MTS Systems Danmark ApS

Sigma 3
8382 Hinnerup
CVR No. 40950540

Annual report 2024

The Annual General Meeting adopted the annual report on 20.06.2025

Michael Buus Nielsen
Chairman of the General Meeting

Contents

Entity details

Entity

MTS Systems Danmark ApS
Sigma 3
8382 Hinnerup

Business Registration No.: 40950540
Registered office: Favrskov
Financial year: 01.01.2024 - 31.12.2024

Board of Directors

Monique Martins
Robert Kirk Dutzi
Kasper Holm Hansen

Executive Board

Michael Buus Nielsen

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 01.01.2024 - 31.12.2024.

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 31.12.2024 and of the results of its operations for the financial year 01.01.2024 - 31.12.2024.

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, 20.06.2025

Executive Board

Michael Buus Nielsen

Board of Directors

Monique Martins

Robert Kirk Dutzi

Kasper Holm Hansen

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 01.01.2024 - 31.12.2024, 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 31.12.2024 and of the results of its operations for the financial year 01.01.2024 - 31.12.2024 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.

- Plan and perform the audit of the financial statements to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed. We remain solely responsible for our audit opinion.

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, 20.06.2025

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mikael Møller
State Authorised Public Accountant
Identification No (MNE) mne47835

Management commentary

Financial highlights

	2024 DKK'000	2023 DKK'000	2022 DKK'000	2020/21 DKK'000	2019/20 DKK'000
Key figures					
Gross profit/loss	327	2,257	3,056	5,262	(7,949)
Operating profit/loss	(2,765)	(1,336)	0	(1,812)	(60,313)
Net financials	(12,166)	(12,322)	(9,179)	(22,829)	(10,639)
Profit/loss for the year	(155,700)	(1,606)	2,059	(33,642)	(59,069)
Total assets	310,521	479,088	509,078	528,761	527,579
Equity	32,909	188,543	190,129	188,049	41,563
Ratios					
Return on equity (%)	(140.62)	(0.85)	1.09	(29.30)	68.22
Equity ratio (%)	10.60	39.35	37.35	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.

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
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 financial year of 2024 shows a loss of DKK (155,700)K against a loss of (1,606)K for the financial year of 2023. The balance sheet shows equity of DKK 32,909K.

Management finds the result unsatisfying.

Profit/loss for the year in relation to expected developments

The earnings expectation for the financial year 01.01.24 - 31.12.24 were a profit between DKK 2,000K - 30,000K. The profit for the year has not reached the outlook communicated in the annual report 2023 as the result did not expect impairment losses on goodwill.

During the financial year, MTS Systems Danmark ApS has been significantly, negatively impacted by an extraordinary impairment of DKK 105.7 million. We refer to note 2 for further information about this.

Uncertainty relating to recognition and measurement

The company's investments in group enterprises are recognised based on the equity method, which includes goodwill. There is uncertainty associated with the valuation of goodwill as of the balance sheet date. Management has conducted an impairment test based on management-approved budgets and assumptions. The impairment test relies on a value in use calculation. Therefore, there is uncertainty regarding the valuation of goodwill as of 31 December 2024. Please refer to note 2 for further information.

Outlook

The company expects a profit between DKK 2,000K and 3,000K in the financial year 01.01.2025 – 31.12.2025.

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 01.01.24 - 31.12.24 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.

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 2024

	Notes	2024 DKK	2023 DKK
Gross profit/loss		**327,076**	**2,256,698**
Staff costs	3	(3,092,380)	(3,592,558)
Operating profit/loss		**(2,765,304)**	**(1,335,860)**
Income from investments in group enterprises		(143,974,740)	10,740,703
Other financial income	4	9,855	1,097
Other financial expenses	5	(12,175,804)	(12,323,283)
Profit/loss before tax		**(158,905,993)**	**(2,917,343)**
Tax on profit/loss for the year	6	3,206,318	1,311,539
Profit/loss for the year	7	**(155,699,675)**	**(1,605,804)**

Balance sheet at 31.12.2024

Assets

	Notes	2024 DKK	2023 DKK
Investments in group enterprises		304,452,280	472,660,970
Deposits		1,899,414	2,249,718
Financial assets	8	**306,351,694**	**474,910,688**
Fixed assets		**306,351,694**	**474,910,688**
Trade receivables		13,319	0
Receivables from group enterprises		2,168	1,036,814
Other receivables		665,981	0
Tax receivable		3,284,221	3,002,950
Prepayments	9	203,604	137,890
Receivables		**4,169,293**	**4,177,654**
Current assets		**4,169,293**	**4,177,654**
Assets		**310,520,987**	**479,088,342**

Equity and liabilities

	Notes	2024 DKK	2023 DKK
Contributed capital		2,041,774	2,041,774
Retained earnings		13,867,462	186,501,087
Proposed dividend		17,000,000	0
Equity		**32,909,236**	**188,542,861**
Trade payables		609,068	89,565
Payables to group enterprises	10	276,885,207	287,210,762
Tax payable		0	2,045,024
Other payables		117,476	1,200,130
Current liabilities other than provisions		**277,611,751**	**290,545,481**
Liabilities other than provisions		**277,611,751**	**290,545,481**
Equity and liabilities		**310,520,987**	**479,088,342**

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Statement of changes in equity for 2024

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	2,041,774	186,501,087	0	188,542,861
Exchange rate adjustments	0	66,050	0	66,050
Profit/loss for the year	0	(172,699,675)	17,000,000	(155,699,675)
Equity end of year	**2,041,774**	**13,867,462**	**17,000,000**	**32,909,236**

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 Uncertainty relating to recognition and measurement

The company recognises goodwill as part of the investments in enterprises. Due to the performance of these investments, there is uncertainty related to the recognition and measurement of goodwill as of the balance sheet date. There is evidence that the carrying amount of the goodwill exceeds its recoverable amount. As a result, an impairment test has been conducted, leading to goodwill being impaired in 2024 by DKK 105.7 million.

In relation to this, there are material assumptions and judgements concerning the valuation of goodwill. These include the Weighted Average Cost of Capital (WACC), budgeted revenue, and budgeted contribution margin, including growth rates.

The key assumptions for the impairment are as follows:

- The expected cash flows are discounted at a WACC of 10%.
- The expected growth in revenue during the terminal period is a growth rate of 2%.
- The expected EBITDA margin in the terminal period is 13.8%.

There is uncertainty associated with the estimation of the fair value of capital shares, and thus the effect of impairment may have a significant impact on subsequent periods. If the used WACC rate changes by 1%, the calculated enterprise value either increases or decreases by DKK 46,500k and 36,200k respectively. Lowering the expected revenue and contribution margin by 2% decreases the enterprise value by DKK 49,700k and 71,500k respectively. The used parameters result in a calculated enterprise value of equity interests of DKK 301,900k.

3 Staff costs

	2024 **DKK**	**2023** **DKK**
Wages and salaries	2,909,683	3,444,552
Pension costs	176,019	132,951
Other social security costs	6,678	15,055
	3,092,380	**3,592,558**
Average number of full-time employees	**2**	**2**

	Remuneration of Management 2024 DKK
Total amount for management categories	2,426,174
	2,426,174

4 Other financial income

	2024 DKK	2023 DKK
Exchange rate adjustments	9,855	1,097
	9,855	**1,097**

5 Other financial expenses

	2024 DKK	2023 DKK
Financial expenses from group enterprises	12,173,490	11,846,250
Other interest expenses	2,314	477,033
	12,175,804	**12,323,283**

6 Tax on profit/loss for the year

	2024 DKK	2023 DKK
Current tax	(3,284,221)	(3,002,950)
Adjustment concerning previous years	77,903	1,691,411
	(3,206,318)	**(1,311,539)**

7 Proposed distribution of profit and loss

	2024 DKK	2023 DKK
Ordinary dividend for the financial year	17,000,000	0
Retained earnings	(172,699,675)	(1,605,804)
	(155,699,675)	**(1,605,804)**

8 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	497,490,693	2,249,718
Additions	5,700,000	77,223
Disposals	0	(427,527)
Cost end of year	**503,190,693**	**1,899,414**
Revaluations beginning of year	(24,829,723)	0
Exchange rate adjustments	66,050	0
Share of profit/loss for the year	(12,180,609)	0
Dividend	(30,000,000)	0
Revaluations for the year	(26,066,182)	0
Impairment losses for the year	(105,727,949)	0
Revaluations end of year	**(198,738,413)**	**0**
Carrying amount end of year	**304,452,280**	**1,899,414**

In Investments in group enterprises include values related to goodwill and other intangible assets. Of this, goodwill constitutes DKK 201,753k as of 31 December 2024.

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

9 Prepayments

Prepayments consists of prepaid insurance premiums and other prepayments.

10 Payables to 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 2024, the item payable to group enterprises includes an amount of 276,372K, which is drawn on the cash pool arrangement.

11 Unrecognised rental and lease commitments

	2024 DKK	2023 DKK
Liabilities under rental or lease agreements until maturity in total	**3,872,230**	**7,232,359**

12 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.

13 Assets charged and collateral

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

14 Related parties with controlling interest

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

15 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.

16 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(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Material uncertainty related to recognition and measurement
Preparing the financial statements requires management to apply accounting estimates and judgements that affect the recognition and measurement of the entity's assets, liabilities, income and expenses.

By nature, the estimates and judgements are associated with uncertainty which can have an effect on the amounts recognised in the financial statements. The most significant accounting estimates and judgements are related to investments in group enterprises, especially goodwill.

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.

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.

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.

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 at 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.

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.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

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.