



Hitachi Energy Sweden AB
(corporate identity no.
556029- 7029)

The Board of Directors'
and CEO's ANNUAL REPORT
for 1 April 2021 – 31 March 2022

HITACHI
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Hitachi Energy Sweden

Annual Report 2021



 **Hitachi Energy**

Hitachi Energy Sweden AB
is a subsidiary of Hitachi
Energy Ltd in Zürich, Switzerland,
which is ultimately owned by
Hitachi Ltd in Tokyo, Japan,
and ABB Ltd, as minority share-
holder, in Zürich, Switzerland.

Hitachi Energy Sweden AB
has its registered office
in Västerås, Sweden.

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I certify that this is a true and accurate translation of the Swedish document.

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The CEO's comments

For Hitachi Energy, 2021 was an eventful year, affected by the pandemic and the general world situation and war in Ukraine, resulting in high material prices and transport costs, among other things. At the same time, we saw many positive signs and received many large, strategically important orders in Sweden and abroad during the year. We are also pleased to say that we were able to operate throughout the year without major interruptions thanks to the actions, flexibility and patience of all our staff and partners.

Studies show that energy demand will double by 2050 and we need more renewable energy sources to phase out fossil generation and move towards a carbon-neutral future. The sustainable energy transition with more renewable energy in the grid and the electrification of industry and transport is driving demand for our products, services and solutions. During the year, we won several orders both in Sweden and globally that will help provide millions of people around the world with access to stable, secure electricity supplies, often from renewable energy sources such as water, wind and solar, but also to enable the electrification of industry and the transport sector's journey towards fossil fuel elimination.

We rely on our dedicated, skilled employees and we can see that the growing demand for what we offer also means that we need to expand our business and recruit more employees. In March, we announced that we are expanding production in Dalarna and opening a new factory in Smedjebacken, close to Ludvika where we have our largest site. Production of certain products used for ultra-high voltage and grid stabilisation, among other things, will start there to make room in Ludvika for the latest generation of HVDC products, which will also generate new jobs. During the year, we welcomed around 700 new employees and in the coming year we need to recruit nearly 1,000 more.

We can see that the entire energy sector is in great need of workers and we hope that more people will continue to apply for courses in the engineering and technology field and discover the exciting energy sector. If you want to work with world-class technology and colleagues and make a real contribution to a better world, Hitachi Energy is the place to be.

As we say: Shape tomorrow today.

Our aim, 'To accelerate a sustainable energy future for all' is motivational and shows us the way forward. We enable the world's energy systems to become more sustainable, flexible and secure, and we do it with pioneering technology in collaboration with customers and partners. Together, we are creating a sustainable energy future for now and for future generations.

Join us on our journey!



Tobias Hansson
CEO of Hitachi Energy Sweden AB

"Shape
tomorrow
today"



Directors' report

Hitachi Energy Sweden AB is a subsidiary of Hitachi Energy Ltd in Zürich, Switzerland, which is ultimately owned by Hitachi Ltd in Tokyo, Japan, and ABB Ltd, as minority shareholder, in Zürich, Switzerland. Hitachi Energy Sweden AB has its registered office in Västerås, Sweden. The company's accounting currency is the Swedish krona (SEK). All amounts are reported in multiples of million Swedish krona, unless stated otherwise.

About Hitachi Energy

Hitachi Energy serves customers in the energy, industrial and infrastructure sectors with innovative solutions and services across the value chain. With our customers and partners, we are pioneers in technology and are enabling the digital transformation needed to accelerate the energy transition to a carbon-neutral future.

Hitachi Energy is developing the world's energy systems to be more sustainable, flexible and secure while balancing social, environmental and economic value. Hitachi Energy has a large installed base in more than 140 countries. Headquartered in Switzerland, the company employs approximately 38,000 people in 90 countries and generates business volumes of approximately USD 10 billion.

Our operations

Hitachi Energy in Sweden is a world-leading supplier of pioneering technology for power and automation products, systems and service solutions. The company helps customers in the energy, industrial, transport and infrastructure sectors throughout the value chain from power generation to transmission and distribution of electric power to enable a more sustainable, more flexible, more secure power grid.

The company's products, systems and solutions focus in part on meeting the growing need for integration of renewable energy and electrification of industry, as well as on sustainable mobility, smart cities, energy storage and data centres. The company also offers a complete range of consultancy services, plus service and management services based on a lifecycle perspective.

Hitachi Energy Sweden AB had approximately 4,000 employees in Sweden at the end of the year. The biggest operating locations are Ludvika, with approximately 2,700 employees, and Västerås, with approximately 1,100 employees. The company also has production sites in Piteå, Figeholm and Landskrona, and a number of sales offices throughout the country. One of the Group's global research centres is located in Västerås.

With solid experience, a global presence and a unique installed base, the company balances social, environmental and economic values.

Operations are divided into four business areas that work in close cooperation with each other.

Grid Automation

The company's Grid Automation business area has a comprehensive portfolio of solutions. These range from power plant automation, communication networks, grid automation services and microgrid solutions to enterprise software solutions. These solutions address all key segments of the energy system, including generation, distribution, industry, transport and infrastructure.

The business area's hardware, software and services portfolio combines deep domain knowledge and innovative technology that enable customers worldwide to optimise the critical systems that power, move and connect us. Together we are building a more productive, sustainable world.

Grid Integration

The Grid Integration business unit has delivered more than 4,000 projects worldwide over the past 15 years. The portfolio spans a wide range of transmission, distribution and power plant solutions that facilitate reliable, efficient system integration of the future digital power grid with minimum environmental impact.

Grid Integration creates integrated systems, solutions and services for DC and AC networks, including HVDC, power plants, FACTS and power quality solutions. The business area also offers Power Consulting with life cycle analyses, market analyses, etc. for key segments of the energy system, such as renewables, distribution and e-mobility.

High Voltage Products

Hitachi Energy is a leader in high voltage technology, offering a wide range of high voltage products up to 1,200 kV for AC and 1,100 kV for DC. The business area helps improve the safety, reliability and efficiency of the power grid, while minimising environmental impact with offerings for switchgear, high voltage circuit breakers, generator circuit breakers, power quality, surge protection devices, disconnectors, measuring transformers and service.

Our portfolio of high voltage products includes active technology, power quality and energy storage, eco-efficient switchgear, digital generator circuit breakers and modular switchgear solutions. Our technological leadership continues to facilitate innovations in areas such as ultra-high voltage power transmission, enabling flexible, smart grids and improved eco-efficiency.

Transformers

Through the company's innovative and versatile Transformers team and cutting-edge technology, the unit enables a sustainable energy future. Hitachi Energy offers a complete range of power transformers, transformers for trains, insulation and components, digital sensors and services. The transformers span applications for power generation, transmission and distribution, metals and mining, oil and gas, commercial and infrastructure projects, and mobility. With the increasing complexity of the power grid, our transformers are also increasingly used to improve power quality and network management.

Significant events during the financial year

The level of investment generally increased in all segments. The Covid-19 pandemic stabilised in the latter part of the financial year and it is not deemed to have materially affected market activity. On the other hand, the general world situation with the war in Ukraine resulted in increased material prices and transport costs. Lack of availability of materials and components also affected our delivery times during the financial year.

Order entry and net sales (previous year is 15 months)

Order entry of SEK 21,216 million (previous year: SEK 15,507 million) was recognised for the financial year.

Export sales accounted for approximately 93% (previous year: 89%) of total order entry and amounted to SEK 19,670 million (previous year: SEK 13,851 million). The higher export share is partly the result of a very high volume of export business and a relatively stable domestic market.

Net sales amounted to SEK 13,475 million (previous year: SEK 16,189 million). Exports increased slightly from Sweden and amounted to SEK 12,496 million (previous year: SEK 13,810 million), equivalent to 93% (previous year: 85%).



Major projects and events for Hitachi Energy Sweden AB during the financial year

Hitachi Energy's industry-leading experience, deep domain knowledge and cutting-edge technologies continued to accelerate the global energy transition during the year.

Hitachi Energy Sweden AB was awarded several important projects, both abroad and in Sweden:

During the year, a major order was won from Samsung C&T Corporation, one of the world's largest engineering and construction companies, to connect ADNOC's offshore operations to the onshore power grid in the United Arab Emirates. Thanks to Hitachi Energy's HVDC Light® technology and MACHTM digital control platform, it will be possible to transfer cleaner, more efficient energy from the mainland to ADNOC's offshore generation operations. A large part of the supply comes from Hitachi Energy's operations in Sweden, mainly in Ludvika.

Hitachi Energy will also help build the first large-scale HVDC link in the Middle East and North Africa. This will enable Saudi Arabia and Egypt to exchange up to 3,000 MW of electricity, much of which is expected to be generated from renewable energy sources in the future. Hitachi Energy will supply advanced technology for the HVDC link, with most of the supply coming from Sweden.

Driving the national development of a sustainable energy system Hitachi Energy is also an enabler of Swedish industry's drive towards zero-emission steel production. During the year, the company won an order to supply Ovako with electrical infrastructure for an electrolyser under construction in Hofors. The new hydrogen plant will be the first in the world to heat steel with hydrogen before rolling. Hitachi Energy will supply a modular, factory-built solution including transformers and rectifiers, as well as control equipment and high current junctions.

Electrification of heavy transport is one of the keys to the energy transition, and Hitachi Energy won an order from Holmbergs EL AB during the year to supply smart charging infrastructure to Svealandstrafiken in Västerås. The company provides a modular, scalable, compact system based on the pioneering Grid-eMotion™ fleet technology for charging electric vehicles. The order includes innovative charging infrastructure, connection to the grid and a digital control system to monitor the charging of the bus fleet.

During the year, Hitachi Energy installed an EconiQ™ Live Tank Breaker (LTA) for 145 kV at Vattenfall Distribution's transformer substation in Skövde. The installation significantly reduces the carbon footprint while increasing reliability, as the switch uses carbon dioxide and oxygen as the insulating gas mixture instead of the conventional greenhouse gas sulphur hexafluoride (SF₆), which has been the norm for decades.

New CEO and new factory in Sweden

During the financial year, Tobias Hansson was appointed as the new CEO. He took up the position of CEO of Hitachi Energy Sweden AB on 14 February 2022 after Jenny Larsson decided to leave Hitachi Energy for new challenges outside the company.

Operations in Sweden are growing. In March 2022, the company announced that a new 2,500 square metre factory will open in Smedjebacken in August 2022. It is being built to meet the growing demand for high voltage direct current (HVDC) systems. From the start, around 50 employees will work in the new factory, but to meet increased demand we need to recruit around 100 new employees for valve production based in Ludvika and Smedjebacken.

Profit and financial position

Operating profit amounted to SEK 492 million (previous year: SEK - 2,002 million). Operating profit was higher than in the previous year, when the profit was affected negatively by a number of large non-recurring items linked to the sale of the company's operations from ABB to Hitachi.

Profit for the year amounted to SEK 372 million (previous year: SEK -1,853 million).

Return on capital employed during the financial year was 12.6% (previous year: 49.5%).

The equity/assets ratio was 29.0%, an improvement on 28.4% in the previous year.

Hitachi Energy Sweden AB's net cash and cash equivalents (cash and cash equivalents less short-term and medium-term loans) amounted to SEK 885 million, which may be compared with the previous year, when net cash and cash equivalents amounted to SEK 1,008 million.

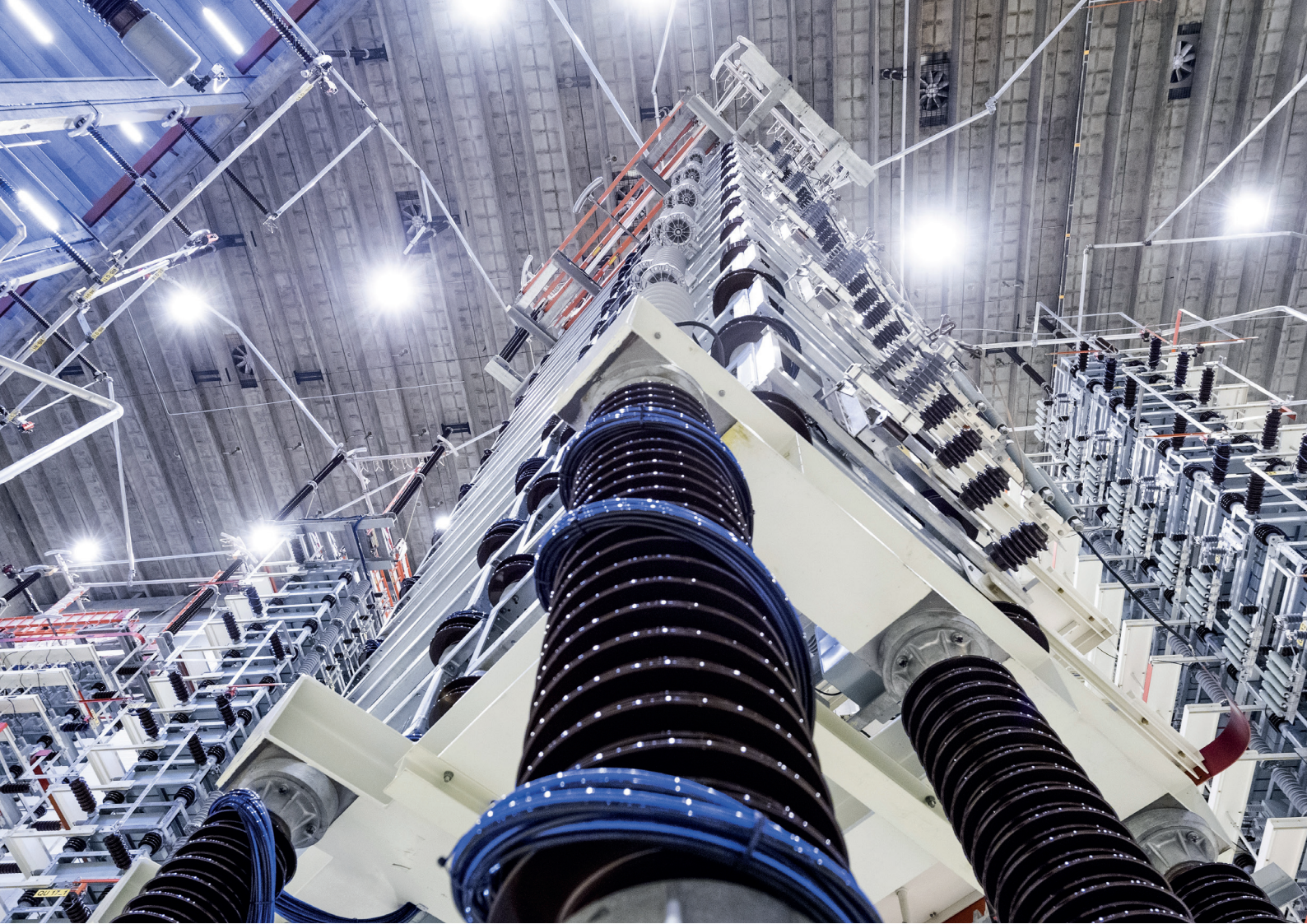
The order book for Hitachi Energy Sweden AB at the end of the financial year was SEK 26,976 million (previous year: SEK 18,891 million).

The average number of employees was 3,931 during the financial year, compared with 3,852 in the previous year. The company continues to recruit in certain growth areas.

Research, development and other investments

During the year, Hitachi Energy Sweden AB invested SEK 834 million (previous year: SEK 1,175 million) in research and development.

Technology and research and development remain central to Hitachi Energy Sweden AB's long-term operations. In line with this, a strategy for universities and higher education institutions was prepared to promote the company's core operations. The strategy focuses on initiatives that have a positive impact on the company's research, innovation and technology development, for example through exchange of knowledge and joint research projects, as well as important partnerships to enable the company to recruit the best talent and develop the employees of the future. During the year, for example, the company entered into several strategic partnership agreements to help increase education and research activities and develop skilled, talented individuals and ensure sustainable development of society. Partnership agreements were signed with Chalmers University of Technology, KTH Royal Institute of Technology, Mälardalen University, Dalarna University and Luleå University of Technology.



The aim of the partnership agreements is to strengthen these activities through knowledge exchange and increased innovation, while working together to meet the need for a future workforce to realise the sustainable energy transition.

Hitachi Energy continues to digitise and optimise its operations in Ludvika to meet the increased demand for products and systems that contribute to a carbon-neutral energy future and invested in a robotic cell and digital solution from AFRY during the year. The solution, AFRY Real Digital Twin, consists of a robotic cell with digital technology that will handle one of the heaviest operations in the specific production process, thus improving the working environment by minimising heavy, repetitive operations while optimising the production flow.

During the year, Hitachi Energy deepened its partnership with PowerCell Sweden AB on fuel cell-based stationary power systems. The intention is to combine the two companies' technologies and together package and market complete fuel cell-based stationary power solutions that contribute to the green energy transition. The joint package will also include service offerings.

Hitachi Energy Sweden AB invested SEK 206 million (previous year: SEK 231 million) in machinery, equipment, land and buildings during the financial year.

Internal control

Hitachi Energy Sweden AB works in a structured manner on internal control based on Japan's Financial Instruments and Exchange Law (J-SOX), which comprises a set of standards and rules relating to internal control for companies listed on the Japanese stock exchange. The company works constantly to simplify and standardise operational processes, resulting in continuous improvements to the efficiency of the control environment.

Foreign branches

Hitachi Energy Sweden AB has branches in France, Norway, Algeria, Ghana, India, Iraq, Pakistan and Tajikistan.

Outlook for the coming financial year

Hitachi Energy Sweden AB will continue to be a world-leading supplier of power and automation products and systems and service solutions for the entire value chain. With innovative technology, the company will continue to create the sustainable energy landscape of the future to enable a stronger, smarter, greener power grid.

Demand for transmission of energy, integration of renewable energy and interconnection of countries' power grids continues to grow, while industry and whole societies are being increasingly electrified. This means that the company is well placed with an attractive offer that drives profitable growth.



Sustainability report

This sustainability report constitutes the company's statutory sustainability report and is part of the directors' report for Hitachi Energy Sweden AB, corporate identity number 556029-7029.

The report relates to the financial year 1 April 2021 – 31 March 2022. The report has been prepared in accordance with Chapter 6, Section 12, of the Swedish Annual Accounts Act. The sustainability report describes the company's approach to sustainability issues.

'Sustainability 2030' is the company's plan for global sustainability through which the company aims to contribute social, environmental and economic value. The strategy is based on the UN Sustainable Development Goals and focuses on: planet, people, peace and partnership.

Our Targets

Planet	People	Peace	Partnerships
Carbon-neutral in our own operations (Scopes 1 and 2) ↓50% CO ₂ emissions along the value chain (Scope 3) ↓50% waste disposed ↓25% freshwater use ↓25% hazardous substances and chemicals	Zero harm Top quartile health absence rates Lifelong learning culture, increase female diversity from 19% to 25% by 2025	Zero incidents of corruption and bribery	Increase involvement in multi-stakeholder partnerships



Figure 1. Hitachi Energy's global strategy, 'Sustainability 2030'. The 8 identified UN Sustainable Development Goals are those to which the company believes it can contribute most based on the underlying descriptions of the goals.

These global goal areas are in line with the four areas that Hitachi Energy Sweden AB is working on locally in terms of governance and risk management, for example:

1. Environment
2. Respect for human rights
3. Staff and social conditions
4. Integrity including anti-corruption

The report is available at www.hitachienergy.com/se/sv.

Sustainability is a prerequisite for development

Sustainability is the top priority at Hitachi Energy. The mission of operations is to accelerate a sustainable energy future, to which the company contributes pioneering solutions to develop the world's energy systems to make them more sustainable, flexible and secure.

Hitachi Energy is working with customers, partners, academia and other companies to make this possible. As more and more renewable power sources are connected to the grid to gradually replace fossil-based energy, power grids must remain secure and able to cope with both an increasing share of unplanned electricity generation and variable electricity demand. Only through effective digitisation of all parts of the electricity value chain can this be delivered.

Certified management system and policies

Hitachi Energy has a certified management system including quality, health and safety, the environment and energy. This means that the company works systematically across all units and functions to improve operations in these areas. Twice a year, operations are audited by Bureau Veritas to verify compliance with the requirements of ISO 9001, ISO 45001, ISO 14001 and ISO 50001 standards.

In accordance with the requirements of the standards, an annual review is carried out of work in the areas of health and safety, the environment, quality and diversity and gender equality. Updates and new versions of local policies in these areas are prepared by the respective specialist department in consultation with employee representatives and are then adopted by the company's Swedish management team.

Hitachi Energy in Sweden also operates in accordance with the global Group's policies, guidelines and Code of Conduct.

1. Environment

Hitachi Energy in Sweden is working not only to improve its product portfolio in terms of efficiency and losses, but also to improve operations in factories and offices environmentally and also in the value chain by working actively with both suppliers and customers.

Hitachi Energy operates at five locations in the country, three of which require permits and one of which requires notification under the Swedish Environmental Code:

- Figeholm – Manufacture of insulation components for transformers, A permit.
- Ludvika – Manufacture of products for high voltage power transmission, B permit.
- Piteå – Manufacture of composite parts for transformers, B permit.
- Landskrona – Manufacture of cooling systems for electrical appliances, C permit.

No permits were renewed during the year and no permits will be renewed in the coming year, but in Ludvika the company will apply for a change to the permit regarding the guideline value for solvent discharges for the business to cope with the increasing production that is anticipated. The operations in Västerås are not subject to permits or notification.

Environment and energy policy

Hitachi Energy's environmental work is solid and methodical. Environmental and energy management is an important part of the company's business strategy. The company is committed to complying with laws and other binding requirements and to continuously improving the management of its operations. The company's environment and energy policy states that it undertakes to do the following in a sustainable manner:

- Develop and offer resource-efficient, energy-efficient products, systems, digital solutions and services that promote sustainability and improve customers' environmental and energy performance.
- Prevent and reduce pollution and greenhouse gas emissions, reduce dependence on fossil fuels and the use of hazardous materials.
- Increase resource efficiency, including materials and energy, and include improved energy efficiency as a parameter in production and product development.
- Engage and collaborate with stakeholders and provide information and necessary resources to achieve the above.

Risks

In normal operation, Hitachi Energy consumes electricity, heat and fuels and handles metals, plastic/rubber materials, pulp, oils and other chemicals. This generates emissions in the form of carbon dioxide equivalents, other emissions into the air associated with combustion, solvent discharges, discharges into water and waste.

Environmental risks associated with abnormal operations, i.e. incidents and accidents, include the release of oils and other chemicals and fire.

Through systematic risk assessments and well-developed, communicated procedures, the company prevents incidents, and through good emergency preparedness, it mitigates the consequences of what does happen.

Environmental strategy

Hitachi Energy's environmental impact is mainly associated with the following parameters:

- energy (incl. greenhouse gases)
- hazardous substances
- the flow of materials through the business

Energy and greenhouse gases

Hitachi Energy's energy strategy includes energy management according to ISO 50001. The company systematically surveys energy consumption and implements energy saving measures to reduce its energy intensity. Measures implemented in the 2021 financial year include switching to LED lighting, presence control, building measures in the form of better insulation, a new ventilation control system and insulation and sealing of furnaces. Compared with energy use in 2013, energy saving measures have been implemented up to the first quarter of 2022 which together correspond to a theoretical energy saving of 22%. The current target is to reach 25% by 2023.

The energy strategy also includes reducing carbon dioxide equivalent emissions. Low-carbon electricity is purchased for operations and, where possible, the company ensures that buildings are heated or cooled with the lowest possible emissions through district heating and, in some places, district cooling or residual heat from its own industrial processes and, in Ludvika, using lake source heat.

Fossil fuels are still used in two industrial processes, one in Figeholm and one in Ludvika. The volume used is linearly linked to production volumes, i.e. when more is produced, carbon dioxide emissions are correspondingly higher.

The company is working to find solutions to reduce and/or replace these fossil fuels. In Figeholm, the company will start a pilot project in 2022 based on the feasibility studies that have been carried out. The idea is to achieve both energy efficiency and fossil-free status. In Ludvika, a new feasibility study will be launched in the autumn.

SF6 gas (sulphur hexafluoride) used for the insulation of high voltage equipment is technically very good, but is a very powerful greenhouse gas. Keeping pressurised gas contained is always a challenge and work is systematically being done both to improve SF6-related equipment and alarm systems, and on procedures to keep emissions at a low level. Nevertheless, during the financial year there were a number of leaks equivalent to 0.14% of the quantity handled, or just under 70 kg (just under 87 kg in 2020), which corresponds to around 1,637 tonnes of carbon dioxide equivalents, a record low in historical terms. The investigations into the incidents have resulted in a number of improvements.

Work has been in progress for many years to continue phasing out SF6 and develop lower voltage circuit breakers up to 145 kV that are insulated with carbon dioxide instead. In 2024, the company expects to launch a 420 kV carbon dioxide insulated circuit breaker.

Chemicals and hazardous substances

Hitachi Energy's chemicals strategy involves the systematic phase-out of hazardous substances.

The target is to reduce the number of operations involving hazardous chemicals by 15% by the end of 2023, compared with the beginning of 2020. This year's work resulted in six workplaces becoming free of a hazardous chemical, representing 5.8% of the workplaces involving hazardous chemicals at the beginning of 2020.

The phasing out of hazardous substances is carried out in cooperation with chemicals suppliers. Sometimes it is easy, but phasing out may also pose challenges, for example in terms of personal safety and product quality. Research and development are therefore part of the work to find substitutes for hazardous chemicals. The company's own criteria are based on legislation and also on the construction industry's BASTA criteria. In 2021, for example, around 100 chemicals were reclassified as hazardous based on the company's criteria, due to their content of endocrine disruptors.

As the Ludvika facility handles large quantities of hazardous chemicals, it is classified as a Seveso site. This makes it essential to have the right knowledge, risk assessments and adapted emergency preparedness, which are part of the company's management system and subject to continuous improvement. Some of the products used are insulated with oil or other insulating fluids.

The possibility of using fluids based on biological raw materials has been explored for some time now. Customers can already buy a transformer insulated with bio-based oil.

Material flow through the business

The flow of materials through the business causes environmental impacts at many stages: manufacturing, transport, processing, storage in heated areas, forklift driving, electricity consumption, chemical use, waste management, transport again, etc. If the flow of materials can be reduced, this is a win for the environment and for profitability. This work starts in the design phase and continues in the construction phase and also in the manufacturing phase of the company's products. The aim is to try to avoid waste so that the volume of material purchased can be reduced.

Any waste that is generated is managed in cooperation with waste disposal companies so that as much as possible can be recycled. The possibility for third parties to reuse part of the waste in some way is also being reviewed.

The long-term goal is to send nothing to landfill or incineration. The target for 2030 is to halve these volumes compared with 2013. Local projects have been initiated, such as the reuse of packaging materials and the recycling of composite residues at the company's Piteå plant. A feasibility study has been launched that may lead to a large part of the hazardous waste being recycled instead of going to landfill.

New waste management systems now provide a much better picture of the waste fractions generated by each unit, the quantities involved, and what happens to different fractions in the next stage. It is hoped that this information will enable the company to prioritise initiatives to reduce waste volumes and increase reuse/recycling in collaboration with waste disposal companies.

Other environmental impact

In addition to the environmental impact described above, there are dust emissions and solvent discharges. In Ludvika, there is a small treatment plant for a specific process step in which the treated water is discharged into the nearby lake, and a number of oil separators that treat the surface water from the industrial area before it is discharged into the lake. In addition, there is frequent transport to and from the business.

Hitachi Energy uses cooling water from a lake in Ludvika and from a lake in Figeholm, but it is released back into the respective watercourses a few degrees warmer than before. Otherwise, almost no process water is used.

Events during the year

Operations proceeded according to plan over the past year and the conditions of our permits were met, with the exception of a minor overrun of a guideline value in connection with an incident at a water treatment plant in Ludvika.

2. Respect for human rights

Respect for human rights is a cornerstone of the behaviour expected of everyone who works for us, both as an employee and in our supply chain. We have a strict zero-tolerance policy for breaches of the law or our Code of Conduct.

Respecting human rights is a matter of course for Hitachi Energy. Failure to respect human rights may harm people and have a negative impact on our operations, with potential legal, financial and reputational consequences.

The company has several processes and policies in place to ensure compliance with human rights across its operations and value chains. In addition to policies (see the section on Certified management system and policies), these include the company's Code of Conduct and Supplier Code of Conduct, as well as supplier and contractor forms. If violations of human rights or company policies are suspected, several channels are available to report them, both for Hitachi Energy employees and external stakeholders (read more in the Integrity and anti-corruption section).

Risk assessment

Hitachi Energy is committed to operating ethically and to minimising the risk of human rights impacts within its own operations and supply chains.

Risk management is structured around four processes:

- At the heart of risk management is the Human Rights Due Diligence (HRDD) process, which focuses on assessing where human rights impacts may exist, the severity and likelihood of these impacts, and measures to address them.
- Raising awareness of the issues within Hitachi Energy and building internal expertise.
- Collaborating with and learning from external organisations and stakeholders.
- Working to ensure continuous improvement by identifying deficiencies, acting on these deficiencies and then communicating this process.

Successful human rights compliance is a journey that requires transparency, accountability and collaboration with various stakeholders, including suppliers.

The focus will continue to be on striving to become even better at identifying potential risks and on reinforcing the management of these risks through a more systematic HRDD approach.

Training

To address human rights risks, Hitachi Energy works to raise awareness and build expertise. In line with the UN Sustainable Development Goals, the fourth of which concerns education and lifelong learning, the focus is on four main areas:

- Training for management at various levels within the organisation to provide decision-makers with the relevant skills to identify and manage human rights risks.
- Building internal capacity through further development of the Human Rights Champion network, which drives these issues within the organisation.
- Developing awareness of these issues within the supply chain through the Supplier Sustainability Development Program.
- Promoting open reporting and a transparent corporate culture by highlighting and encouraging the use of existing channels for reporting suspected human rights abuses.

In addition to continuing to work on the above points, the future will also see a focus on training for those functions most exposed to human rights issues.

Partnerships

Hitachi Energy supports a number of leading organisations in their efforts to increase corporate understanding of human rights issues. This allows the company to contribute and learn from others at the same time.

3. Social relations and staff

Our employees are the company's primary asset. It is their effort that lays the foundations for a sustainable business. Ensuring that all Hitachi Energy employees feel safe and secure and are able to perform at their best is critical to the company's success.

The company's policies on diversity, gender equality and health and safety form the basis of its work on social relations and employees.

The health strategy lays the foundation

The company's vision is of a workplace in which all employees have the opportunity to flourish, develop and thrive. If the business is able to harness the potential and skills of each employee, they will perform better, enabling the company to develop.

The company's health strategy that sets the direction for the work performed. The health strategy is divided into four focus areas. Organisational and social working environment, ergonomics and lifestyle and well-being are three of them. Within these areas, the company focuses on healthy leadership, work-life balance, anti-harassment and the importance of inclusion and clear goals. Each unit carries out regular health checks and all employees are trained in stress management.

The fourth focus area is the borderless digital workplace, an area that gained greater relevance in the past year due to the pandemic. Since March 2020, many of the company's employees have been working from home. To prevent physical risks and contribute to a safe workplace at home, all employees were offered the opportunity to borrow equipment such as a desk, chair and monitor for their home office.

The pandemic has not led to increased sickness rates or sickness absence, and the company has not experienced any psychosocial consequences. However, the latter is a consequence that is difficult to identify and there are ongoing assessments of the risks associated with working from home, including to identify ill-health of various kinds. The company supports leaders in leading remotely with the challenges and opportunities this presents.

The evolution of the borderless digital workplace has resulted in the future new normal – post-pandemic. As the world of work is undergoing a huge change and the world around us changes, the company strives to evolve with it to remain an attractive employer. The company believes that greater flexibility about where and how work is done will increase the chances of attracting, developing and retaining employees.

The ambition is to adapt the company to digital evolution and continue to develop in the field of virtual meetings and interaction in a hybrid working environment. Increased flexibility also enables a sustainable work-life balance for employees and increased productivity. Setting a framework for the new normal is the first step towards a new way of working and creating the workplace of the future.

The intention is to create a new way of working based on the best from before the pandemic, what the company learned during the pandemic and the improvements that can be made in the future.

Talent management

Over the next ten years, many employees will retire from Hitachi Energy and many new employees will join the company.

Consequently, one of the main challenges for the company is to attract new talent that can be mixed with the existing experience in the company.

To reduce the risk of loss of expertise, the company works to raise interest in technology in general and energy supply in particular. The ambition is to create a holistic journey by engaging with young people at all stages from secondary school to university and higher education. The company participates in local projects in Dalarna and Västmanland, supports various community initiatives to increase interest in technology and offers summer jobs and opportunities for students to write essays and do thesis work.

Gender distribution

Hitachi Energy actively promotes gender balance in the company, including through various initiatives aimed at women at the end of their university education and by ensuring that there is always one man and one woman as final candidates in our recruitment processes. Hitachi Energy in Sweden has already exceeded the Group's 2025 target of 25% women in the company and now has 26% female employees. In 2021, the company recruited 552 people, 32% of whom were women.

Diversity

Hitachi Energy believes that people with diverse experience and perspectives are essential to create the innovative climate required for long-term business success. As a global company, it knows that its success depends on the diversity and skills of its employees.

By diversity, Hitachi Energy means the difference that makes us all unique. This includes visible differences such as age, gender, ethnicity and physical characteristics, as well as underlying differences such as religion, beliefs and ways of thinking and acting. The company and its employees must treat all people with respect and dignity in accordance with our business principles.

The Diversity Policy states that Hitachi Energy is committed to:

- Working actively to ensure that both the physical and psychosocial working environment is suitable for all employees.
- Making it easier for all employees to reconcile work and parenthood.
- Preventing harassment.
- Investigating all cases of discrimination and harassment in the workplace and taking appropriate action.
- Providing all employees with opportunities for development and training.
- Actively promoting gender balance in our activities.
- Ensuring that no employee is discriminated against in terms of pay.

Clear, structured processes are in place to address diversity risks. Starting in 2021, and continuing in 2022, all employees are being trained in awareness of their unconscious bias.

Health and safety

The aim of Hitachi Energy's health and safety work is to create a physically, organisationally and socially healthy workplace in which all employees can develop. The work is based on the fact that employees influence each other's health and safety and that work-related illness and accidents can be prevented. The company works with customers, suppliers and contractors to achieve its objectives.

The systematic health and safety work is subject to a health and safety management system in accordance with the requirements of the ISO 45001 standard. All units formulate health and safety objectives for improvement based on the focus of their own operations and on the overall health and safety objectives and policy, which is based on the global Group's health and safety policy.

All employees in the company are responsible for health and safety. Managers coordinate and drive the ongoing health and safety work and create a good, safe working environment with the participation and shared responsibility of employees. Participation is a key to success. The company attaches great importance to preventive health and safety work, involving close collaboration between management, employees, the safety organisation and occupational health services. Health and safety work is evaluated on an ongoing basis to enable the business to make continuous improvements.

Some of the biggest risks in the business are cutting injuries, electrical work and working at height. The systematic work carried out to prevent, reduce and eliminate risks includes:

- Registration of hazards, which is an important parameter for risk prevention. All employees have a responsibility to be aware of and respond to hazards, abnormalities or risks that could lead to accidents and ill-health.
- Risk assessments, including Stop Take 5, carried out before the start of all work, regardless of the operation.
- 10 Life Saving Rules applied to increase awareness of hazards and how to prevent incidents in critical areas.
- Ensuring that proper protective equipment is used in all situations.
- Ensuring that all employees have the right training for the task at hand. For example, all new employees undergo general induction training, and training is provided in electrical safety, forklift driving and fall protection, among other things.

Hitachi Energy's long-term, systematic health and safety work has paid off. The TRIFR value (total recordable injury frequency rate, the number of incidents resulting in a fatal or serious injury, a lost or limited working day, incidents involving medical treatment and occupational diseases) has decreased significantly, from 2.042 in 2012 to 0.26 in 2021.

Events during the year

The past few years have been marked by the pandemic, and dealing with it has been the focus of Hitachi Energy's health and safety work. Among other things, the company has introduced rules on working from home and the number of employees on site, on production employees changing at home and on not making business trips or receiving visitors. Following the pandemic, a strategy for the new normal has been initiated in terms of the workplace.



4. Integrity, including anti-corruption

Hitachi Energy does not tolerate breaches of the law or our Code of Conduct. The values expressed by the company on safety and integrity are a cornerstone that ensures it does not operate in a way that puts people at risk or involves unethical practices.

The Swedish company's integrity program is part of Hitachi Energy's global integrity program. Integrity is at the heart of all of Hitachi Energy's operations. Integrity at the company starts with leadership and accountability. The message from company management is that the company is clearly committed to the safety, integrity and quality undertakings that are a prerequisite for operations, and that the company refrains from doing business that does not meet these requirements. In recurring videos, articles and letters to employees, Hitachi Energy's global CEO and senior management underline the commitment to run the business without ever breaching rules and regulations. All local business unit managers hold regular discussions on integrity issues to ensure that messages about integrity come from the person who sets the business goals: integrity and business go hand in hand.

Everyone who works for or with Hitachi Energy must comply with the integrity standards set out in the company's Code of Conduct and Supplier Code of Conduct (available at: (<https://www.hitachienergy.com/about-us/integrity/standards/code-of-conduct>)).

Personal integrity commitments are also set out in the Code of Conduct. The personal commitments are as follows:

- we are honest, sincere and accountable to each other for our actions – we immediately address any questions or concerns about suspected violations of our Code of Conduct;
- we are polite and respectful to each other and our stakeholders – we are fair, reliable and cooperative in all our business activities;
- we create creative solutions that are consistent with our Code of Conduct – we comply with applicable laws and our principles of ethics and integrity;
- we help build a sustainable future – we protect the environment, apply sound health and safety procedures and respect human rights;
- we work with a strong sense of personal responsibility for our company – protecting its reputation, brand and assets.

Internal policies and instructions ensure compliance with the Code of Conduct.

Training

To prevent problems, it is important to be aware of the risks that exist. Consequently, integrity training is important. All new employees undergo integrity training, and online integrity recap courses were launched in the first quarter of 2021 for employees who have a company email address.

Reporting system

Systems to detect and address ethical misconduct are central to the company's integrity program. In addition to several other channels for reporting integrity concerns (reports may be made to a line manager, a representative of Legal & Integrity, the local or regional Head of Legal or Head of Integrity or the global Head of Integrity), there is a web portal for those who prefer to use the internet: Hitachi Energy EthicsPoint (<https://www.hitachienergy.com/about-us/integrity/reporting-channels>).

There is also an Ethics telephone hotline, available in over 180 languages, 24 hours a day. The Ethics hotline and web portal are operated by a third party and allow for anonymous reporting.

Due to Swedish law and a decision by the Swedish Authority for Privacy Protection, the Ethics hotline and the web portal may only be used to report employees in key or senior positions. Only matters involving serious accounting irregularities, internal controls related to bookkeeping, bribery and other serious cases affecting Hitachi Energy's vital interests or health and safety issues may be reported via the Ethics hotline and the web portal. For other matters, employees in Sweden may use any of the other reporting channels unless the policy on reporting integrity issues applies.

All reports received are treated confidentially, reviewed and investigated as appropriate. Appropriate action is taken against disclosed exposure, including disciplinary action, which may even include dismissal, depending on local employment law.

Hitachi Energy has a strict zero-tolerance policy for breaches of the law or our Code of Conduct. In addition, retaliation, threats of retaliation or any other form of punishment, suspension, harassment, involuntary reassignment or any other form of discrimination will not be tolerated against any employee who has reported illegal or unethical conduct to the company in good faith.



The requirements for a good working environment include zero tolerance of harassment, whether face-to-face, written, electronic or verbal. The company's goal is to make all employees feel welcome and comfortable and to address all integrity concerns. Consequently, the company works constantly to ensure that employees, partners and those who do business with the company are not harassed in any way.

The integrity program is evolving

As befits a leading technology company, it intends to use data analysis and other advanced tools to further improve its integrity work. In this way, the company's integrity program will evolve with the business as it grows, changes and develops.

Events during the year

In 2021, Hitachi Energy did not incur any significant fines or penalties for non-compliance with laws and regulations.

In 2021, the procedures and thresholds for entertainment, gifts and other arrangements given to or received by public and non-public officials were updated. The Code of Conduct was also updated in 2021, including our personal integrity commitments. Furthermore, in 2021, Hitachi Energy updated its global policy on reporting integrity issues.

Proposed appropriation of profit

Proposed appropriation of profit (SEK)

The following funds are at the disposal of the Annual General Meeting:

Profit brought forward	3,096,576,198.20
Profit for the year	372,202,975.21
Total	3,468,779,173.41

The Board of Directors and the CEO propose that the profits available for distribution be appropriated as follows:

Dividend to shareholders and carried forward	372,000,000.00
Total	3,468,779,173.41

Statement by the Board of Directors

Statement by the Board of Directors on the proposed dividend for the financial year 1 April 2021 – 31 March 2022

According to the company's annual report for the 2021 financial year, the Board of Directors has proposed that the Annual General Meeting decide on a dividend of SEK 372,000,000.00 to the shareholder Hitachi Energy Ltd.

The Board of Directors considers that the proposed dividend is justified in view of the provisions of Chapter 17, Section 3, paragraphs two and three, of the Swedish Companies Act as:

- the dividend, in relation to the requirements of the nature, scope and risks of the company's activities in terms of the amount of its equity, and the company's consolidation needs, liquidity and position in general, cannot be considered to adversely affect the company's ability to meet these requirements and needs;
- the dividend cannot be considered to prevent the company from fulfilling its obligations in the short and long terms;
- the dividend cannot be considered to impede the company's ability to make any necessary investments; and
- the company's equity/assets ratio, after the proposed dividend, will be satisfactory.

Key ratios – Five-year review

The financial year 1 January 2020 – 31 March 2021 was 15 months long and the other years are 12 months long.

The review is as per the legal structure at each reporting date. Up to 31 October 2019, the former ABB Group in Sweden was also included, which also comprised Hitachi Energy Sweden AB.

(SEK m)	2021/2022	2020/2021	2019	2018	2017
Order entry	21,216	15,507	32,321	26,804	27,265
– of which exports	19,670	13,851	27,187	20,471	20,915
Net operating sales	13,475	16,189	25,693	30,245	32,944
– of which exports	12,496	13,810	20,930	24,869	27,153
Profit after financial items	516	-1,965	225	2,033	5,361
Profit for the year	372	-1,853	189	1,658	4,739
Net cash and cash equivalents	885	1,008	2,107	1,117	10,308
Equity/assets ratio	29.0%	28.4%	21.6%	32.6%	37.7%
Return on capital employed	12.6%	-49.5%	3.5%	18.2%	50.2%
Return on equity	9.9%	-52.4%	3.4%	17.5%	50.9%
Order book	26,976	18,891	20,428	21,060	24,709
Average number of employees	3,931	3,852	6,784	7,916	8,027
R&D expenses	834	1,175	2,191	2,481	2,629
Investments in machinery and properties	206	231	406	612	750



Ellen Norden PGTR/PTTR

Marcus Andersson PGTR/PTTL

ThinkPad



Income statement

Income statement (SEK m)	Note	1 April 2021 - 31 March 2022	1 January 2020 31 March 2021
Net sales	4	13,475	16,189
Cost of goods sold		-10,330	-14,061
Gross profit		3,145	2,128
Selling expenses	5	-972	-1,081
Research and development expenses	5	-834	-1,175
Administrative expenses	5, 6	-852	-798
Other operating income	7	4	6
Other operating expenses – buyout of PRI debt	18	0	-1,081
Operating profit		492	-2,002
Profit from financial items:			
Interest income and similar profit items	8	30	66
Interest expenses and similar profit items	8	-6	-29
Total profit from financial investments		24	37
Profit after financial items		516	-1,965
Appropriations	9	-37	-82
Tax on profit for the year	10	-107	194
Profit for the year		372	-1,853

Balance sheet

Assets (SEK m)	Note	31 March 2022	31 March 2021
Non-current assets			
Intangible assets	11, 27		
Software for own use		14	11
		14	11
Property, plant and equipment	12, 27		
Land and buildings		1,595	1,639
Plant and machinery		708	780
Equipment, tools, fixtures and fittings		376	346
Construction in progress		262	272
		2,941	3,037
Financial assets			
Deferred tax assets	17	302	393
Other securities held as non-current assets	13	405	387
Other non-current receivables	13, 26	1	6
		708	786
Total non-current assets		3,663	3,834
Current assets			
Stock, etc.			
Raw materials and consumables		1,104	927
Products in progress		897	651
Finished goods and goods for resale		132	150
Work in progress	16	2,998	2,114
Advance payments to suppliers	3	98	116
		5,229	3,958
Current receivables			
Accounts receivable – trade	3	2,596	2,950
Tax assets		103	110
Other receivables	3, 24	1,899	1,427
Prepaid expenses and accrued income	3, 14	86	101
		4,684	4,588
Cash and bank balances	3, 24	29	197
Total current assets		9,942	8,743
Total assets		13,605	12,577

Equity and liabilities (SEK m)	Note	31 March 2022	31 March 2021
Equity			
Restricted equity			
Share capital		400	400
Statutory reserve		80	80
		480	480
Non-restricted equity	15		
Profit brought forward		3,097	4,950
Profit for the year		372	-1,853
		3,469	3,097
Total equity		3,949	3,577
Untaxed reserves	9	462	425
Provisions			
Provisions for pensions and similar obligations	18	405	387
Deferred tax liabilities	18	0	2
Other provisions	19	750	692
Total provisions		1,155	1,081
Current liabilities			
Advance payments from customers	3	948	713
Accounts payable – trade	3	2,576	2,205
Other liabilities	3, 16, 24	2,332	2,444
Accrued expenses and deferred income	3, 20	2,183	2,132
Total current liabilities		8,039	7,494
Total equity and liabilities		13,605	12,577

Change in equity

Change in equity	Share capital	Statutory reserve	Fair value reserve	Profit brought forward	Total equity
Opening balance, 1 January 2020	400	80	0	3,020	3,500
Profit for the year				-1,853	-1,853
Shareholders' contributions received			0	1,988	1,988
Effects of changes in accounting estimates				-58	-58
Closing balance, 31 March 2021	400	80	0	3,097	3,577
Opening balance, 1 April 2021	400	80	0	3,097	3,577
Profit for the year				372	372
Closing balance, 31 March 2022	400	80	0	3,469	3,949

Hitachi Energy Sweden AB's share capital consists of 3,604,000 class B shares with 1/10 of a vote each.

Cash flow statement

Cash flow statement (SEK m)	Note	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Operating activities			
Operating profit		492	-2,002
Adjustment for depreciation and amortisation		305	454
Adjustment for change in provisions		75	22
Adjustment for market value of derivatives		186	19
Adjustment, opening balance		0	-23
		1,058	-1,530
Interest received	25	0	40
Interest paid	25	-5	-27
		-5	13
Income tax paid		-11	349
Cash flow from operating activities before changes in working capital		1,042	-1,168
Change in accounts receivable – trade		354	456
Change in other current receivables		-270	139
Change in stock, etc.		-1,272	1,611
Change in accounts payable – trade		371	-1,095
Change in advance payments from customers		235	87
Change in other current liabilities		-389	1,202
		-971	2,400
Cash flow from operating activities		71	1,232
Investing activities			
Change in long-term receivables		5	-6
Acquisition of property, plant and equipment		-205	-231
Acquisition of intangible assets		-6	-4
Acquisition of financial assets		12	-40
Sale of non-current assets		0	12
Cash flow from investing activities		-194	-269
Financing activities			
Change in liabilities		0	-4,050
Group contributions paid/received		0	0
Repurchase of company's shares		0	0
Shareholders' contributions received		0	1,988
Cash flow from financing activities		0	-2,062
Increase/decrease in cash and cash equivalents		-123	-1,099
Cash and cash equivalents at start of year	24	1,008	2,107
Cash and cash equivalents at year-end	24	885	1,008

Notes

Note 1

Accounting policies

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1, applying the accounting policies specified below.

Amounts are presented in millions of Swedish krona (SEK million) unless stated otherwise. Due to rounding, there may be differences in the balance sheet and income statement.

Revenue recognition

Revenue from the sale of products is recognised when the title and significant risks have passed to the buyer. Transfer of title and risks to the buyer is governed by the contracts' terms of delivery.

Revenue and profit from projects are recognised as projects are completed in accordance with the percentage of completion method. The percentage of completion is calculated by actual expenses being related to forecast total expenses. The forecast expenses are revised and updated continuously.

The accumulated effect of a change in the forecast is recognised in the period in which the change is implemented. Revenue recognised but not invoiced is classified as Work in progress and Revenue invoiced but not recognised is classified as Other current liabilities in the balance sheet.

Revenue from service transactions is normally recognised when the service has been performed. For long-term service contracts, revenue is recognised in a straight line over the term of the contract or, if the service is not linear by nature, when the service has been performed. The percentage of completion method is used for service projects.

For loss orders, provisions are made in full to cover expected losses as soon as such losses are feared. These are included in the item Provisions.

Research and development

Expenditure on research and development is recognised as expenses as it arises. Development expenses for customer orders in progress are included in stock and entered as expenses as the project is completed.

Leases

The company uses assets under leases that may be finance leases or operating leases. All leases in the company are recognised as operating leases.

Taxes

The company's total tax comprises current tax and deferred tax. Deferred tax is recognised when, on the balance sheet date, there are differences between carrying amounts and tax values for assets and liabilities. The tax benefit of loss carry-forwards and other future tax deductions is recognised as deferred tax assets if it is probable that the deductions can be set off against future surpluses within the foreseeable future.

Receivables

Receivables are recognised at the lower of nominal value and the amount expected to be received.

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated to SEK at the time of the transaction. On the balance sheet date, receivables and liabilities are translated at the closing day rate and exchange differences are included in profit for the year. Advance payments from customers and to suppliers are recognised at the exchange rate at the time of payment as no liability to repay is anticipated.

Derivatives

All derivatives are recognised at fair value in the balance sheet. Changes in value of derivatives are recognised on a current basis in the income statement. Income and expenses are hedged, as well as other known or expected cash flows. Hedge accounting is not applied.

Stock

Stock is valued at the lower of cost, using the FIFO method, and net realisable value. The necessary deduction is made for obsolescence. Expenses for deliveries of plant that have not been completed at the end of the financial year are recognised in the balance sheet as stock.

Endowment insurance

A number of direct pension agreements have been secured with endowment insurance policies. The pension commitments are directly linked to the amount due from the pledged company-owned endowment insurance policies. The endowment insurance policies are recognised as financial assets and the pension commitment as Provisions for pensions. The company's pension solution consists of an insurance solution with recognition of current expenses in the income statement.

Software for own use

Expenses for software for internal use are entered in the balance sheet if they are expected to produce future economic benefits. The depreciation period for software is 3–5 years. Capitalisation is under intangible assets and the heading 'Software for own use'.

Property, plant and equipment

Property, plant and equipment are recognised at historical cost less straight-line, accumulated depreciation and any impairment. Each part of property, plant and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately. This primarily comprises components in properties and of mechanical equipment.

Land is not subject to depreciation as it is deemed to have an unlimited economic life. However, other depreciation periods are calculated using the straight-line method and are based on the following expected useful lives:

- | | |
|---|-------------|
| • Buildings and land improvements | 20–60 years |
| • Investments in leased premises (lease term) | 2–17 years |
| • Machinery and equipment | 3–15 years |
| • Production tools | 3–5 years |
| • Computer equipment | 3–5 years |

Impairment of assets

Non-current assets are tested for impairment every year if events and changes occur that indicate that the carrying amount of an asset is not recoverable. An asset that has fallen in value is impaired to its market value based on the best available information.

Provisions

Other provisions cover identifiable guarantee expenses, penalties, loss orders, special employer's contribution and a restructuring reserve.

Cash and cash equivalents

The cash and cash equivalents recognised are cash and bank balances, plus investments in securities, etc. that have a remaining term of no more than three months at the acquisition date.

Orders received

Orders received and the order book are specified at the price at the expected delivery time.

Accounting estimates

In the preparation of the annual report, the company management used accounting estimates in the recognition of assets and liabilities. This applies to accounting policies which, in their application, require more extensive subjective assessments by the company management in terms of estimates and assumptions in matters that, by their very nature, are difficult to assess. The company management considers the most critical estimates to be:

- assumptions and forecasts, primarily related to future material, labour and project-related expenses, that are used to determine the percentage completion of projects.
- estimates associated with product warranties, environmental damage, regulations and legal disputes or impending disputes.
- assumptions used to determine obsolescence and net realisable value.

Definition of key ratios

(Where they are not described above)

Return on capital employed, %

Profit after financial items, plus interest expenses and exchange differences related to average capital employed. The average is calculated using the capital employed at the start and end of the year.

Return on equity, %

Profit for the year related to average equity. The average is calculated using the equity at the start and end of the year.

Equity/assets ratio, %

Equity as a percentage of balance sheet total.

Information about the parent company

Hitachi Energy Sweden AB is ultimately owned by Hitachi Ltd 0100-01-008844 (Kabushiki Kaisha Hitachi Seisakusho), which prepares the consolidated financial statements in which the company is included. The registered office of the parent company is 6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8280 Japan.

The closest parent company is Hitachi Energy Ltd in Zürich; CHE-339.599.331, Switzerland. The ultimate parent company prepares the consolidated financial statements, which are available at www.hitachi.com.

Note 2

Changes in accounting estimates

As a result of it having a new owner that applies IFRS, the company has changed its accounting estimates for the items below. The changes concern new accounting estimates for embedded derivatives and project-related expenses, the majority of which concern provisions. Regarding embedded derivatives, the estimate has been changed in relation to when embedded derivatives have to be disclosed as per K3.

Changes concerning project-related expenses primarily concern a new estimate of when and at what amount a provision should be booked as a consequence of new information. The figures in the Directors' report under the heading 'Profit and financial position' and the Five-year review have not been recalculated.

Effects of changes in accounting estimates	31 March 2022	31 March 2021
Income statement		
Cost of goods sold	-	-470
Balance sheet		
Property, plant and equipment	-	-20
Financial assets	-	-54
Current assets	-	-137
Profit brought forward	-	-60
Provisions	-	306
Current liabilities	-	13

Note 3

Inter-company balances

	Group companies 31 March 2022	31 March 2021
Other non-current receivables	-	-
Accounts receivable – trade	1,762	1,473
Other receivables	1,147	959
Prepaid expenses and accrued income	12	24
Work in progress	1,196	731
Advance payments to suppliers	77	51
Total assets	4,193	3,239
Non-current liabilities	-	-
Advance payments from customers	346	141
Accounts payable – trade	754	730
Other liabilities	1,136	473
Accrued expenses and deferred income	300	251
Total liabilities	2,537	1,594
Net assets/liabilities	1,656	1,645

Purchases and sales	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Purchases from and sales to Group companies are shown below.		
Purchases	7,866	9,594
Sales	5,635	6,489

Note 4

Distribution of net sales between units and geographical areas.

Net sales are distributed between units as follows:	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Power Grid Integration	6,863	7,564
Power Grid Transformers	3,405	4,102
Power Grid High Voltage Products	1,732	2,595
Power Grid Automation	1,155	1,543
Others	321	385
Net sales	13,475	16,189

Net sales are distributed between geographical areas as follows:	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Sweden	979	2,379
Europe	6,562	6,446
Asia, Middle East & Africa	3,625	4,627
North and South America	1,710	1,536
Others	599	1,201
Net sales	13,475	16,189

Note 5

Salaries, other benefits, social security contributions and average number of employees.
Gender distribution of the Board of Directors and management team

Average number of employees in Sweden	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Women	1,009	953
Men	2,922	2,899
Total	3,931	3,852

Salaries and other benefits	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Senior executives ^{1) 2)}	12	10
Bonus, etc. to Board and CEO	7	1
Other employees	2,376	2,846

¹⁾ Excluding bonus, etc.

²⁾ Senior executives means directors, deputy directors, the CEO and deputy CEO (excluding employee representatives).

Social security contributions, all employees	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Social security contributions, excluding pension expenses	733	883
Pension expenses	471	578

Of the company's pension expenses, SEK 2 million (2 million) concern senior executives ²⁾ (excluding employee representatives).

Severance payment

On termination, the company's CEO is entitled to the equivalent of 6 months' salary. If the company issues notice of termination, the CEO is entitled to the equivalent of 12 months' salary.

The Board of Directors and company management had the following members at the end of the financial year:	Board of Directors	Company's other management team, including CEO
Women	1	3
Men	7	10
Total	8	13

Note 6

Audit fees

Accounting firms, 1 April 2021 - 31 March 2022	Audit engagement	Audit business in addition to the audit engagement	Tax advice	Other services	Total
KPMG	-	-	-	-	0
Ernst & Young	7	3	-	-	10
PricewaterhouseCoopers	-	-	-	2	2
Deloitte	-	-	0	0	0
Audit fees	7	3	0	2	12

Accounting firms, 1 January 2020 - 31 March 2021	Audit engagement	Audit business in addition to the audit engagement	Tax advice	Other services	Total
KPMG	3	-	-	-	3
Ernst & Young	6	-	-	-	6
PricewaterhouseCoopers	-	-	-	4	4
Deloitte	-	-	0	1	1
Audit fees	9	0	0	5	14

Note 7

Other operating income

Operating income	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Rental income	4	6
Other income	0	0
Total	4	6

Note 8

Interest income, interest expenses and similar profit items

Interest income and similar profit items	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Interest	30	66
Total	30	66

Interest expenses and similar profit items	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Interest	-6	-29
Total	-6	-29
Of which interest to Group companies	-3	-12

Note 9

Appropriations and untaxed reserves

Appropriations	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Difference between book depreciation and depreciation according to plan	-37	-82
Appropriations	-37	-82

Untaxed reserves	31 March 2022	31 March 2021
Excess depreciation	462	425
Untaxed reserves	462	425

Note 10

Tax on profit for the year

Tax on profit for the year	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Current tax	-17	-19
Adjustment of current tax in relation to previous year's profit	-	2
Deferred tax	-90	211
Tax on profit for the year	-107	194

The average effective tax rate is 22% (9%).

Reconciliation of effective tax rate	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Profit before tax	479	-2,047
Tax at the applicable tax rate, 20.6% (21.4%)	-99	438
Tax effect of:		
Non-taxable income	6	6
Non-deductible expenses	0	-234
Deductible items booked against equity	-	13
Adjustment in relation to taxes for previous year	-	2
Other	-14	-31
Total recognised tax	-107	194
Effective tax rate, %	22%	9%

Note 11

Intangible assets

	Concessions, patents, licences, trade marks and similar rights		Goodwill	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Opening cost	71	71	0	29
Acquisitions for the year	-	-	-	-
Sales and divestments	45	-	-	-
Asset transferred*	-45	-	-	-
Reclassifications	-70	-	0	-29
Closing accumulated cost	1	71	0	0
Opening amortisation	-71	-71	0	-29
Sales	-	-	-	-
Amortisation for the year	-	-	-	-
Asset transferred*	-	-	-	-
Reclassifications	70	-	0	29
Closing accumulated amortisation	-1	-71	0	0
Opening impairment	0	0	0	0
Impairment for the year	-	-	-	-
Reclassification	-	-	-	-
Closing accumulated impairment	0	0	0	0
Closing book value	0	0	0	0

* Asset transferred in connection with assets and liabilities.

Software for own use	31 March 2022	31 March 2021
Opening cost	269	265
Acquisitions for the year	6	4
Sales and divestments	-1	-
Reclassification	-115	-
Closing accumulated cost	159	269
Opening amortisation	-256	-252
Sales	1	-
Amortisation for the year	-3	-4
Reclassification	115	-
Closing accumulated amortisation	-143	-256
Opening impairment	-2	-2
Impairment for the year	-	-
Closing accumulated impairment	-2	-2
Closing book value	14	11

Note 12

Property, plant and equipment

	Land and buildings		Plant and machinery		Equipment, tools, fixtures and fittings	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Opening cost	2,379	2,318	3,120	3,148	1,174	977
Purchases	4	19	11	35	31	57
Sales and disposals	-4	-4	-14	-23	-8	-18
Reclassifications	34	46	16	-40	101	158
Closing accumulated cost	2,413	2,379	3,133	3,120	1,298	1,174
Opening impairment	-38	-24	-60	-52	-25	-3
Impairment for the year	-	-14	-1	-8	-3	-22
Closing accumulated impairment	-38	-38	-61	-60	-28	-25
Opening depreciation	-702	-604	-2,280	-1,890	-803	-918
Sales and disposals	4	1	14	21	8	11
Reclassifications	2	-	35	-219	-18	219
Depreciation for the year	-84	-99	-133	-192	-81	-115
Closing accumulated depreciation	-780	-702	-2,364	-2,280	-894	-803
Closing book value	1,595	1,639	708	780	376	346

Construction in progress	31 March 2022	31 March 2021
Opening balance	272	309
Expenses during the year	160	120
Re-allocations during the year	-170	-157
Closing balance	262	272

Note 13

Financial assets

Endowment insurance	31 March 2022	31 March 2021
Opening book value	387	363
New premiums for the year	22	40
Payments for the year	-34	-42
Market value for the year	30	26
Closing book value	405	387

The cost of the above endowment insurance policies is SEK 313 million (SEK 345 million).

Other non-current receivables	31 March 2022	31 March 2021
Opening book value	6	0
Additional receivables	0	6
Deductible receivables	-5	0
Closing book value	1	6

Note 14

Prepaid expenses and accrued income

	31 March 2022	31 March 2021
Insurance expenses	7	27
Prepaid rent	15	21
Pension premiums	5	5
Accrued income	9	5
Other items	50	43
Total	86	101

Note 15

Proposed appropriation of profits

The following funds are at the disposal of the Annual General Meeting:	31 March 2022	31 March 2021
Profit brought forward	3,096,576,198.20	4,949,987,315.64
Profit for the year	372,202,975.21	-1,853,407,191.98
Total	3,468,779,173.41	3,096,580,123.66

The Board of Directors and the CEO propose that the profits available for distribution be appropriated as follows:	31 March 2022	31 March 2021
Dividend to shareholders	372,000,000.00	0.00
and carried forward	3,096,779,173.41	3,096,580,123.66
Total	3,468,779,173.41	3,096,580,123.66

Note 16

Work in progress

	31 March 2022	31 March 2021
Income earned for uncompleted projects	29,955	37,893
Invoiced	-26,957	-35,779
Income earned but not invoiced, asset	2,998	2,114

	31 March 2022	31 March 2021
Of the invoiced amounts, the amount withheld by the customer under the terms of the contract is:	0	0

	31 March 2022	31 March 2021
Invoiced	13,690	8,340
Income earned for uncompleted projects	-12,338	-6,559
Income invoiced but not yet earned, liability	1,352	1,781

	31 March 2022	31 March 2021
Of the invoiced amounts, the amount withheld by the customer under the terms of the contract is:	0	0

Income earned but not invoiced and income invoiced but not yet earned is recognised gross per project. The projects in which income earned exceeds income invoiced are recognised as current assets in the item 'Work in progress'. The projects in which income invoiced exceeds income earned are included in current liabilities in the item 'Other liabilities'. Earned and invoiced values relate to accumulated values for projects and may therefore include values earned and invoiced over several financial years.

Note 17

Deferred tax

Deferred tax assets relating to	31 March 2022	31 March 2021
Derivatives	37	0
Provisions	72	34
Pensions	104	99
Loss carry-forwards	48	226
Other	41	34
Total closing deferred tax assets:	302	393

Deferred tax liabilities relating to	31 March 2022	31 March 2021
Derivatives	-	2
Other	-	0
Total closing deferred tax liabilities:	0	2

Change between financial years:	31 March 2022	31 March 2021
Change in income statement	-90	211
Of which change in balance sheet	-89	210

Note 18

Provisions for pensions

	31 March 2022	31 March 2021
Provisions for other pensions	405	387
Provisions for pensions	405	387

Provisions for other pensions relate to pledged endowment insurance policies. During the previous financial year, the pension liabilities were bought out when the pension solution was switched to an insurance solution. The pension fund was dissolved in connection with this.

The effect on profit of SEK 1,081 million was recognised in the income statement as other operating expenses on a separate line.

Obligations relating to pensions and similar benefits for directors and CEOs (including deputies and deputy CEOs)	31 March 2022	31 March 2021
Provisions for other pensions (part of the item above)	15	9
Total obligations	15	9

Note 19

Other provisions

	Loss order reserve ¹⁾	Warranty reserve ²⁾	Restructuring reserve ³⁾	Other reserves ⁴⁾	Total
Provisions at start of year	30	412	30	220	692
Provisions during the period	19	285	1	8	313
Amounts utilised during the period	-14	-55	-18	-	-87
Amounts reversed during the period	-9	-137	-16	-6	-168
Reclassification	-	-	49	-49	-
Closing balance	26	505	46	173	750

¹⁾ Loss order reserve

The reserve for loss orders concerns orders for which a negative gross profit margin is expected. A provision is made as soon as a final loss on the order can be expected. In exceptional cases, this may be made at the time the order is accepted. This provision normally concerns large, complex orders for which the final margin is less certain.

²⁾ Warranty reserve

Provisions for warranties are intended to cover warranty risks on account of faults in design, materials and execution or guaranteed performance. This also applies to product repairs or replacements on account of faults in design/solutions outside the warranty period. Provisions for warranties are recognised when:

- Hitachi Energy Sweden AB has an obligation to make repairs or replace products, i.e. at the start of the warranty period specified in the contract with the customer.
- Previous experience indicates that claims under the warranty are likely.
- The expenses for meeting warranty undertakings can be reasonably estimated.

³⁾ Restructuring reserve

Provisions for restructuring usually concern the closure of plants or the closure or relocation of production lines, operations, functions, etc. or a reduction in the number of employees in connection with an economic downturn.

⁴⁾ Other reserves

Other reserves concern various provisions that do not come under any of the above categories.

Note 20

Accrued expenses and deferred income

	31 March 2022	31 March 2021
Accrued employee benefit expenses	727	754
Provisions for additional expenses	800	729
Other items	656	649
Total	2,183	2,132

Note 21

Bank overdraft facility

The company has a bank overdraft facility totalling SEK 100 million (SEK 100 million).

The company has a revolving credit facility with Hitachi Energy's internal bank, Hitachi Energy Finance AG, for SEK 2,800 million (SEK 2,500 million).

Note 22

Pledged assets and contingent liabilities

Pledged assets	31 March 2022	31 March 2021
For own pension commitments	405	387
	405	387

Contingent liabilities

The company's business activities include guarantees for the performance of various contractual undertakings. Some of these are on-demand. There is no indication that such guarantees will result in any significant payment for which no provision has been made.

Note 23

Leased assets

The company leases office premises, trucks, company cars, computers, machinery and equipment.

	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Lease/rent payments made during the financial year	99	76
Lease/rent payments which:		
- Are due within one year	82	78
- Are due later than one year but within five years	142	136
- Are due later than five years	24	4

Note 24

Cash and cash equivalents

Cash and cash equivalents	31 March 2022	31 March 2021
Cash and bank balances	29	197
Part of Group account in foreign Hitachi company and similar investments	856	810
Cash and cash equivalents	885	1,008

Intra-Group receivables and liabilities in the cash pool	31 March 2022	31 March 2021
Intra-Group receivables	-	-
Intra-Group liabilities	-	-

Intra-Group receivables and liabilities are recognised as other current receivables and liabilities in the balance sheet and cash flow statement.

Note 25

Interest paid/received

	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Interest received during the period	0	40
Interest paid during the period	5	27

Note 26

Financial instruments

The book value of derivative assets and liabilities is as follows:	31 March 2022	31 March 2021
Hitachi derivative receivable (current), foreign currency	257	130
Hitachi derivative receivable (current), raw materials	30	16
Total derivative assets:	287	146
Hitachi derivative liability (current), foreign currency	462	135
Hitachi derivative liability (current), raw materials	5	4
Total derivative liabilities:	467	139

Derivative assets are recognised as other receivables and other non-current receivables.
Derivative liabilities are recognised as other liabilities.

SEK 0 million (SEK 0 million) of the book value of the foreign currency derivatives was recognised in the fair value reserve. The remaining changes in value were recognised in the income statement.

Note 27

Depreciation and amortisation

Profit includes depreciation and amortisation for the following amounts:	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Amortisation, intangible assets	-3	-4
Depreciation, property, plant and equipment	-298	-406
Total	-301	-410

Depreciation/amortisation is attributable to:	1 April 2021 -31 March 2022	1 January 2020 -31 March 2021
Cost of goods sold	-239	-337
Selling expenses	-19	-28
Administrative expenses	-23	-26
Research and development expenses	-20	-19
Total	-301	-410

Note 28

Significant events after the end of the financial year

The general world situation with the war in Ukraine has affected the company in terms of increased material prices and transport costs.

Västerås, 17 June 2022



Johan Söderström
Chair



Tobias Hansson
CEO



Mikael Hjort
Director



Dennis Bäckman
Director



Ismo Haka
Director



Peter Jansson
Director



Niklas Persson
Director



Eva-Lena Pettersson
Director

Our auditor's report was submitted on 27/6 2022.

Ernst & Young AB



Stefan Andersson Berglund
Authorised Public Accountant

Auditor's report





Auditor's report

To the Annual General Meeting of Hitachi Energy Sweden AB, corporate identity number 556029-7029

Report on the annual report

Opinions

We have audited the annual report for Hitachi Energy Sweden AB for the 2021 financial year, with the exception of pages 4-5 and the sustainability report on pages 11-19.

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and presents a true and fair view, in all material respects, of the financial position of Hitachi Energy Sweden AB as at 31 December 2021 and of its financial performance and cash flow for the year in accordance with the Swedish Annual Accounts Act. Our opinions do not cover pages 4-5 and the sustainability report on pages 11-19.

The directors' report is consistent with the rest of the annual report.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet.

Basis for opinions

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the *Responsibility of the auditor* section. We are independent of Hitachi Energy Sweden AB in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards.

We consider that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinions.

Information other than the annual report

This document also contains information other than the annual report. This is on pages 4-5 and 11-19. The Board and the CEO are responsible for this other information.

Our opinion concerning the annual report does not include this information and we do not give an assured opinion on this other information.

In connection with our audit of the annual report, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual report. In this review, we also take into account the knowledge we have obtained during the audit and assess whether the information appears to contain material misstatements in other respects.

If, based on the work performed concerning this information, we conclude that the other information contains a material misstatement, we are liable to report this. We have nothing to report in this respect.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for preparing an annual report that provides a true and fair view in pursuance of the Swedish Annual Accounts Act. The Board of Directors and the CEO are also responsible for the internal control they deem necessary to prepare an annual report that does not contain material misstatements, whether these are due to fraud or error.

In connection with the preparation of the annual report, the Board of Directors and the CEO are responsible for assessing whether the company is a going concern. Where applicable, they report factors that may affect the company's status as a going concern and use of the going concern assumption. However, a going concern assumption is not applied if the Board of Directors and the CEO intend to wind up the company or cease operations or have no realistic alternative to exercising one of these options.

Responsibility of the auditor

Our aim is to obtain reasonable assurance that the annual report as a whole does not contain any material misstatements, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always identify a material misstatement if such a misstatement is present. Misstatements may occur due to fraud or error and are deemed material if, taken individually or in combination, they may reasonably be expected to affect the financial decisions that users make based on the annual report.

As part of an audit in accordance with ISA, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. In addition:

- We identify and assess the risks of material misstatements in the annual report, whether they are due to fraud or error, design and perform audit procedures based partly on these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error as fraud may involve conspiracy, forgery, intentional omissions, incorrect information or breach of internal controls.
- We gain an understanding of the part of the company's internal control that is relevant to our audit to design audit procedures that are appropriate to the circumstances but not to comment on the effectiveness of internal control.
- We evaluate the appropriateness of the accounting policies applied and the reasonableness of the estimates by the Board of Directors and the CEO in the financial statements and related disclosures.
- We draw a conclusion about the appropriateness of the Board of Directors and the CEO assuming that the company is a going concern in connection with the preparation of the annual report. We also draw a conclusion, based on the audit evidence obtained, about whether there is any material uncertainty concerning events or circumstances that may lead to significant doubt about the company's status as a going concern. If we draw the conclusion that there is material uncertainty, we must, in the auditor's report, draw attention to the disclosures in the annual report concerning the material uncertainty or, if such disclosures are insufficient, modify our opinion about the annual report. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may mean that a company is no longer a going concern.
- We evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report presents the underlying transactions and events in a manner that provides a true and fair view.

We must inform the Board of Directors about matters including the planned scope, focus and date of the audit. We must also provide information about significant observations during the audit, including any significant deficiencies in the internal control we have identified.



(Coming after the AGM)

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual report, we also reviewed the Board of Directors' and the CEO's management of Hitachi Energy Sweden AB for 2021, and the proposed appropriation of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the directors' report, and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the *Responsibility of the auditor* section. We are independent of Hitachi Energy Sweden AB in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards.

We consider that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. In connection with the proposed dividend, this partly involves an assessment of whether the dividend is fair in respect of the requirements made by the nature of the operations, scope and risks of the company for the size of the company's equity, consolidation requirements, liquidity and position in other respects.

The Board of Directors is responsible for the organisation of the company and management of the company's affairs. Among other things, this involves continual assessment of the financial situation of the company and ensuring that the company is organised so that the bookkeeping, asset management and other financial affairs of the company are adequately monitored. The CEO is responsible for ongoing management in accordance with guidelines and instructions issued by the Board of Directors, in addition to taking the necessary steps to ensure that the company's books are kept in accordance with legislation and that its assets are managed in a satisfactory manner.

Responsibility of the auditor

The aim of our audit of the management of the company, and thus our opinion on discharge from liability, is to obtain audit evidence to be able to assess, with a reasonable level of assurance, whether any Board member or the CEO has, in any material respect:

- taken any action or been guilty of any negligence that may result in liability for damages for the company, or
- in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

The aim of our audit of the proposed appropriation of the company's profit or loss, and thus our opinion on this, is to assess, with a reasonable level of assurance, whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always identify actions or negligence that may result in the company being liable for damages, or identify that a proposal for appropriation of the company's profit or loss is not consistent with the Swedish

Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. Our examination of the company's management and the proposed appropriation of the company's profit or loss is based primarily on our audit of the accounts. Any additional audit procedures performed are based on our professional judgement with reference to risk and materiality. This means that we focus the audit on actions, matters and conditions that are material to operations, where departures and non-compliance would be of particular importance to the company's situation. We review and test decisions made, decision data, actions taken and other matters that are relevant to our opinion on discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Swedish Companies Act.

The auditor's opinion concerning the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 11-19, and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our review took place in accordance with FAR recommendation RevR 12, 'The auditor's opinion concerning the statutory sustainability report'. This means that our review of the sustainability report has another focus and is substantially narrower in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

A sustainability report has been prepared.

Stockholm, date as indicated by our electronic signature

Ernst & Young AB

Stefan Andersson Berglund
Authorised Public Accountant

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STEFAN ANDERSSON BERGLUND

Authorised Public Accountant

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