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Techtronic Industries Nordic ApS

Stamholmen 147, 4. 2650 Hvidovre Central Business Registration No 27976255

Annual report 2016

The Annual General Meeting adopted the annual report on 31.03.2017

Name: Per Ulf Thomas Jacobsson

Chairman of the General Meeting

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Entity details

Entity

Techtronic Industries Nordic ApS Stamholmen 147, 4. 2650 Hvidovre

Central Business Registration No: 27976255

Registered in: Hvidovre

Financial year: 01.01.2016 - 31.12.2016

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 01.01.2016 to 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 to 31.12.2016.

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, 31.03.2017

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 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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, 31.03.2017

Deloitte

Statsautoriseret Revisionspartnerselskab Central Business Registration No: 33963556

Jan Larsen State-Authorised Public Accountant

Management commentary

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	785,587	654,726	533,302	305,758	64,734
Gross profit/loss	53,007	37,118	38,871	21,174	18,226
Operating profit/loss	22,502	9,426	14,547	506	487
Net financials	(2,758)	(3,065)	(7,373)	(389)	151
Profit/loss for the year	15,589	3,520	5,166	(8)	1,127
Total assets	291,326	237,599	173,503	141,317	16,650
Equity	22,255	6,666	3,146	(2,020)	(2,011)
Ratios					
Gross margin (%)	6.7	5.7	7.3	6.9	28.2
Net margin (%)	2.0	0.5	1.0	0.0	1.7
Return on equity (%)	107.8	71.7	917.6	-	-
Equity ratio (%)	7.6	2.8	1.8	(1.4)	(12.1)

In 2013, the Company took over the distribution of the Group's products to the markets in Sweden, Norway and Finland. Consequently, the figures for 2016, 2015, 2014 and 2013 are not directly comparable with the 2012 figures.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula <u>Gross profit/loss x 100</u> Revenue	Ratios
Gross margin (%)	Revenue	The entity's operating gearing.
	Profit/loss for the year x 100 Revenue	
Net margin (%)		The entity's operating profitability.
Debugger	Profit/loss for the year x 100 Average equity	The entity's return on capital invested in the
Return on equity (%)		entity by the owners.
Equity ratio (%)	<u>Equity x 100</u> Total assets	The financial strength of the entity.

Management commentary

Primary activities

The main activity of the Company is wholesale trade of power tools, garden tools and accessories through distributors in Denmark. Moreover, the Company receives sales support provided by the sister subsidaries in Norway, Sweden and Finland.

Development in activities and finances

2016 was a profitable year for the Company particulary due to an increase in revenue above market growth.

Profit before tax for the year amounts to DKK 19.7 million which is considered satisfactory and in line with expectations in last annual report.

Uncertainty relating to recognition and measurement

Warranty obligations have cf. note 12 been recognised by DKK 22.3 million for expected demands based on previous experience regarding the level of repairs and returns. As based on future expectations these warranty obligations include a significant element of uncertainty.

Outlook

Profit before tax for 2017 is expected to reach a level of DKK 20-25 million based on presumed continuous growth.

Particular risks

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

Environmental performance

The Company encourages initiatives to reduce the impact on the environment, particulary thorugh the use of environmentally-friendly technologies.

Statutory report on corporate social responsibility

The Company har not drawn up any policies on corporate social responsibility.

Statutory report on the underrepresented gender

Management is composed of two persons of the same gender (men). At future changes in Management, the underrepresented gender will be secured better representation. The Company aims at an equal 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 2016

	Notes	2016 DKK	2015 DKK'000
Revenue	1	785,587,463	654,726
Cost of sales		(550,911,573)	(455,055)
Other external expenses	2	(181,669,361)	(162,553)
Gross profit/loss		53,006,529	37,118
Staff costs	3	(30,504,473)	(27,692)
Operating profit/loss		22,502,056	9,426
Other financial income	4	530,029	23
Other financial expenses	5	(3,288,070)	(3,088)
Profit/loss before tax		19,744,015	6,361
Tax on profit/loss for the year	6	(4,155,484)	(2,841)
Profit/loss for the year	7	15,588,531	3,520

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Other receivables		881,213	844
Deferred tax	9	1,606,284	1,606
Fixed asset investments	8	2,487,497	2,450
Fixed assets		2,487,497	2,450
Raw materials and consumables		0_	813
Inventories		0	813
Trade receivables		100,367,148	80,359
Receivables from group enterprises		448,022	13,474
Prepayments	10	1,954,270	1,092
Receivables		102,769,440	94,925
Cash		186,068,890	139,411
Current assets		288,838,330	235,149
Assets		291,325,827	237,599

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Contributed capital	11	125,000	125
Retained earnings		22,129,741	6,541
Equity		22,254,741	6,666
Other provisions	12	22,297,044	21,841
Provisions		22,297,044	21,841
Payables to group enterprises		2,955,878	2,956
Non-current liabilities other than provisions	13	2,955,878	2,956
Current portion of long-term liabilities other than provisions Trade payables Payables to group enterprises Income tax payable Other payables Current liabilities other than provisions	13 14	101,238 6,468,340 152,648,888 1,058,048 83,541,650 243,818,164	152 8,756 135,977 90 61,161 206,136
Liabilities other than provisions		246,774,042	209,092
Equity and liabilities		291,325,827	237,599
Unrecognised rental and lease commitments	15		
Mortgages and securities	16		
Related parties with controlling interest	17		
Transactions with related parties	18		
Group relations	19		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125,000	6,541,210	6,666,210
Profit/loss for the year	0	15,588,531	15,588,531
Equity end of year	125,000	22,129,741	22,254,741

1. Revenue

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

	2016	2015
	DKK	DKK'000
2. Fees to the auditor appointed by the Annual General Meeting	275 000	260
Statutory audit services	275,998	260
Other services	97,000	56
	372,998	316
	2016	2015
	DKK	DKK'000
3. Staff costs		
Wages and salaries	26,870,677	24,116
Pension costs	2,483,908	2,422
Other social security costs	534,183	598
Other staff costs	615,705	556
	30,504,473	27,692
Number of employees at balance sheet date	45	43
	Remunera-	Remunera-
	tion of	tion of
	manage-	manage-
	ment	ment
	2016	2015
	DKK	DKK'000
Executive Board	3,970,521	3,857
Executive Board	3,970,521	3,857
	3,970,321	3,837
	2016	2015
	DKK	DKK'000
4. Other financial income		
Interest income	530,029	23
	530,029	23

	2016 DKK	2015 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	303,716	300
Interest expenses	614,689	39
Exchange rate adjustments	2,369,665	2,749
	3,288,070	3,088
	2016	2015
	DKK	DKK'000
6. Tax on profit/loss for the year		
Tax on current year taxable income	4,155,484	2,739
Adjustment concerning previous years	0	102
	4,155,484	2,841
	2016	2015
_	DKK	DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	15,588,531	3,520
-	15,588,531	3,520
	Other	Deferred
	receivables	tax
	DKK	DKK
8. Fixed asset investments		
Cost beginning of year	844,607	1,606,284
Additions	36,606	0
Cost end of year	881,213	1,606,284
Carrying amount end of year	881,213	1,606,284

	2016 DKK	2015 DKK'000
9. Deferred tax		
Property, plant and equipment	38,508	38
Provisions	1,567,776	1,568
	1,606,284	1,606
Changes during the year		
Beginning of year	1,606,284	
End of year	1,606,284	

10. Prepayments

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

			Nominal
		Par value	value
	<u>Number</u>	DKK	DKK
11. Contributed capital			
Ordinary shares	125	1000	125,000
	125		125,000

12. Other provisions

The Company provides warranty of up to three years on some products and is thereby committed to repair or reimburse products, which is not satisfactory. Warranty commitments are recognised by DKK 22,297 thousand (2015: DKK 21,841 thousand) for expected repairs based on previous volume of repairs and returns.

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK
13. Liabilities other than provisions			
Payables to group enterprises	101,238	152	2,955,878
	101,238	152	2,955,878

	2016 DKK	2015 DKK'000
14. Other payables		
VAT and duties	10,837,604	7,240
Wages and salaries, personal income taxes, social security costs, etc payable	3,920,986	2,939
Holiday pay obligation	3,193,596	2,791
Other costs payable	65,589,464	48,191
_	83,541,650	61,161
	2016 DKK	2015 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	20,997,823	14,244

16. Mortgages and securities

Bank debt and guarantees provided by the bank against third party are secured by way of a receivables charge of DKK 2,000 thousand (2015: DKK 2,000 thousand).

17. Related parties with controlling interest

A&M Industries S.à.r.l., 6C, Rue Gabriel Lippmann, L5365 Munsbach, Luxembourg wholly owns the shares of the Entity and thus has control over the Entity.

18. Transactions with related parties

No transactions with related parties were made in the financial year of 2016, which were not made on an arm's length basis.

19. Group relations

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

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

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 (big).

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 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 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.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Accounting policies

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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.