ABB A/S

Meterbuen 33, DK-2740 Skovlunde

CVR no. 31 37 17 16

Annual report 2017

Approved at the Company's annual general meeting on 15 May 2018.

Chairman:

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Contents

Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of ABB A/S for the financial year 1 January – 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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

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

Skovlunde, 15 May 2018
Executive Board:

Claus Madsen
CEO

Board of Directors:

Johan Söderström Chairman	Peter Jansson	Claus Madsen

Independent auditor's report

To the shareholders of ABB A/S

Opinion

We have audited the financial statements of ABB A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

København , 15 maj 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Hansen
State Authorised
Public Accountant
MNE no.: mne24828

Management's review

Financial highlights

In DKK millions	2017	2016	2015	2014	2013
Key figures					
Revenue	2.060	2.465	2.244	1.928	2.393
Ordinary operating profit/loss	61	119	116	125	106
Profit/loss from financial income and expenses	-4	1	3	-2	3
Profit for the year	44	94	91	93	81
Total assets	859	903	954	713	746
Equity	205	254	250	252	238
Non-current liabilities	48	46	50	47	48
Current liabilities	606	603	654	414	460
Financial ratios					
Operating margin	2,9%	4,8%	5,2%	6,5%	4,4%
Gross margin	18.6%	17,3%	20,5%	24,4%	18,8%
Current ratio	1,39	1,47	1,44	1,45	1,57
Equity ratio	23,9%	28,1%	26,2%	35,3%	31,9%
Return on equity	19,4%	37,1%	36,5%	37,9%	34,6%
Average number of full-time employees	441	458	503	539	554

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin $$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$$

Gross margin $$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Current ratio $$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Equity ratio $$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Management's Review

Presentation of the company
ABB is a pioneering technology leader in electrification products, robotics and motion, industrial automation and power grids, serving customers in utilities, industry and transport & infrastructure globally. Continuing a history of innovation spanning more than 130 years, ABB today is writing the future of industrial digitalization with two clear value propositions: bringing electricity from any power plant to any plug; and automating industries from natural resources to finished products. As title partner of Formula E, the fully electric international FIA motorsport class, ABB is pushing the boundaries of e-mobility to contribute to a sustainable future. ABB operates in more than 100 countries with about 135,000 employees.

ABB A/S develop, manufacture and market products and services for the manufacturing-, process- and consumer goods industries, supply enterprises, the oil and gas sector and the infrastructure market. By year-end ABB A/S had 449 employees.

Progress in financial activities and related actions
The Company's income statement for 2017 shows a net profit of TDKK 44,373 and the balance sheet by 31 December 2017 shows a net worth of TDKK 204,886.

Unusual risks
The annual report 2017 for ABB A/S does not describe any unusual risks.

Significant events and matters affecting the financial statements
ABB A/S has in 2017 no material profits and losses from one-off transactions.

Net profit/loss for the year
The level of activity reached the expected level. The market is affected by an increased competition within certain areas. However, there continues to be good investments in the infrastructure and green energy. The overall revenue was as expected, however due to changes in the customer- and business mix the result of primary operation was lower than expected. In the light of these developments, the result for the year is not satisfactory.

Transactions with related parties
The Company is part of the global ABB group and carries out significant related party transactions.

Research and development activities
Throughout 2017, the Group continued its development activities. A significant number of the Company's R&D activities are carried out by the rest of the ABB group in its international R&D centres.

Uncertainties with recognition and measurement
The annual report for ABB A/S for 2017 does not contain material uncertainties with recognition and measurement.

Social responsibility
ABB A/S has not laid down national policies for its corporate social responsibility, including human rights, environment and climate as the Company follows the Group's policies. For additional information on group policies, please refer to the parent company ABB Ltd. (http://new.abb.com/).

Furthermore, a Code of Conduct has been implemented both in the Group and in Denmark; it shows our commitment to act with ethical correct behavior and integrity in any given situation.

Gender distribution in the management / Diversity in the management
The board of directors today consists of 3 members, of which all are male. It is expected that the gender distribution once again will consist of 1 woman (33%) and 2 men (67%) within 4 years, depending on replacements in the board. With this change, the gender distribution would be as equal as possible. The

members of the board are appointed by the parent company, which determines the composition of the board. Currently no female directors has been considered qualified.

Other level of management consists of 10% female managers versus 21% last year.

Management has decided on a policy to increase the share of the underrepresented sex at other levels of management. The policy contains internal targets for the share of female manager; and guidelines for recruiting and maintaining female managers in the company. When recruiting we aim at having one of each sex presented. In addition, we have an annual process for identification of technical and managerial talents with specific focus on female talents.

In consequence of these initiatives the company expects that share of female managers at other levels of management to be slightly increasing in coming years.

Post balance sheet event

By year-end no such events have occurred that could materially affect the assessment of the Company's financial position.

Outlook

ABB A/S expects an increase in level of activities despite challenging market terms. The result of the operational profit in 2018 is expected to be higher than in 2017.

Financial statements 1 January – 31 December

Income statement

Note	DKK'000	2017	2016
2	**Revenue**	2.060.297	2.464.948
	Changes in inventories of finished goods, work in progress and goods for resale	-36.200	-7.016
	Other operating income	2.626	8.880
	Raw materials, consumables and goods for resale	-1.448.689	-1.843.931
	Other external expenses	-195.293	-196.178
	Gross margin	382.741	426,703
3	Staff costs	-319.832	-305.435
4	Amortisation, depreciation and impairment losses	-2.390	-2.377
	Profit/loss before net financials	60.519	118.891
5	Financial income	467	2.939
6	Financial expenses	-4.241	-1.889
	Profit/loss before tax	56.745	119.941
7	Tax for the year	-12.372	-26.438
	Profit/loss for the year	44.373	93.503

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
8	**Intangible assets**		
	Acquired intangible assets	1.312	1.754
		1.312	1.754
9	**Property, plant and equipment**		
	Leasehold improvements	1.476	1.079
	Plant and machinery	4.230	3.014
	Fixtures and fittings, plant and equipment	2.342	1.649
	Property, plant and equipment in progress	1.585	1.108
		9.633	6.850
10	**Financial assets**		
	Other receivables	0	3.530
	Deposits	6.969	6.852
		6.969	10.382
	Total fixed assets	17.914	18.986
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	12.835	14.882
	Work in progress	50.993	80.457
	Finished goods and goods for resale	52.820	59.555
	Prepayments for goods to group enterprises	84.843	81.547
		201.491	236.441
	Receivables		
	Trade receivables	447.900	413.296
11	Construction contracts	125.148	166.008
12	Receivables from group enterprises	7.927	18.014
13	Income taxes	217	788
	Other receivables	10.283	14.042
	Prepayments	8.603	14.611
		600.078	626.759
14	**Cash**	39.231	20.539
	Total non-fixed assets	840.800	883.739
	TOTAL ASSETS	858.714	902.725

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
15	Share capital	100.000	100.000
	Retained earnings	57.886	60.513
	Dividend proposed for the year	47.000	93.000
	Total equity	204.886	253.513
	Provisions		
16	Deferred tax	1.773	10.381
17	Other provisions	41.320	35.587
	Total provisions	43.093	45.968
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other liabilities	4.752	169
		4.752	169
	Current liabilities other than provisions		
	Current portion of non-current liabilities other than provisions	169	675
11	Construction contracts	69.579	110.240
	Prepayments received from customers	26.319	56.861
	Trade payables	70.150	76.205
	Payables to group enterprises	325.349	232.574
13	Income taxes	3.614	442
	Other payables	110.803	126.078
		605.983	603.075
	Total liabilities other than provisions	610.735	603.244
	TOTAL EQUITY AND LIABILITIES	858.714	902.725

1 Accounting policies
18 Contractual obligations and contingencies, etc.
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20 Related parties

Financial statements 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2017	100.000	60.513	93.000	253.513
	Dividend distribution			-93.000	-93.000
21	Transfer, see "Appropriation of profit/loss"	0	-2.627	47.000	44.373
	Equity at 31 December 2017	100.000	57.886	47.000	204.886

Financial statements 1 January – 31 December

Notes

1 **Accounting policies**

The annual report of ABB A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies are consistent with those of last year.

Foreign currency translation

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

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

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Income statement

Revenue

On the conclusion of sales contracts which consist of several, separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods and services are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be calculated reliably and when each individual sales transaction has a separate value for the purchaser. Sales transactions are deemed to have a separate value for the purchaser when the transaction is individually identifiable and is usually sold separately.

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

Revenue from construction contracts

Income from contract work in progress is measured by reference to the stage of completion. The value is calculated on the basis of the stage of completion at the balance sheet date and the total expected income from the contract in question. The stage of completion is calculated on the basis of the costs incurred relative to the expected total costs.

Write-downs for losses are made up as the total expected loss on the contract irrespective of the stage of completion.

Revenue from the sale of goods

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been passed on to the buyer and provided the income can be measured reliably and payment is expected to be received. The date at which the most significant rewards and risks are passed on is based on standardised terms of delivery based on Incoterms® 2010.

Revenue from the sale of services

Income from the sale of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered, as the services are provided in the form of an indefinite number of actions over a specified period of time.

Other operating income

Other operating income comprises items secondary to the Company's activities.

Other operating expenses

Other operating expenses comprise items secondary to the Company's activities.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

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

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The residual value of intangible and tangible assets is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

The company is covered by the Danish rules on compulsory joint taxation of the Danish subsidiaries. Danish subsidiaries form part of the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they exit the consolidation.

The company, ABB A/S, is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by the settlement of joint taxation contributions between the jointly taxed enterprises in proportion of their taxable income. In this relation, enterprises with tax loss carryforwards receive joint taxation contributions from enterprises that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Acquired intangible assets comprise software and are measured at cost less accumulated amortisation and impairment losses. Acquired intangible assets are amortised on a straight-line basis over the expected useful life, however not exceeding 5 years.

Gains and losses on the disposal of acquired intangible assets are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Goodwill

Goodwill is amortised over the expected useful life, measured by reference to an assessment of, among other factors, the nature and market position of the business, the stability of the industry and the dependence on key staff. The amortisation period is 20 years.

Considering the market position and long-term earnings effect of the acquisition, the useful life is estimated to be 20 years.

Each year, the assumptions on which the goodwill amount and the useful life are based are assessed. In case of permanent impairment, write-downs will be made in the income statement, as required.

Property, plant and equipment

Leasehold improvements, Plant and machinery, Fixtures and fittings, plant and equipment and Property, plant and equipment in progress are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Interest expenses on loans to finance the production of items of property, plant and equipment, and which relate to the production period, are recognised in cost. All other borrowing costs are recognised in the income statement.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Leasehold improvements	5 years
Plant and machinery	10-15 years
Fixtures and fittings, plant and equipment	3-10 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement.

Leases

All leases are considered operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under "Contractual obligations and contingencies, etc.".

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the weighted average method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

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

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Construction contracts

Contract work in progress is measured by reference to the stage of completion. The value is calculated on the basis of the stage of completion at the balance sheet date and the total expected income from the contract in question. The stage of completion is calculated on the basis of the costs incurred relative to the expected total costs.

Write-downs for losses are made up as the total expected loss on the contract irrespective of the stage of completion.

The value of the individual contracts, less prepayments, is classified under 'Receivables' if the amounts are positive and under 'Payables' if the amounts are negative.

Prepayments

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

Equity

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions comprise anticipated costs related to warranty commitments, bad debts, restructuring, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Warranty commitments include expenses for remedial action in respect of the contract work within the warranty period of 1-5 years. Provisions for warranty commitments are measured at net realisable value and recognised based on past experience.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company ABB Ltd., Zürich, Switzerland.

Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for the parent company ABB Ltd., Zürich, Switzerland.

Segment information

Information is disclosed by geographical market. Segment information is based on the Company's accounting policies

Financial statements 1 January – 31 December

Notes

2 Segment information

DKK'000	2017	2016
Geographical segment		
Revenue		
National	1.711.151	2.063.181
International	349.146	401.767
	2.060.297	2.464.948

With reference to section 96(1) of the Danish Financial Statements Acts, the revenue is not split into further segments. With only few main operators in some of the segments ABB A/S acts in, management asses that the company's competitors will benefit from knowing the turnover within the individual segments and the development thereof. Management asses that the revenue distribution on segments will cause significant damage to the company.

3 Staff costs

	2017	2016
Wages and salaries	278.958	267.358
Pensions	21.688	22.035
Other social security costs	3.068	4.380
Other staff costs	16.118	11.662
	319.832	305.435
Average number of full-time employees	441	458

No fee has been paid to the Board of Directors. By reference to section 98b(3), (ii) of the Danish Financial Statement Act, remuneration to management is not disclosed.

4 Amortisation/depreciation and impairment losses

	2017	2016
Intangible assets	442	272
Property, plant and equipment	1.950	2.153
	2.392	2.425
Loss/profit on the sale of property, plant and equipment	-2	-48
	2.390	2.377

5 Financial income

	2017	2016
Interest income, group enterprises	0	6
Other financial income	467	2.933
	467	2.939

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	DKK'000	2017	2016
6	**Financial expenses**		
	Interest expenses, group enterprises	634	419
	Interest expenses, credit institutions	212	317
	Foreign exchange losses	3.071	1.022
	Other interest expenses	324	131
		4.241	1.889
7	**Tax for the year**		
	Current tax for the year	21.689	19.329
	Adjustment of the deferred tax charge for the year	-8.607	7.512
	Prior-year adjustments	-710	-403
		12.372	26.438
	Tax on the profit/loss for the year is explained as follows:		
	Estimated 22% tax on the profit/loss before tax	12.484	26.382
	Tax effect of:		
	Non-deductible expenses, etc.	598	459
	Adjustment of prior-year taxes	-710	-403
		12.372	26.438
	Effective tax rate	21,8%	22,0%

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8 Intangible assets

DKK'000	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2017	36.764	40.145	76.909
Additions	0	0	0
Transferred	0	0	0
Disposals	0	0	0
Cost at 31 December 2017	36.764	40.145	76.909
Amortisation and impairment losses at 1 January 2017	-35.011	-40.145	-75.156
Amortisation	-441	0	-441
Disposals	0	0	0
Amortisation and impairment losses at 31 December 2017	-35.452	-40.145	-75.597
Carrying amount at 31 December 2017	1.312	0	1.312
Amortised over	3-5 years		

9 Property, plant and equipment

DKK'000	Leasehold improve-ments	Plant and machinery	Fixtures and fittings, plant and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2017	12.744	41.303	11.767	1.108	66.922
Additions	0	0	0	4.934	4.934
Transferred	701	2.516	1.240	-4.457	0
Disposals	-1.399	-1.616	-1.134	0	-4.149
Cost at 31 December 2017	12.046	42.203	11.873	1.585	67.707
Depreciation and impairment losses at 1 January 2017	-11.665	-38.289	-10.118	0	-60.072
Depreciation	-240	-1.163	-548	0	-1.951
Disposals	1.335	1.479	1.135	0	3.949
Depreciation and impairment losses at 31 December 2017	-10.570	-37.973	-9.531	0	-58.074
Carrying amount at 31 December 2017	1.476	4.230	2.342	1.585	9.633
Depreciated over	5 years	10-15 years	3-10 years		

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10 Financial assets

DKK'000	Other Reciev-ables	Deposits	Total
Cost at 1 January 2017	3.530	6.852	10.382
Additions	0	117	117
Disposals	-3.530	0	-3.530
Cost at 31 December 2017	0	6.969	6.969
Carrying amount at 31 December 2017	0	6.969	6.969

DKK'000	2017	2016
11 Construction contracts		
Selling price of work performed	426.116	738.211
Progress billings	-370.547	-682.443
	55.569	55.768
recognised as follows:		
Construction contracts (assets)	125.148	166.008
Construction contracts (liabilities)	-69.579	-110.240
	55.569	55.768
12 Receivables from group enterprises		
Trade receivables from group enterprises	7.927	7.225
Cash placed within the group	0	10.789
	7.927	18.014
13 Income taxes payable		
Income taxes payable at 1 January	442	776
Current tax for the year	20.979	18.926
Income taxes paid during the year	-17.807	-19.260
Income taxes payable at 31 December	3.614	442
Foreign taxes receivable	217	788

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14 Cash

The company's cash can be placed internally within the group.

15 Share capital

The share capital, 100.000 TDKK, consists of 1 A-share at 100 MDKK.

There has been no change to the contributed capital in the last 5 years.

DKK'000	2017	2016
16 Deferred tax		
Deferred tax at 1 January	10.381	2.869
Adjustment of the deferred tax charge for the year	-8.608	7.512
Deferred tax at 31 December	1.773	10.381
The deferred tax charge relates to:		
Other non-current assets	694	386
Property, plant and equipment	-454	-454
Current assets	7.148	13.987
Provisions	-5.615	-3.538
	1.773	10.381

17 Other provisions

	2017	2016
Warranty provisions	15.321	14.575
Provision for loss-making orders	688	2.897
Other provisions	25.311	18.115
	41.320	35.587
Other provisions at 1 January	35.587	46.184
Used during the year	-8.754	-20.824
Reversal	-5.062	-14.132
Provision for the year	19.549	24.359
Other provisions at 31 December	41.320	35.587
Other provisions are expected to mature within:		
0-1 year	25.709	20.561
1-5 years	13.234	8.794
> 5 years	2.377	6.232
	41.320	35.587

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18 Contractual obligations and contingencies, etc.

Contingent liabilities

ABB A/S is party to a few pending legal actions. In Management's opinion, the outcome of these legal actions will not affect the Company's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2017.

ABB A/S is jointly taxed with other Danish group companies. As a group company, the company has unlimited and joint liability with other group companies for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation unit.

DKK'000	2017	2016
Operating lease liabilities		
Obligations under operating leases concerning cars, computer hardware, operating equipment, land and buildings		
The total payments in the remaining term of the leases are	58.240	70.302
Of which falls due for payment within 5 years	48.049	54.836

19 Mortgages and collateral

The guarantor has a right of recourse against the Company concerning Performance bonds and prepayment guarantees issued by the guarantor Towards the Company's customers		
The credit limit regarding the right of recourse totals	284.675	276.400

20 Related parties

Related parties having a controlling interest include – besides the parent – also ABB Ltd in its capacity as owner of all the shares in the parent. The consolidated financial statements of the ultimate Group may be obtained from ABB A/S, Skovlunde, Denmark.

Parties exercising control

ABB Norden Holding AB, Sweden
ABB Norden Holding AB, holds 100% of the share capital in the entity. The financial statements of ABB Norden Holding AB may be obtained from ABB A/S, Skovlunde, Denmark.

Related party transactions		
Sale of goods and services to associated companies	53.773	40.028
Purchase of goods services from associated companies	1.285.988	1.804.324
Interest income from associated companies	0	6
Interest expenses to associated companies	634	419
Receivables from associated companies	7.927	18.014
Payables to associated companies	325.349	232.574

Besides distribution of dividend, no other transactions were carried through with shareholders in the year.

There are no related party transactions that have not been carried through on normal market terms.

21 Appropriation of profit/loss

Recommended appropriation of profit/loss		
Dividend proposed for the year	47.000	93.000
Transferred to reserves under equity	-2.627	503
	44.373	93.503