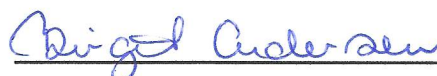


## MTS Systems Danmark ApS

Tuborg Boulevard 1  
2900 Hellerup  
CVR No. 40950540

### Annual report 04.10.2020 - 31.12.2021

The Annual General Meeting adopted the  
annual report on 31.05.2022



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**Birgit Andersen**

Chairman of the General Meeting

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# Entity details

## Entity

MTS Systems Danmark ApS  
Tuborg Boulevard 1  
2900 Hellerup

Business Registration No.: 40950540  
Registered office: Gentofte  
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 MTS Systems Danmark ApS 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.

Copenhagen, 31.05.2022

### Executive Board



Peter Kattai Ulrikkeholm

### Board of Directors



Birgit Andersen



Peter Kattai Ulrikkeholm



Guilherme Silva



Monique Martins

Emil Wolff





# Independent auditor's report

## To the shareholder of MTS Systems Danmark ApS

### Opinion

We have audited the financial statements of MTS Systems Danmark ApS 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.

Aarhus, 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	2019/20
	DKK'000	DKK'000
<b>Key figures</b>		
Gross profit/loss	5,264	(7,948)
Operating profit/loss	(1,812)	(60,313)
Net financials	(22,829)	(10,639)
Profit/loss for the year	(33,642)	(59,069)
Total assets	528,761	527,579
Equity	188,049	41,563
<b>Ratios</b>		
Equity ratio (%)	35.56	7.88

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

### Equity ratio (%):

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

Total assets



### Primary activities

The parent company's activities comprise holding equity investments in other Danish enterprises, providing taxable services to its subsidiaries and other activities, in the opinion of the executive board, are related to this.

The group's activities comprise consultancy and development of machines and plants.

### Development in activities and finances

The income statement for the period 04.10.20 - 31.12.21 shows a loss of DKK 33.642K against DKK 59.069k for the period 22.11.19 - 03.10.20. The management considers the net profit to be as expected.

The company has received DKK 180.060k in group contribution this financial year.

### Profit/loss for the year in relation to expected developments

The earnings expectation for the financial year 04.10.20 - 31.12.21 were a profit before tax in the region of DKK 15.000k - 20.000k. The objective was not met primarily due to financial costs related to the Company's debt.

### 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 on the same level as the year ended 2021.

### Use of financial instruments

The company and its subsidiaries have 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's subsidiaries 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 04.10.20 - 31.12.21 and the exchange rate risks are considered low given the company and its subsidiaries primarily sell and buy in DKK and EUR. The interest rate risk is low given the company has entered into fixed interest rate loan contracts.

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

MTS Systems and its subsidiaries 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 introduced project manager training as well as Techlead training to ensure the continued professional development of the staff.

### Environmental performance

The company and its subsidiaries have 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.

#### **Events after the balance sheet date**

The Covid-19 pandemic is still having an impact on the company's subsidiaries within the group, but the production in general is running with normal activities.

The war in Ukraine will have an impact on the company's subsidiaries in 2022. The group 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 subsidiaries.

# Income statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
<b>Gross profit/loss</b>		<b>5,263,929</b>	<b>(7,948,425)</b>
Staff costs	2	(5,913,236)	(772,721)
Other operating expenses		(1,162,765)	(51,592,335)
<b>Operating profit/loss</b>		<b>(1,812,072)</b>	<b>(60,313,481)</b>
Income from investments in group enterprises		(13,377,174)	9,387,472
Other financial income	3	365,593	103,266
Other financial expenses	4	(23,194,574)	(10,742,523)
<b>Profit/loss before tax</b>		<b>(38,018,227)</b>	<b>(61,565,266)</b>
Tax on profit/loss for the year	5	4,375,970	2,496,242
<b>Profit/loss for the year</b>	6	<b>(33,642,257)</b>	<b>(59,069,024)</b>

# Balance sheet at 31.12.2021

## Assets

	Notes	2020/21 DKK	2019/20 DKK
Investments in group enterprises		453,531,979	506,841,189
Deposits		2,134,903	2,168,311
<b>Financial assets</b>	<b>7</b>	<b>455,666,882</b>	<b>509,009,500</b>
<b>Fixed assets</b>		<b>455,666,882</b>	<b>509,009,500</b>
Trade receivables		0	164,910
Receivables from group enterprises		21,915,955	10,775,316
Deferred tax	8	0	1,865,257
Other receivables		40,364,574	224,574
Tax receivable		6,241,227	0
Prepayments	9	155,718	320,998
<b>Receivables</b>		<b>68,677,474</b>	<b>13,351,055</b>
<b>Cash</b>		<b>4,416,334</b>	<b>5,218,090</b>
<b>Current assets</b>		<b>73,093,808</b>	<b>18,569,145</b>
<b>Assets</b>		<b>528,760,690</b>	<b>527,578,645</b>



**Equity and liabilities**

	<b>Notes</b>	<b>2020/21 DKK</b>	<b>2019/20 DKK</b>
Contributed capital		2,041,774	2,041,774
Reserve for net revaluation according to the equity method		0	9,350,496
Retained earnings		186,007,112	30,170,909
<b>Equity</b>		<b>188,048,886</b>	<b>41,563,179</b>
Other payables	10	91,381	91,381
<b>Non-current liabilities other than provisions</b>	<b>11</b>	<b>91,381</b>	<b>91,381</b>
Payables to other credit institutions		0	3,412
Trade payables		213,377	156,076
Payables to group enterprises		337,647,599	315,780,191
Other payables		2,759,447	169,984,406
<b>Current liabilities other than provisions</b>		<b>340,620,423</b>	<b>485,924,085</b>
<b>Liabilities other than provisions</b>		<b>340,711,804</b>	<b>486,015,466</b>
<b>Equity and liabilities</b>		<b>528,760,690</b>	<b>527,578,645</b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Related parties with controlling interest	15		
Non-arm's length related party transactions	16		
Group relations	17		

# Statement of changes in equity for 2020/21

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2,041,774	9,350,496	30,170,909	41,563,179
Exchange rate adjustments	0	67,964	0	67,964
Group contributions etc	0	0	180,060,000	180,060,000
Profit/loss for the year	0	(9,418,460)	(24,223,797)	(33,642,257)
<b>Equity end of year</b>	<b>2,041,774</b>	<b>0</b>	<b>186,007,112</b>	<b>188,048,886</b>

# Notes

## 1 Events after the balance sheet date

The Covid-19 pandemic is still having an impact on the company's subsidiaries within the group, but the production in general is running with normal activities.

The war in Ukraine will have an impact on the company's subsidiaries in 2022. The group 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 subsidiaries.

## 2 Staff costs

	2020/21	2019/20
	DKK	DKK
Wages and salaries	5,651,708	769,293
Pension costs	171,475	0
Other social security costs	8,331	568
Other staff costs	81,722	2,860
	<b>5,913,236</b>	<b>772,721</b>
Average number of full-time employees	4	1

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 is not divided.

## 3 Other financial income

	2020/21	2019/20
	DKK	DKK
Financial income from group enterprises	365,593	103,266
	<b>365,593</b>	<b>103,266</b>

## 4 Other financial expenses

	2020/21	2019/20
	DKK	DKK
Financial expenses from group enterprises	12,226,470	7,050,494
Other interest expenses	10,968,104	3,692,029
	<b>23,194,574</b>	<b>10,742,523</b>

### 5 Tax on profit/loss for the year

	2020/21 DKK	2019/20 DKK
Current tax	(6,241,227)	(630,985)
Change in deferred tax	1,865,257	(1,865,257)
	<b>(4,375,970)</b>	<b>(2,496,242)</b>

### 6 Proposed distribution of profit and loss

	2020/21 DKK	2019/20 DKK
Retained earnings	(33,642,257)	(59,069,024)
	<b>(33,642,257)</b>	<b>(59,069,024)</b>

### 7 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	497,490,693	2,168,311
Disposals	0	(33,408)
<b>Cost end of year</b>	<b>497,490,693</b>	<b>2,134,903</b>
Revaluations beginning of year	9,350,496	0
Exchange rate adjustments	67,964	0
Share of profit/loss for the year	28,066,353	0
Dividend	(40,000,000)	0
Revaluations for the year	(41,443,527)	0
<b>Revaluations end of year</b>	<b>(43,958,714)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>453,531,979</b>	<b>2,134,903</b>

The item comprises goodwill and other intangible assets as at 31.12.21 of DKK 385.747k.

Goodwill and other intangible assets on initial recognition of equity investments measured at equity value DKK 452.230k.

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
R&D Tools & Structures A/S	Aarhus	A/S	100.00
R&D Engineering A/S	Aarhus	A/S	100.00
R&D Test Systems A/S	Aarhus	A/S	100.00
R&D Steel ApS	Aarhus	ApS	100.00
R&D Prague s.r.o	Prague	s.r.o	100.00

## 8 Deferred tax

	2020/21	2019/20
	DKK	DKK
<b>Changes during the year</b>		
Beginning of year	1,865,257	0
Recognised in the income statement	(1,865,257)	1,865,257
<b>End of year</b>	<b>0</b>	<b>1,865,257</b>

Deferred tax relates to intangible assets.

## 9 Prepayments

Prepayments consists of prepaid insurance premiums and other prepayments.

## 10 Other payables

	2020/21	2019/20
	DKK	DKK
Holiday pay obligation	91,381	91,381
	<b>91,381</b>	<b>91,381</b>

## 11 Non-current liabilities other than provisions

	Due after more than 12 months 2020/21	Outstanding after 5 years 2020/21
	DKK	DKK
Other payables	91,381	91,381
	<b>91,381</b>	<b>91,381</b>

## 12 Unrecognised rental and lease commitments

Commitments under rental or lease agreements until maturity total DKK 11.225k for the financial year 2020/21.

## 13 Contingent liabilities

### Guarantee commitments

The company has provided a payment guarantee of DKK 3.900k to a contractor in a group enterprise in connection.

The company has provided a guarantee of DKK 520k to customers.

### Other contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 these entities.

## 14 Assets charged and collateral

There are no collateral provided or assets charged at the balance sheet date.

### **15 Related parties with controlling interest**

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

### **16 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.

### **17 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.

## Recognition and measurement

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

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

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

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

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

## Income statement

### Gross profit or loss

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

### Other operating income

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

### 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.

**Other operating expenses**

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

**Income from investments in group enterprises**

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

**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****Investments in group enterprises**

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile. For other amounts of goodwill, useful life has been determined based on an assessment of whether the amount of goodwill includes intangible resources of a



temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 1-20 years.

Investments in group enterprises 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.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**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.

**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.