

Schneider Electric Danmark A/S

Lautrupvang 1
2750 Ballerup

CVR no. 70 69 87 14

Annual report 2019

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

_____ 9. July, 2020
Thomas Träger
CEO

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Schneider Electric Danmark A/S for the financial year 1 January – 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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

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

Ballerup, 9. July 2020
Executive Board:

Thomas Tråger

Board of Directors:

Hanne Bækager
Sjøberg

Chairman

Rasmus Haagensen
Munkholm

Thomas Tråger

Hanne Taarup Jensen

Ole Kjær-Larsen

Michael Tange

Independent auditor's report

To the shareholders of Schneider Electric Danmark A/S

Opinion

We have audited the financial statements of Schneider Electric Danmark A/S for the financial year 1 January – 31 December 2019, which 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 at 31 December 2019 and of the result of the Company's operations for the financial year 1 January – 31 December 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Copenhagen, 9 July 2020

EY

Godkent revisionspartnerselskab
CVR no.30 70 02 28

Jan C. Olsen
State Authorised
Public Accountant
Mne33717

Dennis Dupont
State Authorised
Public Accountant
Mne36192

Management's review

Company details

Schneider Electric Danmark A/S
Annual report 2019
CVR no. 70 69 87 14

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

Hanne Bækager Sjøberg, Chairman

Rasmus Haagenen Munkholm

Thomas Träger

Hanne Taarup Jensen

Ole Kjær-Larsen, Employee elected

Michael Tange, Employee elected

Executive Board

Thomas Träger, CEO

Auditor

EY

Godkendt revisionspartnerselskab

Dirch Passer Alle 36

2000 Frederiksberg

Annual general meeting

The annual general meeting will be held on 9. July 2020.

Management's review

Financial highlights

Schneider Electric Danmark A/S

Annual report 2019

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DKK'000	2019	2018	2017	2016	2015
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Key figures					
Revenue	2,082,319	2,143,514	2,138,315	2,029,508	1,893,791
Operating profit	289,616	297,038	321,538	238,101	209,275
Net financials	-748	29,443	41	-1,361	-1,027
Profit/loss for the year	225,165	259,715	251,801	183,302	159,967

Total assets	853,553	895,632	925,326	774,085	731,022
Investment in property, plant and equipment	-20,335	-16,880	-11,202	-42,068	-93,281
Equity	337,165	373,112	365,198	295,302	271,967

Ratios					
Operating margin	13.9%	13.9%	15.0%	11.7%	11.1%
Return on assets	32.5%	34.3%	39.7%	32.4%	30.0%
Solvency ratio	39.5%	41.7%	39.5%	38.1%	37.2%
Return on equity	62.8%	75.4%	81.0%	64.6%	64.4%
Average number of full-time employees	689	702	724	783	806

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

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

Management's review

Operating review

Principal activities

We believe access to energy and digital is a basic human right. Our generation is facing a tectonic shift in energy transition and industrial revolution catalysed by accelerated digitization in a more electric world. For the first time in history, we can all participate in a step change in efficiency and the rare opportunity to reconcile the paradox between progress for all, and a sustainable future for our planet.

We empower all to make the most of their energy and resources, ensuring Life Is On everywhere, for everyone, at every moment.

We provide energy and automation digital solutions for efficiency and sustainability. We combine world-leading energy technologies, real-time automation, software and services into integrated solutions for homes, buildings, data centers, infrastructure and industries. We make process and energy safe and reliable, efficient and sustainable, open and connected.

We are committed to unleash the infinite possibilities of an open, global, innovative community that is passionate about our Meaningful Purpose, Inclusive and Empowered values.

We are a people company. We privilege partners and partnership in everything we do. We are the most local of global companies. We believe that great people make Schneider a great company.

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 690 employees and is among others responsible for the Lauritz Knudsen brand, which is the oldest supplier of electrical materials for the Danish market. The manufacturing of Lauritz Knudsen products is primarily taking place in Schneider Electric's highly automated and energy efficiency factory in Ringsted, which also manufactures products to 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

Strong commercial focus and dedicated investments in our targeted segments brought solid growth in Industrial Automation. Although not enough to compensate shortfall in Energy Management who suffered from low entry backlog and slow start of the year.

The company's gross profit has decreased by MDKK 8,5 due to lower revenue.

The company's ordinary operating profit decreased by MDKK 4,6 due to lower revenue.

Profit/loss for the year compared to previous stated expectations

The company aimed for revenue growth of 3-5% and profit before tax 10-15%. In 2019 revenue decreased by -2,9%, while profit before tax was kept at 2018 level (13.9%) due to gross profit margin improvement and less administrative expenses. This result is seen as satisfactory despite the missing growth.

Corporate social responsibility

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 human rights, environmental and climate issues, social and employee conditions and anticorruption, See link: <https://annualreport.se.com/#sustainability>

Gender composition

In line with the Danish Financial Statement Act section 99(b), we meet the requirement of board gender composition, as the Board consists of 6 members (whereof 2 are employee elected), of whom 2 are women. Hanne Bækager Sjøberg, VP HR Denmark & Nordic Baltic Zone, has been appointed as Chairman in June 2019 and Hanne Taarup Jensen, Transformation Lead, as board member in 2014.

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

At management level the country MD has set a goal to ensure more women in the management team level. The global target for 2019 is set to 30%, however our local ambition is still to achieve a minimum of 40%. By end of 2019 we had 4 women out of 10 in the management team.

In addition, we continue to focus on our 2 major initiatives. One is to ensure female candidates in all recruitments. Currently we are at 31,2% female out of the total workforce, and the target is to have a more balanced split, which varies considerably from department to department. Therefore, we set a target of 40% for new hires to be women. In 2017 we reached 36,8%, in 2018 we dropped to 26,3% but managed to achieve 40,2% in 2019. Secondly, we are focusing on increasing the women in sales roles, and the target for 2020 will be 20% women in Sales.

Management's review

Operating review

Intellectual capital

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

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

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

Outlook

The objective for 2020 is to deliver higher growth than the market – this through targeted segments such as Data Centers, Wind and Buildings. Before covid-19 we would expect to have a yearly revenue growth of 5-7% and a profit before tax between 10 and 15%.

Our ability to deliver a result in line with targets is highly dependent on how the different segments react on covid-19.

Post balance sheet events

Covid-19 will potentially impact our ability to perform in line with target in 2020. This due to expected general slowdown in the economy, less availability on sites for service interventions during lock down and potential credit challenges with some customers. No other 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	2019	2018
Revenue	2	2,082,319	2,143,514
Production costs	3	-1,331,979	-1,384,711
Gross profit		750,340	758,803
Distribution costs	3	-235,612	-217,442
Administrative expenses	3, 4	-223,767	-245,820
Ordinary operating profit		290,961	295,541
Other operating income		195	2,868
Other operating expenses		-1,540	-1,371
Operating profit		289,616	297,038
Financial income	5	595	31,066
Financial expenses	6	-1,343	-1,623
Profit before tax		288,868	326,481
Tax for the year	7	-63,703	-66,766
Profit for the year	8	225,165	259,715

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Balance sheet

DKK'000	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	9		
Goodwill		629	1,886
Software		852	158
		<u>1,481</u>	<u>2,044</u>
Property, plant and equipment	10		
Land and buildings		45,515	52,689
Plant and machinery		55,844	70,456
Other fixtures and fittings, tools and equipment		10,110	11,607
Property, plant and equipment in progress		22,572	12,554
		<u>134,041</u>	<u>147,306</u>
Investments	11		
Other securities and investments		28	28
		<u>28</u>	<u>28</u>
Total fixed assets		<u>135,550</u>	<u>149,378</u>
Current assets			
Inventories			
Raw materials and consumables		15,066	22,447
Work in progress		15,449	2,126
Finished goods and goods for resale		32,726	48,960
		<u>63,241</u>	<u>73,533</u>
Receivables			
Trade receivables		253,863	298,337
Work in progress for third parties	12	40,584	45,967
Receivables from group entities		265,945	256,467
Income taxes receivables		13,818	9,753
Other receivables		43,415	36,914
Prepayments		1,096	5,107
		<u>618,721</u>	<u>652,545</u>
Cash		<u>36,042</u>	<u>20,176</u>
Total current assets		<u>718,004</u>	<u>746,254</u>
TOTAL ASSETS		<u><u>853,554</u></u>	<u><u>895,632</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018
Equity	13		
Share capital		112,000	112,000
Dividend proposed for the year		225,165	261,112
Total equity		337,165	373,112
Provisions	14		
Deferred tax		16,862	14,552
Other provisions		28,422	21,669
Total provisions		45,284	36,221
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments on work in progress	12	29,274	56,861
Trade payables		26,970	37,600
Payables to group entities		139,412	114,174
Other payables	15	246,080	245,022
Deferred income	16	29,369	32,642
		471,105	486,299
Total liabilities other than provisions		471,105	486,299
TOTAL EQUITY AND LIABILITIES		853,554	895,632
Collateral	17		
Contractual obligations, contingencies, etc.	18		
Related parties	19		
Fees to the auditor appointed at the Company in general meeting	20		
Post balance sheet events	21		

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Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Dividend proposed for the year	Total
Equity at 1 January 2018	112,000	253,198	365,198
Profit/loss for the year	0	259,715	259,715
Distributed dividends	0	-251,801	-251,801
Equity at 1 January 2019	112,000	261,112	373,112
Profit/loss for the year	0	225,165	225,165
Distributed dividends	0	-261,112	-261,112
Equity at 31 December 2019	112,000	225,165	337,165

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Schneider Electric Danmark A/S for 2019 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 S.A.

Intra-group business combinations

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

Foreign currency translation

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

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

Income statement

Revenue

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

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

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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

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

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

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities, including 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 recognized 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 amortization/depreciation of assets that are related to sale and distribution of the company's products.

Administrative expenses

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

Development costs

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

Financial income and expenses

Financial income and expenses are recognized in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Well as allowances and surcharges under the advance payment of tax scheme, etc. Further, gains and losses on disposal of subsidiaries are recognized as financial income and expenses.

Tax

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

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

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

On initial recognition, intangible assets are measured at cost.

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

- The technical feasibility of completing the project can be demonstrated,
- plans are to produce and market the product or to use the product or the process,

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Available,

-sufficient technical and financial resources to complete and use or sell the project are available,

-it is probable that the project will generate future economic benefits and that a potential, future market or possibility of internal use in the entity exists,

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

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

Gains and losses on the sale of intangible assets are recognized in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price 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 scrap value is expected. Land is not depreciated. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The amortization periods are:

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

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1 Accounting policies (continued)

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 recognized in the income statement as other operating income or other operating costs.

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

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

Other securities and investments

Other securities and investments are measured at cost.

Impairment of non-current assets

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

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

Inventories

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 affect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

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

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

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

Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net 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 recognized as a loss-making agreement under 'Provisions' and is expensed in the income statement.

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

Prepayments

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

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 recognized when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net 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 recognized based on past experience.

Provisions are measured at net realisable value.

Corporation tax

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

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

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 crystallize as current tax. Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

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1 Accounting policies (continued)

Other payables

Other payables are measured at net realisable value.

Deferred income

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

Segment information

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

DKK'000	2019	2018
2 Revenue		
Business segmentation of revenue:		
Sale of goods	1,625,196	1,634,029
Sale of projects	457,123	509,485
	2,082,319	2,143,514
Geographical segmentation of revenue:		
Denmark	1,821,413	1,862,288
International markets	260,906	281,226
	2,082,319	2,143,514

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3 Staff costs

Wages and salaries	444,144	464,599
Pensions	38,743	38,124
Other social and security costs	13,572	13,779
	<u>496,459</u>	<u>516,502</u>

Average number of full-time employees	689	702
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Salaries to the Board of Directors in 2019 KDKK 4,814 for 2018, by reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

No remuneration to the Board of Directors has been paid in 2019 and 2018.

4 Special items

Special items comprise significant expenses of a special nature relative to the revenue generating operating activities such as costs.

There have been no special items in 2019.

In 2018 the company had sold the shares in Schneider Electric India Limited to Schneider Electric Industries S.A. The sale of this share amounts DKK 29.702 thousand and the income is recognized in the income statement as financial income, see note 5.

DKK'000	2019	2018
5 Financial income		
Interest receivable, group entities	0	0
Other financial income	552	29,702
Exchange gain	43	1,364
	<u>595</u>	<u>31,066</u>
6 Financial expenses		
Interest expenses, group entities	160	0
Exchange losses	975	886
Other financial expenses	208	737
	<u>1,343</u>	<u>1,623</u>

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7 Tax on profit/loss for the year

Current tax for the year	61,238	58,606
Deferred tax for the year	2,309	8,203
Adjustment of tax concerning previous years	0	-222
Withholding tax	156	179
	<u>63,703</u>	<u>66,766</u>

8 Proposed profit appropriation

Proposed dividends for the year	225,165	261,112
Retained earnings	0	-1,397
	<u>225,165</u>	<u>259,715</u>

9 Intangible assets

DKK'000	Goodwill	Software	Total
Cost at 1 January 2019	6,287	21,173	27,460
Additions for the year	0	871	871
Cost at 31 December 2019	<u>6,287</u>	<u>22,044</u>	<u>28,331</u>
Amortization and impairment losses at 1 January 2019	-4,401	-21,015	-25,416
Amortization for the year	-1,257	-178	-1,435
Impairment losses and amortization at 31 December 2019	-5,658	-21,193	-26,851
Carrying amount at 31 December 2019	<u>629</u>	<u>851</u>	<u>1,480</u>

10 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2019	163,533	609,301	46,977	12,554	832,365
Additional for the year	0	5,237	1,113	20,533	26,883
Disposal for the year	0	-11,097	-125	-10,515	-21,737
Cost at 31 December 2019	<u>163,533</u>	<u>603,441</u>	<u>47,965</u>	<u>22,572</u>	<u>837,511</u>
Depreciation and impairment at 1 January 2019	-110,844	-538,845	-35,370	0	-685,059
Depreciation for the year	-7,174	-18,588	-2,607	0	-28,369
Reversed depreciation and impairment losses on assets sold	0	9,836	124	0	9,960
Revaluations at 31 December 2019	-118,018	-547,597	-37,853	0	-703,468
Carrying amount at 31 December 2019	<u>45,515</u>	<u>55,844</u>	<u>10,112</u>	<u>22,572</u>	<u>134,043</u>

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Investments

DKK'000

	Other securities and investments
Cost at 1 January 2019	28
Cost at 31 December 2019	28
Impairment losses at 1 January 2019	0
Impairment losses at 31 December 2019	0
Carrying amount at 31 December 2019	28

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

12 Work in progress for third parties

DKK'000

	2019	2018
On-account invoicing, work in progress	11,310	-10,894

recognized as follows:

Work in progress for third parties (assets)	40,584	45,967
Work in progress for third parties (liabilities)	-29,274	-56,861
	11,310	-10,894

Selling price of contract work in progress totals DKK 412,305 thousand (2018 DKK 513.346 thousand) and invoicing on account total DKK 400,995 thousand (2018 DKK 524.240 thousand).

13 Share capital

The share capital consists of 5 shares of a nominal value of DKK 22,400,000 each, total DKK 112,000 thousand.

All shares rank equally.

14 Provisions

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

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14 Provisions (continued)

Other provisions comprise provisions for warranty commitments, totaling DKK 16,631 thousand (2018 DKK 20,545 thousand) and restructuring provisions of DKK 11,791 thousand (2018 DKK 1,124 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

Deferred tax

	2019	2018
Deferred tax at 1 January	14,552	6,349
Change in the year	2,309	8,203
Deferred tax at 31 December	16,861	14,552

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Deferred income

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

16 Other payables

DKK'000	2019	2018
VAT and other indirect taxes	34,544	35,556
Wages/salaries, salary taxes, social security contributions, etc.	102,293	88,868
Other accrued expenses	109,243	120,598
	246,080	245,022

17 Collateral

The Company has not pledged any assets or other as security for loans at 31/12 2019.

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18 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 for the income year 2019 onwards as well as withholding taxes on interest, royalties and dividends.

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

DKK'000	2019	2018
Other financial obligations		
Rent and lease liabilities	129,051	143,356

The Company has issued performance bonds for DKK 65.3 million (2018 DKK 94.3 million). The company has issued a guarantee for a loan to a group company DKK 33.9 million (2018 DKK 38.3 million).

19 Related party disclosures

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

Parties exercising control:

Related party:

Schneider Nordic Baltic A/S

Lautrupvang 1, 2750 Ballerup, Denmark

Basis for Control:

Share capital

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19 Related party disclosures (Continued)

Information about consolidated financial statements

Parent:

Schneider Electric Industries S.A.

Domicile:

France

Requisitioning of the parent's consolidated financial statements

<http://www.se.com/ww/en/about-us/investor-relations/financial-results.jsp>

DKK'000

	2019	2018
Sales of goods	212,850	252,316
Purchase of goods	719,131	733,529
Sales of services	87,606	109,077
Purchase of Services	171,442	103,342
Receivables from group entities	265,945	256,469
Liabilities to group entities	139,412	114,174

20 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.

21 Post balance sheet events

Covid-19 will potentially impact our ability to perform in line with target in 2020. This due to expected general slowdown in the economy, less availability on sites for service interventions during lock down and potential credit challenges with some customers. No other events have occurred after the financial year-end, which could significantly affect the Company's financial position.