

**Techtronic Industries
Nordic ApS**

Stamholmen 147, 4.
2650 Hvidovre
Business Registration No
27976255

Annual report 2018

The Annual General Meeting adopted the annual report on 29.03.2019

Chairman of the General Meeting

Name: Per Ulf Thomas Jacobsson

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Entity details

Entity

Techtronic Industries Nordic ApS
Stamholmen 147, 4.
2650 Hvidovre

Central Business Registration No (CVR): 27976255

Registered in: Hvidovre

Financial year: 01.01.2018 - 31.12.2018

Phone: +4543565555

Executive Board

Per Ulf Thomas Jacobsson
Barnaby Michael John Hampson

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Techtronic Industries Nordic ApS for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hvidovre, 29.03.2019

Executive Board

Per Ulf Thomas Jacobsson

Barnaby Michael John Hampson

Independent auditor's report

To the shareholder of Techtronic Industries Nordic ApS

Opinion

We have audited the financial statements of Techtronic Industries Nordic ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

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

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

Copenhagen, 29.03.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Jan Larsen

State Authorised Public Accountant

Identification No (MNE) mne16541

Management commentary

	2018	2017	2016	2015	2014
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	1.072.008	889.513	785.587	654.726	533.302
Gross profit/loss	65.105	48.982	53.006	37.118	38.871
Operating profit/loss	21.827	14.235	22.502	9.426	14.547
Net financials	(5.175)	(4.281)	(2.758)	(3.065)	(7.373)
Profit/loss for the year	15.307	6.368	15.589	3.520	5.166
Total assets	440.347	367.878	291.324	237.599	173.503
Equity	43.930	28.623	22.255	6.666	3.146
Ratios					
Gross margin (%)	6,1	5,5	6,7	5,7	7,3
Net margin (%)	1,4	0,7	2,0	0,5	1,0
Return on equity (%)	42,2	25,0	107,8	71,7	917,6
Equity ratio (%)	10,0	7,8	7,6	2,8	1,8

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The primary activities of the Company are the wholesale trade of power tools, garden tools and accessories. The trading takes place through distributors in Denmark. Moreover, the affiliated companies in Norway, Sweden and Finland provide support to the Company.

Development in activities and finances

2018 was an excellent year for the Company on a market which increased by more than 5%. Net sales increased by 20% compared to 2017, with a strong increase in both the professional channels and consumer channels.

The Company continued investing in the development of the professional business and the consumer business and, consequently, achieved the expected growth rate.

The profit for the year amounts to DKK 15.3 million, which is close to expectations.

Uncertainty relating to recognition and measurement

According to note 12, warranty commitments have been recognised by DKK 23.7 million regarding expected demands based on the previous experience of the level of repairs and returns. Based on future expectations, these warranty commitments include a significant element of uncertainty.

Outlook

Management expects a general market growth rate in 2019 of 2-4%, and it is expected that the Company will take its fair share of this growth rate during 2019.

The performance for 2019 is expected to be higher than the level attained in 2018.

Particular risks

In addition to the ordinary sales risks, the Company is exposed to currency risks as significant exchange rate fluctuations may affect the Company given that it operates on a market using several different currencies.

Environmental performance

The Company encourages initiatives to reduce the impact on the environment, particularly through the use of environmentally friendly technologies.

Statutory report on corporate social responsibility

The Company has not drawn up any policies on corporate social responsibility and, consequently, no specific policies on human rights, environment and climate impact. This decision is mainly based on the fact that the Company is a 100% sales company with limited use of external suppliers.

Statutory report on the underrepresented gender

TTI Nordic takes the issue of gender equality and representation seriously, although a gender imbalance typically characterises our industry.

Management commentary

TTI Nordic does and will continue to take strong steps to ensure that the Company fosters an environment which is equally open and attractive to all. This view is consistent with the Commitment to Employees in the TTI Group's Code of Ethics.

Accordingly, we will introduce the topic of gender equality into management discussions and meetings within the Company.

Management is composed of two persons of the same gender (male). At future changes in Management, the representation of the underrepresented gender will be better secured. TTI Nordic aims at a balanced gender composition of Management and expects to reach this target by 2020.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	1	1.072.008	889.513
Cost of sales		(772.458)	(653.951)
Other external expenses	2	<u>(234.445)</u>	<u>(186.580)</u>
Gross profit/loss		65.105	48.982
Staff costs	3	<u>(43.278)</u>	<u>(34.747)</u>
Operating profit/loss		21.827	14.235
Other financial income	4	1.102	695
Other financial expenses	5	<u>(6.277)</u>	<u>(4.976)</u>
Profit/loss before tax		16.652	9.954
Tax on profit/loss for the year	6	<u>(1.345)</u>	<u>(3.586)</u>
Profit/loss for the year	7	<u>15.307</u>	<u>6.368</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Other receivables		949	912
Deferred tax	9	12	1.606
Fixed asset investments	8	961	2.518
Fixed assets		961	2.518
Trade receivables		168.192	131.093
Receivables from group enterprises		181	424
Other receivables		0	13.263
Prepayments	10	1.695	3.098
Receivables		170.068	147.878
Cash		269.318	217.482
Current assets		439.386	365.360
Assets		440.347	367.878

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	11	125	125
Retained earnings		43.805	28.498
Equity		43.930	28.623
Other provisions	12	23.724	23.167
Provisions		23.724	23.167
Payables to group enterprises		0	2.956
Non-current liabilities other than provisions		0	2.956
Current portion of long-term liabilities other than provisions		0	253
Trade payables		5.729	8.283
Payables to group enterprises		251.097	211.181
Income tax payable		229	906
Other payables	13	115.638	92.509
Current liabilities other than provisions		372.693	313.132
Liabilities other than provisions		372.693	316.088
Equity and liabilities		440.347	367.878
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Related parties with controlling interest	16		
Transactions with related parties	17		
Group relations	18		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	125	28.498	28.623
Profit/loss for the year	0	15.307	15.307
Equity end of year	125	43.805	43.930

Notes

1. Revenue

Disclosures of revenue broken down by activities and geographical areas are omitted for competitive reasons; see section 96(1) of the Danish Financial Statements Act.

	2018	2017
	DKK'000	DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	332	304
Other services	61	77
	393	381

	2018	2017
	DKK'000	DKK'000
3. Staff costs		
Wages and salaries	38.084	30.669
Pension costs	3.323	2.723
Other social security costs	801	660
Other staff costs	1.070	695
	43.278	34.747
 Average number of employees	 63	 50

	Remunera- tion of manage- ment 2018 DKK'000	Remunera- tion of manage- ment 2017 DKK'000
Executive Board	4.649	4.187
	4.649	4.187

	2018	2017
	DKK'000	DKK'000
4. Other financial income		
Other interest income	1.102	695
	1.102	695

Notes

	2018	2017
	DKK'000	DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	152	305
Other interest expenses	1.029	858
Exchange rate adjustments	5.096	3.813
	6.277	4.976
	2018	2017
	DKK'000	DKK'000
6. Tax on profit/loss for the year		
Current tax	3.710	3.236
Change in deferred tax	1.594	0
Adjustment concerning previous years	(3.959)	350
	1.345	3.586
	2018	2017
	DKK'000	DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	15.307	6.368
	15.307	6.368
	Other	Deferred tax
	receivables	DKK'000
	DKK'000	
8. Fixed asset investments		
Cost beginning of year	912	1.606
Additions	37	0
Disposals	0	(1.594)
Cost end of year	949	12
Carrying amount end of year	949	12

Notes

	2018	2017
	DKK'000	DKK'000
9. Deferred tax		
Property, plant and equipment	12	39
Provisions	0	1.567
	12	1.606

Changes during the year

Beginning of year	1.606
Recognised in the income statement	(1.594)
End of year	12

10. Prepayments

Prepayments consist of prepaid expenses for rent, insurance premiums and subscriptions, etc.

	Number	Par value	Nominal
		DKK'000	value
			DKK'000
11. Contributed capital			
Ordinary shares	125	1000	125.000
	125		125.000

12. Other provisions

The Company provides a warranty of up to three years on some products and, in so doing, is committed to repair or reimburse products, which are not satisfactory. Warranty commitments are recognised by DKK 23,724 thousand (2017: DKK 23,167 thousand) regarding expected repairs based on the previous volume of repairs and returns.

	2018	2017
	DKK'000	DKK'000
13. Other payables		
VAT and duties	17.977	10.489
Wages and salaries, personal income taxes, social security costs, etc payable	7.703	5.323
Holiday pay obligation	4.532	3.789
Other costs payable	85.426	72.908
	115.638	92.509

Notes

	2018	2017
	<u>DKK'000</u>	<u>DKK'000</u>
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>21.926</u>	<u>19.308</u>

15. Assets charged and collateral

Bank debt and guarantees provided by the bank against third party are secured by way of a receivables charge of DKK 2,000 thousand (2017: DKK 2,000 thousand).

16. Related parties with controlling interest

A & M Industries S.à.r.l., 6C, Rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg wholly owns the shares of the Entity, thus exercising control over the Entity.

17. Transactions with related parties

No transactions with related parties were made in the financial year 2018, which were not made on an arm's length basis.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Techtronic Industries Co. Ltd., Hong Kong

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Techtronic Industries Co. Ltd., Hong Kong

The consolidated financial statements can be downloaded from the website of Techtronic Industries Co. Ltd.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Accounting policies

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Accounting policies

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments and returns.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Company has not prepared any cash flow statement as such statement is prepared by the Ultimate Parent.