



FTZ Autodele & Værktøj A/S

Hvidkærvej 21, 5250 Odense SV

CVR no. 73 64 87 18

Annual report 2019

Approved at the Company's annual general meeting on 31 March 2020

Chairman:

.....
Sven Jokum Møller Kristensen

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	12
Income statement	12
Balance sheet	13
Statement of changes in equity	15
Notes to the financial statements	16

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of FTZ Autodele & Værktøj A/S for the financial year 1 January - 31 December 2019.

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 of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Odense, 31 March 2020
Executive Board:

.....
Sven Jokum Møller
Kristensen
CEO

.....
Preben Højte
Deputy Director

.....
Ronnie Maryon
Deputy Director

.....
Christian Ulrik Heimer
Deputy Director

.....
Michael Christian Gadegaard
Deputy Director

Board of Directors:

.....
Pehr Oscarsson
Chairman

.....
Åsa Källenius

.....
Sven Jokum Møller
Kristensen

.....
Pia Juul Blomsterberg
Employee representative

.....
Jesper Bodin
Employee representative

Independent auditor's report

To the shareholder of FTZ Autodele & Værktøj 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 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of FTZ Autodele & Værktøj A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity 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 the 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 Financial 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 Statements Act. We did not identify any material misstatement in Management's Review.

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.

Independent auditor's report

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.
- ▶ 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.

Odense, 31 March 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Claus Damhave
State Authorised Public Accountant
mne34166

Management's review

Company details

Name	FTZ Autodele & Værktøj A/S
Address, Postal code, City	Hvidkærvej 21, 5250 Odense SV
CVR no.	73 64 87 18
Established	1 April 1984
Registered office	Odense
Financial year	1 January - 31 December
E-mail	ftz@ftz.dk
Telephone	+45 65 65 40 00
Board of Directors	Pehr Oscarsson, Chairman Åsa Källenius Sven Jokum Møller Kristensen Pia Juul Blomsterberg, Employee representative Jesper Bodin, Employee representative
Executive Board	Sven Jokum Møller Kristensen, CEO Preben Højte, Deputy Director Ronnie Maryon, Deputy Director Christian Ulrik Heimer, Deputy Director Michael Christian Gadegaard, Deputy Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Rytterkasernen 21, 5000 Odense C

Management's review

Financial highlights

DKK'000	2019 12 months	2018 7 months	2017 12 months	2016 12 months	2015 12 months
Key figures					
Revenue	2,285,123	1,310,618	2,319,209	2,230,740	2,178,493
Operating profit/loss	202,375	108,024	245,758	209,695	185,121
Net financials	5,339	3,241	5,197	6,675	7,489
Profit before tax	209,210	113,236	252,870	218,587	192,610
Profit for the year	163,141	87,806	196,643	170,618	149,187
Balance sheet					
Total assets	1,049,668	924,456	1,153,392	1,000,766	1,018,418
Investment in property, plant and equipment	7,078	6,467	5,256	13,927	5,348
Equity	792,564	716,533	822,744	725,090	744,471
Financial ratios					
Operating margin	8.9%	8.3%	10.6%	9.4 %	8.5 %
Equity ratio	75.5%	77.5%	71.3%	72.5%	73.1%
Return on assets	20.5%	17.9%	22.9%	20.8%	19.4%
Return on equity	21.6%	19.6%	25.4%	23.2%	22.3%
Other					
Average number of employees	1,164	1,200	1,169	1,153	1,139

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios". For terms and definitions, please see the accounting policies.

Return on assets and Return on equity for 2018 (7 month) has been calculated on a 12 month period.

Management's review

Business review

The Company's principal activities like in previously years comprise wholesale trade of spare parts and accessories for automobiles as well as supporting business systems and data.

Financial review

In 2019, the company's revenue amounted to DKK 2,285,123 TDKK.

The income statement shows a profit of 163,141 TDKK, and the balance sheet at 31 December 2019 shows equity of 792,564 TDKK. The portfolio of treasury shares comprises DKK 1,078 thousand, nominal value, corresponding to 1.01% of the total share capital.

The annual report of 2018 covered a period of 7 month why growth in revenue and earnings in the financial year are considered satisfactory.

There are no significant uncertainties regarding recognition and measurement.

The phasing of electric cars is expected to have a less negative impact on the company's turnover on the basis of current tax policy. However, turnover is expected to continue to develop positively in the coming years, supported by new business initiatives .

Significant events during the financial year

FTZ has continued the strengthening and further expansion of the many concepts and core competencies, which implied that the Company is still the leading turnkey supplier to the professional part of the Danish car industry.

Non-financial matters

Knowledge resources

The Company still focuses on the FTZ Akademi to offer car technical support as well as training to the Company's customers.

As regards the internal part of the FTZ Akademi, several courses are offered to the employees in order to retain and recruit the industry's most competent employees for the benefit of the customers.

Special risks

The Company's risks in relation to currency and commodity prices are insignificant.

Management's review

Statutory CSR report

Throughout the financial year, the company has been owned by Mekonomen Group and therefore subject to the Group's Code of Conduct.

FTZ is a Swedish-owned wholesale company in the automotive industry. FTZ has 50 branches distributed in Denmark and on the Faroe Islands. FTZ primarily uses sub-suppliers from Europe and Asia. FTZ imports products from Europe and Asia, and FTZ therefore focuses on human rights and anti-corruption, as these geographical territories may be challenging in this context. In FTZ's value chain, large volumes of energy are used for the logistical set-up of the business. We therefore focus on continuously optimising our logistics for the benefit of both the environment and the working environment. The company's products and logistical set-up entail stringent requirements for the employees' physical working conditions. This means that the company has great focus on physical working conditions.

The object of the Code of Conduct is to help employees and managers handle legal and ethical challenges in their day-to-day work. It also reflects the company's desire to comply with its responsibility to shareholders and society and constantly to meet customers', suppliers' and other business partners' expectations by behaving in an exemplary manner every single day.

Human rights

FTZ's Code of Conduct and policy entail, among other things, that:

- ▶ We respect and support compliance with international human rights.
- ▶ All employees must respect the rights and national, cultural and ethnic characteristics of all persons with whom they have contact.
- ▶ We guarantee that no discrimination is shown regardless of ethnic origin, skin colour, gender, religion, nationality, sexual orientation, social background or political affiliation.
- ▶ The selection of staff in connection with new appointments is always based on the qualifications and skills of the person in question unless other criteria are prescribed in national legislation.
- ▶ We reject the use of forced labour and child labour and comply strictly with national rules on the minimum working age. No compromise is made on safety and health, and any kind of dignity must be respected.
- ▶ We dissociate ourselves from any kind of attempts at extortion and other forms of corruption.

There have been no violations of human rights, the Mekonomen Group's Code of Conduct or attempts at corruption/bribery in the current financial year.

Choice of suppliers

FTZ ensures in negotiations with suppliers on both new agreements and renegotiation agreements that the suppliers meet the ethical guidelines that FTZ demands must be met by all suppliers - both in Denmark and abroad. FTZ thus ensures compliance with international human rights. No violations of human rights or of the Code of Conduct have been experienced with the suppliers.

In FTZ's selection of suppliers, importance is attached to environmental and occupational health and safety conditions. It is ensured, as a minimum, that the suppliers focus on and comply with the following main points:

- ▶ Local legislation must always be observed.
- ▶ Child labour is unacceptable.
- ▶ Forced labour must not occur.
- ▶ Employees must not be punished physically, psychologically or through humiliation.
- ▶ Conditions concerning working hours, salaries and wages must be in accordance with national rules.

FTZ does its utmost to counter the risk of corruption, including by having clear internal guidelines and by supplier agreements being signed by several persons. The company has not experienced any examples or claims of corruption.

Management's review

Climate and environmental conditions

FTZ focuses on the environment and the working environment. We strive to contribute to sustainable development in which social responsibility and great care for employees and the environment go hand in hand with sound business development. Climate and environmental considerations are an integral part of FTZ's business strategy, and, internally, FTZ's focus is aimed at reducing the company's own negative impact on the environment. We will work to ensure that:

- ▶ The relevant environmental legislation is complied with.
- ▶ The full range of chemicals is well documented and that the choice of chemical products includes an assessment of the impact of the product on people and the environment.
- ▶ Pollution is prevented.
- ▶ Recyclable components are supplied to the greatest possible extent.
- ▶ All types of waste are processed optimally in terms of storage and recycling.
- ▶ Energy and water consumption is reduced.
- ▶ The logistics are regularly optimised for the benefit of both the environment and the working environment.

FTZ wishes to contribute to preventing climate change and making climate adaptations. Screening for energy improvements in selected departments was therefore continued in 2019. This has resulted in a switch from conventional lighting to LED lighting in several places. Moreover, FTZ continuously registers energy consumption in all departments and branches to benchmark them against each other, and significant deviations are analysed further.

Transport represents a significant climate and environmental factor for FTZ, as FTZ has many vans on the roads which run up many kilometres daily, thus consuming fuel and emitting CO₂. Therefore, FTZ focuses on the use of energy-efficient vehicles, continuously checks the CO₂ emissions statements for the vehicles and reacts to any variances.

FTZ also focuses on waste management to ensure the greatest possible recycling and correct waste disposal. Hazardous waste is registered, sorted, packaged and sent for processing/recycling via approved carriers.

Returns of recyclable components from FTZ's customers are increasing. A total of approximately 75% of all batteries sold, approximately 84% of all catalytic converters and nearly 100% of starters and generators are returned by FTZ's customers. FTZ hands over the returns for recycling.

Social and employee conditions

FTZ wants to be a company in which both the physical and the psychological working environments are taken seriously and are perceived as such by employees and other stakeholders. We will work to:

- ▶ Comply with the relevant occupational health and safety legislation.
- ▶ Prevent accidents and work-related illnesses.
- ▶ Inform all employees and other stakeholders about the company's occupational health and safety policy.
- ▶ Allocate the necessary resources to protect the working environment.
- ▶ Create an inclusive working environment which allows employment of all qualified, potential employees regardless of gender, race, religious beliefs and appearance.
- ▶ Ensure that employees thrive in their working environment.

It is satisfying to see the results achieved through FTZ's occupational health and safety work, which has resulted in large improvements in many areas. The number of accidents at work in 2019 has decreased by 16% compared to 2018. The causes of accidents at work are continuously analysed and discussed in the occupational health and safety group and the main occupational health and safety committee with a view to future prevention and improvements and to ensure knowledge sharing for use at all FTZ locations.

Management's review

A risk assessment has been prepared of significant hazards that may occur in FTZ's different work functions, and relevant control measures have been established for these hazards. The principal focus areas are still 'the hectic day-to-day life' and ergonomics, including the use of appliances and technical aids aimed at preventing injuries in connection with heavy lifting.

FTZ conducted a comprehensive employee satisfaction survey in autumn 2019. The results will be used constructively in the efforts to make FTZ an even better workplace. The study showed that, in general, there is high level of employee satisfaction in FTZ. However, there are areas that can be optimised. For example, we will continue to have a strong focus on ergonomics, as we work with heavy lifting, etc.

Senior policy

FTZ holds the view that it is an advantage to a workplace to have employees from different age groups and that the competences of old and young employees supplement each other.

Employees who are 59 years or older are covered by FTZ's senior policy. The object of the policy is to focus on conditions and opportunities for old employees. Wherever possible, FTZ wishes to create conditions that allow the individual employees to remain active until they reach the age of retirement - with due respect for any wishes for planned scaling down towards retirement.

As a specific measure in this policy, interviews are held with senior employees when they reach the age of 59. At these interviews, working conditions are reviewed, and goals and targets are set. In addition, senior employees have the opportunity to attend senior seminars and be awarded senior days off.

Account of the gender composition of Management

The automotive industry appeals predominantly to men. Industry figures from the Confederation of Danish Industry (DI) and Statistics Denmark show that approximately 90% of employees in the automotive industry are men. This is also reflected in the gender distribution at FTZ, where the total staff of employees consists of approximately 15% women and 85% men. Due to this gender distribution, women are consequently the underrepresented gender at FTZ.

FTZ has prepared a policy aimed at creating focus on the underrepresented gender on the company's management. The target is that the underrepresented gender must constitute 20% of both the Board of Directors and the rest of the management.

In the context of restructuring at FTZ, there has been a change in the management group. In this respect, the proportion of the underrepresented gender has decreased from 11.1% to 0% as of 1 October 2019. The post has not been refilled, which is why it has not been possible to change the gender composition through recruitment.

There is an equal distribution on the Board of Directors of the underrepresented gender cf. the Danish Business Authority's guidance in this area.

FTZ still strives to meet a target of 30% women on the Board and 20% in the management team. In future, FTZ will therefore ensure that minimum one candidate of the underrepresented gender is included in the recruitment process.

FTZ will work to ensure that the gender distribution becomes more even over time. The underrepresented gender at FTZ must experience at any and all times that they have the same career and managerial opportunities as the other employees. The employees must experience that FTZ has an open and unbiased culture, where each individual can exploit his or her competences optimally, regardless of gender. However, this requires that there are female applicants for the vacancies. Historically, applicants for jobs in the automotive industry are mostly male. FTZ wishes at any given time to employ and appoint employees, including managers, based on their professional and personal qualifications. FTZ regards it as discriminatory if the best candidate is not chosen due to gender, age, nationality or the like. However, in the talent work, there will be a particular focus on female candidates.

During the recruitment phase, importance is still attached to having female applicants. FTZ is greatly aware of the benefits of a diversified organisation and, not least, management. Therefore, FTZ has an incentive to increase its diversity in terms of gender, age, competences, nationality etc. The objective is to continue to fill executive positions based on the qualifications and competences required in relation to FTZ's business. This includes selecting executive employees and board members based on, among other criteria, a wish to have a wide experience basis in the overall management and on the Board of Directors.

Management's review

Events after the balance sheet date

The consequences of COVID-19 where many governments across the globe have decided to "close down" their countries, will have considerable impact on global economy. Management considers the consequences of COVID-19 an event after the balance sheet date (31 December 2019) and the event is thus a non-adjusting event for the Company. See also the disclosures made in note 2 on events after the balance sheet date.

In addition, no events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The Company's outlook is negatively affected by the COVID -19 outbreak and the measures taken by governments worldwide to mitigate the effects of the outbreak, see also the disclosures made in note 2 on events after the balance sheet date.

Before the COVID -19 outbreak, Management expected growth and improved results of operations compared with 2019. Management based these assumptions on expectations of growth due to various measures taken. However, the outbreak of COVID-19 has not only affected the surrounding countries, but also the Danish market, which Management expects will affect revenue as well as results of operation negatively in 2020. The scope thereof is, however, still uncertain as it is difficult to predict the extent to which the Company will be able to recover revenue later this year.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019 12 months	2018 7 months
3	Revenue	2,285,123	1,310,618
	Other operating income	97	290
	Raw materials and consumables	-1,373,935	-805,789
	Other external expenses	-170,660	-114,568
	Gross profit	740,625	390,551
4	Staff costs	-525,083	-275,041
5	Amortisation/depreciation of intangible assets and property, plant and equipment	-13,071	-7,195
	Profit before net financials	202,471	108,315
	Income from investments in group entities	1,400	1,680
6	Financial income	5,816	3,495
7	Financial expenses	-477	-254
	Profit before tax	209,210	113,236
8	Tax for the year	-46,069	-25,430
	Profit for the year	163,141	87,806

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Acquired intangible assets	2,872	4,899
		<u>2,872</u>	<u>4,899</u>
10	Property, plant and equipment		
	Land and buildings	33,400	36,127
	Other fixtures and fittings, tools and equipment	18,079	19,318
		<u>51,479</u>	<u>55,445</u>
11	Investments		
	Investments in group entities	11,437	4,320
	Other long-term receivables	16,359	0
	Trade receivables, leases	2,041	3,601
	Deposits, investments	5,793	5,608
		<u>35,630</u>	<u>13,529</u>
	Total fixed assets	<u>89,981</u>	<u>73,873</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	425,428	434,287
		<u>425,428</u>	<u>434,287</u>
	Receivables		
	Trade receivables	177,097	172,242
	Receivables from group entities	319,765	219,101
	Income taxes receivable	11,022	0
	Other receivables	307	4,815
12	Prepayments	11,649	9,204
	Trade receivables, leases	4,352	4,410
		<u>524,192</u>	<u>409,772</u>
	Cash	<u>10,067</u>	<u>6,524</u>
	Total non-fixed assets	<u>959,687</u>	<u>850,583</u>
	TOTAL ASSETS	<u>1,049,668</u>	<u>924,456</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	106,610	106,610
	Retained earnings	522,813	521,923
	Dividend proposed for the year	163,141	88,000
	Total equity	792,564	716,533
	Provisions		
	Provisions for warranties	3,200	3,200
14	Deferred tax	27,545	25,791
16	Total provisions	30,745	28,991
	Liabilities other than provisions		
15	Non-current liabilities other than provisions		
	Other payables	17,305	0
		17,305	0
	Current liabilities other than provisions		
	Trade payables	119,607	66,895
	Payables to group entities	0	384
	Income taxes payable	0	11,466
	Other payables	89,447	100,187
		209,054	178,932
	Total liabilities other than provisions	226,359	178,932
	TOTAL EQUITY AND LIABILITIES	1,049,668	924,456

- 1 Accounting policies
- 2 Events after the balance sheet date
- 17 Contractual obligations and contingencies, etc.
- 18 Collateral
- 19 Related parties
- 20 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 June 2018	106,610	520,135	196,000	822,745
21	Transfer, see "Appropriation of profit"	0	-194	88,000	87,806
	Dividend distributed	0	0	-196,000	-196,000
	Dividend, treasury shares	0	1,982	0	1,982
	Equity at 1 January 2019	106,610	521,923	88,000	716,533
21	Transfer, see "Appropriation of profit"	0	0	163,141	163,141
	Dividend distributed	0	0	-88,000	-88,000
	Dividend, treasury shares	0	890	0	890
	Equity at 31 December 2019	106,610	522,813	163,141	792,564

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of FTZ Autodele & Værktøj A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The financial statements of FTZ Autodele & Værktøj A/S and its subsidiaries are included in the consolidated financial statements of Mekonomen AB, Sweden. The consolidated financial statements are accessible on the group home page; <https://www.mekonomen.com/en/investors/financial-reports-and-presentations/annual-reports/>.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement of Mekonomen AB, Sweden.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Revenue from the sale of goods for resale is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT, and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	5 years
Land and buildings	30 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Profit from investments in subsidiaries

The item includes dividends from investments in subsidiaries and associates. Dividend distributions that either exceed the profit for the year or where the carrying amount of the investments exceeds the consolidated carrying amounts of the subsidiary's net assets will indicate impairment for which reason an impairment test will have to be conducted.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured using the weighted average method.

Goods for resale are measured at cost.

Where the cost exceeds the expected selling price less costs of sale, goods are written down to net realisable value.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

Equity

Treasury shares

Purchases and sales of treasury shares are taken directly to equity under "Retained earnings".

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

2 Events after the balance sheet date

The consequences of COVID-19 where many governments across the globe have decided to “close down” their countries, will have considerable impact on global economy. Management considers the consequences of COVID-19 an event after the balance sheet date (31 December 2019) and the event is thus a non-adjusting event for the Company.

Due to COVID-19, the Company expects a decrease in revenue and earnings compared with last year as the surrounding countries as well as the Danish market are affected by the COVID-19 outbreak. The scope thereof is, however, still uncertain as it is difficult to predict the extent to which the Company will be able to recover revenue later this year. Management has analyzed different scenarios. It is the management's assessment that, despite the negative effects mentioned above, capital resources are sufficient.

In addition, no events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

3 Segment information

The Company only has one segment.

DKK'000	2019 12 months	2018 7 months
4 Staff costs		
Wages/salaries	467,355	236,135
Pensions	35,004	21,425
Other social security costs	11,198	6,421
Other staff costs	11,526	11,060
	<u>525,083</u>	<u>275,041</u>
Average number of full-time employees	<u>1,164</u>	<u>1,200</u>
Remuneration to members of Management:		
Executive Board	9,194	6,435
	<u>9,194</u>	<u>6,435</u>
5 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	2,027	1,182
Depreciation of property, plant and equipment	11,044	6,013
	<u>13,071</u>	<u>7,195</u>
6 Financial income		
Interest receivable, group entities	21	465
Other financial income	5,795	3,030
	<u>5,816</u>	<u>3,495</u>
7 Financial expenses		
Interest expenses, group entities	17	0
Exchange adjustments	383	172
Other financial expenses	77	82
	<u>477</u>	<u>254</u>

Financial statements 1 January - 31 December

Notes to the financial statements

8 Tax for the year		
Estimated tax charge for the year	45,031	11,544
Deferred tax adjustments in the year	1,754	13,886
Tax adjustments, prior years	-716	0
	<u>46,069</u>	<u>25,430</u>

9 Intangible assets		Acquired intangible assets
DKK'000		
Cost at 1 January 2019		<u>10,135</u>
Cost at 31 December 2019		<u>10,135</u>
Impairment losses and amortisation at 1 January 2019		5,236
Amortisation/depreciation in the year		<u>2,027</u>
Impairment losses and amortisation at 31 December 2019		<u>7,263</u>
Carrying amount at 31 December 2019		<u>2,872</u>
Amortised over		<u>5 years</u>

10 Property, plant and equipment		Other fixtures and fittings, tools and equipment	Total
DKK'000	Land and buildings		
Cost at 1 January 2019	131,019	97,370	228,389
Additions in the year	1,589	5,489	7,078
Disposals in the year	0	-576	-576
Cost at 31 December 2019	<u>132,608</u>	<u>102,283</u>	<u>234,891</u>
Impairment losses and depreciation at 1 January 2019	94,892	78,052	172,944
Amortisation/depreciation in the year	4,316	6,728	11,044
Amortisation/depreciation and impairment of disposals in the year	0	-576	-576
Impairment losses and depreciation at 31 December 2019	<u>99,208</u>	<u>84,204</u>	<u>183,412</u>
Carrying amount at 31 December 2019	<u>33,400</u>	<u>18,079</u>	<u>51,479</u>
Depreciated over	<u>30 years</u>	<u>3-8 years</u>	

Financial statements 1 January - 31 December

Notes to the financial statements

11 Investments

DKK'000	Investments in group entities	Other long-term receivables	Trade receivables, leases	Deposits, investments	Total
Cost at 1 January 2019	4,320	0	3,601	5,608	13,529
Additions in the year	7,117	0	1,252	693	9,062
Disposals in the year	0	0	-2,812	-508	-3,320
Transfer from other accounts	0	16,359	0	0	16,359
Cost at 31 December 2019	11,437	16,359	2,041	5,793	35,630
Carrying amount at 31 December 2019	11,437	16,359	2,041	5,793	35,630

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries				
AutoMester Danmark ApS	Odense, Denmark	100.00%	1,080	-27
Din Bilpartner ApS	Odense, Denmark	100.00%	1,767	66
FTZ Føroyar P/f	Torshavn, The Faroe Islands	70.00%	17,749	3,791
DriveClever A/S	Odense, Denmark	100.00%	5,890	-138

12 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies etc. totalling DKK 11,649 thousand.

DKK'000	2019	2018
13 Share capital		
Analysis of the share capital:		
106,610 shares of DKK 1,000.00 nominal value each	106,610	106,610
	106,610	106,610

The portfolio of treasury shares comprises DKK 1,078 thousand, nominal value, corresponding to 1.01% of the total share capital.

14 Deferred tax

Deferred tax

Provisions for deferred tax comprise deferred tax regarding inventories, trade receivables, trade payables, intangible assets and property, plant and equipment.

Financial statements 1 January - 31 December

Notes to the financial statements

15 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	17,305	0	17,305	0
	17,305	0	17,305	0

Other payables consist of holiday liabilities in connection with the New Danish Holiday Act to be paid in 2021.

16 Provisions

Warranty provisions

Warrenty provisions comprise product warranties other than those covered by suppliers.

17 Contractual obligations and contingencies, etc.

Other contingent liabilities

From 4 September 2018 the company is part of the joint taxation with other Danish Companies in the Mekonomen AB Group. As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes for income year 2019 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 31.12.2019.

Other financial obligations

Rent and lease liabilities

Rent liabilities according to leases concluded and other lease liabilities totalling DKK 108,083 thousand.

Rent liabilities are allocated by DKK 34,270 thousand within one year, by DKK 72,428 thousand from 2-5 years, and DKK 1,385 after 5 years.

Lease liabilities according to leases concluded totalling DKK 47,398 thousand.

Lease liabilities are allocated by DKK 19,743 thousand within one year, by DKK 27,656 thousand from 2-5 years.

18 Collateral

Bank guarantees for leases have been provided totalling DKK 12,061 thousand.

The Mekonomen Group has a cash pool agreement under which the Swedish parent company, Mekonomen AB is the holder of the agreement while other group companies are sub-account holders. The bank can settle drafts and deposits with each other so that the net amount constitutes a balance between the bank and Mekonomen AB. FTZ Autodele & Værktøj A/S' intra-group balances included in the common cash pool agreement constitutes DKK 318.247 thousand.

Financial statements 1 January - 31 December

Notes to the financial statements

19 Related parties

FTZ Autodele & Værktøj A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Mekonomen AB	Sweden	Parent company

Related party transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Apart from intercompany transactions and usual management remuneration during the year there have been no transactions with the Board of Directors, Executive Board, executives, major shareholders affiliates or other related parties.

20 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Mekonomen AB.

DKK'000	<u>2019</u> 12 months	<u>2018</u> 7 months
21 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	163,141	88,000
Retained earnings/accumulated loss	0	-194
	<u>163,141</u>	<u>87,806</u>

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Sven Kristensen

Adm. direktør

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Jesper Bodin

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Claus Damhave

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