

Supplemental financial information September 30, 2014

ABB presents the following financial measures to supplement its Interim Consolidated Financial Information (unaudited) which is prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). These supplemental 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 nine and three months ended September 30, 2014.

Like-for-like Growth Rates

The like-for-like growth rates of revenues and orders are calculated by adjusting reported revenues and orders, in both the current and comparable periods, for the effects of currency translation and portfolio changes. 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 revenues and orders of such business are adjusted to exclude the revenues and orders of any corresponding quarters which are not comparable when computing the like-for-like growth rate. In addition, certain other adjustments, which affect the business portfolio but do not qualify as a divestment, are treated in a similar manner to a divestment. We do not adjust for portfolio changes where the business acquired or divested has annual revenues of less than \$50 million per year.

Operational EBITDA margin

Definition

Operational EBITDA margin

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

Operational EBITDA

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

Operational revenues

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

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Reconciliation

(\$ in millions, unless otherwise indicated)	Nine months ended September 30, 2014						Consolidated
	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	
Total revenues	7,559	5,739	5,854	7,508	5,055	(2,231)	29,484
<i>Foreign exchange/commodity timing differences in total revenues:</i>							
Unrealized gains and losses on derivatives	1	17	(3)	28	139	-	182
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	-	2	2	26	-	28
Unrealized foreign exchange movements on receivables (and related assets)	(7)	(6)	(5)	(11)	(34)	-	(63)
Operational revenues	7,551	5,750	5,848	7,527	5,186	(2,231)	29,631
Income from operations	1,065	1,208	650	874	(313)	(355)	3,129
Depreciation and amortization	234	227	67	164	136	160	988
Restructuring and restructuring-related expenses	14	29	26	35	34	4	142
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	-	(395)	9	10	10	6	(360)
<i>Foreign exchange/commodity timing differences in income from operations:</i>							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	14	12	8	48	116	3	201
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	-	3	5	14	-	20
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(9)	(7)	(12)	(27)	(41)	(4)	(100)
Operational EBITDA	1,316	1,074	751	1,109	(44)	(186)	4,020
Operational EBITDA margin (%)	17.4%	18.7%	12.8%	14.7%	(0.8%)	-	13.6%

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(\$ in millions, unless otherwise indicated)	Nine months ended September 30, 2013						Consolidated
	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	
Total revenues	7,228	5,707	6,236	7,962	6,075	(2,733)	30,475
<i>Foreign exchange/commodity timing differences in total revenues:</i>							
Unrealized gains and losses on derivatives	(9)	4	6	3	(7)	-	(3)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	-	-	9	5	(4)	-	10
Unrealized foreign exchange movements on receivables (and related assets)	1	(2)	(4)	(16)	6	-	(15)
Operational revenues	7,220	5,709	6,247	7,954	6,070	(2,733)	30,467
Income from operations	1,101	809	727	975	340	(388)	3,564
Depreciation and amortization	204	241	65	163	135	158	966
Restructuring and restructuring-related expenses	7	17	14	38	16	2	94
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	19	9	2	10	1	51	92
<i>Foreign exchange/commodity timing differences in income from operations:</i>							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(15)	7	(12)	(12)	(28)	(7)	(67)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	-	4	4	(3)	-	6
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	3	(1)	-	(8)	8	-	2
Operational EBITDA	1,320	1,082	800	1,170	469	(184)	4,657
Operational EBITDA margin (%)	18.3%	19.0%	12.8%	14.7%	7.7%	-	15.3%

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(\$ in millions, unless otherwise indicated)	Three months ended September 30, 2014						Consolidated
	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	
Total revenues	2,635	1,921	1,899	2,455	1,637	(724)	9,823
<i>Foreign exchange/commodity timing differences in total revenues:</i>							
Unrealized gains and losses on derivatives	6	13	2	31	54	1	107
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	-	4	2	26	-	31
Unrealized foreign exchange movements on receivables (and related assets)	(3)	(5)	(13)	(11)	(20)	-	(52)
Operational revenues	2,637	1,929	1,892	2,477	1,697	(723)	9,909
Income from operations	390	552	214	283	(121)	(96)	1,222
Depreciation and amortization	78	74	22	54	42	52	322
Restructuring and restructuring-related expenses	-	17	2	12	21	3	55
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	1	(291)	6	(1)	18	10	(257)
<i>Foreign exchange/commodity timing differences in income from operations:</i>							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	13	15	2	32	48	2	112
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	-	-	4	3	23	-	30
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(4)	(3)	(11)	(21)	(22)	(5)	(66)
Operational EBITDA	478	364	239	362	9	(34)	1,418
Operational EBITDA margin (%)	18.1%	18.9%	12.6%	14.6%	0.5%	-	14.3%

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(\$ in millions, unless otherwise indicated)	Three months ended September 30, 2013						Consolidated
	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	
Total revenues	2,539	2,001	2,128	2,692	2,062	(887)	10,535
<i>Foreign exchange/commodity timing differences in total revenues:</i>							
Unrealized gains and losses on derivatives	(20)	(4)	(13)	(19)	(71)	-	(127)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	-	5	-	(6)	-	(2)
Unrealized foreign exchange movements on receivables (and related assets)	8	4	1	(3)	28	1	39
Operational revenues	2,526	2,001	2,121	2,670	2,013	(886)	10,445
Income from operations	403	315	270	346	127	(137)	1,324
Depreciation and amortization	74	80	23	53	45	52	327
Restructuring and restructuring-related expenses	3	11	2	11	11	2	40
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	12	4	1	10	-	33	60
<i>Foreign exchange/commodity timing differences in income from operations:</i>							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(21)	(18)	(11)	(30)	(61)	(3)	(144)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	-	3	(1)	(6)	-	(5)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	6	3	1	-	25	1	36
Operational EBITDA	476	395	289	389	141	(52)	1,638
Operational EBITDA margin (%)	18.8%	19.7%	13.6%	14.6%	7.0%	-	15.7%

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Operational EPS

Definition

Operational EPS

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

Operational net income

Operational net income is calculated as Net income attributable to ABB adjusted for the net-of-tax impact of:

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

Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

Adjusted Group effective tax rate

The Adjusted Group effective tax rate is computed by dividing the provision for income taxes by income from continuing operations before taxes. The calculation excludes the amount of gains and losses from sale of businesses and the related provision for income taxes.

Reconciliation

	Nine months ended September 30,			
	2014		2013	
		EPS ⁽¹⁾		EPS ⁽¹⁾
(\$ in millions, except per share data in \$)				
Net income (attributable to ABB)	1,914	0.83	2,262	0.99
Restructuring and restructuring-related expenses ⁽²⁾	102	0.04	67	0.03
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items ⁽³⁾	(145)	(0.06)	66	0.03
FX/commodity timing differences in income from operations ⁽²⁾	88	0.04	(42)	(0.02)
Acquisition-related amortization ⁽²⁾	208	0.09	205	0.09
Operational net income	2,167	0.94	2,558	1.11
	Three months ended September 30,			
	2014		2013	
		EPS ⁽¹⁾		EPS ⁽¹⁾
(\$ in millions, except per share data in \$)				
Net income (attributable to ABB)	734	0.32	835	0.36
Restructuring and restructuring-related expenses ⁽²⁾	40	0.02	29	0.01
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items ⁽³⁾	(103)	(0.04)	43	0.02
FX/commodity timing differences in income from operations ⁽²⁾	56	0.02	(82)	(0.04)
Acquisition-related amortization ⁽²⁾	68	0.03	72	0.03
Operational net income	795	0.35	897	0.39

(1) EPS amounts are computed separately, therefore the sum of the per share amounts shown may not equal to the total.

(2) Net of tax at the Adjusted Group effective tax rate.

(3) Net of tax at the Adjusted Group effective tax rate, except for gains and losses from sale of businesses which are net of the actual related provision for taxes.

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Net debt

Definition

Net debt

Net debt is defined as Total debt less Cash and marketable securities.

Total debt

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

Cash and marketable securities

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

Reconciliation

(\$ in millions)	September 30, 2014	December 31, 2013
Short-term debt and current maturities of long-term debt	462	453
Long-term debt	7,408	7,570
Total debt	7,870	8,023
Cash and equivalents	4,633	6,021
Marketable securities and short-term investments	1,583	464
Cash and marketable securities	6,216	6,485
Net debt	1,654	1,538

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Net debt to EBITDA

Definition

Net debt to EBITDA is calculated as Net debt divided by Income from operations adjusted to exclude depreciation and amortization for the trailing twelve months.

Reconciliation

(\$ in millions, unless otherwise indicated)

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Net debt (as defined above)	1,654	1,538
EBITDA		
<i>Income from operations for the three months ended:</i>		
September 30, 2014	1,222	-
June 30, 2014	1,052	-
March 31, 2014	855	-
December 31, 2013	823	823
September 30, 2013	-	1,324
June 30, 2013	-	1,188
March 31, 2013	-	1,052
<i>Depreciation and amortization for the three months ended:</i>		
September 30, 2014	322	-
June 30, 2014	333	-
March 31, 2014	333	-
December 31, 2013	352	352
September 30, 2013	-	327
June 30, 2013	-	318
March 31, 2013	-	321
Total EBITDA for the trailing twelve months	5,292	5,705
Net debt to EBITDA (ratio)	0.3	0.3

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Net working capital as a percentage of revenues

Definition

Net working capital as a percentage of revenues

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

Net working capital

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

Adjusted revenues for the trailing twelve months

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

Reconciliation

(\$ in millions, unless otherwise indicated)	September 30,	
	2014	2013
Net working capital:		
Receivables, net	11,788	12,632
Inventories, net	5,961	6,634
Prepaid expenses	307	330
Accounts payable, trade	(4,820)	(5,103)
Billings in excess of sales	(1,560)	(1,746)
Advances from customers	(1,628)	(1,770)
Other current liabilities ⁽¹⁾	(3,380)	(3,599)
Net working capital in assets and liabilities held for sale	(8)	-
Net working capital	6,660	7,378
Total revenues for the three months ended:		
September 30, 2014 / 2013	9,823	10,535
June 30, 2014 / 2013	10,190	10,225
March 31, 2014 / 2013	9,471	9,715
December 31, 2013 / 2012	11,373	11,021
Adjustment to annualize/eliminate revenues of certain acquisitions/divestment	(633)	-
Adjusted revenues for the trailing twelve months	40,224	41,496
Net working capital as a percentage of revenues	17%	18%

(1) Amounts exclude \$1,260 million and \$747 million at September 30, 2014 and 2013, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, and (d) unpaid amounts under share buyback program.

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Finance net

Definition

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

Reconciliation

(\$ in millions)

	Nine months ended September 30,	
	2014	2013
Interest and dividend income	57	50
Interest and other finance expense	(255)	(299)
Finance net	(198)	(249)

(\$ in millions)

	Three months ended September 30,	
	2014	2013
Interest and dividend income	19	15
Interest and other finance expense	(83)	(122)
Finance net	(64)	(107)

Book-to-bill ratio

Definition

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

Reconciliation

(\$ in millions, unless otherwise indicated)

	Nine months ended September 30,	
	2014	2013
Orders received	32,150	28,893
Total revenues	29,484	30,475
Book-to-bill ratio	1.09	0.95

(\$ in millions, unless otherwise indicated)

	Three months ended September 30,	
	2014	2013
Orders received	11,225	9,089
Total revenues	9,823	10,535
Book-to-bill ratio	1.14	0.86