

R&D Test Systems A/S

Sigma 3
8382 Hinnerup
CVR No. 37844179

Annual report 2023

The Annual General Meeting adopted the annual report on 31.05.2024

Peder Lund Rasmussen

Chairman of the General Meeting

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Entity details

Entity

R&D Test Systems A/S

Sigma 3

8382 Hinnerup

Business Registration No.: 37844179

Registered office: Favrskov

Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Monique Martins

Peder Lund Rasmussen

Robert Kirk Dutzi

Executive Board

Peder Lund Rasmussen

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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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.

Copenhagen, 31.05.2024

Executive Board

Peder Lund Rasmussen

Board of Directors

Monique Martins

Peder Lund Rasmussen

Robert Kirk Dutzi

Independent auditor's report

To the shareholder 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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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, 31.05.2024

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

	2023	2022	2020/21	2019/20	2018/19
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	113,852	101,330	115,351	147,422	62,522
Operating profit/loss	36,091	35,349	26,432	78,689	22,050
Net financials	5,677	183	(429)	(515)	185
Profit/loss for the year	32,540	27,474	20,263	60,964	17,338
Total assets	332,576	295,476	194,858	228,873	126,683
Equity	121,650	89,110	61,636	81,374	45,010
Ratios					
Return on equity (%)	30.88	36.45	28.34	96.47	47.71
Equity ratio (%)	36.58	30.16	31.63	35.55	35.53

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

Return on equity (%):

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

Equity ratio (%):

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

Primary activities

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

Development in activities and finances

The income statement for the period 01.01.23 - 31.12.23 shows a profit of DKK 32,539K against a profit of 27,473K for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 121.649K.

The management considers the net profit for the year satisfying.

Profit/loss for the year in relation to expected developments

The earnings expectation for the financial year 01.01.23 - 31.12.23 was a profit between 30,000K – 40,000K DKK. The profit for the year 2023 is in line with the outlook communicated in the annual report 2022.

Outlook

The company expects a profit between DKK 25,000K and 35,000K.

Use of financial instruments

The company affected by the supply chain crisis through purchase of raw materials, components and sub-systems. The company sells its products on long term contract, which makes it difficult to calculate the added costs into the prices in the short term.

There have been no use of derivatives in the financial year 01.01.23 - 31.12.23 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 ITW that uses a cash pool for financing purposes. 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 group continued project manager training as well as Techlead training to ensure the continued professional development of the staff.

Environmental performance

The company's has 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, bot 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.

Events after the balance sheet date

A project that, at the balance sheet date, was expected to be completed in Q1-2024 has incurred delays in acceptance and uncertainty on the timing of finalization. The full overview of the consequences of the delay in completion is still under investigation.

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		113,852,012	101,329,953
Staff costs	2	(76,412,791)	(64,030,168)
Depreciation, amortisation and impairment losses	3	(1,348,112)	(1,950,883)
Operating profit/loss		36,091,109	35,348,902
Other financial income	4	5,905,243	2,157,273
Other financial expenses	5	(228,112)	(1,973,903)
Profit/loss before tax		41,768,240	35,532,272
Tax on profit/loss for the year	6	(9,228,599)	(8,058,426)
Profit/loss for the year	7	32,539,641	27,473,846

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	9	121,928	565,226
Acquired intangible assets		231,289	11,665
Intangible assets	8	353,217	576,891
Other fixtures and fittings, tools and equipment		2,433,258	818,836
Property, plant and equipment in progress		0	2,369,378
Property, plant and equipment	10	2,433,258	3,188,214
Other receivables		37,853,363	37,853,363
Financial assets	11	37,853,363	37,853,363
Fixed assets		40,639,838	41,618,468
Raw materials and consumables		431,506	364,363
Inventories		431,506	364,363
Trade receivables		133,891,407	132,402,795
Contract work in progress	12	33,563,026	69,215,694
Receivables from group enterprises	13	109,542,567	47,001,422
Other receivables		1,369,603	4,371,517
Tax receivable		12,662,344	0
Prepayments	14	475,411	497,860
Receivables		291,504,358	253,489,288
Cash		0	3,636
Current assets		291,935,864	253,857,287
Assets		332,575,702	295,475,755

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		500,000	500,000
Reserve for development expenditure		95,249	441,022
Retained earnings		121,054,695	88,169,281
Equity		121,649,944	89,110,303
Deferred tax	15	27,872,808	17,030,365
Other provisions	16	7,836,779	4,016,046
Provisions		35,709,587	21,046,411
Contract work in progress	12	44,816,366	32,700,014
Trade payables		89,211,887	129,875,668
Payables to group enterprises		25,345,509	8,379,945
Tax payable		0	2,080,059
Other payables		15,842,409	12,283,355
Current liabilities other than provisions		175,216,171	185,319,041
Liabilities other than provisions		175,216,171	185,319,041
Equity and liabilities		332,575,702	295,475,755
Events after the balance sheet date	1		
Contingent liabilities	17		
Assets charged and collateral	18		
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Non-arm's length related party transactions	20		
Group relations	21		

Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500,000	441,022	88,169,281	89,110,303
Transfer to reserves	0	(345,773)	0	(345,773)
Dissolution of reserves	0	0	345,773	345,773
Profit/loss for the year	0	0	32,539,641	32,539,641
Equity end of year	500,000	95,249	121,054,695	121,649,944

Notes

1 Events after the balance sheet date

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

2 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	70,417,837	59,723,826
Pension costs	3,702,449	2,144,697
Other social security costs	331,913	285,809
Other staff costs	1,960,592	1,875,836
	76,412,791	64,030,168
Average number of full-time employees	96	84

The Board of Directors has not received remuneration.

In pursuance of section 98B (3) of the Danish Financial Statement Act, remuneration to the Executive board has not been disclosed.

3 Depreciation, amortisation and impairment losses

	2023	2022
	DKK	DKK
Amortisation of intangible assets	492,270	865,638
Depreciation of property, plant and equipment	855,842	1,085,245
	1,348,112	1,950,883

4 Other financial income

	2023	2022
	DKK	DKK
Financial income from group enterprises	3,077,734	216,384
Other financial income	2,827,509	1,940,889
	5,905,243	2,157,273

5 Other financial expenses

	2023	2022
	DKK	DKK
Financial expenses from group enterprises	0	417,131
Other financial expenses	228,112	1,556,772
	228,112	1,973,903

6 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Current tax	(1,660,532)	8,292,593
Change in deferred tax	10,842,443	(234,167)
Adjustment concerning previous years	46,688	0
	9,228,599	8,058,426

7 Proposed distribution of profit and loss

	2023 DKK	2022 DKK
Retained earnings	32,539,641	27,473,846
	32,539,641	27,473,846

8 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK
Cost beginning of year	4,968,633	1,357,183
Additions	0	268,596
Cost end of year	4,968,633	1,625,779
Amortisation and impairment losses beginning of year	(4,403,407)	(1,345,518)
Amortisation for the year	(443,298)	(48,972)
Amortisation and impairment losses end of year	(4,846,705)	(1,394,490)
Carrying amount end of year	121,928	231,289

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 are currently used in contract work projects for customers. The management has not identified indications of impairment of the recognised projects.

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	3,383,426	2,369,378
Transfers	2,470,264	(2,470,264)
Additions	0	100,886
Cost end of year	5,853,690	0
Depreciation and impairment losses beginning of year	(2,564,590)	0
Depreciation for the year	(855,842)	0
Depreciation and impairment losses end of year	(3,420,432)	0
Carrying amount end of year	2,433,258	0

11 Financial assets

	Other receivables DKK
Cost beginning of year	37,853,363
Cost end of year	37,853,363
Carrying amount end of year	37,853,363

12 Contract work in progress

	2023 DKK	2022 DKK
Contract work in progress	626,473,946	532,593,082
Progress billings regarding contract work in progress	(592,910,920)	(463,377,388)
	33,563,026	69,215,694

13 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 receivables and debt, respectively. At 31 December 2023, the item receivables from group enterprises includes an amount of 106,646k, which is placed in the cash pool arrangement.

14 Prepayments

Prepayments consists of prepaid insurance premiums and other prepayments.

15 Deferred tax

	2023	2022
	DKK	DKK
Changes during the year		
Beginning of year	17,030,365	17,264,532
Recognised in the income statement	10,842,443	(234,167)
End of year	27,872,808	17,030,365

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

16 Other provisions

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

17 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 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.

18 Assets charged and collateral

The company has provided a performance bond as security to the customers, which amounts to DKK 22,308k.

The company charge comprises goodwill, interlectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventoreis and trade receivables. The total carrying amount of the comprised assets is DKK 176,123k.

19 Related parties with controlling interest

MTS Systems Corporation, 14000 Technology Drive Eden Prairie, Minnesota USA owns all shares in the Entity, thus exercising control.

20 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.

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Illinois Tool Works Inc., 155 Harlem Ave, Glenview, IL 60025, USA.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Illinois Tool Works Inc., 155 Harlem Ave, Glenview, IL 60025, USA.

Copies of the consolidated financial statements of Illinois Tool Works Inc may be ordered at the following address:

155 Harlem Ave, Glenview, IL 60025, USA.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Non-comparability

There is non-comparability between this year's figures and the comparative figures, as items from the previous year are based on a period of 15 months whereas the current year's items are based on a period of 12 months.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the

beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

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.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises other operating income and external expenses.

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, including profit from salary refunds.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal 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.

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.

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:

	Useful life
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.

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.

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 cash in hand and bank deposits.

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 comprises restricted share units.

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.

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.

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 is contained in the cash flow statement for the ultimate parent company Illinois Tool Works Inc., Illinois, USA.