

# ABB A/S

Meterbuen 33, DK-2740 Skovlunde

CVR no. 31 37 17 16

## Annual report 2021

Approved at the Company's annual general meeting on 16 May 2022.

Chairman:



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Peter Lyhne

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## Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of ABB 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 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.

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

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

Skovlunde, 16 May 2022

Executive Board:



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Bjarne Tvede  
CEO

Board of Directors:



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Pekka Tapio Tiitinen  
Chairman



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Bjarne Tvede



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Christian Buhl Krøis



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Peter Lyhne Hansen

## Independent auditor's report

### To the shareholder of ABB A/S

#### Opinion

We have audited the financial statements of ABB A/S for the financial year 1 January – 31 December 2021 comprising 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 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 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility 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, that 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.

#### 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.

## Independent auditor's report

- 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 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.

### 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, 16 May 2022

### KPMG

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



Nikolaj Møller Hansen  
State Authorised  
Public Accountant  
mne33220



Niklas R. Filipen  
State Authorised  
Public Accountant  
mne47781

## Management's review

### Financial highlights

In DKK millions	2021*	2020*	2019**	2018**	2017**
<b>Key figures</b>					
Revenue	1.656	1.548	1.758	1.765	1.660
Gross profit	347	334	378	370	353
Operating profit	61	43	71	76	48
Profit from financial income and expenses	-2	-4	0	-3	-3
Profit for the year	47	28	53	57	35
<b>Balance sheet</b>					
Total assets	580	553	647	613	622
Current assets	560	537	630	596	604
Investment in property, tools and equipment	1	2	2	2	5
Equity	205	187	267	218	205
Non-current liabilities	30	39	50	40	43
Current liabilities	348	329	330	357	420
<b>Financial ratios</b>					
Gross margin	21,0%	21,6%	21,5%	21,0%	21,3%
Operating margin	3,7%	2,8%	4,0%	4,3%	2,9%
Current ratio	161	163	191	167	144
Solvency ratio	35,3%	33,8%	41,3%	35,6%	33,0%
Return on equity	24,0%	12,3%	21,9%	27,0%	15,3%
<b>Employees</b>					
Average number of full-time employees	364	372	393	406	422

\* Financial highlights for 2020-2021 reflect continuing operations only. Discontinuing operations in 2020-2021 encompasses ABB's Turbocharging division.

\*\* Financial highlights for 2017-2019 reflect continuing operations only. Discontinuing operations in 2017-2019 encompasses ABB's Power Grids division which was divested in 2019.

### Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$

## Management's Review

### **Presentation of the company**

ABB is a leading global technology company that energizes the transformation of society and industry to achieve a more productive, sustainable future. By connecting software to its electrification, robotics, automation and motion portfolio, ABB pushes the boundaries of technology to drive performance to new levels. With a history of excellence stretching back more than 130 years, ABB's success is driven by about 105,000 talented employees in over 100 countries.

ABB A/S develops, manufactures, and markets products and services for the manufacturing-, process- and consumer goods industries, supply enterprises, the oil and gas sector, pharma sector and the infrastructure market. In 2021 ABB A/S had on average 369 employees including employees from the discontinuing operations.

### **Development in activities and financial position**

In 2021, ABB again demonstrated its capacity for ground-breaking innovation with the launch of several new solutions that will further drive the shift to electrification and automation and contribute to a low-carbon society. There continues to be increased investments in automation, renewable energy, buildings, e-mobility and data centers. Despite challenging circumstances both the revenue and net profit for 2021 increased in comparison to last year, and the result indicates a strong market position in a growing industry. The company's income statement for 2021 shows a net profit of TDKK 47,770 and the balance sheet by 31 December 2021 shows a net worth of TDKK 204,837. The result for the year is in line with the outlook expectations as projected in the Management's review in the annual report for 2020.

### **Specific circumstances**

Following ABB Group's decision to divest ABB's Turbocharging business, the Turbocharging division has consequently been presented as discontinued operations in the 2021 financial statements. The divestment of ABB A/S's Turbocharging business is expected to be completed in Q1 of 2022.

### **Uncertainties regarding recognition and measurement**

The annual report for ABB A/S for 2021 does not contain material uncertainties regarding recognition and measurement.

### **Particular risks**

#### ***Operating risks***

The company is exposed to the market and operational risks which are usual for the markets we operate in, as well as to risks associated with the company's warranty commitments. It is the opinion of management that the provisions made are sufficient to cover the company's warranty commitments.

#### ***Financial risks***

ABB Group has centralised the management of financial risks. The overall objectives and policies for the ABB Group's financial risk management are outlined in a Treasury Policy. The ABB Group only hedges commercial exposures and consequently does not enter derivative transactions for trading or speculative purpose.

#### ***Interest rate risk***

ABB A/S' interest rate risk relates to interest bearing debt and interest-bearing assets. ABB A/S' interest-bearing assets consist mainly of bank deposits and deposit with the ABB Group. ABB A/S' interest rate risk is considered immaterial and is not expected to have a significant impact on ABB A/S' results.

#### ***Intellectual capital***

It is the company's objective to possess the latest knowledge. To meet this end, it is crucial that the company continues to be able to recruit and retain highly qualified employees. Therefore, we continuously invest in personal and professional development.

## Management's Review

### Environmental matters

At ABB, we have always taken a sustainable approach to business. Sustainability is a key part of our company Purpose and of the value that we create for all our stakeholders.

We believe that sustainable development means progress towards a healthier and more prosperous world today and for future generations. This means balancing the needs of society, the environment, and the economy. To achieve this, we act and embed this approach to business across our value chain, creating superior value for all our stakeholders.

Through our leading technologies and responsible business practices, we also contribute to the United Nations' Sustainable Development Goals, of which ABB has always been a strong advocate. ABB A/S adheres to the principals and goals outlined in the ABB Group Sustainability Report. The report is available at <https://sustainabilityreport.abb.com/2021/>

### Research and development activities

ABB Corporate Research serves the entire company and, consequently, its scientists and engineers closely collaborate with R&D within the businesses. This partnership has provided the foundation for many of our pioneering technologies. ABB Corporate Research anchors and grows the core competencies needed to conduct research and development in power and automation products, solutions and services.

With locations in seven countries, ABB Groups corporate research centres bring together an international team of highly skilled scientists.

### Social responsibility

In accordance with 99(a) of the Danish Financial Statements Act, ABB A/S follows and refers to the ABB Group's Statutory Report on Corporate Social Responsibility, which is published by the Group. The report is available at <https://sustainabilityreport.abb.com/2021/>.

Furthermore, a Code of Conduct has been implemented both in the Group and in Denmark; it shows our commitment to act with ethical correct behavior and integrity in any given situation.

### Diversity in the management

The board of directors today consists of four members, of which all are male. The target is to increase the board with one woman within one year and aim to have an equal gender representation within four years, depending on replacements in the board. With this change, the gender distribution would be aligned with 99b requirements for gender composition in the Board. The members of the board are appointed by the parent company, which determines the composition of the board.

Other level of management consists of 14% female managers by year-end. The representation was 13% last year.

Management has decided on a policy to increase the share of the underrepresented gender at other levels of management. The policy contains internal targets for the share of female managers and guidelines for recruiting and maintaining female managers in the company. When recruiting we aim at having one of each gender presented. In addition, we have an annual process for identification of technical and managerial talents with specific focus on female talents.

As a consequence of these initiatives, the company expects the share of female managers at other levels of management to be slightly increased in the coming years.

### Data privacy

In accordance with 99(d) of the Danish Financial Statements Act, ABB A/S follows and refers to the ABB Group's Statutory Annual Report, which is published by the Group. The report is available at <https://new.abb.com/privacy>.



## **Management's Review**

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

No events have occurred that could materially affect the assessment of the Company's financial position.

### **Outlook**

ABB A/S expects an increase in level of activities despite challenging market terms with broad disruptions in the global supply chain – including component shortages, challenging logistics and tight labour markets, with the uncertainties of the COVID-19 situation and the ongoing war in Ukraine. Revenue is expected to be 5-10% higher in 2022 compared to 2021. The profit for the year 2022 is expected to be 30-40 MDKK higher than 2021.

Management will continue monitoring and evaluating the COVID-19 situation during the 2022 financial year.

## Financial statements 1 January – 31 December

### Income statement

Note	DKK'000	2021	2020
2	<b>Revenue</b>	1.655.681	1.548.369
	Changes in inventories of finished goods, work in progress and goods for resale	-1.140	9.977
	Other operating income	6.605	10.553
	Raw materials, consumables and goods for resale	-1.174.217	-1.086.892
3	Other external expenses	-139.847	-147.608
	<b>Gross profit</b>	347.082	334.399
4	Staff costs	-284.054	-289.355
5	Amortisation and depreciation	-2.386	-2.425
	<b>Operating profit</b>	60.642	42.619
	Financial income	178	181
6	Financial expenses	-2.380	-4.555
	<b>Profit before tax</b>	58.440	38.245
7	Tax for the year	-11.522	-9.908
	<b>Profit for the year after tax from continuing operations</b>	46.918	28.337
8	<b>Profit for the year after tax from discontinuing operations</b>	852	1.434
9	<b>Profit for the year</b>	47.770	29.771

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2021	2020
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
10	<b>Intangible assets</b>		
	Acquired intangible assets	0	112
		0	112
11	<b>Property, tools and equipment</b>		
	Leasehold improvements	1.222	1.534
	Tools and machinery	4.465	4.388
	Fixtures and fittings, tools and equipment	2.249	2.791
	Property, plant and equipment under construction	0	49
		7.936	8.762
12	<b>Financial assets</b>		
	Deposits	11.853	7.082
		11.853	7.082
	<b>Total fixed assets</b>	19.789	15.956
	<b>Current assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	6.211	9.106
	Work in progress	45.928	35.739
	Finished goods and goods for resale	16.697	28.027
	Prepayments for goods	16.462	1.774
		85.298	74.646
	<b>Receivables</b>		
	Trade receivables	402.471	362.677
13	Construction contracts	40.263	36.664
	Receivables from group enterprises	7.912	11.787
	Income taxes	455	1.451
	Other receivables	3.116	2.578
14	Prepayments	4.149	4.029
		458.366	419.186
	<b>Cash</b>	16.621	42.933
	<b>Total current assets</b>	560.285	536.765
8	<b>Total assets relating to discontinuing operations</b>	10.998	5.918
	<b>TOTAL ASSETS</b>	591.072	558.639

## Financial statements for the period 1 January – 31 December

### Balance sheet

Note	DKK'000	2021	2020
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
15	Share capital	100.000	100.000
	Retained earnings	57.837	57.067
	Proposed dividend for the year	47.000	30.000
	<b>Total equity</b>	<b>204.837</b>	<b>187.067</b>
	<b>Provisions</b>		
16	Deferred tax	3.009	1.348
17	Other provisions	25.332	34.387
	<b>Total provisions</b>	<b>28.341</b>	<b>35.735</b>
	<b>Liabilities other than provisions</b>		
18	<b>Non-current liabilities other than provisions</b>		
	Other liabilities	2.114	2.791
		<b>2.114</b>	<b>2.791</b>
	<b>Current liabilities other than provisions</b>		
18	Current portion of non-current liabilities other than provisions	687	854
13	Construction contracts	22.574	5.635
	Prepayments received from customers	10.756	14.203
	Trade payables	56.970	40.829
	Payables to group enterprises	168.025	147.004
	Other payables	88.808	120.300
		<b>347.820</b>	<b>328.825</b>
	<b>Total liabilities other than provisions</b>	<b>349.934</b>	<b>331.616</b>
8	<b>Total liabilities relating to discontinuing operations</b>	<b>7.960</b>	<b>4.221</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>591.072</b>	<b>558.639</b>

- 1 Accounting policies
- 19 Contractual obligations and contingencies, etc.
- 20 Related party disclosures

**Financial statements 1 January – 31 December**

**Statement of changes in equity**

Note	DKK'000	Share capital	Retained earnings	Proposed dividend for the year	Total
	<b>Equity at 1 January 2021</b>	100.000	57.067	30.000	187.067
	Dividend distribution	0	0	-30.000	-30.000
9	Transferred over the profit appropriation	0	770	47.000	47.770
	<b>Equity at 31 December 2021</b>	100.000	57.837	47.000	204.837

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

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

The accounting policies are consistent with those of last year.

#### 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 rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

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

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on an ongoing basis.

### Income statement

#### Revenue

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

A contract is broken down by individual transactions when the fair value of the individual sales transactions may be reliably measured, and the individual sales transactions are of separate value to the buyer. Sales transactions are deemed to be of a separate value to the buyer when the transaction is individually identifiable and usually sold individually. The contract price is broken down by the individual sales transactions in accordance with the relative current cost approach. The separate sales transactions are recognised as revenue when complying with the criteria applying to the sale of goods and services.

#### *Revenue from construction contracts*

Income from contract work in progress is measured by reference to the stage of completion. The value is calculated on the basis of the stage of completion at the balance sheet date and the total expected income from the contract in question. The stage of completion is calculated on the basis of the costs incurred relative to the expected total costs.

Write-downs for losses are made up as the total expected loss on the contract irrespective of the stage of completion.

#### *Revenue from the sale of goods*

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been passed on to the buyer and provided the income can be measured reliably and payment is expected to be received. The date at which the most significant rewards and risks are passed on is based on standardised terms of delivery based on Incoterms.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### **Revenue from the sale of services**

Income from the sale of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered, as the services are provided in the form of an indefinite number of actions over a specified period of time.

Services based on time spent are recognised in revenue as the work is performed.

##### **Changes in inventories of finished goods, work in progress and goods for resale**

Changes in inventories of finished goods, work in progress and goods for resale include expenses relating to changes in inventories of finished goods, work in progress and goods for resale as part of generating the year's revenue.

##### **Other operating income**

Other operating income comprises items secondary to the company's activities.

##### **Raw materials and consumables, etc.**

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

##### **Other external expenses**

Other external expenses include the year's expenses relating to the company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### **Other operating expenses**

Other operating expenses comprise items secondary to the company's activities.

##### **Staff costs**

Staff costs include wages and salaries, including compensated absence and pension to the company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### **Amortisation and depreciation**

The item comprises amortisation/depreciation and impairment of intangible assets and property, tools and equipment.

The residual value of intangible and tangible assets is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### **Financial income and expenses**

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

##### **Tax for the year**

The company is covered by the Danish rules on compulsory joint taxation of the Danish subsidiaries of the ABB Group. The Danish subsidiaries of the ABB Group form part of the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they exit the consolidation.

The company, ABB A/S, is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

The current Danish corporation tax is allocated by the settlement of joint taxation contributions between the jointly taxed enterprises in proportion of their taxable income. In this relation, enterprises with tax loss carry forwards receive joint taxation contributions from enterprises that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

### Balance sheet

#### Intangible assets

Acquired intangible assets comprise software and are measured at cost less accumulated amortisation and impairment losses. Acquired intangible assets are amortised on a straight-line basis over the expected useful life, however not exceeding 5 years.

Gains and losses on the disposal of acquired intangible assets are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

#### Property, tools and equipment

Property, tools and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Interest expenses on loans to finance the production of items of property, tools and equipment, and which relate to the production period, are recognised in cost. All other borrowing costs are recognised in the income statement.

Where individual components of an item of property, tools and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Leasehold improvements	5 years
Tools and machinery	10-15 years
Fixtures and fittings, tools and equipment	3-10 years

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. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of items of property, tools and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement.



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

##### Impairment of fixed assets

The carrying amount of intangible assets and property, tools and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/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.

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 flows 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.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### Inventories

Inventories are measured at cost in accordance with the weighted average method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

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

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual construction contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual construction contract.

When the selling price of a construction contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual construction contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of construction contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

##### Prepayments

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

##### Equity

##### Dividend

Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

##### Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

##### Provisions

Provisions comprise anticipated costs related to warranty commitments, restructuring, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

When it is probable that total costs will exceed total income from a construction contract, the total projected loss on the work is recognised as a provision.

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 1-5 years. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

##### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company ABB Ltd., Zürich, Switzerland.

##### Segment information

Information is disclosed by geographical markets. The segment information is in line with the Company's accounting policies, risks and internal financial management.

## Financial statements 1 January – 31 December

### Notes

DKK'000	2021	2020
<b>2 Geographical segment information</b>		
<b>Revenue</b>		
National	1.420.125	1.353.158
International	235.556	195.211
	<u>1.655.681</u>	<u>1.548.369</u>

With reference to section 96(1) of the Danish Financial Statements Acts, the revenue is not split into further segments. With only few competitors in some of the segments ABB A/S acts in, management assesses that the company's competitors will benefit from knowing the turnover within the individual segments and the development thereof. Management assesses that the revenue distribution on segments will cause significant damage to the company.

DKK'000	2021	2020
<b>3 Other external expenses</b>		
Fees to auditor appointed at the general meeting		
Total fees:		
KPMG	729	643
	<u>729</u>	<u>643</u>
Specification of fees:		
Audit	676	614
Non-audit services	53	29
	<u>729</u>	<u>643</u>
<b>4 Staff costs</b>		
Wages and salaries	251.730	251.893
Pensions	19.786	19.488
Other social security costs	3.169	3.669
Other staff costs	9.369	14.305
	<u>284.054</u>	<u>289.355</u>
Average number of full-time employees	<u>364</u>	<u>372</u>

No fee has been paid to the Board of Directors. By reference to section 98b(3), (ii) of the Danish Financial Statement Act, remuneration to management is not disclosed.

DKK'000	2021	2020
<b>5 Amortisation, depreciation and impairment losses</b>		
Intangible assets	112	335
Property, tools and equipment	2.274	2.090
	<u>2.386</u>	<u>2.425</u>

## Financial statements 1 January – 31 December

### Notes

DKK'000	2021	2020
<b>6 Financial expenses</b>		
Interest expenses, group enterprises	766	20
Other interest expenses	1.614	4.535
	<u>2.380</u>	<u>4.555</u>
<b>7 Tax for the year</b>		
Current tax for the year	11.596	9.773
Adjustment of the deferred tax charge for the year	1.661	-1.171
Prior-year adjustments	-1.735	1.306
	<u>11.522</u>	<u>9.908</u>

### 8 Discontinuing operations

Starting in 2021, ABB will report the Turbocharging business as discontinued operations. ABB Turbocharging is a technology and market leader in the manufacture and maintenance of turbochargers for 500 kW to 80+ MW diesel and gas engines. In Denmark the business provides services for turbochargers through an ABB-owned Service Station. The divestment of the Danish Turbocharging business has taken place on 1 February 2022. The transfer of assets and liabilities was carried out at market value and the market gain will be recognised as a gain on the sale of the business in 2022.

DKK'000	2021	2020
<b>Income statement for discontinuing operations</b>		
<b>Revenue</b>	28.003	33.223
Changes in inventories of finished goods, work in progress and goods for resale	808	679
Raw materials, consumables and goods for resale	-19.682	-24.198
Other external expenses	-2.283	-3.224
<b>Gross profit</b>	<u>6.846</u>	<u>6.480</u>
Staff costs	-5.639	-4.446
Depreciation	-115	-125
<b>Operating profit</b>	<u>1.092</u>	<u>1.909</u>
Financial expenses	0	-70
<b>Profit before tax</b>	<u>1.092</u>	<u>1.839</u>
Tax for the year	-240	-405
<b>Profit for the year from discontinuing operations</b>	<u>852</u>	<u>1.434</u>

## Financial statements 1 January – 31 December

### Notes

DKK'000	2021	2020
<b>8 Discontinuing operations (continued)</b>		
<b>Balance Sheet for discontinuing operations</b>		
Fixed assets	172	162
Inventories	2.127	1.319
Trade receivables	6.970	3.769
Construction contracts	1.225	355
Receivables from group enterprises	504	313
<b>Total assets for discontinuing operations</b>	<b>10.998</b>	<b>5.918</b>
Other provisions	205	409
Trade payables	190	662
Payables to group enterprises	6.498	1.852
Income taxes	240	404
Other payables	827	894
<b>Total liabilities for discontinuing operations</b>	<b>7.960</b>	<b>4.221</b>
<b>9 Proposed profit appropriation</b>		
Dividend proposed for the year	47.000	30.000
Transferred to retained earnings under equity	770	-229
	<b>47.770</b>	<b>29.771</b>
<b>10 Intangible assets</b>		
		<b>Acquired intangible assets</b>
<b>DKK'000</b>		
Cost at 1 January 2021		36.724
Cost at 31 December 2021		36.724
Amortisation and impairment losses at 1 January 2021		-36.612
Amortisation		-112
Amortisation and impairment losses at 31 December 2021		-36.724
<b>Carrying amount at 31 December 2021</b>		<b>0</b>

## Financial statements 1 January – 31 December

### Notes

#### 11 Property, tools and equipment

DKK'000	Leasehold improvements	Tools and machinery	Fixtures and fittings, tools and equipment	Property, tools and equipment under construction	Total
Cost at 1 January 2021	12.210	27.372	13.516	49	53.147
Additions	0	0	0	1.452	1.452
Transferred	0	1.221	280	-1.501	0
Disposals	-89	-1.805	-148	0	-2.042
Cost at 31 December 2021	12.121	26.788	13.648	0	52.557
Depreciation and impairment losses at 1 January 2021	-10.676	-22.984	-10.725	0	-44.385
Depreciation	-312	-1.140	-822	0	-2.274
Disposals	89	1.801	148	0	2.038
Depreciation and impairment losses at 31 December 2021	-10.899	-22.323	-11.399	0	-44.621
<b>Carrying amount at 31 December 2021</b>	<b>1.222</b>	<b>4.465</b>	<b>2.249</b>	<b>0</b>	<b>7.936</b>

#### 12 Financial assets

DKK'000	Deposits
Cost at 1 January 2021	7.082
Additions	4.811
Disposals	-40
Cost at 31 December 2021	11.853
<b>Carrying amount at 31 December 2021</b>	<b>11.853</b>

DKK'000	2021	2020
<b>13 Construction contracts</b>		
Selling price of work performed	136.569	147.827
Advance payment and progress billings	-118.880	-116.798
	17.689	31.029
recognised as follows:		
Construction contracts (assets)	40.263	36.664
Construction contracts (liabilities)	-22.574	-5.635
	17.689	31.029

#### 14 Prepayments

Prepayments recognised as assets include expenses incurred concerning subsequent financial years.

## Financial statements 1 January – 31 December

### Notes

#### 15 Share capital

The share capital, 100.000 TDKK, consists of 1 A-share at 100.000 TDKK.

There has been no change to the contributed capital in the last 5 years.

DKK'000	2021	2020
<b>16 Deferred tax</b>		
Deferred tax at 1 January	1.348	2.519
Deferred tax adjustment for the year	1.661	-1.171
<b>Deferred tax at 31 December</b>	<b>3.009</b>	<b>1.348</b>

The deferred tax charge relates to:

Fixed assets	474	388
Property, tools and equipment	224	114
Current assets	5.365	5.165
Provisions	-3.054	-4.319
	<b>3.009</b>	<b>1.348</b>

#### 17 Other provisions

Warranty provisions	10.169	11.330
Provision for loss-making orders	3.545	1.766
Other provisions*	11.618	21.291
	<b>25.332</b>	<b>34.387</b>

\* Other provisions include work-due provisions, refurbishment provisions etc.

Other provisions at 1 January	34.387	34.292
Used during the year	-17.221	-19.893
Provision for the year	8.166	19.988
<b>Other provisions at 31 December</b>	<b>25.332</b>	<b>34.387</b>

Other provisions are expected to mature within:

0-1 year	11.858	20.428
1-5 years	9.521	10.564
> 5 years	3.953	3.395
	<b>25.332</b>	<b>34.387</b>

#### 18 Non-current liabilities other than provisions

Non-current liabilities other than provisions can be specified as follows:

Vacancy provisions:		
0-1 year	687	854
1-5 years	2.114	2.791
> 5 years	0	0
<b>Total non-current liabilities other than provisions</b>	<b>2.801</b>	<b>3.645</b>



## Financial statements 1 January – 31 December

### Notes

#### 19 Contractual obligations and contingencies, etc.

##### Contingent liabilities

ABB A/S is party to a few pending legal actions. In Management's opinion, the outcome of these legal actions will not affect the Company's financial position apart from what has already been recognised in the financial statements.

ABB A/S is jointly taxed with other Danish group companies. As a group company, the company has unlimited and joint liability with other group companies for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit.

DKK'000	2021	2020
<b>Operating lease liabilities</b>		
Obligations under operating leases concerning cars, computer hardware, operating equipment and leasehold.		
The total payments in the remaining term of the leases are:		
Continuing operations	115.174	48.315
Discontinuing operations	772	468
<b>Total operating lease liabilities</b>	<b>115.946</b>	<b>48.783</b>
Of which falls due for payment after 5 years:		
Continuing operations	51.454	0
Discontinuing operations	0	0

#### 20 Related party disclosures

ABB A/S' related parties comprise the following:

##### Parties exercising control

ABB Norden Holding AB, Västerås, Sweden

ABB Norden Holding AB holds 100 % of the contributed capital in the Company.

ABB A/S is part of the consolidated financial statements of ABB Ltd, Affolternstrasse 44, CH-8050 Zürich, Switzerland, which is both the smallest and largest group, which prepares consolidated financial statements, in which ABB A/S is included as a subsidiary.

The consolidated financial statements of ABB Ltd can be obtained by contacting the company at the above address.

DKK'000	2021	2020
<b>Related party transactions</b>		
Sale of goods and services to group companies	63.515	39.924
Purchase of goods and services from group companies	1.127.885	1.104.751
Dividend paid out to parent entity	30.000	110.000

Interest expenses to group companies are disclosed in note 6 to the financial statements. Payables and receivables to/from group companies are disclosed in the balance sheet.

No remuneration has been paid to the Board of Directors. By reference to section 98b(3), (ii) of the Danish Financial Statement Act, remuneration to management is not disclosed.

Besides distribution of dividend, no other transactions were carried through with the shareholder in the year.