Q3 2015
Financial Information

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Financial Information

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Key Figures

($ in millions, unless otherwise indicated)	Q3 2015	Q3 2014	Change US$	Change Like-for-like[1]
Orders	8,767	11,225	-22%	-12%
Revenues	8,519	9,823	-13%	-2%
Operational EBITA[2]	1,081	1,189	-9%	-1%
as % of operational revenues[1]	12.5%	12.0%		
Net income	577	734	-21%	
Basic earnings per share ($)	0.26	0.32	-19%[3]	
Operational earnings per share[1] ($) (constant currency basis)	0.35	0.35	2%[3]	
Cash flow from operating activities	1,173	1,169	0%	

($ in millions, unless otherwise indicated)	9M 2015	9M 2014	Change US$	Change Like-for-like[1]
Orders	28,167	32,150	-12%	0%
Revenues	26,239	29,484	-11%	1%
Operational EBITA[2]	3,088	3,322	-7%	4%
as % of operational revenues[1]	11.8%	11.2%		
Net income	1,729	1,914	-10%	
Basic earnings per share ($)	0.77	0.83	-7%[3]	
Operational earnings per share[1] ($) (constant currency basis)	0.99	0.94	5%[3]	
Cash flow from operating activities	1,824	2,012	-9%	

[1] For a reconciliation of non-GAAP measures see "Supplemental Reconciliations and Definitions" on page 31.
[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.

($ in millions, unless otherwise indicated)		Q3 2015	Q3 2014	Change US$	Change Local	Change Like-for-like
Orders	ABB Group	8,767	11,225	-22%	-12%	-12%
	Discrete Automation and Motion	2,241	2,697	-17%	-9%	-9%
	Low Voltage Products	1,645	1,914	-14%	-3%	0%
	Process Automation	1,372	2,622	-48%	-40%	-39%
	Power Products	2,446	2,725	-10%	0%	0%
	Power Systems	1,692	2,177	-22%	-11%	-11%
	Corporate and Other (incl. inter-division eliminations)	(629)	(910)			
Order backlog (end September)	ABB Group	25,371	27,005	-6%	4%	4%
	Discrete Automation and Motion	4,601	4,741	-3%	5%	5%
	Low Voltage Products	961	994	-3%	9%	9%
	Process Automation	5,404	6,230	-13%	-1%	0%
	Power Products	7,974	8,297	-4%	5%	5%
	Power Systems	8,676	9,128	-5%	6%	6%
	Corporate and Other (incl. inter-division eliminations)	(2,245)	(2,385)			
Revenues	ABB Group	8,519	9,823	-13%	-3%	-2%
	Discrete Automation and Motion	2,220	2,635	-16%	-7%	-7%
	Low Voltage Products	1,637	1,921	-15%	-4%	-3%
	Process Automation	1,461	1,899	-23%	-11%	-8%
	Power Products	2,332	2,455	-5%	6%	6%
	Power Systems	1,481	1,637	-10%	3%	3%
	Corporate and Other (incl. inter-division eliminations)	(612)	(724)			
Operational EBITA	ABB Group	1,081	1,189	-9%	-1%	-1%
	Discrete Automation and Motion	335	435	-23%	-17%	-17%
	Low Voltage Products	296	314	-6%	5%	4%
	Process Automation	158	221	-29%	-21%	-19%
	Power Products	295	312	-5%	3%	3%
	Power Systems	69	(11)	n.a.	n.a.	n.a.
	Corporate and Other (incl. inter-division eliminations)	(72)	(82)			
Operational EBITA %	ABB Group	12.5%	12.0%			
	Discrete Automation and Motion	14.8%	16.5%			
	Low Voltage Products	18.1%	16.3%			
	Process Automation	10.5%	11.7%			
	Power Products	12.5%	12.6%			
	Power Systems	4.6%	-0.6%			
Income from operations	ABB Group	882	1,222			
	Discrete Automation and Motion	264	390			
	Low Voltage Products	276	552			
	Process Automation	129	214			
	Power Products	284	283			
	Power Systems	26	(121)			
	Corporate and Other (incl. inter-division eliminations)	(97)	(96)			
Income from operations %	ABB Group	10.4%	12.4%			
	Discrete Automation and Motion	11.9%	14.8%			
	Low Voltage Products	16.9%	28.7%			
	Process Automation	8.8%	11.3%			
	Power Products	12.2%	11.5%			
	Power Systems	1.8%	-7.4%			
Cash flow from operating activities	ABB Group	1,173	1,169			
	Discrete Automation and Motion	420	409			
	Low Voltage Products	333	308			
	Process Automation	188	258			
	Power Products	228	325			
	Power Systems	108	(92)			
	Corporate and Other (incl. inter-division eliminations)	(104)	(39)			

($ in millions, unless otherwise indicated)		9M 2015	9M 2014	Change US$	Change Local	Change Like-for-like
Orders	ABB Group	28,167	32,150	-12%	-2%	0%
	Discrete Automation and Motion	7,238	8,180	-12%	-3%	-3%
	Low Voltage Products	5,051	5,828	-13%	-3%	2%
	Process Automation	4,873	6,670	-27%	-16%	-14%
	Power Products	7,635	8,216	-7%	2%	2%
	Power Systems	5,460	5,434	0%	16%	16%
	Corporate and Other (incl. inter-division eliminations)	(2,090)	(2,178)			
Order backlog (end September)	ABB Group	25,371	27,005	-6%	4%	4%
	Discrete Automation and Motion	4,601	4,741	-3%	5%	5%
	Low Voltage Products	961	994	-3%	9%	9%
	Process Automation	5,404	6,230	-13%	-1%	0%
	Power Products	7,974	8,297	-4%	5%	5%
	Power Systems	8,676	9,128	-5%	6%	6%
	Corporate and Other (incl. inter-division eliminations)	(2,245)	(2,385)			
Revenues	ABB Group	26,239	29,484	-11%	-1%	1%
	Discrete Automation and Motion	6,839	7,559	-10%	-1%	-1%
	Low Voltage Products	4,923	5,739	-14%	-4%	1%
	Process Automation	4,700	5,854	-20%	-8%	-5%
	Power Products	7,006	7,508	-7%	3%	3%
	Power Systems	4,587	5,055	-9%	4%	4%
	Corporate and Other (incl. inter-division eliminations)	(1,816)	(2,231)			
Operational EBITA	ABB Group	3,088	3,322	-7%	2%	4%
	Discrete Automation and Motion	992	1,186	-16%	-8%	-8%
	Low Voltage Products	828	934	-11%	0%	4%
	Process Automation	554	695	-20%	-12%	-9%
	Power Products	849	959	-11%	-3%	-3%
	Power Systems	144	(122)	n.a.	n.a.	n.a.
	Corporate and Other (incl. inter-division eliminations)	(279)	(330)			
Operational EBITA %	ABB Group	11.8%	11.2%			
	Discrete Automation and Motion	14.5%	15.7%			
	Low Voltage Products	16.8%	16.2%			
	Process Automation	11.8%	11.9%			
	Power Products	12.1%	12.7%			
	Power Systems	3.2%	-2.4%			
Income from operations	ABB Group	2,702	3,129			
	Discrete Automation and Motion	857	1,065			
	Low Voltage Products	756	1,208			
	Process Automation	508	650			
	Power Products	824	874			
	Power Systems	65	(313)			
	Corporate and Other (incl. inter-division eliminations)	(308)	(355)			
Income from operations %	ABB Group	10.3%	10.6%			
	Discrete Automation and Motion	12.5%	14.1%			
	Low Voltage Products	15.4%	21.0%			
	Process Automation	10.8%	11.1%			
	Power Products	11.8%	11.6%			
	Power Systems	1.4%	-6.2%			
Cash flow from operating activities	ABB Group	1,824	2,012			
	Discrete Automation and Motion	904	1,077			
	Low Voltage Products	582	554			
	Process Automation	340	559			
	Power Products	515	573			
	Power Systems	32	(341)			
	Corporate and Other (incl. inter-division eliminations)	(549)	(410)			

Operational EBITA

($ in millions, unless otherwise indicated)	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14
Revenues	8,519	9,823	2,220	2,635	1,637	1,921	1,461	1,899	2,332	2,455	1,481	1,637
FX/commodity timing differences in total revenues	113	86	37	2	(2)	8	37	(7)	27	22	13	60
Operational revenues	8,632	9,909	2,257	2,637	1,635	1,929	1,498	1,892	2,359	2,477	1,494	1,697
Income (loss) from operations	882	1,222	264	390	276	552	129	214	284	283	26	(121)
Acquisition-related amortization	74	93	31	35	25	24	3	4	2	4	8	22
Restructuring and restructuring-related expenses	46	55	16	–	6	17	3	2	10	12	8	21
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	7	(257)	–	1	(1)	(291)	–	6	1	(1)	3	18
FX/commodity timing differences in income from operations	72	76	24	9	(10)	12	23	(5)	(2)	14	24	49
Operational EBITA	1,081	1,189	335	435	296	314	158	221	295	312	69	(11)
Operational EBITA margin (%)	12.5%	12.0%	14.8%	16.5%	18.1%	16.3%	10.5%	11.7%	12.5%	12.6%	4.6%	-0.6%

($ in millions, unless otherwise indicated)	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	9M 15	9M 14	9M 15	9M 14	9M 15	9M 14	9M 15	9M 14	9M 15	9M 14	9M 15	9M 14
Revenues	26,239	29,484	6,839	7,559	4,923	5,739	4,700	5,854	7,006	7,508	4,587	5,055
FX/commodity timing differences in total revenues	(24)	147	–	(8)	(7)	11	9	(6)	2	19	(27)	131
Operational revenues	26,215	29,631	6,839	7,551	4,916	5,750	4,709	5,848	7,008	7,527	4,560	5,186
Income (loss) from operations	2,702	3,129	857	1,065	756	1,208	508	650	824	874	65	(313)
Acquisition-related amortization	237	290	96	104	76	87	9	11	7	14	35	58
Restructuring and restructuring-related expenses	130	142	44	14	13	29	24	26	30	35	16	34
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	57	(360)	–	–	–	(395)	11	9	3	10	34	10
FX/commodity timing differences in income from operations	(38)	121	(5)	3	(17)	5	2	(1)	(15)	26	(6)	89
Operational EBITA	3,088	3,322	992	1,186	828	934	554	695	849	959	144	(122)
Operational EBITA margin (%)	11.8%	11.2%	14.5%	15.7%	16.8%	16.2%	11.8%	11.9%	12.1%	12.7%	3.2%	-2.4%

Depreciation and Amortization

($ in millions, unless otherwise indicated)	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14	Q3 15	Q3 14
Depreciation	188	212	37	41	40	45	14	17	44	49	17	22
Amortization	96	110	37	37	27	29	5	5	4	5	13	20
including total acquisition-related amortization of	*74*	*93*	*31*	*35*	*25*	*24*	*3*	*4*	*2*	*4*	*8*	*22*

($ in millions, unless otherwise indicated)	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	9M 15	9M 14	9M 15	9M 14	9M 15	9M 14	9M 15	9M 14	9M 15	9M 14	9M 15	9M 14
Depreciation	572	640	110	122	123	136	43	52	132	145	56	67
Amortization	300	348	110	112	81	91	14	15	12	19	50	69
including total acquisition-related amortization of	*237*	*290*	*96*	*104*	*76*	*87*	*9*	*11*	*7*	*14*	*35*	*58*

Orders received and revenues by region

($ in millions, unless otherwise indicated)	Orders received		*Change*			Revenues		*Change*		
	Q3 15	Q3 14	*US$*	*Local*	*Like-for-like*	Q3 15	Q3 14	*US$*	*Local*	*Like-for-like*
Europe	2,909	4,025	-28%	-13%	-13%	2,821	3,290	-14%	3%	4%
The Americas	2,660	2,971	-10%	-3%	-1%	2,569	2,861	-10%	-3%	-1%
Asia, Middle East and Africa	3,198	4,229	-24%	-18%	-18%	3,129	3,672	-15%	-8%	-7%
ABB Group	8,767	11,225	-22%	-12%	-12%	8,519	9,823	-13%	-3%	-2%

($ in millions, unless otherwise indicated)	Orders received		*Change*			Revenues		*Change*		
	9M 15	9M 14	*US$*	*Local*	*Like-for-like*	9M 15	9M 14	*US$*	*Local*	*Like-for-like*
Europe	9,680	11,191	-14%	5%	7%	8,574	10,294	-17%	1%	2%
The Americas	8,014	9,270	-14%	-8%	-5%	7,927	8,535	-7%	-1%	3%
Asia, Middle East and Africa	10,473	11,689	-10%	-4%	-4%	9,738	10,655	-9%	-2%	-1%
ABB Group	28,167	32,150	-12%	-2%	0%	26,239	29,484	-11%	-1%	1%

Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Income Statements (unaudited)

	Nine months ended		Three months ended	
($ in millions, except per share data in $)	Sep. 30, 2015	Sep. 30, 2014	Sep. 30, 2015	Sep. 30, 2014
Sales of products	21,878	24,734	7,116	8,255
Sales of services	4,361	4,750	1,403	1,568
Total revenues	26,239	29,484	8,519	9,823
Cost of products	(15,874)	(18,149)	(5,163)	(6,090)
Cost of services	(2,626)	(2,961)	(838)	(971)
Total cost of sales	(18,500)	(21,110)	(6,001)	(7,061)
Gross profit	7,739	8,374	2,518	2,762
Selling, general and administrative expenses	(3,994)	(4,570)	(1,307)	(1,488)
Non-order related research and development expenses	(998)	(1,112)	(322)	(357)
Other income (expense), net	(45)	437	(7)	305
Income from operations	2,702	3,129	882	1,222
Interest and dividend income	56	57	18	19
Interest and other finance expense	(223)	(255)	(64)	(83)
Income from continuing operations before taxes	2,535	2,931	836	1,158
Provision for taxes	(722)	(938)	(229)	(397)
Income from continuing operations, net of tax	1,813	1,993	607	761
Income from discontinued operations, net of tax	2	10	–	12
Net income	1,815	2,003	607	773
Net income attributable to noncontrolling interests	(86)	(89)	(30)	(39)
Net income attributable to ABB	1,729	1,914	577	734
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,727	1,904	577	722
Net income	1,729	1,914	577	734
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.77	0.83	0.26	0.32
Net income	0.77	0.83	0.26	0.32
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.77	0.83	0.26	0.31
Net income	0.77	0.83	0.26	0.32
Weighted-average number of shares outstanding (in millions) used to compute:				
Basic earnings per share attributable to ABB shareholders	2,234	2,295	2,219	2,290
Diluted earnings per share attributable to ABB shareholders	2,239	2,302	2,223	2,296

See Notes to the Interim Consolidated Financial Information

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

	Nine months ended		Three months ended	
($ in millions)	Sep. 30, 2015	Sep. 30, 2014	Sep. 30, 2015	Sep. 30, 2014
Total comprehensive income (loss), net of tax	1,162	966	303	(180)
Total comprehensive income attributable to noncontrolling interests, net of tax	(73)	(79)	(21)	(33)
Total comprehensive income (loss) attributable to ABB shareholders, net of tax	1,089	887	282	(213)

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Balance Sheets (unaudited)

($ in millions, except share data)	Sep. 30, 2015	Dec. 31, 2014
Cash and equivalents	3,970	5,443
Marketable securities and short-term investments	1,264	1,325
Receivables, net	10,564	11,078
Inventories, net	5,410	5,376
Prepaid expenses	286	218
Deferred taxes	861	902
Other current assets	712	644
Total current assets	23,067	24,986
Property, plant and equipment, net	5,194	5,652
Goodwill	9,744	10,053
Other intangible assets, net	2,383	2,702
Prepaid pension and other employee benefits	68	70
Investments in equity-accounted companies	155	177
Deferred taxes	454	511
Other non-current assets	703	701
Total assets	41,768	44,852
Accounts payable, trade	4,405	4,765
Billings in excess of sales	1,440	1,455
Short-term debt and current maturities of long-term debt	986	353
Advances from customers	1,497	1,624
Deferred taxes	237	289
Provisions for warranties	1,067	1,148
Other provisions	1,495	1,689
Other current liabilities	3,905	4,257
Total current liabilities	15,032	15,580
Long-term debt	6,571	7,312
Pension and other employee benefits	2,232	2,394
Deferred taxes	1,151	1,165
Other non-current liabilities	1,557	1,586
Total liabilities	26,543	28,037
Commitments and contingencies		
Stockholders' equity:		
Capital stock and additional paid-in capital (2,314,743,264 issued shares at September 30, 2015, and December 31, 2014)	1,458	1,777
Retained earnings	20,297	19,939
Accumulated other comprehensive loss	(4,881)	(4,241)
Treasury stock, at cost (98,909,491 and 55,843,639 shares at September 30, 2015, and December 31, 2014, respectively)	(2,129)	(1,206)
Total ABB stockholders' equity	14,745	16,269
Noncontrolling interests	480	546
Total stockholders' equity	15,225	16,815
Total liabilities and stockholders' equity	41,768	44,852

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Statements of Cash Flows (unaudited)

	Nine months ended		Three months ended	
($ in millions)	Sep. 30, 2015	Sep. 30, 2014	Sep. 30, 2015	Sep. 30, 2014
Operating activities:				
Net income	1,815	2,003	607	773
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	872	988	284	322
Pension and other employee benefits	51	(5)	24	17
Deferred taxes	(26)	34	(7)	50
Net loss (gain) from sale of property, plant and equipment	(21)	(15)	(2)	(1)
Net loss (gain) from sale of businesses	(19)	(445)	(15)	(315)
Net loss (gain) from derivatives and foreign exchange	(38)	136	54	30
Other	117	67	27	25
Changes in operating assets and liabilities:				
Trade receivables, net	(201)	(349)	218	(154)
Inventories, net	(404)	(512)	(103)	(151)
Trade payables	(128)	182	(89)	108
Accrued liabilities	(22)	52	164	200
Billings in excess of sales	90	(67)	(29)	124
Provisions, net	(157)	(174)	(50)	23
Advances from customers	(6)	(23)	52	(7)
Income taxes payable and receivable	(73)	172	15	140
Other assets and liabilities, net	(26)	(32)	23	(15)
Net cash provided by operating activities	1,824	2,012	1,173	1,169
Investing activities:				
Purchases of marketable securities (available-for-sale)	(1,098)	(836)	(236)	(409)
Purchases of short-term investments	(546)	(1,033)	(65)	(590)
Purchases of property, plant and equipment and intangible assets	(547)	(642)	(189)	(222)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(44)	(23)	(3)	(6)
Proceeds from sales of marketable securities (available-for-sale)	379	87	20	62
Proceeds from maturity of marketable securities (available-for-sale)	627	235	133	99
Proceeds from short-term investments	628	327	116	139
Proceeds from sales of property, plant and equipment	44	26	20	4
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	69	991	68	588
Net cash from settlement of foreign currency derivatives	208	2	23	(52)
Other investing activities	15	4	–	6
Net cash used in investing activities	(265)	(862)	(113)	(381)
Financing activities:				
Net changes in debt with original maturities of 90 days or less	75	(9)	(341)	(747)
Increase in debt	55	131	4	96
Repayment of debt	(78)	(51)	(16)	(32)
Delivery of shares	107	26	–	–
Purchase of treasury stock	(1,048)	(461)	(150)	(179)
Dividends paid	(1,357)	(1,841)	–	–
Reduction in nominal value of common shares paid to shareholders	(392)	–	(392)	–
Dividends paid to noncontrolling shareholders	(131)	(126)	(26)	(33)
Other financing activities	(18)	(27)	(24)	(7)
Net cash used in financing activities	(2,787)	(2,358)	(945)	(902)
Effects of exchange rate changes on cash and equivalents	(245)	(180)	(99)	(202)
Net change in cash and equivalents – continuing operations	(1,473)	(1,388)	16	(316)
Cash and equivalents, beginning of period	5,443	6,021	3,954	4,949
Cash and equivalents, end of period	3,970	4,633	3,970	4,633
Supplementary disclosure of cash flow information:				
Interest paid	151	175	21	25
Taxes paid	836	746	220	223

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		1,914							1,914	89	2,003
Foreign currency translation adjustments, net of tax of $(7)			(1,110)				(1,110)		(1,110)	(10)	(1,120)
Effect of change in fair value of available-for-sale securities, net of tax of $(5)				(12)			(12)		(12)		(12)
Unrecognized income related to pensions and other postretirement plans, net of tax of $52					142		142		142		142
Change in derivatives qualifying as cash flow hedges, net of tax of $(13)						(47)	(47)		(47)		(47)
Total comprehensive income									887	79	966
Dividends paid to noncontrolling shareholders									–	(132)	(132)
Dividends paid		(1,841)							(1,841)		(1,841)
Share-based payment arrangements	56								56		56
Purchase of treasury stock								(634)	(634)		(634)
Delivery of shares	(16)							42	26		26
Call options	5								5		5
Balance at September 30, 2014	1,795	19,259	(1,541)	(5)	(1,468)	(25)	(3,039)	(838)	17,177	477	17,654
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		1,729							1,729	86	1,815
Foreign currency translation adjustments, net of tax of $(3)			(831)				(831)		(831)	(13)	(844)
Effect of change in fair value of available-for-sale securities, net of tax of $0				(2)			(2)		(2)		(2)
Unrecognized income related to pensions and other postretirement plans, net of tax of $65					179		179		179		179
Change in derivatives qualifying as cash flow hedges, net of tax of $(1)						14	14		14		14
Total comprehensive income									1,089	73	1,162
Changes in noncontrolling interests									–	(2)	(2)
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	43								43		43
Purchase of treasury stock								(1,047)	(1,047)		(1,047)
Delivery of shares	(17)							124	107		107
Call options	4								4		4
Balance at September 30, 2015	1,458	20,297	(2,933)	11	(1,952)	(7)	(4,881)	(2,129)	14,745	480	15,225

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 company in power and automation technologies that enable utility and industry 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 Sheets 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 is currently evaluating the impact of this update 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. This update is effective for the Company for annual and interim periods beginning January 1, 2017, with early adoption permitted, and is applicable prospectively. The Company is currently evaluating the impact of this update on its consolidated financial statements.

Note 3
Business divestments

For the nine and three months ended September 30, 2014, the Company recorded net gains of $445 million and $315 million, respectively, in “Other income (expense), net” and tax expense of $239 million and $170 million, respectively, in “Provision for taxes”, relating to the divestment of consolidated businesses. There were no significant amounts recognized in the nine and three months ended September 30, 2015.

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:

	September 30, 2015					
($ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents	Marketable securities and short-term investments
Cash	1,533			1,533	1,533	–
Time deposits	2,483			2,483	2,422	61
Other short-term investments	239			239	–	239
Debt securities available-for-sale:						
U.S. government obligations	137	3	(1)	139	–	139
European government obligations	24	–	(1)	23	–	23
Other government obligations	2	–	–	2	–	2
Corporate	596	3	(1)	598	15	583
Equity securities available-for-sale	207	10	–	217	–	217
Total	5,221	16	(3)	5,234	3,970	1,264

($ in millions)	December 31, 2014 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 September 30, 2015, and December 31, 2014, are receivables of $230 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 September 30, 2015, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were $96 million, $16 million and $112 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 ($ in millions)	Total notional amounts September 30, 2015	December 31, 2014	September 30, 2014
Foreign exchange contracts	17,501	18,564	18,048
Embedded foreign exchange derivatives	3,138	3,013	2,884
Interest rate contracts	2,789	2,242	4,146

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		
		September 30, 2015	December 31, 2014	September 30, 2014
Copper swaps	metric tonnes	49,141	46,520	46,366
Aluminum swaps	metric tonnes	6,912	3,846	4,437
Nickel swaps	metric tonnes	–	–	6
Lead swaps	metric tonnes	15,850	6,550	8,050
Zinc swaps	metric tonnes	300	200	225
Silver swaps	ounces	1,566,590	1,996,845	1,747,507
Crude oil swaps	barrels	128,200	128,000	113,000

Equity derivatives

At September 30, 2015, December 31, 2014, and September 30, 2014, the Company held 56 million, 61 million and 63 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of $10 million, $33 million and $38 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 September 30, 2015, and December 31, 2014, "Accumulated other comprehensive loss" included net unrealized losses of $7 million and $21 million, respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at September 30, 2015, net losses of $2 million are expected to be reclassified to earnings in the following 12 months. At September 30, 2015, the longest maturity of a derivative classified as a cash flow hedge was 54 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 nine and three months ended September 30, 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	Nine months ended September 30, 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	(7)	Total revenues	(31)	Total revenues	–
		Total cost of sales	8	Total cost of sales	–
Commodity contracts	(6)	Total cost of sales	(7)	Total cost of sales	–
Cash-settled call options	(10)	SG&A expenses(1)	(6)	SG&A expenses(1)	–
Total	(23)		(36)		–

Type of derivative designated as a cash flow hedge	Nine months ended September 30, 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	(46)	Total revenues	(3)	Total revenues	–
		Total cost of sales	7	Total cost of sales	–
Commodity contracts	(4)	Total cost of sales	(2)	Total cost of sales	–
Cash-settled call options	(13)	SG&A expenses(1)	(5)	SG&A expenses(1)	–
Total	(63)		(3)		–

Type of derivative designated as a cash flow hedge	Three months ended September 30, 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	9	Total revenues	(7)	Total revenues	–
		Total cost of sales	3	Total cost of sales	–
Commodity contracts	(4)	Total cost of sales	(3)	Total cost of sales	–
Cash-settled call options	(3)	SG&A expenses[1]	(2)	SG&A expenses[1]	–
Total	2		(9)		–

Type of derivative designated as a cash flow hedge	Three months ended September 30, 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	(28)	Total revenues	(3)	Total revenues	–
		Total cost of sales	2	Total cost of sales	–
Commodity contracts	(2)	Total cost of sales	–	Total cost of sales	–
Cash-settled call options	5	SG&A expenses[1]	3	SG&A expenses[1]	–
Total	(25)		2		–

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

Net derivative losses of $28 million and $3 million, both net of tax, respectively, were reclassified from “Accumulated other comprehensive loss” to earnings during the nine months ended September 30, 2015 and 2014, respectively. During the three months ended September 30, 2015 and 2014, net derivative losses of $7 million and net derivative gains of $2 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 nine and three months ended September 30, 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	Nine months ended September 30, 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	30	Interest and other finance expense	(27)

Type of derivative designated as a fair value hedge	Nine months ended September 30, 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	50	Interest and other finance expense	(49)

Type of derivative designated as a fair value hedge	Three months ended September 30, 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	28	Interest and other finance expense	(28)

Type of derivative designated as a fair value hedge	Three months ended September 30, 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	(3)	Interest and other finance expense	3

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)	Location	Gains (losses) recognized in income			
		Nine months ended September 30,		Three months ended September 30,	
		2015	2014	2015	2014
Foreign exchange contracts	Total revenues	(226)	(280)	(273)	(183)
	Total cost of sales	56	(42)	128	(12)
	SG&A expenses[1]	9	(1)	–	(2)
	Non-order related research and development	(1)	–	1	–
	Interest and other finance expense	248	(193)	22	(166)
Embedded foreign exchange contracts	Total revenues	138	38	112	30
	Total cost of sales	(24)	(7)	(12)	(6)
	SG&A expenses[1]	(2)	–	(8)	–
Commodity contracts	Total cost of sales	(47)	(14)	(30)	(8)
	Interest and other finance expense	1	1	–	1
Interest rate contracts	Interest and other finance expense	(3)	(1)	(2)	(1)
Cash-settled call options	Interest and other finance expense	–	(1)	–	(1)
Total		149	(500)	(62)	(348)

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

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

($ in millions)	September 30, 2015			
	Derivative assets		Derivative liabilities	
	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	13	12	9	14
Commodity contracts	–	–	4	–
Interest rate contracts	–	115	–	–
Cash-settled call options	6	4	–	–
Total	19	131	13	14
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	191	29	276	87
Commodity contracts	2	–	31	8
Cross currency interest rate swaps	–	–	–	2
Embedded foreign exchange derivatives	122	67	37	23
Total	315	96	344	120
Total fair value	334	227	357	134

($ in millions)	December 31, 2014			
	Derivative assets		Derivative liabilities	
	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 September 30, 2015, and December 31, 2014, have been presented on a gross basis.

The Company's netting agreements and other similar arrangements allow net settlements under certain conditions. At September 30, 2015, and December 31, 2014, information related to these offsetting arrangements was as follows:

($ in millions)	September 30, 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	372	(244)	–	–	128
Reverse repurchase agreements	230	–	–	(230)	–
Total	602	(244)	–	(230)	128

($ in millions)	September 30, 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	431	(244)	(4)	–	183
Total	431	(244)	(4)	–	183

($ 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.

	September 30, 2015			
($ in millions)	Level 1	Level 2	Level 3	Total fair value
Assets				
Available-for-sale securities in “Cash and equivalents”:				
Debt securities—Corporate	–	15	–	15
Available-for-sale securities in “Marketable securities and short-term investments”:				
Equity securities	–	217	–	217
Debt securities—U.S. government obligations	139	–	–	139
Debt securities—European government obligations	23	–	–	23
Debt securities—Other government obligations	–	2	–	2
Debt securities—Corporate	–	583	–	583
Derivative assets—current in “Other current assets”	–	334	–	334
Derivative assets—non-current in “Other non-current assets”	–	227	–	227
Total	162	1,378	–	1,540
Liabilities				
Derivative liabilities—current in “Other current liabilities”	5	352	–	357
Derivative liabilities—non-current in “Other non-current liabilities”	–	134	–	134
Total	5	486	–	491

($ in millions)	December 31, 2014 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 nine and three months ended September 30, 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:

($ in millions)	Carrying value	September 30, 2015 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	1,533	1,533	–	–	1,533
Time deposits	2,422	–	2,422	–	2,422
Marketable securities and short-term investments (excluding available-for-sale securities):					
Time deposits	61	–	61	–	61
Receivables under reverse repurchase agreements	230	–	230	–	230
Other short-term investments	9	9	–	–	9
Other non-current assets:					
Loans granted	32	–	33	–	33
Held-to-maturity securities	96	–	112	–	112
Restricted cash deposits	180	59	138	–	197
Liabilities					
Short-term debt and current maturities of long-term debt (excluding capital lease obligations)	968	127	841	–	968
Long-term debt (excluding capital lease obligations)	6,471	5,862	760	–	6,622
Non-current deposit liabilities in “Other non-current liabilities”	212	–	248	–	248

	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)	September 30, 2015	December 31, 2014
Other provisions	32	37
Other non-current liabilities	91	109
Total	123	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 September 30, 2015, and December 31, 2014, the Company had aggregate liabilities of $151 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)	September 30, 2015	December 31, 2014
Performance guarantees	220	232
Financial guarantees	79	72
Indemnification guarantees	50	50
Total	349	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 September 30, 2015, and December 31, 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. The significant performance guarantees are described below.

The Company retained obligations for guarantees related to the Power Generation business contributed in mid-1999 to the former ABB Alstom Power NV joint venture (Alstom Power NV). The guarantees primarily consist of performance guarantees and other miscellaneous guarantees under certain contracts such as indemnification for personal injuries and property damages, taxes and compliance with labor laws, environmental laws and patents. These guarantees have no fixed expiration date. In May 2000, the Company sold its interest in Alstom Power NV to Alstom SA (Alstom). As a result, Alstom and its subsidiaries have primary responsibility for performing the obligations that are the subject of the guarantees. Further, Alstom, the parent company, and Alstom Power NV, have undertaken jointly and severally to fully indemnify and hold harmless the Company against any claims arising under such guarantees. Management's best estimate of the total maximum potential amount payable of quantifiable guarantees issued by the Company on behalf of its former Power Generation business was $65 million at both September 30, 2015, and December 31, 2014. The Company has not experienced any losses related to guarantees issued on behalf of the former Power Generation business.

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 September 30, 2015, and December 31, 2014, the maximum potential amount payable under these guarantees as a result of third-party non-performance was $147 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 September 30, 2015, and December 31, 2014, the Company had a maximum potential amount payable of $79 million and $72 million, respectively, under financial guarantees outstanding. Of these amounts, $17 million and $12 million at September 30, 2015, and December 31, 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 nine and three months ended September 30, 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. The significant indemnification guarantees for which maximum potential losses could be calculated are described below.

The Company issued to the purchasers of Lummus Global guarantees related to assets and liabilities divested in 2007. The maximum potential amount payable relating to this business, pursuant to the sales agreement, at each of September 30, 2015, and December 31, 2014, was $50 million.

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	(191)	(211)
Net increase in provision for changes in estimates, warranties issued and warranties expired	170	118
Exchange rate differences	(60)	(80)
Balance at September 30,	1,067	1,200

Note 8
Employee benefits

The Company operates defined benefit and 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 and several of the plans are not required to be funded according to 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	
Nine months ended September 30,	2015	2014	2015	2014
Service cost	203	179	1	1
Interest cost	231	299	6	7
Expected return on plan assets	(345)	(356)	–	–
Amortization of prior service cost (credit)	28	20	(6)	(6)
Amortization of net actuarial loss	95	73	1	–
Curtailments, settlements and special termination benefits	1	1	–	–
Net periodic benefit cost	213	216	2	2

($ in millions)	Defined pension benefits		Other postretirement benefits	
Three months ended September 30,	2015	2014	2015	2014
Service cost	66	54	–	–
Interest cost	76	91	2	2
Expected return on plan assets	(112)	(110)	–	–
Amortization of prior service cost (credit)	9	6	(2)	(2)
Amortization of net actuarial loss	40	25	–	–
Curtailments, settlements and special termination benefits	1	–	–	–
Net periodic benefit cost	80	66	–	–

Employer contributions were as follows:

($ in millions)	Defined pension benefits		Other postretirement benefits	
Nine months ended September 30,	2015	2014	2015	2014
Total contributions to defined benefit pension and other postretirement benefit plans	155	243	11	10
Of which, discretionary contributions to defined benefit pension plans	10	75	–	–

($ in millions)	Defined pension benefits		Other postretirement benefits	
Three months ended September 30,	2015	2014	2015	2014
Total contributions to defined benefit pension and other postretirement benefit plans	56	43	4	3
Of which, discretionary contributions to defined benefit pension plans	10	–	–	–

During the nine months ended September 30, 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 $226 million and $16 million to its defined benefit pension plans and other postretirement benefit plans, respectively, for the full year 2015.

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 nine months ended September 30, 2015, under the announced share buyback program, the Company purchased 40.290 million shares for cancellation and 8.700 million shares to support its employee share programs, of which 4.860 million shares were purchased for cancellation in the three months ended September 30, 2015 (no shares were purchased for employee share programs in the third quarter of 2015). In the nine and three months ended September 30, 2015, these transactions resulted in an increase in Treasury stock of $1,047 million and $95 million, respectively.

As of September 30, 2015, under this program, the Company has purchased a total of 66.270 million shares for cancellation and 15.450 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

	Nine months ended September 30,		Three months ended September 30,	
($ in millions, except per share data in $)	2015	2014	2015	2014
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,727	1,904	577	722
Income from discontinued operations, net of tax	2	10	–	12
Net income	1,729	1,914	577	734
Weighted-average number of shares outstanding (in millions)	2,234	2,295	2,219	2,290
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.77	0.83	0.26	0.32
Income from discontinued operations, net of tax	–	–	–	–
Net income	0.77	0.83	0.26	0.32

Diluted earnings per share

	Nine months ended September 30,		Three months ended September 30,	
($ in millions, except per share data in $)	2015	2014	2015	2014
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,727	1,904	577	722
Income from discontinued operations, net of tax	2	10	–	12
Net income	1,729	1,914	577	734
Weighted-average number of shares outstanding (in millions)	2,234	2,295	2,219	2,290
Effect of dilutive securities:				
Call options and shares	5	7	4	6
Adjusted weighted-average number of shares outstanding (in millions)	2,239	2,302	2,223	2,296
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.77	0.83	0.26	0.31
Income from discontinued operations, net of tax	–	–	–	0.01
Net income	0.77	0.83	0.26	0.32

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	(1,120)	(10)	73	(50)	(1,107)
Amounts reclassified from OCI	–	(2)	69	3	70
Total other comprehensive (loss) income	(1,120)	(12)	142	(47)	(1,037)
Less:					
Amounts attributable to noncontrolling interests	(10)	–	–	–	(10)
Balance at September 30, 2014	(1,541)	(5)	(1,468)	(25)	(3,039)

($ 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, 2015	(2,102)	13	(2,131)	(21)	(4,241)
Other comprehensive (loss) income before reclassifications	(844)	(3)	91	(14)	(770)
Amounts reclassified from OCI	–	1	88	28	117
Total other comprehensive (loss) income	(844)	(2)	179	14	(653)
Less:					
Amounts attributable to noncontrolling interests	(13)	–	–	–	(13)
Balance at September 30, 2015	(2,933)	11	(1,952)	(7)	(4,881)

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) Details about OCI components	Location of (gains) losses reclassified from OCI	Nine months ended September 30, 2015	2014	Three months ended September 30, 2015	2014
Pension and other postretirement plan adjustments:					
Amortization of prior service cost	Net periodic benefit cost(1)	22	14	7	4
Amortization of net actuarial loss	Net periodic benefit cost(1)	96	73	40	25
Total before tax		118	87	47	29
Tax	Provision for taxes	(30)	(18)	(14)	(2)
Amounts reclassified from OCI		88	69	33	27
Unrealized gains (losses) of cash flow hedge derivatives:					
Foreign exchange contracts	Total revenues	31	3	7	3
	Total cost of sales	(8)	(7)	(3)	(2)
Commodity contracts	Total cost of sales	7	2	3	–
Cash-settled call options	SG&A expenses(2)	6	5	2	(3)
Total before tax		36	3	9	(2)
Tax	Provision for taxes	(8)	–	(2)	–
Amounts reclassified from OCI		28	3	7	(2)

(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 nine and three months ended September 30, 2015 and 2014.

Note 12
Restructuring and related expenses

White Collar Productivity (WCP) 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 total restructuring and related expenses of the program are estimated to be between $850 million and $900 million.

In the three months ended September 30, 2015, the restructuring and related expenses incurred by the Company under this program were not significant.

Other restructuring-related activities

The Company executed other minor restructuring-related activities and incurred charges, which were not significant in the nine and three months ended September 30, 2015 and 2014.

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 nine and three months ended September 30, 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 nine and three months ended September 30, 2015 and 2014, as well as total assets at September 30, 2015, and December 31, 2014.

	Nine months ended September 30, 2015			Nine months ended September 30, 2014		
($ in millions)	Third-party revenues	Intersegment revenues	Total revenues	Third-party revenues	Intersegment revenues	Total revenues
Discrete Automation and Motion	6,383	456	6,839	6,943	616	7,559
Low Voltage Products	4,672	251	4,923	5,428	311	5,739
Process Automation	4,600	100	4,700	5,705	149	5,854
Power Products	6,120	886	7,006	6,393	1,115	7,508
Power Systems	4,424	163	4,587	4,803	252	5,055
Corporate and Other	40	1,112	1,152	212	1,220	1,432
Intersegment elimination	–	(2,968)	(2,968)	–	(3,663)	(3,663)
Consolidated	26,239	–	26,239	29,484	–	29,484

	Three months ended September 30, 2015			Three months ended September 30, 2014		
($ in millions)	Third-party revenues	Intersegment revenues	Total revenues	Third-party revenues	Intersegment revenues	Total revenues
Discrete Automation and Motion	2,050	170	2,220	2,419	216	2,635
Low Voltage Products	1,555	82	1,637	1,817	104	1,921
Process Automation	1,431	30	1,461	1,852	47	1,899
Power Products	2,045	287	2,332	2,133	322	2,455
Power Systems	1,428	53	1,481	1,568	69	1,637
Corporate and Other	10	359	369	34	388	422
Intersegment elimination	–	(981)	(981)	–	(1,146)	(1,146)
Consolidated	8,519	–	8,519	9,823	–	9,823

($ in millions)	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Three months ended September 30, 2015	Three months ended September 30, 2014
Operational EBITA:				
Discrete Automation and Motion	992	1,186	335	435
Low Voltage Products	828	934	296	314
Process Automation	554	695	158	221
Power Products	849	959	295	312
Power Systems	144	(122)	69	(11)
Corporate and Other and Intersegment elimination	(279)	(330)	(72)	(82)
Consolidated Operational EBITA	3,088	3,322	1,081	1,189
Acquisition-related amortization	(237)	(290)	(74)	(93)
Restructuring and restructuring-related expenses	(130)	(142)	(46)	(55)
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	(57)	360	(7)	257
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	80	(201)	(64)	(112)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(50)	(20)	(22)	(30)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	8	100	14	66
Income from operations	2,702	3,129	882	1,222
Interest and dividend income	56	57	18	19
Interest and other finance expense	(223)	(255)	(64)	(83)
Income from continuing operations before taxes	2,535	2,931	836	1,158

($ in millions)	Total assets[(1)] September 30, 2015	Total assets[(1)] December 31, 2014
Discrete Automation and Motion	9,671	10,123
Low Voltage Products	7,699	7,978
Process Automation	3,985	4,268
Power Products	7,188	7,396
Power Systems	6,351	6,855
Corporate and Other	6,874	8,232
Consolidated	41,768	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 will operate with four segments, namely Discrete Automation and Motion, Electrification Products, Process Automation and Power Grids.

The Discrete Automation and Motion segment will remain unchanged except that it will exclude the Programmable Logic Controller business which will be transferred to the Process Automation segment.

The new Electrification Products segment will include the combined businesses of the existing Low Voltage Products segment and the Medium Voltage Products business, currently included in the Power Products segment.

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

The new Power Grids segment will include the remaining businesses of the existing Power Products and Power Systems segments, excluding the components 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 nine and three months ended September 30, 2015.

Like-for-like growth rates

Growth rates for certain key figures may be presented and discussed on a "like-for-like" basis. The like-for-like 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.

Like-for-like 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 like-for-like 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 of certain key figures to their respective like-for-like growth rate.

Divisional like-for-like growth rate reconciliation

	Q3 2015 compared to Q3 2014							
	Order growth rate				Revenue growth rate			
Division	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like
Discrete Automation and Motion	-17%	8%	0%	-9%	-16%	9%	0%	-7%
Low Voltage Products	-14%	11%	3%	0%	-15%	11%	1%	-3%
Process Automation	-48%	8%	1%	-39%	-23%	12%	3%	-8%
Power Products	-10%	10%	0%	0%	-5%	11%	0%	6%
Power Systems	-22%	11%	0%	-11%	-10%	13%	0%	3%
ABB Group	-22%	10%	0%	-12%	-13%	10%	1%	-2%

	9M 2015 compared to 9M 2014							
	Order growth rate				Revenue growth rate			
Division	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like
Discrete Automation and Motion	-12%	9%	0%	-3%	-10%	9%	0%	-1%
Low Voltage Products	-13%	10%	5%	2%	-14%	10%	5%	1%
Process Automation	-27%	11%	2%	-14%	-20%	12%	3%	-5%
Power Products	-7%	9%	0%	2%	-7%	10%	0%	3%
Power Systems	0%	16%	0%	16%	-9%	13%	0%	4%
ABB Group	-12%	10%	2%	0%	-11%	10%	2%	1%

Regional like-for-like growth rate reconciliation

	Q3 2015 compared to Q3 2014							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like
Europe	-28%	15%	0%	-13%	-14%	17%	1%	4%
The Americas	-10%	7%	2%	-1%	-10%	7%	2%	-1%
Asia, Middle East and Africa	-24%	6%	0%	-18%	-15%	7%	1%	-7%
ABB Group	-22%	10%	0%	-12%	-13%	10%	1%	-2%

Region	9M 2015 compared to 9M 2014							
	Order growth rate				Revenue growth rate			
	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like
Europe	-14%	19%	2%	7%	-17%	18%	1%	2%
The Americas	-14%	6%	3%	-5%	-7%	6%	4%	3%
Asia, Middle East and Africa	-10%	6%	0%	-4%	-9%	7%	1%	-1%
ABB Group	-12%	10%	2%	0%	-11%	10%	2%	1%

Order backlog growth rate reconciliation

Division	September 30, 2015 compared to September 30, 2014			
	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like
Discrete Automation and Motion	-3%	8%	0%	5%
Low Voltage Products	-3%	12%	0%	9%
Process Automation	-13%	12%	1%	0%
Power Products	-4%	9%	0%	5%
Power Systems	-5%	11%	0%	6%
ABB Group	-6%	10%	0%	4%

Operational EBITA growth rate reconciliation

Division	Q3 2015 compared to Q3 2014				9M 2015 compared to 9M 2014			
	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like
Discrete Automation and Motion	-23%	6%	0%	-17%	-16%	8%	0%	-8%
Low Voltage Products	-6%	11%	-1%	4%	-11%	11%	4%	4%
Process Automation	-29%	8%	2%	-19%	-20%	8%	3%	-9%
Power Products	-5%	8%	0%	3%	-11%	8%	0%	-3%
Power Systems	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ABB Group	-9%	8%	0%	-1%	-7%	9%	2%	4%

Other growth rate reconciliations

	Q3 2015 compared to Q3 2014				9M 2015 compared to 9M 2014			
	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like	US$ (as reported)	Foreign exchange impact	Acquisitions and divestments	Like-for-like
Large orders	-46%	8%	0%	-38%	-8%	15%	0%	7%
Base orders	-14%	10%	1%	-3%	-13%	9%	2%	-2%
Service orders	-17%	11%	2%	-4%	-14%	11%	3%	0%
Service revenues	-11%	12%	4%	5%	-8%	11%	4%	7%

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

	Nine months ended September 30, 2015						
($ in millions, unless otherwise indicated)	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	6,839	4,923	4,700	7,006	4,587	(1,816)	26,239
Foreign exchange/commodity timing differences in total revenues							
Unrealized gains and losses on derivatives	20	(12)	6	(20)	(47)	(1)	(54)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(28)	2	24	30	35	–	63
Unrealized foreign exchange movements on receivables (and related assets)	8	3	(21)	(8)	(15)	–	(33)
Operational revenues	6,839	4,916	4,709	7,008	4,560	(1,817)	26,215
Income (loss) from operations	857	756	508	824	65	(308)	2,702
Acquisition-related amortization	96	76	9	7	35	14	237
Restructuring and restructuring-related expenses	44	13	24	30	16	3	130
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	–	–	11	3	34	9	57
Foreign exchange/commodity timing differences in income from operations:							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	9	(19)	(1)	(40)	(32)	3	(80)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(26)	2	13	31	30	–	50
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	12	–	(10)	(6)	(4)	–	(8)
Operational EBITA	992	828	554	849	144	(279)	3,088
Operational EBITA margin (%)	14.5%	16.8%	11.8%	12.1%	3.2%	n.a.	11.8%

($ in millions, unless otherwise indicated)	Nine months ended September 30, 2014						
	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	7,559	5,739	5,854	7,508	5,055	(2,231)	29,484
Foreign exchange/commodity timing differences in total revenues							
Unrealized gains and losses on derivatives	1	17	(3)	28	139	–	182
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	–	2	2	26	–	28
Unrealized foreign exchange movements on receivables (and related assets)	(7)	(6)	(5)	(11)	(34)	–	(63)
Operational revenues	7,551	5,750	5,848	7,527	5,186	(2,231)	29,631
Income (loss) from operations	1,065	1,208	650	874	(313)	(355)	3,129
Acquisition-related amortization	104	87	11	14	58	16	290
Restructuring and restructuring-related expenses	14	29	26	35	34	4	142
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	–	(395)	9	10	10	6	(360)
Foreign exchange/commodity timing differences in income from operations:							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	14	12	8	48	116	3	201
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	–	3	5	14	–	20
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(9)	(7)	(12)	(27)	(41)	(4)	(100)
Operational EBITA	1,186	934	695	959	(122)	(330)	3,322
Operational EBITA margin (%)	15.7%	16.2%	11.9%	12.7%	-2.4%	n.a.	11.2%

	Three months ended September 30, 2015						
($ in millions, unless otherwise indicated)	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	2,220	1,637	1,461	2,332	1,481	(612)	8,519
Foreign exchange/commodity timing differences in total revenues							
Unrealized gains and losses on derivatives	41	(3)	32	25	25	1	121
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	2	10	9	4	–	26
Unrealized foreign exchange movements on receivables (and related assets)	(5)	(1)	(5)	(7)	(16)	–	(34)
Operational revenues	2,257	1,635	1,498	2,359	1,494	(611)	8,632
Income (loss) from operations	264	276	129	284	26	(97)	882
Acquisition-related amortization	31	25	3	2	8	5	74
Restructuring and restructuring-related expenses	16	6	3	10	8	3	46
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	–	(1)	–	1	3	4	7
Foreign exchange/commodity timing differences in income from operations:							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	26	(14)	16	(6)	25	17	64
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	2	6	7	4	–	22
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(5)	2	1	(3)	(5)	(4)	(14)
Operational EBITA	335	296	158	295	69	(72)	1,081
Operational EBITA margin (%)	14.8%	18.1%	10.5%	12.5%	4.6%	n.a.	12.5%

	Three months ended September 30, 2014						
($ in millions, unless otherwise indicated)	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	2,635	1,921	1,899	2,455	1,637	(724)	9,823
Foreign exchange/commodity timing differences in total revenues							
Unrealized gains and losses on derivatives	6	13	2	31	54	1	107
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	–	4	2	26	–	31
Unrealized foreign exchange movements on receivables (and related assets)	(3)	(5)	(13)	(11)	(20)	–	(52)
Operational revenues	2,637	1,929	1,892	2,477	1,697	(723)	9,909
Income (loss) from operations	390	552	214	283	(121)	(96)	1,222
Acquisition-related amortization	35	24	4	4	22	4	93
Restructuring and restructuring-related expenses	–	17	2	12	21	3	55
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	1	(291)	6	(1)	18	10	(257)
Foreign exchange/commodity timing differences in income from operations:							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	13	15	2	32	48	2	112
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	4	3	23	–	30
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(4)	(3)	(11)	(21)	(22)	(5)	(66)
Operational EBITA	435	314	221	312	(11)	(82)	1,189
Operational EBITA margin (%)	16.5%	16.3%	11.7%	12.6%	-0.6%	n.a.	12.0%

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 the provision for income taxes by income from continuing operations before taxes. The calculation excludes the amount of gains and losses from sale of businesses and the related provision for income taxes.

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 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

	Nine months ended September 30,			
($ in millions, except per share data in $)	2015		2014	
		EPS[1]		EPS[1]
Net income (attributable to ABB)	1,729	0.77	1,914	0.83
Restructuring and restructuring-related expenses[2]	93	0.04	102	0.04
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items[3]	51	0.02	(145)	(0.06)
FX/commodity timing differences in income from operations[2]	(27)	(0.01)	88	0.04
Acquisition-related amortization[2]	170	0.08	208	0.09
Operational net income	2,016	0.90	2,167	0.94
Constant currency Operational EPS adjustment		0.09		–
Operational EPS (constant currency basis)		0.99		0.94

	Three months ended September 30,			
($ in millions, except per share data in $)	2015		2014	
		EPS[1]		EPS[1]
Net income (attributable to ABB)	577	0.26	734	0.32
Restructuring and restructuring-related expenses[2]	32	0.01	40	0.02
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items[3]	5	–	(103)	(0.04)
FX/commodity timing differences in income from operations[2]	51	0.02	56	0.02
Acquisition-related amortization[2]	54	0.02	68	0.03
Operational net income	719	0.32	795	0.35
Constant currency Operational EPS adjustment		0.03		–
Operational EPS (constant currency basis)		0.35		0.35

[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] Net of tax at the Adjusted Group effective tax rate, except for gains and losses from sale of businesses 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

($ in millions)	September 30, 2015	December 31, 2014
Short-term debt and current maturities of long-term debt	986	353
Long-term debt	6,571	7,312
Total debt	7,557	7,665
Cash and equivalents	3,970	5,443
Marketable securities and short-term investments	1,264	1,325
Cash and marketable securities	5,234	6,768
Net debt / (Net cash)	2,323	897

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

($ in millions, unless otherwise indicated)	September 30, 2015	September 30, 2014
Net working capital:		
Receivables, net	10,564	11,788
Inventories, net	5,410	5,961
Prepaid expenses	286	307
Accounts payable, trade	(4,405)	(4,820)
Billings in excess of sales	(1,440)	(1,560)
Advances from customers	(1,497)	(1,628)
Other current liabilities[(1)]	(3,103)	(3,380)
Net working capital in assets and liabilities held for sale	–	(8)
Net working capital	5,815	6,660
Total revenues for the three months ended:		
September 30, 2015 / 2014	8,519	9,823
June 30, 2015 / 2014	9,165	10,190
March 31, 2015 / 2014	8,555	9,471
December 31, 2014 / 2013	10,346	11,373
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	(64)	(633)
Adjusted revenues for the trailing twelve months	36,521	40,224
Net working capital as a percentage of revenues (%)	16%	17%

[(1)] Amounts exclude $802 million and $1,260 million at September 30, 2015 and 2014, 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).

Free cash flow for the trailing twelve months
Free cash flow for the trailing twelve months includes free cash flow recorded by ABB in the twelve months preceding the relevant balance sheet date.

Net income for the trailing twelve months
Net income for the trailing twelve months includes net income recorded by ABB in the twelve months preceding the relevant balance sheet date.

Reconciliation of the trailing twelve months to September 30, 2015

($ in millions, unless otherwise indicated)	Net cash provided by operating activities	Purchase of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Changes in financing receivables and other non-current receivables	Net income attributable to ABB
Q4 2014	1,833	(384)	7	1	680
Q1 2015	53	(176)	6	–	564
Q2 2015	598	(182)	18	11	588
Q3 2015	1,173	(189)	20	(5)	577
Total for the trailing twelve months to September 30, 2015	3,657	(931)	51	7	2,409

Free cash flow conversion to net income

($ in millions, unless otherwise indicated)	September 30, 2015	December 31, 2014
Net cash provided by operating activities	3,657	3,845
Adjusted for the effects of:		
Purchases of property, plant and equipment and intangible assets	(931)	(1,026)
Proceeds from sale of property, plant and equipment	51	33
Changes in financing receivables and other non-current receivables	7	5
Free cash flow	2,784	2,857
Net income attributable to ABB	2,409	2,594
Free cash flow conversion to net income	116%	110%

Finance net

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

Reconciliation

	Nine months ended September 30,		Three months ended September 30,	
($ in millions)	2015	2014	2015	2014
Interest and dividend income	56	57	18	19
Interest and other finance expense	(223)	(255)	(64)	(83)
Finance net	(167)	(198)	(46)	(64)

Book-to-bill ratio

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

Reconciliation

	Nine months ended September 30,		Three months ended September 30,	
($ in millions, unless otherwise indicated)	2015	2014	2015	2014
Orders received	28,167	32,150	8,767	11,225
Total revenues	26,239	29,484	8,519	9,823
Book-to-bill ratio	1.07	1.09	1.03	1.14

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