ABB A/S

Meterbuen 33, DK-2740 Skovlunde

CVR no. 31 37 17 16

Annual report 2016

Approved at the Company's annual general meeting on 22 May 2017.

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 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

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, 22 May 2017
Executive Board:

Claus Madsen
CEO

Board of Directors:

Johan Söderström Chairman	Athmanatha Sharma	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 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 about 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 skepticism 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.
- 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.

Independent auditor's report

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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on our procedures, 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, 22 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Brian Stubtoft
State Authorised
Public Accountant

Management's review

Financial highlights

In DKK millions	2016	2015	2014	2013	2012
Key figures					
Revenue	2.465	2.244	1.928	2.393	1.898
Ordinary operating profit/loss	119	116	125	106	103
Profit/loss from financial income and expenses	1	3	-2	3	-1
Profit for the year	94	91	93	81	78
Total assets	903	954	713	746	835
Equity	254	250	252	238	233
Non-current liabilities	34	50	47	48	41
Current liabilities	615	654	414	460	561
Financial ratios					
Operating margin	4,8%	5,2%	6,5%	4,4%	5,4%
Gross margin	17,3%	20,5%	24,4%	18,8%	23,4%
Current ratio	1,44	1,44	1,45	1,57	1,44
Equity ratio	28,1%	26,2%	35,3%	31,9%	27,9%
Return on equity	37,1%	36,5%	37,9%	34,6%	33,8%
Average number of full-time employees	458	503	539	554	558

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's Review

Presentation of the company
ABB (www.abb.com) is a pioneering technology leader that is writing the future of industrial digitalization. For more than four decades, we have been at the forefront, innovating digitally connected and enabled industrial equipment and systems. Every day, we drive efficiency, safety and productivity in utilities, industry, transport and infrastructure globally. With a heritage spanning more than 130 years, ABB operates in more than 100 countries and employs around 132,000 people.

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 457 employees.

Progress in financial activities and related actions
The Company's income statement for 2016 shows a net profit of TDKK 93,503 and the balance sheet by 31 December 2016 shows a net worth of TDKK 253,513.

Unusual risks
The annual report 2016 for ABB A/S does not describe any unusual risks.

Significant events and matters affecting the financial statements
ABB A/S has in 2016 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 marked by an increased competition within certain areas. However, there continues to be good investments in the infrastructure and green energy. The result of primary operation was as expected. In the light of these developments, the result for the year is satisfactory.

Segment information

The Company is organised in the divisions mentioned below and has had the following financial development:

Power Grids
In 2016 the division has realised considerable higher revenue and earnings compared to last year. The development was better than expected and is considered very satisfactory.

The division is divided into 4 business areas: high voltage, transformer products, grid automation and grid systems. The division supplies all the products needed by the Danish power supply and power production. The division also offers turnkey systems and services to transmission and distribution of power, solutions to automation and instrumentation of power, gas and heating supplies as well as to power generation and waste destruction.
Further to this the division also offers all the services needed to ensure the products' performance and extend their lifespan.

Discrete Automation & Motion
In 2016 the division realized falling revenues and earnings. The revenue fell below the expected level, driven by a declining marked. The earnings fell to a lower than expected level, main reason being lower volumes. The development is not satisfactory.

The Discrete Automation & Motion (DM) division provides products, with related services, that are used as components in machinery and automation systems. The offering of the DM division covers a wide range of products and services including power electronics systems, motors and generators, drives and robots. Together we drive our customes' industrial productivity and energy efficiency.

Process Automation
The division has realized falling revenues but an increase in earnings. The market for the division is significantly influenced by the development of the oil prices. Considering the changed market terms the development in the division is very satisfactory.

The Process Automation division offers integrated solutions to system- and project management, regulation, supervision and optimized performance. The main focus of the division is on industryspecific application knowledge. The industries served include oil & gas, power, chemicals & pharmaceuticals, pulp, marine, turbocharging and power.

Electrification Products
For 2016 the division realized increasing revenue and earnings and in line with the expectations. The development is considered satisfactory.

The Electrification Products division manufactures products and systems that provide protection, control and measurement for electrical installations, enclosures, switchboards, electronics and electromechanical devices for industrial machines, plants and related service. The division further makes intelligent building control systems, also known as KNX systems, for home and building automation to improve comfort, energy efficiency and security.
In 2016 the business Medium Voltage products was moved from the division Power Grids to Electrification Products

Transactions with related parties
The Company is part of the global ABB group and carries out significant related party transactions. Related party transactions are carried out at arm's length.

Research and development activities
Throughout 2016, 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 2016 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 100% are male. The change is part of the changes to the global organization. It is expected that the gender distribution once again will consist of 1 woman (33%) and 2 men (67%) within 4 years. Then the gender distribution is again as equal as possible.

Other level of management consists of 21% female managers versus 13% 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 a decrease in level of activities due to challenging market terms, and timing of large orders. The result of the operational profit in 2017 is expected to be lower than in 2016.

Financial statements 1 January – 31 December

Income statement

Note	DKK'000	2016	2015
2	**Revenue**	2.464.948	2.243.732
	Changes in inventories of finished goods, work in progress and goods for resale	-7.016	35.232
	Other operating income	8.880	1.579
	Raw materials, consumables and goods for resale	-1.843.931	-1.632.089
	Other external expenses	-196.178	-188.782
	Gross margin	426,703	459.672
3	Staff costs	-305.435	-340.796
4	Amortisation, depreciation and impairment losses	-2.377	-2.407
	Profit/loss before net financials	118.891	116.469
5	Financial income	2.939	4.814
6	Financial expenses	-1.889	-1.990
	Profit/loss before tax	119.941	119.293
7	Tax for the year	-26.438	-27.863
	Profit/loss for the year	93.503	91.430

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
8	**Intangible assets**		
	Acquired intangible assets	1.754	31
	Goodwill	0	0
	Prepayments for intangible assets	0	1.181
		1.754	1.212
9	**Property, plant and equipment**		
	Leasehold improvements	1.079	1.220
	Plant and machinery	3.014	2.711
	Fixtures and fittings, plant and equipment	1.649	1.950
	Property, plant and equipment in progress	1.108	1.494
		6.850	7.375
10	**Financial assets**		
	Other receivables	3.530	0
	Deposits	6.852	6.749
		10.382	6.749
	Total fixed assets	18.986	15.336
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	14.882	13.712
	Work in progress	80.457	90.040
	Finished goods and goods for resale	59.555	56.988
	Prepayments for goods	81.547	122.969
		236.441	283.709
	Receivables		
	Trade receivables	413.296	338.072
11	Construction contracts	166.008	137.560
12	Receivables from group enterprises	18.014	111.460
13	Income taxes	788	0
	Other receivables	14.042	3.024
14	Prepayments	14.611	11.913
		626.759	602.029
15	**Cash**	20.539	52.595
	Total non-fixed assets	883.739	938.333
	TOTAL ASSETS	902.725	953.669

Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
16	Share capital	100.000	100.000
	Retained earnings	60.513	60.010
	Dividend proposed for the year	93.000	90.000
	Total equity	253.513	250.010
	Provisions		
17	Deferred tax	10.381	2.869
18	Other provisions	35.587	46.184
	Total provisions	45.968	49.053
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Lease liabilities	169	1.012
		169	1.012
	Current liabilities other than provisions		
	Current portion of non-current liabilities other than provisions	675	675
11	Construction contracts	110.240	71.096
	Prepayments received from customers	56.861	40.587
	Trade payables	76.205	59.929
	Payables to group enterprises	232.574	337.855
13	Income taxes	442	776
	Other payables	126.078	142.676
		603.075	653.594
	Total liabilities other than provisions	603.244	654.606
	TOTAL EQUITY AND LIABILITIES	902.725	953.669

1 Accounting policies
19 Contractual obligations and contingencies, etc.
20 Mortgages and collateral
21 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 2016	100.000	60.010	90.000	250.010
	Dividend distribution			-90.000	-90.000
22	Transfer, see "Appropriation of profit/loss"	0	503	93.000	93.503
	Equity at 31 December 2016	100.000	60.513	93.000	253.513

Financial statements 1 January – 31 December

Notes

1 **Accounting policies**

The annual report of ABB A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

Yearly reassessment of residual values of property, plant and equipment

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, 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

Notes

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 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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

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

Notes

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 ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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

Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

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2 Segment information

DKK'000	2016	2015
Geographical – secondary segment		
Revenue		
National	2.063.181	1.814.537
International	401.767	429.195
	2.464.948	2.243.732

Due to competitive reasons, the revenue is not split into further segments.

3 Staff costs

	2016	2015
Wages and salaries	267.358	303.070
Pensions	22.035	23.138
Other social security costs	4.380	4.869
Other staff costs	11.662	9.719
	305.435	340.796
Average number of full-time employees	458	503

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

	2016	2015
Intangible assets	272	40
Property, plant and equipment	2.153	2.724
	2.425	2.764
Loss/profit on the sale of property, plant and equipment	-48	-357
	2.377	2.407

5 Financial income

	2016	2015
Interest income, group enterprises	6	0
Other financial income	2.933	4.814
	2.939	4.814

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	DKK'000	2016	2015
6	**Financial expenses**		
	Interest expenses, group enterprises	419	0
	Interest expenses, credit institutions	317	220
	Foreign exchange losses	1.022	1.707
	Other interest expenses	131	63
		1.889	1.990

		2016	2015
7	**Tax for the year**		
	Current tax for the year	19.329	30.681
	Adjustment of the deferred tax charge for the year	7.512	-3.264
	Prior-year adjustments	-403	446
		26.438	27.863
	Tax on the profit/loss for the year is explained as follows:		
	Estimated 22% (23,5%) tax on the profit/loss before tax	26.382	28.034
	Tax effect of:		
	Non-deductible expenses, etc.	459	-161
	Impact from reduction of the deferred tax rate	0	-455
	Adjustment of prior-year taxes	-403	446
		26.438	27.863
	Effective tax rate	22,0%	23,4%

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8 Intangible assets

DKK'000	Acquired intangible assets	Goodwill	Prepay-ments for intangible assets	Total
Cost at 1 January 2016	34.790	40.145	1.181	76.116
Additions	0	0	814	814
Transferred	1.995	0	-1.995	0
Disposals	-21	0	0	-21
Cost at 31 December 2016	36.764	40.145	0	76.909
Amortisation and impairment losses at 1 January 2016	-34.759	-40.145	0	-74.904
Amortisation	-272	0	0	-272
Disposals	21	0	0	21
Amortisation and impairment losses at 31 December 2016	-35.010	-40.145	0	-75.155
Carrying amount at 31 December 2016	1.754	0	0	1.754
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 2016	12.593	40.280	11.865	1.494	66.232
Additions	0	0	0	1.826	1.826
Transferred	180	1.575	457	-2.212	0
Disposals	-29	-552	-555	0	-1.136
Cost at 31 December 2016	12.744	41.303	11.767	1.108	66.922
Depreciation and impairment losses at 1 January 2016	-11.373	-37.569	-9.915	0	-58.857
Depreciation	-321	-1.074	-758	0	-2.153
Disposals	29	354	555	0	938
Depreciation and impairment losses at 31 December 2016	-11.665	-38.289	-10.118	0	-60.072
Carrying amount at 31 December 2016	1.079	3.014	1.649	1.108	6.850
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 2016	0	6.749	6.749
Additions	3.530	103	3.633
Disposals	0	0	0
Cost at 31 December 2016	3.530	6.852	10.382
Carrying amount at 31 December 2016	3.530	6.852	10.382

	DKK'000	2016	2015
11	**Construction contracts**		
	Selling price of work performed	738.211	425.346
	Progress billings	-682.443	-358.882
		55.768	66.464
	recognised as follows:		
	Construction contracts (assets)	166.008	137.560
	Construction contracts (liabilities)	-110.240	-71.096
		55.768	66.464
12	**Receivables from group enterprises**		
	Trade receivables from group enterprises	7.225	70.052
	Cash placed within the group	10.789	41.408
		18.014	111.460
13	**Income taxes payable**		
	Income taxes payable at 1 January	776	-3.903
	Current tax for the year	18.926	30.261
	Income taxes paid during the year	-19.260	-25.582
	Income taxes payable at 31 December	442	776
	Foreign taxes receivable	788	0

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14 Prepayments

The prepayments consist of prepaid expenses.

15 Cash

The company's cash can be placed internally within the group. If the internally placed cash according to note 12 is included, the company's total cash as per 31. December 2016 is TDKK 31.328.

16 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	2016	2015
17	**Deferred tax**		
	Deferred tax at 1 January	2.869	6.133
	Adjustment of the deferred tax charge for the year	7.512	-2.808
	Impact from gradual reduction of the income tax rate from 23,5% to 22%	0	-456
	Deferred tax at 31 December	10.381	2.869
	The deferred tax charge relates to:		
	Other non-current assets	386	7
	Property, plant and equipment	-454	-205
	Current assets	13.987	10.010
	Provisions	-3.538	-6.943
		10.381	2.869

18	**Other provisions**		
	Warranty provisions	14.575	19.489
	Provision for loss-making orders	2.897	3.188
	Other provisions	18.115	23.507
		35.587	46.184
	Other provisions at 1 January	46.184	41.205
	Used during the year	-20.824	-12.047
	Reversal	-14.132	-9.847
	Provision for the year	24.359	26.873
	Other provisions at 31 December	35.587	46.184
	Other provisions are expected to mature within:		
	0-1 year	20.561	23.098
	1-5 years	8.794	18.245
	> 5 years	6.232	4.841
		35.587	46.184

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19 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 2016.

DKK'000	2016	2015
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	70.302	85.172
Of which falls due for payment within 5 years	54.836	61.432

20 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	276.400	266.000

21 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

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.

22 Appropriation of profit/loss

Recommended appropriation of profit/loss		
Dividend proposed for the year	93.000	90.000
Transferred to reserves under equity	503	1.430
	93.503	91.430