in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/veywy6qg>.

To participate in the teleconference, and thus have the possibility to ask questions, participants are required to register in advance of the conference using the link provided below. Upon registering, each participant will be provided with Participant Dial In Numbers, and a unique Personal PIN.

Online Registration to the call: <https://register.vevent.com/register/BI6e79fdd84c1c43cf9c86b92e26fe5415>

About TCM Group A/S

TCM Group is Scandinavia's third largest kitchen manufacturer, with a major part of its business concentrated in Denmark. The product offering includes cabinets, table tops and storage.

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

The Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the secondary brands are Tvis Køkken, Nettoline, AUBO and private label. Combined, the brands cater for the entire price range. 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.

Company information

TCM Group A/S

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Consolidated interim financial statements

Consolidated income statement

| DKK m | Note | Q2 | | H1 | |
|--|------|-------------|-------------|--------------|--------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Revenue | 2 | 264.1 | 324.8 | 537.7 | 606.2 |
| Cost of goods sold | | (211.3) | (255.5) | (434.1) | (477.0) |
| Gross profit | | 52.8 | 69.3 | 103.6 | 129.2 |
| Selling expenses | | (18.1) | (17.7) | (42.7) | (39.0) |
| Administrative expenses | | (12.4) | (12.5) | (25.5) | (25.1) |
| Operating profit before non-recurring items | | 22.3 | 39.1 | 35.4 | 65.1 |
| Non-recurring items | 3 | (2.8) | 3.6 | (4.5) | (1.8) |
| Operating profit | | 19.5 | 42.7 | 30.9 | 63.3 |
| Share of profit/loss in associated companies | | 0.2 | 0.1 | 0.4 | 1.1 |
| Financial income | | 0.3 | 0.0 | 0.5 | 0.4 |
| Financial expenses | | (3.8) | (2.7) | (8.7) | (3.8) |
| Profit before tax | | 16.3 | 40.1 | 23.1 | 61.0 |
| Tax for the period | | (4.1) | (7.9) | (5.4) | (12.2) |
| Net profit for the period | | 12.2 | 32.2 | 17.6 | 48.8 |
| Earnings per share before dilution, DKK | | 1.41 | 3.55 | 2.01 | 5.38 |
| Earnings per share after dilution, DKK | | 1.41 | 3.55 | 2.00 | 5.37 |

Consolidated statement of comprehensive income

| DKK m | Q2 | | H1 | |
|---|-------------|--------------|-------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net profit for the period | 12.2 | 32.2 | 17.6 | 48.8 |
| Other comprehensive income | | | | |
| Items that are or may be reclassified subsequent to profit or loss | | | | |
| Value adjustments of currency hedges before tax | 0.9 | (3.9) | 0.9 | (2.5) |
| Tax on value adjustments of currency hedges | (0.2) | 0.9 | (0.2) | 0.6 |
| Other comprehensive income for the period | 0.7 | (3.1) | 0.7 | (2.0) |
| Total comprehensive income for the period | 12.9 | 29.2 | 18.3 | 46.9 |

Consolidated balance sheet

| DKK m | Note | End of Q2 2023 | 2022 | End of 2022 |
|--|------|-------------------|----------------|----------------|
| ASSETS | | | | |
| Intangible assets | | | | |
| Goodwill | | 369.8 | 369.8 | 369.8 |
| Brand | | 172.0 | 172.0 | 172.0 |
| Other intangible assets | | 24.2 | 8.7 | 14.2 |
| | | 566.0 | 550.5 | 555.9 |
| Tangible assets | | | | |
| Land and buildings | | 138.6 | 121.2 | 127.1 |
| Tangible assets under construction and prepayments | | 2.1 | 0.0 | 1.1 |
| Machinery and other technical equipment | | 42.5 | 43.1 | 42.5 |
| Equipment, tools, fixtures and fittings | | 8.9 | 8.9 | 8.9 |
| | | 192.1 | 173.2 | 179.6 |
| Investments in associated companies | | 48.9 | 48.4 | 48.7 |
| Financial assets | | 26.4 | 34.9 | 26.7 |
| Total non-current assets | | 833.3 | 807.0 | 811.0 |
| Inventories | | 79.1 | 87.1 | 80.7 |
| Current receivables | | | | |
| Trade receivables | | 72.5 | 79.1 | 41.0 |
| Receivables from associated companies | | 0.2 | 0.8 | 0.0 |
| Current tax receivables | | 1.8 | 2.5 | 0.0 |
| Other receivables | | 13.1 | 14.9 | 30.2 |
| Prepaid expenses and accrued income | | 0.0 | 0.0 | 2.9 |
| | | 87.7 | 97.3 | 74.1 |
| Cash and cash equivalents | | 3.0 | 14.9 | 4.4 |
| Total current assets | | 169.7 | 199.4 | 159.2 |
| Total assets | | 1,003.0 | 1,006.4 | 970.2 |

Consolidated balance sheet

| DKK m | Note | End of Q2 2023 | 2022 | End of 2022 |
|---|------|-------------------|----------------|----------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | | |
| Share capital | | 1.0 | 0.9 | 0.9 |
| Treasury shares | | (12.1) | (12.1) | (12.1) |
| Value adjustments of currency hedging | | (0.2) | (2.0) | (0.9) |
| Retained earnings | | 527.3 | 411.0 | 432.7 |
| Proposed dividend for the financial year | | 0.0 | 0.0 | 0.0 |
| Total shareholders' equity | | 516.0 | 397.8 | 420.6 |
| Deferred tax | | 53.7 | 54.0 | 53.4 |
| Mortgage loans | | 23.7 | 26.5 | 25.1 |
| Lease liabilities | | 56.7 | 62.5 | 48.8 |
| Other liabilities | | 1.3 | 1.8 | 0.5 |
| Total long-term liabilities | | 135.4 | 144.8 | 127.7 |
| Mortgage loans | | 2.8 | 2.8 | 2.8 |
| Bank loans | | 168.8 | 248.0 | 200.3 |
| Lease liabilities | | 11.6 | 11.0 | 12.0 |
| Trade payables | | 125.1 | 144.9 | 151.9 |
| Liabilities to associated companies | | 0.0 | 0.0 | 0.1 |
| Current tax liabilities | | 0.0 | 0.0 | 3.6 |
| Other liabilities | | 43.4 | 57.0 | 51.2 |
| Total short-term liabilities | | 351.7 | 463.8 | 421.8 |
| Total shareholders' equity and liabilities | | 1,003.0 | 1,006.4 | 970.2 |

Change in consolidated shareholders' equity

| | Share capital DKK m | Trea- sury shares DKK m | Value adjust- ments of currency hedges after tax DKK m | Retain- ed earn- ings DKK m | Propo- sed divi- dend DKK m | Total DKK m |
|--|------------------------|----------------------------------|--|--------------------------------------|--------------------------------------|----------------|
| Opening balance 01.01.2022 | 1.0 | (136.0) | 0.0 | 500.3 | 54.4 | 419.7 |
| Net profit for the period | 0.0 | 0.0 | 0.0 | 48.8 | 0.0 | 48.8 |
| Other comprehensive income for the period | 0.0 | 0.0 | (2.0) | 0.0 | 0.0 | (2.0) |
| Total comprehensive income for the period | 0.0 | 0.0 | (2.0) | 48.8 | 0.0 | 46.8 |
| Dividend paid | 0.0 | 0.0 | 0.0 | 0.0 | (54.4) | (54.4) |
| Purchase of treasury shares | 0.0 | (14.4) | 0.0 | 0.0 | 0.0 | (14.4) |
| Reduction of share capital | (0.1) | 138.3 | 0.0 | (138.2) | 0.0 | 0.0 |
| Closing balance 30.06.2022 | 0.9 | (12.1) | (2.0) | 411.0 | 0.0 | 397.8 |
| | | | | | | |
| Opening balance 01.01.2023 | 0.9 | (12.1) | (0.9) | 432.7 | 0.0 | 420.6 |
| Net profit for the period | 0.0 | 0.0 | 0.0 | 17.7 | 0.0 | 17.7 |
| Other comprehensive income for the period | 0.0 | 0.0 | 0.7 | 0.0 | 0.0 | 0.7 |
| Total comprehensive income for the period | 0.0 | 0.0 | 0.7 | 17.7 | 0.0 | 18.4 |
| Rights issue | 0.1 | 0.0 | 0.0 | 78.7 | 0.0 | 78.8 |
| Cost related to rights issue | 0.0 | 0.0 | 0.0 | (1.8) | 0.0 | (1.8) |
| Closing balance 30.06.2023 | 1.0 | (12.1) | (0.2) | 527.3 | 0.0 | 516.0 |

Consolidated cash flow statement

| DKK m | Note | Q2 | | H1 | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Operating activities | | | | | |
| Operating profit | | 19.5 | 42.7 | 30.9 | 63.3 |
| Depreciation and amortization | | 5.2 | 4.4 | 10.1 | 8.7 |
| Income tax paid | | 0.0 | 0.2 | (10.8) | (7.4) |
| Change in net working capital | | (13.8) | (15.2) | (47.9) | (57.9) |
| Cash flow from operating activities | | 10.9 | 32.1 | (17.7) | 6.6 |
| Investing activities | | | | | |
| Investments in fixed assets | | (12.5) | (5.7) | (18.9) | (13.1) |
| Acquisition of operations, net | | 0.0 | (2.2) | 0.0 | (2.2) |
| Cash flow from investing activities | | (12.5) | (7.8) | (18.9) | (15.2) |
| Financing activities | | | | | |
| Interest paid | | (3.4) | (2.7) | (6.8) | (3.4) |
| Repayments of loans | | (0.6) | (0.7) | (1.3) | (1.4) |
| Repayments of lease liabilities | | (1.2) | (1.0) | (2.2) | (2.0) |
| Purchase of treasury shares | | 0.0 | 0.0 | 0.0 | (14.4) |
| Rights issue, net proceeds | | 77.0 | 0.0 | 77.0 | 0.0 |
| Dividend paid | | 0.0 | (54.4) | 0.0 | (54.4) |
| Cash flow from financing activities | | 71.8 | (58.7) | 66.7 | (75.6) |
| Cash flow for the period | | 70.2 | (34.5) | 30.1 | (84.2) |
| Cash and cash equivalents at the beginning of the period | | | | | |
| | | (236.0) | (198.6) | (195.9) | (148.8) |
| Cash flow for the period | | 70.2 | (34.5) | 30.1 | (84.2) |
| Cash and cash equivalents at the end of the period | | (165.8) | (233.0) | (165.8) | (233.0) |

Notes to the consolidated interim financial statements

1. Accounting policies

This interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and Danish disclosure requirements for listed companies. TCM Group has applied the same accounting policies in this interim report as were applied in the consolidated financial statements for 2022 prepared in accordance with IFRS, why reference is made to note 1 of these financial statements for accounting policies and for definitions of key figures and ratios on pages 46-51 and 65.

Impact from new IFRS standards

TCM Group A/S has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2023 as adopted by the European Union.

Implementation of the standards and amendments have not had any material impact on the Group’s Financial Statements and are likewise not expected to have any significant future impact.

2. Revenue and segment information

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

| | Q2 | | H1 | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue by region, DKK m | | | | |
| Denmark | 241.3 | 290.1 | 486.8 | 542.5 |
| Other countries | 22.8 | 34.7 | 50.9 | 63.7 |
| | 264.1 | 324.8 | 537.7 | 606.2 |
| | | | | |
| Revenue by category, DKK m | | | | |
| Revenue, core business | 199.3 | 247.2 | 412.0 | 466.3 |
| Revenue, 3rd party | 64.8 | 77.6 | 125.7 | 139.9 |
| | 264.1 | 324.8 | 537.7 | 606.2 |

Revenue consists of sale of goods and services.

3. Non-recurring items

| Non-recurring items, DKK m | Q2 | | H1 | |
|--|------------|--------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Transaction costs related to business combinations | 2.8 | 0.0 | 2.8 | 0.0 |
| Costs related to Covid-19 and supply chain disruptions | 0.0 | 0.0 | 0.0 | 5.4 |
| Restructuring | 0.0 | 0.0 | 1.7 | 0.0 |
| Net gain from the Celebert/kitchn.dk transaction | 0.0 | (3.6) | 0.0 | (3.6) |
| Total | 2.8 | (3.6) | 4.5 | 1.8 |

4. Related party transactions

Certain members of the Board of Directors and Executive Management subscribed for new shares in connection with the rights issue on 26 June 2023 for a total amount of DKK 1.5 million. For further details please refer to Company Announcement no. 172 dated 27 June 2023. Except for the subscription for new shares and ordinary remuneration to senior executives and Board of Directors, there were no other transactions with related parties.

5. Events after the reporting period

On 3 July 2023 the Group completed the acquisition of 100% of the shares in Aubo Production A/S, and as of this date Aubo Production A/S will be included in the consolidated financial statement of TCM Group A/S. On a debt free basis, the purchase price amounts to DKK 165 million plus potential earn-out payments linked to the performance of the company going forward. Assuming all targets in the earn-out agreements are met, the total purchase price will amount to DKK 225 million.

In connection with the closing of the acquisition of Aubo Production A/S on 3 July 2023 the Board of Directors decided to issue 149,925 shares as part of the payment to the sellers. The share capital of TCM hereafter consist of 10,513,638 shares of DKK 0.10 each, equivalent to a registered share capital of nominally DKK 1,051,363.80.

Other than the completion of the acquisition, no events of importance to the consolidated interim financial statement have occurred after the reporting period.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and adopted the interim report of TCM Group A/S for the period 1 January 2023 – 30 June 2023.

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

In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 30 June 2023 and of the results of the Group's operations and cash flows for the period 1 January to 30 June 2023.

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

Tvis, 17 August 2023

Executive Management

Torben Paulin
CEO

Thomas Hjannung
CFO

Board of Directors

Sanna Mari Suvanto-Harsaae
Chairman

Anders Tormod Skole-Sørensen
Deputy Chairman

Søren Mygind Eskildsen

Carsten Bjerg

Pernille Wendel Mehl

Jan Amtoft

Erika Hummel

Supplementary financial disclosure

Quarterly overview

| DKK million | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 |
|---|--------------|--------------|--------------|--------------|--------------|
| Income statement | | | | | |
| Revenue | 324.8 | 265.0 | 274.9 | 273.6 | 264.1 |
| Gross profit | 69.3 | 49.7 | 55.1 | 50.7 | 52.8 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 47.1 | 20.8 | 22.2 | 16.2 | 24.7 |
| Adjusted EBITDA | 43.5 | 25.4 | 22.2 | 17.9 | 27.5 |
| Earnings before interest, tax and amortisation (EBITA) | 42.7 | 15.9 | 17.7 | 11.4 | 19.5 |
| Adjusted EBIT | 39.1 | 20.6 | 17.7 | 13.1 | 22.3 |
| Operating profit (EBIT) | 42.7 | 15.9 | 17.7 | 11.4 | 19.5 |
| Financial items | (2.7) | (3.4) | (2.0) | (4.8) | (3.4) |
| Profit before tax | 40.1 | 12.4 | 16.0 | 6.8 | 16.3 |
| Net profit for the period | 32.2 | 9.7 | 11.9 | 5.4 | 12.2 |
| Balance sheet | | | | | |
| Total assets | 1,006.4 | 989.4 | 970.2 | 993.1 | 1,003.0 |
| Net working capital | (29.4) | (9.1) | (57.1) | (22.3) | (11.7) |
| Net interest-bearing debt (NIBD) | 333.3 | 334.6 | 288.1 | 315.0 | 258.7 |
| Equity | 397.8 | 407.3 | 420.6 | 426.0 | 516.0 |
| Cash Flow | | | | | |
| Free cash flow excl. acquisitions of operations | 26.5 | (6.3) | 52.2 | (35.0) | (1.6) |
| Margins | | | | | |
| Gross margin, % | 21.3% | 18.7% | 20.1% | 18.5% | 20.0% |
| Adjusted EBITDA margin, % | 13.4% | 9.6% | 8.1% | 6.6% | 10.4% |
| Adjusted EBIT margin, % | 12.0% | 7.8% | 6.5% | 4.8% | 8.4% |
| EBIT margin, % | 13.1% | 6.0% | 6.5% | 4.1% | 7.4% |
| Other ratios | | | | | |
| Solvency ratio, % | 39.5% | 41.2% | 43.4% | 42.9% | 51.4% |