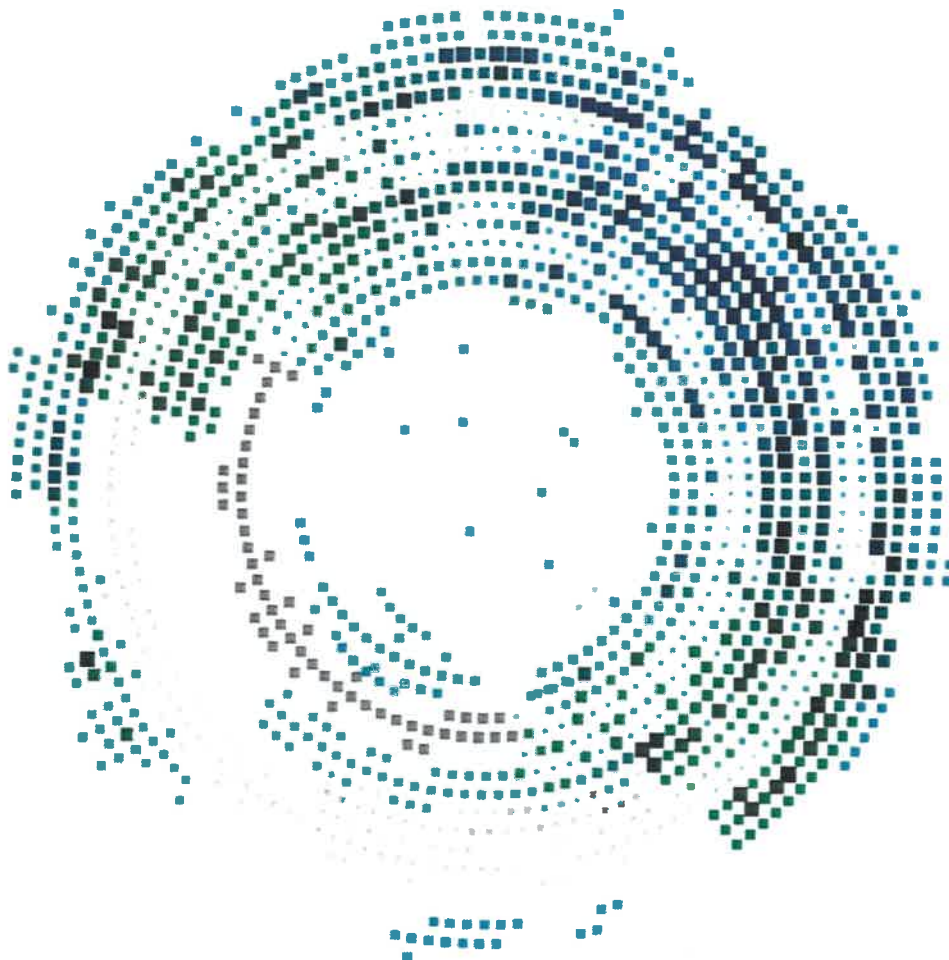


Deloitte.



ITW Construction Products ApS

GI Banegårdsvej 25
5500 Middelfart
CVR No. 14395016

Annual report 2019

The Annual General Meeting adopted the
annual report on 04.05.2020

A handwritten signature in blue ink that reads "Birgit Andersen". The signature is written in a cursive, flowing style.

Birgit Andersen
Chairman of the General Meeting

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Entity details

Entity

ITW Construction Products ApS

GI Banegårdsvej 25

5500 Middelfart

CVR No.: 14395016

Date of foundation: 08.08.1963

Registered office: Middelfart

Financial year: 01.01.2019 - 31.12.2019

URL: <http://www.itwbyg.dk>

Board of Directors

Jan Ditlevsen, Chairman

Jonathan Russel Hartman

Birgit Andersen

Frank Flindt, Staff-elected

Claus Ole Jacobsen, Staff-elected

Executive Board

Jonathan Russel Hartman, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of ITW Construction Products 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.

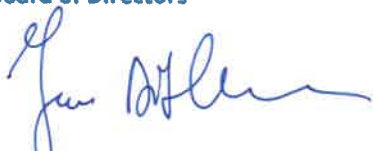
Middelfart, 04.05.2020

Executive Board



Jonathan Russel Hartman
Chief Executive Officer

Board of Directors



Jan Ditlevsen
Chairman



Birgit Andersen



Jonathan Russel Hartman



Frank Flindt
Staff-elected

Claus Ole Jacobsen
Staff-elected

Independent auditor's report

To the shareholder of ITW Construction Products ApS

Opinion

We have audited the financial statements of ITW Construction Products 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.

Aarhus, 04.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556



Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Revenue	679,668	674,323	718,857	661,255	574,272
Gross profit/loss	147,024	167,853	275,289	176,277	152,516
Operating profit/loss	34,523	56,248	133,402	29,453	26,815
Net financials	(336)	1,103	332	(31)	(949)
Profit/loss for the year	26,601	44,671	104,226	22,847	19,731
Total assets	285,495	331,748	409,270	347,694	311,567
Investments in property, plant and equipment	6,108	7,001	6,904	14,679	14,196
Equity	211,793	250,192	315,521	261,295	238,448
Ratios					
Gross margin (%)	21.63	24.89	38.30	26.66	26.56
EBIT margin (%)	5.08	8.34	18.56	4.45	4.67
Net margin (%)	3.91	6.62	14.50	3.46	3.44
Return on equity (%)	11.52	15.79	36.14	9.14	8.60
Equity ratio (%)	74.18	75.42	77.09	75.15	76.53

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

Gross margin (%):

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

EBIT margin (%):

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

Net margin (%):

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

Return on equity (%):

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

Equity ratio (%):

$$\frac{\text{Equity} * 100}{\text{Total assets}}$$

Primary activities

As in previous years, the Company has marketed an extensive product range of screws, nails, building connectors, standard bolts as well as nailing systems including accessories. The product range of which a major part is self-constructed consists of a wide standard range of fixings and fasteners.

Development in activities and finances

The Company's income statement for the financial year 2019 shows a profit of DKK 26,601k. The profit thus shows a decrease compared to 2018. The Company's total revenue shows an increase of DKK 5.4m to DKK 679.7m but unfortunately reduced earnings. Management, however, continues to consider profit for the year satisfactory.

For further information on the Company's financial development over the past 5 years, see above financial highlights.

Profit/loss for the year in relation to expected developments

For 2020, Management expects a revenue in the region of DKK 495m and a profit before tax around DKK 40-50m.

New product launches and upgrades are expected to be carried out in 2020 as planned, but the outbreak and spread of COVID-19 is expected to affect the demand in all the Company's key markets. The above expectation includes Management's best estimate at present of the effect thereof by way of a total revenue reduction of approx. 20-25 % compared to a normalised revenue.

Due to the uncertainty about the time frame for normalisation of the Company's revenue and the impact on the Company's revenue and costs until then, the above expectation is subject to significant uncertainty.

Uncertainty relating to recognition and measurement

No uncertainty has been identified relating to recognition and measurement.

Unusual circumstances affecting recognition and measurement

It is assessed that there have not been any unusual circumstances in the financial period.

Particular risks

The Company's activities are not exposed to any special risks other than those which are considered to be common in similar enterprises in the industry.

Environmental performance

The Company's production has a limited impact on the external environment in the form of effluent and smoke emissions. Continuous monitoring and steps are taken to ensure that these emissions always, both quantitatively and qualitatively, are within the limits that apply according to the Company's environmental approval.

Research and development activities

The Company conducts continuous product development to maintain and strengthen its position as one of the leading suppliers of fixings and fasteners, etc. No project expenses were incurred in 2019 which should have been recognised in the balance sheet according to the Company's accounting policies.

Statutory report on corporate social responsibility

This paragraph constitutes ITW's report on corporate social responsibility and report on the gender composition of management in 2019 in accordance with S. 99a and S. 99b of the Danish Financial Statements Act.

ITW's business model is comprised of three elements, 80/20 business processes, customer-focused innovation as well as a decentralised entrepreneurial culture. By applying these elements to our CSR, we can use our 80/20 to focus on areas where we have the greatest impact.

The decentralised entrepreneurial culture allows us to constantly develop the positive impact on people, the environment and the communities which we are part of.

ITW has the widest product range on the market for all types of fastening work in wood, concrete, steel and plaster. With three recognised product brands, ITW stands strong in the competition for deliveries to the Danish construction market. The three brands come from own ITW enterprises and are sold in most of Europe: Paslode, Spit, NKT Fasteners.

Moreover, we market products such as building connectors, bolts, dowels and anchors, DIY products, chains, chain accessories, tools, etc. All products will be sold through existing retail. ITW's products are all designed and manufactured for the purpose of creating good quality construction. Both consumer products such as nails, screws and tools used in fastening work are built to withstand all kinds of challenges and for many years. In Middelfart we employ approx. 238 employees and are a leading manufacturer of fasteners with nails and screws as main products.

Further information can be found on www.itw-csr.com from the ultimate parent company, Illinois Tool Works Inc., which contains a description of the Group's "Corporate Social Responsibility" and its status.

Safety, health and well-being

We believe that the most significant CSR risks may arise from the working conditions of our employees and suppliers, including their safety, health, and workplace well-being. Failure to handle this risk can harm our people, affect our reputation as a responsible employer as well as incur a number of business costs including a risk of litigation. In general, ITW Construction Products ApS takes great care of our employees. We have special focus on health, exercise and seniors in our daily work, and the individual employee's well-being is a high priority. ITW Construction Products ApS strives to comply with applicable laws and regulations governing employee safety and health. The main purpose is to limit sickness absence as much as possible, provide a good workplace where employees thrive and thus can deliver optimal work performance in good environment and ensure a good worklife balance. In practice, this means, among other things, that we conduct staff development interviews every year with focus on both work performance and well-being. The number of work-related accident absence has been reduced from 2 in 2018 to 1 in 2019. The strategic target is 0, so we are close to the target. In 2019, we held safety days for all employees when issues such as anti-bullying policy, hand safety, physical and mental work environment and ergonomics for office staff were discussed. By the end of 2019, our assessment is that we have a healthy and safe working environment.

Ethics

ITW Construction Products ApS is part of the ITW Group. As part of a global group with activities across geographies, there is a risk of the occurrence of bribery and other activities that distort competition. ITW therefore works according to fixed universal guidelines everywhere. We always strive to practice ethical conduct and appear fair and honest when doing business and always within the applicable law. This is set out in ITW's Code of Ethics which constitutes the group policies. The ITW Group bans all forms of corruption, bribery and abuse of power in any form. ITW will not intentionally do business with suppliers who violate their country's employment laws. Each year, the ITW Group organises a training session for all the Group's employees on morality and ethics. Accordingly, this was also held in 2019, which provides both managers and employees of ITW

Construction Products ApS with a solid basis for complying with the Group's ethical guidelines.

Environment and sustainability

In connection with our production, there is a risk associated with our raw material and energy consumption as well as our handling of waste and effluents. ITW Construction Products ApS works for improved environmental and climate sustainability in the daily production. ITW Construction Products ApS works to manage and continuously reduce the consumption of resources, including water, energy, raw materials and consumables, in our production. We constantly want to optimise the handling of effluents, air pollution and noise in order to continuously minimise environmental impacts. Again in 2019, did ITW Construction Products ApS see a significant decrease in the total consumption of electricity, gas and water of approx. 20%. One of the reasons for this decrease is the closure of production lines and the optimisation of work processes. The goal is still to reduce consumption of electricity, natural gas and water compared to comparable activity levels.

To minimise the use of unnecessary plastic, our NKT fasteners and SPIT products are packed and delivered in cardboard boxes rather than plastic packaging. This is done to avoid contributing to the spread of non-degradable plastic in the environment. Moreover, we only use FSC labeled packaging cardboard. This provides assurance that the materials can be traced back to sustainable forestry. More information can be found on www.itwbyg.dk.

Human rights

ITW Construction Products ApS recognises the United Nations (UN) Decree on Human Rights and follows the Group's Principle of Conduct, which commits us to abide by the laws against slavery, human trafficking and child labour. The Company does not currently have a separate policy in this area, but respect for human rights is an integral part of our ethics, as described in the section above. We believe that the most significant human rights risks relate to the right of our employees and subcontractors to a safe workplace and to proper working conditions, as breach of these will negatively affect the individual employee and our business. In 2019, no violations have been identified in this area.

Statutory report on the underrepresented gender

Top management

ITW Construction Products ApS wants the share of female board members to be at least 25%, excluding board members elected by the employees. Today, the Board of Directors consists of 2 men and 1 woman, and the share of women is 33%, which means that in 2019 we will also meet our target.

Other management positions

It is ITW Construction Products ApS's target over time that women should account for at least 25% of management positions. At the end of 2019, the management of the Company consisted of 16 men and 4 women, making the share of women 20%.

When filling all vacancies, there must always be both men and women represented among the last top 3 candidates. ITW Construction Products ApS is of the opinion that an equal gender distribution will contribute positively to the working environment. A Diversity & Inclusion Committee has been established with representatives from DK as well as the other countries in the division. The Committee meets once a month to set up ongoing activities and objectives, among other things to increase the number of women in the organisation and at management level. In Denmark, a working group has been set up focusing on well-being consisting of 4 employees as well as HR.

Events after the balance sheet date

The outbreak and spread of COVID-19 at the beginning of 2020 has meant that the company's turnover in the period January - March 2020 has been reduced by approx. 5% in relation to expectations at the beginning of the year. This decrease is partly due to canceled customer orders and partly to the inability to meet customer demand due to problems with supply of components from subcontractors. The company has only to a very limited extent been able to reduce the effects of this revenue reduction through employee reductions, since the majority of the company's employees are salaried employees.

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

Income statement for 2019

	Notes	2019 DKK'000	2018 DKK '000
Revenue	2	679,668	674,323
Changes in inventories of finished goods and work in progress		4,055	(1,134)
Other operating income		5,510	3,314
Cost of sales		(446,626)	(416,379)
Other external expenses	3	(95,583)	(92,271)
Gross profit/loss		147,024	167,853
Staff costs	4	(103,611)	(104,770)
Depreciation, amortisation and impairment losses	5	(8,890)	(6,835)
Operating profit/loss		34,523	56,248
Other financial income		75	1,134
Other financial expenses	6	(411)	(31)
Profit/loss before tax		34,187	57,351
Tax on profit/loss for the year	7	(7,586)	(12,680)
Profit/loss for the year	8	26,601	44,671

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK'000	2018 DKK'000
Land and buildings		20,578	20,884
Plant and machinery		14,452	17,586
Other fixtures and fittings, tools and equipment		3,823	5,974
Property, plant and equipment in progress		3,697	2,266
Property, plant and equipment	9	42,550	46,710
Deposits		13	0
Other financial assets	10	13	0
Fixed assets		42,563	46,710
Raw materials and consumables		10,529	22,463
Work in progress		17,427	9,964
Manufactured goods and goods for resale		60,978	70,490
Inventories		88,934	102,917
Trade receivables		101,079	89,863
Receivables from group enterprises	11	35,264	88,704
Deferred tax	12	1,477	1,729
Other receivables		350	75
Income tax receivable		1,999	0
Prepayments	13	13,823	1,733
Receivables		153,992	182,104
Cash		6	17
Current assets		242,932	285,038
Assets		285,495	331,748

Equity and liabilities

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital	14	80,000	80,000
Retained earnings		116,793	105,192
Proposed dividend		15,000	65,000
Equity		211,793	250,192
Trade payables		23,835	34,751
Payables to group enterprises		8,451	7,712
Income tax payable		0	318
Other payables		41,416	38,775
Current liabilities other than provisions		73,702	81,556
Liabilities other than provisions		73,702	81,556
Equity and liabilities		285,495	331,748
Events after the balance sheet date	1		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Non-arm's length related party transactions	18		
Group relations	19		

Statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	80,000	105,192	65,000	250,192
Ordinary dividend paid	0	0	(65,000)	(65,000)
Profit/loss for the year	0	11,601	15,000	26,601
Equity end of year	80,000	116,793	15,000	211,793

Notes

1 Events after the balance sheet date

The outbreak and spread of COVID-19 at the beginning of 2020 has meant that the company's turnover in the period January - March 2020 has been reduced by approx. 5% in relation to expectations at the beginning of the year. This decrease is partly due to canceled customer orders and partly to the inability to meet customer demand due to problems with supply of components from subcontractors. The company has only to a very limited extent been able to reduce the effects of this revenue reduction through employee reductions, since the majority of the company's employees are salaried employees.

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

2 Revenue

	2019 DKK'000	2018 DKK'000
Denmark	280,172	278,282
Europe	336,852	334,031
Other Countries	62,644	62,010
Total revenue by geographical market	679,668	674,323
Fastener, Industry- and trade customers	679,668	674,323
Total revenue by activity	679,668	674,323

3 Fees to the auditor appointed by the Annual General Meeting

	2019 DKK'000	2018 DKK'000
Statutory audit services	530	522
Other services	25	0
	555	522

4 Staff costs

	2019	2018
	DKK'000	DKK'000
Wages and salaries	94,232	95,258
Pension costs	6,926	6,991
Other social security costs	2,453	2,521
	103,611	104,770
Number of employees at balance sheet date	204	208
Average number of full-time employees	204	208
	Remuneration of management 2019	Remuneration of management 2018
	DKK'000	DKK'000
Total amount for management categories	40	40
	40	40

5 Depreciation, amortisation and impairment losses

	2019	2018
	DKK'000	DKK'000
Depreciation of property, plant and equipment	9,802	10,975
Impairment losses on property, plant and equipment	(912)	(4,140)
	8,890	6,835

6 Other financial expenses

	2019	2018
	DKK'000	DKK'000
Financial expenses from group enterprises	130	6
Exchange rate adjustments	258	0
Other financial expenses	23	25
	411	31

7 Tax on profit/loss for the year

	2019	2018
	DKK'000	DKK'000
Current tax	7,334	12,418
Change in deferred tax	252	262
	7,586	12,680

8 Proposed distribution of profit and loss

	2019	2018
	DKK'000	DKK'000
Ordinary dividend for the financial year	15,000	65,000
Retained earnings	11,601	(20,329)
	26,601	44,671

9 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	133,712	250,262	34,775	2,535
Additions	2,115	2,097	734	1,162
Disposals	0	(28,694)	(4,666)	0
Cost end of year	135,827	223,665	30,843	3,697
Depreciation and impairment losses beginning of year	(112,828)	(232,676)	(29,070)	0
Reversal of impairment losses	0	913	0	0
Depreciation for the year	(2,421)	(5,176)	(2,229)	0
Depreciation and impairment losses on assets disposed of	0	27,726	4,279	0
Depreciation and impairment losses end of year	(115,249)	(209,213)	(27,020)	0
Carrying amount end of year	20,578	14,452	3,823	3,697

10 Financial assets

	Deposits DKK'000
Additions	13
Cost end of year	13
Carrying amount end of year	13

11 Receivables from group enterprises

The company participates together with other Danish Group enterprises in a cash pool arrangement in which another company is liable as a sole contracting party towards the bank.

Receivables and payables in relation to the cash pool arrangement are recognised as intercompany receivables and payables, respectively. At 31 December 2019, the item receivables from group enterprises includes an amount of 13.060 TDKK.

12 Deferred tax

	2019 DKK'000	2018 DKK'000
Property, plant and equipment	1,730	1,688
Inventories	(409)	(407)
Receivables	156	448
Deferred tax	1,477	1,729

	2019 DKK'000
Changes during the year	
Beginning of year	1,729
Recognised in the income statement	(252)
End of year	1,477

The deferred tax asset related to temporary differences between carrying amount and tax-based value of fixed assets, receivables and inventories.

13 Prepayments

Prepayments consist of prepaid rent, insurance, and other cost.

14 Share capital

	Number	Nominal value DKK'000
Shares, 1 pcs. of DKK	1,500	1,500
Shares, 1 pcs. of DKK	73,500	73,500
Shares, 1 pcs. of DKK	5,000	5,000
	80,000	80,000

15 Contingent liabilities

	2019 DKK'000	2018 DKK'000
Other contingent liabilities	2,733	2,101
Contingent liabilities	2,733	2,101

The Entity participates in a Danish joint taxation arrangement where ITW Denmark ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefor liable for income taxes etc for the jointly taxed entities.

16 Assets charged and collateral

No assets have been pledged for security

17 Related parties with controlling interest

The following related parties have a controlling interest in ITW Construction Products ApS

ITW Denmark ApS, Silkeborg, Denmark, Principal shareholder.

Illinois Tool Works Inc., Chicago, USA, Ultimate Parent.

18 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Illinois Tool Works Inc.
155 Harlem Avenue
Glenview, Illinois 60025
USA

Accounting policies

Reporting class

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

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

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

Income statement

Revenue

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

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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 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 , 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, 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**

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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 self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

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	10-40 years
Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-8 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.

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.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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

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.

Income tax payable or receivable

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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's

proposal for distribution of profit/loss.

Other financial liabilities

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

Cash flow statement

In pursuance of section 86 of the Danish Financial Statements Act, the preparation of cash flow statement is excluded as it contained in the cash flow statement for the ultimate parent company Illinois Tool Works Inc., Illinois, USA.

