

R&D Test Systems A/S

Sigma 3
8382 Hinnerup
CVR No. 37844179

Annual report 04.10.2020 - 31.12.2021

The Annual General Meeting adopted the
annual report on 31.05.2022



Birgit Andersen

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020/21	11
Balance sheet at 31.12.2021	12
Statement of changes in equity for 2020/21	14
Notes	15
Accounting policies	20

Entity details

Entity

R&D Test Systems A/S

Sigma 3

8382 Hinnerup

Business Registration No.: 37844179

Registered office: Favrskov

Financial year: 04.10.2020 - 31.12.2021

Board of Directors

Birgit Andersen

Peter Kattai Ulrikkeholm

Guilherme Silva

Monique Martins

Emil Wolff

Executive Board

Peter Kattai Ulrikkeholm

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 R&D Test Systems A/S for the financial year 04.10.2020 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 04.10.2020 - 31.12.2021.

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.

Hinnerup, 31.05.2022

Executive Board

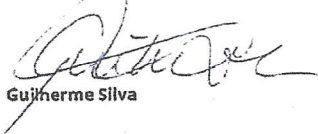


Peter Kattai Ulrikkeholm

Board of Directors



Birgit Andersen



Guilherme Silva



Peter Kattai Ulrikkeholm



Monique Martins

Emil Wolff



Independent auditor's report

To the shareholders of R&D Test Systems A/S

Opinion

We have audited the financial statements of R&D Test Systems A/S for the financial year 04.10.2020 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 04.10.2020 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Hinnerup, 31.05.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556



Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052



Mikael Møller

State Authorised Public Accountant
Identification No (MNE) mne47835

Management commentary

Financial highlights

	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000
Key figures					
Revenue	431,013	403,142	145,462	147,395	123,765
Gross profit/loss	115,351	147,422	62,522	54,031	51,194
Operating profit/loss	26,432	78,689	22,050	19,368	26,857
Net financials	(429)	(515)	185	381	-35
Profit/loss for the year	20,263	60,964	17,338	15,393	20,703
Total assets	194,858	228,873	126,683	90,473	94,169
Investments in property, plant and equipment	153	2,445	0	919	57
Equity	61,636	81,374	45,010	27,672	33,409
Ratios					
Gross margin (%)	26.76	36.57	42.98	36.66	41.36
EBIT margin (%)	6.13	19.52	15.16	13.14	21.70
Net margin (%)	4.70	15.12	11.92	10.44	16.73
Return on equity (%)	28.34	96.47	47.71	50.40	90.00
Equity ratio (%)	31.63	35.55	35.53	30.59	35.48

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

Gross margin (%):

Gross profit/loss * 100

Revenue

EBIT margin (%):

Operating profit/loss * 100

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

The company's activities comprise consultancy, development, production and installation of test systems.

Development in activities and finances

The income statement for the period 04.10.20 - 31.12.21 shows a profit/loss of DKK 20.262.611 against DKK 60.964.291 for the period 01.07.19 - 03.10.20. The balance sheet shows equity of DKK 61.636.457.

The management considers the net profit for the year satisfying.

Profit/loss for the year in relation to expected developments

The earnings expectations for the financial year 04.10.20 - 31.12.21 were a net profit, which exceeded the financial year 01.07.19 - 03.10.20. This expectation was not met.

Uncertainty relating to recognition and measurement

No important matters regarding uncertainty relating to recognition and measurement.

Unusual circumstances affecting recognition and measurement

No important events have occurred that affected recognition of measurement.

Outlook

The company expects a profit between 20.000.000 and 30.000.000 DKK.

Use of financial instruments

The company has been affected by the supply chain crisis through purchase of raw materials, Components and sub-systems. The risk of further price increases is considered high. The company sells its products on long contracts which makes it difficult to calculate the added costs into the prices on the short term.

There has been no use of derivatives in the financial year 04.10.20 - 31.12.21 and the exchange rate risks are considered low given the company primarily sell and buy in DKK and EUR. The interest rate risk is low given the low level of debt.

The company is part of a ITW which uses a cash pool. The liquidity preparedness of the company is therefore considered to be good and the liquidity risk is considered low.

Knowledge resources

R&D Test Systems employs a highly educated workforce, primarily within the engineering disciplines to design and manufacture test systems, primarily for the wind industry. During the financial year, the company introduced project manager training as well as Techlead training to ensure the continued professional development of the staff.

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

Development activities mainly comprise the development of software, which is applied and sold as a part of the future projects. The development is expected to generate future earnings to the company.

Statutory report on corporate social responsibility

Statement on corporate social responsibility can be found on the website of the group <https://www.rd-as.com/corporate-socialresponsibility/csr/>.

Statutory report on the underrepresented gender

Statement on achieving the target figures and on the underrepresented gender policy can be found on the website of the group <https://www.rd-as.com/corporate-socialresponsibility/csr/>.

Events after the balance sheet date

The Covid-19 pandemic is still having an impact on business, but the status is our production in general, is running with normal activities.

The war in Ukraine will have an impact of our business in 2022. We have stopped all direct sales to Russia, but we foresee that the indirect impact of energy supply and raw material supply could have an impact on our business. Until the end of first quarter 2022 we have followed our budgeted plan and we are following the situation carefully and will setup emergency plans to the extend it is possible to secure production.

Income statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Revenue		431,012,592	403,142,219
Other operating income		6,643,630	3,455,138
Cost of sales		(294,018,776)	(237,312,724)
Other external expenses		(28,286,937)	(21,862,488)
Gross profit/loss		115,350,509	147,422,145
Staff costs	2	(86,259,652)	(66,668,560)
Depreciation, amortisation and impairment losses	3	(2,658,591)	(2,064,911)
Operating profit/loss		26,432,266	78,688,674
Other financial income	4	728,580	724,770
Other financial expenses	5	(1,157,655)	(1,239,326)
Profit/loss before tax		26,003,191	78,174,118
Tax on profit/loss for the year	6	(5,740,580)	(17,209,827)
Profit/loss for the year	7	20,262,611	60,964,291

Balance sheet at 31.12.2021

Assets

	Notes	2020/21 DKK	2019/20 DKK
Completed development projects	9	1,376,716	2,757,225
Acquired intangible assets		65,813	292,507
Intangible assets	8	1,442,529	3,049,732
Other fixtures and fittings, tools and equipment		1,904,081	2,757,228
Property, plant and equipment	10	1,904,081	2,757,228
Deposits		0	22,712
Other receivables		37,737,259	0
Financial assets	11	37,737,259	22,712
Fixed assets		41,083,869	5,829,672
Trade receivables		73,613,406	64,009,095
Contract work in progress	12	49,487,304	18,934,636
Receivables from group enterprises		0	13,191,024
Other receivables		6,711,423	2,487,622
Tax receivable		52,682	546,311
Prepayments	13	332,335	160,632
Receivables		130,197,150	99,329,320
Cash		23,577,333	123,714,348
Current assets		153,774,483	223,043,668
Assets		194,858,352	228,873,340

Equity and liabilities

	Notes	2020/21 DKK	2019/20 DKK
Contributed capital		500,000	500,000
Reserve for development expenditure		1,073,984	2,150,781
Retained earnings		60,062,473	38,723,065
Proposed dividend		0	40,000,000
Equity		61,636,457	81,373,846
Deferred tax	14	17,264,532	22,908,138
Other provisions	15	7,890,885	776,986
Provisions		25,155,417	23,685,124
Other payables		5,022,200	4,889,287
Non-current liabilities other than provisions		5,022,200	4,889,287
Payables to other credit institutions		99,677	88,197
Contract work in progress	12	29,832,408	40,647,487
Trade payables		37,892,320	59,003,010
Payables to group enterprises		16,192,615	33,069
Tax payable		11,384,186	0
Other payables		7,643,072	19,153,320
Current liabilities other than provisions		103,044,278	118,925,083
Liabilities other than provisions		108,066,478	123,814,370
Equity and liabilities		194,858,352	228,873,340
Events after the balance sheet date	1		
Contingent liabilities	16		
Assets charged and collateral	17		
Related parties with controlling interest	18		
Non-arm's length related party transactions	19		
Group relations	20		

Statement of changes in equity for 2020/21

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	2,150,781	38,723,065	40,000,000	81,373,846
Ordinary dividend paid	0	0	0	(40,000,000)	(40,000,000)
Transfer to reserves	0	(1,076,797)	0	0	(1,076,797)
Dissolution of reserves	0	0	1,076,797	0	1,076,797
Profit/loss for the year	0	0	20,262,611	0	20,262,611
Equity end of year	500,000	1,073,984	60,062,473	0	61,636,457

Notes

1 Events after the balance sheet date

The Covid-19 pandemic is still having an impact on business, but the status is our production in general, is running with normal activities.

The war in Ukraine will have an impact of our business in 2022. We have stopped all direct sales to Russia, but we foresee that the indirect impact of energy supply and raw material supply could have an impact on our business. Until the end of first quarter 2022 we have followed our budgeted plan and we are following the situation carefully and will setup emergency plans to the extend it is possible to secure production.

2 Staff costs

	2020/21 DKK	2019/20 DKK
Wages and salaries	82,566,415	64,669,881
Pension costs	38,650	33,730
Other social security costs	364,290	209,536
Other staff costs	3,290,297	1,755,413
	86,259,652	66,668,560
Average number of full-time employees	98	84

There is no management remuneration, as the management is employed by MTS Systems Danmark ApS

3 Depreciation, amortisation and impairment losses

	2020/21 DKK	2019/20 DKK
Amortisation of intangible assets	1,652,203	1,732,370
Depreciation of property, plant and equipment	1,006,388	332,541
	2,658,591	2,064,911

4 Other financial income

	2020/21 DKK	2019/20 DKK
Financial income from group enterprises	0	677,442
Other financial income	728,580	47,328
	728,580	724,770

5 Other financial expenses

	2020/21 DKK	2019/20 DKK
Financial expenses from group enterprises	9,216	0
Other financial expenses	1,148,439	1,239,326
	1,157,655	1,239,326

6 Tax on profit/loss for the year

	2020/21 DKK	2019/20 DKK
Current tax	11,384,186	(546,311)
Change in deferred tax	(5,643,606)	17,756,138
	5,740,580	17,209,827

7 Proposed distribution of profit and loss

	2020/21 DKK	2019/20 DKK
Retained earnings	20,262,611	60,964,291
	20,262,611	60,964,291

8 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK
Cost beginning of year	4,968,633	1,312,183
Additions	0	45,000
Cost end of year	4,968,633	1,357,183
Amortisation and impairment losses beginning of year	(2,211,408)	(1,019,676)
Amortisation for the year	(1,380,509)	(271,694)
Amortisation and impairment losses end of year	(3,591,917)	(1,291,370)
Carrying amount end of year	1,376,716	65,813

9 Development projects

The development projects consists of finished development projects. Development cost is comprised of costs to development of software, which is used and sold as a part of future projects. The new software platform is a control system that handles the control of a test bench.

The completed development projects have shown their worth as the software is currently being used by in projects for customers.

The management has not identified indication of impairment of the recognised projects.

With reference to section 83(2) of the Danish Financial Statement Act, deferred tax is set off against the

capitalized costs for development projects in the reserve for development costs under equity.

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	3,452,496
Additions	153,241
Cost end of year	3,605,737
Depreciation and impairment losses beginning of year	(695,268)
Depreciation for the year	(1,006,388)
Depreciation and impairment losses end of year	(1,701,656)
Carrying amount end of year	1,904,081

11 Financial assets

	Deposits DKK	Other receivables DKK
Cost beginning of year	22,712	0
Additions	0	37,737,259
Disposals	(22,712)	0
Cost end of year	0	37,737,259
Carrying amount end of year	0	37,737,259

12 Contract work in progress

	2020/21 DKK	2019/20 DKK
Contract work in progress	433,475,702	476,811,263
Progress billings regarding contract work in progress	(383,988,398)	(457,876,627)
	49,487,304	18,934,636

13 Prepayments

Prepayments consist of prepaid expenses, including insurance

14 Deferred tax

	2020/21 DKK
Changes during the year	
Beginning of year	22,908,138
Recognised in the income statement	(5,643,606)
End of year	17,264,532

Deferred tax relates to intangible assets, property, plant and equipment, guarantee provisions and contract work in progress.

15 Other provisions

Other provisions consists of guarantee provisions from contract work in progress.

16 Contingent liabilities

The company has provided a performance bond as security to the customers, which amounts to DKK 15.830k.

Recourse guarantee commitments

The company has provided a guarantee whereby the guarantor assumes primary liability for group enterprises' debt to credit institutions. The guarantee is unlimited. The group enterprises' debt to the credit institutions concerned amounts to DKK 259k at the balance sheet date.

Other contingent liabilities

The Entity participates in a Danish joint taxation arrangement where MTS Systems Danmark ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

17 Assets charged and collateral

The company has provided a company charge of DKK 5.000k as security for group enterprises' debt to credit institutions of DKK 91k. The company charge comprises goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and trade receivables. The total carrying amount of the comprised assets is DKK 113.255k.

18 Related parties with controlling interest

MTS Systems Danmark ApS owns all shares in the Entity, thus exercising control.

19 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.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Illinois Tool Works Inc., Illinois, USA

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Illinois Tool Works Inc., Illinois, USA

Copies of the consolidated financial statements of Illinois Tool Works Inc may be ordered at the following address: 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 C enterprises (large).

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

The financial year is 15 months in the current financial year as well as the last financial year so the comparative figures are comparable.

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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised on a proportionate basis in the income statement over the

period in which the expenses eligible for grants are expensed. Grants are recognised under other operating income.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

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 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.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and net capital or exchange losses on securities, payables and transactions in foreign currencies.

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.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery, tools and equipment etc are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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:

Other fixtures and fittings, tools and equipment	3-10 years
--	------------

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

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 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.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions

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

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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.