ANNUAL REPORT 2017

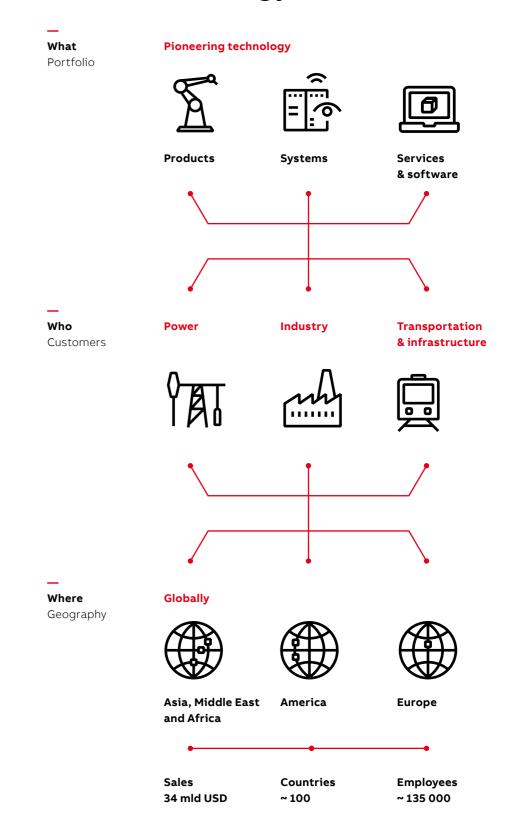
ABB s.r.o.

# **Annual Report 2017**Contents

003	ABB Group – an Introduction
005	The Future and Digitization
007	Message from the CEO
008	ABB Czech Republic – an Introduction
012	ABB CR – Case Studies
014	Related Parties Report for 2017
024	Audit Opinion
027	Financial Results

# **ABB Group**

# Pioneer and technology leader



# **ABB Group**

More than 125 years of technological advancement

ABB is a technology pioneer and leading international supplier of electrotechnical products, robotics and drives, industrial automation and power generation. It provides solutions to customers in the power, industrial, transport and infrastructure sectors worldwide. Following a more than 125-year tradition of innovation, ABB is now the future of industrial digitization and a driving force behind the energy and fourth industrial revolution.

As titular partner of the ABB FIA Formula E Championship, the world's first fully electric Formula E series, we're pushing the boundaries of e-mobility, which contributes to a sustainable future.

ABB operates in more than 100 countries worldwide and has approximately 135, 000 employees.

abb.com

# The future and digitization

### Let's create a future with robots that can work

YuMi® is the world's first robot that can actually work with humans, using its two arms to work side by side with them on the same tasks and opening up a whole world of possibilities.

### Let's create a future by offering cities a cleaner

ABB's smart fast-charging system recharges a bus in 15 seconds with no overhead lines, reducing ecological burden and assuring quiet and emission-free urban transport.

### Let's create a future with remote performance diagnostics enabling seamless marine fleet navigation.

The Azipod family of propulsion systems has logged more than 12 million operating hours and is the model of a reliable, efficient and versatile naval propulsion system.

### Let's create a future with data that transforms potential into productivity.

Communication between people, but also between operational machines and equipment, has a fundamental impact on the smooth and efficient running of factory floor processes.

### Let's create a future with smart buildings.

Thanks to ABB smart technologies, residential buildings are safer, more comfortable, more efficient and more adaptable.

### Let's create a future by building stronger, smarter and more environmentally-friendly energy networks.

ABB's revolutionary transmission technology connects remote power sources to networks and allows extensive integration of remote renewable energy sources and electricity transmission over distances of up to 3,000 km.









ANNUAL REPORT 2017 ABB THE FUTURE AND DIGITIZATION

### **Industry digitization**

Industry digitization combines technical advancement and revolutionary changes in enterprise management. Successful implementation depends, among other things, on its being a high priority across all of a manufacturer's operations. Cyber security and the protection of data and production know-how are an integral part of digitization.

### At ABB, we address Digitization across all business divisions:

- Power engineering
- · Robotics and drives
- Electrotechnical products
- Industrial automation

ABB is a "hidden leader" on the market owing primarily to its extensive installed base. More than 70 million connected devices with digital functions, 70 thousand control system installations and, most importantly, more than 50 solutions based on cloud services and advanced analytics make us a world leader in industry digitization solutions.

### ABB Ability™ solutions Digitization is carried out on multiple levels:

- Implementation processes for robotic and other intelligent systems, smart sensors and general process management diagnostics and optimization up to the MES level.
- Managing industrial plants, processing large volumes of data and using data analysis for optional production algorithm configuration in the interest of increasing overall production.
- · Remote expert service comprising comprehensive operational oversight and optimal set-up of individual process parts (including individual devices) for the most effective use of knowledge gathered from installations worldwide.

### The goal of ABB Ability™

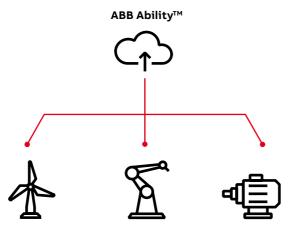
is to guarantee end-user value in these areas:

- · Optimal capital investment utilization through operating cost savings
- Comprehensive production outage prediction for greater production continuity
- Extension of the useful life of installed equipment and increase in general operational safety
- · More information at: new.abb.com/abb-ability

Digitization allows industrial enterprises to be more competitive while assuring an efficient and comfortable work environment. Working with and variably interpreting large amounts of data offers target users a new enterprise management method.

Thanks to what is known as Collaborative Operations and more specifically by means of the advanced managerial tool Collaborative Table, we enable users to make the right decisions quickly using realistic information, and thus to meet the above-mentioned goals.

For more information, contact: cz-digital@abb.com



### Message from the CEO



Tanja Vainio CEO, ABB CR

### Dear Shareholders, Customers, Partners and Employees,

this year, I can once again state with great satisfaction that the efforts and good work of all our divisions and local units enabled ABB CR to achieve needed growth and planned results.

We received several major engagements in the course of the year, including a USD 5 million contract for a refinery in Basra, Iraq. We also successfully introduced the ABB Ability joint digital offering, which has made ABB a significant presence in the world of digital technology and which is of great interest to both Czech and foreign clients.

We enjoyed success in other areas, too. We transformed the Czech Engineering Center into a global operating center with virtually a complete range of services in areas such as project management, engineering, quality management and operational efficiency. We also made considerable progress in expanding our semiconductor manufacturing plant in Prague. Additionally, we're pleased that our Power Network Automation Unit has been selected as one of three locations in the world (besides India and Poland), which are dedicated to enterprise software and will have a center for tenders - these centers will be stocked with the resources needed to announce tenders. The engine workshop in Ostrava also managed to find and leverage a number of new business opportunities or major customers in Central Europe.

Other units can also boast of success. For example, we transferred responsibility for industrial sockets and plugs to the Elektro Praga plant, which enabled us to start exporting our products to 75 countries in January 2018. The Robotics Application Center in Prague sold a complete welding line to truck manufacturer DAF in Benelux, and in Ostrava we surpassed the previous record of 400 refurbished robots.

However, 2017 was not only a year of intensive work effort, it was also the year in which we celebrated the 130th anniversary of the establishment of our high-voltage products plant in Brno. It is hard to believe that what was once a small company owned by Bartelmus and Donát now has more than 1,400 employees exporting products all over the world.

The celebrations will continue in 2018 as our electrical installation factory in Jablonec marks the 150th anniversary of its founding. It will also celebrate 150 years of sustained development, modernization and innovation, which is probably best illustrated by the introduction of the first truly collaborative YuMI robot into our socket production. That's part of why we'll spend much of 2018 recalling 150 years of innovation in the CR.

ABB's current position on Czech and foreign markets, excellently honed portfolio of products, solutions and services responding to the latest trends, as well as the quality of our employees, make me sure that ABB CR will be at least as successful in the years to come as it has been and that it will be capable of bringing added value to its shareholders and customers and offering solutions in response to their latest needs. Certainly, we will continue to maintain our position of a sought-after employer capable of attracting and retaining talented employees. Without them, without their efforts, invention and work, we would not have achieved any of the above accomplishments, and for that I am truly grateful to them. I would also like to thank our customers for their many years of cooperation and our partners for the longstanding support, which I take as a sign of their confidence in our vision, skills and abilities.

Yours sincerely,



Tanja Vainio CEO, ABB s.r.o

### An introduction

## ABB Czech Republic

### **ABB** in the Czech Republic

ABB has offered its products and services in the CR since 1970, though it was only formally established in 1992, when the country's first company bearing the ABB name was founded. The ABB Group expanded in the CR in the 1990s through acquisitions, finally reaching its current incarnation as ABB s.r.o. The Company can now be found in 8 locations, and its most important engineering, research and development centers and manufacturing plants are in Prag, Brno, Ostrava, Trutnov and Jablonec nad Nisou. ABB Czech Republic was awarded the prestigious Czech Business Superbrands title for 2015 and 2016. Superbrands is the most respected independent global authority in brand name assessment and recognition. We also placed first in a competition held by the Czech Union of Industry and Transport for innovative companies and won the prestigious Gold AMPER 2017 award - for ABB Ability™ at the international Amper 2017 trade fair.

### ABB CR manufacturing and export

ABB has seven manufacturing plants in the CR. More than two thirds of production is destined for export, which is testament to the high quality of ABB products originating in the CR. For instance, the Brno plant manufacturing switchgears, transformers and high voltage sensors is currently one of the largest plants of its type, not only within the ABB holding, but worldwide. The unit supplied 48 air-insulated high-voltage switchgears for the world's largest freestanding skyscraper, the Buri Khalifa, in Dubai (828 m).

### ABB CR abroad

The Company owns none of its own shares. The Company has permanent establishments in Turkey and Ukraine.

### **Business results in the Czech Republic**

The Company's goal in the past year was not only to continue bolstering its position on the Czech market, but also - in accordance with current trends - to present a unified offering of digitization products and services based on the longterm experience and know-how of the entire ABB Group, all of which is concentrated in the ABB Ability™ digital offering. The ABB Ability™ program comprises a portfolio of more than 180 solutions enabling us to add value for our customers. Putting our extensive expertise and experience to work, we process obtained data to increase efficiency and productivity.

This enables customers to use energy efficiently and increase productivity via digital technologies in industry and energy. One example of digitization technology introduced last year by ABB is the comprehensive suite of services called Connected Services, which ensures longer robot life and optimizes robotic systems performance. These services are rendered over the single intuitive interface ABB ABB MyRobot. Wherever and whenever, data may be accessed and put to practical use.

The installation of the YuMi® robot in the Jablonec plant was another success. YuMi®, the world's first robot that truly works with humans, was installed in May 2016 in the low-voltage production plant at ABB Elektro-Praga, where it works side by side with humans on a single production line for the assembly of electrical outlets. This robotic solution brings unique advantages to the assembly process, including greater efficiency, quality and safety and better workplace ergonomics.

### ABB servicing in the Czech Republic

In the CR, ABB provides comprehensive servicing, including online monitoring, on-site customer repair, status assessment, innovative solutions tailored to on-site conditions, diagnostics and testing, training, project design and advisory. ABB solutions and servicing enhance the productivity of electrical equipment and industrial operations. ABB on-site customer service focuses on facilities and equipment as a whole, increasing efficiency and ensuring operational safety.

ABB has stringent ethics rules and has introduced an in-house Code of Conduct to support adherence to ethical business principles. Anyone who suspects conduct that violates the Code can report it to the ABB Business Ethics Hotline.



### ABB CR environmental protection policy

At ABB, we strive continuously to increase operational efficiency, including the use of our own products. All seven ABB CR manufacturing plants are ISO 14001 certified.

### Health and safety

ABB strives to provide secure and healthy environments in its operations. A company-wide system to manage occupational health and safety in compliance with OHSAS 18001 standards was launched in 2004. In 2014, ABB CR purchased automated external defibrillators as an added layer of protection for employee health and safety.

### **Human resources**

As one of the most important employers on the Czech market, we endeavor to attract and hire talented, proactive staff eager to learn new things and gain experience in an attractive international environment. We know motivated and talented employees are a key competitive advantage. Talent management, a cornerstone of our business, is supported by training programs focused on developing personal, professional and management potential.

### Actively supporting technology and innovation ABB systematically supports science and

research, the costs of which are reported in the financial statements. Our business is based on cutting-edge technologies, which is why we actively engage in popularizing science and technology, supporting innovation and seeking out technical prodigies among students of all ages from primary school through university. Our aim is to make technical studies and professions more appealing. We hold a competition for the best student work – the ABB University Award – and we support, among other undertakings, unique projects such as Vítkovice U6 Lower Areas and New World of Technology.

### Helping the world around us

The theme of our corporate giving program is integration. We have long encouraged the social integration of differently-abled children and adults. We help our non-profit partners financially, through corporate volunteerism and by purchasing their products and services. Longstanding partners include the Center for Handicapped Skiers, A Home for Me, Hlučín Ranch for Kids, Czech Association to Support Young Talent, Prague Wheelchair Athletics Club, S-Mobil, Czech Society for Support of the Mentally Handicapped, Tyflo- Centrum Plzeň and Zdraví-život.

# **ABB locations in the Czech Republic**

### **Teplice**

Power Engineering (regional office)
 Ul. 28. října 32
 415 01 Teplice
 Tel.: 417 534 457

### Most

 Industrial Automation (regional office)
 Josefa Ressla 1793/1
 434 01 Most
 Tel.: 731 552 143

### Plzeň

 Czech Republic Operations Center (CZOPC – control systems design for power engineering)
 Avalon Business Centre
 Poděbradova 2842/1
 301 00 Plzeň

Tel.: 378 089 911

### **Prague**

- Registered office
- Industrial Automation
- Electrotechnical Products
- Robotics and Drives

BB centrum – budova Delta II Vyskočilova 1561/4a 140 00 Prague 4 Tel.: 234 322 111

- Power Engineering (manufacture of power semiconductor devices)
- R&D semiconductor device and new technology R&D Novodvorská 1768/138A

142 21 Prague 4 Tel.: 261 306 110

- Robotics and Drives (welding and material separation application center)
- Training Center Nad Jezerem 567 252 42 Vestec (Prague) Tel.: 241 485 552

- Electrotechnical Products (Elektro-Praga manufacture and sale of household electrical installation material)
- R&D electrical installation material development Resslova 3

466 02 Jablonec n. Nisou

Jablonec nad Nisou

Tel.: 483 364 111

### Trutnov

- Power Engineering
- RFF installation of switchgears and control systems for power engineering

Průmyslová 137 541 01 Trutnov

Tel.: 499 808 111

### **Brno**

- Electrotechnical Products (EPMV manufacture and sale of HV switchgears, instrument transformers and HV sensors, technical lab – testing of LV, HV and HS devices)
- Service Center for HV Devices
- R&D HV Device R&D Technology Center Vídeňská 117
   619 00 Brno

Tel.: 547 152 111

- Power Engineering (energy systems)
- CTPark Ponávka

Škrobárenská 502/1

617 00 Brno

Tel.: 511 182 611

- Robotics and Drives
- Spare Parts Sales
- Global Repair & Reconditioning Center

• Czech Republic Operations Center (CZOPC)

• Power Engineering (regional office)

K Zyfu 929 (1. máje 3155/98)

720 00 Ostrava-Hrabová

Tel.: 597 010 701

Ostrava

Contact Center

28. řijna 3348/65

702 00 Ostrava

Tel.: 597 468 80

Nová Karolina Park

- Electrotechnical Products (manufacture and sale of LV switchgears)
- R&D -LV switchgear R&D
- LV switchgear servicing

Heršpická 13

619 00 Brno Tel.: 543 145 111

Power Engineering (PGHV – manufacture of VHV components)

Tuřanka 106A

627 00 Brno-Slatina

Tel.: 518 700 300

Note: Division names are current as of 1 January 2017

### **Case studies**

## ABB Czech Republic

### **Electrotechnical Products Division**

KNX control system for Česká pojišťovna, a.s. headquarters

Design and delivery of KNX control system for a new Česká pojišťovna, a.s. headquarters. The system controls lighting, blinds, heating, ventilation, air-conditioning, the alarm system, electrical appliances and technical oversight devices. A total of 3,985 KNX devices and 8,000 DALI lights was supplied, making this project one of the largest system applications in the CR.

### The system provides:

• Energy savings – e.g. continuous lighting control tied to daylight contribution, automated link of blind use to human presence, cooling-heating management to assure thermal comfort

- Operational safety and stability guaranteed high-level system reliability and stability and 100% control segment redundancy
- Premises management display and status of individual devices providing an overview of the status and operating mode of each device and easy and intuitive operation
- User comfort easy and clear setting of time zones for individual work areas, option of controlling workplace lighting and blinds via WEB application
- Premises flexibility convenient modular system allowing quick and easy office configuration to meet changing needs

### **European Welding and Cutting Application Center**

In 2011, ABB opened the European Welding and Cutting Center in Vestec u Prahy, which focuses on the applied development, production and testing of cells and turnkey systems. The Center's offerings are augmented by knowledge of welding and cutting processes as well as the development and production of special positioners that go beyond the standard ABB portfolio.

The Center also supplies the most efficient welding solution available - the FlexArc® robotic welding cell concept – all over the world. Aside from optimal productivity and standardization, it delivers a customer-friendly solution responsive to the needs of individual customers and meeting their specific requirements, including a minimal footprint. In addition to its own cells, the Application Center offers technical support with technicians ready to assist customers with every step of welding process robotization.

Over the course of its existence, the European Application Center has produced more than 550 FlexArc® cells. In 2017 alone, the Center carried out some 40 welding projects involving more than 80 welding cells in the Czech Republic and Europe for customers like Daimler, KWD Automotive, DAF Trucks, Volvo, Gestamp, Benteler, Taweco, Wanzl, Klein Automotive and a host of smaller clients. A major project in 2017 was a fully-automated production line for DAF Trucks comprising 9 welding workstations and 5 FlexArc cells, which include 20 welding robots and 6 robots for handling weldments between workstations.

### **ABB Robotics**

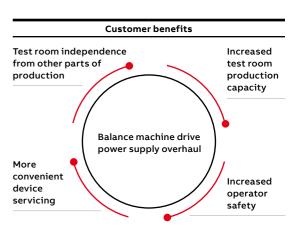
ABB is a leading supplier of industrial robots, automated manufacturing systems and associated services. The primary objective is to help manufacturers increase productivity, improve product quality and enhance workplace safety. ABB has installed more than 300,000 robots worldwide

### **Industrial Automation Division**

Balancing machine drive power supply overhaul

> The project to overhaul the DC drive power supply of a balancing machine for BRUSH SEM s.r.o. provided a comprehensive solution starting with supply and installation of a 22kV switch and protector, through substation construction for a three-wire RESIBLOC transformer, to the supply of a DCS800 DC convertor and supply and programming of an 800xA control system.

The project included supply and installation of a DC power switch and supply of a smoothing choke and tested rotor drive propulsion. The balancing tunnel drive overhaul not only added an extra level of convenience, but also improved operator safety. The balancing machine overhaul was primarily designed to assure power supply independence from other plant operations, thereby increasing production at BRUSH SEM s.r.o. This is the largest electric generator balancing tunnel in the CR.



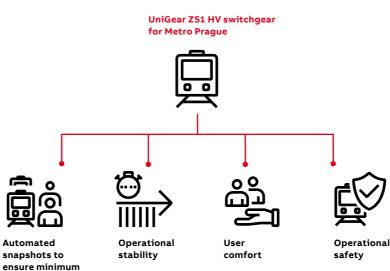
Full test room operation was assured by only carrying out overhaul work during the customer's technology timeouts.

The ABB project enabled the customer to increase production capacity, create a test room independent of other parts of productioan and, no less importantly, improve operator safety.

### **Power Engineering Division**

UniGear ZS1 HV switchgear for Metro Prague

> In continuing its longstanding relationship with Dopravní podnik hl. m. Prahy, a.s. [Prague Public Transit Company], ABB supplied a total of 5 substations for construction work on metro



lock-out times

line A (Dejvická-Motol) in the extent of 69 HV fields with air-insulated UniGear ZS1 switchgears in 2013. In 2014, ABB additionally supplied REF and RE protection and DE communication cabinets with the MicroSCADA system. The supplied equipment assures optimal operational safety and stability and, thanks to the MicroS-CADA system, open communication, immediate access to information and lower costs.

These supplies build on previous cooperation: in 2001, ABB delivered 30 new HV substations conceived with enough foresight that they fully meet current requirements and are compatible with today's supplies.

ANNUAL REPORT 2017 FINANCIAL RESULTS
ANNUAL REPORT 2017 FINANCIAL RESULTS

# **Related Parties Report for 2017**

### 1.

### Identification of related parties

ABB s.r.o., with its registered office at Vyskočilova 1561/4a in Prague, is an entity controlled by its sole partner, ABB Asea Brown Boveri Ltd, with its registered office at Affolternstrasse 44, 8050 Zurich, Switzerland, which is controlled by ABB Ltd, Switzerland. ABB s.r.o. forms a group with all the companies controlled by ABB Ltd, Switzerland, as a result of which these companies are regarded as related parties.

The controlled entity is the sole legal entity of the group controlled by ABB Ltd, Switzerland located in the Czech Republic and, as such, functions as a production and business unit of the Group in the Czech Republic. The controlled entity controls no other entities.

The controlled entity is controlled by means of decisions of the sole partner exercising the powers of the General Meeting.

Only those companies with which ABB s.r.o. conducted transactions in 2017 are included in the report.

### 2

### Contracts and transactions with related parties

(see further)

### 3

### Other transactions

Pursuant to a decision of the sole partner, the Company paid a dividend in 2017 totaling CZK 1,341,613 thousand.

### 4

### **Management Representation**

The Company management notes that the vast majority of related-party transactions yield significant benefits for it that arise naturally from its participation in the multinational ABB Group, which is both a major supplier and customer of the Company. These transactions were conducted on an arm's-length basis and caused no detriment to the Company.

### Sales to related parties (CZK thousands)

Related party	Country	2017	Contract type
ABB Asea Brown Boveri Ltd	СН	212	Purchase contract for goods/products/services
ABB Industries FZ	AE	5,848	Purchase contract for goods/products/services
ABB Industries (L.L.C.)	AE	432,025	Purchase contract for goods/products/services
ABB Transmission & Distribution Limited LLC	AE	9,040	Purchase contract for goods/products/services
ABB S.A.	AR	17,096	Purchase contract for goods/products/services
ABB S.A.	AR	8	Purchase contract for goods/products/services
ABB AG	AT	87,144	Purchase contract for goods/products/services
ABB Australia Pty Limited	AU	17,696	Purchase contract for goods/products/services
ABB Limited	BD	5,690	Purchase contract for goods/products/services
ABB N.V.	BE	190,440	Purchase contract for goods/products/services
ABB N.V.	BE	717	Purchase contract for goods/products/services
ABB Bulgaria EOOD	BG	74,090	Purchase contract for goods/products/services
Asea Brown Boveri Ltda.	во	31	Purchase contract for goods/products/services
ABB Technologies W.L.L.	ВН	381	Purchase contract for goods/products/services
ABB Ltda.	BR	11,872	Purchase contract for goods/products/services
ABB Inc.	CA	173,716	Purchase contract for goods/products/services
ABB Technology SA	CI	7,130	Purchase contract for goods/products/services
ABB S.A.	CL	26,756	Purchase contract for goods/products/services
ABB (China) Ltd.	CN	13	Purchase contract for goods/products/services
ABB Engineering (Shanghai) Ltd.	CN	496	Purchase contract for goods/products/services
ABB DATONG Traction Transformers Co., Ltd.	CN	23	Purchase contract for goods/products/services
ABB Xiamen Switchgear Co. Ltd.	CN	1,478	Purchase contract for goods/products/services
ABB Electrical Machines Ltd.	CN	2,613	Purchase contract for goods/products/services
ABB Generators Ltd.	CN	965	Purchase contract for goods/products/services
ABB Beijing Drive Systems Co. Ltd.	CN	5	Purchase contract for goods/products/services
ABB Xinhui Low Voltage Switchgear Co. Ltd.	CN	29	Purchase contract for goods/products/services
ABB Xiamen Low Voltage Equipment Co. Ltd.	CN	18,052	Purchase contract for goods/products/services
ABB Guangdong Sihui Instrument Transformer			
Co. Ltd.	CN	239	Purchase contract for goods/products/services
ABB High Voltage Switchgear Co., Ltd. Beijing	CN	1,599	Purchase contract for goods/products/services
ABB Xiamen Electrical Controlgear Co. Ltd.	CN	18	Purchase contract for goods/products/services
ABB Ltda.	СО	21,876	Purchase contract for goods/products/services
ABB AG	DE	476	Purchase contract for goods/products/services
ABB Automation Products GmbH	DE	102,480	Purchase contract for goods/products/services
ABB Automation GmbH	DE	98,728	Purchase contract for goods/products/services
Busch-Jaeger Elektro GmbH	DE	82,597	Purchase contract for goods/products/services
ABB AG	DE	305,499	Purchase contract for goods/products/services
ABB AG	DE	145,047	Purchase contract for goods/products/services
ABB Logistics Center Europe GmbH	DE	10	Purchase contract for goods/products/services
Pucaro Elektro-Isolierstoffe GmbH	DE	206	Purchase contract for goods/products/services
ABB Stotz-Kontakt GmbH	DE	302,496	Purchase contract for goods/products/services
ABB Striebel & John GmbH	DE	8,769	Purchase contract for goods/products/services
ABB AG	DE	3,214	Purchase contract for goods/products/services
ABB AG	DE	84,219	Purchase contract for goods/products/services
ABB A/S	DK	101,414	Purchase contract for goods/products/services
ABB Algerie Produits SpA	DZ	767	Purchase contract for goods/products/services
ABB Ecuador S.A.	EC	145	Purchase contract for goods/products/services
ABB AS	EE	16,887	Purchase contract for goods/products/services
ABB for Electrical Industries (ABB ARAB) S.A.E.	EG	22,470	Purchase contract for goods/products/services
ABB Turbochargers S.A.E.	EG	10,916	Purchase contract for goods/products/services
Asea Brown Boveri S.A.	ES	140,370	Purchase contract for goods/products/services
ABB Oy	FI	452,859	Purchase contract for goods/products/services
ABB France	FR	238,457	Purchase contract for goods/products/services
ABB Limited	AZ	222,954	Purchase contract for goods/products/services
ABB Limited	AZ	209	Purchase contract for goods/products/services
Dynamotive Limited	GB	1,148	Purchase contract for goods/products/services

Related party	Country	2017	Contract type
Asea Brown Boveri Industrial, Technical & Commercial Company of Imports – Exports S.A.	GR	56,464	Purchase contract for goods/products/services
ABB (Hong Kong) Ltd.	НК	495	Purchase contract for goods/products/services
ABB Ltd.	HR	67,534	Purchase contract for goods/products/services
ABB Engineering Trading and Service Ltd.	HU	60,111	Purchase contract for goods/products/services
ABB Schweiz AG	СН	1,274,640	Purchase contract for goods/products/services
ABB Management Services Ltd.	СН	109,964	Purchase contract for goods/products/services
ABB Schweiz AG	СН	151	Purchase contract for goods/products/services
ABB Information Systems Ltd.	СН	10,319	Purchase contract for goods/products/services
ABB Schweiz AG	СН	93,888	Purchase contract for goods/products/services
ABB Schweiz AG	СН	2,576	Purchase contract for goods/products/services
ABB Supply Operations Ltd.	СН	2,986	Purchase contract for goods/products/services
ABB Sécheron S.A.	СН	121,724	Purchase contract for goods/products/services
ABB Schweiz AG	СН	330,323	Purchase contract for goods/products/services
ABB Schweiz AG	СН	1,748	Purchase contract for goods/products/services
ABB Schweiz AG	СН	233,287	Purchase contract for goods/products/services
Trasfor SA	СН	1,001	Purchase contract for goods/products/services
ABB Turbo Systems AG	СН	10,739	Purchase contract for goods/products/services
PT ABB Sakti Industri	ID	1,846	Purchase contract for goods/products/services
ABB Limited	IE	101,660	Purchase contract for goods/products/services
ABB Technologies Ltd.	IL	38,167	Purchase contract for goods/products/services
ABB India Limited	IN	85,413	Purchase contract for goods/products/services
Iraq Technology for Advanced Energy LLC	IQ	5,761	Purchase contract for goods/products/services
ABB S.p.A.	IT	363,070	Purchase contract for goods/products/services
Power-One Italy S.p.A.	IT	4,022	Purchase contract for goods/products/services
ABB Limited/Jordan LLC.	JO	41,779	Purchase contract for goods/products/services
ABB K.K.	JР		Purchase contract for goods/products/services
ABB Ltd.	KR		Purchase contract for goods/products/services
ABB Engg. Technologies Co. (KSCC)	KW	47	Purchase contract for goods/products/services
ABB LLP.	KZ		Purchase contract for goods/products/services
Asea Brown Boveri Lanka (Private) Limited	LK	23	Purchase contract for goods/products/services
ABB UAB	LT	18,491	Purchase contract for goods/products/services
ABB SIA	LV	19,061	Purchase contract for goods/products/services
ABB S.A.	MA	940	Purchase contract for goods/products/services
ABB Mexico S.A. de C.V.	MX	29,140	Purchase contract for goods/products/services
ABB Holdings Sdn. Bhd.	MY	27	Purchase contract for goods/products/services
ABB Malaysia Sdn Bhd.	MY	16,152	Purchase contract for goods/products/services
ABB Manufacturing Sdn. Bhd.	MY	33	Purchase contract for goods/products/services
ABBNG Limited	NG	8,490	Purchase contract for goods/products/services
ABB B.V.	NL	245,507	Purchase contract for goods/products/services
ABB Capital B.V.	СН	290	Purchase contract for goods/products/services
ABB AS	NO	522,396	Purchase contract for goods/products/services
ABB Limited	NZ	7,590	Purchase contract for goods/products/services
ABB LLC,	ОМ	21,843	Purchase contract for goods/products/services
ABB S.A.	GT	132	Purchase contract for goods/products/services
Sucursal Panama de ABB SA	PA	194	Purchase contract for goods/products/services
ABB S.A.	PE	2,515	Purchase contract for goods/products/services
ABB, Inc.	PH	1,168	Purchase contract for goods/products/services
ABB (Pvt) Ltd.	PK	101	Purchase contract for goods/products/services
ABB Power & Automation (Private) Limited	PK	8,362	Purchase contract for goods/products/services
ABB Sp. z o.o.	PL	178,871	Purchase contract for goods/products/services
ABB Business Services Sp. z o.o.	PL	3,286	Purchase contract for goods/products/services
ABB (Asea Brown Boveri), S.A.	PT	42,132	Purchase contract for goods/products/services
ABB LLC	QA	613,672	Purchase contract for goods/products/services
ABB SRL	RO		Purchase contract for goods/products/services
ABB d.o.o.	RS	16,299	Purchase contract for goods/products/services
ABB Electrical Equipment Ltd.	RU		Purchase contract for goods/products/services
ABB Ltd.	RU		Purchase contract for goods/products/services
			2 11 , 11

### Sales to related parties (CZK thousands)

Related party	Country	2017	Contract type
ABB Power and Automation Systems Ltd.	RU	471	Purchase contract for goods/products/services
ABB Contracting Company Ltd.	SA	683	Purchase contract for goods/products/services
ABB Electrical Industries Co. Ltd.	SA	144,196	Purchase contract for goods/products/services
ABB Automation Co. Ltd.	SA	13,271	Purchase contract for goods/products/services
ABB Service Co. Ltd.	SA	14,710	Purchase contract for goods/products/services
ABB AB	SE	697,974	Purchase contract for goods/products/services
ABB Pte. Ltd.	SG	11,539	Purchase contract for goods/products/services
ABB Inzeniring d.o.o.	SI	17,100	Purchase contract for goods/products/services
ABB, s.r.o.	SK	128,274	Purchase contract for goods/products/services
ABB Technologies S.A.	SN	105	Purchase contract for goods/products/services
ABB Limited	TH	19,862	Purchase contract for goods/products/services
ABB Elektrik Sanayi A.S.	TR	87,016	Purchase contract for goods/products/services
ABB Ltd.	TW	1,212	Purchase contract for goods/products/services
ABB Ltd.	UA	33,047	Purchase contract for goods/products/services
ABB Inc.	US	25,339	Purchase contract for goods/products/services
Baldor Electric Company	US	38	Purchase contract for goods/products/services
ABB Inc.	US	22,758	Purchase contract for goods/products/services
ABB Inc.	US	9,528	Purchase contract for goods/products/services
ABB Ltd.	VN	2,328	Purchase contract for goods/products/services
ABB South Africa (Pty) Ltd.	ZA	118,703	Purchase contract for goods/products/services
ABB (Private) Ltd.	ZW	64	Purchase contract for goods/products/services
Total		9,892,163	

### Short-term trade receivables (CZK thousands)

Related party	Country	2017
ABB Asea Brown Boveri Ltd	СН	106
ABB Industries FZ	AE	600
ABB Industries (L.L.C.)	AE	301,327
ABB Transmission & Distribution Limited LLC	AE	2,259
ABB S.A.	AR	4,299
ABB AG	AT	12,063
ABB Australia Pty Limited	AU	11,945
ABB N.V.	BE	454
ABB N.V.	LU	15
ABB Bulgaria EOOD	BG	24,353
ABB Ltda.	BR	5,100
ABB Inc.	CA	48,666
ABB Technology SA	CI	1,012
ABB S.A.	CL	53
ABB (China) Ltd.	CN	13
ABB Engineering (Shanghai) Ltd.	CN	38
ABB Xiamen Switchgear Co. Ltd.	CN	796
ABB Electrical Machines Ltd.	CN	616
ABB Xiamen Low Voltage Equipment Co. Ltd.	CN	10,018
ABB Guangdong Sihui Instrument Transformer Co. Ltd.	CN	6
ABB High Voltage Switchgear Co., Ltd. Beijing	CN	916
ABB Ltda.	СО	125
ABB AG	DE	97,449
ABB Automation Products GmbH	DE	9,034
ABB Automation GmbH	DE	17,939
Busch-Jaeger Elektro GmbH	DE	10,573
Pucaro Elektro-Isolierstoffe GmbH	DE	17
ABB Stotz-Kontakt GmbH	DE	25,210

Related party	Country	2017
ABB Striebel & John GmbH	DE	794
ABB A/S	DK	16,099
ABB Algeria SpA Asea Brown Boveri	DZ	14
ABB Algerie Produits SpA	DZ	4
ABB Ecuador S.A.	EC	119
ABB AS	EE	2,258
ABB for Electrical Industries (ABB ARAB) S.A.E.	EG	6.814
ABB Turbochargers S.A.E.	EG	54
Asea Brown Boveri S.A.	ES	46,359
ABB Oy	FI	93,881
ABB France	FR	39,521
ABB LIMITED	GB	53,321
Dynamotive Limited	GB	23
Asea Brown Boveri Industrial, Technical & Commercial Company of Imports – Exports S.A.	GR	43,382
ABB (Hong Kong) Ltd.	HK	176
ABB Ltd.	HR	27,598
ABB Engineering Trading and Service Ltd.	HU	14,504
ABB Schweiz AG	СН	492,576
ABB Management Services Ltd.	СН	30,822
ABB Information Systems Ltd.	СН	2,465
ABB Supply Operations Ltd.	СН	131
ABB Sécheron S.A.	СН	14,283
Trasfor SA	СН	143
ABB Turbo Systems AG	СН	1,432
PT ABB Sakti Industri	ID	1,034
ABB LIMITED	IE	25,050
ABB Technologies Ltd.	IL	23,684
ABB India Limited	IN	43,701
ABB S.p.A.	IT	101,925
Power-One Italy S.p.A.	IT	824
ABB Limited/Jordan LLC.	JO	16,556
ABB K.K.	JP	927
ABB Ltd.	KR	2,701
ABB LLP.	KZ	155
ABB UAB	LT	297
ABB SIA	LV	920
ABB S.A.	MA	655
ABB Mexico S.A. de C.V.	MX	7,171
ABB Malaysia Sdn Bhd.	MY	1,855
ABBNG Limited	NG	3,215
ABB B.V.	NL	6,748
ABB Capital B.V.	СН	290
ABB AS	NO	105,070
ABB LIMITED	NZ	7,522
ABB LLC,	ОМ	12,046
ABB S.A.	GT	127
Sucursal Panama de ABB SA	PA	113
ABB S.A.	PE	68
ABB, Inc.	PH	129
ABB Power & Automation (Private) Limited	PK	6,249
ABB Sp. z o.o.	PL	40,314
ABB Business Services Sp. z o.o.	PL PL	1,201
·	PT	
ABB (Asea Brown Boveri), S.A.		8,586
ABB LLC	QA DO	296,929
ABB SRL	RO	4,139
ABB d.o.o.	RS	4,641
ABB Electrical Equipment Ltd.	RU	521

### Short-term trade receivables (CZK thousands)

Related party	Country	2017
ABB Ltd.	RU	33,272
ABB Power and Automation Systems Ltd.	RU	203
ABB Contracting Company Ltd.	SA	672
ABB Electrical Industries Co. Ltd.	SA	30,423
ABB Automation Co. Ltd.	SA	352
ABB Service Co. Ltd.	SA	78
ABB AB	SE	93,416
ABB Pte. Ltd.	SG	1,512
ABB Inzeniring d.o.o.	SI	865
ABB, s.r.o.	SK	37,568
ABB Technologies S.A.	SN	11
ABB LIMITED	ТН	2,579
ABB Elektrik Sanayi A.S.	TR	21,438
ABB Ltd.	TW	136
ABB Ltd.	UA	8,087
ABB Inc.	US	6,355
ABB Ltd.	VN	1,007
ABB South Africa (Pty) Ltd.	ZA	7,736
ABB (Private) Ltd.	ZW	63
Total short-term trade receivables from related parties	-	2,442,736

### Short-term trade receivables – provided advances (CZK thousands)

Related party	Country	2017
ABB AG	DE	10,387
ABB Sp. z o.o.	PL	1,635
ABB Ltd.	RU	111
Total provided advances to related parties	-	12,132

### Short-term trade receivables – financing relationships (CZK thousands)

Related party	Country	2017
The Company is involved in a cash-pooling system with other group companies; at		
year-end, the Company has provided ABB Capital, B.V. Rotterdam with a total of	NL	62,708

ANNUAL REPORT 2017 FINANCIAL RESULTS

ANNUAL REPORT 2017 RELATED PARTIES REPORT

### Purchases (CZK thousands)

Related party	Country	2017	Contract type
ABB Asea Brown Boveri Ltd	СН	178,724	Purchase contract for services / licenses
ABB Global Marketing FZ LLC	AE	4,490	Purchase contract for goods/products/services
ABB Industries (L.L.C.)	AE	1,860	Purchase contract for goods/products/services
ABB Transmission & Distribution Limited			
LLC	AE	7,872	Purchase contract for goods/products/services
ABB AG	AT	19,360	Purchase contract for goods/products/services
ABB Australia Pty Limited	AU	3,186	Purchase contract for goods/products/services
ABB N.V.	BE	1,282	Purchase contract for goods/products/services
ABB Bulgaria EOOD	BG	67,846	Purchase contract for goods/products/services
ABB Inc.	CA	285	Purchase contract for goods/products/services
ABB S.A.	CL	88	Purchase contract for goods/products/services
ABB (China) Ltd.	CN	1,245	Purchase contract for goods/products/services
ABB Engineering (Shanghai) Ltd.	CN	30,953	Purchase contract for goods/products/services
Shanghai ABB Power Transmission	611	0.454	
Company Ltd.	CN	2,451	Purchase contract for goods/products/services
ABB Genway Xiamen Electrical Equipment Co. Ltd.	CN	10,870	Purchase contract for goods/products/services
ABB Xiamen Switchgear Co. Ltd.	CN	1,042	Purchase contract for goods/products/services
ABB Electrical Machines Ltd.	CN	976	Purchase contract for goods/products/services
ABB High Voltage Switchgear (Xiamen)			
Company Ltd.	CN	7	Purchase contract for goods/products/services
ABB LV Installation Materials Co. Ltd.			
Beijing	CN	8	Purchase contract for goods/products/services
ABB Xiamen Low Voltage Equipment Co.	CN	22 524	Durchase contract for goods /products /corvices
ARB Cuanadana Sibui Instrument	CN	33,534	Purchase contract for goods/products/services
ABB Guangdong Sihui Instrument Transformer Co. Ltd.	CN	232	Purchase contract for goods/products/services
ABB Shanghai Motors Co. Ltd.	CN	76	Purchase contract for goods/products/services
ABB Power Equipment (Xiamen) Co., Ltd.	CN	45	Purchase contract for goods/products/services
ABB AG	DE	128,811	Purchase contract for goods/products/services
ABB Automation Products GmbH	DE	30,201	Purchase contract for goods/products/services
ABB Automation GmbH	DE	69,510	Purchase contract for goods/products/services
Busch-Jaeger Elektro GmbH	DE	95,996	Purchase contract for goods/products/services
ABB Logistics Center Europe GmbH	DE	212,648	Purchase contract for goods/products/services
ABB Stotz-Kontakt GmbH	DE	255,407	Purchase contract for goods/products/services
ABB Striebel & John GmbH	DE	9,858	Purchase contract for goods/products/services
ABB A/S	DK	729	Purchase contract for goods/products/services
ABB Algeria SpA Asea Brown Boveri	DZ	207	Purchase contract for goods/products/services
ABB for Electrical Industries (ABB ARAB)			<u> </u>
S.A.E.	EG	286	Purchase contract for goods/products/services
ABB For Feeding Industries SAE	EG	10	Purchase contract for goods/products/services
Asea Brown Boveri S.A.	ES	23,642	Purchase contract for goods/products/services
ABB Oy	FI	498,224	Purchase contract for goods/products/services / licenses
L'Ebenoid	FR	1,960	Purchase contract for goods/products/services
ABB France	FR	70,355	Purchase contract for goods/products/services
ABB Limited	AZ	8,224	Purchase contract for goods/products/services
ABB (Hong Kong) Ltd.	HK	215	Purchase contract for goods/products/services
ABB Ltd.	HR	24	Purchase contract for goods/products/services
ABB Engineering Trading and Service Ltd.	HU	414	Purchase contract for goods/products/services
ABB Schweiz AG	СН	993,809	Purchase contract for goods/products/services / licenses
ABB Management Services Ltd.	СН	144,917	Purchase contract for goods/products/services
ABB Equity Limited	СН	9,669	Purchase contract for goods/products/services
ABB Information Systems Ltd.	СН	234,202	Purchase contract for goods/products/services
ABB Intra AG	СН	38	Purchase contract for goods/products/services
ABB Power Protection SA	СН	1,964	Purchase contract for goods/products/services
ABB Supply Operations Ltd.	СН	22,203	Purchase contract for goods/products/services

### Purchases (CZK thousands)

Related party	Country	2017	Contract type
ABB Sécheron S.A.	СН	1,270	Purchase contract for goods/products/services
Trasfor SA	СН	2,752	Purchase contract for goods/products/services
ABB Technologies Ltd.	IL	26	Purchase contract for goods/products/services
ABB India Limited	IN	3,802	Purchase contract for goods/products/services
ABB Global Industries and Services Private Limited	: IN	3,473	Purchase contract for goods/products/services
ABB S.p.A.	IT	1,073,342	Purchase contract for goods/products/services
Power-One Italy S.p.A.	IT	11,336	Purchase contract for goods/products/services
ABB Limited/Jordan LLC.	JO	18	Purchase contract for goods/products/services
ABB K.K.	JP	2,936	Purchase contract for goods/products/services
ABB LLP.	KZ	16	Purchase contract for goods/products/services
ABB SIA	LV	233	Purchase contract for goods/products/services
ABB Mexico S.A. de C.V.	MX	436	Purchase contract for goods/products/services
ABB Malaysia Sdn Bhd.	MY	35	Purchase contract for goods/products/services
ABB B.V.	NL	11,584	Purchase contract for goods/products/services
ABB B.V.	NL	12,611	Purchase contract for goods/products/services
ABB AS	NO	34,868	Purchase contract for goods/products/services
ABB LLC,	ОМ	942	Purchase contract for goods/products/services
Sucursal Panama de ABB SA	PA	44	Purchase contract for goods/products/services
ABB S.A.	PE	256	Purchase contract for goods/products/services
ABB Sp. z o.o.	PL	151,293	Purchase contract for goods/products/services
ABB Business Services Sp. z o.o.	PL	34,098	Purchase contract for goods/products/services
ABB LLC	QA	1,172	Purchase contract for goods/products/services
ABB Ltd.	RU	3,507	Purchase contract for goods/products/services
ABB Electrical Industries Co. Ltd.	SA	80	Purchase contract for goods/products/services
ABB Automation Co. Ltd.	SA	79	Purchase contract for goods/products/services
ABB Service Co. Ltd.	SA	71	Purchase contract for goods/products/services
ABB AB	SE	653,646	Purchase contract for goods/products/services
ABB Pte. Ltd.	SG	1,193	Purchase contract for goods/products/services
ABB Inzeniring d.o.o.	SI	8	Purchase contract for goods/products/services
ABB, s.r.o.	SK	1,118	Purchase contract for goods/products/services
ABB Elektrik Sanayi A.S.	TR	1,893	Purchase contract for goods/products/services
ABB Ltd.	UA	370	Purchase contract for goods/products/services
ABB Inc.	US	4,683	Purchase contract for goods/products/services
Baldor Electric Company	US	8	Purchase contract for goods/products/services
ABB Inc.	US	666	Purchase contract for goods/products/services
ABB Ltd.	VN	33,920	Purchase contract for goods/products/services
ABB South Africa (Pty) Ltd.	ZA	2,071	Purchase contract for goods/products/services
Total purchases from related parties		5,229,811	-

ANNUAL REPORT 2017 FINANCIAL RESULTS

ANNUAL REPORT 2017 RELATED PARTIES REPORT

### Short-term trade payables (CZK thousands)

Related party	Country	2017
ABB Asea Brown Boveri Ltd	СН	39,939
ABB Global Marketing FZ LLC	AE	2,135
ABB Industries (L.L.C.)	AE	48
ABB Transmission & Distribution Limited LLC	AE	352
ABB AG	AT	58
ABB Bulgaria EOOD	BG	4,421
ABB (China) Ltd.	CN	458
ABB Engineering (Shanghai) Ltd.	CN	11,234
Shanghai ABB Power Transmission Company Ltd.	CN	450
ABB Xiamen Low Voltage Equipment Co. Ltd.	CN	54
ABB Guangdong Sihui Instrument Transformer Co. Ltd.	CN	76
ABB Power Equipment (Xiamen) Co., Ltd.	CN	8
ABB AG	DE	21,251
ABB Automation Products GmbH	DE	5,598
ABB Automation GmbH	DE	11,235
Busch-Jaeger Elektro GmbH	DE	5,283
ABB Logistics Center Europe GmbH	DE	30,927
ABB Stotz-Kontakt GmbH	DE	47,355
ABB Striebel & John GmbH	DE	1,347
ABB A/S	DK	163
ABB Algeria SpA Asea Brown Boveri	DZ	200
ABB for Electrical Industries (ABB ARAB) S.A.E.	EG	1
Asea Brown Boveri S.A.	ES	112
ABB Oy	FI	97,348
ABB France	FR	11,614
ABB Limited	AZ	741
	HU	57
ABB Engineering Trading and Service Ltd.  ABB Schweiz AG	CH	213,316
	CH	3,307
ABB Daylor Protection SA	CH	52
ABB Power Protection SA ABB Sécheron S.A.	CH CH	
Trasfor SA	CH CH	1 400
ABB Global Industries and Services Private Limited		1,400
	IN IT	3,020
ABB S.p.A.	IT	245,834
ABB R.K.	JP	2,447
ABB B.V.	NL NL	103
ABB B.V.	NL NA	1,654
ABB AS	NO	9,298
ABB Sp. z o.o.	PL	36,385
ABB (Pvt) Ltd.	PK	2,878
ABB Business Services Sp. z o.o.	PL	15,118
ABB Ltd.	RU	2,097
ABB AB	SE	120,414
ABB Pte. Ltd.	SG	417
ABB, s.r.o.	SK	414
ABB Elektrik Sanayi A.S.	TR	282
ABB Inc.	US	650
ABB Ltd.	VN	4,131

### Short-term trade payables – non-trade payables (CZK thousands)

Related party	Country	2017
ABB Asea Brown Boveri Ltd	СН	1,986
ABB Information Systems Ltd.	СН	13,329
Total non-trade payables		15,315

23

### Short-term trade payables – received advances (CZK thousands)

Related party	Country	2017
ABB Industries (L.L.C.)	AE	3,760
ABB N.V.	BE	985
ABB AG	DE	385
ABB Ltd.	HR	4,405
ABB Schweiz AG	СН	3,368
Iraq Technology for Advanced Energy LLC	IQ	1,976
ABB AS	NO	4,389
ABB LLC	QA	5,268
Total advances received from related parties	_	24,536

### Short-term trade payables – financing relationships (CZK thousands)

Related party	2017
The Company executed a derivative contract with ABB Capital, B.V. Zurich that is described in	
Item 15 of the financial statements and has drawn a short-term loan totaling:	2,300,000

Company management believes that all related-party transactions were conducted at arm's length.

Prague, 29 March 2018		

Tanja Vainio	Libor Šild

# Financial Results

ANNUAL REPORT 2017 FINANCIAL RESULTS

ANNUAL REPORT 2017 BALANCE SHEET

# **Balance sheet at 31 December 2017**

					Gross	Current year Allowances	Net	Prior year 2016 Net
				Total Assets	12,200,768	(3,658,769)	8,541,999	8,601,590
Α.				Stock Subscription Receivable		(0,000,100)	0,0 12,000	0,002,000
В.				Fixed Assets	5,882,881	(3,164,813)	2,718,068	2,698,784
—— В.	I.			Intangible fixed assets	215,171	(207,132)	8,039	9,810
В.	I.	1.		Research and development	4,040	(4,040)		
		2.		Valuable rights	204,930	(199,946)	4,984	7,201
			1.	Software	89,707	(84,723)	4,984	7,201
			2.	Other valuable rights	115,223	(115,223)		
		3.		Goodwill				
		4.		Other intangible fixed assets	3,188	(3,146)	42	181
		5.		Advances granted for intangible fixed assets and intangible fixed assets in progress	3,013	0	3,013	2,428
			1.	Advances granted for intangible fixed assets				
			2.	Intangible fixed assets in progress	3,013		3,013	2,428
В.	II.			Tangible fixed assets	5,667,710	(2,957,681)	2,710,029	2,688,974
В.	II.	1.		Land a structures	2,062,504	(550,815)	1,511,689	1,512,630
			1.	Land	155,038		155,038	155,038
			2.	Structures	1,907,466	(550,815)	1,356,651	1,357,592
		2.		Movable assets and sets of movable assets	3,349,092	(2,401,179)	947,913	947,824
		3.		Gain or loss on revaluation of acquired property				
		4.		Other tangible fixed assets	0	0	0	C
			1.	Perennial crops				
			2.	Livestock				
			3.	Miscellaneous tangible fixed assets				
		5.		Advances granted for tangible fixed assets and tangible fixed assets in progress	256,114	(5,687)	250,427	228,520
			1.	Advances granted for tangible fixed assets	32,580	0	32,580	44,493
			2.	Tangible fixed assets in progress	223,534	(5,687)	217,847	184,027
В.	III.			Long-term investments	0	0	0	(
В.	III.	1.		Interests – controlled or controlling entity				
		2.		Loans and borrowings – controlled or controlling entity				
		3.		Interests – significant influence				
		4.		Loans and borrowings - significant influence				
		5.		Other long-term securities and interests				
		6.		Loans and borrowings - other				
		7.		Other long-term investments	0	0	0	C
			1.	Miscellaneous long-term investments				
			2.	Advances granted for long-term investments				
C.				Current Assets	6,301,273	(493,956)	5,807,317	5,883,763
C.	I.			Inventories	2,410,458	(156,186)	2,254,272	2,164,603
C.	I.	1.		Materials	845,050	(98,392)	746,658	789,258
		2.		Work in progress and semi-finished production	1,185,310	(25,167)	1,160,143	1,008,097

						Current year Allowances		Prior year 2016
					Gross		Net	Net
		3.		Finished products and goods	380,098	(32,627)	347,471	367,248
			1.	Finished products	159,084	(4,916)	154,168	126,724
			2.	Goods	221,014	(27,711)	193,303	240,524
		4.		Livestock				
		5.		Advances granted for inventories				
C.	II.			Receivables	3,869,721	(337,770)	3,531,951	3,687,507
C.	II.	1.		Long-term receivables	96,142	0	96,142	102,330
			1.	Trade receivables	13,615		13,615	4,841
			2.	Receivables – controlled or controlling entity				
			3.	Receivables – significant influence				
			4.	Deferred tax asset	82,527		82,527	97,489
			5.	Other receivables	0	0	0	0
			5.1.	Receivables from partners				
			5.2.	Long-term advances granted				
			5.3.	Unbilled revenue				
			5.4.	Miscellaneous receivables				
C.	II.	2.		Short-term receivables	3,773,579	(337,770)	3,435,809	3,585,177
			1.	Trade receivables	3,494,648	(337,770)	3,156,878	3,040,802
			2.	Receivables – controlled or controlling entity	62,708		62,708	455,001
			3.	Receivables – significant influence				
			4.	Other receivables	216,223	0	216,223	89,374
			4.1.	Receivables from partners				
			4.2.	Social security and health insurance				
			4.3.	Due from government - tax receivables				13,379
			4.4.	Short-term advances granted	41,707		41,707	75,837
			4.5.	Unbilled revenue	158		158	158
			4.6.	Miscellaneous receivables	174,358		174,358	0
C.	III.			Short-term financial assets	0	0	0	0
		1.		Interests - controlled or controlling entity				
		2.		Other short-term financial assets				
C.	IV.			Cash	21,094	0	21,094	31,653
		1.		Cash in hand	42		42	15
		2.		Cash at bank	21,052		21,052	31,638
D.	I.			Prepaid expenses and accrued income	16,614	0	16,614	19,043
D.	I.	1.		Prepaid expenses	10,597		10,597	12,579
		2.		Prepaid expenses (specific-purpose expenses)				
		3.		Accrued income	6,017		6,017	6,464

ANNUAL REPORT 2017 FINANCIAL RESULTS

ANNUAL REPORT 2017 BALANCE SHEET

# **Balance sheet at 31 December 2017**

					Current year	Prior year 2016
				Total Equity & Liabilities	8,541,999	8,601,590
Α				Equity	2,577,400	2,749,592
Α.	I.			Basic capital	400,000	400,000
Α.	I.	1.		Registered capital	400,000	400,000
		2.		Own ownership interests (-)		
		3.		Changes in basic capital		
Α.	II.			Share premium and revaluation reserve	65,000	65,000
Α.	II.	1.		Share premium		
		2.		Capital funds	65,000	65,000
			1.	Other capital funds	65,000	65,000
			2.	Gain or loss on revaluation of assets and liabilities (+/-)		
			3.	Gain or loss on revaluation upon corporate transformation (+/-)		
			4.	Differences arising on corporate transformation (+/-)		
			5.	Differences arising between balance sheet date and transformation date (+/-)		
Α.	III.			Reserves from profit	40,000	40,000
A.	III.	1.		Other reserves	40,000	40,000
		2.		Statutory and other reserves		
A.	IV.			Profit (loss) brought forward (+/-)	902,979	1,203,979
	IV.	1.		Retained earnings	902,979	1,203,979
		2.		Accumulated loss (-)		
		3.		Other profit (loss) brought forward (+/-)		
Α.	V.	1.		Profit (loss) for the year (+/-)	1,169,421	1,040,613
Α.	VI.	2.		Approved decision on advances for profit distribution (-)	0	0
B. + (	c.			Provisions and Liabilities	5,940,016	5,812,133
В.	I.			Provisions	974,914	1,021,771
В.	I.	1.		Provision for pensions and similar obligations		
		2.		Provision for corporate income tax		
		3.		Provisions recognized under special legislation		
		4.		Other provisions	974,914	1,021,771
C.				Liabilities	4,965,102	4,790,362
C.	I.			Long-term liabilities	0	0
		1.		Bonds payable	0	0
			1.	Convertible bonds	0	0
			2.	Other bonds	0	0
		2.		Amounts owed to credit institutions		
		3.		Long-term advances received		
		4.		Trade payables		
		5.		Long-term notes payable		
				Liabilities – controlled or controlling entity		
		6.				
		6. 7.		Liabilities – significant influence		
				Liabilities – significant influence  Deferred tax liability		

				Current year	Prior year 2016
		:	. Liabilities to partners		
		i	. Unbilled deliveries		
			. Miscellaneous liabilities		
C.	II.		Current liabilities	4,965,102	4,790,362
		1.	Bonds payable		
		:	. Convertible bonds		
		i	. Other bonds		
		2.	Amounts owed to credit institutions		
		3.	Short-term advances received	130,037	284,227
		4.	Trade payables	1,806,905	1,854,480
		5.	Short-term notes payable		
		6.	Liabilities – controlled or controlling entity	2,300,000	2,100,000
		7.	Liabilities – significant influence		
		8.	Other liabilities	728,160	551,655
		:	. Liabilities to partners		
		i	. Short-term borrowings		
		3	. Liabilities to employees	123,015	107,706
		4	. Liabilities arising from social security and health insurance	67,510	62,828
		į	. Due to government – taxes and subsidies	55,588	40,806
		(	. Unbilled deliveries	405,827	258,103
		-	. Miscellaneous liabilities	76,220	82,212
D.	I.		Accruals and deferred income	24,583	39,865
D.	I.	1.	Accruals	16,231	16,335
		2.	Deferred income	8,352	23,530

Prepared on:	Signature of entity's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
12 June 2018	Tanja Vainio	Libor Šild	Libor Šild Phone: +420 547 152 798

32 ANNUAL REPORT 2017 FINANCIAL RESULTS INCOME STATEMENT 3

**Income Statement** at 31 December 2017

			Current year	Prior year 2016
I.		Revenue from sale of finished products and services	12,783,021	12,739,081
11.		Revenue from sale of goods	1,989,645	1,725,425
Α.		Production-related consumption	10,736,079	10,195,807
	A.1.	Cost of goods sold	1,190,376	1,355,547
	A.2.	Consumption of material and energy	7,069,503	6,496,402
	A.3.	Services	2,476,200	2,343,858
В.		Change in inventory produced internally (+/-)	(147,589)	(111,067)
C.		Own work capitalized (-)	(24,503)	(30,209)
D.		Personnel expenses	2,653,685	2 458,642
_	D.1.	Wages and salaries	1,945,694	1,797,365
	D.2.	Social security and health insurance costs and other costs	707,991	661,277
	D.2.1.	Social security and health insurance costs	636,916	595,233
	D.2.2.	Other costs	71,075	66,044
Ε.		Value adjustments in respect of operating activities	302,303	566,494
	E.1.	Value adjustments in respect of intangible and tangible fixed assets	312,667	298,029
	E.1.1.	Value adjustments in respect of intangible and tangible fixed assets - permanent	309,221	297,517
	E.1.2.	Value adjustments in respect of intangible and tangible fixed assets - temporary	3,446	512
	E.2.	Value adjustments in respect of inventory	24,414	(20,212)
	E.3.	Value adjustments in respect of receivables	(34,778)	288,677
III.		Other operating income	307,055	557,844
	III.1.	Income from sale of fixed assets	7,584	216,121
	III.2.	Income from sale of materials	151,889	173,480
	III.3.	Miscellaneous operating income	147,582	168,243
F.		Other operating expenses	348,786	500,282
	F.1.	Net book value of fixed assets sold	5,354	6,093
	F.2.	Net book value of materials sold	129,521	87,132
	F.3.	Taxes and charges relating to operations	3,707	3,599
	F.4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	(46,857)	216,456
	F.5.	Miscellaneous operating expenses	257,061	187,002
*		Profit or loss on operating activities (+/-)	1,210,960	1,442,401
IV.		Income from long-term investments - interests	0	0
	IV.1.	Income from interests in subsidiaries or parents		
	IV.2.	Other income from interests		
G.		Cost of interests sold	0	O
V.		Income from other long-term investments	0	0
	V.1.	Income from other long-term investments - subsidiaries or parents		
	V.2.	Other income from other long-term investments		

		Current year	Prior year 2016
н.	Expenses relating to other long-term investments	0	0
VI.	Interest receivable and similar income	67	3
VI.1.	Interest receivable and similar income - subsidiaries or parents	67	3
VI.2.	Other interest receivable and similar income		
l.	Value adjustments and provisions relating to financial activities	0	0
J.	Interest payable and similar expenses	34,137	40,352
J.1.	Interest payable and similar expenses - subsidiaries or parents	33,942	40,158
J.2.	Other interest payable and similar expenses	195	194
VII.	Other finance income	786,755	160,814
к.	Other finance cost	522,329	276,358
*	Profit or loss on financial activities (+/-)	230,356	(155,893)
**	Profit or loss before taxation (+/-)	1,441,316	1,286,508
L.	Income tax	271,895	245,895
L.1.	Income tax due	256,932	271,879
L.2.	Income tax deferred (+/-)	14,963	(25,984)
**	Profit or loss after taxation (+/-)	1,169,421	1,040,613
М.	Transfer of share of profit or loss to partners (+/-)	0	0
***	Profit or loss for the year (+/-)	1,169,421	1,040,613
*	Net turnover	15,866,543	15,183,167

-	Prepared	Signature of entity's	Person responsible	Person responsible
	on:	statutory body:	for accounting	for financial statements
			(name, signature):	(name, signature):
				Libor Šild
	12 June 2018	Tanja Vainio	Libor Šild	Phone: +420 547 152 798

34 ANNUAL REPORT 2017 FINANCIAL RESULTS ANNUAL REPORT 2017 CASH FLOW STATEMENT

**Cash Flow Statement** 

				Current year	Prior year 2016
			Cash flows from operating activities		
Z.			Profit or loss on ordinary activities before taxation (+/-)	1,441,316	1,286,508
			Adjustments to reconcile profit or loss to net cash provided by		
Α.	1.		or used in operating activities	316,407	605,013
Α.	1.	1.	Depreciation and amortization of fixed assets and write-off of receivables	306,595	297,642
Α.	1.	2.	Change in allowances	(6,918)	268,977
Α.	1.	3.	Change in provisions	(46,857)	216,456
Α.	1.	4.	Foreign exchange differences	31,747	(8,383
Α.	1.	5.	(Gain)/Loss on disposal of fixed assets	(2,230)	(210,028
Α.	1.	6.	Interest expense and interest income	34,070	40,349
Α.	1.	7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)		
A	*		Net cash from operating activities before taxation, changes in working capital and extraordinary items	1,757,723	1,891,52
— A.	2.		Change in non-cash components of working capital	(388,545)	(351,005
Α.	2.	1.	Change in inventory	(114,083)	(266,913
Α.	2.	2.	Change in trade receivables	(126,291)	(712,910
Α.	2.	3.	Change in other receivables and in prepaid expenses and unbilled revenue	(124,420)	(27,394
Α.	2.	4.	Change in trade payables	(40,477)	418,627
Α.	2.	5.	Change in other payables, and in accruals and deferred income	16,726	237,585
			Net cash from operating activities before taxation, interest paid and	'	
Α	**		extraordinary items	1,369,178	1,540,510
Α.	3.	1.	Interest paid	(34,231)	(39,076
Α.	4.	1.	Income Tax paid	(266,532)	(215,782
A	***		Net cash provided by (used in) operating activities	1,068,415	1,285,658
			Cash flows from investing activities		
В.	1.	1.	Purchase of fixed assets	(337,305)	(348,940
В.	2.	1.	Proceeds from sale of fixed assets	7,584	216,12
В.	3.	1.	Loans granted	392,293	(454,830
В.	4.	1.	Interest received	67	1
В.	5.	1.	Dividends received		
В	***		Net cash provided by (used in) investing activities	62,639	(587,646
			Cash flows from financing activities		
C.	1.		Change in long-term liabilities, and long-term and short-term loans	200,000	333,74
C.	2.	1.	Effect of other changes in equity on cash		
C.	2.	2.	Profit shares paid	(1,341,613)	(1,067,649

				Current year	Prior year 2016
C.	2.	3.	Effect of other changes in own capital on cash		
С	***		Net cash provided by (used in) financing activities	(1,141,613)	(733,908)
F.			Net increase (decrease) in cash	(10,559)	(35,896)
Р.			Cash and cash equivalents at beginning of year	31,653	67,549
₹.			Cash and cash equivalents at end of year	21,094	31,653

Prepared	Signature of entity's	Person responsible	Person responsible for financial statements
on:	statutory body:	for accounting	
		(name, signature):	(name, signature):
			Libor Šild
		¥	
12 June 2018	Tanja Vainio	Libor Šild	Phone: +420 547 152 798

ended 31 December 2017

### 1

### **Description of the Company**

ABB s.r.o.

ABB s.r.o. ("the Company") is a limited liability company incorporated on 20 July 1993 in the Czech Republic. The Company's registered office is located at Prague, Vyskočilova 1561/4a, Czech Republic and the business registration number (IČ) is 496 82 563. The Company is involved in complex deliverables, production, building and modernization of structures, electricity transmission systems, electricity grids, electricity control systems, heavy-current equipment, measurement and control instrumentation and control systems, products and services in the field of automation, electrical installation materials, low voltage equipment and service.

Financial Statements for the year

No significant changes were made to a public register in 2017.

The parent company is ABB Asea Brown Boveri Ltd, with its registered office at Affolternstrasse 44, 8050 Zurich, the Swiss Confederation, holding a 100% interest in the Company's basic capital. The Company is included in the consolidated group of ABB Ltd.

The consolidated financial statements prepared by the parent company are available at its headquarters.

The Company's Statutory Representative as at 31 December 2017 was Tanja Niina Helena Vainio.

The Company consists of four divisions: Electrotechnical Products, Power Grids, Industrial Automation and Robotics and Motion. Divisions are located in Brno, Jablonec nad Nisou, Most, Ostrava, Plzeň, Prague, Teplice and Trutnov. The Company was created through the merger of five separate limited liability companies as at 1 January 2001.

### 2.

### Basis of presentation of the financial Statements

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2017 and 2016.

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

### 3.

# Summary of significant Accounting Policies, Accounting Methods and Departures Therefrom

The accounting policies applied by the Company in preparing the 2017 and 2016 financial statements are as follows:

#### a) Intangible Fixed Assets

Intangible fixed assets are recorded at their acquisition cost and related expenses.

Intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their useful economic lives. Valuable rights are amortized over their useful lives as specified in the relevant contracts.

Small intangible fixed assets with a cost of less than CZK 60 thousand are expensed in the year of acquisition and reflected in an off-balance sheet account.

#### Amortization

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Software	3-5
Valuable rights	Per contract
Other	3-5

### b) Tangible Fixed Assets

Tangible fixed assets are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs.

Internally-developed tangible fixed assets are recorded at their accumulated cost, which consists of direct material and labor costs and production overheads. Interest and other financial expenses incurred in the construction of tangible fixed assets are not capitalized.

Revenues from sales of products manufactured during the tests of tangible assets that were performed prior to putting the assets into use are recognized as operating revenue.

Purchased tangible fixed assets with a cost exceeding CZK 40 thousand are depreciated over their useful economic lives.

Small tangible fixed assets with a cost of less than CZK 40 thousand are expensed in the year of acquisition and reflected in an off-balance sheet account.

### Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Structures	15 – 50
Movable assets and sets of movable assets	
- Machinery and equipment	3-15
- Vehicles	5
- Furniture and fixtures	8

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Purchased inventory is stated at actual cost being determined using the weighted average method. Costs of purchased inventory include acquisition-related costs (freight, customs, commission, etc.).

Finished goods and work-in-progress are recorded at actual cost. The cost of inventory produced internally includes direct material and labor costs and production overhead costs. Production overhead costs include workshop production overheads and are allocated on the basis of paid direct wages.

Excess, obsolete and slow-moving inventory has been written down to its estimated net realizable value by an allowance account which is shown in the accompanying balance sheet in the column correction. The allowance was determined by management based on the accounting procedures used by the ABB Group companies. The calculation is based on the comparison between the inventory consumption and the inventory balance in the warehouse. With respect to inventory items whose balance is higher than their annual consumption, an allowance is determined as 50 % and is increased up to 75 % or 100 % in the following years. An allowance is individually assessed and, if needed, adjusted in connection with the expected inventory turnover.

#### d) Receivables

Receivables are initially measured at their nominal amount. Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income.

### e) Derivatives

Derivatives are initially measured at cost. Derivatives are recorded in other short-term receivables or payables, as appropriate, in the accompanying balance sheet. Receivables or payables arising from derivative contracts entered into with the same counterparty are recorded in a net amount.

Derivatives are classified as derivatives held for trading or hedging derivatives. The latter are designated as either fair value hedges or cash flow hedges. In order to qualify for hedge accounting, the change in the fair value of a derivative or of its estimated cash flow must offset, in whole or in part, the change in the fair value or cash flow arising from the hedged item. In addition, there must be formal documentation of the hedging relationship at inception and the Company must prove that the hedging relationship is highly effective. In all other cases, derivatives are recognized as held-for-trading.

Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are reported in other income. Changes in the fair value of derivatives designated as fair value hedges are also recognized in finance income, together with the change in the fair value of the hedged item attributable to the risk being hedged. Changes in the fair value of derivatives designated as cash flow hedges are taken to equity and reflected in the balance sheet through gain or loss on revaluation of assets and liabilities. Any ineffective portion of the hedge is charged or credited, as appropriate, to finance income.

### f) Cash

Cash consists of liquid valuables and cash in bank.

Within the ABB Ltd. group, a system for utilization of idle money of individual group companies, i.e. cash pool, has been introduced. Cash deposited in or used from this system as at the date of the financial statements is reported in 'Short-term receivables from subsidiaries/group companies with majority control' or 'Current liabilities to subsidiaries/companies with majority control', as appropriate, in the accompanying balance sheet and the change in the deposited cash is reported in 'Loans and borrowings' and 'Change in long-term liabilities and long/short-term loans' in the accompanying cash flow statement.

### g) Equity

The basic capital of the Company is stated at the amount recorded in the public register maintained in the Municipal Court.

In accordance with the Articles of Association, the Company creates a reserve from profit or from amounts contributed by partners above their contributions.

### h) Provisions and Liabilities

The Company creates provisions for losses and risks if the related purpose amount and timing can be reliably estimated and the accrual and matching principles are observed.

The Company creates, in particular, the following types of provisions:

- provision for warranty repairs:
- provision for accrued vacation:
- · provision for future expenses relating to long-term projects where, at the time of progress billing, the Company realizes a profit margin on a project higher than a total expected profit margin on a project;
- · provision for provided bank guarantees where it is probable that they will be exercised; and
- provision for other specific risks and liabilities relating to the Company's business (e.g. litigation).

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other payables.

Liabilities or contingent liabilities that are not recorded in the balance sheet because significant uncertainties exist with respect to the amount, title or timing of the expected outflow of benefits are described in Note 18.

#### i) Leases

The Company records leased assets by expensing the lease payments and, in the case of finance lease, by capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortized over the lease term.

### j) Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at a fixed rate set based on the Czech National Bank's exchange rate at the first day of the particular month. On the balance sheet date monetary items are adjusted to the exchange rates as published by the Czech National Bank as at 31 December of the particular year.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

### k) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

### I) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Revenues and profit on long-term construction and assembly contracts are accounted for pursuant to the contracts, using the progress billing method or the completed contract method.

If, at the time of progress billing, the Company realizes higher than expected total profit, a provision is created for future expenses relating to projects in order to reduce the profit to the expected level reflecting the stage of project completion and the prudence principle.

The Company recognizes as an expense any additions to provisions for or allowances against risks, losses or physical damage that are known as at the financial statements' date.

O ANNUAL REPORT 2017 FINANCIAL RESULTS

### ANNUAL REPORT 2017 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### m) Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.). In addition, the following items are taken into consideration: tax base decreasing items (donations), tax deductible items (tax loss, research and development costs) and income tax reliefs.

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

### n) Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

### 4

### Fixed assets

### a) Intangible Fixed Assets (in CZK thousands)

### Cost

	At beginning of year	Additions	Disposals	Transfers	At end of year
Research and development	4,040	=	-	-	4,040
Software	86,863	-	(219)	3,063	89,707
Other valuable rights	119,763	-	(4,540)	-	115,223
Other intangible fixed assets	3,188	-	-	-	3,188
Intangible fixed assets in progress	2,428	3,648	-	(3,063)	3,013
2017 Total	216,282	3,648	(4,759)	=	215,171
2016 Total	212,425	5,237	(1,380)	-	216,282

### Accumulated Amortization

	At beginning of year	Amortization during year	Disposals	At end of year	Net book value
Research and development	(4,040)	-	-	(4,040)	-
Software	(79,662)	(5,280)	219	(84,723)	4,984
Other valuable rights	(119,763)	-	4,540	(115,223)	-
Other intangible fixed assets	(3,007)	(139)	-	(3,146)	42
Intangible fixed assets in progress	-	-	-	-	3,013
2017 Total	(206,472)	(5,419)	4,759	(207,132)	8,039
2016 Total	(201,237)	(6,615)	1,380	(206,472)	9,810

Valuable rights, patents and licenses are amortized over their useful lives as specified in the relevant contracts.

As at 31 December 2017 and 2016, the total value of small intangible fixed assets which are not reflected in the accompanying balance sheet was CZK 5,667 thousand and CZK 5,749 thousand at acquisition cost, respectively.

### b) Tangible Fixed Assets (in CZK thousands)

### Cost

	At beginning of year	Additions	Disposals	Transfers	At end of year
Land	155,038	-	=	-	155,038
Structures	1,863,452	-	(14,236)	58,250	1,907,466
Movable assets and sets of movable assets					
Machinery and equipment	3,193,476	-	(123,221)	246,691	3,316,946
Vehicles	1,343	-	-	-	1,343
Furniture and fixtures	27,881	-	(441)	3,363	30,803
Advances granted for tangible fixed assets	44,493	60,716	-	(72,629)	32,580
Tangible fixed assets in progress	186,268	272,941	-	(235,675)	223,534
2017 Total	5,471,951	333,657	(137,898)	-	5,667,710
2016 Total	5,199,462	343,703	(71,214)	-	5,471,951

### Allowances and Accumulated Depreciation

	At beginning of year	Depreciation during year	Cost of sales or liquidation	Disposals	At end of year	Allowances	Net book value
Land	-	-	-	-	-	-	155,038
Structures	(487,739)	(58,601)	(590)	14,236	(532,694)	(18,121)	1,356,651
Movable assets and sets of movable assets							
Machinery and equipment	(2,247,631)	(243,443)	(4,764)	123,221	(2,372,617)	(5,256)	939,073
Vehicles	(1,343)	-	-	-	(1,343)	-	-
Furniture and fixtures	(20,646)	(1,758)	-	441	(21,963)	-	8,840
Advances granted for tangible fixed assets	-	-	-	-	-	-	32,580
Tangible fixed assets in progress	-	-	-	-	-	(5,687)	217,847
2017 Total	(2,757,359)	(303,802)	(5,354)	137,898	(2,928,617)	(29,064)	2,710,029
2016 Total	(2,531,578)	(290,314)	(6,681)	71,214	(2,757,359)	(25,618)	2,688,974

The total value of small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 221,797 thousand and CZK 206,474 thousand at acquisition cost as at 31 December 2017 and 2016, respectively.

The Company has adjusted the carrying value of certain tangible assets for a diminution in value through a allowance charged against income (see Note 7).

### 5.

### Inventory

Excess, obsolete and slow-moving inventory has been written down to its estimated net realizable value by an allowance account, which is shown in the accompanying balance sheet in the column correction. The allowance is determined by management based on the accounting procedures used by the ABB Group companies (see Notes 7 and 3c).

### **Long-Term and Short-Term Receivables**

As at 31 December 2017 and 2016, the Company had CZK 13,615 thousand and CZK 4,841 thousand, respectively, of long-term trade receivables. The receivables mainly represent retention fees and are due in one to three years.

For the deferred tax asset see Note 15.

Allowances against outstanding receivables that are considered doubtful were charged to income in 2017 and 2016, respectively, based on their estimated recoverability and in compliance with accounting procedures employed by the ABB Group companies (see Note 7).

As at 31 December 2017 and 2016, receivables overdue for more than 180 days totaled CZK 348,400 thousand and CZK 209,551 thousand, respectively.

The Company wrote off irrecoverable receivables of CZK 12,789 thousand and CZK 125 thousand in 2017 and 2016, respectively, due to cancellation of bankruptcy proceedings, unsatisfying the claims in bankruptcy proceedings, etc.

As at 31 December 2016, tax receivables comprise a receivable arising from value added tax.

Short-term advances granted as at 31 December 2017 and 2016 represent in particular payments to suppliers for performance of long-term projects.

Other receivables as at 31 December 2017 comprise, in particular, positive fair values of outstanding derivatives (see Note 14).

Receivables from related parties (see Note 20).

### **Allowances**

Allowances reflect a temporary diminution in the value of assets (see Notes 4, 5 and 6). Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 31/ 12/ 2015	Additions	Deductions	Balance as at 31/ 12/ 2016	Additions	Deductions	Balance as at 31/ 12/ 2017
fixed assets	25,106	512	-	25,618	3,446	-	29,064
inventory	151,984	-	(20,212)	131,772	24,414	-	156,186
receivables – legal	69,189	290,667	-	359,856	-	(30,909)	328,947
receivables – other	14,682	-	(1,990)	12,692	-	(3,869)	8,823
Total	260,961	291,179	(22,202)	529,938	27,860	(34,778)	523,020

Legal allowances are created in compliance with the Act on Provisions and are tax deductible.

### Short-Term financial assets and cash

Short-term financial assets consist of valuables and cash at bank.

### 9.

### **Prepaid Expenses and Accrued Income**

Prepaid expenses include, in particular, installments for items used under finance leases, which are charged to income for the year in which they were incurred.

Unbilled revenues include, in particular, contractual revenues unbilled at the year-end, which are recognized into income for the year in which they were earned.

ANNUAL REPORT 2017 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 10.

### Equity

For statement of changes in equity see Appendix 1.

On 22 September 2017 and 6 June 2016, respectively, the sole shareholder of the Company approved the following profit distribution for 2016 and 2015 (in CZK thousands):

Profit for 2016	1,040,613	Profit for 2015	1,067,649
Profit share distribution	(1,341,613)	Profit share distribution	(1,067,649)
Retained earnings as at 31/12/2017	902,979	Retained earnings as at 31/12/2016	1,203,979

In 2017 and 2016, the Company paid shares in profit totaling CZK 1,341,613 thousand and CZK 1,067,649 thousand, respectively.

### 11.

### **Provisions**

The movements in the provision accounts were as follows (in CZK thousands):

Provisions	Balance as at 31/12/2015	Additions / deductions, net	Balance as at 31/12/2016	Additions / deductions, net	Balance as at 31/ 12/ 2017
Other:					
for future expense*	221,438	117,101	338,539	(93,369)	245,170
for warranty repairs	249,257	47,601	296,858	55,692	352,550
other**	334,620	51,754	386,374	(9,180)	377,194
Total provisions	805,315	216,456	1,021,771	(46,857)	974,914

Provisions for future expenses relate to long-term projects (see Notes 3h and 3l).

### 12.

### **Current Liabilities**

Received advances mostly relate to the pre-financing of long-term projects.

As at 31 December 2017 and 2016, the Company had overdue current payables (for more than 180 days) totaling CZK 7,081 thousand and CZK 9,167 thousand, respectively.

<sup>\*\*</sup> Other provisions were created, in particular, for specific warranty repairs and other liabilities relating to the Company's business  $(provisions for accrued \, vacation, \, bonuses, \, provided \, bank \, guarantees \, and \, risk \, projects), \, and \, are \, based \, on \, the \, Company's \, internal \, continuous \,$ accounting policies.

ANNUAL REPORT 2017 FINANCIAL RESULTS

Payables to related parties (see Note 20).

As at 31 December 2017 and 2016, the Company had liabilities of CZK 67,510 thousand and CZK 62,828 thousand, respectively, owing to social security and health insurance premiums.

As at 31 December 2017, tax liabilities relate to income tax, value added tax and other direct taxes; as at 31 December 2016, tax liabilities relate to income tax and other direct taxes.

Unbilled deliveries as at 31 December 2017 and 2016 represent, in particular, unbilled material and services.

As at 31 December 2017 and 2016, other current liabilities comprise in particular negative fair values of outstanding derivatives (see Note 14) and non-trade payables to related parties (see Note 20).

### 13.

### **Accruals and Deferred Income**

Accruals include in particular cost accrual, which is charged to income for the year in which it was incurred

Deferred income includes, in particular, provided services and is recognized into income for the year in which it was earned.

### **14**.

### **Derivatives**

The Company has concluded several derivative contracts. The derivatives have been classified as held for trading, as they do not meet the criteria for hedge accounting. As at 31 December 2017 and 2016, the derivatives were revalued at fair value, with the net positive and negative fair values of derivatives being included in other payables.

The following table summarizes face values and positive or negative values of outstanding derivatives, which the Company has with ABB Capital, B.V. Zurich Branch, as at 31 December:

	2017			2016		
	Contractual/	Fair val	ue	Contractual/	Fair val	ue
(in CZK thousands)	Face value	Positive	Negative	Face value	Positive	Negative
Commodities	130,063	12,630	(403)	31,075	7,973	-
Swaps	5,335,969	126,795	(51,585)	3,742,396	2,310	(31,199)
Forwards	2,608,481	34,080	(5,232)	3,696,993	1,190	(24,787)
Subtotal		173,505	(57,220)		11,473	(55,986)
Total derivatives held for trading		116,285				(44,513)

ANNUAL REPORT 2017 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

# 15. Income taxes

	2017 (in CZK thousands)	2016 (in CZK thousands)
Profit before taxes	1,441,316	1,286,508
Difference between book and tax depreciation	(52,273)	(64,339)
Additional adjustments, non-deductible expenses		
Creation/release of allowances, net	23,991	(21,690)
Creation/release of provisions, net	(46,857)	216,456
Other (entertainment expenses, shortages and losses, etc.)	94,198	94,026
R&D costs	(84,490)	(60,196)
Taxable income	1,375,885	1,450,765
Current income tax rate	19 %	19 %
Tax	261,418	275,645
Tax paid abroad, non-creditable	105	1,087
Tax relief	(938)	(802)
Adjustment of the tax paid in previous years	(3,652)	(4,051)
Current tax expense	256,933	271,879

No additional tax was assessed to the Company in 2017 and 2016, respectively. The current year income tax calculation is preliminary.

The Company quantified deferred taxes as follows (in CZK thousands):

	2017		20	16
Deferred tax items	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	-	(139,580)	-	(128,963)
Other temporary differences:				
allowance against receivables	1,676	-	2,412	-
allowance against inventory	29,675	-	25,037	-
allowance against fixed assets	5,522	-	4,867	-
Provisions	185,234	-	194,136	-
Total	222,107	(139,580)	226,452	(128,963)
Net	82,527		97,489	

As at 31 December 2017 and 2016, the Company recorded a deferred tax asset of CZK 82,527 thousand and CZK 97,489 thousand, respectively.

6 ANNUAL REPORT 2017 FINANCIAL RESULTS

### 16.

### Leases

The Company leases fixed assets, which are not recorded on the balance sheet (see Note 3i).

As at 31 December 2017 and 2016, assets which are being used by the Company under operating leases consist of the following (in CZK thousands):

Description	Conditions	Expense in 2017	Expense in 2016
Cars, machines	Operating lease	48,440	56,509
Land, buildings	Rentals	111,699	122,653
Total		160,139	179,162

Assets which are being used by the Company under finance leases (i.e. the assets are transferred to the Company when the lease term expires) as at 31 December 2017 and 2016 consist of the following (in CZK thousands):

		Total lease	Payments made as at	Payments made as at	Remaining payment as at 31/ 12/ 2017	
Description Conditi	Conditions	31/12/2017	31/12/2016	Due within one year	Due over one year	
Machines, computer technology	Finance leases	31,087	15,761	10,026	5,789	9,537

### **17**.

### **Commitments and Contingencies**

The Company had contingent liabilities which were not presented in the balance sheet as at 31 December 2017 and 2016. The liabilities of CZK 493,923 thousand and CZK 567,510 thousand, respectively, relate to received bank guarantees and are reflected in an off-balance sheet account.

As at 31 December 2017, the bank guarantees include warranty period guarantees, appropriate performance guarantees and retention money as follows:

ING Bank N.V. in amount	CZK 367,684 thousand
Deutsche Bank AG in amount	CZK 23,701 thousand
UniCredit Bank Czech Republic, a.s. in amount	CZK 102,538 thousand

As at 31 December 2016, the bank guarantees include warranty period guarantees, appropriate performance guarantees and retention money as follows:

ING Bank N.V. in amount	CZK 369,941 thousand
Deutsche Bank AG in amount	CZK 31,307 thousand
UniCredit Bank Czech Republic, a.s. in amount	CZK 166,262 thousand

ANNUAL REPORT 2017 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 18.

### Revenues

The breakdown of revenues on ordinary activities is as follows (in CZK thousands):

	2017		2016	
	Domestic	Foreign	Domestic	Foreign
Revenues from the sale of finished products, goods and services	3,849,482	10,923,184	3,389,725	11,074,781
Revenues from the sale of assets and materials	62,752	96,721	59,695	329,906
Total revenues	3,912,234	11,019,905	3,449,420	11,404,687

In 2017 and 2016, the revenues of the Company were generated primarily from business transactions within the ABB Group.

### 19.

### **Personnel and Related Expenses**

The breakdown of personnel expenses is as follows (in CZK thousands):

	2017		
	Total personnel	Total personnel	
Average number of employees	3,777	3,595	
Wages and salaries	1,945,694	1,797,365	
Social security and health insurance	636,916	595,233	
Social cost	71,075	66,044	
Total personnel expenses	2,653,685	2,458,642	

### 20.

### **Related party information**

The members of statutory bodies, directors and executive officers were granted no loans, guarantees, advances or other benefits in 2017 and they do not hold any interests in the Company. Managers are allowed to use company cars for their personal use.

The Company sells products to related parties in the ordinary course of business. Sales were CZK 9,892,163 thousand and CZK 9,947,168 thousand in 2017 and 2016, respectively. In 2016, the Company sold technology and know-how to ABB Switzerland Ltd, Group Technology Management for CZK 202,000 thousand.

Short-term trade receivables from related parties as at 31 December were as follows (in CZK thousands):

Related party	Due dates	2017	2016
ABB Group	Due dates: 30 to 90 days	2,442,736	2,194,963

The Company recorded short-term receivables from related parties at year-end arising from resources placed in the system for utilization of idle money of individual group companies, i.e. cash pool, from ABB Capital, B.V. Rotterdam. The balances were CZK 62,708 thousand and CZK 455,001 thousand in 2017 and 2016, respectively.

ANNUAL REPORT 2017 FINANCIAL RESULTS

The Company purchases products and receives services from related parties in the ordinary course of business. Purchases (including management fees) were CZK 5,229,811 thousand and CZK 5,663,755 thousand in 2017 and 2016, respectively.

Short-term trade payables to related parties as at 31 December were as follows (in CZK thousands):

Related party	Due dates	2017	2016
ABB Group	Due dates: 30 to 90 days	955,696	780,804

At year end, the Company received loans from ABB Capital, B.V. Zurich Branch as follows (in CZK thousands):

Related party	Due date / interest rate	2017	2016
ABB Capital, B.V.	Due on 12 January 2017, interest rate 2.43%	-	2,100,000
ABB Capital, B.V.	Due on 5 January 2018, interest rate 1.95%	200,000	-
ABB Capital, B.V.	Due on 16 January 2018, interest rate 1.84%	2,100,000	-
Total		2,300,000	2,100,000

Loans from ABB Capital, B.V. are provided in CZK on a revolving principle.

The interest expense relating to the bank loans from ABB Capital, B.V. for 2017 and 2016 was CZK 33,942 thousand and CZK 40,158 thousand, respectively.

In addition, the Company effected derivative transactions with ABB Capital, B.V. Zurich Branch (see Note 14).

### 21.

### Research and Development Costs

Research and development costs amounted to CZK 297,059 thousand and CZK 251,270 thousand in 2017 and 2016, respectively, and were expensed as incurred.

### 22.

### **Signficant items of Income Statement**

In 2017 and 2016, the item Services includes in particular the cost of agency workers, assembly work and management fees.

Miscellaneous operating income in 2017 and 2016 includes in particular payments of contractual penalties from customers and income from the sale of scrap.

Miscellaneous operating expenses in 2017 and 2016 include in particular license fees and commissions.

Other finance income and other finance cost consist, in particular, of realized and unrealized foreign exchange gains and losses and revaluation of derivatives to their fair value.

Statutory auditor's fees for assurance services in 2017 and 2016 are stated in the consolidated financial statements of the ABB Group.

ANNUAL REPORT 2017 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 23.

### **Subsequent Events**

The Company is not aware of any significant or extraordinary events that occurred after the balance sheet date.

### 24.

### Statement of CHanges in Equity (see appendix 1, note 10)

Prepared on:	Signature of entity's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
12 June 2018	Tanja Vainio	Libor Šild	Libor Šild

51

### Appendix 1

Statement of Changes in Equity

(In CZK thousands)	Basic capital	Capital funds	Reserves from profit	Retained earnings	Total
As at 1 January 2016	400,000	65,000	40,000	2,271,628	2,776,628
Profit share distribution	-	-	-	(1,067,649)	(1,067,649)
Net profit	-	-	-	1,040,613	1,040,613
As at 31 December 2016	400,000	65,000	40,000	2,244,592	2,749,592
Profit share distribution	-	-	-	(1,341,613)	(1,341,613)
Net profit	-	-	-	1,169,421	1,169,421
As at 31 December 2017	400,000	65,000	40,000	2,072,400	2,577,400

ABB s.r.o.

Vyskočilova 1561/4a 140 00 Prague 4 Czech Republic

Contact center: 800 312 222 (from abroad: +420 597 468 940)

kontakt@cz.abb.com

abb.cz