



Techtronic Industries Nordic ApS

Stamholmen 147, 1.
2650 Hvidovre
CVR No. 27976255

Annual report 2019

The Annual General Meeting adopted the
annual report on 22.04.2020

Per Ulf Thomas Jacobsson

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2019	11
Balance sheet at 31.12.2019	12
Statement of changes in equity for 2019	14
Notes	15
Accounting policies	20

Entity details

Entity

Techtronic Industries Nordic ApS

Stamholmen 147, 1.

2650 Hvidovre

CVR No.: 27976255

Registered office: Hvidovre

Financial year: 01.01.2019 - 31.12.2019

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

The Executive Board have today considered and approved the annual report of Techtronic Industries Nordic ApS for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 22.04.2020

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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.

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.

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, 22.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jan Larsen

State Authorised Public Accountant
Identification No (MNE) mne16541

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Revenue	1,270,559	1,072,008	889,513	785,587	654,726
Gross profit/loss	84,212	65,105	48,982	53,006	37,118
Operating profit/loss	27,819	21,827	14,235	22,502	9,426
Net financials	(7,221)	(5,175)	(4,281)	(2,758)	(3,065)
Profit/loss for the year	16,018	15,307	6,368	15,589	3,520
Total assets	522,572	440,347	367,878	291,324	237,599
Investments in property, plant and equipment	14,079	0	0	0	0
Equity	59,584	43,930	28,623	22,255	6,666
Ratios					
Gross margin (%)	6.63	6.07	5.51	6.75	5.67
EBIT margin (%)	2.19	2.04	1.60	2.86	1.44
Net margin (%)	1.26	1.43	0.72	1.98	0.54
Return on equity (%)	30.95	42.20	25.03	107.80	71.7
Equity ratio (%)	11.40	9.98	7.78	7.64	2.81

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

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

EBIT margin (%):

$\frac{\text{Operating profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity

Equity ratio (%):

Equity * 100

Total assets

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

2019 was an excellent year for the Company on a market which was pretty much static. Net sales increased by 19% compared to 2018, 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 16 million, which is close to expectations.

Uncertainty relating to recognition and measurement

According to note 15, warranty commitments have been recognised by DKK 26.2 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 2020 of 1-2%, and it is expected that the Company will take its fair share of this growth rate during 2020.

The performance for 2020 is expected to be higher than the level attained in 2019.

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. However, the TTI Group policies on ESG that can be viewed on the group website are adhered to within the Nordic region. This decision is 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.

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. In terms of the COVID-19 outbreak in March 2020 the Company has not experienced any indications of significantly decreasing sales and the management have no expectation of this at the current time.

Income statement for 2019

	Notes	2019 DKK'000	2018 DKK '000
Revenue	2	1,270,559	1,072,008
Cost of sales		(902,049)	(772,458)
Other external expenses	3	(284,298)	(234,445)
Gross profit/loss		84,212	65,105
Staff costs	4	(47,586)	(43,278)
Depreciation, amortisation and impairment losses	5	(8,807)	0
Operating profit/loss		27,819	21,827
Other financial income	6	1,345	1,102
Other financial expenses	7	(8,566)	(6,277)
Profit/loss before tax		20,598	16,652
Tax on profit/loss for the year	8	(4,580)	(1,345)
Profit/loss for the year	9	16,018	15,307

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK'000	2018 DKK'000
Land and buildings		3,199	0
Other fixtures and fittings, tools and equipment		18,765	0
Property, plant and equipment	10	21,964	0
Other receivables		919	949
Deferred tax	12	0	12
Other financial assets	11	919	961
Fixed assets		22,883	961
Trade receivables		210,255	168,192
Receivables from group enterprises		698	181
Prepayments	13	4,765	1,695
Receivables		215,718	170,068
Cash		283,971	269,318
Current assets		499,689	439,386
Assets		522,572	440,347

Equity and liabilities

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital	14	125	125
Retained earnings		59,459	43,805
Equity		59,584	43,930
Other provisions	15	26,156	23,724
Provisions		26,156	23,724
Finance lease liabilities		12,517	0
Other payables		1,543	0
Non-current liabilities other than provisions	16	14,060	0
Current portion of non-current liabilities other than provisions	16	9,770	0
Trade payables		8,663	5,729
Payables to group enterprises		272,843	251,097
Income tax payable		718	229
Other payables	17	130,778	115,638
Current liabilities other than provisions		422,772	372,693
Liabilities other than provisions		436,832	372,693
Equity and liabilities		522,572	440,347
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

Statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	125	43,805	43,930
Changes in accounting policies	0	(364)	(364)
Adjusted equity, beginning of year	125	43,441	43,566
Profit/loss for the year	0	16,018	16,018
Equity end of year	125	59,459	59,584

Notes

1 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. In terms of the COVID-19 outbreak in March 2020 the Company has not experienced any indications of significantly decreasing sales and the management have no expectation of this at the current time.

2 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.

3 Fees to the auditor appointed by the Annual General Meeting

	2019 DKK'000	2018 DKK'000
Statutory audit services	340	332
Other services	62	61
	402	393

4 Staff costs

	2019 DKK'000	2018 DKK'000
Wages and salaries	41,246	38,084
Pension costs	3,991	3,323
Other social security costs	1,599	801
Other staff costs	750	1,070
	47,586	43,278

Average number of full-time employees	76	63
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	Remuneration of management 2019 DKK'000	Remuneration of management 2018 DKK'000
Executive Board	4,838	4,649
	4,838	4,649

5 Depreciation, amortisation and impairment losses

	2019	2018
	DKK'000	DKK'000
Depreciation of property, plant and equipment	8,776	0
Profit/loss from sale of intangible assets and property, plant and equipment	31	0
	8,807	0

6 Other financial income

	2019	2018
	DKK'000	DKK'000
Other interest income	1,345	1,102
	1,345	1,102

7 Other financial expenses

	2019	2018
	DKK'000	DKK'000
Financial expenses from group enterprises	0	152
Other interest expenses	1,825	1,029
Exchange rate adjustments	6,741	5,096
	8,566	6,277

8 Tax on profit/loss for the year

	2019	2018
	DKK'000	DKK'000
Current tax	4,561	3,710
Change in deferred tax	12	1,594
Adjustment concerning previous years	7	(3,959)
	4,580	1,345

9 Proposed distribution of profit and loss

	2019	2018
	DKK'000	DKK'000
Retained earnings	16,018	15,307
	16,018	15,307

10 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Changes in accounting policies	8,016	19,725
Additions	109	13,970
Disposals	0	(4,070)
Cost end of year	8,125	29,625
Changes in accounting policies	(3,272)	(7,667)
Depreciation for the year	(1,654)	(7,122)
Reversal regarding disposals	0	3,929
Depreciation and impairment losses end of year	(4,926)	(10,860)
Carrying amount end of year	3,199	18,765

Carrying amount end of year of Right of use assets amounts to DKK 3,199,000 for Land and buildings and DKK 18,765,000 for Other fixtures and fittings, tools and equipment.

11 Financial assets

	Other receivables DKK'000	Deferred tax DKK'000
Cost beginning of year	949	12
Disposals	(30)	(12)
Cost end of year	919	0
Carrying amount end of year	919	0

12 Deferred tax

	2019 DKK'000	2018 DKK'000
Property, plant and equipment	0	12
Deferred tax	0	12
Changes during the year		2019 DKK'000
Beginning of year		12
Recognised in the income statement		(12)
End of year		0

13 Prepayments

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

14 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	125	1000	125,000
	125		125,000

15 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 26,156 thousand (2018: DKK 23,724 thousand) regarding expected repairs based on the previous volume of repairs and returns.

16 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK'000	Due after more than 12 months 2019 DKK'000
Finance lease liabilities	9,770	12,517
Other payables	0	1,543
	9,770	14,060

17 Other payables

	2019 DKK'000	2018 DKK'000
VAT and duties	23,363	17,977
Wages and salaries, personal income taxes, social security costs, etc payable	4,625	7,703
Holiday pay obligation	4,483	4,532
Other costs payable	98,307	85,426
	130,778	115,638

18 Unrecognised rental and lease commitments

	2019 DKK'000	2018 DKK'000
Liabilities under rental or lease agreements until maturity in total	17,604	21,926

19 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 (2018: DKK 2,000 thousand)

20 Related parties with controlling interest

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

21 Transactions with related parties

No transactions with related parties were made in the financial year 2019, which were not made on an arm's length basis.

22 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).

Changes in accounting policies

The Entity has decided to change its accounting policy on recognition of leases.

To better achieve a fair presentation of the Entity's financial position and results, leases are recognised in accordance with the accounting principles of the International Financial Reporting Standard IFRS 16 Leases, effective 1 January 2019. IFRS 16 does not distinguish between operating leases and finance leases but requires the recognition of a lease asset (right-of-use asset) and a liability when entering into leases, except for leases with a lease term ending within 12 months (short-term leases) and contracts to lease assets of low value.

Application of transition requirements

According to the transition requirements of the Danish Financial Statements Act, the comparative figures are not restated, and the cumulative effect of the transition recognised in equity at the beginning of the financial year. The change only includes leases stretching into the current financial year.

Monetary effect of changes in accounting policies

The change in accounting policies leads to an increase of gross profit by DKK 9,384 thousand, an increase in depreciation by DKKK 8,807 thousand, and an increase in interest expenses by DKK 537 thousand. The total effect of the change in accounting policies amounts to an increase in results for the year before tax of DKK 40 thousand. The balance sheet total is increased by 21,964 thousand while equity is reduced by DKK 324 thousand at 31 December 2019.

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.

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, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

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, and 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, and 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

Property, plant and equipment

Buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	5 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

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 the tax-based value of assets and liabilities, for which the tax-based value 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.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

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.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

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

Income tax receivable or payable

Current tax receivable or payable 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.