

# Schneider Electric Danmark A/S

Lautrupvang 1  
2750 Ballerup

CVR no. 70 69 87 14

## **Annual report 2017**

The annual report was presented and approved at the  
Company's annual general meeting on

28 May 2018

  
\_\_\_\_\_  
chairman

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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Schneider Electric Danmark A/S for the financial year 1 January – 31 December 2017.

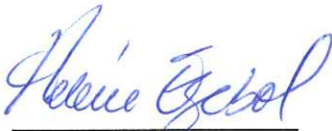
The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company operations for the financial year 1 January – 31 December 2017.

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.

Ballerup 28 May 2018  
Executive Board:



Helene Anna Rasmusson  
Egebøl  
CEO

Board of Directors:




Niels Holst Svenningsen  
Chairman



Pia Gardø Riise



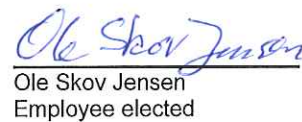
Hanne Taarup Jensen



Jonas Anders Christian  
Gillsander



Ole Kjær Larsen  
Employee elected



Ole Skov Jensen  
Employee elected

# Independent auditor's report

## To the shareholders of Schneider Electric Denmark A/S

### Opinion

We have audited the financial statements of Schneider Electric Denmark A/S for the financial year 1 January – 31 December 2017 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 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. 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 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.

## Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the 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.

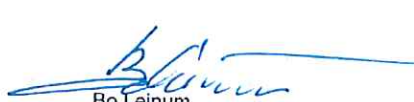
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially 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 Statements Act. We did not identify any material misstatement of the Management's review.

Ballerup 28 May 2018  
Ernst & Young  
Godkendt revisionspartnerselskab  
CVR no. 30 70 02 28

Jan C. Olsen  
State Authorised  
Public Accountant  
MNE no. 33717

  
Bo Leinum  
State Authorised  
Public Accountant  
MNE no. 10087

**Schneider Electric Danmark A/S**  
Annual report 2017  
CVR no. 70 69 87 14

## **Management's review**

### **Company details**

Schneider Electric Danmark A/S  
Lautrupvang 1  
2750 Ballerup

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

### **Board of Directors**

Niels Holst Svenningsen, Chairman  
Pia Gardø Riise  
Hanne Taarup Jensen  
Jonas Anders Christian Gillsander  
Ole Kjær Larsen, Employee elected  
Ole Skov Jensen, Employee elected

### **Executive Board**

Helene Anna Rasmusson Egebøl, CEO

### **Auditor**

Ernst & Young  
Godkendt revisionspartnerselskab  
Osvold Helmuths Vej 4  
2000 Frederiksberg

### **Annual general meeting**

The annual general meeting will be held on 28 May 2018.

## Management's review

### Financial highlights

DKK'000	2017	2016	2015	2014	2013
<b>Key figures</b>					
Revenue	2,138,315	2,029,508	1,893,791	1,717,932	1,735,292
Operating profit	321,538	238,101	209,275	149,285	214,519
Net financials	41	-1,361	-1,027	-400	-719
Profit/loss for the year	251,801	183,302	159,967	112,899	161,066
<b>Total assets</b>					
Equity	925,326	774,085	731,022	662,994	727,462
Investment in property, plant and equipment	365,198	295,302	271,967	224,899	316,362
	-11,202	-42,068	-93,281	-27,715	-18,437
<b>Ratios</b>					
Operating margin	15.0%	11.7%	11.1%	8.7%	12.4%
Return on equity	81.0%	64.6%	64.4%	41.7%	47.8%
Solvency ratio	39.5%	38.1%	37.2%	33.9%	43.5%
Return on assets	39.7%	32.4%	30.0%	21.5%	29.1%
<b>Average number of full-time employees</b>					
	724	783	806	830	807

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

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

## Management's review

### Operating review

#### Principal activities

Schneider Electric is the global specialist in energy management and automation. We help our customers achieve more with less resources in a more connected, distributed and smart world and where the need for energy will continue to increase. Schneider Electric provides innovative technologies, solutions and services for its customers to achieve the most efficient and sustainable use of their resources, assets, processes and infrastructures.

At Schneider Electric, our mission is to serve our customers by developing innovative products and solutions that simplify the lives of those who use them. We bring together our expertise and solutions to drive new possibilities for efficiency and savings.

Schneider Electric is a global frontrunner in green energy solutions and operates within the market areas industry, energy and infrastructure, data centers, industrial construction as well as housing, both commercial and residential, with a broad supply of solutions and products to energy optimization. Schneider Electric is involved in every part of the value chain from the production of energy at power plants or wind turbines to the distribution and transportation through the electricity network before the final consumption in factories, office buildings or houses.

Our intent is to make sure that Life is On for everyone, everywhere and at every moment with our technology. We ensure that energy is on for our customers and that it is:

safe: protecting people and assets;  
reliable: guaranteeing ultra-secure, ultra-pure and uninterrupted power especially for critical applications;  
efficient: delivering solutions adapted to the specific needs of each market that simplify customers' life and improve their efficiency and productivity;  
sustainable: helping customers build a sustainable future by using less of their resources and minimizing the impact on the environment; and  
connected: leveraging new opportunities with the convergence of Operational Technology (OT) and Information Technology (IT).

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

The company has approximately 720 employees and is among others responsible for the Lauritz Knudsen brand, which is the oldest supplier of electrical materials to the Danish market. The manufacturing of the Lauritz Knudsen products is primarily taking place in Schneider Electric's highly automated and energy efficient factory in Ringsted, which also manufactures products to the European and Asian markets. Schneider Electric Danmark A/S is owned by Schneider Electric Industries S.A. (France), which is the ultimate parent company in the Group.



## Management's review

### Operating review

#### Development in activities and financial position

A commercial focus and dedicated investments in our targeted end-user markets, Energy, Industry and Datacenters, continue to bring a significant growth on these businesses.

The Company's gross profit has increased by MDKK 89,2 due to higher revenue.

The Company's ordinary operating profit has increased by MDKK 85,1 mainly due to higher revenue.

iEffective as of 1 January 2017, Pro-Face Northern Europe ApS was merged into Schneider Electric Danmark A/S. The comparison figures have not been adjusted.

The Company has made provision for current legal claim and final judgement estimated to November 2018.

Special items are recognised in the income statement as administrative expenses with DKK 15,945 thousand (2016: DKK 28,667 thousand). Special items comprise significant expenses of a special nature relative to the revenue generating operating activities such as costs of restructuring of processes and basic structural adjustments.

#### Corporate social responsibility

The company is following the parent company guidelines for CSR and the company do not have any independent politics in Denmark for social responsibilities including climate impact, environment and human rights.

In accordance with the Danish Financial Statements Act section 99(a), we refer to our parent company's Sustainable Development Annual Report for a description of the company's engagement in corporate social responsibility, including environment, human rights and climate impacts.  
See link: <https://www.schneider-electric.com/en/about-us/sustainability/>

## Management's review

### Operating review

#### Gender composition

In line with Danish Financial Statements Act section 99(b), we meet the requirement of Board gender composition, as Board consists of 6 members, of whom two are women. Hanne Taarup, our HR director has been appointed as Board Member in 2014 and Pia Riise, CFO Northern Europe as Board Member in February 2018.

Helene Egebøl, Managing director for Schneider Electric Denmark, is supporting the WEP (Woman Empowerment Principles) while the United Nations Women and Global Compact has conferred Jean Pascal Tricoire, the Group CEO, the 2015 CEO Leadership Award in recognition of his demonstrated commitment to and implementation of policies that advance and empower women in the workplace, marketplace and community.

At Management level the country MD has set a goal to ensure more women in the management team level. Target for 2017 is set to 40%, by the end of 2017 we had 4 women out of 10 in the Management team equal to 40%.

In addition, we continue to focus on our 2 major initiatives – one is to ensure female candidates in all recruitments. Currently we are at 29,7% female out of the total workforce and target is to have a more balanced split. Therefore, we set a target of 40% for new hires to be women. In 2016 we reached 33% and in 2017 we reached 36,8% and we are continuing to follow the plan to drive towards the 40% target. Secondly we continued the work in the Diversity & Inclusion Think Tank and with our MD being a woman, we aim to be even more ambitious in our efforts to become a diverse and inclusive company in the future. Diversity is not only a matter of gender, however also about nationalities, age and education. Today we have more than 30 nationalities employed in Schneider Electric in Denmark.

In addition we joined GoGetty in 2017, <https://www.gogetty.co/pages/about> – a start-up company/platform. GoGetty is the only employer branding and diversity platform that makes diversity numbers and inclusion strategies measurable and transparent. Their goal is to bring innovative companies and diverse talents together.

We are also proud to have been in Børsen 30 November 2017, which has created a lot of awareness for Schneider Electric Denmark.  
<http://borsen.dk/nyheder/executive/artikel/11/185784/artikel.html>

#### Intellectual capital

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

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

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

## Management's review

### Operating review

#### *Profit for the year compared to previously stated expectations*

In line with our expectations the profit for the year has grown by 3,3 pt compared to last year, due to higher revenue while our costs are kept under control and have not increased by the same level.

#### Outlook

We will continue our previous successful growth plan and have in 2017 updated the growth plan for the following 3 years: 2018-2020. In 2018 we expect to invest in selected growth areas, like in our industry business and selected strategic customer segments, like Healthcare sector and the Wind industry. We expect to continue our development with a yearly revenue growth of 3-5% and a profit before tax between 10-15%.

#### Post balance sheet events

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

## Financial statements 1 January – 31 December

### Income statement

DKK'000	Note	2017	2016
<b>Revenue</b>	2	2,138,315	2,029,508
Production costs	3	<u>-1,396,885</u>	<u>-1,377,244</u>
<b>Gross profit</b>		741,430	652,264
Distribution costs	3	-214,341	-212,719
Administrative expenses	3, 4	-205,435	-195,723
Research and development costs		<u>0</u>	<u>-7,223</u>
<b>Ordinary operating profit</b>		321,654	236,599
Other operating income		197	1,561
Other operating costs		<u>-313</u>	<u>-59</u>
<b>Operating profit</b>		321,538	238,101
Financial income	5	2,127	1,223
Financial expenses	6	<u>-2,086</u>	<u>-2,584</u>
<b>Profit before tax</b>		321,579	236,740
Tax on profit/loss for the year	7	<u>-69,778</u>	<u>-53,438</u>
<b>Profit for the year</b>	8	<u><u>251,801</u></u>	<u><u>183,302</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>	9		
Goodwill		3,144	4,401
Software		<u>1,383</u>	<u>2,129</u>
		<u>4,527</u>	<u>6,530</u>
<b>Property, plant and equipment</b>	10		
Land and buildings		57,743	64,161
Plant and machinery		87,643	64,410
Fixtures and fittings, tools and equipment		14,295	15,294
Property, plant and equipment under construction		<u>4,377</u>	<u>43,664</u>
		<u>164,058</u>	<u>187,529</u>
<b>Investments</b>	11		
Other securities and equity investments		<u>3,383</u>	<u>3,383</u>
		<u>3,383</u>	<u>3,383</u>
<b>Total fixed assets</b>		<u>171,968</u>	<u>197,442</u>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables		18,718	20,744
Work in progress		5,651	7,587
Finished goods and goods for resale		<u>45,163</u>	<u>58,388</u>
		<u>69,532</u>	<u>86,719</u>
<b>Receivables</b>			
Trade receivables		291,591	248,139
Receivables from group entities		318,187	142,775
Work in progress for third parties	12	39,818	38,745
Other receivables		25,207	30,200
Income taxes receivables		0	14,579
Prepayments		<u>2,410</u>	<u>1,072</u>
		<u>677,213</u>	<u>475,510</u>
<b>Cash at bank and in hand</b>		<u>6,613</u>	<u>14,414</u>
<b>Total current assets</b>		<u>753,358</u>	<u>576,643</u>
<b>TOTAL ASSETS</b>		<u><u>925,326</u></u>	<u><u>774,085</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	13	112,000	112,000
Dividend proposed for the year		251,801	183,302
Retained earnings		1,397	0
<b>Total equity</b>		<u>365,198</u>	<u>295,302</u>
<b>Provisions</b>			
Provisions for deferred tax	14	6,349	14,515
Other provisions		17,333	28,214
<b>Total provisions</b>		<u>23,682</u>	<u>42,729</u>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Prepayments on work in progress	12	59,386	44,429
Trade payables		40,993	32,799
Payables to group entities		158,151	89,449
Corporation tax		24,728	0
Other payables		217,956	231,502
Deferred income	14	35,232	37,875
		<u>536,446</u>	<u>436,054</u>
<b>Total liabilities other than provisions</b>		<u>536,446</u>	<u>436,054</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>925,326</u></u>	<u><u>774,085</u></u>

## Financial statements 1 January – 31 December

### Statement of changes in equity

	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2016	112,000	0	159,967	271,967
Distributed dividends	0	0	-159,967	-159,967
Profit/loss for the year	0	0	183,302	183,302
Equity at 1 January 2017	112,000	0	183,302	295,302
Net effect from merger and acquisition	0	1,397	0	1,397
Distributed dividends	0	0	-183,302	-183,302
Transferred over the profit appropriation	0	0	251,801	251,801
<b>Equity at 31 December 2017</b>	<b>112,000</b>	<b>1,397</b>	<b>251,801</b>	<b>365,198</b>

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Schneider Electric Danmark A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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

#### Omission of cash flow statement

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

#### Intra-group business combinations

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

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are 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 the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### Income statement

#### Revenue

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

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

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



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

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

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

#### Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of fixed assets.

#### Production costs

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

Provisions for losses on construction contracts are recognised in production costs.

#### Distribution costs

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

#### Administrative expenses

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

#### Development costs

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

#### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance payment of tax scheme, etc.

#### Tax

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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

The parent and all Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income (full allocation method). The parent acts as a management company for all the entities encompassed by the joint taxation arrangement and is thus responsible for ensuring that tax charges, etc. are paid to the Danish tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax charge is allocated between the jointly taxed enterprises in proportion to their taxable income. Enterprises with tax losses receive joint taxation contributions from enterprises that have been able to use the tax losses to reduce their own taxable income.

### Balance sheet

#### Intangible assets

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

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

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

An initial recognition, intangible assets are measured at cost.

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

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

Development costs not satisfying the above criteria are expensed in the income statement as incurred.

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

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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

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

#### Property, plant and equipment

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

The amortisation periods are:

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

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

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

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

#### Other securities and investments

Other securities and investments are measured at cost.

#### Impairment of non-current assets

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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Inventories

Inventories are measured at cost in accordance with the standard cost method with ongoing adjustments, if necessary. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

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

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

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

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

##### Receivables

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

##### Work in progress for third parties

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

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

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

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

##### Prepayments

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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Cash at hand and in bank

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

##### Equity

###### *Proposed dividends*

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

##### Provisions

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

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

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

Provisions are measured at net realisable value.

##### Corporation tax

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

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

Deferred tax is measured according to the taxation rules and taxation rate applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

##### Other payables

Other payables are measured at net realisable value.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Deferred income

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

##### Segment information

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

DKK'000	<u>2017</u>	<u>2016</u>
<b>2 Revenue</b>		
<b>Business segmentation of revenue:</b>		
Sale of goods	1,599,980	1,501,365
Sale of projects	<u>538,335</u>	<u>528,143</u>
	<u>2,138,315</u>	<u>2,029,508</u>
<b>Geographical segmentation of revenue</b>		
Denmark	1,843,557	1,740,477
International markets	<u>294,758</u>	<u>289,031</u>
	<u>2,138,315</u>	<u>2,029,508</u>
<b>3 Staff costs</b>		
Wages and salaries	475,218	478,305
Pensions	34,315	38,613
Other social and security costs	<u>12,393</u>	<u>15,592</u>
	<u>521,926</u>	<u>532,510</u>
Average number of full-time employees	724	783

By reference to section 98b(3),(ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

No remuneration to Board of Directors has been paid in 2017 and 2016.

## Financial statements 1 January – 31 December

### Notes

#### 4 Special items

Special items comprise significant expenses of a special nature relative to the revenue generating operating activities such as costs of restructuring of processes and basic structural adjustments.

As disclosed in the Management's review, the profit for the year is affected by restructuring costs that in the opinion of the Board of Directors do not form part of the operating activities.

Special items are recognised in the income statement as administrative expenses with DKK 15,945 thousand (2016: DKK 28,667 thousand).

DKK'000	<u>2017</u>	<u>2016</u>
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#### 5 Financial income

Interest receivable, group entities	-3	3
Other financial income	868	102
Exchange gain	<u>1,262</u>	<u>1,118</u>
	<u>2,127</u>	<u>1,223</u>

#### 6 Financial expenses

Interest expense to group entities	0	11
Other financial costs	204	156
Exchange losses	<u>1,882</u>	<u>2,417</u>
	<u>2,086</u>	<u>2,584</u>

#### 7 Tax on profit/loss for the year

Current tax for the year	79,437	51,822
Deferred tax for the year	-8,155	1,616
Adjustment of tax concerning previous years	<u>-1,504</u>	<u>0</u>
	<u>69,778</u>	<u>53,438</u>

#### 8 Proposed profit appropriation

Proposed dividends for the year	251,801	183,302
Retained earnings	<u>0</u>	<u>0</u>
	<u>251,801</u>	<u>183,302</u>

## Financial statements 1 January – 31 December

### Notes

#### 9 Intangible assets

DKK'000	Goodwill	Software	Total
Cost at 1 January 2017	6,287	6,560	12,847
Transfers for the year	0	478	478
Cost at 31 December 2017	6,287	7,038	13,325
Amortisation and impairment losses at 1 January 2017	-1,886	-4,431	-6,317
Amortisation for the year	-1,257	-1,224	-2,481
Amortisation and impairment losses at 31 December 2017	-3,143	-5,655	-8,798
<b>Carrying amount at 31 December 2017</b>	<b>3,144</b>	<b>1,383</b>	<b>4,527</b>

#### 10 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2017	159,732	567,076	62,131	43,664	832,603
Additions for the year	0	0	0	11,202	11,202
Disposals for the year	0	-1,237	-4,846	-2	-6,085
Transfers for the year	1,278	45,909	2,822	-50,487	-478
Cost at 31 December 2017	161,010	611,748	60,107	4,377	837,242
Depreciation and impairment losses at 1 January 2017	-95,571	-502,666	-46,837	0	-645,074
Depreciation for the year	-7,696	-22,676	-3,505	0	-33,877
Reversed depreciation and impairment losses on assets sold	0	1,237	4,530	0	5,767
Depreciation and impairment losses at 31 December 2017	-103,267	-524,105	-45,812	0	-673,184
<b>Carrying amount at 31 December 2017</b>	<b>57,743</b>	<b>87,643</b>	<b>14,295</b>	<b>4,377</b>	<b>164,058</b>



## Financial statements 1 January – 31 December

### Notes

#### 11 Investments

DKK'000	Other securities and equity investments
Cost at 1 January 2017	<u>3,383</u>
Cost at 31 December 2017	<u>3,383</u>
<b>Carrying amount at 31 December 2017</b>	<b><u><u>3,383</u></u></b>

Other investments in limited partnerships or partnerships	<u>Legal form</u>	<u>Domicile</u>
Schneider India	Limited	India
Nordfyns Erhvervsselskab	A/S	Denmark

#### 12 Work in progress for third parties

DKK'000	<u>2017</u>	<u>2016</u>
On-account invoicing, work in progress	<u>-19,568</u>	<u>-5,685</u>
	<u>-19,568</u>	<u>-5,685</u>
<b>recognised as follows:</b>		
Work in progress for third parties (assets)	39,818	38,744
Work in progress for third parties (liabilities)	<u>-59,386</u>	<u>-44,429</u>
	<u>-19,568</u>	<u>-5,685</u>

Selling price of contract work in progress totals DKK 503,185 thousand (2016 DKK 428,610 thousand) and invoicing on account total DKK 522,753 thousand (2016 DKK 434,295 thousand).

#### 13 Share capital

The share capital consists of 5 shares of a nominal value of DKK 22,400,000 each. Totalling DKK 112,000 thousand. All shares rank equally.

## Financial statements 1 January – 31 December

### Notes

#### 14 Provisions

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

Other provisions comprise provisions for warranty commitments, totalling DKK 16,703 thousand (2016 DKK 22,465 thousand) and restructuring provisions of DKK 630 thousand (2016 DKK 5,649 thousand). Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods. The restructuring provision will be paid out in the coming financial year.

DKK'000	<u>2017</u>	<u>2016</u>
<b>Deferred tax</b>		
Deferred tax at 1 January	14,515	12,899
Change in the year	-8,155	1,616
Change in the year due to merger	<u>-11</u>	<u>0</u>
Deferred tax at 31 December	<u><u>6,349</u></u>	<u><u>14,515</u></u>

#### 15 Deferred income

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

#### 16 Collateral

The Company has not pledge any assets or other as security for loans at 31 December 2017.

#### 17 Contractual obligations, contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, Schneider Nordic Baltic A/S, which acts as management company, and is jointly and severally with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

The company is currently involved in a transfer pricing dispute with the Danish Tax Authorities regarding income year 2011-2016. Management assess that the company is compliant with current legislation. The final outcome of the dispute is related to uncertainties.

The Company is currently involved in an ongoing lawsuit. The case is expected to be finalized by the High Court in Q4 2018. The expected outcome is recognized in the financial statements.

DKK'000	<u>2017</u>	<u>2016</u>
Rent and lease liabilities	166,896	177,870

The Company have issued performance bonds for DKK 106,3 million (2016 DKK 120,6 million). The company have issued other guarantees amounting to DKK 16,4 million (2016 DKK 11,3 million).

## Financial statements 1 January – 31 December

### Notes

#### 18 Related party disclosures

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

##### Parties exercising control

Related party:

Schneider Nordic Baltic A/S

Domicile:

Lautrupvang 1A, Ballerup

Basis for control:

Share capital

##### Information about consolidated financial statements

Parent:

Schneider Electric Industries SAS

Domicile:

France

Requisitioning of the parent's consolidated financial statements

<https://www.schneider-electric.com/en/about-us/investor-relations/>

##### Related party transactions

DKK'000	2017	2016
<b>Related party transactions</b>		
Sales of goods	276,744	257,625
Purchase of goods	679,211	524,740
Sales of services	121,153	129,419
Purchase of services	136,121	149,366
Net financial items	0	-8
Receivables from group entities	67,591	60,293
Liabilities to group entities	132,778	75,877

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## Financial statements 1 January – 31 December

### Notes

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

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