

PERFECTION IN AUTOMATION
A MEMBER OF THE ABB GROUP



ANNUAL REPORT 2018

Adopted at the annual general meeting on 15 May 2019

A handwritten signature in blue ink, appearing to read 'Carsten Clemensen', written over a horizontal line.

Carsten Clemensen
Chairman

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Statement by management on the annual report

The board of directors and executive boards have today discussed and approved the annual report of B&R Industrial Automation A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Odense, 15 May 2019

Executive board



Carsten Clemmensen
CEO



Linda Nymark
CFO

Board of Directors



Johann Wimmer
Chairman



Carsten Clemmensen



Peter Gucher

Independent auditor's report

To the shareholder of B&R Industrial Automation A/S

Opinion

We have audited the financial statements of B&R Industrial Automation A/S for the financial year 1 January – 31 December 2018, comprising accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Independent auditor's report

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern

- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

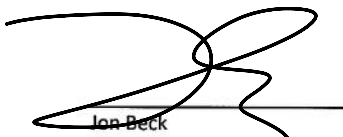
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 15 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Jon Beck

State Authorised Public Accountant

MNE no. 32169

Company details

The company	B&R Industrial Automation A/S Rolundvej 17 DK-5260 Odense S
	Telephone: 63153080
	Website: www.br-automation.com
	CVR no.: 29 69 17 46
	Financial year: 1 January - 31 December 2018
	Established: 8 June 2006
	Domicile: Odense
Board of Directors	Johann Wimmer, chairman Carsten Clemensen Peter Gucher
Executive board	Carsten Clemmensen, CEO Linda Nymark, CFO
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 Copenhagen Ø CVR-nr. 25 57 81 98

Management's review

Business activities

The main activity of the company is to deliver a complete automation solution that provides maximum flexibility and economic efficiency for our customers at the Machine & Factory Automation market.

Our slogan is our mission. The pursuit of **Perfection in Automation** has inspired and guided B&R and for us, perfection means more than developing the best solutions in industrial automation. It also means developing the best relationships – with our customers and partners as well as our employees and suppliers.

The company is offering a comprehensive portfolio of versatile products and a wide array of preprogrammed technology functions for machinery and equipment. These allow us to design custom solutions that significantly reduce both overall costs as well as the number of components used.

From conceptual design to after-sales service, we accompany our customers through every step the way. Together we develop the hardware and software solutions that best satisfy their unique requirements and provide them with a technological edge in their market.

The production process is undertaken by the parent company, whereas the sale of group products is under-taken by B&R Industrial Automation A/S. The products are sold primarily in Denmark and the other Nordic countries.

Development in activities and financial position

The Company's income statement for the year ended 31 December shows a profit of kr. 554.895 and the balance sheet at 31 December 2018 shows equity of kr. 8.232.827.

Accounting policies

The annual report of B&R Industrial Automation A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied are consistent with those of last year.

The annual report for 2018 is presented in kr.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

Foreign currency translation

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

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

Income statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit comprises revenue, cost of sales, other operating income and other external expenses.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. Revenue is net of all types of discounts granted.

Revenue from the sale of services is recognised on a straight-line basis in the income statement as the services are provided.

Accounting policies

Other operating income

Other operating income includes items of a secondary nature in relation to the company's activities, including profits from the disposal of property, plant and equipment.

Other operating costs

Other operating expenses includes items of a secondary nature in relation to the company's activities, including losses on the disposal of property, plant and equipment.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

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

Depreciation and impairment losses

Depreciation and impairment losses comprise the year's depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial income and expenses. Financial income and expenses include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions.

Tax on profit for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance sheet

Property, plant and equipment

Leasehold improvements and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

Accounting policies

The useful life and residual value are reviewed annually. A change is treated as an accounting estimate, and the impact on depreciation is recognised in the future.

Gains and losses on the sale of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the time of sale. Profit or loss is recognized in the income statement under other operating income or other operating expenses.

The carrying amount of property, plant and equipment is assessed annually for indications of impairment, in addition to what is expressed by depreciation. If there are indications of impairment, an impairment test is performed of each asset or group of connected assets, respectively.

Write-downs are made to the recoverable amount if this is lower than the carrying amount.

Deposits

Deposits recognised under financial fixed assets are recognised at amortised cost.

Leases

All leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under contingent liabilities etc.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Services in progress

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

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

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

Prepayments from customers are recognised as liabilities.

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash in bank.

Equity

Dividend

Dividends that are expected to be paid for the year are shown as a separate item under equity.

Accounting policies

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry forward are measured at the value to which the asset is expected to be realised, either by elimination in tax on future income or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which usually corresponds to nominal value.

Income statement 1 January - 31 December

	Note	2018 kr.	2017 kr.
Gross Profit		31 093 885	29 118 034
Staff costs	1	-29 473 409	-25 467 595
Depreciation and impairment of property, plant and equipment		-851 840	-683 225
Profit from ordinary operating activities		768 636	2 967 214
Financial income		0	3 869
Financial expenses		-26 657	-78 118
Profit before tax		741 979	2 892 965
Tax on profit for the year		-187 084	-691 690
NET PROFIT FOR THE YEAR		554 895	2 201 275
Profit appropriation			
Proposed dividends		5 000 000	0
Retained earnings		-4 445 105	2 201 275
		554 895	2 201 275

Balance sheet 31 December

	Note	2018 kr.	2017 kr.
ASSETS			
Other fixtures and fittings, tools and equipment		739 257	1 176 250
Leasehold improvements		2 743 557	2 999 067
Property, plant and equipment		<u>3 482 814</u>	<u>4 175 317</u>
Deposits		582 002	360 438
Financial assets		<u>582 002</u>	<u>360 438</u>
Fixed assets total		<u>4 064 816</u>	<u>4 535 755</u>
Trade receivables		13 587 036	17 921 434
Services in progress		98 550	42 536
Receivables from group entities		444 152	0
Other receivables		85 689	26 800
Deferred tax asset		994 091	1 181 175
Prepayments		518 394	581 668
Receivables		<u>15 727 912</u>	<u>19 753 613</u>
Cash at bank and in hand		<u>7 114 990</u>	<u>4 046 099</u>
Current assets total		<u>22 842 902</u>	<u>23 799 712</u>
ASSETS TOTAL		<u>26 907 718</u>	<u>28 335 467</u>

Balance sheet 31 December

	Note	2018 kr.	2017 kr.
LIABILITIES AND EQUITY			
Share capital		1 000 000	1 000 000
Retained earnings		2 232 827	6 677 932
Proposed dividends		5 000 000	0
Equity total	2	<u>8 232 827</u>	<u>7 677 932</u>
Trade payables		1 031 709	1 502 577
Payables to group entities		13 101 645	14 129 810
Other payables		4 541 537	5 025 148
Short-term debt		<u>18 674 891</u>	<u>20 657 535</u>
Debt total		<u>18 674 891</u>	<u>20 657 535</u>
LIABILITIES AND EQUITY TOTAL		<u>26 907 718</u>	<u>28 335 467</u>
Contingent liabilities	3		
Related parties	4		

Notes

	2018 kr.	2017 kr.		
1 Staff costs				
Wages and salaries	25 827 545	21 970 560		
Pensions	1 940 587	1 681 803		
Other social security costs	271 579	154 865		
Other staff costs	1 433 698	1 660 367		
	<u>29 473 409</u>	<u>25 467 595</u>		
Average number of employees	<u>39</u>	<u>34</u>		
2 Equity				
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January	1 000 000	6 677 932	0	7 677 932
Net profit for the year	0	-4 445 105	5 000 000	554 895
Equity at 31 December	<u>1 000 000</u>	<u>2 232 827</u>	<u>5 000 000</u>	<u>8 232 827</u>

Notes

3 Contingent liabilities

The Company is jointly taxed with the other Danish companies in the ABB Group. As a wholly-owned subsidiary, together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends. Any subsequent correction of the taxable jointly taxed income or withholding taxes could result in an adjustment of the Company's liability.

	2018 kr.	2017 kr.
Operating lease commitments		
Vehicle and other commitments		
Within 1 year	771 713	668 915
Between 1 and 5 years	537 572	408 933
	<u>1 309 285</u>	<u>1 077 848</u>
Rental commitment		
Within 1 year	1 077 593	1 213 909
Between 1 and 5 years	2 912 221	3 789 426
	<u>3 989 814</u>	<u>5 003 335</u>
Total operating lease commitments	5 299 099	6 081 183

4 Related parties

Control

ABB Ltd., headquartered in Zurich, prepares consolidated financial statements which also includes B&R Industrial Automation A/S. The consolidated financial statements have been prepared in accordance with US GAAP and audited by an approved auditor. ABB Ltd. is the smallest group in which the company is a subsidiary.