Fein Elektroværktøj Danmark A/S

Ved Faurgården 3C, DK-4300 Holbæk

Annual Report for 1 January - 31 December 2016

CVR No 24 21 01 97

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 27/3 2017

Richard Geitner
Chairman

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Fein Elektroværktøj Danmark A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations and cash flows for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Holbæk, 27 March 2017

Direktion

Mika Hämäläinen
Executive Officer

Bestyrelse

Richard Geitner Chairman	Caroline Wicks-Schmitz	Janek Jaspaert

Independent Auditor's Report

To the Shareholder of Fein Elektroværktøj Danmark A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Fein Elektroværktøj Danmark A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

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

Independent Auditor's Report

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with 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 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 in preparing the financial statements unless Management either intends to liquidate the 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents 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.

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.

Holbæk, 27 March 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Claus Kjær Poulsen
State Authorised Public Accountant

Company Information

The Company	Fein Elektroværktøj Danmark A/S Ved Faurgården 3C DK-4300 Holbæk CVR No: 24 21 01 97 Financial period: 1 January - 31 December Municipality of reg. office: Holbæk
Board of Directors	Richard Geitner, Chairman Caroline Wicks-Schmitz Janek Jaspaert
Executive Board	Mika Hämäläinen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Ahlgade 63 DK-4300 Holbæk
Bankers	Nordea Danmark A/S Ahlgade 20-24 4300 Holbæk

Management's Review

Financial Statements of Fein Elektroværktøj Danmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

FEIN Danmarks principle activity is to promote and sell company's self-developed and manufactured electro power tools and accessories through professional wholesale and dealer channels.

Development in the year

- Income before tax and non-recurring items for the fiscal year was MDKK -1,6

- Organizational changes to adjust the entity for its new corporate strategy and its restructuring to meet FEINs growth and profitability targets.

FEIN Danmark finished with the negative income before tax and non-recurring items of MDKK -1,6 for the 2016 fiscal year. The entity's revenues were up by 9,7 % compared to previous year. However, its profit margin had a negative development. This was caused mainly by the alternation of product mix sold in 2016 compared to the previous year, and the harsher price competitiveness within the core compentencies of FEIN. Besides this the entity has invested in personnel changes to become more suitable to implement and advance with its newly developed corporate strategy. This has furthermore increased the entity's overheads and thus negatively affected its profitability.

Despite the reduced financial result in 2016, the management views the entity's prospects for 2017 somewhat enhanced due to the market launches of FEINs new product developments as well as its strategic changes and approach to the market place.

Capital resources

The Management is aware, that the Company has lost the share capital. Please refer to note 1.

Subsequent events

After the balance day there has not occured noteworthy incidents that is valued as having material influence on the judgement on the financial statements.

Income Statement 1 January - 31 December

	Note	2016	2015
		DKK	DKK
Gross profit/loss		**2.181.828**	**2.696.259**
Staff expenses	2	-3.735.823	-3.688.819
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-36.624	-68.096
Profit/loss before financial income and expenses		**-1.590.619**	**-1.060.656**
Financial income	4	0	2.278
Financial expenses	5	-21.083	-43.725
Profit/loss before tax		**-1.611.702**	**-1.102.103**
Tax on profit/loss for the year	6	348.550	261.362
Net profit/loss for the year		**-1.263.152**	**-840.741**

Distribution of profit

Proposed distribution of profit

Retained earnings	-1.263.152	-840.741
	-1.263.152	**-840.741**

Balance Sheet 31 December

Assets

	Note	2016	2015
		DKK	DKK
Other fixtures and fittings, tools and equipment		3.889	31.359
Leasehold improvements		0	9.155
Property, plant and equipment	7	**3.889**	**40.514**
Deposits		142.500	142.500
Fixed asset investments	8	**142.500**	**142.500**
Fixed assets		**146.389**	**183.014**
Inventories		**478.005**	**378.863**
Trade receivables		2.897.441	1.936.715
Other receivables		0	7.170
Deferred tax asset	9	37.000	34.012
Corporation tax receivable from group enterprises		345.562	270.445
Prepayments		71.143	67.999
Receivables		**3.351.146**	**2.316.341**
Cash at bank and in hand		**1.587.330**	**3.379.304**
Currents assets		**5.416.481**	**6.074.508**
Assets		**5.562.870**	**6.257.522**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		DKK	DKK
Share capital		1.150.000	1.150.000
Retained earnings		-1.310.220	-47.068
Equity		**-160.220**	**1.102.932**
Trade payables		334.773	240.357
Payables to group enterprises		2.987.094	2.628.715
Other payables		2.401.223	2.285.518
Short-term debt		**5.723.090**	**5.154.590**
Debt		**5.723.090**	**5.154.590**
Liabilities and equity		**5.562.870**	**6.257.522**
Going concern	1		
Contingent assets, liabilities and other financial obligations	12		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	1.150.000	-47.068	1.102.932
Net profit/loss for the year	0	-1.263.152	-1.263.152
Equity at 31 December	**1.150.000**	**-1.310.220**	**-160.220**

Cash Flow Statement 1 January - 31 December

	Note	2016	2015
		DKK	DKK
Net profit/loss for the year		-1.263.152	-840.741
Adjustments	10	-290.843	-196.819
Change in working capital	11	-845.721	640.145
Cash flows from operating activities before financial income and expenses		**-2.399.716**	**-397.415**
Financial income		0	2.278
Financial expenses		-21.082	-43.725
Cash flows from ordinary activities		**-2.420.798**	**-438.862**
Corporation tax paid		270.445	152.519
Cash flows from operating activities		**-2.150.353**	**-286.343**
Purchase of property, plant and equipment		0	-14.982
Sale of property, plant and equipment		0	45.000
Cash flows from investing activities		**0**	**30.018**
Raising of loans from group enterprises		358.379	1.492.864
Dividend paid		0	-2.238.210
Cash flows from financing activities		**358.379**	**-745.346**
Change in cash and cash equivalents		**-1.791.974**	**-1.001.671**
Cash and cash equivalents at 1 January		3.379.304	4.380.975
Cash and cash equivalents at 31 December		**1.587.330**	**3.379.304**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1.587.330	3.379.304
Cash and cash equivalents at 31 December		**1.587.330**	**3.379.304**

Notes to the Financial Statements

1 Going concern

During the recent years, the Company has had losses from the operations, and has on that basis lost the share capital. Also for the year 2017, a loss from operations is expected, but afterwards the Management expect positive results.

The Company has received a Letter of Financial Support from the Parent Company, to ensure that the Company have sufficient capital available to continue the operations for the upcoming year. On this basis, the Financial Statements are prepared based on the principles of Going Concern.

2 Staff expenses

	2016	2015
	DKK	DKK
Wages and salaries	3.336.322	3.405.014
Pensions	374.193	257.441
Other social security expenses	25.308	26.364
	3.735.823	**3.688.819**

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	36.624	68.096
	36.624	**68.096**

4 Financial income

Other financial income	0	2.278
	0	**2.278**

5 Financial expenses

Other financial expenses	116	548
Exchange differences, intercompany	20.967	43.177
	21.083	**43.725**

Notes to the Financial Statements

	2016	2015
	DKK	DKK
6 Tax on profit/loss for the year		
Current tax for the year	-345.562	-270.445
Deferred tax for the year	-2.988	9.083
	-348.550	**-261.362**

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	1.221.316	81.564
Cost at 31 December	1.221.316	81.564
Impairment losses and depreciation at 1 January	1.189.957	72.410
Depreciation for the year	27.470	9.154
Impairment losses and depreciation at 31 December	1.217.427	81.564
Carrying amount at 31 December	**3.889**	**0**
Depreciated over	2-5 years	2-5 years

8 Fixed asset investments

	Deposits
	DKK
Cost at 1 January	142.500
Cost at 31 December	142.500
Impairment losses at 31 December	0
Carrying amount at 31 December	**142.500**

Notes to the Financial Statements

		2016	2015
		DKK	DKK
9	**Deferred tax asset**		
	Property, plant and equipment	-31.000	-34.012
	Trade receivables	-6.000	0
	Transferred to deferred tax asset	37.000	34.012
		0	**0**
	Deferred tax asset		
	Calculated tax asset	37.000	34.012
	Carrying amount	**37.000**	**34.012**

		2016	2015
10	**Cash flow statement - adjustments**		
	Financial income	0	-2.278
	Financial expenses	21.083	43.725
	Depreciation, amortisation and impairment losses, including losses and gains on sales	36.624	23.096
	Tax on profit/loss for the year	-348.550	-261.362
		-290.843	**-196.819**

		2016	2015
11	**Cash flow statement - change in working capital**		
	Change in inventories	-99.142	-378.863
	Change in receivables	-956.700	985.921
	Change in trade payables, etc	210.121	33.087
		-845.721	**640.145**

12 Contingent assets, liabilities and other financial obligations

	2016	2015
Rental and lease obligations	1.303.771	708.990

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes of the Danish Group Companies. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Fein Elektroværktøj Danmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes, Accounting Policies

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprice.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes, Accounting Policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	2-5	years
Leasehold improvements	2-5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Company´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company´s cash and cash equivalents at the beginning and end of the year.

Notes, Accounting Policies

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.