

## **R&D Test Systems A/S**

Sigma 3  
8382 Hinnerup  
CVR No. 37844179

### **Annual report 2022**

The Annual General Meeting adopted the  
annual report on 14.06.2023

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**Emil Wolff**

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: 01.01.2022 - 31.12.2022

## Board of Directors

Guilherme Silva, Chairman

Peter Kattai Ulrikkeholm

Monique Martins

Emil Wolff

## Executive Board

Peter Kattai Ulrikkeholm, CEO

## 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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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, 14.06.2023

## Executive Board

**Peter Kattai Ulrikkeholm**  
CEO

## Board of Directors

**Guilherme Silva**  
Chairman

**Peter Kattai Ulrikkeholm**

**Monique Martins**

**Emil Wolff**

# 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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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, 14.06.2023

**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

	2022	2020/21	2019/20	2018/19	2017/18
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	350,771	431,013	403,142	145,462	147,395
Gross profit/loss	101,330	115,351	147,422	62,522	54,031
Operating profit/loss	35,349	26,432	78,689	22,050	19,368
Net financials	183	(429)	(515)	185	381
Profit/loss for the year	27,474	20,263	60,964	17,338	15,393
Total assets	295,476	194,858	228,873	126,683	90,473
Investments in property, plant and equipment	2,369	153	2,445	0	919
Equity	89,110	61,636	81,374	45,010	27,672
<b>Ratios</b>					
Gross margin (%)	28.89	26.76	36.57	42.98	36.66
EBIT margin (%)	10.08	6.13	19.52	15.16	13.14
Net margin (%)	7.83	4.70	15.12	11.92	10.44
Return on equity (%)	36.45	28.34	96.47	47.71	50.40
Equity ratio (%)	30.16	31.63	35.55	35.53	30.59

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

### Gross margin (%):

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

Revenue

### EBIT margin (%):

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

Revenue

### Net margin (%):

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

Revenue

### Return on equity (%):

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

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 01.01.22 - 31.12.22 shows a profit of DKK 27,473,846 against DKK 20,262,611 for the period 04.10.20 - 31.12.21. The balance sheet shows equity of DKK 89,110,303.

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 01.01.22 - 31.12.22 were a net profit between DKK 20,000,000 and 30,000,000. The profit for 2022 is in line with the outlook communicated in the annual report 2021.

### 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 DKK 30,000,000 and 40,000,000.

### 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 01.01.2022 - 31.12.22 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-social-responsibility/csr/>.

**Statutory report on the underrepresented gender**

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

**Statutory report on data ethics policy**

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

**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.

# Income statement for 2022

	Notes	2022 DKK	2020/21 DKK
Revenue	2	350,771,385	431,012,592
Other operating income		5,666,737	6,643,630
Cost of sales		(226,966,189)	(294,018,776)
Other external expenses	3	(28,141,980)	(28,286,937)
<b>Gross profit/loss</b>		<b>101,329,953</b>	<b>115,350,509</b>
Staff costs	4	(64,030,168)	(86,259,652)
Depreciation, amortisation and impairment losses	5	(1,950,883)	(2,658,591)
<b>Operating profit/loss</b>		<b>35,348,902</b>	<b>26,432,266</b>
Other financial income	6	2,157,273	728,580
Other financial expenses	7	(1,973,903)	(1,157,655)
<b>Profit/loss before tax</b>		<b>35,532,272</b>	<b>26,003,191</b>
Tax on profit/loss for the year	8	(8,058,426)	(5,740,580)
<b>Profit/loss for the year</b>	9	<b>27,473,846</b>	<b>20,262,611</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK	2020/21 DKK
Completed development projects	11	565,226	1,376,716
Acquired intangible assets		11,665	65,813
<b>Intangible assets</b>	10	<b>576,891</b>	<b>1,442,529</b>
Other fixtures and fittings, tools and equipment		818,836	1,904,081
Property, plant and equipment in progress		2,369,378	0
<b>Property, plant and equipment</b>	12	<b>3,188,214</b>	<b>1,904,081</b>
Other receivables		37,853,363	37,737,259
<b>Financial assets</b>	13	<b>37,853,363</b>	<b>37,737,259</b>
<b>Fixed assets</b>		<b>41,618,468</b>	<b>41,083,869</b>
Raw materials and consumables		364,363	0
<b>Inventories</b>		<b>364,363</b>	<b>0</b>
Trade receivables		132,402,795	73,613,406
Contract work in progress	14	69,215,694	49,487,304
Receivables from group enterprises	15	47,001,422	0
Other receivables		4,371,517	6,711,423
Tax receivable		0	52,682
Prepayments	16	497,860	332,335
<b>Receivables</b>		<b>253,489,288</b>	<b>130,197,150</b>
<b>Cash</b>		<b>3,636</b>	<b>23,577,333</b>
<b>Current assets</b>		<b>253,857,287</b>	<b>153,774,483</b>
<b>Assets</b>		<b>295,475,755</b>	<b>194,858,352</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK</b>	<b>2020/21 DKK</b>
Contributed capital		500,000	500,000
Reserve for development expenditure		441,022	1,073,984
Retained earnings		88,169,281	60,062,473
<b>Equity</b>		<b>89,110,303</b>	<b>61,636,457</b>
Deferred tax	17	17,030,365	17,264,532
Other provisions	18	4,016,046	7,890,885
<b>Provisions</b>		<b>21,046,411</b>	<b>25,155,417</b>
Other payables		0	5,022,200
<b>Non-current liabilities other than provisions</b>		<b>0</b>	<b>5,022,200</b>
Payables to other credit institutions		0	99,677
Contract work in progress	14	32,700,014	29,832,408
Trade payables		129,875,668	37,892,320
Payables to group enterprises		8,379,945	16,192,615
Tax payable		2,080,059	11,384,186
Other payables		12,283,355	7,643,072
<b>Current liabilities other than provisions</b>		<b>185,319,041</b>	<b>103,044,278</b>
<b>Liabilities other than provisions</b>		<b>185,319,041</b>	<b>108,066,478</b>
<b>Equity and liabilities</b>		<b>295,475,755</b>	<b>194,858,352</b>
Events after the balance sheet date	1		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Non-arm's length related party transactions	22		
Group relations	23		

# Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500,000	1,073,984	60,062,473	61,636,457
Transfer to reserves	0	(632,962)	0	(632,962)
Dissolution of reserves	0	0	632,962	632,962
Profit/loss for the year	0	0	27,473,846	27,473,846
<b>Equity end of year</b>	<b>500,000</b>	<b>441,022</b>	<b>88,169,281</b>	<b>89,110,303</b>

# 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 Revenue

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Europe	313,652,731	349,067,903
Asia	25,844,219	76,170,045
America	11,274,435	5,774,644
<b>Total revenue by geographical market</b>	<b>350,771,385</b>	<b>431,012,592</b>

R&D Test Systems A/S has only activities within the segment of developing test systems for the wind industry. That is the reason for showing the net turnover on geographical split and not also on activities.

## 3 Fees to the auditor appointed by the Annual General Meeting

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Statutory audit services	159,000	155,000
Other services	25,000	20,000
	<b>184,000</b>	<b>175,000</b>

## 4 Staff costs

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	59,723,826	82,268,124
Pension costs	2,144,697	336,941
Other social security costs	285,809	364,290
Other staff costs	1,875,836	3,290,297
	<b>64,030,168</b>	<b>86,259,652</b>

Average number of full-time employees	<b>93</b>	<b>98</b>
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There is no management remuneration, as the management is employed by MTS Systems Danmark ApS.



**5 Depreciation, amortisation and impairment losses**

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	865,638	1,652,203
Depreciation of property, plant and equipment	1,085,245	1,006,388
	<b>1,950,883</b>	<b>2,658,591</b>

**6 Other financial income**

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	216,384	0
Other financial income	1,940,889	728,580
	<b>2,157,273</b>	<b>728,580</b>

**7 Other financial expenses**

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	417,131	9,216
Other financial expenses	1,556,772	1,148,439
	<b>1,973,903</b>	<b>1,157,655</b>

**8 Tax on profit/loss for the year**

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	8,292,593	11,384,186
Change in deferred tax	(234,167)	(5,643,606)
	<b>8,058,426</b>	<b>5,740,580</b>

**9 Proposed distribution of profit and loss**

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Retained earnings	27,473,846	20,262,611
	<b>27,473,846</b>	<b>20,262,611</b>

## 10 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK
Cost beginning of year	4,968,633	1,357,183
<b>Cost end of year</b>	<b>4,968,633</b>	<b>1,357,183</b>
Amortisation and impairment losses beginning of year	(3,591,917)	(1,291,370)
Amortisation for the year	(811,490)	(54,148)
<b>Amortisation and impairment losses end of year</b>	<b>(4,403,407)</b>	<b>(1,345,518)</b>
<b>Carrying amount end of year</b>	<b>565,226</b>	<b>11,665</b>

## 11 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.

## 12 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	3,605,737	0
Additions	0	2,369,378
Disposals	(222,311)	0
<b>Cost end of year</b>	<b>3,383,426</b>	<b>2,369,378</b>
Depreciation and impairment losses beginning of year	(1,701,656)	0
Depreciation for the year	(1,085,245)	0
Reversal regarding disposals	222,311	0
<b>Depreciation and impairment losses end of year</b>	<b>(2,564,590)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>818,836</b>	<b>2,369,378</b>

## 13 Financial assets

	Other receivables DKK
Cost beginning of year	37,737,259
Transfers	116,104
<b>Cost end of year</b>	<b>37,853,363</b>
<b>Carrying amount end of year</b>	<b>37,853,363</b>

## 14 Contract work in progress

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Contract work in progress	532,593,082	433,475,702
Progress billings regarding contract work in progress	(463,377,388)	(383,988,398)
	<b>69,215,694</b>	<b>49,487,304</b>

## 15 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 2022, the item receivables from group enterprises includes an amount of DKK 46.229k, which is placed in the cash pool arrangement.

## 16 Prepayments

Prepayments consist of prepaid expenses, including insurance

## 17 Deferred tax

	<b>2022</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
<b>Changes during the year</b>		
Beginning of year	17,264,532	22,908,138
Recognised in the income statement	(234,167)	(5,643,606)
<b>End of year</b>	<b>17,030,365</b>	<b>17,264,532</b>

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

## 18 Other provisions

Other provisions consists of guarantee provisions from contract work in progress and restricted share units.

## 19 Contingent liabilities

The company has provided a performance bond as security to the customers, which amounts to DKK 18.256k.

### *Other 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.

## 20 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 0k. 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 172.092k.

**21 Related parties with controlling interest**

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

**22 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.

**23 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.

## 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.

## 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:

	<b>Useful life</b>
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 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 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.