

Supplemental financial information Capital Markets Day - September 09, 2014

The following financial measures are to supplement the Press Release and Capital Markets Day presentations. 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 Consolidated Financial Statements prepared in accordance with U.S. GAAP as of and for the years ended December 31, 2013, 2012 and 2011.

Operational EBITA %

Definition

Operational EBITA %

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

Operational EBITA

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

Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

| (\$ in millions) | Year ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| Amortization expense on intangibles assets other than goodwill | 476 | 449 | 335 |
| <i>Of which:</i> | | | |
| Acquisition-related amortization | 390 | 359 | 236 |
| Other amortization expense | 86 | 90 | 99 |

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: Operational EBITA %

(\$ in millions, unless otherwise indicated)

| | Year ended December 31, | | |
|--|-------------------------|---------------|---------------|
| | 2013 | 2012 | 2011 |
| Total revenues | 41,848 | 39,336 | 37,990 |
| <i>Foreign exchange/commodity timing differences in total revenues:</i> | | | |
| Unrealized gains and losses on derivatives | 15 | (131) | 188 |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 5 | 21 | 33 |
| Unrealized foreign exchange movements on receivables (and related assets) | (15) | 20 | (123) |
| Operational revenues | 41,853 | 39,246 | 38,088 |
| Income from operations | 4,387 | 4,058 | 4,667 |
| Acquisition-related amortization | 390 | 359 | 236 |
| Restructuring and restructuring-related expenses | 252 | 180 | 164 |
| Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items | 181 | 199 | 107 |
| <i>Foreign exchange/commodity timing differences in income from operations:</i> | | | |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives) | (60) | (135) | 158 |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | (14) | 28 | 32 |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities) | 11 | 43 | (109) |
| Operational EBITA | 5,147 | 4,732 | 5,255 |
| Operational EBITA % | 12.3% | 12.1% | 13.8% |

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Operational EBITDA margin

Definition

Operational EBITDA margin

Operational EBITDA margin is Operational EBITDA as a percentage of Operational revenues (as defined in Operational EBITA % above).

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).

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Reconciliation: Operational EBITDA

| (\$ in millions, unless otherwise indicated) | Year ended December 31, 2013 | | | | | | Consolidated |
|--|--------------------------------|----------------------|--------------------|----------------|---------------|--|---------------|
| | Discrete Automation and Motion | Low Voltage Products | Process Automation | Power Products | Power Systems | Corporate and Other and Intersegment elimination | |
| Total revenues | 9,915 | 7,729 | 8,497 | 11,032 | 8,375 | (3,700) | 41,848 |
| <i>Foreign exchange/commodity timing differences in total revenues:</i> | | | | | | | |
| Unrealized gains and losses on derivatives | (9) | 5 | 14 | 6 | (1) | - | 15 |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 1 | - | 7 | 7 | (10) | - | 5 |
| Unrealized foreign exchange movements on receivables (and related assets) | (2) | (4) | (5) | (9) | 5 | - | (15) |
| Operational revenues | 9,905 | 7,730 | 8,513 | 11,036 | 8,369 | (3,700) | 41,853 |
| Income from operations | 1,458 | 1,092 | 990 | 1,331 | 171 | (655) | 4,387 |
| Depreciation and amortization | 285 | 323 | 87 | 223 | 183 | 217 | 1,318 |
| Restructuring and restructuring-related expenses | 19 | 31 | 31 | 66 | 101 | 4 | 252 |
| Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items | 33 | 16 | (6) | 19 | 4 | 115 | 181 |
| <i>Foreign exchange/commodity timing differences in income from operations:</i> | | | | | | | |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives) | (14) | 8 | (6) | (12) | (28) | (8) | (60) |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 1 | - | - | 6 | (21) | - | (14) |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities) | 1 | (2) | - | 4 | 9 | (1) | 11 |
| Operational EBITDA | 1,783 | 1,468 | 1,096 | 1,637 | 419 | (328) | 6,075 |
| Operational EBITDA margin (%) | 18.0% | 19.0% | 12.9% | 14.8% | 5.0% | - | 14.5% |

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| (\$ in millions, unless otherwise indicated) | Year ended December 31, 2012 | | | | | | Consolidated |
|--|--------------------------------|----------------------|--------------------|----------------|---------------|--|---------------|
| | Discrete Automation and Motion | Low Voltage Products | Process Automation | Power Products | Power Systems | Corporate and Other and Intersegment elimination | |
| Total revenues | 9,405 | 6,638 | 8,156 | 10,717 | 7,852 | (3,432) | 39,336 |
| <i>Foreign exchange/commodity timing differences in total revenues:</i> | | | | | | | |
| Unrealized gains and losses on derivatives | 3 | (17) | (18) | (30) | (68) | (1) | (131) |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | - | - | (4) | 2 | 23 | - | 21 |
| Unrealized foreign exchange movements on receivables (and related assets) | (3) | 5 | - | 13 | 5 | - | 20 |
| Operational revenues | 9,405 | 6,626 | 8,134 | 10,702 | 7,812 | (3,433) | 39,246 |
| Income from operations | 1,469 | 856 | 912 | 1,328 | 7 | (514) | 4,058 |
| Depreciation and amortization | 263 | 250 | 82 | 209 | 174 | 204 | 1,182 |
| Restructuring and restructuring-related expenses | (4) | 23 | 28 | 65 | 52 | 16 | 180 |
| Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items | 8 | 106 | 2 | 1 | 70 | 12 | 199 |
| <i>Foreign exchange/commodity timing differences in income from operations:</i> | | | | | | | |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives) | (2) | (21) | (27) | (43) | (44) | 2 | (135) |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | (1) | - | 2 | 6 | 21 | - | 28 |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities) | 2 | 5 | 4 | 19 | 10 | 3 | 43 |
| Operational EBITDA | 1,735 | 1,219 | 1,003 | 1,585 | 290 | (277) | 5,555 |
| Operational EBITDA margin (%) | 18.4% | 18.4% | 12.3% | 14.8% | 3.7% | - | 14.2% |

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| Year ended December 31, 2011 | | | | | | | |
|--|--------------------------------|----------------------|--------------------|----------------|---------------|--|---------------|
| (\$ in millions, unless otherwise indicated) | Discrete Automation and Motion | Low Voltage Products | Process Automation | Power Products | Power Systems | Corporate and Other and Intersegment elimination | Consolidated |
| Total revenues | 8,806 | 5,304 | 8,300 | 10,869 | 8,101 | (3,390) | 37,990 |
| <i>Foreign exchange/commodity timing differences in total revenues:</i> | | | | | | | |
| Unrealized gains and losses on derivatives | 29 | 16 | 39 | 49 | 56 | (1) | 188 |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | (1) | - | (2) | 17 | 19 | - | 33 |
| Unrealized foreign exchange movements on receivables (and related assets) | (17) | (5) | (19) | (34) | (48) | - | (123) |
| Operational revenues | 8,817 | 5,315 | 8,318 | 10,901 | 8,128 | (3,391) | 38,088 |
| Income from operations | 1,294 | 904 | 963 | 1,476 | 548 | (518) | 4,667 |
| Depreciation and amortization | 251 | 116 | 83 | 200 | 144 | 201 | 995 |
| Restructuring and restructuring-related expenses | 10 | 20 | 8 | 70 | 54 | 2 | 164 |
| Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items | 90 | - | - | - | - | 17 | 107 |
| <i>Foreign exchange/commodity timing differences in income from operations:</i> | | | | | | | |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives) | 29 | 21 | (4) | 58 | 16 | 38 | 158 |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 2 | - | (2) | 14 | 19 | (1) | 32 |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities) | (12) | (2) | (20) | (36) | (38) | (1) | (109) |
| Operational EBITDA | 1,664 | 1,059 | 1,028 | 1,782 | 743 | (262) | 6,014 |
| Operational EBITDA margin (%) | 18.9% | 19.9% | 12.4% | 16.3% | 9.1% | - | 15.8% |

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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 EPS.

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 (as defined in Operational EBITA % above).

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

| | Year ended December 31, | | | | | |
|---|-------------------------|--------------------|--------------|--------------------|--------------|--------------------|
| | 2013 | | 2012 | | 2011 | |
| (\$ in millions, except per share data in \$) | | EPS ⁽¹⁾ | | EPS ⁽¹⁾ | | EPS ⁽¹⁾ |
| Net income (attributable to ABB) | 2,787 | 1.21 | 2,704 | 1.18 | 3,168 | 1.38 |
| Restructuring and restructuring-related expenses ⁽²⁾ | 182 | 0.08 | 132 | 0.06 | 119 | 0.05 |
| Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items ⁽³⁾ | 131 | 0.06 | 146 | 0.06 | 78 | 0.04 |
| FX/commodity timing differences in Income from operations ⁽²⁾ | (46) | (0.02) | (47) | (0.02) | 59 | 0.03 |
| Acquisition-related amortization ⁽²⁾ | 282 | 0.12 | 263 | 0.11 | 171 | 0.07 |
| Operational net income | 3,336 | 1.45 | 3,198 | 1.39 | 3,595 | 1.57 |

(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 / (Net cash)

Definition

Net debt / (Net cash)

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

Total debt

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

Cash and marketable securities

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

Reconciliation

(\$ in millions)

| | December 31, | | | | | |
|--|--------------|---------------|----------------|----------------|----------------|----------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Short-term debt and current maturities of long-term debt | 453 | 2,537 | 765 | 1,043 | 161 | 354 |
| Long-term debt | 7,570 | 7,534 | 3,231 | 1,139 | 2,172 | 2,009 |
| Total debt | 8,023 | 10,071 | 3,996 | 2,182 | 2,333 | 2,363 |
| Cash and equivalents | 6,021 | 6,875 | 4,819 | 5,897 | 7,119 | 6,399 |
| Marketable securities and short-term investments | 464 | 1,606 | 948 | 2,713 | 2,433 | 1,354 |
| Cash and marketable securities | 6,485 | 8,481 | 5,767 | 8,610 | 9,552 | 7,753 |
| Net debt / (Net cash) | 1,538 | 1,590 | (1,771) | (6,428) | (7,219) | (5,390) |

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Cash return on invested capital (CROI)

Definition

Cash return on invested capital (CROI)

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

Adjusted cash return

Adjusted cash return is calculated as the sum of i) net cash provided by operating activities and ii) interest paid.

Adjusted total fixed assets

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

Net working capital

Net working capital is the sum of i) receivables, net, ii) inventories, net, and iii) prepaid expenses; less iv) accounts payable, trade, v) billings in excess of sales, vi) advances from customers and vii) other current liabilities (excluding primarily: a) income taxes payable, b) current derivative liabilities, and c) pension and other employee benefits).

Capital invested

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

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Reconciliation: Cash return on invested capital (CROI)

(\$ in millions, unless otherwise indicated)

| | Year ended December 31, | | |
|--|-------------------------|--------------|--------------|
| | 2013 | 2012 | 2011 |
| Net cash provided by operating activities | 3,653 | 3,779 | 3,612 |
| Interest paid | 287 | 189 | 165 |
| Estimate to annualize the net cash provided by operating activities of certain acquisitions ⁽¹⁾ | 86 | (8) | 27 |
| Adjusted cash return | 4,026 | 3,960 | 3,804 |

| | December 31, | | |
|---|---------------|---------------|---------------|
| | 2013 | 2012 | 2011 |
| Property, plant and equipment, net | 6,254 | 5,947 | 4,922 |
| Goodwill | 10,670 | 10,226 | 7,269 |
| Other intangible assets, net | 3,297 | 3,501 | 2,253 |
| Investments in equity-accounted companies | 197 | 213 | 156 |
| Total fixed assets | 20,418 | 19,887 | 14,600 |
| Less: deferred taxes recognized in certain acquisitions ⁽²⁾ | (1,959) | (1,773) | (693) |
| Adjusted total fixed assets | 18,459 | 18,114 | 13,907 |
| Receivables, net | 12,146 | 11,575 | 10,773 |
| Inventories, net | 6,004 | 6,182 | 5,737 |
| Prepaid expenses | 252 | 311 | 227 |
| Accounts payable, trade | (5,112) | (4,992) | (4,789) |
| Billings in excess of sales | (1,714) | (2,035) | (1,819) |
| Advances from customers | (1,726) | (1,937) | (1,757) |
| Other current liabilities ⁽³⁾ | (3,541) | (3,544) | (3,183) |
| Net working capital | 6,309 | 5,560 | 5,189 |
| Accumulated depreciation of property, plant and equipment | 7,127 | 6,599 | 6,121 |
| Accumulated amortization of intangible assets including goodwill ⁽⁴⁾ | 2,793 | 2,321 | 1,900 |
| Accumulated depreciation and amortization | 9,920 | 8,920 | 8,021 |
| Capital invested | 34,688 | 32,594 | 27,117 |
| Cash return on invested capital (CROI) | 11.6% | 12.1% | 14.0% |

(1) Power-One (2013); Thomas & Betts (2012); Baldor (2011)

(2) Power-One, Thomas & Betts and Baldor (2013); Thomas & Betts and Baldor (2012); Baldor (2011)

(3) Other current liabilities in Net working capital excludes \$701 million, \$793 million and \$1,061 at December 31, 2013, 2012 and 2011, respectively, related primarily to: a) income taxes payable, b) current derivative liabilities, and c) pension and other employee benefits.

(4) Includes accumulated goodwill amortization recorded before Dec. 31, 2001.

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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)

| | Year ended December 31, | | | | | |
|---|-------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Net cash provided by operating activities | 3,653 | 3,779 | 3,612 | 4,197 | 4,027 | 3,958 |
| <i>adjusted for the effects of:</i> | | | | | | |
| Purchases of property, plant and equipment and intangible assets | (1,106) | (1,293) | (1,021) | (840) | (967) | (1,171) |
| Proceeds from sales of property, plant and equipment | 80 | 40 | 57 | 47 | 36 | 94 |
| Changes in financing receivables and other non-current receivables ⁽¹⁾ | 5 | 29 | (55) | (7) | (7) | 7 |
| Free cash flow | 2,632 | 2,555 | 2,593 | 3,397 | 3,089 | 2,888 |
| Net income attributable to ABB | 2,787 | 2,704 | 3,168 | | | |
| Free cash flow (FCF) conversion to net income | 94% | 94% | 82% | | | |

(1) In 2013, 2012, 2011 and 2010 included in "Other investing activities" – see Consolidated Statements of Cash Flows in the 2013 Annual Report for the years ended 2013, 2012 and 2011 and the 2012 Annual Report for the year ended 2010.

Revenue Growth / Orders Growth (like-for-like)

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.