

Schneider Electric Danmark A/S

Lautrupvang 1
2750 Ballerup

CVR no. 70 69 87 14

Annual report 2021

The annual report was presented and approved at the
Company's annual general meeting on
Thomas Trager
4 July, 2022
Thomas Trager
CEO

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Schneider Electric Danmark A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

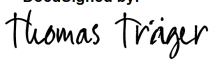
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

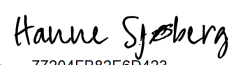
We recommend that the annual report be approved at the annual general meeting.

Ballerup, 4 July 2022

Executive Board:

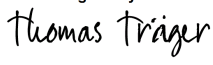
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Board of Directors:

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Hanne Bækager
Sjøberg
Chairman

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Benoit Merriault

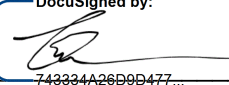
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Jesper Christensen

Independent auditor's report

To the shareholders of Schneider Electric Danmark A/S

Opinion

We have audited the financial statements of Schneider Electric Danmark A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company 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.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed; we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 4 July 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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Mogens Andreasen
State Authorized
Public Accountant
mne28603

DocuSigned by:

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Allan Nørgaard
State Authorized
Public Accountant
mne35501

Management's review

Company details

Schneider Electric Danmark A/S
Lautrupvang 1
2750 Ballerup

CVR no. 70 69 87 14
Registered office: Ballerup
Financial year: 1 January – 31 December 2021

Board of Directors

Hanne Bækager Sjøberg, Chairman
Benoit Merriaux
Thomas Träger
Hanne Taarup Jensen
Michael Christainsen, Employee elected
Jesper Christensen, Employee elected

Executive Board

Thomas Träger, CEO

Auditor

EY Godkendt Revisionspartnerselskab
Dirch Passer Alle 36
2000 Frederiksberg

Annual general meeting

The annual general meeting will be held on 4 July 2022.

Management's review

Financial highlights

DKK'000	2021	2020	2019*	2018*	2017*
Key figures					
Revenue	2,594,163	2,224,488	2,082,319	2,143,514	2,138,315
Operating profit	467,678	341,420	289,616	297,038	321,538
Net financials	68,031	61,813	-748	29,443	41
Profit/loss for the year	404,101	319,597	225,165	259,715	251,801
Total assets					
Investment in property, plant and equipment	-18,377	-12,625	-20,335	-16,880	-11,202
Equity	3,303,277	3,218,773	337,165	373,112	365,198
Ratios					
Operating margin	18.0%	15.3%	13.9%	13.9%	15.0%
Return on assets	15.8%	17.5%	32.5%	34.3%	39.7%
Solvency ratio	84.2%	78.4%	39.5%	41.7%	39.5%
Return on equity	17.7%	24.4%	62.8%	75.4%	81.0%
Average number of full-time employees					
	647	653	689	702	724

* Effective from 1 January 2020, Schneider Electric Danmark A/S and Schneider Nordic Baltic A/S have been merged, with Schneider Electric Danmark A/S as the succeeding company. The merger has been completed by applying the net book value method. Comparative figures for the years 2017 – 2019 have not been restated.

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios. The financial ratios have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total liabilities}}$
Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets} \times 100}$

Management's review

Operating review

Principal activities

Our purpose is to empower all to make the most of our energy and resources, bridging progress and sustainability for all. At Schneider, we call this Life Is On.

We embrace a customer-first, dare to disrupt, learn every day, and act like owner's culture.

We drive digital transformation through 4X integrations, by making process and energy safe, reliable, and cybersecure, efficient and sustainable, open and connected. We privilege people, partners and open partnerships in everything we do.

Our mission is to be the digital partner for Sustainability and Efficiency. We create impact through innovation and our people. We are the most local of the global companies, serving our customers with the largest portfolio of connected products, software and services of our industry, bringing expertise to our segments, customers and partners.

Schneider Electric Danmark A/S is located in Ballerup in the GreenHouse, a showcase for our latest technologies and solutions notably in terms of energy efficiency and cost reduction.

The company has approximately 650 employees and is among others responsible for the Lauritz Knudsen brand, which is the oldest supplier of electrical materials for the Danish market. The manufacturing of Lauritz Knudsen products is primarily taking place in Schneider Electric's highly automated and energy efficient factory in Ringsted, which also manufactures products to other European and Asian markets. Schneider Electric Danmark A/S is owned by Schneider Electric Industries SAS (France), which is the ultimate parent company in the Group.

Schneider Electric Danmark A/S' principal activities also include holding the majority of the shares of Schneider Electric Industries SAS's operations in the Nordic and Baltic countries.

Management's review

Operating review (continued)

Development in activities and financial position

Despite the continuation of the Covid-19 pandemic and global supply constraints, 2021 was a record year for Schneider Electric Danmark A/S. Our unique solutions - Digital for efficiency and Electrification for sustainability - met a very strong demand in our four end-markets.

The company's revenue increased by MDKK 369.7 and reached all time high level, driven by double-digit growth in both Energy Management and Industrial Automation. The strong volume evolution together with high productivity led to increased gross profit by MDKK 163.3.

The company's ordinary operating profit reached MDKK 467.7 which is satisfactory.

Profit/loss for the year compared to previous stated expectations

The company aimed for revenue growth of 8-12% and operating profit of 12-16%. In 2021 revenue went up +16,6%, while the operating profit was increased with 37,0% vs 2020 to 18,0% due to gross profit improvement. This result is seen as highly satisfactory.

Corporate social responsibility

In accordance with the Danish Financial Statements Act section 99(a), we refer to our parent company's, Schneider Electric Industries SAS, Sustainable Development Annual Report for a description of the Company's engagement in corporate social responsibility, including human rights, environmental and climate issues, social and employee conditions and anti-corruption, See link: <https://annualreport.se.com/#sustainability>

We were honored in 2021 to be recognized by Corporate Knights as the world's most sustainable corporation. The jump from the 29th place in 2020 reflects Schneider's consistent progress towards commitment to sustainable excellence. To raise the bar on sustainability, we launched in 2021 our new and ambitious Schneider Sustainability Impact 2021-25 program. See link:

<https://www.se.com/ww/en/about-us/newsroom/news/press-releases/schneider-electric-ranked-world%E2%80%99s-most-sustainable-company-by-corporate-knights-600a99142da98a304f239fbf>

Management's review

Operating review (continued)

Data ethics

We recognize the right to privacy and protection of personal information as a fundamental human right. We consider fairness, transparency, data integrity, quality, security, and trust as core principles of how we handle data and use it in the products, systems and services we deliver.

We are constantly working to create a strong and coherent processing of data, where our policy for data is an integral part of our workflows and processes throughout the company and anchored in all parts of the organization.

By promoting a data protection culture, we are committed to spreading these principles throughout our organization, in our R&D processes and to continuously improve our products and customers' experience. We are set up to ensure resilient data handling and storage processes and comply with relevant regulations. We make it a point to responsibly source, process and share data.

We do this by:

- Process personal information fairly and transparently with appropriate security safeguards
- Adopt a 'privacy by design' approach in our R&D processes
- Work with suppliers or vendors that comply with data protection requirements
- Protect personal information and respect individuals' rights
- Run compliance controls and implementation programs

See link: <https://www.se.com/dk/da/about-us/sustainability/responsibility-ethics/>

Management's review

Operating review (continued)

Gender composition

In line with the Danish Financial Statement Act section 99(b), we meet the requirement of board gender composition, as the Board consists of 6 members, 2 men and 2 women elected by the General Assembly, and 2 men elected by the employees. Hanne Bækager Sjøberg, VP CS&Q Europe, has been appointed as Chairman in June 2019 and Hanne Taarup Jensen, Transformation Lead, was elected as board member in 2014.

Schneider Electric became in March 2019 the first multi-national company to achieve 100% commitment to UN Women's Empowerment Principles. This was after the United Nations Women and Global Compact in 2015 conferred the group CEO Jean Pascal Tricoire with the 2015 CEO Leadership Award in recognition of his demonstrated commitment to - and implementation of - policies, that advances and empower women in the workplace, marketplace and community.

At management level the country MD has set a goal to ensure more women in the management team level. The global target for 2021 was set to 30%, however our local ambition is still to achieve a minimum of 40%. By end of 2021 we had 3 women out of 9 in the management team.

In addition, we continue to focus on our 2 major females initiatives. One is to ensure female candidates in all recruitments. Currently we are at 31.0% female out of the total workforce, and the target is to have a more balanced split, which varies considerably from department to department. Therefore, we set a target of 40% for new hires to be women. In 2019 we reached 40,2%, in 2020 21,4% and in 2021 41.1%. Secondly, we are focusing on increasing the women in sales roles with a target of 20% women in Sales. In 2021 we reached 17.1%

Intellectual capital

Schneider Electric's ambition is to be the global specialist in energy management and hereby help to solve the energy dilemma in the world. At Schneider Electric we think it's a human right to have access to energy. At the same time, we need to increase the energy efficiency since the use of energy is increasing.

In Denmark, this implies that we continue to play a central role in the Danish electrical industry and that we are contributing to the development of the industry and the market in general. We are focusing on a high degree of delivery reliability, high quality products and product functionality and to give our customers an extraordinary experience in their interface with us. The Company also strives to be a great place to work for skilled and committed employees. We strongly believe that you bring the best performance to the company by bringing the best of our people. It's key that we continue to attract the best talents and at the same time to develop our employees.

To achieve these objectives, the Company highly emphasizes building the right competences within the selected business areas, partly through own staff and partly through a comprehensive educational program with business partners in the industry.

Management's review

Operating review (continued)

Outlook

The objective for 2022 continue to be, to deliver higher growth than the market – this through targeted segments such as Data Centers, Wind and Buildings. Expected annual revenue growth is 8-12% and an operating profit between 14 and 18%.

Our ability to deliver a result in line with targets is highly dependent on how the evolution in the global environment, such as covid-19 and supply constraints will impact 2022. We do not expect any significant impact from the current geopolitical situation in Ukraine & Russia.

Post balance sheet events

No specific events have occurred after the financial year-end, which could significantly affect the Company's financial position.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Revenue	2	2,594,163	2,224,448
Production costs	3	-1,657,118	-1,450,750
Gross profit		937,045	773,738
Distribution costs	3	-257,779	-215,170
Administrative expenses	3	-244,989	-207,070
Ordinary operating profit		434,277	351,498
Other operating income		50,105	35,729
Other operating expenses		-16,704	-45,807
Operating profit		467,678	341,420
Income from equity investments in group entities		73,241	62,319
Financial income	4	2,266	4,246
Financial expenses	5	-7,476	-4,752
Profit before tax		535,709	403,233
Tax for the year	6	-131,608	-83,636
Profit for the year	7	404,101	319,597

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2021	2020
ASSETS			
Fixed assets			
Intangible assets			
	8		
Goodwill		0	0
Software		1,205	1,388
Prepayments		1,181	1,181
		<u>2,386</u>	<u>2,569</u>
Property, plant and equipment			
	9		
Land and buildings		31,900	38,941
Plant and machinery		51,290	52,122
Other fixtures and fittings, tools and equipment		6,238	8,614
Property, plant and equipment in progress		22,575	19,950
		<u>112,003</u>	<u>119,627</u>
Investments			
	10		
Investments in Subsidiaries		2,501,590	2,501,590
Other securities and investments		28	28
		<u>2,501,618</u>	<u>2,501,618</u>
Total fixed assets			
		<u>2,616,007</u>	<u>2,623,814</u>
Current assets			
Inventories			
Raw materials and consumables		23,340	17,615
Work in progress		14,822	14,382
Finished goods and goods for resale		57,833	57,150
		<u>95,995</u>	<u>89,147</u>
Receivables			
Trade receivables		381,005	372,228
Work in progress for third parties	11	24,930	24,033
Receivables from group entities		750,028	863,379
Income taxes receivables		3,772	0
Other receivables		45,555	50,963
Prepayments		6,937	346
		<u>1,212,227</u>	<u>1,310,949</u>
Cash			
		0	80,940
Total current assets			
		<u>1,308,222</u>	<u>1,481,036</u>
TOTAL ASSETS			
		<u>3,924,229</u>	<u>4,104,850</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2021	2020
Equity	12		
Share capital		114,000	114,000
Retained earnings		2,785,176	2,785,176
Proposed dividend for the year		404,101	319,597
Total equity		3,303,277	3,218,773
Provisions	13		
Deferred tax		9,286	10,360
Other provisions		10,945	13,385
Total provisions		20,231	23,745
Liabilities other than provisions			
Current liabilities other than provisions			
Bank overdraft		2,372	0
Prepayments on work in progress	11	38,309	72,576
Trade payables		97,390	54,457
Payables to group entities		182,753	322,104
Other payables	14	251,444	364,936
Deferred income	15	28,453	35,395
Income tax payable		0	12,864
Total liabilities other than provisions		600,721	862,322
Total liabilities and provisions		620,952	886,077
TOTAL EQUITY AND LIABILITIES		3,924,229	4,104,850
Accounting policies	1		
Collateral	16		
Contractual obligations, contingencies, etc.	17		
Related parties	18		
Fees to the auditor appointed at the Company in the general meeting	19		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2020	112,000	0	225,165	337,165
Addition from merger	2,000	2,785,176	0	2,787,176
Profit/loss for the year	0	0	319,597	319,597
Distributed dividends	0	0	-225,165	-225,165
Equity at 1 January 2021	114,000	2,785,176	319,597	3,218,773
Profit/loss for the year	0	0	404,101	404,101
Distributed dividends	0	0	-319,597	-319,597
Equity at 31 December 2021	114,000	2,785,176	404,101	3,303,277

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Schneider Electric Danmark A/S for 2021 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Schneider Electric Industries SAS.

Consolidated financial statements

With reference to section 112(1) of the Danish Financial Statement Act, no financial statements of Schneider Electric Danmark A/S and all its subsidiaries are included in the consolidated financial statements of Schneider Electric Industries SAS (France).

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of equity investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided, that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquire are taken directly to equity.

Reporting currency

The financial statements are presented in Danish kroner thousands (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue is recognized based on the provisions in IAS 18. Income from the sale of goods for resale and finished goods is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be reliably measured, and payment is expected to be received.

Income from the rendering of services, is recognized as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Income from construction contracts where the purchaser has significantly influenced the construction of the asset is recognized as revenue as the production activities are carried on, implying that revenue corresponds to the market value of the contract work performed (production method). This method is used where the total income and expenses and the degree of completion of the contract can be made up reliably.

Where the income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognized only in so far as it is probable that such expenses will be recoverable from the counterparty.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities, including re invoicing of costs from/to other Schneider Electric group entities, bonus from customers and gains or losses on the sale of fixed assets.

Income from investment in group entities

The item includes dividends from subsidiaries in so far as the dividend does not exceed the accumulated earnings in the subsidiary in the period of ownership.

Production costs

Production costs include expenses incurred to generate the year's revenue. The item includes direct and indirect expenses relating to raw materials, consumables, labor, rent and leasing as well as depreciation of productive equipment.

Provisions for losses on construction contracts are recognized in productions costs.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Distribution costs

Distribution costs include expenses relating to sale and distribution in the year, including expenses relating to sales staff, advertising, exhibitions and amortization/depreciation of assets that are related to sale and distribution of the company's products.

Administrative expenses

Administrative expenses include expenses incurred in the year for purposes of managing and administering the company, including expenses relating to administrative staff, management, office premises/expenses as well as amortization/depreciation of assets used for administrative purposes.

Leasing costs

Leasing agreement relating to property, plant and equipment, where the company has all significant risks and benefits associated with ownership are booked in accordance with IAS 17.

Development costs

The item includes research costs, development costs not satisfying the criteria for capitalization and amortization/depreciation.

Financial income and expenses

Financial income and expenses are recognized in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance payment of tax scheme, etc. Further, gains and losses on disposal of subsidiaries are recognized as financial income and expenses.

Tax

Tax for the year comprises current corporation tax, joint taxation contributions for the year and changes in deferred tax for the year – including changes resulting from changes in the tax rate. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in equity.

The company acts as management company for the joint taxation group in Denmark, and consequently settles all corporate income tax payments with the Danish Tax Authorities. The Danish income tax charge is allocated between profit making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortized over expected economic life of the asset, measured by reference to Management's experience in the individual business segments, Goodwill is amortized on a straight-line basis over the amortization period, which is between 5 and 10 years. The amortization period is fixed on the basis of the expected repayment horizon, longest for strategically acquired business enterprise with strong market positions and long-term earnings profiles.

Other intangible assets include development projects and other acquired intangible rights, including software licenses, distribution rights and development projects.

On initial recognition, intangible assets are measured at cost.

Development projects are capitalized if they are clearly defined and identifiable and the following recognition criteria can be satisfied:

- the technical feasibility of completing the project can be demonstrated,
- plans are to produce and market the product or to use the product or the process,
- sufficient technical and financial resources to complete and use or sell the project are available.
- it is probable that the project will generate future economic benefits and that a potential, future market or possibility of internal use in the entity exists.

The cost of development projects is measured at direct costs incurred as well as a portion of costs indirectly attributable to the individual development projects.

Software are measured at cost less accumulated amortization and impairment losses. Software are amortized over 5 years.

Gains and losses on the sale of intangible assets are recognized in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price fewer selling expenses and the carrying amount at the time of sale.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, no scrap value is expected. Land is not depreciated. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The amortization periods are:

Buildings	25 years
Buildings installations	10 years
Plant and machinery	8 years
Tools	4 years
Fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	10 years

Gains or losses are made up as the difference between the selling price the less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognized in the income statement as other operating income or other operating costs.

Depreciation is recognized in the income statement as production costs, distribution costs and administrative expenses, respectively.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses. If any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year.

Investments in Subsidiaries

Investments in subsidiaries are measured at cost. The cost is reduced by received dividends exceeding the accumulated earnings after the acquisition date.

Other securities and investments

Other securities and investments are measured at cost.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortization/depreciation. Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flow from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognized in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realizable value and the carrying amount.

Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual work in progress.

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1 Accounting policies (continued)

Where the outcome of contract work in progress cannot be made up reliably, the market value is measured at the costs incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected the total market value, the expected loss is recognized as a loss-making agreement under 'Provisions' and is expensed in the income statement.

The value of each contract in progress less prepayments is classified as assets when the market value exceeds prepayments and as liabilities when prepayments exceeds the market value.

Prepayments

Prepayments recognized under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash at hand and in bank

Cash at hand and in bank comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognized when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realizable value or at fair value if the obligation concerned is expected to be settled far into the future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions for warranties are measured at net realizable value and recognized based on past experiences.

Provisions are measured at net realizable value.

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1 Accounting policies (continued)

Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Other payables

Other payables are measured at net realizable value.

Deferred income

Deferred income recognized as a liability comprises payments received concerning income in subsequent financial reporting years.

Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

DKK '000	2021	2020
2 Revenue		
Business segmentation of revenue:		
Sale of goods	2,050,430	1,691,612
Sale of projects	543,733	532,876
	2,594,163	2,224,488
Geographical segmentation of revenue:		
Denmark	2,267,358	1,979,195
International markets	326,805	245,293
	2,594,163	2,224,488

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DKK'000	2021	2020
3 Staff costs		
Wages and salaries	400,794	414,230
Pension	38,914	34,692
Other social and security costs	2,000	2,066
Other employee-related expenses	15,768	12,027
	457,476	463,015

Average number of full-time employees	647	653
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With reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

No remuneration to the Board of Directors has been paid in 2021 and 2020.

4 Financial income		
Interest income, group entities	16	52
Other financial income	2,166	3,682
Exchange gain	84	512
	2,266	4,246
5 Financial expenses		
Interest expenses, group entities	1,364	457
Exchange losses	2,206	3,419
Other financial expenses	3,906	876
	7,476	4,752

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DKK'000	2021	2020
6 Tax on profit/loss for the year		
Current tax for the year	98,858	79,270
Deferred tax for the year	-1,074	-5,689
Adjustment of tax concerning previous years	33,750	9,929
Withholding tax	74	126
	<u>131,608</u>	<u>83,636</u>
7 Proposed profit appropriation		
Proposed dividends for the year	<u>404,101</u>	<u>319,597</u>
	<u>404,101</u>	<u>319,597</u>

8 Intangible assets

DKK'000	Goodwill	Software	Prepayments	Total
Cost at 1 January 2021	6,287	36,609	1,181	44,077
Additions for the year	0	0	0	0
Cost at 31 December 2021	<u>6,287</u>	<u>36,609</u>	<u>1,181</u>	<u>44,077</u>
Amortization and impairment losses at 1 January 2021	-6,287	-35,221	0	-41,508
Amortization for the year	0	-183	0	-183
Impairment losses and amortization at 31 December 2021	<u>-6,287</u>	<u>-35,404</u>	<u>0</u>	<u>-41,691</u>
Carrying amount at 31 December 2021	<u>0</u>	<u>1,205</u>	<u>1,181</u>	<u>2,386</u>

Financial statements 1 January – 31 December

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9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2021	164,156	616,055	49,216	19,950	849,377
Additions for the year	18	6,520	209	11,630	18,377
Disposal for the year	0	-14,273	0	0	-14,273
Reclassification	0	9,005	0	-9,005	0
Cost at 31 December 2021	164,174	617,307	49,425	22,575	853,481
Depreciation and impairment at 1 January 2021	-125,215	-563,933	-40,602	0	-729,750
Depreciation for the year	-7,059	-16,180	-2,585	0	-25,824
Reversed depreciation and impairment losses on assets sold	0	14,096	0	0	14,096
Revaluations at 31 December 2021	-132,274	-566,017	-43,187	0	-741,478
Carrying amount at 31 December 2021	31,900	51,290	6,238	22,575	112,003

10 Investments

DKK'000	Investment in Sub.	Other securities and investments	Total
Cost at 1 January 2021	2,946,590	28	2,946,618
Disposals	0	0	0
Cost at 31 December 2021	2,946,590	28	2,946,618
Impairment losses at 1 January 2021	-445,000	0	-445,000
Reversal of impairment losses on assets disposed	0	0	0
Impairment losses at 31 December 2021	-445,000	0	-445,000
Carrying amount at 31 December 2021	2,501,590	28	2,501,618

	Legal form	Domicile
Other investments in limited partnerships or partnerships		
Nordfyns Erhvervsselskab	A/S	Denmark

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Investments (continued)

Name/legal form, registered office	Equity DKK'000	Profit/loss DKK'000	Voting rights and ownership
Lexel AB, Sweden	742,460	248,485	100%
(1) Schneider Electric Fire & Security OY, Finland	182,239	126,502	100%
Schneider Electric Buildings AB, Sweden	436,818	88,062	100%
(1) AB Craftere 1, Sweden	9,282	24	100%
SIA Lexel Fabrika, Latvia	189,445	8,150	100%
SIA Schneider Electric Baltic Distribution Centre, Latvia	13,958	8,611	100%
SIA Schneider Electric Latvija, Latvia	15,297	2,417	100%
(2) UAB Schneider Electric Lietuva, Lietuva	14,053	3,965	100%
(2) Schneider Electric Eesti AS, Estonia	7,700	4,196	100%
Lexel Holding Norge AS, Norway:	301,134	25	100%
ELKO AS, Norway	239,451	171,757	100%
Ørbækvej 280 A/S, Denmark	13,754	2,541	100%
Schneider Electric Distributionscentre AB, Sweden	17,063	89	100%

(1) All subsidiaries are wholly owned sub-subsidiaries

(2) 2020 Annual Accounts numbers

11 Work in progress for third parties

DKK'000	2021	2020
On-account invoicing, work in progress	-13,379	-48,543
recognized as follows:		
Work in progress for third parties (assets)	24,930	24,033
Work in progress for third parties (liabilities)	-38,309	-72,576
	-13,379	-48,543
Selling price	454,067	413,336
Invoiced	-467,446	-461,879
	-13,379	-48,543

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12 Share capital

The share capital consists of 6 shares of a total nominal value of DKK 114,000 thousand.

All shares rank equally.

DKK'000	2021	2020	2019	2018	2017
Share capital at 1 January	114,000	112,000	112,000	112,000	112,000
Addition from merger	0	2,000	0	0	0
Share capital at 31 December	114,000	114,000	112,000	112,000	112,000

13 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets, liabilities and property, plant and equipment.

Other provisions comprise provisions for warranty commitments, totaling DKK 10,945 thousand (2020 DKK 12,206 thousand) and restructuring provisions of DKK 0 (2020 DKK 1,179 thousand). Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods.

Deferred tax

DKK'000	2021	2020
Deferred tax at 1 January	10,360	16,862
Addition from merger	0	-813
Change in the year	-1,074	-5,689
Deferred tax at 31 December	9,286	10,360

Deferred tax relates to:

Intangible Fixed Assets	-197	-395
Tangible Fixed Assets	1,938	3,162
Current Assets	13,993	14,073
Liabilities	-6,448	-6,480
	9,286	10,360

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14 Other Payables

DKK`000	2021	2020
VAT and other indirect taxes	48,233	98,940
Wages/Salaries, salary taxes, social security contribution, etc.	107,598	160,944
Other accrued expenses	95,613	105,052
	<u>251,444</u>	<u>364,936</u>

15 Deferred

Deferred income comprises payments relating to the sale of services, which will not be recognized as income until in the subsequent financial year once the recognition criteria are satisfied.

16 Collateral

The Company has not pledged any assets or other as security for loans at 31 December 2021.

17 Contractual obligations, contingencies, etc.

Other contingent liabilities

As management company, the Company is jointly taxed with other Danish Schneider Electric group entities and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

The company is currently involved in tax dispute with the Danish Tax Authorities regarding with-holding tax on Royalty paid to Schneider Electric Industries SAS. Management assess that the company is compliant with current legislation. The final outcome of the dispute is related to uncertainties.

DKK`000	2021	2020
Other financial obligations		
Rent and lease liabilities	97,112	113,436
Performance Bonds	62,854	76,421
Other obligations	11,250	11,251

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18 Related party disclosures

Schneider Electric Danmark A/S' related parties comprise the following:

Parties exercising control

Related party: Schneider Electric Industries SAS

Domicile: Paris, France

Basis for control: Share capital

Information about consolidated financial statements

Parent: Schneider Electric Industries SAS

Domicile: Paris, France

Requisitioning of the parent's consolidated financial statements

<http://www.se.com/ww/en/about-us/investor-relations/regulatory-information/annual-reports.jsp>

DKK`000	2021	2020
Sales of goods	261,430	212,499
Purchase of goods	924,496	857,198
Sales of services	92,159	71,555
Purchase of services	223,769	189,540
Financial income	16	52
Financial expenses	1,364	457
Receivables from group entities	750,028	863,379
Liabilities to group entities	182,753	322,104

19 Fees to the auditor appointed by the Company in the general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Schneider Electric Industries SAS