ITW Construction Products ApS

Gl Banegårdsvej 25
5500 Middelfart
CVR No. 14395016

Annual report 2024

The Annual General Meeting adopted the annual report on 09.05.2025

Amel Tursunovic
Chairman of the General Meeting

Contents

Entity details 2

Statement by Management 3

Independent auditor's report 4

Management commentary 7

Income statement for 2024 12

Balance sheet at 31.12.2024 13

Statement of changes in equity for 2024 15

Notes 16

Accounting policies 21

Entity details

Entity

ITW Construction Products ApS
Gl Banegårdsvej 25
5500 Middelfart

Business Registration No.: 14395016
Date of foundation: 08.08.1963
Registered office: Middelfart
Financial year: 01.01.2024 - 31.12.2024
URL: http://www.itwbyg.dk

Board of Directors

Amel Tursunovic
Larissa Jane Witt
Manoela Pereira Fry
Ann Fris Madsen
Anders Hansen

Executive Board

Larissa Jane Witt, Chief Executive Officer

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 ITW Construction Products 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.

Middelfart, 09.05.2025

Executive Board

Larissa Jane Witt
Chief Executive Officer

Board of Directors

Amel Tursunovic

Larissa Jane Witt

Manoela Pereira Fry

Ann Fris Madsen

Anders Hansen

Independent auditor's report

To the shareholder of ITW Construction Products ApS

Opinion

We have audited the financial statements of ITW Construction Products 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.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 09.05.2025

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

	2024 DKK'000	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000
Key figures					
Revenue	616,517	713,391	882,882	802,085	723,262
Gross profit/loss	149,637	158,682	169,939	175,506	168,899
Operating profit/loss	46,633	52,379	58,709	54,332	56,471
Net financials	654	482	(309)	(1,234)	761
Profit/loss for the year	37,494	41,156	45,470	41,229	44,604
Total assets	442,901	415,323	416,465	395,130	339,441
Investments in property, plant and equipment	49,388	31,917	24,921	8,716	9,468
Equity	376,746	339,252	298,096	252,626	241,397
Ratios					
Gross margin (%)	24.27	22.24	19.25	21.88	23.35
EBIT margin (%)	7.56	7.34	6.65	6.77	7.81
Net margin (%)	6.08	5.77	5.15	5.14	6.17
Return on equity (%)	10.47	12.91	16.51	16.69	19.68
Equity ratio (%)	85.06	81.68	71.58	63.93	71.12

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

Gross margin (%):
Gross profit/loss * 100
Revenue

EBIT margin (%):
Operating profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

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

Equity ratio (%):

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

Primary activities

As in previous years, the Company has marketed an extensive product range of screws, nails, building connectors, standard bolts as well as gas tools and fasteners including accessories. The product range of which a major part is self-constructed consists of a wide standard range of fixings and fasteners.

Development in activities and finances

The Company's income statement for the financial year 2024 shows a profit of DKK 37.494k. The profit thus shows a decrease compared to 2024. The Company's total revenue shows a decrease of DKK 97m to DKK 617m. Management considers profit for the year satisfactory.

For further information on the Company's financial development over the past 5 years, see above financial highlights.

Particular risks

The Company's activities are not exposed to any special risks other than those which are considered to be common in similar enterprises in the industry.

Profit/loss for the year in relation to expected developments

During 2024 we have closed our production of building connectors in Aulum and will have no sales of these products from 2025 onwards.

The profit for the year shows a limited increase compared to expectations and is considered satisfactory by the Company's Management.

Outlook

For the financial year 2025, a small increase is expected in activity and earnings compared to 2024. The profit for 2025 may be positive effected by the increase in activity and further reduction in overheads.

Management's expectations for the profit in 2025 is approx. DKK 40 – 45m.

Research and development activities

The Company conducts continuous product development to maintain and strengthen its position as one of the leading suppliers of fixings and fasteners, etc. No project expenses were incurred in 2024 which should have been recognized in the balance sheet according to the Company's accounting policies.

Statutory report on corporate social responsibility

This paragraph constitutes ITW's report on corporate social responsibility and report on the gender composition of management in 2024 in accordance with S. 99a of the Danish Financial Statements Act.

ITW's business model is comprised of three elements, 80/20 business processes, customer-focused innovation as well as a decentralized entrepreneurial culture. By applying these elements to our CSR, we can use our 80/20 to focus on areas where we have the greatest impact.

The decentralized entrepreneurial culture allows us to constantly develop the positive impact on people, the environment and the communities which we are part of.

ITW has the widest product range on the market for all types of fastening work in wood, concrete, steel and plaster. With three recognized product brands, ITW stands strong in the competition for deliveries to the Danish

construction market. The three product brands come from own ITW enterprises and are marketed in most of Europe: Paslode, Spit, NKT Fasteners.
Moreover, we market products such as bolts, dowels and anchors, DIY products, chains, chain accessories, tools, etc. All products will be sold through existing retail. ITW's products are all designed and manufactured for the purpose of creating good quality construction. Both consumer products such as nails, screws and tools used in fastening work are built to withstand all kinds of challenges and for many years. In Middelfart we employ approx. 180 employees and are a leading manufacturer of fasteners with nails and screws as main products.

Further information can be found on www.itw-csr.com from the ultimate parent company, Illinois Tool Works Inc., which contains a description of the Group's "Corporate Social Responsibility" and its status.

Safety, health and well-being
We believe that the most significant CSR risks can arise from the working conditions of our employees, at our production facilities and offices, and from the working conditions of our suppliers, including their safety, health and workplace well-being. Failure to handle this risk can harm our people, affect our reputation as a responsible employer as well as incur a number of business costs including a risk of litigation. In general, ITW Construction Products ApS takes great care of our employees, and we have a special focus on health, exercise and seniors in our daily work, and the individual employee's well-being is a high priority. ITW Construction Products ApS aims at complying with applicable laws and regulations governing employee safety and health. The main purpose is to limit sickness absence as much as possible, provide a good workplace where employees thrive and thus can deliver optimal work performance in good environment and ensure a good work life balance. In practice, this means, among other things, that we conduct staff development interviews every year with focus on both work performance and well-being. The number of occupational accident absence has decreased from 2 as of 31.12.2023 to 0 in 2024. The strategic target is 0, so a great success to reach the target. We will continue the hard work in 2025. In 2024 we held a safety week for all employees with Emergence Response Plan as the main subject. A chemical risk assessment has been implemented. By the end of 2024, our assessment is that we have a healthy and safe working environment. We will continue to focus on this in 2025 and the following years.

Ethics
ITW Construction Products ApS is part of the ITW Group. As part of a global group with activities across geographies, there is a risk of the occurrence of bribery and other activities that distort competition. ITW therefore works according to fixed universal guidelines everywhere. We always strive to practice ethical conduct and appear fair and honest when doing business and always within the applicable law. This is set out in ITW's Code of Ethics, which constitutes the group policies,
https://investor.itw.com/governance/documents/default.aspx. The ITW Group bans all forms of corruption, bribery and abuse of power in any form. ITW will not intentionally do business with suppliers who violate their country's employment laws. Each year, the ITW Group organizes a training session for all the Group's employees on morality and ethics. Accordingly, this was also held in 2024, and on this basis both managers and employees of ITW Construction Products ApS have a solid basis for complying with the Group's ethical guidelines, which we will continue to focus on maintaining. In 2025 we will continue to ensure all our employees will complete a wide range of mandatory trainings to ensure all the ethical standards are met.

Environment and sustainability
In connection with our production, there is a risk associated with our raw material and energy consumption as well as our handling of waste and effluents. The raw materials used in the manufacturing process mainly consists of iron and will have an impact on the environment due to the energy consumption related to the manufacturing process. Mining iron requires large amounts of energy, in comparison, recycling iron requires less energy, which is why we prefer raw materials from recycled iron. Our primary raw material is steel wire, and it will not create acute

environmental pollution if lost in nature.

ITW Construction Products ApS works for improved environmental and climate sustainability in the daily production. ITW Construction Products ApS works to manage and continuously reduce the consumption of resources, including water, energy, raw materials and consumables, in our production. We constantly want to optimize the handling of effluents, air pollution and noise to continuously minimize environmental impacts. Our energy consumption is measured as consumption of power and fuel, fuel is mainly natural gas. Since 2022 we have sourced 100% renewable power though Renewable Electricity Certificates. The total energy consumption decreased slightly in 2024, due to implementation of energy saving projects and decreased production volumes. Since 2022 GHG emissions has decreased by 70% mainly due to the sourcing of renewable power. The consumption of natural gas is the 80' source of our current GHG emissions. The goal is still to reduce consumption of electricity, natural gas and water compared to comparable activity levels.

To minimize the use of unnecessary plastic, our NKT fasteners and SPIT products are packed and delivered in cardboard boxes rather than plastic packaging. This is done to avoid contributing to the spread of non-degradable plastic in the environment. Moreover, we only use FSC labeled packaging cardboard. This provides assurance that the materials can be traced back to sustainable forestry. More information can be found on www.itwbyg.dk.

In 2025 we will continue to reduce our GHG emissions. All electricity we are using will be supplied by renewable energy sources, mainly wind. In 2024 we shifted heating in our warehouse from gas to central heating coming renewable sources, which has reduced our gas consumption with app. 30%.

Human rights
ITW Construction Products ApS recognizes the United Nations (UN) Decree on Human Rights and follows the Group's Code of Conduct, which commits us to abide by the laws against slavery, human trafficking and child labor. The Company also follows the Group's Human Rights Policy. Respect for human rights is an integral part of our ethics, as described in the section above. We believe that the most significant human rights risks relate to the right of our employees and subcontractors to a safe workplace and to proper working conditions, as breach of these will negatively affect the individual employee and our business. In 2024, no violations have been identified in this area. In future, we will continuously assess our efforts in this area.

Further information can be found on https://investor.itw.com/governance/documents/default.aspx from the ultimate parent company, Illinois Tool Works Inc., which contains a description of the Group's Code of Conduct and Human Rights Policy.

Statutory report on data ethics policy

The Company have updated all Employee and Data Privacy policies to reflect the GDPR Regulations introduced in 2018. We have analyzed each year as a Division what personal data we are holding on employees, customers, suppliers and other ITW Divisions. We have given training to our employees on what GDPR means to their day-to-day work and also on what action to take if there is a personal data breach. The Company is part of a Division which has a Data Protection Officer and a GDPR Steering Committee which meets quarterly. The Company does not use Data besides the GDPR regulations which means for example no use of AI in the Company. No actual data ethics policy has therefore been drawn up.

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'000	2023 DKK '000
Revenue	2	616,517	713,391
Other operating income		3,352	4,318
Cost of sales		(395,820)	(469,764)
Other external expenses	3	(74,412)	(89,263)
Gross profit/loss		**149,637**	**158,682**
Staff costs	4	(92,115)	(98,603)
Depreciation, amortisation and impairment losses	5	(10,889)	(7,700)
Operating profit/loss		**46,633**	**52,379**
Other financial income	6	2,730	890
Other financial expenses	7	(2,076)	(408)
Profit/loss before tax		**47,287**	**52,861**
Tax on profit/loss for the year	8	(9,793)	(11,705)
Profit/loss for the year	9	**37,494**	**41,156**

Balance sheet at 31.12.2024

Assets

	Notes	2024 DKK'000	2023 DKK'000
Land and buildings		29,253	17,954
Plant and machinery		32,041	15,471
Other fixtures and fittings, tools and equipment		10,256	875
Property, plant and equipment in progress		1,366	45,868
Property, plant and equipment	10	**72,916**	**80,168**
Deposits		8	8
Financial assets	11	**8**	**8**
Fixed assets		**72,924**	**80,176**
Raw materials and consumables		12,145	19,626
Work in progress		14,213	16,131
Manufactured goods and goods for resale		56,528	74,749
Prepayments for goods		16,276	7,153
Inventories		**99,162**	**117,659**
Trade receivables		102,250	123,890
Receivables from group enterprises	12	161,372	88,915
Deferred tax	13	138	1,042
Other receivables		0	1,721
Tax receivable		3,449	1,022
Prepayments	14	3,606	898
Receivables		**270,815**	**217,488**
Current assets		**369,977**	**335,147**
Assets		**442,901**	**415,323**

Equity and liabilities

	Notes	2024 DKK'000	2023 DKK'000
Contributed capital	15	80,000	80,000
Retained earnings		176,746	259,252
Proposed dividend		120,000	0
Equity		**376,746**	**339,252**
Trade payables		18,615	27,923
Payables to group enterprises		5,485	6,732
Other payables		42,055	41,416
Current liabilities other than provisions		**66,155**	**76,071**
Liabilities other than provisions		**66,155**	**76,071**
Equity and liabilities		**442,901**	**415,323**

Events after the balance sheet date	1
Contingent liabilities	16
Assets charged and collateral	17
Related parties with controlling interest	18
Non-arm's length related party transactions	19
Group relations	20

Statement of changes in equity for 2024

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	80,000	259,252	0	339,252
Profit/loss for the year	0	(82,506)	120,000	37,494
Equity end of year	**80,000**	**176,746**	**120,000**	**376,746**

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

	2024 DKK'000	2023 DKK'000
Denmark	269,891	284,903
Europe	346,626	428,488
Total revenue by geographical market	**616,517**	**713,391**
Fastener, Industry- and trade customers	616,517	713,391
Total revenue by activity	**616,517**	**713,391**

3 Fees to the auditor appointed by the Annual General Meeting

	2024 DKK'000	2023 DKK'000
Statutory audit services	601	572
Other services	26	45
	627	**617**

4 Staff costs

	2024 DKK'000	2023 DKK'000
Wages and salaries	80,547	88,262
Pension costs	8,086	7,580
Other social security costs	3,482	2,761
	92,115	**98,603**

Number of employees at balance sheet date	**153**	**173**

Average number of full-time employees	**153**	**173**

	Remuneration of Management 2024 DKK'000	Remuneration of Management 2023 DKK'000
Total amount for management categories	48	44
	48	**44**

5 Depreciation, amortisation and impairment losses

	2024 DKK'000	2023 DKK'000
Depreciation of property, plant and equipment	10,889	7,700
	10,889	**7,700**

6 Other financial income

	2024 DKK'000	2023 DKK'000
Financial income from group enterprises	2,730	771
Other financial income	0	119
	2,730	**890**

7 Other financial expenses

	2024 DKK'000	2023 DKK'000
Other financial expenses	2,076	408
	2,076	**408**

8 Tax on profit/loss for the year

	2024 DKK'000	2023 DKK'000
Current tax	9,533	11,746
Change in deferred tax	904	(41)
Adjustment concerning previous years	(644)	0
	9,793	**11,705**

9 Proposed distribution of profit and loss

	2024 DKK'000	2023 DKK'000
Ordinary dividend for the financial year	120,000	0
Retained earnings	(82,506)	41,156
	37,494	**41,156**

10 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	143,289	234,069	28,705	45,868
Transfers	3,604	(4,889)	(2,134)	0
Additions	14,083	22,316	12,547	442
Disposals	0	(26,669)	(4,278)	(44,944)
Cost end of year	**160,976**	**224,827**	**34,840**	**1,366**
Depreciation and impairment losses beginning of year	(125,335)	(218,598)	(27,830)	0
Transfers	(3,604)	4,889	2,134	0
Depreciation for the year	(2,784)	(4,939)	(3,166)	0
Reversal regarding disposals	0	25,862	4,278	0
Depreciation and impairment losses end of year	**(131,723)**	**(192,786)**	**(24,584)**	**0**
Carrying amount end of year	**29,253**	**32,041**	**10,256**	**1,366**

11 Financial assets

	Deposits DKK'000
Cost beginning of year	8
Cost end of year	**8**
Carrying amount end of year	**8**

12 Receivables from group enterprises

The company participates together with other Danish Group enterprises in a cash pool arrangement in which another company is liable as a sole contracting party towards the bank.
Receivables and payables in relation to the cash pool arrangement are recognised as intercompany receivables and payables, respectively. At 31 December 2024, the item receivables from group enterprises includes an amount of 142,956k.

13 Deferred tax

	2024 DKK'000	2023 DKK'000
Property, plant and equipment	220	1,051
Inventories	(255)	(260)
Receivables	173	251
Deferred tax	**138**	**1,042**

Changes during the year	2024 DKK'000	2023 DKK'000
Beginning of year	1,042	1,001
Recognised in the income statement	(904)	41
End of year	**138**	**1,042**

Deferred tax assets

The deferred tax asset related to temporary differences between carrying amount and tax-based value of fixed assets, receivables and inventories.

14 Prepayments

Prepayments consist of prepaid rent, insurance, and other cost.

15 Share capital

	Number	Nominal value DKK'000
Shares, 1 pcs. of DKK	1,500	1,500
Shares, 1 pcs. of DKK	73,500	73,500
Shares, 1 pcs. of DKK	5,000	5,000
	80,000	**80,000**

16 Contingent liabilities

	2024 DKK'000	2023 DKK'000
Other contingent liabilities	1,540	1,995
Contingent liabilities	**1,540**	**1,995**

The Entity participates in a Danish joint taxation arrangement where ITW Denmark ApS serves as the adminstration 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.

17 Assets charged and collateral

No assets have been pledged for security.

18 Related parties with controlling interest

The following related parties have a controlling interest in ITW Construction Products ApS

ITW Denmark ApS, Silkeborg, Denmark, Principal shareholder.

Illinois Tool Works Inc., Chicago, USA, Ultimate Parent.

19 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

20 Group relations

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

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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 normal inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

Other financial income
Other financial income comprises , 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, 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.

Balance sheet

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	10-40 years
Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-8 years

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.

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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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. 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.

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. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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