



ANNUAL REPORT 2019

Adopted at the annual general meeting on 26 May 2020

Carsten Clemensen
Chairman

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Statement by management on the annual report

The board of directors and executive board have today discussed and approved the annual report of B&R Industrial Automation A/S for the financial year 1 January - 31 December 2019.

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 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

In our opinion, the management's review gives 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, 26 May 2020

Executive board

Carsten Clemensen
CEO

Linda Nymark
CFO

Board of Directors

Johann Wimmer
Chairman

Peter Gucher

Carsten Clemensen

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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We 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.

Independent auditor's report

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

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 26 May 2020

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 2019
Established:	8 June 2006
Domicile:	Odense
Board of Directors	Johann Wimmer, chairman Peter Gucher Carsten Clemensen
Executive board	Carsten Clemensen, 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 in 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 loss of kr. 1.030.717 and the balance sheet at 31 December 2019 shows equity of kr. 2.202.110.

Outlook

On 11 March 2020, COVID-19 has been declared a pandemic by the World Health Organization, and most governments are taking restrictive measures to contain its further spread affecting free movement of people and goods.

While no material effects on the Company's financial position or results of operations have yet been identified at the date of these financial statements, management will continue monitoring and evaluating them during the 2020 financial year.

Financial statements

The annual report of B&R Industrial Automation A/S for 2019 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 2019 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.

Financial statements

Accounting policies

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

Services based on time spent are recognised in revenue as the work is performed.

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.

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, is recognised in the income statement as regards the portion that relates to entries directly in equity.

The company is covered by the Danish rules on compulsory joint taxation of the Danish subsidiaries of the ABB Group.

The Danish subsidiaries of the ABB Group form part of the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they exit the consolidation.

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.

Financial statements

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

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.

Financial statements

Accounting policies

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.

Income tax and deferred tax

Joint tax receivables and joint tax payables 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	2019 kr.	2018 kr.
Gross Profit		32.658.731	31.093.885
Staff costs	1	-33.079.357	-29.473.409
Depreciation and impairment of property, plant and equipment		-761.016	-851.840
Profit/loss from ordinary operating activities		-1.181.642	768.636
Financial expenses		-118.854	-26.657
Profit/loss before tax		-1.300.496	741.979
Tax on profit/loss for the year		269.779	-187.084
NET PROFIT/LOSS FOR THE YEAR		-1.030.717	554.895
 Profit appropriation/distribution of loss			
Proposed dividends		0	5.000.000
Retained earnings		-1.030.717	-4.445.105
		-1.030.717	554.895

Balance sheet 31 December

	Note	2019 kr.	2018 kr.
ASSETS			
Other fixtures and fittings, tools and equipment		321.356	739.257
Leasehold improvements		2.400.441	2.743.557
Property, plant and equipment		<u>2.721.797</u>	<u>3.482.814</u>
Deposits		345.058	582.002
Financial assets		<u>345.058</u>	<u>582.002</u>
Total fixed assets		<u>3.066.855</u>	<u>4.064.816</u>
Trade receivables		14.698.455	13.587.036
Services in progress		766.322	98.550
Receivables from group entities		135.873	444.152
Other receivables		175.650	85.689
Deferred tax asset		882.578	994.091
Joint tax receivable		381.292	0
Prepayments		462.803	518.394
Receivables		<u>17.502.973</u>	<u>15.727.912</u>
Cash at bank and in hand		<u>4.687.255</u>	<u>7.114.990</u>
Total current assets		<u>22.190.228</u>	<u>22.842.902</u>
TOTAL ASSETS		<u>25.257.083</u>	<u>26.907.718</u>

Balance sheet 31 December

	Note	2019 kr.	2018 kr.
LIABILITIES AND EQUITY			
Share capital		1.000.000	1.000.000
Retained earnings		1.202.110	2.232.827
Proposed dividends		0	5.000.000
Total equity	2	<u>2.202.110</u>	<u>8.232.827</u>
Trade payables		1.128.462	1.031.709
Payables to group entities		16.151.135	13.101.645
Other payables		5.775.376	4.541.537
Short-term debt		<u>23.054.973</u>	<u>18.674.891</u>
Total debt		<u>23.054.973</u>	<u>18.674.891</u>
TOTAL LIABILITIES AND EQUITY		<u><u>25.257.083</u></u>	<u><u>26.907.718</u></u>
Contractual obligations, contingent liabilities etc.	3		
Related parties	4		

Notes

	2019 kr.	2018 kr.		
1 Staff costs				
Wages and salaries	29.321.943	25.827.545		
Pensions	2.298.865	1.940.587		
Other social security costs	223.018	271.579		
Other staff costs	1.235.531	1.433.698		
	<u>33.079.357</u>	<u>29.473.409</u>		
Average number of employees	<u>45</u>	<u>39</u>		
2 Equity				
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January	1.000.000	2.232.827	5.000.000	8.232.827
Transferred over the profit appropriation/ distribution of loss	0	-1.030.717	-5.000.000	-6.030.717
Equity at 31 December	<u>1.000.000</u>	<u>1.202.110</u>	<u>0</u>	<u>2.202.110</u>

Notes

3 Contractual obligations, contingent liabilities etc.

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

	2019	2018
	kr.	kr.
Lease obligations		
Operating lease commitments		
Vehicle and other commitments		
Within 1 year	974.537	771.713
Between 1 and 5 years	684.266	537.572
	1.658.803	1.309.285
Rental commitment		
Within 1 year	1.097.048	1.077.593
Between 1 and 5 years	1.973.980	2.912.221
	3.071.028	3.989.814
Total operating lease commitments	4.729.831	5.299.099

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 and largest group in which the company is a subsidiary.