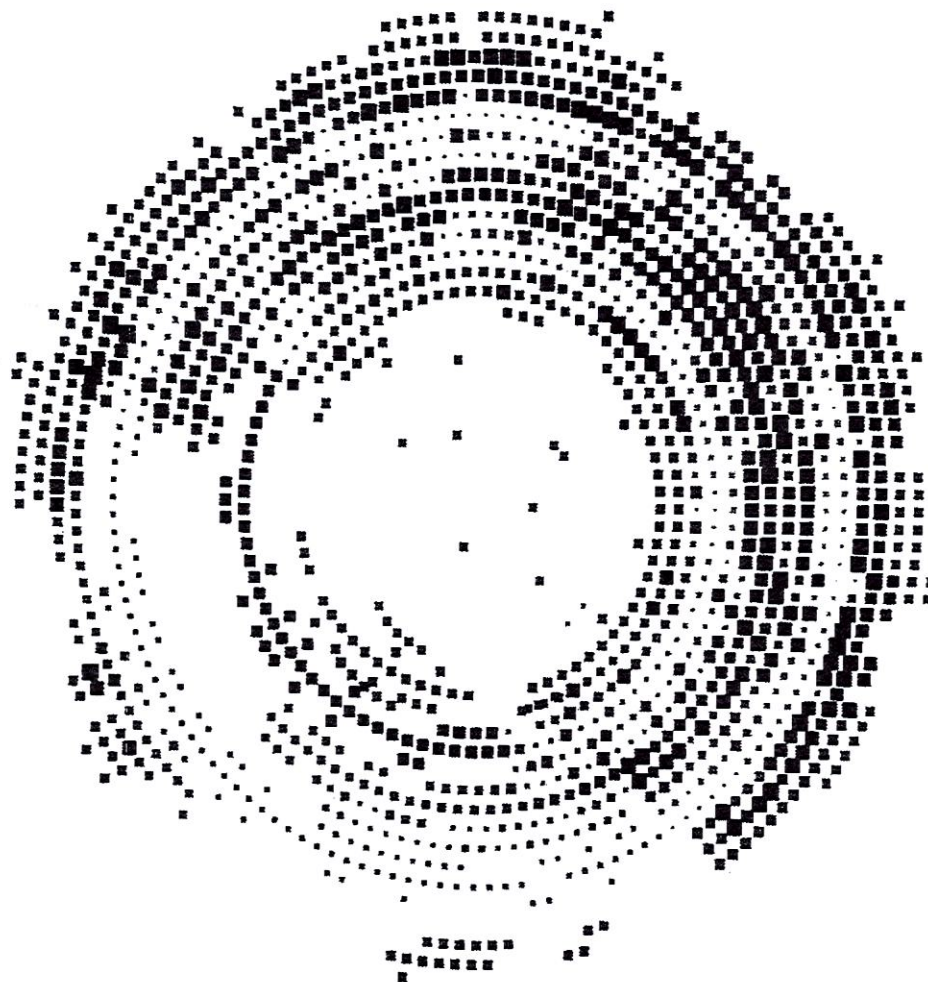


Deloitte.

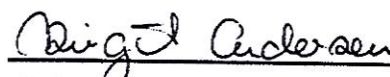


Hobart Scandinavia ApS

Håndværkerbyen 27, 2670 Greve
CVR No. 20247576

Annual report 2019

The Annual General Meeting adopted the
annual report on 31.03.2020



Birgit Andersen
Chairman of the General Meeting

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Entity details

Entity

Hobart Scandinavia ApS

Håndværkerbyen 27

2670 Greve

CVR No.: 20247576

Registered office: Greve

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Birgit Andersen

Henrik Ørbæk Lysemose

Axel Beck

Executive Board

Henrik Ørbæk Lysemose

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 Hobart Scandinavia ApS for the financial year 01.01.2019 - 31.12.2019.

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

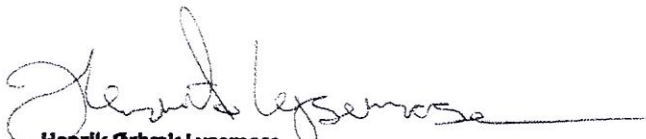
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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

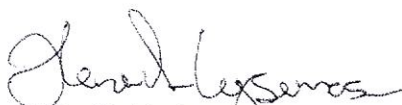
We recommend the annual report for adoption at the Annual General Meeting.

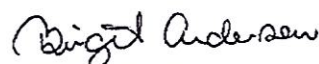
Greve, 31.03.2020

Executive Board


Henrik Ørbæk Lysemose

Board of Directors


Henrik Ørbæk Lysemose


Birgit Andersen


Axel Beck

Independent auditor's report

To the shareholder of Hobart Scandinavia ApS

Opinion

We have audited the financial statements of Hobart Scandinavia 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, 31.03.2020

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					
Gross profit/loss	30,990	28,969	30,806	26,835	26,431
Operating profit/loss	13,474	12,256	13,436	10,168	9,389
Net financials	476	(162)	(1,760)	(522)	(128)
Profit/loss for the year	10,949	9,359	8,737	7,380	6,875
Total assets	40,094	43,940	44,496	57,652	48,317
Equity	25,432	31,468	32,115	43,496	36,986
Ratios					
Return on equity (%)	38.49	29.44	23.11	18.30	20.10
Equity ratio (%)	63.43	71.62	72.18	75.45	76.55

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

Return on equity (%):

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

Average equity

Equity ratio (%):

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

Total assets

Ratios reflect

Return on equity

The entity's return on capital invested in the entity by the owners.

Equity ratio

The financial strenght of the entity.

Primary activities

The Company's activities consist of sale mainly within the catering centre industry and sale and marketing of chemical products, ie. aerosols, special lubricants and degreaser/MRO products to the Scandinavian industry.

Development in activities and finances

The Company's activity through the year has been unchanged. The net profit for the period is DKK 10.949K. The profit for the year is considered satisfactory by the Company's Management.

Outlook

The outbreak and spread of COVID-19 at the beginning of 2020 has not yet had an impact on our business, but has led to increased uncertainty regarding future customer demand, our supply chain and our future ability to deliver to customers.

For 2020, The Company expects a net profit in 2020 on the same level as 2019. However, no consequences from COVID-19 have been incorporated into these expectations.

Particular risks

It is considered that the company is not exposed to any special risks in relation to other similar companies in the industry.

Group relations

The Company is owned 100% by ITW Denmark ApS.

Foreign branches

The Company has the following foreign branches:
Hobart Norway, Gl. Drammensvei 120, Høvik, Norway.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		30,989,832	28,968,649
Staff costs	1	(16,807,164)	(15,905,998)
Depreciation, amortisation and impairment losses		(708,596)	(806,356)
Operating profit/loss		13,474,072	12,256,295
Other financial income	2	529,252	53,334
Other financial expenses	3	(53,561)	(215,097)
Profit/loss before tax		13,949,763	12,094,532
Tax on profit/loss for the year	4	(3,001,158)	(2,735,083)
Profit/loss for the year		10,948,605	9,359,449
Proposed distribution of profit and loss			
Ordinary dividend for the financial year		0	17,000,000
Retained earnings		10,948,605	(7,640,551)
Proposed distribution of profit and loss		10,948,605	9,359,449

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Land and buildings		3,477,686	3,902,247
Other fixtures and fittings, tools and equipment		2,398,428	2,268,838
Property, plant and equipment		5,876,114	6,171,085
Deposits		106,925	106,925
Other financial assets		106,925	106,925
Fixed assets		5,983,039	6,278,010
Manufactured goods and goods for resale		4,822,857	3,942,524
Inventories		4,822,857	3,942,524
Trade receivables		9,647,173	8,048,071
Receivables from group enterprises	5	16,931,275	24,442,546
Deferred tax		95,399	10,846
Other receivables		1,626,725	268,102
Prepayments		696,545	690,230
Receivables		28,997,117	33,459,795
Cash		290,889	259,227
Current assets		34,110,863	37,661,546
Assets		40,093,902	43,939,556

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		1,000,000	1,000,000
Retained earnings		24,432,471	13,467,519
Proposed dividend		0	17,000,000
Equity		25,432,471	31,467,519
Other provisions		545,314	466,820
Provisions		545,314	466,820
Trade payables		1,294,725	1,111,076
Payables to group enterprises		3,976,092	3,005,335
Income tax payable		1,214,120	1,166,384
Other payables		7,631,180	6,722,422
Current liabilities other than provisions		14,116,117	12,005,217
Liabilities other than provisions		14,116,117	12,005,217
Equity and liabilities		40,093,902	43,939,556
Unrecognised rental and lease commitments	6		
Contingent liabilities	7		
Transactions with related parties	8		
Group relations	9		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1,000,000	13,467,519	17,000,000	31,467,519
Ordinary dividend paid	0	0	(17,000,000)	(17,000,000)
Exchange rate adjustments	0	16,347	0	16,347
Profit/loss for the year	0	10,948,605	0	10,948,605
Equity end of year	1,000,000	24,432,471	0	25,432,471

Notes

1 Staff costs

	2019	2018
	DKK	DKK
Wages and salaries	15,034,351	13,734,893
Pension costs	1,622,715	1,637,198
Other staff costs	150,098	533,907
	16,807,164	15,905,998
Average number of full-time employees	24	24

2 Other financial income

	2019	2018
	DKK	DKK
Financial income from group enterprises	58,364	44,608
Other interest income	470,888	8,726
	529,252	53,334

3 Other financial expenses

	2019	2018
	DKK	DKK
Other interest expenses	53,561	40,898
Exchange rate adjustments	0	174,199
	53,561	215,097

4 Tax on profit/loss for the year

	2019	2018
	DKK	DKK
Current tax	3,085,711	2,767,909
Change in deferred tax	(84,553)	(32,826)
	3,001,158	2,735,083

5 Receivables from group enterprises

The company, together with other group companies, engages in cash pool arrangements where other companies are liable to the bank. Deposits and debts in relation to the cash pool scheme are accepted as intra-group and debt respectively.

Net interim at the cash pool arrangement as of 31.12.2019 represents a receivable amount of DKK 16,773k

6 Unrecognised rental and lease commitments

	2019	2018
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	167,335	165,548

7 Contingent liabilities

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 Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2019 also for obligations, if any, relating to the withholding of tax on interest, royalties, and dividend for the jointly taxed companies.

8 Non-arm's length related party transactions

The Company has not had any significant transactions that have not been concluded on an arm's length basis.

9 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, 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 B enterprises with addition of certain provisions for reporting class C.

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

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 intangible assets and 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**

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.

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	50 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.

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.

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.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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 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 provisions

Other provisions include defects and defects within the warranty period.

Other financial liabilities

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

Income tax receivable or payable

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