Q4 2015

Financial Information

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Financial Information

Key Figures

($ in millions, unless otherwise indicated)	Q4 2015	Q4 2014	Change US$	Change Comparable[1]
Orders	8,262	9,365	-12%	-2%
Revenues	9,242	10,346	-11%	-1%
Operational EBITA[2]	1,081	1,153	-6%	1%
as % of operational revenues[1]	11.7%	11.1%	+60 bps	
Net income	204	680	-70%	
Basic earnings per share ($)	0.09	0.30	-69%[3]	
Operational earnings per share[1] ($) (constant currency basis)	0.35	0.34	4%[3]	
Cash flow from operating activities	1,994	1,833	9%	18%[4]

($ in millions, unless otherwise indicated)	FY 2015	FY 2014	Change US$	Change Comparable[1]
Orders	36,429	41,515	-12%	-1%
Revenues	35,481	39,830	-11%	0%
Operational EBITA[2]	4,169	4,475	-7%	3%
as % of operational revenues[1]	11.8%	11.2%	+60 bps	
Net income	1,933	2,594	-25%	
Basic earnings per share ($)	0.87	1.13	-23%[3]	
Operational earnings per share[1] ($) (constant currency basis)	1.35	1.28	5%[3]	
Cash flow from operating activities	3,818	3,845	-1%	9%[4]
Free cash flow[1]	3,019	2,857	6%	16%[4]
as % of net income	156%	110%		
Cash return on invested capital[1]	13.4%	12.7%	+70 bps	
Total employees	135,800	140,400	-3%	

(1) For a reconciliation of non-GAAP measures see "Supplemental Reconciliations and Definitions" on page 33.

(2) For a reconciliation of Operational EBITA to Income from continuing operations before taxes see Note 13 to the Interim Consolidated Financial Information (unaudited).

(3) EPS growth rates are computed using unrounded amounts. Operational EPS growth is in constant currency.

(4) Growth rates for cash flow figures are calculated using constant currency (not adjusted for impacts of changes in the business portfolio).

($ in millions, unless otherwise indicated)		Q4 2015	Q4 2014	*Change* US$	Local	Comparable
Orders	ABB Group	8,262	9,365	-12%	-3%	-2%
	Discrete Automation and Motion	1,984	2,379	-17%	-9%	-9%
	Low Voltage Products	1,530	1,722	-11%	-2%	-2%
	Process Automation	1,591	1,907	-17%	-6%	-1%
	Power Products	2,398	2,548	-6%	3%	3%
	Power Systems	1,340	1,437	-7%	3%	3%
	Corporate and Other (incl. inter-division eliminations)	(581)	(628)			
Order backlog (end December)	ABB Group	24,121	24,900	-3%	5%	5%
	Discrete Automation and Motion	4,232	4,385	-3%	3%	3%
	Low Voltage Products	857	891	-4%	6%	6%
	Process Automation	5,203	5,661	-8%	2%	3%
	Power Products	7,717	7,791	-1%	7%	7%
	Power Systems	8,218	8,246	0%	8%	8%
	Corporate and Other (incl. inter-division eliminations)	(2,106)	(2,074)			
Revenues	ABB Group	9,242	10,346	-11%	-2%	-1%
	Discrete Automation and Motion	2,288	2,583	-11%	-4%	-4%
	Low Voltage Products	1,624	1,793	-9%	0%	0%
	Process Automation	1,674	2,094	-20%	-11%	-8%
	Power Products	2,544	2,825	-10%	-2%	-2%
	Power Systems	1,755	1,965	-11%	-1%	-1%
	Corporate and Other (incl. inter-division eliminations)	(643)	(914)			
Operational EBITA	ABB Group	1,081	1,153	-6%	1%	1%
	Discrete Automation and Motion	279	403	-31%	-26%	-26%
	Low Voltage Products	268	307	-13%	-4%	-4%
	Process Automation	201	263	-24%	-17%	-14%
	Power Products	329	360	-9%	-2%	-2%
	Power Systems	130	26	n.a.	n.a.	n.a.
	Corporate and Other (incl. inter-division eliminations)	(126)	(206)			
Operational EBITA %	ABB Group	11.7%	11.1%			
	Discrete Automation and Motion	12.2%	15.6%			
	Low Voltage Products	16.5%	17.1%			
	Process Automation	11.9%	12.5%			
	Power Products	12.9%	12.7%			
	Power Systems	7.5%	1.3%			
Income from operations	ABB Group	347	1,049			
	Discrete Automation and Motion	134	357			
	Low Voltage Products	153	267			
	Process Automation	85	353			
	Power Products	227	330			
	Power Systems	45	(47)			
	Corporate and Other (incl. inter-division eliminations)	(297)	(211)			
Income from operations %	ABB Group	3.8%	10.1%			
	Discrete Automation and Motion	5.9%	13.8%			
	Low Voltage Products	9.4%	14.9%			
	Process Automation	5.1%	16.9%			
	Power Products	8.9%	11.7%			
	Power Systems	2.6%	-2.4%			
Cash flow from operating activities	ABB Group	1,994	1,833			
	Discrete Automation and Motion	328	487			
	Low Voltage Products	399	443			
	Process Automation	267	386			
	Power Products	659	518			
	Power Systems	426	203			
	Corporate and Other	(85)	(204)			

($ in millions, unless otherwise indicated)		FY 2015	FY 2014	Change US$	Change Local	Change Comparable
Orders	ABB Group	36,429	41,515	-12%	-2%	-1%
	Discrete Automation and Motion	9,222	10,559	-13%	-5%	-5%
	Low Voltage Products	6,581	7,550	-13%	-3%	1%
	Process Automation	6,464	8,577	-25%	-14%	-11%
	Power Products	10,033	10,764	-7%	2%	2%
	Power Systems	6,800	6,871	-1%	13%	13%
	Corporate and Other (incl. inter-division eliminations)	(2,671)	(2,806)			
Order backlog (end December)	ABB Group	24,121	24,900	-3%	5%	5%
	Discrete Automation and Motion	4,232	4,385	-3%	3%	3%
	Low Voltage Products	857	891	-4%	6%	6%
	Process Automation	5,203	5,661	-8%	2%	3%
	Power Products	7,717	7,791	-1%	7%	7%
	Power Systems	8,218	8,246	0%	8%	8%
	Corporate and Other (incl. inter-division eliminations)	(2,106)	(2,074)			
Revenues	ABB Group	35,481	39,830	-11%	-1%	0%
	Discrete Automation and Motion	9,127	10,142	-10%	-2%	-2%
	Low Voltage Products	6,547	7,532	-13%	-3%	0%
	Process Automation	6,374	7,948	-20%	-9%	-5%
	Power Products	9,550	10,333	-8%	2%	2%
	Power Systems	6,342	7,020	-10%	2%	2%
	Corporate and Other (incl. inter-division eliminations)	(2,459)	(3,145)			
Operational EBITA	ABB Group	4,169	4,475	-7%	2%	3%
	Discrete Automation and Motion	1,271	1,589	-20%	-13%	-13%
	Low Voltage Products	1,096	1,241	-12%	-1%	2%
	Process Automation	755	958	-21%	-13%	-11%
	Power Products	1,178	1,319	-11%	-3%	-3%
	Power Systems	274	(96)	n.a.	n.a.	n.a.
	Corporate and Other (incl. inter-division eliminations)	(405)	(536)			
Operational EBITA %	ABB Group	11.8%	11.2%			
	Discrete Automation and Motion	13.9%	15.7%			
	Low Voltage Products	16.8%	16.4%			
	Process Automation	11.8%	12.0%			
	Power Products	12.3%	12.7%			
	Power Systems	4.4%	-1.3%			
Income from operations	ABB Group	3,049	4,178			
	Discrete Automation and Motion	991	1,422			
	Low Voltage Products	909	1,475			
	Process Automation	593	1,003			
	Power Products	1,051	1,204			
	Power Systems	110	(360)			
	Corporate and Other (incl. inter-division eliminations)	(605)	(566)			
Income from operations %	ABB Group	8.6%	10.5%			
	Discrete Automation and Motion	10.9%	14.0%			
	Low Voltage Products	13.9%	19.6%			
	Process Automation	9.3%	12.6%			
	Power Products	11.0%	11.7%			
	Power Systems	1.7%	-5.1%			
Cash flow from operating activities	ABB Group	3,818	3,845			
	Discrete Automation and Motion	1,232	1,564			
	Low Voltage Products	981	997			
	Process Automation	607	945			
	Power Products	1,174	1,091			
	Power Systems	458	(138)			
	Corporate and Other	(634)	(614)			

Operational EBITA

($ in millions, unless otherwise indicated)	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14
Revenues	9,242	10,346	2,288	2,583	1,624	1,793	1,674	2,094	2,544	2,825	1,755	1,965
FX/commodity timing differences in total revenues	(4)	66	4	3	(4)	3	14	16	7	5	(27)	38
Operational revenues	9,238	10,412	2,292	2,586	1,620	1,796	1,688	2,110	2,551	2,830	1,728	2,003
Income (loss) from operations	347	1,049	134	357	153	267	85	353	227	330	45	(47)
Acquisition-related amortization	73	90	32	34	24	26	3	6	3	3	8	16
Restructuring and restructuring-related expenses(1)	531	93	81	11	88	16	88	17	75	16	80	29
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	76	(122)	26	–	3	(12)	–	(122)	1	6	1	2
FX/commodity timing differences in income from operations	54	43	6	1	–	10	25	9	23	5	(4)	26
Operational EBITA	1,081	1,153	279	403	268	307	201	263	329	360	130	26
Operational EBITA margin (%)	11.7%	11.1%	12.2%	15.6%	16.5%	17.1%	11.9%	12.5%	12.9%	12.7%	7.5%	1.3%

($ in millions, unless otherwise indicated)	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14
Revenues	35,481	39,830	9,127	10,142	6,547	7,532	6,374	7,948	9,550	10,333	6,342	7,020
FX/commodity timing differences in total revenues	(28)	213	4	(5)	(11)	14	23	10	9	24	(54)	169
Operational revenues	35,453	40,043	9,131	10,137	6,536	7,546	6,397	7,958	9,559	10,357	6,288	7,189
Income (loss) from operations	3,049	4,178	991	1,422	909	1,475	593	1,003	1,051	1,204	110	(360)
Acquisition-related amortization	310	380	128	138	100	113	12	17	10	17	43	74
Restructuring and restructuring-related expenses(1)	674	235	125	25	101	45	112	43	105	51	96	63
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	120	(482)	26	–	3	(407)	11	(113)	4	16	35	12
FX/commodity timing differences in income from operations	16	164	1	4	(17)	15	27	8	8	31	(10)	115
Operational EBITA	4,169	4,475	1,271	1,589	1,096	1,241	755	958	1,178	1,319	274	(96)
Operational EBITA margin (%)	11.8%	11.2%	13.9%	15.7%	16.8%	16.4%	11.8%	12.0%	12.3%	12.7%	4.4%	-1.3%

(1) Amounts also include the incremental implementation costs in relation to the White Collar Productivity program.

Depreciation and Amortization

($ in millions, unless otherwise indicated)	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14	Q4 15	Q4 14
Depreciation	192	211	39	39	40	46	14	16	43	49	19	20
Amortization	96	106	36	36	27	28	4	5	4	4	13	19
including total acquisition-related amortization of	*73*	*90*	*32*	*34*	*24*	*26*	*3*	*6*	*3*	*3*	*8*	*16*

($ in millions, unless otherwise indicated)	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14
Depreciation	764	851	149	161	163	182	57	68	175	194	75	87
Amortization	396	454	146	148	108	119	18	20	16	23	63	88
including total acquisition-related amortization of	*310*	*380*	*128*	*138*	*100*	*113*	*12*	*17*	*10*	*17*	*43*	*74*

Orders received and revenues by region

($ in millions, unless otherwise indicated)	Orders received		*Change*			Revenues		*Change*		
	Q4 15	Q4 14	*US$*	*Local*	*Com-parable*	Q4 15	Q4 14	*US$*	*Local*	*Com-parable*
Europe	2,888	3,128	-8%	7%	7%	3,028	3,451	-12%	0%	1%
The Americas	2,491	2,696	-8%	0%	1%	2,627	2,955	-11%	-4%	-3%
Asia, Middle East and Africa	2,883	3,541	-19%	-14%	-13%	3,587	3,940	-9%	-3%	-2%
ABB Group	8,262	9,365	-12%	-3%	-2%	9,242	10,346	-11%	-2%	-1%

($ in millions, unless otherwise indicated)	Orders received		*Change*			Revenues		*Change*		
	FY 15	FY 14	*US$*	*Local*	*Com-parable*	FY 15	FY 14	*US$*	*Local*	*Com-parable*
Europe	12,568	14,319	-12%	5%	7%	11,602	13,745	-16%	1%	2%
The Americas	10,505	11,966	-12%	-6%	-4%	10,554	11,490	-8%	-2%	1%
Asia, Middle East and Africa	13,356	15,230	-12%	-7%	-6%	13,325	14,595	-9%	-2%	-1%
ABB Group	36,429	41,515	-12%	-2%	-1%	35,481	39,830	-11%	-1%	0%

Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Income Statements (unaudited)

($ in millions, except per share data in $)	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014	Three months ended Dec. 31, 2015	Three months ended Dec. 31, 2014
Sales of products	29,477	33,279	7,599	8,545
Sales of services	6,004	6,551	1,643	1,801
Total revenues	35,481	39,830	9,242	10,346
Cost of products	(21,694)	(24,506)	(5,820)	(6,357)
Cost of services	(3,653)	(4,109)	(1,027)	(1,148)
Total cost of sales	(25,347)	(28,615)	(6,847)	(7,505)
Gross profit	10,134	11,215	2,395	2,841
Selling, general and administrative expenses	(5,574)	(6,067)	(1,580)	(1,497)
Non-order related research and development expenses	(1,406)	(1,499)	(408)	(387)
Other income (expense), net	(105)	529	(60)	92
Income from operations	3,049	4,178	347	1,049
Interest and dividend income	77	80	21	23
Interest and other finance expense	(286)	(362)	(63)	(107)
Income from continuing operations before taxes	2,840	3,896	305	965
Provision for taxes	(788)	(1,202)	(66)	(264)
Income from continuing operations, net of tax	2,052	2,694	239	701
Income from discontinued operations, net of tax	3	24	1	14
Net income	2,055	2,718	240	715
Net income attributable to noncontrolling interests	(122)	(124)	(36)	(35)
Net income attributable to ABB	1,933	2,594	204	680
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,930	2,570	203	666
Net income	1,933	2,594	204	680
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.87	1.12	0.09	0.29
Net income	0.87	1.13	0.09	0.30
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.87	1.12	0.09	0.29
Net income	0.87	1.13	0.09	0.30
Weighted-average number of shares outstanding (in millions) used to compute:				
Basic earnings per share attributable to ABB shareholders	2,226	2,288	2,203	2,266
Diluted earnings per share attributable to ABB shareholders	2,230	2,295	2,206	2,272

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Condensed Consolidated Statements of Comprehensive Income (unaudited)

	Year ended		Three months ended	
($ in millions)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Total comprehensive income (loss), net of tax	1,416	480	254	(486)
Total comprehensive income attributable to noncontrolling interests, net of tax	(100)	(115)	(27)	(36)
Total comprehensive income (loss) attributable to ABB shareholders, net of tax	1,316	365	227	(522)

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Balance Sheets (unaudited)

($ in millions, except share data)	Dec. 31, 2015	Dec. 31, 2014
Cash and equivalents	4,565	5,443
Marketable securities and short-term investments	1,633	1,325
Receivables, net	10,061	11,078
Inventories, net	4,757	5,376
Prepaid expenses	225	218
Deferred taxes	881	902
Other current assets	638	644
Total current assets	22,760	24,986
Property, plant and equipment, net	5,276	5,652
Goodwill	9,671	10,053
Other intangible assets, net	2,337	2,702
Prepaid pension and other employee benefits	68	70
Investments in equity-accounted companies	178	177
Deferred taxes	423	511
Other non-current assets	643	701
Total assets	41,356	44,852
Accounts payable, trade	4,342	4,765
Billings in excess of sales	1,375	1,455
Short-term debt and current maturities of long-term debt	1,454	353
Advances from customers	1,598	1,624
Deferred taxes	249	289
Provisions for warranties	1,089	1,148
Other provisions	1,920	1,689
Other current liabilities	3,817	4,257
Total current liabilities	15,844	15,580
Long-term debt	5,985	7,312
Pension and other employee benefits	1,924	2,394
Deferred taxes	965	1,165
Other non-current liabilities	1,650	1,586
Total liabilities	26,368	28,037
Commitments and contingencies		
Stockholders' equity:		
Capital stock and additional paid-in capital (2,314,743,264 issued shares at December 31, 2015 and 2014)	1,444	1,777
Retained earnings	20,476	19,939
Accumulated other comprehensive loss	(4,858)	(4,241)
Treasury stock, at cost (123,118,123 and 55,843,639 shares at December 31, 2015 and 2014, respectively)	(2,581)	(1,206)
Total ABB stockholders' equity	14,481	16,269
Noncontrolling interests	507	546
Total stockholders' equity	14,988	16,815
Total liabilities and stockholders' equity	41,356	44,852

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Statements of Cash Flows (unaudited)

	Year ended		Three months ended	
($ in millions)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Operating activities:				
Net income	2,055	2,718	240	715
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,160	1,305	288	317
Pension and other employee benefits	56	16	5	21
Deferred taxes	(219)	65	(193)	31
Net loss (gain) from sale of property, plant and equipment	(26)	(17)	(5)	(2)
Net loss (gain) from sale of businesses	20	(543)	1	(98)
Net loss (gain) from derivatives and foreign exchange	15	167	53	31
Other	99	112	20	45
Changes in operating assets and liabilities:				
Trade receivables, net	162	(12)	363	337
Inventories, net	105	(176)	509	336
Trade payables	(112)	257	16	75
Accrued liabilities	(24)	9	(2)	(43)
Billings in excess of sales	35	(118)	(55)	(51)
Provisions, net	330	(127)	487	47
Advances from customers	106	39	112	62
Income taxes payable and receivable	(32)	(13)	41	(185)
Other assets and liabilities, net	88	163	114	195
Net cash provided by operating activities	3,818	3,845	1,994	1,833
Investing activities:				
Purchases of marketable securities (available-for-sale)	(1,925)	(1,430)	(827)	(594)
Purchases of short-term investments	(614)	(1,465)	(68)	(432)
Purchases of property, plant and equipment and intangible assets	(876)	(1,026)	(329)	(384)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(56)	(70)	(12)	(47)
Proceeds from sales of marketable securities (available-for-sale)	434	361	55	274
Proceeds from maturity of marketable securities (available-for-sale)	1,022	523	395	288
Proceeds from short-term investments	653	1,011	25	684
Proceeds from sales of property, plant and equipment	68	33	24	7
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	69	1,110	–	119
Net cash from settlement of foreign currency derivatives	231	(179)	23	(181)
Other investing activities	20	11	5	7
Net cash used in investing activities	(974)	(1,121)	(709)	(259)
Financing activities:				
Net changes in debt with original maturities of 90 days or less	3	(103)	(72)	(94)
Increase in debt	68	150	13	19
Repayment of debt	(101)	(90)	(23)	(39)
Delivery of shares	107	38	–	12
Purchase of treasury stock	(1,487)	(1,003)	(439)	(542)
Dividends paid	(1,357)	(1,841)	–	–
Reduction in nominal value of common shares paid to shareholders	(392)	–	–	–
Dividends paid to noncontrolling shareholders	(137)	(132)	(6)	(6)
Other financing activities	(84)	(43)	(66)	(16)
Net cash used in financing activities	(3,380)	(3,024)	(593)	(666)
Effects of exchange rate changes on cash and equivalents	(342)	(278)	(97)	(98)
Net change in cash and equivalents – continuing operations	(878)	(578)	595	810
Cash and equivalents, beginning of period	5,443	6,021	3,970	4,633
Cash and equivalents, end of period	4,565	5,443	4,565	5,443
Supplementary disclosure of cash flow information:				
Interest paid	221	259	70	84
Taxes paid	1,043	1,155	207	409

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Statements of Changes in Stockholders’ Equity (unaudited)

			Accumulated other comprehensive loss								
($ in millions)	Capital stock and additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gains (losses) of cash flow hedge derivatives	Total accumulated other comprehensive loss	Treasury stock	Total ABB stockholders’ equity	Noncontrolling interests	Total stockholders’ equity
Balance at January 1, 2014	1,750	19,186	(431)	7	(1,610)	22	(2,012)	(246)	18,678	530	19,208
Comprehensive income:											
Net income		2,594							2,594	124	2,718
Foreign currency translation adjustments, net of tax of $(11)			(1,671)				(1,671)		(1,671)	(9)	(1,680)
Effect of change in fair value of available-for-sale securities, net of tax of $1				6			6		6		6
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of $(193)					(521)		(521)		(521)		(521)
Change in derivatives qualifying as cash flow hedges, net of tax of $(12)						(43)	(43)		(43)		(43)
Total comprehensive income									365	115	480
Changes in noncontrolling interests	(34)								(34)	33	(1)
Dividends paid to noncontrolling shareholders									–	(132)	(132)
Dividends paid		(1,841)							(1,841)		(1,841)
Share-based payment arrangements	73								73		73
Purchase of treasury stock								(1,015)	(1,015)		(1,015)
Delivery of shares	(17)							55	38		38
Call options	5								5		5
Balance at December 31, 2014	1,777	19,939	(2,102)	13	(2,131)	(21)	(4,241)	(1,206)	16,269	546	16,815

Balance at January 1, 2015	1,777	19,939	(2,102)	13	(2,131)	(21)	(4,241)	(1,206)	16,269	546	16,815
Comprehensive income:											
Net income		1,933							1,933	122	2,055
Foreign currency translation adjustments, net of tax of $(47)			(1,033)				(1,033)		(1,033)	(25)	(1,058)
Effect of change in fair value of available-for-sale securities, net of tax of $(1)				(6)			(6)		(6)		(6)
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of $140					412		412		412	3	415
Change in derivatives qualifying as cash flow hedges, net of tax of $3						10	10		10		10
Total comprehensive income									1,316	100	1,416
Changes in noncontrolling interests	(30)	(25)							(55)	(2)	(57)
Dividends paid to noncontrolling shareholders									–	(137)	(137)
Dividends paid		(1,317)							(1,317)		(1,317)
Reduction in nominal value of common shares paid to shareholders	(349)	(54)							(403)		(403)
Share-based payment arrangements	61								61		61
Purchase of treasury stock								(1,501)	(1,501)		(1,501)
Delivery of shares	(19)							126	107		107
Call options	4								4		4
Balance at December 31, 2015	1,444	20,476	(3,135)	7	(1,719)	(11)	(4,858)	(2,581)	14,481	507	14,988

See Notes to the Interim Consolidated Financial Information

Note 1
The Company and basis of presentation

ABB Ltd and its subsidiaries (collectively, the Company) together form a leading global technology company in power and automation that enables utility, industry, and transport & infrastructure customers to improve their performance while lowering environmental impact. The Company works with customers to engineer and install networks, facilities and plants with particular emphasis on enhancing efficiency, reliability and productivity for customers who generate, convert, transmit, distribute and consume energy.

The Company's Interim Consolidated Financial Information is prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP) for interim financial reporting. As such, the Interim Consolidated Financial Information does not include all the information and notes required under U.S. GAAP for annual consolidated financial statements. Therefore, such financial information should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report for the year ended December 31, 2014.

The preparation of financial information in conformity with U.S. GAAP requires management to make assumptions and estimates that directly affect the amounts reported in the Interim Consolidated Financial Information. The most significant, difficult and subjective of such accounting assumptions and estimates include:

- assumptions and projections, principally related to future material, labor and project-related overhead costs, used in determining the percentage-of-completion on projects,
- estimates of loss contingencies associated with litigation or threatened litigation and other claims and inquiries, environmental damages, product warranties, self-insurance reserves, regulatory and other proceedings,
- assumptions used in the calculation of pension and postretirement benefits and the fair value of pension plan assets,
- recognition and measurement of current and deferred income tax assets and liabilities (including the measurement of uncertain tax positions),
- growth rates, discount rates and other assumptions used in testing goodwill for impairment,
- assumptions used in determining inventory obsolescence and net realizable value,
- estimates and assumptions used in determining the fair values of assets and liabilities assumed in business combinations,
- growth rates, discount rates and other assumptions used to determine impairment of long-lived assets, and
- assessment of the allowance for doubtful accounts.

The actual results and outcomes may differ from the Company's estimates and assumptions.

A portion of the Company's activities (primarily long-term construction activities) has an operating cycle that exceeds one year. For classification of current assets and liabilities related to such activities, the Company elected to use the duration of the individual contracts as its operating cycle. Accordingly, there are accounts receivable, inventories and provisions related to these contracts which will not be realized within one year that have been classified as current.

In the opinion of management, the unaudited Interim Consolidated Financial Information contains all necessary adjustments to present fairly the financial position, results of operations and cash flows for the reported interim periods. Management considers all such adjustments to be of a normal recurring nature.

The Interim Consolidated Financial Information is presented in United States dollars ($) unless otherwise stated. Certain amounts have been reclassified from Other non-current assets to Long-term debt in the Consolidated Balance Sheet at December 31, 2014, as a result of the early adoption of an accounting standard update on the presentation of debt issuance costs (see Note 2). In the Consolidated Statements of Cash Flows certain amounts reported for prior periods in the Interim Consolidated Financial Information have been reclassified to conform to the current period presentation. These reclassifications were within Net cash provided by operating activities.

Note 2
Recent accounting pronouncements
Applicable for current periods

Simplifying the presentation of debt issuance costs
In April 2015, an accounting standard update was issued to simplify the presentation of debt issuance costs. Under the update, the Company presents debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as a non-current asset. The existing recognition and measurement guidance for debt issuance costs is not affected by this accounting standard update. In August 2015, an accounting standard update was issued to clarify that the Company may elect to present debt issuance costs related to a line-of-credit arrangement as an asset, regardless of whether or not there are any borrowings outstanding on the line-of-credit arrangement. The Company has elected to early adopt both updates. In connection with the adoption of the updated accounting standards, the Company reclassified deferred debt issuance costs of $26 million from "Other non-current assets" to "Long-term debt" at December 31, 2014, and has elected to continue to present debt issuance costs related to revolving credit facilities as an asset.

Simplifying the accounting for measurement-period adjustments
In September 2015, an accounting standard update was issued to simplify the accounting for measurement-period adjustments in a business combination by eliminating the requirement to restate prior period financial statements for measurement-period adjustments. Under the update, the Company is required to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, including the cumulative effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The adjustments related to previous reporting periods since the acquisition date must be disclosed by income statement line item either on the face of the income statement or in the notes. The Company has elected to early adopt this update in the third quarter of 2015. The update is applied prospectively to measurement period adjustments that occur after the effective date. This update did not have a material impact on the consolidated financial statements.

Applicable for future periods

Revenue from contracts with customers

In May 2014, an accounting standard update was issued to clarify the principles for recognizing revenues from contracts with customers. The update, which supersedes substantially all existing revenue recognition guidance, provides a single comprehensive model for recognizing revenues on the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Under the standard it is possible that more judgments and estimates would be required than under existing standards, including identifying the separate performance obligations in a contract, estimating any variable consideration elements, and allocating the transaction price to each separate performance obligation. The update also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In August 2015, the effective date for the update was deferred and the update is now effective for the Company for annual and interim periods beginning January 1, 2018, and is to be applied either (i) retrospectively to each prior reporting period presented, with the option to elect certain defined practical expedients, or (ii) retrospectively with the cumulative effect of initially applying the update recognized at the date of adoption in retained earnings (with additional disclosure as to the impact on individual financial statement lines affected). Early adoption of the standard is permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of this update on its consolidated financial statements.

Disclosures for investments in certain entities that calculate net asset value per share (or its equivalent)

In May 2015, an accounting standard update was issued regarding fair value disclosures for certain investments. Under the update, the Company would no longer categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the Company has elected to measure the fair value using that practical expedient. This update is effective for the Company for annual and interim periods beginning January 1, 2016, with early adoption permitted, and is applicable retrospectively. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Simplifying the measurement of inventory

In July 2015, an accounting standard update was issued to simplify the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. The guidance applies only to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company will early adopt this update in the first quarter of 2016 and apply it prospectively. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Balance sheet classification of deferred taxes

In November 2015, an accounting standard update was issued which removes the requirement to separate deferred tax liabilities and assets into current and noncurrent amounts and instead requires all such amounts, as well as any related valuation allowance, to be classified as noncurrent in the balance sheet. This update is effective for the Company for annual and interim periods beginning January 1, 2017, with early adoption permitted, and is applicable either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company is currently evaluating which transition method it will adopt and the impact of this update on its consolidated financial statements.

Recognition and measurement of financial assets and financial liabilities

In January 2016, an accounting standard update was issued to enhance the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. Amongst others, the Company would be required to measure equity investments (except those accounted for under the equity method) at fair value with changes in fair value recognized in net income and to present separately financial assets and financial liabilities by measurement category and form of financial asset. This update is effective for the Company for annual and interim periods beginning January 1, 2018, with early adoption permitted for certain provisions. The Company is currently evaluating the impact of this update on its consolidated financial statements.

Note 3
Business divestments

For the year and three months ended December 31, 2014, the Company recorded net gains of $543 million and $98 million, respectively, in “Other income (expense), net” and an associated tax expense of $279 million and $40 million, respectively, in “Provision for taxes”, relating to the divestment of consolidated businesses. In the year and three months ended December 31, 2015, there were no significant amounts recognized from the divestments of consolidated businesses.

Note 4
Cash and equivalents, marketable securities and short-term investments

Current assets

Cash and equivalents, marketable securities and short-term investments consisted of the following:

	December 31, 2015					
($ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents	Marketable securities and short-term investments
Cash	1,837			1,837	1,837	–
Time deposits	2,821			2,821	2,717	104
Other short-term investments	231			231	–	231
Debt securities available-for-sale:						
U.S. government obligations	120	2	(1)	121	–	121
Other government obligations	2	–	–	2	–	2
Corporate	519	1	(1)	519	11	508
Equity securities available-for-sale	658	9	–	667	–	667
Total	6,188	12	(2)	6,198	4,565	1,633

	December 31, 2014					
($ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents	Marketable securities and short-term investments
Cash	2,218			2,218	2,218	–
Time deposits	3,340			3,340	3,140	200
Other short-term investments	225			225	–	225
Debt securities available-for-sale:						
U.S. government obligations	135	2	(1)	136	–	136
Other government obligations	2	–	–	2	–	2
Corporate	734	4	(1)	737	85	652
Equity securities available-for-sale	98	12	–	110	–	110
Total	6,752	18	(2)	6,768	5,443	1,325

Included in Other short-term investments at December 31, 2015 and 2014, are receivables of $224 million and $219 million, respectively, representing reverse repurchase agreements. These collateralized lendings, made to a financial institution, have maturity dates of less than one year.

Non-current assets

Included in “Other non-current assets” are certain held-to-maturity marketable securities. At December 31, 2015, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were $99 million, $11 million and $110 million, respectively. At December 31, 2014, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were $95 million, $14 million and $109 million, respectively. These securities are pledged as security for certain outstanding deposit liabilities and the funds received at the respective maturity dates of the securities will only be available to the Company for repayment of these obligations.

Note 5
Derivative financial instruments

The Company is exposed to certain currency, commodity, interest rate and equity risks arising from its global operating, financing and investing activities. The Company uses derivative instruments to reduce and manage the economic impact of these exposures.

Currency risk

Due to the global nature of the Company’s operations, many of its subsidiaries are exposed to currency risk in their operating activities from entering into transactions in currencies other than their functional currency. To manage such currency risks, the Company’s policies require the subsidiaries to hedge their foreign currency exposures from binding sales and purchase contracts denominated in foreign currencies. For forecasted foreign currency denominated sales of standard products and the related foreign currency denominated purchases, the Company’s policy is to hedge up to a maximum of 100 percent of the forecasted foreign currency denominated exposures, depending on the length of the forecasted exposures. Forecasted exposures greater than 12 months are not hedged. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in foreign currencies. In addition, within its treasury operations, the Company primarily uses foreign exchange swaps and forward foreign exchange contracts to manage the currency and timing mismatches arising in its liquidity management activities.

Commodity risk

Various commodity products are used in the Company’s manufacturing activities. Consequently it is exposed to volatility in future cash flows arising from changes in commodity prices. To manage the price risk of commodities, the Company’s policies require that the subsidiaries hedge the commodity price risk exposures from binding contracts, as well as at least 50 percent (up to a maximum of 100 percent) of the forecasted commodity exposure over the next 12 months or longer (up to a maximum of 18 months). Primarily swap contracts are used to manage the associated price risks of commodities.

Interest rate risk

The Company has issued bonds at fixed rates. Interest rate swaps are used to manage the interest rate risk associated with certain debt and generally such swaps are designated as fair value hedges. In addition, from time to time, the Company uses instruments such as interest rate swaps, interest rate futures, bond futures or forward rate agreements to manage interest rate risk arising from the Company's balance sheet structure but does not designate such instruments as hedges.

Equity risk

The Company is exposed to fluctuations in the fair value of its warrant appreciation rights (WARs) issued under its management incentive plan. A WAR gives its holder the right to receive cash equal to the market price of an equivalent listed warrant on the date of exercise. To eliminate such risk, the Company has purchased cash-settled call options, indexed to the shares of the Company, which entitle the Company to receive amounts equivalent to its obligations under the outstanding WARs.

Volume of derivative activity

In general, while the Company's primary objective in its use of derivatives is to minimize exposures arising from its business, certain derivatives are designated and qualify for hedge accounting treatment while others either are not designated or do not qualify for hedge accounting.

Foreign exchange and interest rate derivatives

The gross notional amounts of outstanding foreign exchange and interest rate derivatives (whether designated as hedges or not) were as follows:

Type of derivative	Total notional amounts	
($ in millions)	December 31, 2015	December 31, 2014
Foreign exchange contracts	16,467	18,564
Embedded foreign exchange derivatives	2,966	3,013
Interest rate contracts	4,302	2,242

Derivative commodity contracts

The following table shows the notional amounts of outstanding commodity derivatives (whether designated as hedges or not), on a net basis, to reflect the Company's requirements in the various commodities:

Type of derivative	Unit	Total notional amounts	
		December 31, 2015	December 31, 2014
Copper swaps	metric tonnes	48,903	46,520
Aluminum swaps	metric tonnes	5,455	3,846
Nickel swaps	metric tonnes	18	–
Lead swaps	metric tonnes	14,625	6,550
Zinc swaps	metric tonnes	225	200
Silver swaps	ounces	1,727,255	1,996,845
Crude oil swaps	barrels	133,500	128,000

Equity derivatives

At December 31, 2015 and 2014, the Company held 55 million and 61 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of $13 million and $33 million, respectively.

Cash flow hedges

As noted above, the Company mainly uses forward foreign exchange contracts to manage the foreign exchange risk of its operations, commodity swaps to manage its commodity risks and cash-settled call options to hedge its WAR liabilities. Where such instruments are designated and qualify as cash flow hedges, the effective portion of the changes in their fair value is recorded in "Accumulated other comprehensive loss" and subsequently reclassified into earnings in the same line item and in the same period as the underlying hedged transaction affects earnings. Any ineffectiveness in the hedge relationship, or hedge component excluded from the assessment of effectiveness, is recognized in earnings during the current period.

At December 31, 2015 and 2014, "Accumulated other comprehensive loss" included net unrealized losses of $11 million and $21 million, respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at December 31, 2015, net losses of $2 million are expected to be reclassified to earnings in the following 12 months. At December 31, 2015, the longest maturity of a derivative classified as a cash flow hedge was 51 months.

The amount of gains or losses, net of tax, reclassified into earnings due to the discontinuance of cash flow hedge accounting and the amount of ineffectiveness in cash flow hedge relationships directly recognized in earnings were not significant in the year and three months ended December 31, 2015 and 2014.

The pre-tax effects of derivative instruments, designated and qualifying as cash flow hedges, on "Accumulated other comprehensive loss" (OCI) and the Consolidated Income Statements were as follows:

Type of derivative designated as a cash flow hedge	Year ended December 31, 2015				
	Gains (losses) recognized in OCI on derivatives (effective portion)	Gains (losses) reclassified from OCI into income (effective portion)		Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	(11)	Total revenues	(36)	Total revenues	–
		Total cost of sales	11	Total cost of sales	–
Commodity contracts	(9)	Total cost of sales	(10)	Total cost of sales	–
Cash-settled call options	(6)	SG&A expenses(1)	(4)	SG&A expenses(1)	–
Total	(26)		(39)		–

Type of derivative designated as a cash flow hedge	Year ended December 31, 2014				
	Gains (losses) recognized in OCI on derivatives (effective portion)	Gains (losses) reclassified from OCI into income (effective portion)		Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	(42)	Total revenues	(9)	Total revenues	–
		Total cost of sales	8	Total cost of sales	–
Commodity contracts	(7)	Total cost of sales	(3)	Total cost of sales	–
Cash-settled call options	(16)	SG&A expenses(1)	(6)	SG&A expenses(1)	–
Total	(65)		(10)		–

Type of derivative designated as a cash flow hedge	Three months ended December 31, 2015				
	Gains (losses) recognized in OCI on derivatives (effective portion)	Gains (losses) reclassified from OCI into income (effective portion)		Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	(4)	Total revenues	(5)	Total revenues	–
		Total cost of sales	3	Total cost of sales	–
Commodity contracts	(3)	Total cost of sales	(3)	Total cost of sales	–
Cash-settled call options	4	SG&A expenses(1)	2	SG&A expenses(1)	–
Total	(3)		(3)		–

Type of derivative designated as a cash flow hedge	Three months ended December 31, 2014				
	Gains (losses) recognized in OCI on derivatives (effective portion)	Gains (losses) reclassified from OCI into income (effective portion)		Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	4	Total revenues	(6)	Total revenues	–
		Total cost of sales	1	Total cost of sales	–
Commodity contracts	(3)	Total cost of sales	(1)	Total cost of sales	–
Cash-settled call options	(3)	SG&A expenses(1)	(1)	SG&A expenses(1)	–
Total	(2)		(7)		–

(1) SG&A expenses represent "Selling, general and administrative expenses".

Net derivative losses of $30 million and $9 million, both net of tax, respectively, were reclassified from "Accumulated other comprehensive loss" to earnings during the year ended December 31, 2015 and 2014, respectively. During the three months ended December 31, 2015 and 2014, net derivative losses of $2 million and $6 million, both net of tax, respectively, were reclassified from "Accumulated other comprehensive loss" to earnings.

Fair value hedges

To reduce its interest rate exposure arising primarily from its debt issuance activities, the Company uses interest rate swaps. Where such instruments are designated as fair value hedges, the changes in the fair value of these instruments, as well as the changes in the fair value of the risk component of the underlying debt being hedged, are recorded as offsetting gains and losses in "Interest and other finance expense". Hedge ineffectiveness of instruments designated as fair value hedges for the year and three months ended December 31, 2015 and 2014, was not significant.

The effect of derivative instruments, designated and qualifying as fair value hedges, on the Consolidated Income Statements was as follows:

Type of derivative designated as a fair value hedge	Year ended December 31, 2015			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location	($ in millions)	Location	($ in millions)
Interest rate contracts	Interest and other finance expense	8	Interest and other finance expense	(4)

Type of derivative designated as a fair value hedge	Year ended December 31, 2014			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location	($ in millions)	Location	($ in millions)
Interest rate contracts	Interest and other finance expense	84	Interest and other finance expense	(83)

Type of derivative designated as a fair value hedge	Three months ended December 31, 2015			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location	($ in millions)	Location	($ in millions)
Interest rate contracts	Interest and other finance expense	(22)	Interest and other finance expense	23

Type of derivative designated as a fair value hedge	Three months ended December 31, 2014			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location	($ in millions)	Location	($ in millions)
Interest rate contracts	Interest and other finance expense	34	Interest and other finance expense	(34)

Derivatives not designated in hedge relationships

Derivative instruments that are not designated as hedges or do not qualify as either cash flow or fair value hedges are economic hedges used for risk management purposes. Gains and losses from changes in the fair values of such derivatives are recognized in the same line in the income statement as the economically hedged transaction.

Furthermore, under certain circumstances, the Company is required to split and account separately for foreign currency derivatives that are embedded within certain binding sales or purchase contracts denominated in a currency other than the functional currency of the subsidiary and the counterparty.

The gains (losses) recognized in the Consolidated Income Statements on derivatives not designated in hedging relationships were as follows:

Type of derivative not designated as a hedge ($ in millions)		Gains (losses) recognized in income			
		Year ended December 31,		Three months ended December 31,	
	Location	2015	2014	2015	2014
Foreign exchange contracts	Total revenues	(216)	(533)	10	(253)
	Total cost of sales	16	19	(40)	61
	SG&A expenses[1]	13	2	4	3
	Non-order related research and development	(1)	–	–	–
	Interest and other finance expense	287	(260)	39	(67)
Embedded foreign exchange contracts	Total revenues	127	149	(11)	111
	Total cost of sales	(25)	(27)	(1)	(20)
	SG&A expenses[1]	(5)	–	(3)	–
Commodity contracts	Total cost of sales	(61)	(28)	(14)	(14)
	Interest and other finance expense	1	1	–	–
Interest rate contracts	Interest and other finance expense	(1)	(1)	2	–
Cash-settled call options	Interest and other finance expense	–	(1)	–	–
Cross-currency interest rate swaps	Interest and other finance expense	(1)	–	(1)	–
Total		134	(679)	(15)	(179)

(1) SG&A expenses represent "Selling, general and administrative expenses".

The fair values of derivatives included in the Consolidated Balance Sheets were as follows:

	December 31, 2015			
	Derivative assets		Derivative liabilities	
($ in millions)	Current in “Other current assets”	Non-current in “Other non-current assets”	Current in “Other current liabilities”	Non-current in “Other non-current liabilities”
Derivatives designated as hedging instruments:				
Foreign exchange contracts	15	10	8	16
Commodity contracts	–	–	3	–
Interest rate contracts	6	86	–	–
Cash-settled call options	8	5	–	–
Total	29	101	11	16
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	172	32	237	81
Commodity contracts	2	–	29	9
Cross-currency interest rate swaps	–	–	–	1
Embedded foreign exchange derivatives	94	53	41	27
Total	268	85	307	118
Total fair value	297	186	318	134

	December 31, 2014			
	Derivative assets		Derivative liabilities	
($ in millions)	Current in “Other current assets”	Non-current in “Other non-current assets”	Current in “Other current liabilities”	Non-current in “Other non-current liabilities”
Derivatives designated as hedging instruments:				
Foreign exchange contracts	9	9	20	16
Commodity contracts	–	–	3	–
Interest rate contracts	–	85	–	–
Cash-settled call options	21	11	–	–
Total	30	105	23	16
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	156	25	369	72
Commodity contracts	4	–	19	3
Cash-settled call options	1	1	–	–
Embedded foreign exchange derivatives	98	58	27	17
Total	259	84	415	92
Total fair value	289	189	438	108

Close-out netting agreements provide for the termination, valuation and net settlement of some or all outstanding transactions between two counterparties on the occurrence of one or more pre-defined trigger events.

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at December 31, 2015 and 2014, have been presented on a gross basis.

The Company’s netting agreements and other similar arrangements allow net settlements under certain conditions. At December 31, 2015 and 2014, information related to these offsetting arrangements was as follows:

($ in millions)	December 31, 2015				
Type of agreement or similar arrangement	Gross amount of recognized assets	Derivative liabilities eligible for set-off in case of default	Cash collateral received	Non-cash collateral received	Net asset exposure
Derivatives	336	(215)	–	–	121
Reverse repurchase agreements	224	–	–	(224)	–
Total	560	(215)	–	(224)	121

($ in millions)	December 31, 2015				
Type of agreement or similar arrangement	Gross amount of recognized liabilities	Derivative liabilities eligible for set-off in case of default	Cash collateral pledged	Non-cash collateral pledged	Net liability exposure
Derivatives	384	(215)	(3)	–	166
Total	384	(215)	(3)	–	166

($ in millions)	December 31, 2014				
Type of agreement or similar arrangement	Gross amount of recognized assets	Derivative liabilities eligible for set-off in case of default	Cash collateral received	Non-cash collateral received	Net asset exposure
Derivatives	322	(216)	–	–	106
Reverse repurchase agreements	219	–	–	(219)	–
Total	541	(216)	–	(219)	106

($ in millions)	December 31, 2014				
Type of agreement or similar arrangement	Gross amount of recognized liabilities	Derivative liabilities eligible for set-off in case of default	Cash collateral pledged	Non-cash collateral pledged	Net liability exposure
Derivatives	502	(216)	(3)	–	283
Total	502	(216)	(3)	–	283

Note 6 Fair values

The Company uses fair value measurement principles to record certain financial assets and liabilities on a recurring basis and, when necessary, to record certain non-financial assets at fair value on a non-recurring basis, as well as to determine fair value disclosures for certain financial instruments carried at amortized cost in the financial statements. Financial assets and liabilities recorded at fair value on a recurring basis include foreign currency, commodity and interest rate derivatives, as well as cash-settled call options and available-for-sale securities. Non-financial assets recorded at fair value on a non-recurring basis include long-lived assets that are reduced to their estimated fair value due to impairments.

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation techniques including the market approach (using observable market data for identical or similar assets and liabilities), the income approach (discounted cash flow models) and the cost approach (using costs a market participant would incur to develop a comparable asset). Inputs used to determine the fair value of assets and liabilities are defined by a three-level hierarchy, depending on the reliability of those inputs. The Company has categorized its financial assets and liabilities and non-financial assets measured at fair value within this hierarchy based on whether the inputs to the valuation technique are observable or unobservable. An observable input is based on market data obtained from independent sources, while an unobservable input reflects the Company's assumptions about market data.

The levels of the fair value hierarchy are as follows:

Level 1: Valuation inputs consist of quoted prices in an active market for identical assets or liabilities (observable quoted prices). Assets and liabilities valued using Level 1 inputs include listed derivatives which are actively traded such as commodity futures, interest rate futures and certain actively-traded debt securities.

Level 2: Valuation inputs consist of observable inputs (other than Level 1 inputs) such as actively-quoted prices for similar assets, quoted prices in inactive markets and inputs other than quoted prices such as interest rate yield curves, credit spreads, or inputs derived from other observable data by interpolation, correlation, regression or other means. The adjustments applied to quoted prices or the inputs used in valuation models may be both observable and unobservable. In these cases, the fair value measurement is classified as Level 2 unless the unobservable portion of the adjustment or the unobservable input to the valuation model is significant, in which case the fair value measurement would be classified as Level 3. Assets and liabilities valued or disclosed using Level 2 inputs include investments in certain funds, reverse repurchase agreements, certain debt securities that are not actively traded, interest rate swaps, commodity swaps, cash-settled call options, forward foreign exchange contracts, foreign exchange swaps and forward rate agreements, time deposits, as well as financing receivables and debt.

Level 3: Valuation inputs are based on the Company's assumptions of relevant market data (unobservable input).

Whenever quoted prices involve bid-ask spreads, the Company ordinarily determines fair values based on mid-market quotes. However, for the purpose of determining the fair value of cash-settled call options serving as hedges of the Company's management incentive plan, bid prices are used.

When determining fair values based on quoted prices in an active market, the Company considers if the level of transaction activity for the financial instrument has significantly decreased, or would not be considered orderly. In such cases, the resulting changes in valuation techniques would be disclosed. If the market is considered disorderly or if quoted prices are not available, the Company is required to use another valuation technique, such as an income approach.

Recurring fair value measures

The fair values of financial assets and liabilities measured at fair value on a recurring basis were as follows:

	December 31, 2015			
($ in millions)	Level 1	Level 2	Level 3	Total fair value
Assets				
Available-for-sale securities in “Cash and equivalents”:				
Debt securities—Corporate	–	11	–	11
Available-for-sale securities in “Marketable securities and short-term investments”:				
Equity securities	–	667	–	667
Debt securities—U.S. government obligations	121	–	–	121
Debt securities—Other government obligations	–	2	–	2
Debt securities—Corporate	–	508	–	508
Derivative assets—current in “Other current assets”	1	296	–	297
Derivative assets—non-current in “Other non-current assets”	–	186	–	186
Total	122	1,670	–	1,792
Liabilities				
Derivative liabilities—current in “Other current liabilities”	3	315	–	318
Derivative liabilities—non-current in “Other non-current liabilities”	–	134	–	134
Total	3	449	–	452

	December 31, 2014			
($ in millions)	Level 1	Level 2	Level 3	Total fair value
Assets				
Available-for-sale securities in “Cash and equivalents”:				
Debt securities—Corporate	–	85	–	85
Available-for-sale securities in “Marketable securities and short-term investments”:				
Equity securities	–	110	–	110
Debt securities—U.S. government obligations	136	–	–	136
Debt securities—Other government obligations	–	2	–	2
Debt securities—Corporate	–	652	–	652
Derivative assets—current in “Other current assets”	–	289	–	289
Derivative assets—non-current in “Other non-current assets”	–	189	–	189
Total	136	1,327	–	1,463
Liabilities				
Derivative liabilities—current in “Other current liabilities”	–	438	–	438
Derivative liabilities—non-current in “Other non-current liabilities”	–	108	–	108
Total	–	546	–	546

The Company uses the following methods and assumptions in estimating fair values of financial assets and liabilities measured at fair value on a recurring basis:

- *Available-for-sale securities in “Cash and equivalents” and “Marketable securities and short-term investments”:* If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs; however, when markets are not active, these inputs are considered Level 2. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for nonperformance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.
- *Derivatives:* The fair values of derivative instruments are determined using quoted prices of identical instruments from an active market, if available (Level 1). If quoted prices are not available, price quotes for similar instruments, appropriately adjusted, or present value techniques, based on available market data, or option pricing models are used. Cash-settled call options hedging the Company’s WAR liability are valued based on bid prices of the equivalent listed warrant. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.

Non-recurring fair value measures

There were no significant non-recurring fair value measurements during the year and three months ended December 31, 2015 and 2014.

Disclosure about financial instruments carried on a cost basis

The fair values of financial instruments carried on a cost basis were as follows:

	December 31, 2015				
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months):					
Cash	1,837	1,837	–	–	1,837
Time deposits	2,717	–	2,717	–	2,717
Marketable securities and short-term investments (excluding available-for-sale securities):					
Time deposits	104	–	104	–	104
Receivables under reverse repurchase agreements	224	–	224	–	224
Other short-term investments	7	7	–	–	7
Other non-current assets:					
Loans granted	29	–	30	–	30
Held-to-maturity securities	99	–	110	–	110
Restricted cash deposits	176	55	138	–	193
Liabilities					
Short-term debt and current maturities of long-term debt (excluding capital lease obligations)	1,427	614	817	–	1,431
Long-term debt (excluding capital lease obligations)	5,899	5,307	751	–	6,058
Non-current deposit liabilities in "Other non-current liabilities"	215	–	244	–	244

	December 31, 2014				
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months):					
Cash	2,218	2,218	–	–	2,218
Time deposits	3,140	–	3,140	–	3,140
Marketable securities and short-term investments (excluding available-for-sale securities):					
Time deposits	200	–	200	–	200
Receivables under reverse repurchase agreements	219	–	219	–	219
Other short-term investments	6	6	–	–	6
Other non-current assets:					
Loans granted	41	–	44	–	44
Held-to-maturity securities	95	–	109	–	109
Restricted cash deposits	198	64	161	–	225
Liabilities					
Short-term debt and current maturities of long-term debt (excluding capital lease obligations)	324	115	209	–	324
Long-term debt (excluding capital lease obligations)	7,198	6,148	1,404	–	7,552
Non-current deposit liabilities in "Other non-current liabilities"	222	–	267	–	267

The Company uses the following methods and assumptions in estimating fair values of financial instruments carried on a cost basis:

- *Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months), and Marketable securities and short-term investments (excluding available-for-sale securities):* The carrying amounts approximate the fair values as the items are short-term in nature.
- *Other non-current assets:* Includes (i) loans granted whose fair values are based on the carrying amount adjusted using a present value technique to reflect a premium or discount based on current market interest rates (Level 2 inputs), (ii) held-to-maturity securities (see Note 4) whose fair values are based on quoted market prices in inactive markets (Level 2 inputs), (iii) restricted cash whose fair values approximate the carrying amounts (Level 1 inputs) and restricted cash deposits pledged in respect of certain non-current deposit liabilities whose fair values are determined using a discounted cash flow methodology based on current market interest rates (Level 2 inputs).
- *Short-term debt and current maturities of long-term debt (excluding capital lease obligations):* Short-term debt includes commercial paper, bank borrowings and overdrafts. The carrying amounts of short-term debt and current maturities of long-term debt, excluding capital lease obligations, approximate their fair values.
- *Long-term debt (excluding capital lease obligations):* Fair values of outstanding bonds are determined using quoted market prices (Level 1 inputs), if available. For other bonds and other long-term debt, the fair values are determined using a discounted cash flow methodology based upon borrowing rates of similar debt instruments and reflecting appropriate adjustments for non-performance risk (Level 2 inputs).
- *Non-current deposit liabilities in "Other non-current liabilities":* The fair values of non-current deposit liabilities are determined using a discounted cash flow methodology based on risk-adjusted interest rates (Level 2 inputs).

Note 7
Commitments and contingencies

Contingencies—Environmental

The Company is engaged in environmental clean-up activities at certain sites arising under various United States and other environmental protection laws and under certain agreements with third parties. In some cases, these environmental remediation actions are subject to legal proceedings, investigations or claims, and it is uncertain to what extent the Company is actually obligated to perform. Provisions for these unresolved matters have been set up if it is probable that the Company has incurred a liability and the amount of loss can be reasonably estimated. The lower end of an estimated range is accrued when a single best estimate is not determinable. The required amounts of the provisions may change in the future as developments occur.

If a provision has been recognized for any of these matters, the Company records an asset when it is probable that it will recover a portion of the costs expected to be incurred to settle them. Management is of the opinion, based upon information presently available, that the resolution of any such obligation and non-collection of recoverable costs would not have a further material adverse effect on the Company's consolidated financial statements.

The Company is involved in the remediation of environmental contamination at present or former facilities, primarily in the United States. The clean-up of these sites involves primarily soil and groundwater contamination. A significant portion of the provisions in respect of these contingencies reflects the provisions of acquired companies.

Environmental provisions included in the Company's Consolidated Balance Sheets were as follows:

($ in millions)	December 31, 2015	December 31, 2014
Other provisions	30	37
Other non-current liabilities	86	109
Total	116	146

Provisions for the above estimated losses have not been discounted as the timing of payments cannot be reasonably estimated.

Contingencies—Regulatory, Compliance and Legal

Antitrust

In April 2014, the European Commission announced its decision regarding its investigation of anticompetitive practices in the cables industry and granted the Company full immunity from fines under the European Commission's leniency program. In December 2013, the Company agreed with the Brazilian Antitrust Authority (CADE) to settle its ongoing investigation into the Company's involvement in anticompetitive practices in the cables industry and the Company agreed to pay a fine of approximately 1.5 million Brazilian reals (equivalent to approximately $1 million on date of payment). The Company's cables business remains under investigation for alleged anticompetitive practices in certain other jurisdictions. An informed judgment about the outcome of these remaining investigations or the amount of potential loss or range of loss for the Company, if any, relating to these remaining investigations cannot be made at this stage.

In Brazil, the Company's Gas Insulated Switchgear business is under investigation by the CADE for alleged anticompetitive practices. In addition, the CADE has opened an investigation into certain other power businesses of the Company, including flexible alternating current transmission systems (FACTS) and power transformers. An informed judgment about the outcome of these investigations or the amount of potential loss or range of loss for the Company, if any, relating to these investigations cannot be made at this stage.

With respect to those aforementioned matters which are still ongoing, management is cooperating fully with the antitrust authorities.

General

In addition, the Company is aware of proceedings, or the threat of proceedings, against it and others in respect of private claims by customers and other third parties with regard to certain actual or alleged anticompetitive practices. Also, the Company is subject to other various legal proceedings, investigations, and claims that have not yet been resolved. With respect to the above mentioned regulatory matters and commercial litigation contingencies, the Company will bear the costs of the continuing investigations and any related legal proceedings.

Liabilities recognized

At December 31, 2015 and 2014, the Company had aggregate liabilities of $160 million and $147 million, respectively, included in "Other provisions" and "Other non-current liabilities", for the above regulatory, compliance and legal contingencies, and none of the individual liabilities recognized was significant. As it is not possible to make an informed judgment on the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be material adverse outcomes beyond the amounts accrued.

Guarantees

General

The following table provides quantitative data regarding the Company's third-party guarantees. The maximum potential payments represent a "worst-case scenario", and do not reflect management's expected outcomes.

Maximum potential payments ($ in millions)	December 31, 2015	December 31, 2014
Performance guarantees	209	232
Financial guarantees	77	72
Indemnification guarantees	50	50
Total	336	354

The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations. In respect of the above guarantees, the carrying amounts of liabilities at December 31, 2015 and 2014, were not significant.

Performance guarantees

Performance guarantees represent obligations where the Company guarantees the performance of a third party's product or service according to the terms of a contract. Such guarantees may include guarantees that a project will be completed within a specified time. If the third party does not fulfill the obligation, the Company will compensate the guaranteed party in cash or in kind. Performance guarantees include surety bonds, advance payment guarantees and standby letters of credit. There were no significant performance guarantees at December 31, 2015 and 2014.

The Company is engaged in executing a number of projects as a member of consortia that include third parties. In certain of these cases, the Company guarantees not only its own performance but also the work of third parties. The original maturity dates of these guarantees range from one to six years. At December 31, 2015 and 2014, the maximum potential amount payable under these guarantees as a result of third-party non-performance was $136 million and $156 million, respectively.

Financial guarantees and commercial commitments

Financial guarantees represent irrevocable assurances that the Company will make payment to a beneficiary in the event that a third party fails to fulfill its financial obligations and the beneficiary under the guarantee incurs a loss due to that failure.

At December 31, 2015 and 2014, the Company had a maximum potential amount payable of $77 million and $72 million, respectively, under financial guarantees outstanding. Of these amounts, $17 million and $12 million at December 31, 2015 and 2014, respectively, was in respect of guarantees issued on behalf of companies in which the Company formerly had or has an equity interest. The guarantees outstanding have various maturity dates up to 2020.

In addition, in the normal course of bidding for and executing certain projects, the Company has entered into standby letters of credit, bid/performance bonds and surety bonds (collectively "performance bonds") with various financial institutions. Customers can draw on such performance bonds in the event that the Company does not fulfill its contractual obligations. The Company would then have an obligation to reimburse the financial institution for amounts paid under the performance bonds. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the year and three months ended December 31, 2015 and 2014.

Indemnification guarantees

The Company has indemnified certain purchasers of divested businesses for potential claims arising from the operations of the divested businesses. To the extent the maximum potential loss related to such indemnifications could not be calculated, no amounts have been included under maximum potential payments in the table above. Indemnifications for which maximum potential losses could not be calculated include indemnifications for legal claims. There were no significant indemnification guarantees at December 31, 2015 and 2014.

Product and order-related contingencies

The Company calculates its provision for product warranties based on historical claims experience and specific review of certain contracts.

The reconciliation of the "Provisions for warranties", including guarantees of product performance, was as follows:

($ in millions)	2015	2014
Balance at January 1,	1,148	1,362
Net change in warranties due to acquisitions and divestments	–	11
Claims paid in cash or in kind	(281)	(319)
Net increase in provision for changes in estimates, warranties issued and warranties expired	301	224
Exchange rate differences	(79)	(130)
Balance at December 31,	1,089	1,148

Note 8
Employee benefits

The Company operates defined benefit pension plans, defined contribution pension plans, and termination indemnity plans, in accordance with local regulations and practices. These plans cover a large portion of the Company's employees and provide benefits to employees in the event of death, disability, retirement, or termination of employment. Certain of these plans are multi-employer plans. The Company also operates other postretirement benefit plans including postretirement health care benefits, and other employee-related benefits for active employees including long-service award plans. The measurement date used for the Company's employee benefit plans is December 31. The funding policies of the Company's plans are consistent with the local government and tax requirements.

Net periodic benefit cost of the Company's defined benefit pension and other postretirement benefit plans consisted of the following:

($ in millions)	Defined pension benefits		Other postretirement benefits	
Year ended December 31,	2015	2014	2015	2014
Service cost	267	243	1	1
Interest cost	305	409	8	10
Expected return on plan assets	(456)	(481)	–	–
Amortization of prior service cost (credit)	38	27	(9)	(9)
Amortization of net actuarial loss	127	99	1	–
Curtailments, settlements and special termination benefits	5	4	–	–
Net periodic benefit cost	286	301	1	2

($ in millions)	Defined pension benefits		Other postretirement benefits	
Three months ended December 31,	2015	2014	2015	2014
Service cost	64	64	–	–
Interest cost	74	110	2	3
Expected return on plan assets	(111)	(125)	–	–
Amortization of prior service cost (credit)	10	7	(3)	(3)
Amortization of net actuarial loss	32	26	–	–
Curtailments, settlements and special termination benefits	4	3	–	–
Net periodic benefit cost	73	85	(1)	–

Employer contributions were as follows:

($ in millions)	Defined pension benefits		Other postretirement benefits	
Year ended December 31,	2015	2014	2015	2014
Total contributions to defined benefit pension and other postretirement benefit plans	243	308	15	14
Of which, discretionary contributions to defined benefit pension plans	31	75	–	–

($ in millions)	Defined pension benefits		Other postretirement benefits	
Three months ended December 31,	2015	2014	2015	2014
Total contributions to defined benefit pension and other postretirement benefit plans	88	65	4	4
Of which, discretionary contributions to defined benefit pension plans	21	–	–	–

During the year and three months ended December 31, 2015, discretionary contributions included available-for-sale debt securities, having a fair value at the contribution date of $22 million, contributed to certain of the Company's pension plans in the United Kingdom.

During the year ended December 31, 2014, discretionary contributions included available-for-sale debt securities, having a fair value at the contribution date of $25 million, contributed to certain of the Company's pension plans in the United Kingdom.

The Company expects to make contributions totaling approximately $252 million and $15 million to its defined benefit pension plans and other postretirement benefit plans, respectively, for the full year 2016.

Note 9
Stockholders' equity

In September 2014, the Company announced a share buyback program for the purchase of up to $4 billion of its own shares over a period ending no later than September 2016. The Company intends that approximately three quarters of the shares to be purchased will be held for cancellation (after approval from shareholders) and the remainder will be purchased to be available for delivery to employees under its employee share programs. Shares acquired for cancellation are acquired through a separate trading line on the SIX Swiss Exchange (on which only the Company can purchase shares), while shares acquired for delivery under employee share programs are acquired through the ordinary trading line.

In the year ended December 31, 2015, under the announced share buyback program, the Company purchased 60.245 million shares for cancellation and 13.050 million shares to support its employee share programs, of which 19.955 million shares were purchased for cancellation and 4.350 million shares were purchased to support employee share programs in the three months ended December 31, 2015. In the year and three months ended December 31, 2015, these transactions resulted in an increase in Treasury stock of $1,501 million and $454 million, respectively.

As of December 31, 2015, under this program, the Company has purchased a total of 86.225 million shares for cancellation and 19.800 million shares to support its employee share programs.

At the Annual General Meeting of Shareholders on April 30, 2015, shareholders approved the proposals of the Board of Directors to distribute a total of 0.72 Swiss francs per share to shareholders, comprising of a dividend of 0.55 Swiss francs paid out of ABB Ltd's capital contribution reserves and a distribution of 0.17 Swiss francs by way of a nominal value reduction (reduction in the par value of each share) from 1.03 Swiss francs to 0.86 Swiss francs. The approved dividend distribution amounted to $1,317 million and was paid in May 2015. The nominal value reduction was registered in July 2015 in the commercial register of the canton of Zurich, Switzerland, and was paid in the third quarter of 2015. The approved nominal value reduction was recorded in the second quarter of 2015 as a reduction to Capital stock and additional paid-in capital of $349 million and a reduction in Retained earnings of $54 million.

Note 10
Earnings per share

Basic earnings per share is calculated by dividing income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing income by the weighted-average number of shares outstanding during the period, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise outstanding written call options and outstanding options and shares granted subject to certain conditions under the Company's share-based payment arrangements.

Basic earnings per share

	Year ended December 31,		Three months ended December 31,	
($ in millions, except per share data in $)	2015	2014	2015	2014
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,930	2,570	203	666
Income from discontinued operations, net of tax	3	24	1	14
Net income	1,933	2,594	204	680
Weighted-average number of shares outstanding (in millions)	2,226	2,288	2,203	2,266
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.87	1.12	0.09	0.29
Income from discontinued operations, net of tax	–	0.01	–	0.01
Net income	0.87	1.13	0.09	0.30

Diluted earnings per share

	Year ended December 31,		Three months ended December 31,	
($ in millions, except per share data in $)	2015	2014	2015	2014
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,930	2,570	203	666
Income from discontinued operations, net of tax	3	24	1	14
Net income	1,933	2,594	204	680
Weighted-average number of shares outstanding (in millions)	2,226	2,288	2,203	2,266
Effect of dilutive securities:				
Call options and shares	4	7	3	6
Adjusted weighted-average number of shares outstanding (in millions)	2,230	2,295	2,206	2,272
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.87	1.12	0.09	0.29
Income from discontinued operations, net of tax	–	0.01	–	0.01
Net income	0.87	1.13	0.09	0.30

Note 11
Reclassifications out of accumulated other comprehensive loss

The following table shows changes in "Accumulated other comprehensive loss" (OCI) attributable to ABB, by component, net of tax:

($ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gains (losses) of cash flow hedge derivatives	Total OCI
Balance at January 1, 2014	(431)	7	(1,610)	22	(2,012)
Other comprehensive (loss) income before reclassifications	(1,680)	(9)	(617)	(52)	(2,358)
Amounts reclassified from OCI	–	15	96	9	120
Total other comprehensive (loss) income	(1,680)	6	(521)	(43)	(2,238)
Less:					
Amounts attributable to noncontrolling interests	(9)	–	–	–	(9)
Balance at December 31, 2014	(2,102)	13	(2,131)	(21)	(4,241)
Other comprehensive (loss) income before reclassifications	(1,058)	(7)	298	(20)	(787)
Amounts reclassified from OCI	–	1	117	30	148
Total other comprehensive (loss) income	(1,058)	(6)	415	10	(639)
Less:					
Amounts attributable to noncontrolling interests	(25)	–	3	–	(22)
Balance at December 31, 2015	(3,135)	7	(1,719)	(11)	(4,858)

The following table reflects amounts reclassified out of OCI in respect of pension and other postretirement plan adjustments and unrealized gains (losses) of cash flow hedge derivatives:

($ in millions)	Location of (gains) losses	Year ended December 31,		Three months ended December 31,	
Details about OCI components	reclassified from OCI	2015	2014	2015	2014
Pension and other postretirement plan adjustments:					
Amortization of prior service cost	Net periodic benefit cost[1]	29	18	7	4
Amortization of net actuarial loss	Net periodic benefit cost[1]	128	99	32	26
Total before tax		157	117	39	30
Tax	Provision for taxes	(40)	(21)	(10)	(3)
Amounts reclassified from OCI		117	96	29	27
Unrealized gains (losses) of cash flow hedge derivatives:					
Foreign exchange contracts	Total revenues	36	9	5	6
	Total cost of sales	(11)	(8)	(3)	(1)
Commodity contracts	Total cost of sales	10	3	3	1
Cash-settled call options	SG&A expenses[2]	4	6	(2)	1
Total before tax		39	10	3	7
Tax	Provision for taxes	(9)	(1)	(1)	(1)
Amounts reclassified from OCI		30	9	2	6

(1) These components are included in the computation of net periodic benefit cost (see Note 8).

(2) SG&A expenses represent "Selling, general and administrative expenses".

The amounts in respect of Unrealized gains (losses) on available-for-sale securities were not significant for the year and three months ended December 31, 2015 and 2014.

Note 12
Restructuring and related expenses
White Collar Productivity program

In September 2015, the Company announced a two-year program aimed at making the Company leaner, faster and more customer-focused. Planned productivity improvements include the rapid expansion and use of regional shared service centers as well as the streamlining of global operations and head office functions, with business units moving closer to their respective key markets. In the course of this program, the Company will implement and execute various restructuring initiatives across all operating segments and regions.

The following table outlines the costs incurred in 2015, the cumulative costs incurred to date and the total amount of costs expected to be incurred under the program per operating segment:

($ in millions)	Costs incurred in the three months ended December 31, 2015	Cumulative costs incurred up to December 31, 2015	Total expected costs
Discrete Automation and Motion	42	45	169
Low Voltage Products	58	60	126
Process Automation	82	91	137
Power Products	41	42	155
Power Systems	44	46	82
Corporate and Other	85	86	183
Total	352	370	852

Of the total expected costs of $852 million the majority is related to employee severance costs.

The Company recorded the following expenses under this program:

($ in millions)	Year ended December 31, 2015	Three months ended December 31, 2015
Employee severance costs	364	346
Estimated contract settlement, loss order and other costs	5	5
Inventory and long-lived asset impairments	1	1
Total	370	352

Expenses associated with this program are recorded in the following line items in the Consolidated Income Statements:

($ in millions)	Year ended December 31, 2015	Three months ended December 31, 2015
Total cost of sales	122	113
Selling, general and administrative expenses	187	183
Non-order related research and development expenses	38	34
Other income (expense), net	23	22
Total	370	352

Liabilities associated with the White Collar Productivity (WCP) program are primarily included in “Other provisions”. The following tables show the activity during the year and three months ended December 31, 2015, by expense type.

($ in millions)	Employee severance costs	Contract settlement, loss order and other costs	Total
Liability at January 1, 2015	–	–	–
Expenses	364	5	369
Cash payments	(34)	(1)	(35)
Liability at December 31, 2015	330	4	334

($ in millions)	Employee severance costs	Contract settlement, loss order and other costs	Total
Liability at October 1, 2015	13	–	13
Expenses	346	5	351
Cash payments	(29)	(1)	(30)
Liability at December 31, 2015	330	4	334

Other restructuring-related activities

In addition, during the year ended December 31, 2015 and 2014, the Company executed various other minor restructuring-related activities and incurred expenses of $256 million and $235 million, respectively, which were mainly recorded in "Total cost of sales". Expenses for the three months ended December 31, 2015 and 2014, amounted to $144 million and $93 million, respectively.

	Year ended December 31,		Three months ended December 31,	
($ in millions)	2015	2014	2015	2014
Employee severance costs	207	177	130	75
Estimated contract settlement, loss order and other costs	27	31	11	9
Inventory and long-lived asset impairments	22	27	3	9
Total	256	235	144	93

At December 31, 2015 and 2014, the balance of other restructuring-related liabilities is primarily included in "Other provisions".

Note 13 Operating segment data

The Chief Operating Decision Maker (CODM) is the Company's Executive Committee. The CODM allocates resources to and assesses the performance of each operating segment using the information outlined below. The Company's operating segments consist of Discrete Automation and Motion, Low Voltage Products, Process Automation, Power Products and Power Systems. The remaining operations of the Company are included in Corporate and Other.

A description of the types of products and services provided by each reportable segment is as follows:

- Discrete Automation and Motion: manufactures and sells motors, generators, variable speed drives, programmable logic controllers, robots and robotics, solar inverters, wind converters, rectifiers, excitation systems, power quality and protection solutions, electric vehicle fast charging infrastructure, components and subsystems for railways, and related services for a wide range of applications in discrete automation, process industries, transportation and utilities.
- Low Voltage Products: manufactures and sells products and systems that provide protection, control and measurement for electrical installations, as well as enclosures, switchboards, electronics and electromechanical devices for industrial machines, plants and related service. In addition, the segment manufactures products for wiring and cable management, cable protection systems, power connection and safety. The segment also makes intelligent building control systems for home and building automation.
- Process Automation: develops and sells control and plant optimization systems, automation products and solutions, including instrumentation, as well as industry-specific application knowledge and services for the oil, gas and petrochemicals, metals and minerals, marine and turbocharging, pulp and paper, chemical and pharmaceuticals, and power industries.
- Power Products: manufactures and sells a wide range of products across voltage levels, including circuit breakers, switchgear, capacitors, instrument transformers, power, distribution and traction transformers for electrical and other infrastructure utilities, as well as industrial and commercial customers.
- Power Systems: designs, installs and upgrades high-efficiency transmission and distribution systems and power plant automation and electrification solutions, including monitoring and control products, software and services and incorporating components manufactured by both the Company and by third parties, for power generation, transmission and distribution utilities, other infrastructure utilities, as well as other industrial and commercial enterprises.
- Corporate and Other: includes headquarters, central research and development, the Company's real estate activities, Group Treasury Operations and other minor business activities.

Effective January 1, 2015, the Company changed its primary measure of segment performance from Operational EBITDA to Operational EBITA, which represents income from operations excluding amortization expense on intangibles arising upon acquisitions (acquisition-related amortization), restructuring and restructuring-related expenses, gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items, as well as foreign exchange/commodity timing differences in income from operations consisting of: (i) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives), (ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (iii) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities).

The segment performance for the year and three months ended December 31, 2014, has been restated to reflect this change.

The CODM primarily reviews the results of each segment on a basis that is before the elimination of profits made on inventory sales between segments. Segment results below are presented before these eliminations, with a total deduction for intersegment profits to arrive at the Company's consolidated Operational EBITA. Intersegment sales and transfers are accounted for as if the sales and transfers were to third parties, at current market prices.

The following tables present segment revenues, Operational EBITA, and the reconciliations of consolidated Operational EBITA to Income from continuing operations before taxes for the year and three months ended December 31, 2015 and 2014, as well as total assets at December 31, 2015 and 2014.

	Year ended December 31, 2015			Year ended December 31, 2014		
($ in millions)	Third-party revenues	Intersegment revenues	Total revenues	Third-party revenues	Intersegment revenues	Total revenues
Discrete Automation and Motion	8,492	635	9,127	9,296	846	10,142
Low Voltage Products	6,210	337	6,547	7,117	415	7,532
Process Automation	6,235	139	6,374	7,745	203	7,948
Power Products	8,352	1,198	9,550	8,782	1,551	10,333
Power Systems	6,132	210	6,342	6,686	334	7,020
Corporate and Other	60	1,459	1,519	204	1,592	1,796
Intersegment elimination	–	(3,978)	(3,978)	–	(4,941)	(4,941)
Consolidated	35,481	–	35,481	39,830	–	39,830

	Three months ended December 31, 2015			Three months ended December 31, 2014		
($ in millions)	Third-party revenues	Intersegment revenues	Total revenues	Third-party revenues	Intersegment revenues	Total revenues
Discrete Automation and Motion	2,109	179	2,288	2,353	230	2,583
Low Voltage Products	1,538	86	1,624	1,689	104	1,793
Process Automation	1,635	39	1,674	2,040	54	2,094
Power Products	2,232	312	2,544	2,389	436	2,825
Power Systems	1,708	47	1,755	1,883	82	1,965
Corporate and Other	20	347	367	(8)	372	364
Intersegment elimination	–	(1,010)	(1,010)	–	(1,278)	(1,278)
Consolidated	9,242	–	9,242	10,346	–	10,346

	Year ended December 31,		Three months ended December 31,	
($ in millions)	2015	2014	2015	2014
Operational EBITA:				
Discrete Automation and Motion	1,271	1,589	279	403
Low Voltage Products	1,096	1,241	268	307
Process Automation	755	958	201	263
Power Products	1,178	1,319	329	360
Power Systems	274	(96)	130	26
Corporate and Other and Intersegment elimination	(405)	(536)	(126)	(206)
Consolidated Operational EBITA	4,169	4,475	1,081	1,153
Acquisition-related amortization	(310)	(380)	(73)	(90)
Restructuring and restructuring-related expenses[(1)]	(674)	(235)	(531)	(93)
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	(120)	482	(76)	122
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	67	(223)	(13)	(22)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(68)	(42)	(18)	(22)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(15)	101	(23)	1
Income from operations	3,049	4,178	347	1,049
Interest and dividend income	77	80	21	23
Interest and other finance expense	(286)	(362)	(63)	(107)
Income from continuing operations before taxes	2,840	3,896	305	965

(1) Amounts also include the incremental implementation costs in relation to the White Collar Productivity program.

	Total assets[(1)]	
($ in millions)	December 31, 2015	December 31, 2014
Discrete Automation and Motion	9,452	10,123
Low Voltage Products	7,481	7,978
Process Automation	3,851	4,268
Power Products	6,869	7,396
Power Systems	6,120	6,855
Corporate and Other	7,583	8,232
Consolidated	41,356	44,852

(1) Total assets are after intersegment eliminations and therefore reflect third-party assets only.

Realignment of segments

On September 9, 2015, the Company announced a reorganization of its operating segments aimed at delivering more customer value in a better, more focused way from its combined power and automation offering. Effective January 1, 2016, ABB commenced operating with four segments, namely Discrete Automation and Motion, Electrification Products, Process Automation and Power Grids.

The Discrete Automation and Motion segment remains unchanged except that it now excludes the Programmable Logic Controller business which was transferred to the Process Automation segment.

The new Electrification Products segment includes the combined businesses of the previous Low Voltage Products segment and the Medium Voltage Products business, previously included in the former Power Products segment.

The scope of businesses in the Process Automation segment has been expanded to include both the Distributed Control Systems business from the former Power Systems segment and the Programmable Logic Controller business transferred from the Discrete Automation and Motion segment described above.

The new Power Grids segment includes the remaining businesses of the former Power Products and Power Systems segments, excluding the businesses transferred to other segments as described above.


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Supplemental Reconciliations and Definitions

The following reconciliations and definitions include measures which ABB uses to supplement its Interim Consolidated Financial Information (unaudited) which is prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). Certain of these financial measures are, or may be, considered non-GAAP financial measures as defined in the rules of the U.S. Securities and Exchange Commission (SEC).

While ABB's management believes that the non-GAAP financial measures herein are useful in evaluating ABB's operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP. Therefore these measures should not be viewed in isolation but considered together with the Interim Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the year and three months ended December 31, 2015.

Comparable growth rates (previously 'Like-for-like growth rates')

Growth rates for certain key figures may be presented and discussed on a "comparable" basis. The comparable growth rate measures growth on a constant currency basis. Since we are a global company, the comparability of our operating results reported in U.S. dollars is affected by foreign currency exchange rate fluctuations. We calculate the impacts from foreign currency fluctuations by translating the current-year periods' reported key figures into U.S. dollar amounts using the exchange rates in effect for the comparable periods in the previous year.

Comparable growth rates also adjust for changes in our business portfolio. The adjustment for portfolio changes is calculated as follows: where the results of any business acquired or divested have not been consolidated and reported for the entire duration of both the current and comparable periods, the reported key figures of such business are adjusted to exclude the relevant key figures of any corresponding quarters which are not comparable when computing the comparable growth rate. In addition, certain other portfolio changes which do not qualify as divestments are treated in a similar manner to divestments. We do not adjust for portfolio changes where the business acquired or divested has annual revenues of less than $50 million.

The following tables provide reconciliations of reported growth rates of certain key figures to their respective comparable growth rate.

Divisional comparable growth rate reconciliation

	Q4 2015 compared to Q4 2014							
	Order growth rate				Revenue growth rate			
Division	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable
Discrete Automation and Motion	-17%	8%	0%	-9%	-11%	7%	0%	-4%
Low Voltage Products	-11%	9%	0%	-2%	-9%	9%	0%	0%
Process Automation	-17%	11%	5%	-1%	-20%	9%	3%	-8%
Power Products	-6%	9%	0%	3%	-10%	8%	0%	-2%
Power Systems	-7%	10%	0%	3%	-11%	10%	0%	-1%
ABB Group	-12%	9%	1%	-2%	-11%	9%	1%	-1%

	FY 2015 compared to FY 2014							
	Order growth rate				Revenue growth rate			
Division	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable
Discrete Automation and Motion	-13%	8%	0%	-5%	-10%	8%	0%	-2%
Low Voltage Products	-13%	10%	4%	1%	-13%	10%	3%	0%
Process Automation	-25%	11%	3%	-11%	-20%	11%	4%	-5%
Power Products	-7%	9%	0%	2%	-8%	10%	0%	2%
Power Systems	-1%	14%	0%	13%	-10%	12%	0%	2%
ABB Group	-12%	10%	1%	-1%	-11%	10%	1%	0%

Regional comparable growth rate reconciliation

	Q4 2015 compared to Q4 2014							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable
Europe	-8%	15%	0%	7%	-12%	12%	1%	1%
The Americas	-8%	8%	1%	1%	-11%	7%	1%	-3%
Asia, Middle East and Africa	-19%	5%	1%	-13%	-9%	6%	1%	-2%
ABB Group	-12%	9%	1%	-2%	-11%	9%	1%	-1%

	FY 2015 compared to FY 2014							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable
Europe	-12%	17%	2%	7%	-16%	17%	1%	2%
The Americas	-12%	6%	2%	-4%	-8%	6%	3%	1%
Asia, Middle East and Africa	-12%	5%	1%	-6%	-9%	7%	1%	-1%
ABB Group	-12%	10%	1%	-1%	-11%	10%	1%	0%

Order backlog growth rate reconciliation

	December 31, 2015 compared to December 31, 2014			
Division	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable
Discrete Automation and Motion	-3%	6%	0%	3%
Low Voltage Products	-4%	10%	0%	6%
Process Automation	-8%	10%	1%	3%
Power Products	-1%	8%	0%	7%
Power Systems	0%	8%	0%	8%
ABB Group	-3%	8%	0%	5%

Operational EBITA growth rate reconciliation

	Q4 2015 compared to Q4 2014				FY 2015 compared to FY 2014			
Division	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable
Discrete Automation and Motion	-31%	5%	0%	-26%	-20%	7%	0%	-13%
Low Voltage Products	-13%	9%	0%	-4%	-12%	11%	3%	2%
Process Automation	-24%	7%	3%	-14%	-21%	8%	2%	-11%
Power Products	-9%	7%	0%	-2%	-11%	8%	0%	-3%
Power Systems	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ABB Group	-6%	7%	0%	1%	-7%	9%	1%	3%

Other growth rate reconciliations

	Q4 2015 compared to Q4 2014				FY 2015 compared to FY 2014			
	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Comparable
Large orders	15%	12%	0%	27%	-5%	15%	0%	10%
Base orders	-15%	8%	1%	-6%	-14%	9%	2%	-3%
Service orders	-4%	9%	5%	10%	-11%	10%	3%	2%
Service revenues	-9%	9%	4%	4%	-8%	11%	3%	6%

Adjusted service revenues as a percentage of total revenues

Adjusted service revenues as a percentage of total revenues is calculated as Sales of services divided by Total revenues, after reducing both amounts by the amount of revenues recorded for businesses which have subsequently been divested.

	December 31,	
($ in millions, unless otherwise indicated)	2015	2014
Adjusted service revenues as a percentage of total revenues		
Sales of services	6,004	6,551
Sales of services in divested businesses	–	(225)
Adjusted service revenues	6,004	6,326
Total revenues	35,481	39,830
Total revenues in divested businesses	–	(613)
Adjusted total revenues	35,481	39,217
Adjusted service revenues as a percentage of total revenues	16.9%	16.1%

Operational EBITA margin

In line with the updated financial targets of ABB's Next Level strategy, ABB changed its measure of segment profit from Operational EBITDA to Operational EBITA, effective January 1, 2015.

Definition

Operational EBITA margin

Operational EBITA margin is Operational EBITA as a percentage of Operational revenues.

Operational EBITA

Operational earnings before interest, taxes and acquisition-related amortization (Operational EBITA) represents Income from operations excluding acquisition-related amortization (as defined below), restructuring and restructuring-related expenses, gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items, as well as foreign exchange/commodity timing differences in income from operations consisting of: (i) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives), (ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (iii) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities).

Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

Operational revenues

Operational revenues are total revenues adjusted for foreign exchange/commodity timing differences in total revenues of: (i) unrealized gains and losses on derivatives, (ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (iii) unrealized foreign exchange movements on receivables (and related assets).

Reconciliation

($ in millions, unless otherwise indicated)	Year ended December 31, 2015 Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	9,127	6,547	6,374	9,550	6,342	(2,459)	35,481
Foreign exchange/commodity timing differences in total revenues:							
Unrealized gains and losses on derivatives	23	(14)	10	(28)	(83)	1	(91)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(27)	1	26	36	40	–	76
Unrealized foreign exchange movements on receivables (and related assets)	8	2	(13)	1	(11)	–	(13)
Operational revenues	9,131	6,536	6,397	9,559	6,288	(2,458)	35,453
Income (loss) from operations	991	909	593	1,051	110	(605)	3,049
Acquisition-related amortization	128	100	12	10	43	17	310
Restructuring and restructuring-related expenses(1)	125	101	112	105	96	135	674
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	26	3	11	4	35	41	120
Foreign exchange/commodity timing differences in income from operations:							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	17	(18)	9	(30)	(49)	4	(67)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(27)	–	21	35	39	–	68
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	11	1	(3)	3	–	3	15
Operational EBITA	1,271	1,096	755	1,178	274	(405)	4,169
Operational EBITA margin (%)	13.9%	16.8%	11.8%	12.3%	4.4%	n.a.	11.8%

(1) Amounts also include the incremental implementation costs in relation to the White Collar Productivity program.

($ in millions, unless otherwise indicated)	Year ended December 31, 2014 Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	10,142	7,532	7,948	10,333	7,020	(3,145)	39,830
Foreign exchange/commodity timing differences in total revenues:							
Unrealized gains and losses on derivatives	10	19	9	33	168	–	239
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	–	12	4	48	1	63
Unrealized foreign exchange movements on receivables (and related assets)	(13)	(5)	(11)	(13)	(47)	–	(89)
Operational revenues	10,137	7,546	7,958	10,357	7,189	(3,144)	40,043
Income (loss) from operations	1,422	1,475	1,003	1,204	(360)	(566)	4,178
Acquisition-related amortization	138	113	17	17	74	21	380
Restructuring and restructuring-related expenses(1)	25	45	43	51	63	8	235
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	–	(407)	(113)	16	12	10	(482)
Foreign exchange/commodity timing differences in income from operations:							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	16	13	17	46	137	(6)	223
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	–	9	7	28	–	42
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(10)	2	(18)	(22)	(50)	(3)	(101)
Operational EBITA	1,589	1,241	958	1,319	(96)	(536)	4,475
Operational EBITA margin (%)	15.7%	16.4%	12.0%	12.7%	-1.3%	n.a.	11.2%

(1) Amounts also include the incremental implementation costs in relation to the White Collar Productivity program.

($ in millions, unless otherwise indicated)	Three months ended December 31, 2015 Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	2,288	1,624	1,674	2,544	1,755	(643)	9,242
Foreign exchange/commodity timing differences in total revenues:							
Unrealized gains and losses on derivatives	3	(2)	4	(8)	(36)	2	(37)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(1)	2	6	5	–	13
Unrealized foreign exchange movements on receivables (and related assets)	–	(1)	8	9	4	–	20
Operational revenues	2,292	1,620	1,688	2,551	1,728	(641)	9,238
Income (loss) from operations	134	153	85	227	45	(297)	347
Acquisition-related amortization	32	24	3	3	8	3	73
Restructuring and restructuring-related expenses(1)	81	88	88	75	80	119	531
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	26	3	–	1	1	45	76
Foreign exchange/commodity timing differences in income from operations:							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	8	1	10	10	(17)	1	13
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	(2)	8	4	9	–	18
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(1)	1	7	9	4	3	23
Operational EBITA	279	268	201	329	130	(126)	1,081
Operational EBITA margin (%)	12.2%	16.5%	11.9%	12.9%	7.5%	n.a.	11.7%

(1) Amounts also include the incremental implementation costs in relation to the White Collar Productivity program.

($ in millions, unless otherwise indicated)	Three months ended December 31, 2014 Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	2,583	1,793	2,094	2,825	1,965	(914)	10,346
Foreign exchange/commodity timing differences in total revenues:							
Unrealized gains and losses on derivatives	9	2	12	5	29	–	57
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	10	2	22	1	35
Unrealized foreign exchange movements on receivables (and related assets)	(6)	1	(6)	(2)	(13)	–	(26)
Operational revenues	2,586	1,796	2,110	2,830	2,003	(913)	10,412
Income (loss) from operations	357	267	353	330	(47)	(211)	1,049
Acquisition-related amortization	34	26	6	3	16	5	90
Restructuring and restructuring-related expenses[1]	11	16	17	16	29	4	93
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	–	(12)	(122)	6	2	4	(122)
Foreign exchange/commodity timing differences in income from operations:							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	2	1	9	(2)	21	(9)	22
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	6	2	14	–	22
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(1)	9	(6)	5	(9)	1	(1)
Operational EBITA	403	307	263	360	26	(206)	1,153
Operational EBITA margin (%)	15.6%	17.1%	12.5%	12.7%	1.3%	n.a.	11.1%

(1) Amounts also include the incremental implementation costs in relation to the White Collar Productivity program.

Operational EPS

Definition

Operational EPS
Operational EPS is calculated as Operational net income divided by the weighted-average number of shares used in determining basic earnings per share.

Operational net income
Operational net income is calculated as Net income attributable to ABB adjusted for the net-of-tax impact of:
(i) restructuring and restructuring-related expenses,
(ii) gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items,
(iii) foreign exchange/commodity timing differences in income from operations consisting of: (a) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives), (b) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (c) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities), and
(iv) acquisition-related amortization.

Acquisition-related amortization
Amortization expense on intangibles arising upon acquisitions.

Adjusted Group effective tax rate
The Adjusted Group effective tax rate is computed by dividing an adjusted provision for taxes by an adjusted income from continuing operations before taxes. Certain amounts recorded in income from continuing operations before taxes and the related provision for taxes (primarily gains and losses from sale of businesses), as well as certain other amounts included solely in provision for taxes, are excluded from the computation.

Constant currency Operational EPS adjustment
In connection with ABB's 2015-2020 targets, Operational EPS growth is measured assuming 2014 as the base year and uses constant exchange rates. We compute the constant currency operational net income for all periods using the relevant monthly exchange rates which were in effect during 2014 and any difference in computed Operational net income is divided by the relevant weighted-average number of shares outstanding to identify the constant currency Operational EPS adjustment.

Reconciliation

	Year ended December 31,			
($ in millions, except per share data in $)	2015		2014	
		EPS[1]		EPS[1]
Net income (attributable to ABB)	1,933	0.87	2,594	1.13
Restructuring and restructuring-related expenses[2], [3]	492	0.22	171	0.07
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items[4]	107	0.05	(221)	(0.10)
FX/commodity timing differences in income from operations[2]	13	0.01	120	0.05
Acquisition-related amortization[2]	224	0.10	275	0.12
Operational net income	2,769	1.24	2,939	1.28
Constant currency Operational EPS adjustment		0.11		–
Operational EPS (constant currency basis)		1.35		1.28

	Three months ended December 31,			
($ in millions, except per share data in $)	2015		2014	
		EPS[1]		EPS[1]
Net income (attributable to ABB)	204	0.09	680	0.30
Restructuring and restructuring-related expenses[2], [3]	389	0.18	69	0.03
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items[4]	66	0.03	(76)	(0.03)
FX/commodity timing differences in income from operations[2]	40	0.02	32	0.01
Acquisition-related amortization[2]	54	0.02	67	0.03
Operational net income	753	0.34	772	0.34
Constant currency Operational EPS adjustment		0.01		–
Operational EPS (constant currency basis)		0.35		0.34

(1) EPS amounts are computed individually, therefore the sum of the per share amounts shown may not equal to the total.
(2) Net of tax at the Adjusted Group effective tax rate.
(3) Amounts also include the incremental implementation costs in relation to the White Collar Productivity program.
(4) Net of tax at the Adjusted Group effective tax rate, except for gains and losses from sale of businesses and certain other non-operational items, which are net of the actual related provision for taxes.

Net debt / (Net cash)

Definition

Net debt / (Net cash)
Net debt / (Net cash) is defined as Total debt less Cash and marketable securities.

Total debt
Total debt is the sum of Short-term debt and current maturities of long-term debt, and Long-term debt.

Cash and marketable securities
Cash and marketable securities is the sum of Cash and equivalents, and Marketable securities and short-term investments.

Reconciliation

	December 31,				
($ in millions)	2015	2014	2013	2012	2011
Short-term debt and current maturities of long-term debt	1,454	353	453	2,537	765
Long-term debt	5,985	7,312	7,538	7,497	3,215
Total debt	7,439	7,665	7,991	10,034	3,980
Cash and equivalents	4,565	5,443	6,021	6,875	4,819
Marketable securities and short-term investments	1,633	1,325	464	1,606	948
Cash and marketable securities	6,198	6,768	6,485	8,481	5,767
Net debt / (Net cash)	1,241	897	1,506	1,553	(1,787)

Net working capital as a percentage of revenues

Definition

Net working capital as a percentage of revenues
Net working capital as a percentage of revenues is calculated as Net working capital divided by Adjusted revenues for the trailing twelve months.

Net working capital
Net working capital is the sum of (i) receivables, net, (ii) inventories, net, and (iii) prepaid expenses; less (iv) accounts payable, trade, (v) billings in excess of sales, (vi) advances from customers, and (vii) other current liabilities (excluding primarily: (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, and (d) payables under the share buyback program); and including the amounts related to these accounts which have been presented as either assets or liabilities held for sale.

Adjusted revenues for the trailing twelve months
Adjusted revenues for the trailing twelve months includes total revenues recorded by ABB in the twelve months preceding the relevant balance sheet date adjusted to eliminate revenues of divested businesses and the estimated impact of annualizing revenues of certain acquisitions which were completed in the same trailing twelve-month period.

Reconciliation

	December 31,		
($ in millions, unless otherwise indicated)	2015	2014	2013
Net working capital:			
Receivables, net(1)	10,061	11,078	12,146
Inventories, net	4,757	5,376	6,004
Prepaid expenses	225	218	252
Accounts payable, trade	(4,342)	(4,765)	(5,112)
Billings in excess of sales	(1,375)	(1,455)	(1,714)
Advances from customers	(1,598)	(1,624)	(1,726)
Other current liabilities(2)	(3,127)	(3,286)	(3,541)
Net working capital	4,601	5,542	6,309
Total revenues for the twelve months ended	35,481	39,830	41,848
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	–	(613)	460
Adjusted revenues for the trailing twelve months	35,481	39,217	42,308
Net working capital as a percentage of revenues (%)	13.0%	14.1%	14.9%

(1) At December 31, 2015, 2014 and 2013 Receivables, net, included $2,457 million, $2,941 million and $3,301 million, respectively, of unbilled receivables.

(2) Amounts exclude $690 million, $971 million and $701 million at December 31, 2015, 2014 and 2013, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, and (d) payables under the share buyback program.

Free cash flow conversion to net income

Definition

Free cash flow conversion to net income
Free cash flow conversion to net income is calculated as Free cash flow divided by Net income attributable to ABB.

Free cash flow (FCF)
Free cash flow is calculated as net cash provided by operating activities adjusted for: (i) purchases of property, plant and equipment and intangible assets, (ii) proceeds from sales of property, plant and equipment, and (iii) changes in financing and other non-current receivables, net (included in other investing activities).

Reconciliation

	Year ended December 31,				
($ in millions, unless otherwise indicated)	2015	2014	2013	2012	2011
Net cash provided by operating activities	3,818	3,845	3,653	3,779	3,612
Adjusted for the effects of:					
Purchases of property, plant and equipment and intangible assets	(876)	(1,026)	(1,106)	(1,293)	(1,021)
Proceeds from sale of property, plant and equipment	68	33	80	40	57
Changes in financing receivables and other non-current receivables	9	5	5	29	(55)
Free cash flow	3,019	2,857	2,632	2,555	2,593
Net income attributable to ABB	1,933	2,594	2,787	2,704	3,168
Free cash flow conversion to net income	156%	110%	94%	94%	82%

Finance net

Definition
Finance net is calculated as Interest and dividend income less Interest and other finance expense.

Reconciliation

	Year ended December 31,		Three months ended December 31,	
($ in millions)	2015	2014	2015	2014
Interest and dividend income	77	80	21	23
Interest and other finance expense	(286)	(362)	(63)	(107)
Finance net	(209)	(282)	(42)	(84)

Book-to-bill ratio

Definition
Book-to-bill ratio is calculated as Orders received divided by Total revenues.

Reconciliation

	Three months ended December 31,	
($ in millions, unless otherwise indicated)	2015	2014
Orders received	8,262	9,365
Total revenues	9,242	10,346
Book-to-bill ratio	0.89	0.91

	Year ended December 31,				
($ in millions, unless otherwise indicated)	2015	2014	2013	2012	2011
Orders received	36,429	41,515	38,896	40,232	40,210
Total revenues	35,481	39,830	41,848	39,336	37,990
Book-to-bill ratio	1.03	1.04	0.93	1.02	1.06

Cash return on invested capital (CROI)

Definition

Cash return on invested capital (CROI)
Cash return on invested capital is calculated as Adjusted cash return divided by Capital invested.

Adjusted cash return
Adjusted cash return is calculated as the sum of (i) net cash provided by operating activities, (ii) interest paid and (iii) estimate to annualize/eliminate the net cash provided by operating activities of certain acquisitions / (divestments).

Adjusted total fixed assets
Adjusted total fixed assets is the sum of (i) property, plant and equipment, net, (ii) goodwill, (iii) other intangible assets, net, and iv) investments in equity-accounted companies less v) deferred tax liabilities recognized in certain acquisitions.

Net working capital
Net working capital is the sum of (i) receivables, net, (ii) inventories, net, and (iii) prepaid expenses; less (iv) accounts payable, trade, (v) billings in excess of sales, (vi) advances from customers, and (vii) other current liabilities (excluding primarily: (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, and (d) payables under the share buyback program); and including the amounts related to these accounts which have been presented as either assets or liabilities held for sale.

Capital invested
Capital invested is the sum of (i) Adjusted total fixed assets, (ii) Net working capital and (iii) Accumulated depreciation and amortization.

Reconciliation

	Year ended December 31,		
($ in millions, unless otherwise indicated)	2015	2014	2013
Adjusted cash return:			
Net cash provided by operating activities	3,818	3,845	3,653
Interest paid	221	259	287
Estimate to annualize/eliminate the net cash provided by operating activities of certain acquisitions / (divestments)[1]	–	(58)	86
Adjusted cash return	4,039	4,046	4,026

	December 31,		
($ in millions, unless otherwise indicated)	2015	2014	2013
Adjusted total fixed assets:			
Property, plant and equipment, net	5,276	5,652	6,254
Goodwill	9,671	10,053	10,670
Other intangible assets, net	2,337	2,702	3,297
Investments in equity-accounted companies	178	177	197
Total fixed assets	17,462	18,584	20,418
Less: deferred taxes recognized in certain acquisitions[2]	(1,901)	(1,928)	(1,959)
Adjusted total fixed assets	15,561	16,656	18,459
Net working capital (as defined above)	4,601	5,542	6,309
Accumulated depreciation and amortization:			
Accumulated depreciation of property, plant and equipment	6,840	6,905	7,127
Accumulated amortization of intangible assets including goodwill[3]	3,175	2,767	2,793
Accumulated depreciation and amortization	10,015	9,672	9,920
Capital invested	30,177	31,870	34,688
Cash return on invested capital (CROI)	13.4%	12.7%	11.6%

(1) Divestments: In 2014 HVAC, Power Solutions, Steel Structures and Full Service. Acquisitions: In 2013 Power-One.

(2) Power-One acquired in 2013, Thomas & Betts acquired in 2012 and Baldor acquired in 2011.

(3) Includes accumulated goodwill amortization up to December 31, 2001. Thereafter goodwill is not amortized (under U.S. GAAP) but subject to annual testing for impairment.

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