

GTX CORP  
Form 4  
April 13, 2015

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Bertagna Patrick

(Last) (First) (Middle)  
117 W. 9TH STREET, #1214  
(Street)

LOS ANGELES, CA 90015

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
GTX CORP [GTXO]

3. Date of Earliest Transaction (Month/Day/Year)  
12/12/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
Chief Executive Officer

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	12/12/2014		A		1,500,000	A	\$ 0.01
							19,562,045 (2)
Common Stock	02/06/2015		A		250,000	A	\$ 0.01
							19,812,045 (1)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Deriv Secur Bene Own Follo Repo Trans (Instr
						Date Exercisable	Expiration Date	Title	Amount or Number of Shares
						Code	V	(A)	(D)

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Bertagna Patrick 117 W. 9TH STREET #1214 LOS ANGELES, CA 90015	X		Chief Executive Officer	

## Signatures

Patrick Bertagna                      04/13/2015  
 \_\_Signature of                      Date  
 Reporting Person

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Issued as compensation for attendance of the 2015 Board of Directors Meeting
- (2) Shares issued as payment of accrued wages.

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

(\$ in millions)

Dec. 31

**Total comprehensive income (loss), net of tax**

Total comprehensive income attributable to noncontrolling interests, net of tax

**Total comprehensive income (loss) attributable to ABB shareholders, net of tax**

See Notes to the Interim Consolidated Financial Information

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ABB Ltd Interim Consolidated Balance Sheets (unaudited)

(\$ in millions, except share data)

Cash and equivalents  
Marketable securities and short-term investments  
Receivables, net  
Inventories, net  
Prepaid expenses  
Deferred taxes  
Other current assets  
Assets held for sale  
**Total current assets**

Property, plant and equipment, net  
Goodwill  
Other intangible assets, net  
Prepaid pension and other employee benefits  
Investments in equity-accounted companies  
Deferred taxes  
Other non-current assets  
**Total assets**

Accounts payable, trade  
Billings in excess of sales  
Short-term debt and current maturities of long-term debt  
Advances from customers  
Deferred taxes  
Provisions for warranties  
Other provisions  
Other current liabilities  
Liabilities held for sale  
**Total current liabilities**

Long-term debt  
Pension and other employee benefits  
Deferred taxes  
Other non-current liabilities  
**Total liabilities**

Commitments and contingencies

**Stockholders' equity:**

Capital stock and additional paid-in capital  
(2,214,743,264 and 2,314,743,264 issued shares at December 31, 2016 and 2015, respectively)  
Retained earnings  
Accumulated other comprehensive loss  
Treasury stock, at cost

(76,036,429 and 123,118,123 shares at December 31, 2016 and 2015, respectively)

**Total ABB stockholders' equity**

Noncontrolling interests

**Total stockholders' equity**

**Total liabilities and stockholders' equity**

See Notes to the Interim Consolidated Financial Information

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 ABB Ltd Interim Consolidated Statements of Cash Flows (unaudited)

(\$ in millions)

Dec.

**Operating activities:**

Net income

**Adjustments to reconcile net income to net cash provided by operating activities:**

Depreciation and amortization

Deferred taxes

Net loss (gain) from derivatives and foreign exchange

Net loss (gain) from sale of property, plant and equipment

Net loss (gain) from sale of businesses

Share-based payment arrangements

Other

**Changes in operating assets and liabilities:**

Trade receivables, net

Inventories, net

Trade payables

Accrued liabilities

Billings in excess of sales

Provisions, net

Advances from customers

Income taxes payable and receivable

Other assets and liabilities, net

**Net cash provided by operating activities**

**Investing activities:**

Purchases of marketable securities (available-for-sale)

Purchases of short-term investments

Purchases of property, plant and equipment and intangible assets

Acquisition of businesses (net of cash acquired)

and increases in cost- and equity-accounted companies

Proceeds from sales of marketable securities (available-for-sale)

Proceeds from maturity of marketable securities (available-for-sale)

Proceeds from short-term investments

Proceeds from sales of property, plant and equipment

Proceeds from sales of businesses (net of transaction costs  
 and cash disposed) and cost- and equity-accounted companies

Net cash from settlement of foreign currency derivatives

Other investing activities

**Net cash used in investing activities**

**Financing activities:**

Net changes in debt with original maturities of 90 days or less

Increase in debt

Repayment of debt

Delivery of shares

Purchase of treasury stock  
Dividends paid  
Reduction in nominal value of common shares paid to shareholders  
Dividends paid to noncontrolling shareholders  
Other financing activities

**Net cash used in financing activities**

Effects of exchange rate changes on cash and equivalents

**Net change in cash and equivalents – continuing operations**

Cash and equivalents, beginning of period

**Cash and equivalents, end of period**

**Supplementary disclosure of cash flow information:**

Interest paid  
Taxes paid

See Notes to the Interim Consolidated Financial Information

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

(\$ in millions)	Capital stock and additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Accumulated other comp Unrealized gains (losses) on available-for-sale securities	Pension and other post- retirement plan adjustment
<b>Balance at January 1, 2015</b>	<b>1,777</b>	<b>19,939</b>	<b>(2,102)</b>	<b>13</b>	<b>(2,133)</b>
Comprehensive income:					
Net income		1,933			
Foreign currency translation adjustments, net of tax of \$(47)			(1,033)		
Effect of change in fair value of available-for-sale securities, net of tax of \$(1)				(6)	
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$140					41
Change in derivatives qualifying as cash flow hedges, net of tax of \$3					
<b>Total comprehensive income</b>					
Changes in noncontrolling interests	(30)	(25)			
Dividends paid to noncontrolling shareholders					
Dividends paid		(1,317)			
Reduction in nominal value of common shares paid to shareholders	(349)	(54)			
Share-based payment arrangements	61				
Purchase of treasury stock					
Delivery of shares	(19)				
Call options	4				
<b>Balance at December 31, 2015</b>	<b>1,444</b>	<b>20,476</b>	<b>(3,135)</b>	<b>7</b>	<b>(1,719)</b>
<b>Balance at January 1, 2016</b>	<b>1,444</b>	<b>20,476</b>	<b>(3,135)</b>	<b>7</b>	<b>(1,719)</b>
Comprehensive income:					
Net income		1,963			
Foreign currency translation adjustments, net of tax of \$12			(457)		
Effect of change in fair value of available-for-sale securities, net of tax of \$0					—

Unrecognized income (expense)  
related to pensions and other  
postretirement plans,  
net of tax of \$24

Change in derivatives qualifying as  
cash flow hedges, net of tax of \$4

**Total comprehensive income**

Changes in noncontrolling interests

Dividends paid to  
noncontrolling shareholders

Reduction in nominal value of common  
shares paid to shareholders (1,224) (402)

Cancellation of treasury shares (40) (2,007)

Share-based payment arrangements 54

Purchase of treasury stock

Delivery of shares (22) (41)

Call options 4

**Balance at December 31, 2016 216 19,989 (3,592) 7 (1,600)**

See Notes to the Interim Consolidated Financial Information

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Notes to the Interim Consolidated Financial Information (unaudited)

<p><b>Note 1</b></p> <p><b>The Company and basis of presentation</b></p>	<p>ABB Ltd and its subsidiaries (collectively, the Company) together form a pioneering technology leader in electrification products, robotics and motion, industrial automation and power grids serving customers in utilities, industry and transport &amp; infrastructure globally.</p> <p>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, 2015.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• estimates used to record expected costs for employee severance in connection with restructuring programs,</li> <li>• estimates used to record warranty obligations,</li> <li>• assumptions and projections, principally related to future material, labor and project related overhead costs, used in determining the percentage of completion on projects,</li> </ul>
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- 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,
- estimates to determine valuation allowances for deferred tax assets and amounts recorded for uncertain tax positions,
- growth rates, discount rates and other assumptions used to determine impairment of long lived assets and 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, 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 September 2016, the Company announced an agreement to divest its high-voltage cable system business (Cables business). The assets and liabilities of this business are shown as assets and liabilities held for sale in the Company's Interim Consolidated Balance Sheet at December 31, 2016.

	<p>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.</p> <p>The Interim Consolidated Financial Information is presented in United States dollars (\$) unless otherwise stated. Certain amounts reported in the Interim Consolidated Financial Information for prior periods have been reclassified to conform to the current year's presentation. These changes primarily relate to the change in the definition of segment profit and the reorganization of the Company's operating segments (see Note 13).</p>
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<b>Note 2</b>	
<b>Recent accounting pronouncements</b>	
Applicable for current periods	<p><b>Disclosures for investments in certain entities that calculate net asset value per share (or its equivalent)</b></p> <p>As of January 1, 2016, the Company adopted an accounting standard update regarding fair value disclosures for certain investments. Under the update, the Company is no longer required to categorize within the fair value hierarchy any investments for which fair value is measured using the net asset value per share practical expedient. The amendments also removed 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 was applied retrospectively and did not have a significant impact on the consolidated financial statements.</p>

	<p><b>Simplifying the measurement of inventory</b></p> <p>As of January 1, 2016, the Company early-adopted an accounting standard update simplifying 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 methods. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The update was applied prospectively and did not have a significant impact on the consolidated financial statements.</p>
Applicable for future periods	<p><b>Revenue from contracts with customers</b></p> <p>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. Further updates were issued in 2016 to clarify the guidance on identifying performance obligations, licensing and contract costs, to enhance the implementation guidance on principal versus agent considerations and to add other practical expedients.</p> <p>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</p>

permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

The Company currently plans to adopt these updates as of January 1, 2018, pursuant to the aforementioned adoption method (ii) and currently does not anticipate these updates will have a significant impact on its consolidated financial statements. The Company's analysis of contracts performed in 2016 resulted in immaterial differences in the identification of performance obligations compared to the current unit of accounting determination. Except for a limited number of contracts where the required criteria are not met, the analysis supports the recognition of revenue over time following the cost-to-cost method under the new revenue recognition standard for those contracts which are following the cost-to-cost method under the current revenue recognition model. The Company continues to evaluate the expected impacts of the adoption of these updates and the expected impacts are subject to change.

#### **Balance sheet classification of deferred taxes**

In November 2015, an accounting standard update was issued which removes the requirement to separate deferred tax liabilities and assets into current and noncurrent amounts and instead requires all such amounts, as well as any related valuation allowance, to be classified as noncurrent in the balance sheet. This update is effective for the Company for annual and interim periods beginning January 1, 2017, with early adoption permitted, and is applicable either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company will adopt this update as of January 1, 2017, on a retrospective basis and expects the balance of deferred tax assets and liabilities to decrease by approximately \$300 million due to additional netting impacts.

#### **Recognition and measurement of financial assets and financial liabilities**

In January 2016, an accounting standard update was issued to enhance the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. For example, the Company would be required to measure equity investments (except those accounted for under the equity method) at fair value

with changes in fair value recognized in net income and to present separately financial assets and financial liabilities by measurement category and form of financial asset. This update is effective for the Company for annual and interim periods beginning January 1, 2018, with early adoption permitted for certain provisions. The Company is currently evaluating the impact of this update on its consolidated financial statements.

### **Leases**

In February 2016, an accounting standard update was issued that requires lessees to recognize lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of more than 12 months. The update, which supersedes existing lease guidance, will continue to classify leases as either finance or operating, with the classification determining the pattern of expense recognition in the income statement. This update is effective for the Company for annual and interim periods beginning January 1, 2019, with early adoption permitted, and is applicable on a modified retrospective basis with various optional practical expedients. The Company is currently evaluating the impact of this update on its consolidated financial statements.

### **Simplifying the transition to the equity method of accounting**

In March 2016, an accounting standard update was issued which eliminates the retroactive adjustments to an investment upon it qualifying for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence by the investor. It requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment qualifies for equity method accounting. 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 does not believe that this update will have a significant impact on its consolidated financial statements.

**Improvements to employee share-based payment accounting**

In March 2016, an accounting standard update was issued which changes the accounting for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as the classification in the statement of cash flows. This update is effective for the Company for annual and interim periods beginning January 1, 2017, with early adoption permitted. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

**Measurement of credit losses on financial instruments**

In June 2016, an accounting standard update was issued which replaces the existing incurred loss impairment methodology for most financial assets with a new “current expected credit loss” model. The new model will result in the immediate recognition of the estimated credit losses expected to occur over the remaining life of financial assets such as trade and other receivables, held-to-maturity debt securities, loans and other instruments. Credit losses relating to available-for-sale debt securities will be measured in a manner similar to current GAAP, except that the losses will be recorded through an allowance for credit losses rather than as a direct write-down of the security.

This update is effective for the Company for annual and interim periods beginning January 1, 2020, with early adoption permitted for annual and interim periods beginning January 1, 2019. The Company is currently evaluating the impact of this update on its consolidated financial statements.

**Classification of certain cash receipts and cash payments in the statement of cash flows**

In August 2016, an accounting standard update was issued which clarifies how certain cash receipts and cash payments, including debt prepayment or extinguishment costs, the settlement of zero

coupon debt instruments, contingent consideration paid after a business combination, proceeds from insurance settlements, distributions from certain equity method investees and beneficial interests obtained in a financial asset securitization, should be presented and classified in the statement of cash flows. This update is effective for the Company for annual and interim periods beginning January 1, 2018 on a retrospective basis, with early adoption permitted. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

### **Income taxes – Intra-entity transfers of assets other than inventory**

In October 2016, an accounting standard update was issued that requires the Company to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs instead of when the asset has been sold to an outside party. This update is effective for the Company for annual and interim periods beginning January 1, 2018, with early adoption permitted, and is applicable on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of this update on its consolidated financial statements.

### **Statement of cash flows - Restricted cash**

In November 2016, an accounting standard update was issued which clarifies the classification and presentation of changes in restricted cash on the statement of cash flows. It requires the inclusion of cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. This update is effective for the Company for annual and interim periods beginning January 1, 2018 on a retrospective basis, with early adoption permitted. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

### **Clarifying the definition of a business**

In January 2017, an accounting standard update was issued which narrows the definition of a business. It also provides a framework for determining whether a set of transferred assets and activities involves a business. This update is effective for the Company for

annual and interim periods beginning January 1, 2018 on a prospective basis, with early adoption permitted. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

### **Simplifying the Test for Goodwill Impairment**

In January 2017, an accounting standard update was issued which eliminates the requirement to calculate the implied fair value of goodwill when measuring a goodwill impairment loss. Instead, the Company is required to record an impairment loss based on the excess of a reporting unit's carrying amount over its fair value provided that the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit. This update is effective for the Company for annual and interim periods beginning January 1, 2020 on a prospective basis, with early adoption permitted. The Company plans to early adopt this update in the first quarter of 2017 and apply it prospectively. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

<b>Note 3</b>	
<b>Cash and equivalents, marketable securities and short-term investments</b>	
Current assets	Cash and equivalents, marketable securities and short-term investments consisted of the following:

(\$ in millions)	December 31, 2016					Market a
	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents	
Cash	1,779			1,779	1,779	
Time deposits	2,764			2,764	1,940	
Other short-term investments	271			271		–
Debt securities available-for-sale:						
U.S. government obligations	221	1	(2)	220		–
Other government obligations	2	–	–	2		–
Corporate	95	1	(1)	95		–
Equity securities available-for-sale	530	11	–	541		–
<b>Total</b>	<b>5,662</b>	<b>13</b>	<b>(3)</b>	<b>5,672</b>	<b>3,719</b>	

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

	Included in Other short-term investments at December 31, 2016 and 2015, are receivables of \$268 million and \$224 million, respectively, representing reverse repurchase agreements. These collateralized lendings, made to a financial institution, have maturity dates of less than one year.
Non-current assets	Included in "Other non-current assets" are certain held-to-maturity marketable securities. At December 31, 2016, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were \$80 million, \$6 million and \$86 million, respectively. At December 31, 2015, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were \$99 million, \$11 million and \$110 million, respectively. 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.

<b>Note 4</b> <b>Derivative financial instruments</b>	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.

	<p><b>Foreign exchange and interest rate derivatives</b></p> <p>The gross notional amounts of outstanding foreign exchange and interest rate derivatives (whether designated as hedges or not) were as follows:</p>
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Type of derivative (\$ in millions)	Total notional amounts at	
	December 31, 2016	December 31, 2015
Foreign exchange contracts	15,353	16,467
Embedded foreign exchange derivatives	2,162	2,966
Interest rate contracts	3,021	4,302

	<p><b>Derivative commodity contracts</b></p> <p>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:</p>
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Type of derivative	Unit	Total notional amounts at	
		December 31, 2016	December 31, 2015
Copper swaps	metric tonnes	47,425	48,903
Aluminum swaps	metric tonnes	4,650	5,455
Nickel swaps	metric tonnes	-	18
Lead swaps	metric tonnes	15,100	14,625
Zinc swaps	metric tonnes	150	225
Silver swaps	ounces	1,586,395	1,727,255
Crude oil swaps	barrels	121,000	133,500

	<p><b>Equity derivatives</b></p> <p>At December 31, 2016 and 2015, the Company held 47 million and 55 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of \$23 million and \$13 million, respectively.</p>
Cash flow hedges	

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

At December 31, 2016 and 2015, "Accumulated other comprehensive loss" included net unrealized losses of \$1 million and \$11 million, respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at December 31, 2016, net gains of \$2 million are expected to be reclassified to earnings in the following 12 months. At December 31, 2016, the longest maturity of a derivative classified as a cash flow hedge was 39 months.

The amount of gains or losses, net of tax, reclassified into earnings due to the discontinuance of cash flow hedge accounting and the amount of ineffectiveness in cash flow hedge relationships directly recognized in earnings were not significant in the year and three months ended December 31, 2016 and 2015.

	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:
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(\$ in millions)	Gains (losses) recognized in OCI on derivatives (effective portion)		Gains (losses) reclassified from OCI into income (effective portion)	
	2016	2015	2016	2015
<b>Year ended December 31,</b>				
<b>Type of derivative</b>		<b>Location</b>		
Foreign exchange contracts	2	(11)	Total revenues (11)	(36)
			Total cost of sales 10	11
Commodity contracts	4	(9)	Total cost of sales (2)	(10)
Cash-settled call options	15	(6)	SG&A expenses <sup>(1)</sup> 10	(4)
<b>Total</b>	<b>21</b>	<b>(26)</b>	<b>7</b>	<b>(39)</b>

(\$ in millions)	Gains (losses) recognized in OCI on derivatives (effective portion)		Gains (losses) reclassified from OCI into income (effective portion)	
	2016	2015	2016	2015
<b>Three months ended December 31,</b>				
<b>Type of derivative</b>		<b>Location</b>		
Foreign exchange contracts	(6)	(4)	Total revenues (2)	(5)
			Total cost of sales 1	3
Commodity contracts	3	(3)	Total cost of sales –	(3)
Cash-settled call options	(3)	4	SG&A expenses <sup>(1)</sup> (2)	2
<b>Total</b>	<b>(6)</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>

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

	The amounts in respect of gains (losses) recognized in income for hedge ineffectiveness and amounts excluded from effectiveness testing were not significant for the year and three months ended December 31, 2016 and 2015.
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	Net derivative gains of \$6 million and net derivative losses of \$30 million, both net of tax, were reclassified from "Accumulated other comprehensive loss" to earnings during the year ended December 31, 2016 and 2015, respectively. During the three months ended December 31, 2016 and 2015, net derivative losses of \$3 million and \$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 year and three months ended December 31, 2016 and 2015, was not significant.
	The effect of interest rate contracts, designated and qualifying as fair value hedges, on the Consolidated Income Statements was as follows:

	<b>Year ended December 31,</b>		<b>Three months ended December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
(\$ in millions)				
Gains (losses) recognized in Interest and other finance expense:				
- on derivatives designated as fair value hedges	(28)	8	(60)	(22)
- on hedged item	30	(4)	60	23

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.
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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:
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Type of derivative not designated as a hedge	Location	Gains (losses) recognized in income			
		Year ended December 31,		Three months ended December 31,	
		2016	2015	2016	2015
(\$ in millions)					
Foreign exchange contracts	Total revenues	(206)	(216)	(187)	10
	Total cost of sales	(56)	16	13	(40)
	SG&A expenses <sup>(1)</sup>	8	13	13	4
	Non-order related research and development	(2)	(1)	(1)	–
	Other income (expense), net	22	–	22	–
Embedded foreign exchange contracts	Interest and other finance expense	(34)	287	11	39
	Total revenues	(5)	127	36	(11)
	Total cost of sales	(5)	(25)	(12)	(1)
Commodity contracts	SG&A expenses <sup>(1)</sup>	(2)	(5)	(3)	(3)
	Total cost of sales	42	(61)	27	(14)
Other	Interest and other finance expense	4	(1)	2	1
<b>Total</b>		<b>(234)</b>	<b>134</b>	<b>(79)</b>	<b>(15)</b>

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

	The fair values of derivatives included in the Consolidated Balance Sheets were as follows:
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(\$ in millions)	December 31,	
	Derivative assets Current in “Other current assets”	Non-current in “Other non-current assets”
<b>Derivatives designated as hedging instruments:</b>		
Foreign exchange contracts	5	–

Commodity contracts	2	–
Interest rate contracts	2	62
Cash-settled call options	13	9
<b>Total</b>	<b>22</b>	<b>71</b>

**Derivatives not designated as hedging instruments:**

Foreign exchange contracts	169	29
Commodity contracts	29	2
Cross-currency interest rate swaps	–	2
Cash-settled call options	–	1
Embedded foreign exchange derivatives	58	21
<b>Total</b>	<b>256</b>	<b>55</b>
<b>Total fair value</b>	<b>278</b>	<b>126</b>

(\$ in millions)	December 31,	
	Derivative assets Current in “Other current assets”	Non-current in “Other non-current assets”
<b>Derivatives designated as hedging instruments:</b>		
Foreign exchange contracts	15	10
Commodity contracts	–	–
Interest rate contracts	6	86
Cash-settled call options	8	5
<b>Total</b>	<b>29</b>	<b>101</b>
<b>Derivatives not designated as hedging instruments:</b>		
Foreign exchange contracts	172	32
Commodity contracts	2	–
Cross-currency interest rate swaps	–	–
Embedded foreign exchange derivatives	94	53
<b>Total</b>	<b>268</b>	<b>85</b>
<b>Total fair value</b>	<b>297</b>	<b>186</b>

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

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at December 31, 2016 and 2015, have been presented on a gross basis.

	The Company's netting agreements and other similar arrangements allow net settlements under certain conditions. At December 31, 2016 and 2015, information related to these offsetting arrangements was as follows:
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(\$ in millions)

		<b>December 31, 2016</b>		
		<b>Derivative liabilities</b>		
<b>Type of agreement or similar arrangement</b>	<b>Gross amount of recognized assets</b>	<b>eligible for set-off in case of default</b>	<b>Cash collateral received</b>	<b>Non-cash collateral received</b>
Derivatives	325	(190)	-	-
Reverse repurchase agreements	268	-	-	-
<b>Total</b>	<b>593</b>	<b>(190)</b>	<b>-</b>	<b>-</b>

(\$ in millions)

		<b>December 31, 2016</b>		
		<b>Derivative liabilities</b>		
<b>Type of agreement or similar arrangement</b>	<b>Gross amount of recognized liabilities</b>	<b>eligible for set-off in case of default</b>	<b>Cash collateral pledged</b>	<b>Non-cash collateral pledged</b>
Derivatives	352	(190)	-	-
<b>Total</b>	<b>352</b>	<b>(190)</b>	<b>-</b>	<b>-</b>

(\$ in millions)

		<b>December 31, 2015</b>		
		<b>Derivative liabilities</b>		
<b>Type of agreement or similar arrangement</b>	<b>Gross amount of recognized assets</b>	<b>eligible for set-off in case of default</b>	<b>Cash collateral received</b>	<b>Non-cash collateral received</b>
Derivatives	336	(215)	-	-
Reverse repurchase agreements	224	-	-	-
<b>Total</b>	<b>560</b>	<b>(215)</b>	<b>-</b>	<b>-</b>

(\$ in millions)

		<b>December 31, 2015</b>		
		<b>Derivative liabilities</b>		
<b>Type of agreement or similar arrangement</b>	<b>Gross amount of recognized liabilities</b>	<b>eligible for set-off in case of default</b>	<b>Cash collateral pledged</b>	<b>Non-cash collateral pledged</b>
Derivatives	384	(215)	(3)	-
<b>Total</b>	<b>384</b>	<b>(215)</b>	<b>(3)</b>	<b>-</b>

**Note 5 Fair values**

The Company uses fair value measurement principles to record certain financial assets and liabilities on a recurring basis and, when necessary, to record certain non-financial assets at fair value on a non-recurring basis, as well as to determine fair value disclosures for certain financial instruments carried at amortized cost in the financial statements. Financial assets and liabilities recorded at fair value on a recurring basis include foreign currency,

commodity and interest rate derivatives, as well as cash-settled call options and available-for-sale securities. Non-financial assets recorded at fair value on a non-recurring basis include long-lived assets that are reduced to their estimated fair value due to impairments.

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

The levels of the fair value hierarchy are as follows:

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

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

commodity swaps, cash-settled call options, forward foreign exchange contracts, foreign exchange swaps and forward rate agreements, time deposits, as well as financing receivables and debt.

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

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

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

Recurring fair value measures	The fair values of financial assets and liabilities measured at fair value on a recurring basis were as follows:
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(\$ in millions)

**Assets**

Available-for-sale securities in "Marketable securities and short-term investments":

	Decem Level 1	Level 2
Equity securities	–	541
Debt securities—U.S. government obligations	220	–
Debt securities—Other government obligations	–	2
Debt securities—Corporate	–	95
Derivative assets—current in "Other current assets"	–	278
Derivative assets—non-current in "Other non-current assets"	–	126
<b>Total</b>	<b>220</b>	<b>1,042</b>

**Liabilities**

Derivative liabilities—current in "Other current liabilities"

Derivative liabilities—non-current in "Other non-current liabilities"	–	304
<b>Total</b>	<b>–</b>	<b>405</b>

(\$ in millions)

**Assets**

Available-for-sale securities in "Cash and equivalents":

	Decem Level 1	Level 2
Debt securities—Corporate	–	11
Available-for-sale securities in "Marketable securities and short-term investments":		
Equity securities	–	667
Debt securities—U.S. government obligations	121	–
Debt securities—Other government obligations	–	2
Debt securities—Corporate	–	508
Derivative assets—current in "Other current assets"	1	296
Derivative assets—non-current in "Other non-current assets"	–	186
<b>Total</b>	<b>122</b>	<b>1,670</b>

**Liabilities**

Derivative liabilities—current in "Other current liabilities"

Derivative liabilities—non-current in "Other non-current liabilities"	3	315
<b>Total</b>	<b>3</b>	<b>449</b>

	<p>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:</p> <ul style="list-style-type: none"> <li>□ 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.</li> <li>□ 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.</li> </ul>
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Non-recurring fair value measures	There were no significant non-recurring fair value measurements during the year and three months ended December 31, 2016 and 2015.
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Disclosure about financial instruments carried on a cost basis	The fair values of financial instruments carried on a cost basis were as follows:
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(\$ in millions)

December 31, 2016  
Carrying value Level 1 Level 2 Level 3**Assets**

Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months):

Cash	1,779	1,779	–
Time deposits	1,940	–	1,940
Marketable securities and short-term investments (excluding available-for-sale securities):			
Time deposits	824	–	824
Receivables under reverse repurchase agreements	268	–	268
Other short-term investments	3	3	–
Other non-current assets:			
Loans granted	30	–	31
Held-to-maturity securities	80	–	86
Restricted cash deposits	91	59	42

**Liabilities**

Short-term debt and current maturities of long-term debt (excluding capital lease obligations)

Short-term debt and current maturities of long-term debt (excluding capital lease obligations)	964	856	108
Long-term debt (excluding capital lease obligations)	5,709	5,208	784
Non-current deposit liabilities in “Other non-current liabilities”	106	–	124

(\$ in millions)

December 31, 2015  
Carrying value Level 1 Level 2 Level 3**Assets**

Cash and equivalents (excluding available-for-sale securities)

with original maturities up to 3 months):

Cash	1,837	1,837	–
Time deposits	2,717	–	2,717
Marketable securities and short-term investments (excluding available-for-sale securities):			
Time deposits	104	–	104
Receivables under reverse repurchase agreements	224	–	224
Other short-term investments	7	7	–
Other non-current assets:			
Loans granted	29	–	30
Held-to-maturity securities	99	–	110
Restricted cash deposits	176	55	138

### Liabilities

Short-term debt and current maturities of long-term debt (excluding capital lease obligations)	1,427	614	817
Long-term debt (excluding capital lease obligations)	5,889	5,307	751
Non-current deposit liabilities in “Other non-current liabilities”	215	–	244

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 3) 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 bonds are determined using quoted market prices (Level 1

inputs), if available. For bonds without available quoted market prices 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).

<p><b>Note 6</b></p> <p><b>Commitments and contingencies</b></p>	
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<p>Contingencies—Regulatory Compliance and Legal</p>	<p><b>Antitrust</b></p> <p>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).</p> <p>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. With respect to these matters, management is cooperating fully with the authorities. 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.</p> <p><b>Suspect payments</b></p> <p>As a result of an internal investigation, the Company self-reported to the Securities and Exchange Commission (SEC) and the Department of Justice (DoJ) in the United States as well as to the Serious Fraud Office (SFO) in the United Kingdom concerning certain of its past dealings with Unaoil and its subsidiaries, including alleged improper payments made by these entities to</p>
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	<p>third parties. The SFO has commenced an investigation into this matter. The Company is cooperating fully with the authorities. At this time, it is not possible for the Company to make an informed judgment about the outcome of these matters.</p> <p><b>General</b></p> <p>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.</p>
	<p><b>Liabilities recognized</b></p> <p>At December 31, 2016 and 2015, the Company had aggregate liabilities of \$150 million and \$160 million, 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.</p>

<p>Guarantees</p>	<p><b>General</b></p> <p>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.</p>
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Maximum potential payments (\$ in millions)	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Performance guarantees	193	209
Financial guarantees	69	77
Indemnification guarantees	71	50

**Total****333****336**

	<p>The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations. In respect of the above guarantees, the carrying amounts of liabilities at December 31, 2016 and 2015, were not significant.</p>
	<p>The Company is party to various guarantees providing financial or performance assurances to certain third parties. These guarantees, which have various maturities up to 2020, mainly consist of performance guarantees whereby (i) the Company guarantees the performance of a third party's product or service according to the terms of a contract and (ii) as member of a consortium that includes third parties, the Company guarantees not only its own performance but also the work of third parties. 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. The original maturity dates for the majority of these performance guarantees range from one to six years.</p>
	<p><b>Commercial commitments</b></p> <p>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. At December 31, 2016 and 2015, the total outstanding performance bonds aggregated to \$7.9 billion and \$9.5 billion, respectively. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the year and three months ended December 31, 2016 and 2015.</p>

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	<b>Product and order-related contingencies</b>
	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)

**Balance at January 1,**

Claims paid in cash or in kind

Net increase in provision for changes in estimates, warranties issued and warranties expired

Exchange rate differences

**Balance at December 31,**

**2016**

**1,089**

(329)

42

(42)

**1,147**

	<p>During 2016, the Company determined that the provision for product warranties in its solar business, acquired in 2013 as part of the purchase of Power-One, was no longer sufficient to cover expected warranty costs in the remaining warranty period. Due to higher than originally expected product failure rates for certain solar inverters designed and manufactured by Power-One, a substantial portion of which relates to products which were delivered to customers prior to the acquisition date, the previously estimated product warranty provision was increased by a total of \$151 million during the year, of which \$110 million was recorded in the three months ended December 31, 2016. The corresponding increases were included in Cost of sales of products and resulted in a decrease in basic and diluted earnings per share of \$0.06 and \$0.05, respectively, for the year ended December 31, 2016, and a decrease of \$0.04 (basic and diluted) for the three months ended December 31, 2016. As \$131 million and \$92 million of these warranty costs for the year and three months ended December 31, 2016, respectively, relate to products which were sold prior to the acquisition date, these costs have been excluded from the Company's primary measure of segment performance, Operational EBITA (See Note 13).</p> <p>The information for 2015 contained in the table above has been</p>
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adjusted to correct a classification difference between Claims paid in cash and kind and Net effect of changes in estimates, warranties issued and warranties expired.

<b>Note 7</b>	The Company's total debt at December 31, 2016 and 2015, amounted to \$6,787 million and \$7,439 million, respectively.
<b>Debt</b>	
Short-term debt and current maturities of long-term debt	The Company's "Short-term debt and current maturities of long-term debt" consisted of the following:

(\$ in millions)	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Short-term debt	119	278
Current maturities of long-term debt	868	1,176
<b>Total</b>	<b>987</b>	<b>1,454</b>

	<p>Short-term debt primarily represented issued commercial paper and short-term loans from various banks. At December 31, 2016 and 2015, \$57 million and \$132 million, respectively, was outstanding under the \$2 billion commercial paper program in the United States.</p> <p>In May 2016, the Company exercised its option to extend the maturity of its \$2 billion multicurrency revolving credit facility to 2021. No amount was drawn at December 31, 2016 and 2015. The facility contains cross default clauses whereby an event of default would occur if the Company were to default on indebtedness as defined in the facility, at or above a specified threshold.</p> <p>In June and October 2016, the Company repaid at maturity the USD 600 million 2.5% Notes and the CHF 500 million 1.25% Bonds (equivalent to approximately \$506 million at date of payment), respectively.</p>
Long-term debt	The Company's long-term debt at December 31, 2016 and 2015, amounted to \$5,800 million and \$5,985 million, respectively.



Outstanding bonds (including maturities within the next 12 months) were as follows:						
(in millions)	December 31, 2016			December 31, 2015		
	Nominal outstanding		Carrying value <sup>(1)</sup>	Nominal outstanding		Carrying value <sup>(1)</sup>
Bonds:						
2.5% USD Notes, due 2016				– USD	600	\$ 599
1.25% CHF Bonds, due 2016				– CHF	500	\$ 510
1.625% USD Notes, due 2017	USD	500	\$ 500	USD	500	\$ 499
4.25% AUD Notes, due 2017	AUD	400	\$ 291	AUD	400	\$ 297
1.50% CHF Bonds, due 2018	CHF	350	\$ 342	CHF	350	\$ 352
2.625% EUR Instruments, due 2019	EUR	1,250	\$ 1,311	EUR	1,250	\$ 1,363
4.0% USD Notes, due 2021	USD	650	\$ 643	USD	650	\$ 641
2.25% CHF Bonds, due 2021	CHF	350	\$ 368	CHF	350	\$ 383
5.625% USD Notes, due 2021	USD	250	\$ 274	USD	250	\$ 279
2.875% USD Notes, due 2022	USD	1,250	\$ 1,261	USD	1,250	\$ 1,275
0.625% EUR Notes, due 2023	EUR	700	\$ 732			–
4.375% USD Notes, due 2042	USD	750	\$ 722	USD	750	\$ 722
<b>Total</b>			<b>\$ 6,444</b>			<b>\$ 6,920</b>

(1) USD carrying values include unamortized debt issuance costs, bond discounts or premiums, as well as adjustments for fair value hedge accounting, where appropriate.

	In May 2016, the Company issued notes with an aggregate principal of EUR 700 million, due 2023. The notes pay interest annually in arrears at a fixed rate of 0.625 percent per annum. The Company recorded net proceeds (after underwriting fees) of EUR 697 million (equivalent to approximately \$807 million on date of issuance).
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<b>Note 8</b>	
<b>Employee benefits</b>	The Company operates defined benefit pension plans, defined contribution pension plans, and termination indemnity plans, in accordance with local regulations and practices. These plans cover a large portion of the Company's employees and provide benefits to employees in the event of death, disability, retirement, or termination of employment. Certain of these plans are multi-employer plans. The Company also operates other postretirement benefit plans including postretirement health care benefits, and other employee-related benefits for active employees

including long-service award plans. The measurement date used for the Company's employee benefit plans is December 31. The funding policies of the Company's plans are consistent with the local government and tax requirements.

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

(\$ in millions)	Defined pension benefits		Other postretirement benefits	
	2016	2015	2016	2015
<b>Year ended December 31,</b>				
Service cost	249	267	1	1
Interest cost	280	305	6	8
Expected return on plan assets	(402)	(456)	-	-
Amortization of prior service cost (credit)	40	38	(12)	(9)
Amortization of net actuarial loss	85	112	-	1
Curtailments, settlements and special termination benefits	41	20	-	-
<b>Net periodic benefit cost</b>	<b>293</b>	<b>286</b>	<b>(5)</b>	<b>1</b>

(\$ in millions)	Defined pension benefits		Other postretirement benefits	
	2016	2015	2016	2015
<b>Three months ended December 31,</b>				
Service cost	58	64	-	-
Interest cost	67	74	2	2
Expected return on plan assets	(96)	(111)	-	-
Amortization of prior service cost (credit)	10	10	(4)	(3)
Amortization of net actuarial loss	20	29	-	-
Curtailments, settlements and special termination benefits	39	7	-	-
<b>Net periodic benefit cost</b>	<b>98</b>	<b>73</b>	<b>(2)</b>	<b>(1)</b>

Employer contributions were as follows:

(\$ in millions)	Defined pension benefits		Other postretirement benefits	
	2016	2015	2016	2015
<b>Year ended December 31,</b>				
Total contributions to defined benefit pension and other postretirement benefit plans	270	243		

Of which, discretionary contributions to defined benefit pension plans

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(\$ in millions)

**Three months ended December 31,**

Total contributions to defined benefit pension and other postretirement benefit plans  
Of which, discretionary contributions to defined benefit pension plans

	<b>Defined pensiopost benefits b</b>	
	<b>2016</b>	<b>2015</b>
Total contributions to defined benefit pension and other postretirement benefit plans	86	88
Of which, discretionary contributions to defined benefit pension plans	15	21

	<p>During the year ended December 31, 2016, total contributions included available-for-sale debt securities, having a fair value at the contribution date of \$52 million, contributed to certain of the Company's pension plans in Germany and the United Kingdom, of which \$12 million was contributed in the three months ended December 31, 2016.</p> <p>During the year and three months ended December 31, 2015, total contributions included available-for-sale debt securities, having a fair value at the contribution date of \$22 million, contributed to certain of the Company's pension plans in the United Kingdom.</p> <p>The Company expects to make contributions totaling approximately \$193 million and \$13 million to its defined benefit pension plans and other postretirement benefit plans, respectively, for the full year 2017.</p>
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<p><b>Note 9</b></p> <p><b>Stockholders' equity</b></p>	<p>Between September 2014 and September 2016, the Company executed a share buyback program for the purchase of up to \$4 billion of its own shares and on September 30, 2016, announced that it had completed this program. Over the period of the share buyback, the Company purchased a total of 146.595 million shares (for approximately \$3 billion) for cancellation and 24.740 million shares (for approximately \$0.5 billion) to support its employee share programs. The shares acquired for cancellation were purchased through a separate trading line on the SIX Swiss Exchange (on which only the Company could purchase shares), while shares acquired for delivery under employee share programs were acquired through the ordinary trading line.</p>
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In 2016, under this share buyback program, the Company purchased 60.370 million shares for cancellation and 4.940 million shares to support its employee share programs and these transactions resulted in an increase in Treasury stock of \$1,280 million. In the year ended December 31, 2015, the Company purchased 60.245 million shares for cancellation and 13.050 million shares to support its employee share programs, of which 19.955 million shares were purchased for cancellation and 4.350 million shares were purchased to support its employee share programs in the three months ended December 31, 2015. In the year and three months ended December 31, 2015, these transactions resulted in an increase in Treasury stock of \$1,501 million and \$454 million, respectively.

At the Annual General Meeting of Shareholders on April 21, 2016, shareholders approved the proposal of the Board of Directors to reduce the share capital of the Company by cancelling 100 million shares which were bought back under the share buyback program. This cancellation was completed in July 2016, resulting in a decrease in Treasury stock of \$2,047 million and a corresponding total decrease in Capital stock and additional paid-in capital and in Retained earnings.

Also at the Annual General Meeting of Shareholders on April 21, 2016, shareholders approved the proposal of the Board of Directors to distribute 0.74 Swiss francs per share to shareholders by way of a nominal value reduction (reduction in the par value of each share) from 0.86 Swiss francs to 0.12 Swiss francs. In July 2016, the nominal value reduction was registered in the commercial register of the canton of Zurich, Switzerland, and was paid. The Company recorded a reduction in Capital stock and additional paid-in capital of \$1,224 million and a reduction in Retained earnings of \$402 million in relation to the nominal value reduction.

In 2016, the Company delivered, out of treasury stock, 8.9 million shares for options exercised in connection with its Management Incentive Plan and 2.6 million shares under the Employee Share Acquisition Plan.

In October 2016, the Company announced a new share buyback program for the purchase of up to \$3 billion of its own shares from

2017 to 2019.

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<b>Note 10</b>  <b>Earnings per share</b>	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.
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**Basic earnings per share**

	<b>Year ended December 31,</b>	<b>Year ended December 31,</b>	<b>Three months ended December 31,</b>	<b>Three months ended December 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
(\$ in millions, except per share data in \$)				
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,947	1,930	487	203
Income from discontinued operations, net of tax	16	3	2	1
<b>Net income</b>	<b>1,963</b>	<b>1,933</b>	<b>489</b>	<b>204</b>
<b>Weighted-average number of shares outstanding (in millions)</b>	<b>2,151</b>	<b>2,226</b>	<b>2,137</b>	<b>2,203</b>

Basic earnings per share attributable to ABB shareholders:

Income from continuing operations, net of tax	0.91	0.87	0.23	0.09
Income from discontinued operations, net of tax	-	-	-	-
<b>Net income</b>	<b>0.91</b>	<b>0.87</b>	<b>0.23</b>	<b>0.09</b>

**Diluted earnings per share**

	<b>Year ended December 31,</b>	<b>Year ended December 31,</b>	<b>Three months ended December 31,</b>	<b>Three months ended December 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
(\$ in millions, except per share data in \$)				
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,947	1,930	487	203
Income from discontinued operations, net of tax	16	3	2	1
<b>Net income</b>	<b>1,963</b>	<b>1,933</b>	<b>489</b>	<b>204</b>
Weighted-average number of shares outstanding (in millions)	2,151	2,226	2,137	2,203
Effect of dilutive securities:				

Call options and shares

	3	4	4
<b>Adjusted weighted-average number of shares outstanding (in millions)</b>	<b>2,154</b>	<b>2,302</b>	<b>1,411</b>

Diluted earnings per share attributable to ABB shareholders:

Income from continuing operations, net of tax	0.90	0.87	0.23
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Income from discontinued operations, net of tax	0.01	-	
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<b>Net income</b>	<b>0.91</b>	<b>0.87</b>	<b>0.23</b>
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<b>Note 11</b>	The following table shows changes in "Accumulated other comprehensive loss" (OCI) attributable to ABB, by component, net of tax:
<b>Reclassifications out of accumulated other comprehensive loss</b>	

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pensi postretir plan adjust
<b>Balance at January 1, 2015</b>	<b>(2,102)</b>	<b>13</b>	<b>(</b>
Other comprehensive (loss) income before reclassifications	(1,058)	(7)	
Amounts reclassified from OCI	-	1	
<b>Total other comprehensive (loss) income</b>	<b>(1,058)</b>	<b>(6)</b>	<b>(</b>
Less:			
Amounts attributable to noncontrolling interests	(25)	-	
<b>Balance at December 31, 2015</b>	<b>(3,135)</b>	<b>7</b>	<b>(</b>
Other comprehensive (loss) income before reclassifications	(474)	-	
Amounts reclassified from OCI	-	-	
<b>Total other comprehensive (loss) income</b>	<b>(474)</b>	<b>-</b>	<b>(</b>
Less:			
Amounts attributable to noncontrolling interests	(17)	-	
<b>Balance at December 31, 2016</b>	<b>(3,592)</b>	<b>7</b>	<b>(</b>

	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:
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(\$ in millions)	Location of (gains) losses reclassified from OCI	Year ended December 31, 2016 2015	
<b>Details about OCI components</b>			
Pension and other postretirement plan adjustments:			
Amortization of prior service cost	Net periodic benefit cost <sup>(1)</sup>	28	29
Amortization of net actuarial loss	Net periodic benefit cost <sup>(1)</sup>	85	113
Net losses from pension settlements	Net periodic benefit cost <sup>(1)</sup>	37	15
<b>Total before tax</b>		<b>150</b>	<b>157</b>
Tax	Provision for taxes	(36)	(40)
<b>Amounts reclassified from OCI</b>		<b>114</b>	<b>117</b>
Unrealized gains (losses) of cash flow hedge derivatives:			
Foreign exchange contracts	Total revenues	11	36
	Total cost of sales	(10)	(11)
Commodity contracts	Total cost of sales	2	10
Cash-settled call options	SG&A expenses <sup>(2)</sup>	(10)	4
<b>Total before tax</b>		<b>(7)</b>	<b>39</b>
Tax	Provision for taxes	1	(9)
<b>Amounts reclassified from OCI</b>		<b>(6)</b>	<b>30</b>

(1)

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

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

	The amounts in respect of Unrealized gains (losses) on available-for-sale securities were not significant for the year and three months ended December 31, 2016 and 2015.
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**Note 12****Restructuring and**

<b>related expenses</b>	
White Collar Productivity program	In September 2015, the Company announced a two-year program aimed at making the Company leaner, faster and more customer-focused. 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 is implementing and executing various restructuring initiatives across all operating segments and regions.

	The following table outlines the costs incurred in the year and three months ended December 31, 2016, the cumulative costs incurred to date and the total amount of costs expected to be incurred under the program per operating segment:
--	--

	Costs incurred		Cumulative costs		Total
	Year ended December 31,	Three months ended December 31,	incurred up to		
(\$ in millions)	2016	2015	2016	2015	December 31, 2016 expected costs <sup>(1)</sup>
Electrification Products	14	73	(11)	71	87
Discrete Automation and Motion	27	45	(6)	42	72
Process Automation	36	96	(37)	86	132
Power Grids	33	70	(17)	68	103
Corporate and Other	30	86	(19)	85	116
<b>Total</b>	<b>140</b>	<b>370</b>	<b>(90)</b>	<b>352</b>	<b>510</b>

(1) Total expected costs have been recast to reflect the reorganization of the Company's operating segments as outlined in Note 13.

	Total expected program costs were originally estimated to be \$852 million. During 2016, the total expected program costs were reduced by \$332 million, of which \$111 million was in the three months ended December 31, 2016. This was primarily due to the realization of significantly higher than originally expected attrition and internal re-deployment rates. The reductions were made across all operating segments as well as for corporate functions.
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	Of the total expected costs of \$520 million, the majority is related to employee severance costs.
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	The Company recorded the following expenses, net of changes in estimates, under this program:
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	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>	<b>Three months ended December 31, 2016</b>	<b>Three months ended December 31, 2015</b>	<b>Cumulative co incurred up December 31, 2016</b>
(\$ in millions)					
Employee severance costs	130	364	(99)	346	
Estimated contract settlement, loss order and other costs	2	5	1	5	
Inventory and long-lived asset impairments	8	1	8	1	
<b>Total</b>	<b>140</b>	<b>370</b>	<b>(90)</b>	<b>352</b>	

	Expenses, net of change in estimates, associated with this program are recorded in the following line items in the Consolidated Income Statements:
--	--

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
Total cost of sales	92	122	(47)	113
Selling, general and administrative expenses	38	187	(39)	183
Non-order related research and development expenses	(5)	38	(12)	34
Other income (expense), net	15	23	8	22
<b>Total</b>	<b>140</b>	<b>370</b>	<b>(90)</b>	<b>352</b>

	Liabilities associated with the White Collar Productivity program are primarily included in "Other provisions". The following table shows the activity from the beginning of the program to December 31, 2016, by expense type.
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(\$ in millions)	Employee severance costs	Contract settlement, loss order and other costs	Total
<b>Liability at January 1, 2015</b>	-	-	-
Expenses	364	5	369
Cash payments	(34)	(1)	(35)
<b>Liability at December 31, 2015</b>	<b>330</b>	<b>4</b>	<b>334</b>
Expenses	232	3	235
Cash payments	(106)	(3)	(109)
Change in estimates	(102)	(1)	(103)
Exchange rate differences	(23)	-	(23)
<b>Liability at December 31, 2016</b>	<b>331</b>	<b>3</b>	<b>334</b>

	The change in estimates during 2016 of \$103 million is due to significantly higher than expected rates of attrition and internal re-deployment and a lower than expected severance cost per employee for the employee groups affected by the first phase of restructuring initiated in 2015. The reduction in the liability was recorded in income from operations, primarily as reductions in Cost of sales of \$49 million and in Selling, general and administrative expenses of \$38 million for the year ended December 31, 2016. During the three months ended December 31, 2016, the change in
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	estimate was \$114 million, and related to restructurings initiated in both 2015 and 2016. This reduction was recorded primarily as reductions in Cost of sales of \$52 million and in Selling, general and administrative expenses of \$45 million for the three months ended December 31, 2016.
Other restructuring-related activities	In the year ended December 31, 2016 and 2015, the Company executed various other restructuring-related activities and incurred expenses of \$171 million and \$256 million, respectively. In the three months ended December 31, 2016 and 2015, these expenses amounted to \$80 million and \$144 million, respectively. These expenses were primarily recorded in "Total cost of sales".

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
Employee severance costs	90	207	31	130
Estimated contract settlement, loss order and other costs	40	27	21	11
Inventory and long-lived asset impairments	41	22	28	3
<b>Total</b>	<b>171</b>	<b>256</b>	<b>80</b>	<b>144</b>

	At December 31, 2016 and 2015, the balance of other restructuring-related liabilities is primarily included in "Other provisions".
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Change in estimates	In addition to the change in estimate of \$103 million relating to the White Collar Productivity Program, a further \$46 million was recorded as a change in estimate to reduce liabilities associated with the Company's other restructuring-related activities mainly due to changes in the planned scope of these activities. This was recorded in income from operations, primarily as reductions in Cost of sales. The combined total change in estimates for both the year and three months ended December 31, 2016, of \$149 million and \$139 million, respectively, resulted in an increase in earnings per share (basic and diluted) of \$0.05 in the respective periods.
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<p><b>Note 13</b></p> <p><b>Operating segment data</b></p>	<p>The Chief Operating Decision Maker (CODM) is the Chief Executive Officer. 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 Electrification Products, Discrete Automation and Motion, Process Automation and Power Grids. The remaining operations of the Company are included in Corporate and Other.</p>
	<p>Effective January 1, 2016, the Company reorganized its operating segments with the aim of delivering more customer value in a better, more focused way from its combined power and automation offering. The new Electrification Products segment includes the business of the former Low Voltage Products segment and the Medium Voltage Products business from the former Power Products segment. The Process Automation segment has been expanded to include the Distributed Control Systems business from the former Power Systems segment, while the remaining businesses of the former Power Products and Power Systems segments were combined to form the new Power Grids segment. There were no significant changes to the Discrete Automation and Motion segment.</p>
	<p>In addition, commencing in 2016, the Company changed its method of allocating income taxes to its operating segments whereby tax assets are primarily accounted for in Corporate and Other. As a result, certain amounts relating to current and deferred tax assets previously reported within the total segment assets of each individual operating segment have been allocated to Corporate and Other.</p> <p>The segment information for the year and three months ended December 31, 2015 and at December 31, 2015, has been recast to reflect these organizational and allocation changes.</p>
	<p>A description of the types of products and services provided by each reportable segment is as follows:</p> <p>□ <b>Electrification Products:</b> manufactures and sells products and services including low- and medium-voltage switchgear (air and gas insulated), breakers, switches, control products, DIN rail components, automation and distribution enclosures, wiring accessories and installation material for many kinds of applications.</p>

□ **Discrete Automation and Motion:** manufactures and sells motors, generators, variable speed drives, 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.

□ **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 Grids:** supplies power and automation products, systems, and service and software solutions for power generation, transmission and distribution to utility, industry, transportation and infrastructure customers. These offerings address evolving grid developments which include the integration of renewables, network control, digital substations, microgrids and asset management. The segment also manufactures a wide range of power, distribution and traction transformers, an array of high-voltage products, including circuit breakers, switchgear, capacitors and power transmission systems.

□ **Corporate and Other:** includes headquarters, central research and development, the Company's real estate activities, Group Treasury Operations, historical operating activities of certain divested businesses, and other minor business activities.

The Company evaluates the profitability of its segments based on Operational EBITA. In the fourth quarter of 2016, the Company modified the definition of its primary measure of segment performance to also exclude changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates) and non-operational pension cost, which comprises: (a) interest cost, (b) expected return on plan assets, (c) amortization of prior service cost (credit), (d) amortization of net actuarial loss, and (e) curtailments, settlements and special termination benefits.

	<p>After these revisions, Operational EBITA represents income from operations excluding: (i) amortization expense on intangibles arising upon acquisitions (acquisition-related amortization), (ii) restructuring and restructuring-related expenses, (iii) non-operational pension cost, (iv) changes in pre-acquisition estimates, (v) gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items, as well as (vi) 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).</p> <p>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.</p>
	<p>The following tables present segment revenues, Operational EBITA, and the reconciliations of consolidated Operational EBITA to Income from continuing operations before taxes for the year and three months ended December 31, 2016 and 2015, as well as total assets at December 31, 2016 and 2015.</p>

(\$ in millions)	Year ended December 31, 2016		Year ended December 31, 2015		
	Third-party revenues	Intersegment revenues	Total revenues	Third-party revenues	
Electrification Products	8,744	548	9,292	8,932	615
Discrete Automation and Motion	8,169	545	8,714	8,492	635
Process Automation	6,448	150	6,598	7,104	120
Power Grids	10,408	567	10,975	10,876	745
Corporate and Other	59	1,553	1,612	77	1,459
Intersegment elimination	-	(3,363)	(3,363)	-	(3,574)
<b>Consolidated</b>	<b>33,828</b>	<b>-</b>	<b>33,828</b>	<b>35,481</b>	<b>-</b>

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	Three months ended December 31, 2016			Three months ended December 31, 2015		
	Third-party revenues	Intersegment revenues	Total revenues	Third-party revenues	Intersegment revenues	Total revenues
(\$ in millions)						
Electrification Products	2,318	144	2,462	2,294	165	2,459
Discrete Automation and Motion	2,079	132	2,211	2,109	179	2,288
Process Automation	1,700	37	1,737	1,892	34	1,926
Power Grids	2,878	164	3,042	2,927	180	3,107
Corporate and Other	18	393	411	20	346	366
Intersegment elimination	–	(870)	(870)	–	(904)	(904)
<b>Consolidated</b>	<b>8,993</b>	<b>–</b>	<b>8,993</b>	<b>9,242</b>	<b>–</b>	<b>9,242</b>

	Year ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
(\$ in millions)				
<b>Operational EBITA:</b>				
Electrification Products	1,528	1,561	382	400
Discrete Automation and Motion	1,195	1,295	260	260
Process Automation	824	863	231	228
Power Grids	1,021	877	318	280
Corporate and Other and Intersegment elimination	(377)	(387)	(134)	(127)
<b>Consolidated Operational EBITA</b>	<b>4,191</b>	<b>4,209</b>	<b>1,057</b>	<b>1,195</b>
Acquisition-related amortization	(279)	(310)	(67)	(67)
Restructuring and restructuring-related expenses <sup>(1)</sup>	(543)	(674)	(68)	(53)
Non-operational pension cost	(38)	(19)	(38)	(38)
Changes in pre-acquisition estimates	(131)	(21)	(92)	(31)
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	(100)	(120)	(54)	(31)
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(65)	67	(22)	(31)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(5)	(68)	(16)	(31)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	30	(15)	51	(2)
<b>Income from operations</b>	<b>3,063</b>	<b>3,049</b>	<b>751</b>	<b>739</b>
Interest and dividend income	73	77	19	19
Interest and other finance expense	(261)	(286)	(31)	(6)
<b>Income from continuing operations before taxes</b>	<b>2,872</b>	<b>2,840</b>	<b>739</b>	<b>739</b>

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

(\$ in millions)	<b>Total assets<sup>(1)</sup></b>	
	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Electrification Products	9,523	9,474
Discrete Automation and Motion	8,465	9,223
Process Automation	4,153	4,662
Power Grids	8,980	9,422
Corporate and Other	8,417	8,575
<b>Consolidated</b>	<b>39,538</b>	<b>41,356</b>

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

Realignment of segments	<p>On October 4, 2016, the Company announced a planned change in the composition of the business portfolio of its four segments. Effective January 1, 2017, the scope of the Electrification Products segment has been expanded to include the electric vehicle charging, solar, and power quality businesses from the Discrete Automation and Motion segment.</p> <p>In addition, the Discrete Automation and Motion segment has been renamed the Robotics and Motion segment while the Process Automation segment has been renamed the Industrial Automation segment.</p>
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**Supplemental Reconciliations and Definitions**

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

While ABB’s management believes that the non-GAAP financial measures herein are useful in evaluating ABB’s operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP. Therefore these measures should not be viewed in isolation but considered together with the Interim Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the year and three months ended December 31, 2016.

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

Comparable growth rates are also adjusted for changes in our business portfolio. Adjustments to our business portfolio occur due to acquisitions, divestments, or by exiting specific business activities or customer markets. The adjustment for portfolio changes is calculated as follows: where the results of any business acquired or divested have not been consolidated and reported for the entire duration of both the current and comparable periods, the reported key figures of such business are adjusted to exclude the relevant key figures of any corresponding quarters which are not comparable when computing the comparable growth rate. Certain portfolio changes which do not qualify as divestments under U.S. GAAP have been treated in a similar manner to divestments. Changes in our portfolio where we have exited certain business activities or customer markets are adjusted as if the relevant business was divested in the period when the decision to cease business activities was taken. We do not adjust for portfolio changes where the relevant business has annualized revenues of less than \$50 million.

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

### Divisional comparable growth rate reconciliation

Division	Q4 2016 compared to Q4 2015						
	Order growth rate				Revenue growth rate		
	US\$ reported)	Foreign impact	Portfolio changes	Comparable	US\$ reported)	Foreign impact	Portfolio changes
Electrification Products	-8%	3%	0%	-5%	0%	3%	0%
Discrete Automation and Motion	1%	3%	0%	4%	-3%	2%	0%
Process Automation	-15%	1%	0%	-14%	-10%	2%	0%
Power Grids	10%	2%	3%	15%	-2%	3%	0%
<b>ABB Group</b>	<b>0%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>-3%</b>	<b>3%</b>	<b>0%</b>

Division	FY 2016 compared to FY 2015					
	Order growth rate			Revenue growth rate		
	US\$ reported	Foreign impact	Portfolio changes	Comparable reported	US\$ reported	Foreign impact
Electrification Products	-7%	3%	0%	-4%	-3%	4%
Discrete Automation and Motion	-6%	2%	0%	-4%	-5%	3%
Process Automation	-20%	2%	0%	-18%	-9%	3%
Power Grids	-8%	3%	1%	-4%	-6%	3%
<b>ABB Group</b>	<b>-8%</b>	<b>3%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>3%</b>

<b>Regional comparable growth rate reconciliation</b>
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**Q4 2016 compared to Q4 2015**

Region	Order growth rate			Revenue growth rate		
	US\$ reported	Foreign impact	Portfolio changes Comparable	US\$ reported	Foreign impact	Portfolio changes Comparable
Europe	-12%	2%	2%	-8%	0%	3%
The Americas	0%	0%	0%	0%	-6%	0%
Asia, Middle East and Africa	13%	4%	0%	17%	-2%	3%
<b>ABB Group</b>	<b>0%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>-3%</b>	<b>3%</b>

**FY 2016 compared to FY 2015**

Region	Order growth rate			Revenue growth rate		
	US\$ reported	Foreign impact	Portfolio changes Comparable	US\$ reported	Foreign impact	Portfolio changes Comparable
Europe	-11%	2%	1%	-8%	-2%	2%
The Americas	-11%	2%	0%	-9%	-8%	3%
Asia, Middle East and Africa	-4%	4%	0%	0%	-4%	3%
<b>ABB Group</b>	<b>-8%</b>	<b>3%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>3%</b>

<b>Order backlog growth rate reconciliation</b>
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**December 31, 2016, compared to December 31, 2015**

Division	US\$	Foreign	Portfolio changes Comparable
	(as reported)	(as exchange impact)	
Electrification Products	-9%	4%	0%
Discrete Automation and Motion	-4%	4%	0%
Process Automation	-13%	3%	0%
Power Grids	-1%	4%	1%
<b>ABB Group</b>	<b>-5%</b>	<b>3%</b>	<b>1%</b>

<b>Other growth rate reconciliations</b>
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	<b>Q4 2016 compared to Q4 2015</b>				<b>FY 2016 compared to FY 2015</b>			
	<b>US\$</b>	<b>Foreign</b>	<b>impact</b>	<b>changes</b>	<b>US\$</b>	<b>Foreign</b>	<b>impact</b>	<b>changes</b>
	<b>(as exchange Portfolio reported)</b>				<b>(as exchange Portfolio reported)</b>			
			<b>Comparable</b>				<b>Comparable</b>	
Large orders	24%	3%	8%	35%	-27%	2%	1%	
Base orders	-4%	3%	0%	-1%	-5%	3%	0%	
Service orders	2%	2%	0%	4%	0%	3%	0%	
Service revenues	0%	2%	0%	2%	0%	3%	0%	

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<b>Division realignment:</b>	<p>Effective January 1, 2016, we have realigned our organizational structure to better address customer needs and deliver operational efficiency. Our new streamlined structure is comprised of four operating divisions: Power Grids, Electrification Products, Discrete Automation and Motion and Process Automation. In addition, the operations of certain previously divested businesses have been excluded from the results of the four divisions (but are included in the total ABB Group) for the periods prior to their respective divestment. See Note 13 to the Interim Consolidated Financial Information (unaudited) for further details on the realignment.</p> <p>The following information presents a reconciliation of growth rates of orders and revenues for 2015 compared with 2014 to reflect these organizational changes:</p>
<b>Divisional comparable growth rate reconciliation:</b>	

Division	Q4 2015 compared to Q4 2014					
	Order growth rate			Revenue growth rate		
	US\$ reported	Foreign impact	Portfolio changes	US\$ reported	Foreign impact	Portfolio changes
Electrification Products	-7%	9%	0%	2%	-10%	9%
Discrete Automation and Motion	-17%	8%	0%	-9%	-11%	7%
Process Automation	-14%	11%	0%	-3%	-16%	10%
Power Grids	-7%	9%	1%	3%	-8%	9%
<b>ABB Group</b>	<b>-12%</b>	<b>9%</b>	<b>1%</b>	<b>-2%</b>	<b>-11%</b>	<b>9%</b>

Division	FY 2015 compared to FY 2014					
	Order growth rate			Revenue growth rate		
	US\$ reported	Foreign impact	Portfolio changes	US\$ reported	Foreign impact	Portfolio changes
Electrification Products	-9%	9%	0%	0%	-10%	10%
Discrete Automation and Motion	-13%	8%	0%	-5%	-10%	8%

Process Automation	-20%	11%	0%	-9%	-16%	11%
Power Grids	-4%	12%	0%	8%	-7%	10%
<b>ABB Group</b>	<b>-12%</b>	<b>10%</b>	<b>1%</b>	<b>-1%</b>	<b>-11%</b>	<b>10%</b>

<b>Adjusted services and software revenues as a percentage of total revenues</b>	Adjusted services and software revenues as a percentage of total revenues is calculated as Sales of services and software divided by Total revenues, after reducing both amounts by the amount of revenues recorded for businesses which have subsequently been divested. Total revenues are also adjusted when we have exited certain business activities or customer markets as if the relevant business was divested in the period when the decision to cease business activities was taken. We do not adjust for portfolio changes where the relevant business has annualized revenues of less than \$50 million.
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**Year ended  
December 31**

(\$ in millions, unless otherwise indicated)

	<b>2016</b>	<b>2015</b>
<b>Adjusted services and software revenues as a percentage of total revenues</b>		
Sales of services and software	6,012	6,000
<b>Adjusted services and software revenues</b>	<b>6,012</b>	<b>6,000</b>
Total revenues	33,828	35,400
Total revenues in divested/exited businesses	(134)	(57)
<b>Adjusted total revenues</b>	<b>33,694</b>	<b>34,993</b>
<b>Adjusted services and software revenues as a percentage of total revenues</b>	<b>17.8%</b>	<b>17.2%</b>

<p><b>Operational EBITA margin</b></p>	<p>In the fourth quarter of 2016, the Company modified the definition of Operational EBITA to also exclude the amount of non-operational pension cost and impacts from changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates). The new definition is provided below. The restated reconciliations for prior periods can be below in the section “Reconciliation of Operational EBITA margin by division for prior periods”.</p> <p><b>Definition</b></p> <p>Operational EBITA margin</p> <p>Operational EBITA margin is Operational EBITA as a percentage of Operational revenues.</p> <p>Operational EBITA</p> <p>Operational earnings before interest, taxes and acquisition-related amortization (Operational EBITA) represents Income from operations: excluding (i) acquisition-related amortization (as defined below), (ii) restructuring and restructuring-related expenses, (iii) non-operational pension cost (as defined below), (iv) changes in pre-acquisition estimates, (v) gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items, as well as (vi) 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). Operational EBITA is our measure of segment profit but is also used by management to evaluate the profitability of the Company as a whole.</p> <p>Acquisition-related amortization</p> <p>Amortization expense on intangibles arising upon acquisitions.</p> <p>Operational revenues</p>
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	<p>The Company presents Operational revenues solely for the purpose of allowing the computation of Operational EBITA margin. 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). Operational revenues are not intended to be an alternative measure to <i>Total Revenues</i>, which represent our revenues measured in accordance with U.S. GAAP.</p> <p>Non-operational pension cost</p> <p>Non-operational pension cost comprises the total net periodic benefit cost of defined pension benefits and other postretirement benefits but excludes the current service cost of both components. A breakdown of the components of non-operational pension cost is provided below.</p>
<b>Reconciliation</b>	The following tables provide reconciliations of consolidated Operational EBITA to Net Income and Operational EBITA Margin by division.
Reconciliation of consolidated Operational EBITA to Net Income	

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	<b>Year ended December 31,</b>	<b>Three months ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
(\$ in millions)						
<b>Operational EBITA</b>	<b>4,191</b>	<b>4,209</b>	<b>1,057</b>	<b>1,101</b>		
Acquisition-related amortization	(279)	(310)	(67)	(73)		
Restructuring and restructuring-related expenses <sup>(1)</sup>	(543)	(674)	(68)	(531)		
Non-operational pension cost	(38)	(19)	(38)	(8)		
Changes in pre-acquisition estimates	(131)	(21)	(92)	(12)		

Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	(100)	(120)	(54)	(76)
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(65)	67	(22)	(13)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(5)	(68)	(16)	(18)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	30	(15)	51	(23)
<b>Income from operations</b>	<b>3,060</b>	<b>3,049</b>	<b>751</b>	<b>347</b>
Interest and dividend income	73	77	19	21
Interest and other finance expense	(261)	(286)	(31)	(63)
<b>Income from continuing operations before taxes</b>	<b>2,872</b>	<b>2,840</b>	<b>739</b>	<b>305</b>
Provision for taxes	(790)	(788)	(203)	(66)
<b>Income from continuing operations, net of tax</b>	<b>2,082</b>	<b>2,052</b>	<b>536</b>	<b>239</b>
Income from discontinued operations, net of tax	16	3	2	1
<b>Net income</b>	<b>2,098</b>	<b>2,055</b>	<b>538</b>	<b>240</b>

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

Reconciliation of Operational EBITA margin by division	
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	Year ended December 31, 201			
	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids
(\$ in millions, unless otherwise indicated)				
<b>Total revenues</b>	<b>9,292</b>	<b>8,714</b>	<b>6,598</b>	<b>10,975</b>
Foreign exchange/commodity timing differences in total revenues:				
Unrealized gains and losses on derivatives	20	3	9	73
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(5)	2	8	8
Unrealized foreign exchange movements on receivables (and related assets)	(11)	–	4	(30)
<b>Operational revenues</b>	<b>9,296</b>	<b>8,719</b>	<b>6,619</b>	<b>11,026</b>
<b>Income (loss) from operations</b>	<b>1,335</b>	<b>831</b>	<b>696</b>	<b>888</b>
Acquisition-related amortization	95	120	11	35
Restructuring and restructuring-related expenses <sup>(1)</sup>	73	88	79	101
Non-operational pension cost	3	2	2	(2)
Changes in pre-acquisition estimates	–	131	–	–
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	8	18	9	(2)
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	21	3	12	35
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(4)	2	5	2
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(3)	–	10	(36)
<b>Operational EBITA</b>	<b>1,528</b>	<b>1,195</b>	<b>824</b>	<b>1,021</b>
<b>Operational EBITA margin (%)</b>	<b>16.4%</b>	<b>13.7%</b>	<b>12.4%</b>	<b>9.3%</b>

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

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	Year ended December 31, 2016				
	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids	Inter eli
(\$ in millions, unless otherwise indicated)					
<b>Total revenues</b>	<b>9,547</b>	<b>9,127</b>	<b>7,224</b>	<b>11,621</b>	
Foreign exchange/commodity timing differences in total revenues:					
Unrealized gains and losses on derivatives	(21)	23	(2)	(92)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	8	(27)	32	64	
Unrealized foreign exchange movements on receivables (and related assets)	2	8	(17)	(5)	
<b>Operational revenues</b>	<b>9,536</b>	<b>9,131</b>	<b>7,237</b>	<b>11,588</b>	
<b>Income (loss) from operations</b>	<b>1,356</b>	<b>991</b>	<b>685</b>	<b>613</b>	
Acquisition-related amortization	100	128	12	52	
Restructuring and restructuring-related expenses <sup>(1)</sup>	124	125	130	160	
Non-operational pension cost	(3)	3	6	3	
Changes in pre-acquisition estimates	–	21	–	–	
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	4	26	14	39	
Foreign exchange/commodity timing differences in income from operations:					
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(28)	17	(3)	(57)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	6	(27)	26	63	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	2	11	(7)	4	
<b>Operational EBITA</b>	<b>1,561</b>	<b>1,295</b>	<b>863</b>	<b>877</b>	
<b>Operational EBITA margin (%)</b>	<b>16.4%</b>	<b>14.2%</b>	<b>11.9%</b>	<b>7.6%</b>	

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

Three months ended December 31,

	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids	Inter elin
(\$ in millions, unless otherwise indicated)					
<b>Total revenues</b>	<b>2,462</b>	<b>2,211</b>	<b>1,737</b>	<b>3,042</b>	
Foreign exchange/commodity timing differences in total revenues:					
Unrealized gains and losses on derivatives	18	8	(3)	40	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	2	1	13	
Unrealized foreign exchange movements on receivables (and related assets)	(13)	(3)	(9)	(32)	
<b>Operational revenues</b>	<b>2,466</b>	<b>2,218</b>	<b>1,726</b>	<b>3,063</b>	
<b>Income (loss) from operations</b>	<b>319</b>	<b>89</b>	<b>244</b>	<b>334</b>	
Acquisition-related amortization	23	29	2	8	
Restructuring and restructuring-related expenses <sup>(1)</sup>	25	31	(21)	(5)	
Non-operational pension cost	–	2	2	1	
Changes in pre-acquisition estimates	–	92	–	–	
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	7	14	9	(8)	
Foreign exchange/commodity timing differences in income from operations:					
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	11	3	(4)	19	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	2	5	10	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(2)	(2)	(6)	(41)	
<b>Operational EBITA</b>	<b>382</b>	<b>260</b>	<b>231</b>	<b>318</b>	
<b>Operational EBITA margin (%)</b>	<b>15.5%</b>	<b>11.7%</b>	<b>13.4%</b>	<b>10.4%</b>	

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

Three months ended December 31,

	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids	Inter elin
(\$ in millions, unless otherwise indicated)					
<b>Total revenues</b>	<b>2,459</b>	<b>2,288</b>	<b>1,926</b>	<b>3,107</b>	
Foreign exchange/commodity timing differences in total revenues:					
Unrealized gains and losses on derivatives	(6)	3	2	(37)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	2	1	4	7	
Unrealized foreign exchange movements on receivables (and related assets)	–	–	7	14	
<b>Operational revenues</b>	<b>2,455</b>	<b>2,292</b>	<b>1,939</b>	<b>3,091</b>	
<b>Income (loss) from operations</b>	<b>267</b>	<b>134</b>	<b>105</b>	<b>145</b>	
Acquisition-related amortization	24	32	3	10	
Restructuring and restructuring-related expenses <sup>(1)</sup>	104	81	106	122	
Non-operational pension cost	–	–	2	–	
Changes in pre-acquisition estimates	–	12	–	–	
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	4	26	(5)	1	
Foreign exchange/commodity timing differences in income from operations:					
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	2	8	9	(8)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(1)	9	9	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	1	(1)	6	14	
<b>Operational EBITA</b>	<b>403</b>	<b>291</b>	<b>235</b>	<b>293</b>	
<b>Operational EBITA margin (%)</b>	<b>16.4%</b>	<b>12.7%</b>	<b>12.1%</b>	<b>9.5%</b>	

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

<b>Operational and non-operational pension cost</b>	<p>The operational pension cost reflects the ongoing service cost of providing employee benefits to the company's employees.</p> <p>The non-operational pension cost comprises: (i) interest cost, (ii) expected return on plan assets, (iii) amortization of prior service cost (credit), (iv) amortization of net actuarial loss, and (v) curtailments, settlements and special termination benefits.</p> <p>The operational and non-operational pension costs together comprise the net periodic benefit cost as disclosed in Note 8 to the Interim Consolidated Financial Information (unaudited).</p>
<b>Reconciliation</b>	

	<b>Year ended</b>	<b>Three months ended,</b>				<b>Year ended</b>	
	<b>Dec 31,</b>	<b>Dec 31,</b>	<b>Sep 30,</b>	<b>Jun 30,</b>	<b>Mar 31,</b>	<b>Dec 31,</b>	<b>Dec 31,</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
<b>Defined pension benefits</b>							
(\$ in millions, unless otherwise indicated)							
Service cost	249	58	65	63	63	267	
<b>Operational pension cost</b>	<b>249</b>	<b>58</b>	<b>65</b>	<b>63</b>	<b>63</b>	<b>267</b>	
Interest cost	280	67	71	71	71	305	
Expected return on plan assets	(402)	(96)	(102)	(102)	(102)	(456)	(102)
Amortization of prior service cost (credit)	40	10	9	11	10	38	
Amortization of net actuarial loss	85	20	22	21	22	112	
Curtailments, settlements and special termination benefits	41	39	1	1	-	20	
<b>Non-operational pension cost</b>	<b>44</b>	<b>40</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>19</b>	
<b>Net periodic benefit cost</b>	<b>293</b>	<b>98</b>	<b>66</b>	<b>65</b>	<b>64</b>	<b>286</b>	

	<b>Year ended</b>	<b>Three months ended,</b>				<b>Year ended</b>	
	<b>Dec 31,</b>	<b>Dec 31,</b>	<b>Sep 30,</b>	<b>Jun 30,</b>	<b>Mar 31,</b>	<b>Dec 31,</b>	<b>Dec 31,</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
<b>Other postretirement benefits</b>							
(\$ in millions, unless otherwise indicated)							
Service cost	1	-	1	-	-	1	
<b>Operational pension cost</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>	
Interest cost	6	2	1	1	2	8	
Amortization of prior service cost (credit)	(12)	(4)	(2)	(3)	(3)	(9)	
Amortization of net actuarial loss	-	-	-	-	-	1	

<b>Non-operational pension cost</b>	<b>(6)</b>	<b>(2)</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>
<b>Net periodic benefit cost</b>	<b>(5)</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>
	<b>Year ended</b>	<b>Three months ended,</b>			<b>Year ended</b>		
<b>Total</b>	<b>Dec 31,</b>	<b>Dec 31,</b>	<b>Sep 30,</b>	<b>Jun 30,</b>	<b>Mar 31,</b>	<b>Dec 31,</b>	<b>Dec 31,</b>
(\$ in millions, unless otherwise indicated)	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
<b>Total operational pension cost</b>	<b>250</b>	<b>58</b>	<b>66</b>	<b>63</b>	<b>63</b>	<b>268</b>	<b>268</b>
<b>Total non-operational pension cost</b>	<b>38</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>19</b>

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<b>Operational EPS</b>	<b>Definition</b>
	<p data-bbox="488 268 730 300">Operational EPS</p> <p data-bbox="488 338 1485 443">Operational EPS is calculated as Operational net income divided by the weighted-average number of shares outstanding used in determining basic earnings per share.</p> <p data-bbox="488 548 839 579">Operational net income</p> <p data-bbox="488 617 1485 684">Operational net income is calculated as Net income attributable to ABB adjusted for the following:</p> <ul style="list-style-type: none"> <li data-bbox="488 722 1046 753">(i) acquisition-related amortization,</li> <li data-bbox="488 791 1294 823">(ii) restructuring and restructuring-related expenses,</li> <li data-bbox="488 861 1062 892">(iii) non-operational pension cost and,</li> <li data-bbox="488 930 1110 961">(iv) changes in pre-acquisition estimates,</li> <li data-bbox="488 999 1461 1066">(v) gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items,</li> <li data-bbox="488 1104 1485 1346">(vi) 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).</li> <li data-bbox="488 1383 1485 1524">(vii) The amount of income tax on operational adjustments either estimated using the Adjusted Group effective tax rate or in certain specific cases, computed using the actual income tax effects of the relevant item in (i) to (v) above.</li> </ul> <p data-bbox="488 1629 967 1661">Acquisition-related amortization</p> <p data-bbox="488 1698 1414 1730">Amortization expense on intangibles arising upon acquisitions.</p> <p data-bbox="488 1835 983 1866">Adjusted Group effective tax rate</p>

	<p>The Adjusted Group effective tax rate is computed by dividing an adjusted provision for taxes by an adjusted income from continuing operations before taxes. Certain amounts recorded in income from continuing operations before taxes and the related provision for taxes (primarily gains and losses from sale of businesses) are excluded from the computation.</p> <p>Constant currency Operational EPS adjustment and Operational EPS growth rate (constant currency)</p> <p>In connection with ABB's 2015-2020 targets, Operational EPS growth is measured assuming 2014 as the base year and uses constant exchange rates. We compute the constant currency operational net income for all periods using the relevant monthly exchange rates which were in effect during 2014 and any difference in computed Operational net income is divided by the relevant weighted-average number of shares outstanding to identify the constant currency Operational EPS adjustment.</p>
<b>Reconciliation</b>	

(\$ in millions, except per share data in \$)	<b>2016</b>				<b>2015</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	
<b>Net income (attributable to ABB)</b>	<b>489</b>	<b>568</b>	<b>406</b>	<b>500</b>	<b>204</b>	<b>577</b>	<b>588</b>	
Operational adjustments:								
Acquisition-related amortization	67	70	71	71	73	74	80	
Restructuring and restructuring-related expenses <sup>(1)</sup>	68	39	367	69	531	59	58	
Non-operational pension cost	38	–	–	–	8	14	(2)	
Changes in pre-acquisition estimates	92	17	14	8	12	9		
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	54	35	9	2	76	(6)	39	
FX/commodity timing differences in income from operations	(13)	24	12	17	54	72	(80)	
Tax on operational adjustments <sup>(2)</sup>	(84)	(58)	(123)	(46)	(189)	(64)	(17)	
<b>Operational net income</b>	<b>711</b>	<b>695</b>	<b>756</b>	<b>621</b>	<b>769</b>	<b>735</b>	<b>666</b>	
<b>Weighted-average number of shares outstanding (in millions)</b>	<b>2,137 2,135 2,149 2,181 2,203 2,219 2,232</b>							
<b>Operational EPS</b>	<b>0.33</b>	<b>0.33</b>	<b>0.35</b>	<b>0.28</b>	<b>0.35</b>	<b>0.33</b>	<b>0.30</b>	
Constant currency Operational EPS adjustment	<b>0.02</b>	<b>0.02</b>	<b>0.04</b>	<b>0.05</b>	<b>0.01</b>	<b>0.03</b>	<b>0.03</b>	
<b>Operational EPS (constant currency basis - 2014 exchange rates)</b>	<b>0.35</b>	<b>0.35</b>	<b>0.39</b>	<b>0.33</b>	<b>0.36</b>	<b>0.36</b>	<b>0.33</b>	

<b>Operational EPS growth rate<sup>(3)</sup></b>	<b>-5%</b>	<b>-2%</b>	<b>18%</b>	<b>2%</b>	<b>0%</b>	<b>-6%</b>	<b>-3%</b>
<b>Operational EPS growth rate (constant currency basis - 2014 exchange rates)</b>	<b>-3%</b>	<b>-3%</b>	<b>18%</b>	<b>4%</b>	<b>5%</b>	<b>2%</b>	<b>7%</b>

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

(2) Tax amount is computed by applying the Adjusted Group effective tax rate to the operational adjustments, except for gains and losses from sale of businesses for which the actual provision for taxes resulting from the gain or loss has been computed.

(3) Growth is computed using unrounded EPS amounts.

	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
(\$ in millions, except per share data in \$)			
<b>Net income (attributable to ABB)</b>	<b>1,963</b>	<b>1,933</b>	<b>2,594</b>
Operational adjustments:			
Acquisition-related amortization	279	310	380
Restructuring and restructuring-related expenses <sup>(1)</sup>	543	674	235
Non-operational pension cost	38	19	59
Changes in pre-acquisition estimates	131	21	-
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	100	120	(482)
FX/commodity timing differences in income from operations	40	16	164
Tax on operational adjustments <sup>(2)</sup>	(311)	(295)	32
<b>Operational net income</b>	<b>2,783</b>	<b>2,798</b>	<b>2,982</b>
<b>Weighted-average number of shares outstanding (in millions)</b>	<b>2,151</b>	<b>2,262</b>	<b>2,288</b>
<b>Operational EPS</b>	<b>1.29</b>	<b>1.26</b>	<b>1.30</b>
Constant currency Operational EPS adjustment	0.12	0.10	-
<b>Operational EPS (constant currency basis - 2014 exchange rates)</b>	<b>1.41</b>	<b>1.36</b>	<b>1.30</b>
<b>Operational EPS growth rate<sup>(3)</sup></b>	<b>3%</b>	<b>-4%</b>	
<b>Operational EPS growth rate (constant currency basis - 2014 exchange rates)</b>	<b>4%</b>	<b>5%</b>	

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

(2) Tax amount is computed by applying the Adjusted Group effective tax rate to the operational adjustments, except for gains and losses from sale of businesses for which the actual provision for taxes resulting from the gain or loss has been computed.

(3) Growth is computed using unrounded EPS amounts.

Net debt	Definition
	<p>Net debt</p> <p>Net debt is defined as Total debt less Cash and marketable securities.</p>

	<p>Total debt</p> <p>Total debt is the sum of Short-term debt and current maturities of long-term debt, and Long-term debt.</p>
	<p>Cash and marketable securities</p> <p>Cash and marketable securities is the sum of Cash and equivalents, and Marketable securities and short-term investments.</p>

<b>Reconciliation</b>	
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(\$ in millions)	<b>December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Short-term debt and current maturities of long-term debt	987	1,454	353	453	2,537
Long-term debt	5,800	5,985	7,312	7,538	7,497
<b>Total debt</b>	<b>6,787</b>	<b>7,439</b>	<b>7,665</b>	<b>7,991</b>	<b>10,034</b>
Cash and equivalents	3,719	4,565	5,443	6,021	6,875
Marketable securities and short-term investments	1,953	1,633	1,325	464	1,606
<b>Cash and marketable securities</b>	<b>5,672</b>	<b>6,198</b>	<b>6,768</b>	<b>6,485</b>	<b>8,481</b>
<b>Net debt</b>	<b>1,115</b>	<b>1,241</b>	<b>897</b>	<b>1,506</b>	<b>1,553</b>

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<b>Net working capital as a percentage of revenues</b>	<b>Definition</b>
	<p>Net working capital as a percentage of revenues</p> <p>Net working capital as a percentage of revenues is calculated as Net working capital divided by Adjusted revenues for the trailing twelve months.</p> <p>Net working capital</p> <p>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.</p> <p>Adjusted revenues for the trailing twelve months</p> <p>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.</p>

<b>Reconciliation</b>	
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	<b>Dec 31, Sep 30, Jun 30, Mar 31, Dec 31, Sep 30, Jun 30</b>						
(\$ in millions, unless otherwise indicated)	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
<b>Net working capital:</b>							
Receivables, net	9,708	10,155	10,384	10,131	10,061	10,564	11,000
Inventories, net	4,347	5,017	5,045	5,104	4,757	5,410	5,400
Prepaid expenses	176	242	246	268	225	286	300

Accounts payable, trade	(4,446)	(4,458)	(4,536)	(4,323)	(4,342)	(4,405)	(4,566)
Billings in excess of sales	(1,241)	(1,330)	(1,377)	(1,331)	(1,375)	(1,440)	(1,500)
Advances from customers	(1,398)	(1,591)	(1,612)	(1,601)	(1,598)	(1,497)	(1,511)
Other current liabilities	(3,198)	(3,153)	(3,002)	(2,949)	(3,127)	(3,103)	(3,030)
excluding: <sup>(1)</sup>	738	744	2,505	803	690	802	1,200
Net working capital in assets and liabilities held for sale	(72)	(46)	-	-	-	-	-
<b>Net working capital</b>	<b>3,876</b>	<b>4,836</b>	<b>5,148</b>	<b>5,299</b>	<b>4,601</b>	<b>5,815</b>	<b>6,220</b>
<b>Total revenues for the three months ended:</b>							
Dec. 31, 2016 / 2015 / 2014 / 2013	8,993	9,242	9,242	9,242	9,242	10,346	10,346
Sep. 30, 2016 / 2015 / 2014 / 2013	8,255	8,255	8,519	8,519	8,519	8,519	9,800
Jun. 30, 2016 / 2015 / 2014 / 2013	8,677	8,677	8,677	9,165	9,165	9,165	9,165
Mar. 31, 2016 / 2015 / 2014 / 2013	7,903	7,903	7,903	7,903	8,555	8,555	8,555
<b>Total revenues for the trailing twelve months</b>	<b>33,828</b>	<b>34,077</b>	<b>34,341</b>	<b>34,829</b>	<b>35,481</b>	<b>36,585</b>	<b>37,800</b>
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	-	-	-	-	-	-	(140)
<b>Adjusted revenues for the trailing twelve months</b>	<b>33,828</b>	<b>34,077</b>	<b>34,341</b>	<b>34,829</b>	<b>35,481</b>	<b>36,521</b>	<b>37,700</b>
<b>Net working capital as a percentage of revenues (%)</b>	<b>11.5%</b>	<b>14.2%</b>	<b>15.0%</b>	<b>15.2%</b>	<b>13.0%</b>	<b>15.9%</b>	<b>16.5%</b>

(1) The amounts excluded from Other current liabilities related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, and (d) payables under the share buyback program.

**Free cash flow conversion to net income**

**Definition**

Free cash flow conversion to net income

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

Free cash flow (FCF)

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

**Reconciliation**

(\$ in millions, unless otherwise indicated)

**Net cash provided by operating activities**

Adjusted for the effects of:

Purchases 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

**Free cash flow**

**Net income attributable to ABB**

**Free cash flow conversion to net income**

**Year ended December 31**

**2016 2015 2014 2013 2012**

**3,934 3,818 3,845 3,653 3,653**

**(831) (876) (1,026) (1,106) (1,200)**

**61 68 33 80**

**(8) 9 5 5**

**3,156 3,019 2,857 2,632 2,538**

**1,963 1,933 2,594 2,787 2,787**

**161% 156% 110% 94% 91%**

<b>Finance net</b>	<b>Definition</b>
	Finance net is calculated as Interest and dividend income less Interest and other finance expense.

<b>Reconciliation</b>	
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(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
Interest and dividend income	73	77	19	21
Interest and other finance expense	(261)	(286)	(31)	(63)
<b>Finance net</b>	<b>(188)</b>	<b>(209)</b>	<b>(12)</b>	<b>(42)</b>

<b>Book-to-bill ratio</b>	<b>Definition</b>
	Book-to-bill ratio is calculated as Orders received divided by Total revenues.
<b>Reconciliation</b>	

(\$ in millions, unless otherwise indicated)	Three months ended December 31,	
	2016	2015
Orders received	8,277	8,262
Total revenues	8,993	9,242
<b>Book-to-bill ratio</b>	<b>0.92</b>	<b>0.89</b>

(\$ in millions, unless otherwise indicated)	Year ended December 31,				
	2016	2015	2014	2013	2012
Orders received	33,379	36,429	41,515	38,896	40,232
Total revenues	33,828	35,481	39,830	41,848	39,336
<b>Book-to-bill ratio</b>	<b>0.99</b>	<b>1.03</b>	<b>1.04</b>	<b>0.93</b>	<b>1.02</b>

<b>Cash return on invested capital (CROI)</b>	Definition
	<p>Cash return on invested capital (CROI)</p> <p>Cash return on invested capital is calculated as Adjusted cash return divided by Capital invested.</p> <p>Adjusted cash return</p> <p>Adjusted cash return is calculated as the sum of (i) net cash provided by operating activities, (ii) interest paid and (iii) estimate to annualize/eliminate the net cash provided by operating activities of certain acquisitions / (divestments).</p> <p>Adjusted total fixed assets</p> <p>Adjusted total fixed assets is the sum of (i) property, plant and equipment, net, (ii) goodwill, (iii) other intangible assets, net, and (iv) investments in equity-accounted companies less (v) deferred tax liabilities recognized in certain acquisitions.</p> <p>Net working capital</p> <p>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.</p> <p>Capital invested</p> <p>Capital invested is the sum of (i) Adjusted total fixed assets, (ii) Net working capital and (iii) Accumulated depreciation and amortization.</p>

<b>Reconciliation</b>	
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(\$ in millions, unless otherwise indicated)

**Adjusted cash return:**

	Year ended December 31	2016	2015	2014
Net cash provided by operating activities		3,934	3,818	3,818
Interest paid		213	221	221
Estimate to annualize/eliminate the net cash provided by operating activities of certain divestments <sup>(1)</sup>		-	-	-
<b>Adjusted cash return</b>		<b>4,147</b>	<b>4,039</b>	<b>4,039</b>

(\$ in millions, unless otherwise indicated)

**Adjusted total fixed assets:**

	December 31	2016	2015	2014
Property, plant and equipment, net		4,743	5,276	5,276
Goodwill		9,501	9,671	9,671
Other intangible assets, net		1,996	2,337	2,337
Investments in equity-accounted companies		170	178	178
Fixed assets included in assets held for sale <sup>(2)</sup>		448	-	-
<b>Total fixed assets</b>		<b>16,858</b>	<b>17,462</b>	<b>17,462</b>
Less: deferred taxes recognized in certain acquisitions <sup>(3)</sup>		(1,901)	(1,901)	(1,901)
<b>Adjusted total fixed assets</b>		<b>14,957</b>	<b>15,561</b>	<b>15,561</b>
<b>Net working capital (as defined above)</b>		<b>3,876</b>	<b>4,601</b>	<b>5,000</b>
<b>Accumulated depreciation and amortization:</b>				
Accumulated depreciation of property, plant and equipment		6,926	6,840	6,840
Accumulated amortization of intangible assets including goodwill <sup>(4)</sup>		3,438	3,175	3,175
Accumulated depreciation and amortization of assets held for sale <sup>(2)</sup>		149	-	-
<b>Accumulated depreciation and amortization</b>		<b>10,513</b>	<b>10,015</b>	<b>10,015</b>
<b>Capital invested</b>		<b>29,346</b>	<b>30,177</b>	<b>30,177</b>
<b>Cash return on invested capital (CROI)</b>		<b>14.1%</b>	<b>13.4%</b>	<b>13.4%</b>

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

(2) Held for sale: In 2016 ABB announced an agreement to divest its global high-voltage cable system business.

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

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



Reconciliation of Operational EBITA margin by division for prior periods	The following tables provide operational EBITA margin reconciliations for prior periods.
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	Three months ended September 30			
	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids
(\$ in millions, unless otherwise indicated)				
<b>Total revenues</b>	<b>2,308</b>	<b>2,203</b>	<b>1,523</b>	<b>2,636</b>
Foreign exchange/commodity timing differences in total revenues:				
Unrealized gains and losses on derivatives	6	2	6	20
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	–	(1)	6
Unrealized foreign exchange movements on receivables (and related assets)	1	2	3	(1)
<b>Operational revenues</b>	<b>2,313</b>	<b>2,207</b>	<b>1,531</b>	<b>2,661</b>
<b>Income (loss) from operations</b>	<b>389</b>	<b>276</b>	<b>170</b>	<b>222</b>
Acquisition-related amortization	24	30	3	9
Restructuring and restructuring-related expenses <sup>(1)</sup>	(7)	(4)	7	12
Non-operational pension cost	1	–	–	(1)
Changes in pre-acquisition estimates	–	17	–	–
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	1	4	–	2
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	3	2	(1)	4
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	1	2	2
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	3	2	6	3
<b>Operational EBITA</b>	<b>412</b>	<b>328</b>	<b>187</b>	<b>253</b>

<b>Operational EBITA margin (%)</b>	<b>17.8%</b>	<b>14.9%</b>	<b>12.2%</b>	<b>9.5%</b>
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(1) Amounts also include the incremental implementation costs in relation to the White Collar Productivity program.

Three months ended June 30, 2016

	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids	Inter eli
(\$ in millions, unless otherwise indicated)					
<b>Total revenues</b>	<b>2,397</b>	<b>2,221</b>	<b>1,717</b>	<b>2,779</b>	
Foreign exchange/commodity timing differences in total revenues:					
Unrealized gains and losses on derivatives	14	10	13	62	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	(1)	3	(6)	
Unrealized foreign exchange movements on receivables (and related assets)	(10)	(7)	(10)	(29)	
<b>Operational revenues</b>	<b>2,399</b>	<b>2,223</b>	<b>1,723</b>	<b>2,806</b>	
<b>Income (loss) from operations</b>	<b>339</b>	<b>226</b>	<b>112</b>	<b>151</b>	
Acquisition-related amortization	24	30	3	9	
Restructuring and restructuring-related expenses <sup>(1)</sup>	51	54	89	76	
Non-operational pension cost	1	–	–	(1)	
Changes in pre-acquisition estimates	–	14	–	–	
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	–	–	–	2	
Foreign exchange/commodity timing differences in income from operations:					
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	7	5	14	46	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	(1)	(2)	(6)	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(6)	(3)	(6)	(25)	
<b>Operational EBITA</b>	<b>415</b>	<b>325</b>	<b>210</b>	<b>252</b>	
<b>Operational EBITA margin (%)</b>	<b>17.3%</b>	<b>14.6%</b>	<b>12.2%</b>	<b>9.0%</b>	

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

Three months ended March 31, 2016

Corporate Operations

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Inter

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2016

2015

2014

2013

2012

2011

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Three months ended September 30

	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids	Inter elin
(\$ in millions, unless otherwise indicated)					
<b>Total revenues</b>	<b>2,353</b>	<b>2,220</b>	<b>1,659</b>	<b>2,791</b>	
Foreign exchange/commodity timing differences in total revenues:					
Unrealized gains and losses on derivatives	–	41	27	52	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	1	9	13	
Unrealized foreign exchange movements on receivables (and related assets)	(3)	(5)	(4)	(22)	
<b>Operational revenues</b>	<b>2,353</b>	<b>2,257</b>	<b>1,691</b>	<b>2,834</b>	
<b>Income (loss) from operations</b>	<b>390</b>	<b>264</b>	<b>159</b>	<b>159</b>	
Acquisition-related amortization	25	31	3	10	
Restructuring and restructuring-related expenses <sup>(1)</sup>	10	16	3	13	
Non-operational pension cost	(1)	1	2	1	
Changes in pre-acquisition estimates	–	9	–	–	
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	(1)	–	1	5	
Foreign exchange/commodity timing differences in income from operations:					
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(18)	26	8	33	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	3	6	10	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	1	(5)	1	(9)	
<b>Operational EBITA</b>	<b>409</b>	<b>345</b>	<b>183</b>	<b>222</b>	
<b>Operational EBITA margin (%)</b>	<b>17.4%</b>	<b>15.3%</b>	<b>10.8%</b>	<b>7.8%</b>	

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

	Three months ended June 30, 2016			
	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids
(\$ in millions, unless otherwise indicated)				
<b>Total revenues</b>	<b>2,506</b>	<b>2,348</b>	<b>1,875</b>	<b>2,951</b>
Foreign exchange/commodity timing differences in total revenues:				
Unrealized gains and losses on derivatives	(23)	(8)	(23)	(102)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	2	–	(1)	21
Unrealized foreign exchange movements on receivables (and related assets)	8	5	(2)	24
<b>Operational revenues</b>	<b>2,493</b>	<b>2,345</b>	<b>1,849</b>	<b>2,894</b>
<b>Income (loss) from operations</b>	<b>389</b>	<b>293</b>	<b>216</b>	<b>181</b>
Acquisition-related amortization	26	33	3	15
Restructuring and restructuring-related expenses <sup>(1)</sup>	3	25	20	10
Non-operational pension cost	(1)	1	1	1
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	–	–	15	31
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(23)	(24)	(27)	(89)
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	1	–	(4)	23
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	15	12	4	25
<b>Operational EBITA</b>	<b>410</b>	<b>340</b>	<b>228</b>	<b>197</b>
<b>Operational EBITA margin (%)</b>	<b>16.4%</b>	<b>14.5%</b>	<b>12.3%</b>	<b>6.8%</b>

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

	<b>Three months ended March 31, 2016</b>			
	<b>Electrification Products</b>	<b>Discrete Automation and Motion</b>	<b>Process Automation</b>	<b>Power Grids</b>
(\$ in millions, unless otherwise indicated)				
<b>Total revenues</b>	<b>2,229</b>	<b>2,271</b>	<b>1,764</b>	<b>2,772</b>
Foreign exchange/commodity timing differences in total revenues:				
Unrealized gains and losses on derivatives	8	(13)	(8)	(5)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(29)	20	23
Unrealized foreign exchange movements on receivables (and related assets)	(3)	8	(18)	(21)
<b>Operational revenues</b>	<b>2,235</b>	<b>2,237</b>	<b>1,758</b>	<b>2,769</b>
<b>Income (loss) from operations</b>	<b>310</b>	<b>300</b>	<b>205</b>	<b>128</b>
Acquisition-related amortization	25	32	3	17
Restructuring and restructuring-related expenses <sup>(1)</sup>	7	3	1	15
Non-operational pension cost	(1)	1	1	1
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	1	–	3	2
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	11	7	7	7
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(29)	15	21
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(15)	5	(18)	(26)
<b>Operational EBITA</b>	<b>339</b>	<b>319</b>	<b>217</b>	<b>165</b>
<b>Operational EBITA margin (%)</b>	<b>15.2%</b>	<b>14.3%</b>	<b>12.3%</b>	<b>6.0%</b>

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

	Year ended December 31, 2016				
	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids	Inter eli
(\$ in millions, unless otherwise indicated)	10,572	10,142	8,618	12,518	
<b>Total revenues</b>					
Foreign exchange/commodity timing differences in total revenues:					
Unrealized gains and losses on derivatives	25	10	12	192	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	(2)	17	48	
Unrealized foreign exchange movements on receivables (and related assets)	(5)	(13)	(15)	(56)	
<b>Operational revenues</b>	<b>10,592</b>	<b>10,137</b>	<b>8,632</b>	<b>12,702</b>	
<b>Income (loss) from operations</b>	<b>1,562</b>	<b>1,422</b>	<b>931</b>	<b>257</b>	
Acquisition-related amortization	113	138	18	89	
Restructuring and restructuring-related expenses <sup>(1)</sup>	49	25	36	106	
Non-operational pension cost	(2)	6	17	12	
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	(7)	–	32	9	
Foreign exchange/commodity timing differences in income from operations:					
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	23	16	20	168	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(2)	13	32	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	–	(10)	(22)	(66)	
<b>Operational EBITA</b>	<b>1,739</b>	<b>1,595</b>	<b>1,045</b>	<b>607</b>	
<b>Operational EBITA margin (%)</b>	<b>16.4%</b>	<b>15.7%</b>	<b>12.1%</b>	<b>4.8%</b>	

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

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**October — December 2016 — Q4**

ABB Ltd announces that the following members of the **Executive Committee** or **Board of Directors** of ABB have purchased, warrant appreciation rights (“WARs”), in the following amounts:

**Name**

Louis R. Hughes

Ulrich Spiesshofer

Eric Elzvik

Jean-Christophe Deslarzes

Diane de Saint Victor

Tarak Mehta

Matti Alahuhta

David Constable

Frederico Curado

Robyn Denholm

Louis R. Hughes

David Meline

Satish Pai

Michel de Rosen

Peter Voser

Jacob Wallenberg

Ying Yeh

Jean-Christophe Deslarzes

Key:

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\* Received instruments were delivered as part of the ABB Ltd Director's or Executive Committee Member's compensation

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ABB LTD**

Date: February 8, 2017.

By: /s/ Alanna Abrahamson - Haka  
Name: Alanna Abrahamson - Haka  
Title: Group Senior Vice President and  
Head of Investor Relations

By: /s/ Richard A. Brown  
Name: Richard A. Brown  
Title: Group Senior Vice President and  
Chief Counsel Corporate & Finance

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