
ABB A/S

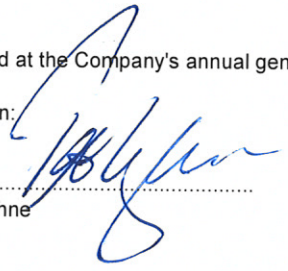
Meterbuen 33, DK-2740 Skovlunde

CVR no. 31 37 17 16

Annual report 2022

Approved at the Company's annual general meeting on 16 May 2023.

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 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

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.

Middelfart, 16 May 2023

Executive Board:

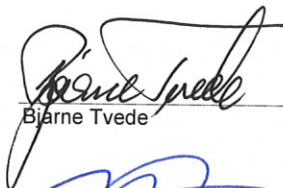


Tina Balslev Frederiksen
CEO

Board of Directors:



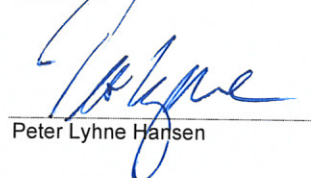
Pekka Tapio Tiftinen
Chairman



Bjarne Tvede



Christian Buhl Krøis



Peter Lyhne Hansen



Tina Balslev Frederiksen

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 2022 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 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 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 2023

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220



Niklas R. Filipsen
State Authorised
Public Accountant
mne47781

Management's review

Financial highlights

In DKK millions	2022*	2021*	2020*	2019**	2018**
Key figures					
Revenue	1.913	1.656	1.548	1.758	1.765
Gross profit	389	347	334	378	370
Operating profit	64	61	43	71	76
Profit from financial income and expenses	-7	-2	-4	0	-3
Profit for the year	44	47	28	53	57
Balance sheet					
Total assets	727	580	553	647	613
Current assets	697	560	537	630	596
Investment in property, tools and equipment	13	1	2	2	2
Equity	220	205	187	267	218
Non-current liabilities	40	30	39	50	40
Current liabilities	467	348	329	330	357
Financial ratios					
Gross margin	20,3%	21,0%	21,6%	21,5%	21,0%
Operating margin	3,3%	3,7%	2,8%	4,0%	4,3%
Current ratio	149	161	163	191	167
Solvency ratio	30,3%	35,3%	33,8%	41,3%	35,6%
Return on equity	20,7%	24,0%	12,3%	21,9%	27,0%
Employees					
Average number of full-time employees	370	364	372	393	406

* Financial highlights for 2020-2022 reflect continuing operations only. Discontinuing operations in 2020-2022 encompasses ABB's Turbocharging division which was divested in January 2022.

** Financial highlights for 2018-2019 reflect continuing operations only. Discontinuing operations in 2018-2019 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 technology leader in electrification and automation, enabling a more sustainable and resource-efficient future. The company's solutions connect engineering know-how and software to optimize how things are manufactured, moved, powered and operated. Building on more than 130 years of excellence, ABB's approximately 105,000 employees are committed to driving innovations that accelerate industrial transformation.

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 2022 ABB A/S had an average of 370 employees.

Development in activities and financial position

In 2022, 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 2022 increased in comparison to last year, and the result indicates a strong market position in a growing industry. The Company's income statement for 2022 shows a net profit of TDKK 62.117 and the balance sheet by 31 December 2022 shows an equity of TDKK 219.954. The result for the year is not in line with the outlook expectations as projected in the Management's review in the annual report for 2021, however is still considered satisfactory on the basis of circumstances listed above.

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 2022 financial statements. The divestment of ABB A/S's Turbocharging business was completed in Q1 of 2022.

Uncertainties regarding recognition and measurement

The annual report for ABB A/S for 2022 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/2022/>

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/2022/>.

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

As of 31 December 2022, the board of directors consisted of four members, of which all four were male. The previous target set out in 2021 to increase the board with one woman within one year has been achieved as of 1 January 2023 where ABB A/S has appointed one additional board member making the board composition 80% male and 20% female. We continue to 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 12% female managers by year-end. The representation was 14% 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://global.abb/group/en/investors/annual-reporting-suite>.

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 among others the ongoing war in Ukraine. Revenue is expected to be 5-10% higher in 2023 compared to 2022. The profit for the year 2023 is expected to be 20-30 MDKK higher than 2022.

Financial statements 1 January – 31 December

Income statement

Note	DKK'000	2022	2021
2	Revenue	1.912.901	1.655.681
	Changes in inventories of finished goods, work in progress and goods for resale	29.096	-1.140
	Other operating income	8.244	6.605
	Raw materials, consumables and goods for resale	-1.386.375	-1.174.217
3	Other external expenses	-175.260	-139.847
	Gross profit	388.606	347.082
4	Staff costs	-322.089	-284.054
5	Amortisation and depreciation	-2.229	-2.386
	Operating profit	64.288	60.642
	Financial income	194	178
6	Financial expenses	-7.251	-2.380
	Profit before tax	57.231	58.440
7	Tax for the year	-12.756	-11.522
	Profit for the year after tax from continuing operations	44.475	46.918
8	Profit for the year after tax from discontinuing operations	17.642	852
9	Profit for the year	62.117	47.770

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
10	Property, tools and equipment		
	Leasehold improvements	891	1.222
	Tools and machinery	3.323	4.465
	Fixtures and fittings, tools and equipment	2.269	2.249
	Property, plant and equipment under construction	11.680	0
		<u>18.163</u>	<u>7.936</u>
11	Financial assets		
	Deposits	12.007	11.853
		<u>12.007</u>	<u>11.853</u>
	Total fixed assets	<u>30.170</u>	<u>19.789</u>
	Current assets		
	Inventories		
	Raw materials and consumables	5.619	6.211
	Work in progress	60.048	45.928
	Finished goods and goods for resale	31.673	16.697
	Prepayments for goods	9.522	16.462
		<u>106.862</u>	<u>85.298</u>
	Receivables		
	Trade receivables	478.508	402.471
12	Construction contracts	90.072	40.263
	Receivables from group enterprises	7.319	7.912
	Income taxes	0	455
	Other receivables	1.528	3.116
13	Prepayments	2.997	4.149
		<u>580.424</u>	<u>458.366</u>
	Cash	<u>9.930</u>	<u>16.621</u>
	Total current assets	<u>697.216</u>	<u>560.285</u>
8	Total assets relating to discontinuing operations	<u>0</u>	<u>10.998</u>
	TOTAL ASSETS	<u><u>727.386</u></u>	<u><u>591.072</u></u>

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	100.000	100.000
	Retained earnings	55.954	57.837
	Proposed dividend for the year	64.000	47.000
	Total equity	219.954	204.837
	Provisions		
14	Deferred tax	1.475	3.009
15	Other provisions	38.882	25.332
	Total provisions	40.357	28.341
	Liabilities other than provisions		
16	Non-current liabilities other than provisions		
	Other liabilities	0	2.114
		0	2.114
	Current liabilities other than provisions		
16	Current portion of non-current liabilities other than provisions	0	687
12	Construction contracts	16.988	22.574
	Prepayments received from customers	24.077	10.756
	Trade payables	70.224	56.970
	Payables to group enterprises	241.639	168.025
	Income tax	504	0
	Other payables	113.643	88.808
		467.075	347.820
	Total liabilities other than provisions	467.075	349.934
8	Total liabilities relating to discontinuing operations	0	7.960
	TOTAL EQUITY AND LIABILITIES	727.386	591.072

- 1 Accounting policies
- 17 Contractual obligations and contingencies, etc.
- 18 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
	Equity at 1 January 2022	100.000	57.837	47.000	204.837
	Dividend distribution	0	0	-47.000	-47.000
9	Transferred over the profit appropriation	0	-1.883	64.000	62.117
	Equity at 31 December 2022	<u>100.000</u>	<u>55.954</u>	<u>64.000</u>	<u>219.954</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of ABB A/S for 2022 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.

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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.

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DKK'000	2022	2021
2 Geographical segment information		
Revenue		
National	1.643.558	1.420.125
International	269.343	235.556
	<u>1.912.901</u>	<u>1.655.681</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	2022	2021
3 Other external expenses		
Fees to auditor appointed at the general meeting		
Total fees:		
KPMG	808	729
	<u>808</u>	<u>729</u>
Specification of fees:		
Audit	779	676
Non-audit services	29	53
	<u>808</u>	<u>729</u>
4 Staff costs		
Wages and salaries	281.386	251.730
Pensions	21.010	19.786
Other social security costs	3.375	3.169
Other staff costs	16.318	9.369
	<u>322.089</u>	<u>284.054</u>
Average number of full-time employees	<u>370</u>	<u>364</u>

No fee has been paid to the Board of Directors for their roles as members of 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	2022	2021
5 Amortisation and depreciation		
Intangible assets	0	112
Property, tools and equipment	2.229	2.274
	<u>2.229</u>	<u>2.386</u>

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DKK'000	2022	2021
6 Financial expenses		
Interest expenses, group enterprises	4.833	766
Other interest expenses	2.418	1.614
	<u>7.251</u>	<u>2.380</u>
7 Tax for the year		
Current tax for the year	14.678	11.596
Adjustment of the deferred tax charge for the year	-1.534	1.661
Prior-year adjustments	-388	-1.735
	<u>12.756</u>	<u>11.522</u>

8 Discontinuing operations

Starting in 2021, ABB has reported 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 took place on 1 February 2022. The transfer of assets and liabilities was carried out at market value, and the profit related to sale of goodwill, of TDKK 20.262, has been registered as gains on the sale of business in the discontinuing operations in 2022. The sale of the business was to an ABB owned entity and hence the transaction is considered a related party transaction.

DKK'000	2022*	2021
Income statement for discontinuing operations		
Revenue	13.433	28.003
Changes in inventories of finished goods, work in progress and goods for resale	1.500	808
Gains on the sale of business	20.262	0
Raw materials, consumables and goods for resale	-11.575	-19.682
Other external expenses	-419	-2.283
Gross profit	<u>23.201</u>	<u>6.846</u>
Staff costs	-578	-5.639
Depreciation	-5	-115
Profit before tax	<u>22.618</u>	<u>1.092</u>
Tax for the year	-4.976	-240
Profit for the year from discontinuing operations	<u>17.642</u>	<u>852</u>

* 1 January - 31 January

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DKK'000	2022	2021
8 Discontinuing operations (continued)		
Balance Sheet for discontinuing operations		
Fixed assets	0	172
Inventories	0	2.127
Trade receivables	0	6.970
Construction contracts	0	1.225
Receivables from group enterprises	0	504
Total assets for discontinuing operations	0	10.998
Other provisions	0	205
Trade payables	0	190
Payables to group enterprises	0	6.498
Income taxes	0	240
Other payables	0	827
Total liabilities for discontinuing operations	0	7.960
9 Proposed profit appropriation		
Dividend proposed for the year	64.000	47.000
Transferred to retained earnings under equity	-1.883	770
	62.117	47.770

10 Property, tools and equipment

DKK'000	Leasehold improve- ments	Tools and machinery	Fixtures and fittings, tools and equipment	Property, tools and equipment under construction	Total
Cost at 1 January 2022	12.121	26.788	13.648	0	52.557
Additions	0	0	0	12.706	12.706
Transferred	0	114	912	-1.026	0
Disposals	-425	-5.717	-2.068	0	-8.210
Cost at 31 December 2022	11.696	21.185	12.492	11.680	57.053
Depreciation and impairment losses at 1 January 2022	-10.899	-22.323	-11.399	0	-44.621
Depreciation	-267	-1.086	-876	0	-2.229
Disposals	361	5.547	2.052	0	7.960
Depreciation and impairment losses at 31 December 2022	-10.805	-17.862	-10.223	0	-38.890
Carrying amount at 31 December 2022	891	3.323	2.269	11.680	18.163

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11 Financial assets

DKK'000	<u>Deposits</u>
Cost at 1 January 2022	11.853
Additions	154
Cost at 31 December 2022	<u>12.007</u>
Carrying amount at 31 December 2022	<u>12.007</u>

DKK'000	<u>2022</u>	<u>2021</u>
12 Construction contracts		
Selling price of work performed	270.985	136.569
Advance payment and progress billings	-197.901	-118.880
	<u>73.084</u>	<u>17.689</u>

recognised as follows:

Construction contracts (assets)	90.072	40.263
Construction contracts (liabilities)	-16.988	-22.574
	<u>73.084</u>	<u>17.689</u>

13 Prepayments

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

14 Deferred tax

Deferred tax at 1 January	3.009	1.348
Deferred tax adjustment for the year	-1.534	1.661
Deferred tax at 31 December	<u>1.475</u>	<u>3.009</u>

The deferred tax charge relates to:

Fixed assets	318	474
Property, tools and equipment	378	224
Current assets	8.023	5.365
Provisions	-7.244	-3.054
	<u>1.475</u>	<u>3.009</u>

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DKK'000

	2022	2021
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15 Other provisions

Warranty provisions	12.882	10.169
Provision for loss-making orders	7.311	3.545
Other provisions*	18.689	11.618
	38.882	25.332

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

Other provisions at 1 January	25.332	34.387
Used during the year	-13.731	-17.221
Provision for the year	27.281	8.166
Other provisions at 31 December	38.882	25.332

Other provisions are expected to mature within:

0-1 year	26.984	11.858
1-5 years	11.898	9.521
> 5 years	0	3.953
	38.882	25.332

16 Non-current liabilities other than provisions

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

Vacancy provisions:		
0-1 year	0	687
1-5 years	0	2.114
Total non-current liabilities other than provisions	0	2.801

17 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.'

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17 Contractual obligations and contingencies, etc. (continued)

DKK'000	<u>2022</u>	<u>2021</u>
Operating lease liabilities		
The total payments in the remaining term of the leases are:		
Leasehold	83.718	99.676
Cars	<u>12.439</u>	<u>16.270</u>
Total operating lease liabilities	<u><u>96.157</u></u>	<u><u>115.946</u></u>
Which is attributed to:		
Continuing operations	96.157	115.174
Discontinuing operations	<u>0</u>	<u>772</u>
	<u><u>96.157</u></u>	<u><u>115.946</u></u>
Of which falls due for payment after 5 years:		
Continuing operations	<u>45.897</u>	<u>51.454</u>

18 Related party disclosures

ABB A/S' related parties comprise the following:

Parties exercising control

ABB Asea Brown Boveri Ltd., Affolternstrasse 44, CH-8050 Zürich, Switzerland.

ABB Asea Brown Boveri Ltd. 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	<u>2022</u>
Related party transactions	
Sale of goods and services to group companies	39.877
Purchase of goods and services from group companies	1.334.288
Dividend paid out to parent entity	47.000

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. Profit from the sale of business to group enterprise is disclosed in note 8, Discontinuing operations.

No remuneration has been paid to the Board of Directors for their roles as members of 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 out with the shareholder during the year.