

## **Supplemental financial information September 30, 2013**

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 the nine and three months ended September 30, 2013.

### **Operational EBITDA margin**

#### **Definition**

##### **Operational EBITDA**

Operational EBITDA represents income from operations excluding depreciation and amortization, restructuring and restructuring-related expenses, and 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).

##### **Operational EBITDA margin**

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

## Supplemental financial information September 30, 2013

### Reconciliation

(\$ in millions, except Operational EBITDA margin in %)	Nine months ended September 30, 2013						Corporate and Other and Intersegment elimination	Consolidated
	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems			
<b>Total revenues</b>	<b>7,228</b>	<b>5,707</b>	<b>6,236</b>	<b>7,962</b>	<b>6,075</b>	<b>(2,733)</b>	<b>30,475</b>	
<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)	
<b>Operational revenues</b>	<b>7,220</b>	<b>5,709</b>	<b>6,247</b>	<b>7,954</b>	<b>6,070</b>	<b>(2,733)</b>	<b>30,467</b>	
<b>Income from operations</b>	<b>1,101</b>	<b>809</b>	<b>727</b>	<b>975</b>	<b>340</b>	<b>(388)</b>	<b>3,564</b>	
Depreciation and amortization	204	241	65	163	135	158	966	
Restructuring and restructuring-related expenses	7	17	14	38	16	2	94	
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	
<b>Operational EBITDA</b>	<b>1,320</b>	<b>1,082</b>	<b>800</b>	<b>1,170</b>	<b>469</b>	<b>(184)</b>	<b>4,657</b>	
<b>Operational EBITDA margin (%)</b>	<b>18.3%</b>	<b>19.0%</b>	<b>12.8%</b>	<b>14.7%</b>	<b>7.7%</b>	<b>-</b>	<b>15.3%</b>	

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(\$ in millions, except Operational EBITDA margin in %)	Nine months ended September 30, 2012						Corporate and Other and Intersegment elimination	Consolidated
	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems			
<b>Total revenues</b>	<b>6,916</b>	<b>4,668</b>	<b>5,926</b>	<b>7,649</b>	<b>5,580</b>	<b>(2,424)</b>	<b>28,315</b>	
<i>Foreign exchange/commodity timing differences in total revenues</i>								
Unrealized gains and losses on derivatives	5	(13)	(22)	(22)	(91)	(1)	(144)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	-	(3)	2	40	1	39	
Unrealized foreign exchange movements on receivables (and related assets)	(3)	6	1	21	7	1	33	
<b>Operational revenues</b>	<b>6,917</b>	<b>4,661</b>	<b>5,902</b>	<b>7,650</b>	<b>5,536</b>	<b>(2,423)</b>	<b>28,243</b>	
<b>Income from operations</b>	<b>1,098</b>	<b>597</b>	<b>690</b>	<b>949</b>	<b>197</b>	<b>(336)</b>	<b>3,195</b>	
Depreciation and amortization	192	159	60	155	129	146	841	
Restructuring and restructuring-related expenses	5	10	7	27	3	3	55	
Acquisition-related expenses and certain non-operational items	7	104	1	1	3	4	120	
<i>Foreign exchange/commodity timing differences in income from operations</i>								
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(2)	(28)	(22)	(37)	(37)	1	(125)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	-	3	6	41	1	50	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	1	7	5	23	9	1	46	
<b>Operational EBITDA</b>	<b>1,300</b>	<b>849</b>	<b>744</b>	<b>1,124</b>	<b>345</b>	<b>(180)</b>	<b>4,182</b>	
<b>Operational EBITDA margin (%)</b>	<b>18.8%</b>	<b>18.2%</b>	<b>12.6%</b>	<b>14.7%</b>	<b>6.2%</b>	<b>-</b>	<b>14.8%</b>	

## Supplemental financial information September 30, 2013

Three months ended September 30, 2013							
(\$ in millions, except Operational EBITDA margin in %)	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
<b>Total revenues</b>	<b>2,539</b>	<b>2,001</b>	<b>2,128</b>	<b>2,692</b>	<b>2,062</b>	<b>(887)</b>	<b>10,535</b>
<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
<b>Operational revenues</b>	<b>2,526</b>	<b>2,001</b>	<b>2,121</b>	<b>2,670</b>	<b>2,013</b>	<b>(886)</b>	<b>10,445</b>
<b>Income from operations</b>	<b>403</b>	<b>315</b>	<b>270</b>	<b>346</b>	<b>127</b>	<b>(137)</b>	<b>1,324</b>
Depreciation and amortization	74	80	23	53	45	52	327
Restructuring and restructuring-related expenses	3	11	2	11	11	2	40
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
<b>Operational EBITDA</b>	<b>476</b>	<b>395</b>	<b>289</b>	<b>389</b>	<b>141</b>	<b>(52)</b>	<b>1,638</b>
<b>Operational EBITDA margin (%)</b>	<b>18.8%</b>	<b>19.7%</b>	<b>13.6%</b>	<b>14.6%</b>	<b>7.0%</b>	<b>-</b>	<b>15.7%</b>

## Supplemental financial information September 30, 2013

(\$ in millions, except Operational EBITDA margin in %)	Three months ended September 30, 2012						Corporate and Other and Intersegment elimination	Consolidated
	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems			
<b>Total revenues</b>	<b>2,306</b>	<b>1,880</b>	<b>1,904</b>	<b>2,526</b>	<b>1,901</b>	<b>(772)</b>	<b>9,745</b>	
<i>Foreign exchange/commodity timing differences in total revenues</i>								
Unrealized gains and losses on derivatives	2	(8)	(12)	(19)	(90)	1	(126)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	-	(6)	2	19	1	15	
Unrealized foreign exchange movements on receivables (and related assets)	1	4	3	16	17	-	41	
<b>Operational revenues</b>	<b>2,308</b>	<b>1,876</b>	<b>1,889</b>	<b>2,525</b>	<b>1,847</b>	<b>(770)</b>	<b>9,675</b>	
<b>Income from operations</b>	<b>362</b>	<b>278</b>	<b>224</b>	<b>324</b>	<b>72</b>	<b>(114)</b>	<b>1,146</b>	
Depreciation and amortization	66	78	20	51	45	47	307	
Restructuring and restructuring-related expenses	9	5	(1)	8	(1)	1	21	
Acquisition-related expenses and certain non-operational items	2	20	1	1	-	25	49	
<i>Foreign exchange/commodity timing differences in income from operations</i>								
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(3)	(17)	(14)	(28)	(49)	2	(109)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	-	(1)	(1)	3	20	3	24	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	1	3	4	15	22	-	45	
<b>Operational EBITDA</b>	<b>437</b>	<b>366</b>	<b>233</b>	<b>374</b>	<b>109</b>	<b>(36)</b>	<b>1,483</b>	
<b>Operational EBITDA margin (%)</b>	<b>18.9%</b>	<b>19.5%</b>	<b>12.3%</b>	<b>14.8%</b>	<b>5.9%</b>	<b>-</b>	<b>15.3%</b>	

## Supplemental financial information September 30, 2013

### Operational EPS

#### Definition

#### Operational net income

Operational net income is calculated as Net income attributable to ABB adjusted for the net-of-tax impact (using the Group's effective tax rate) of:

- i) restructuring and restructuring-related expenses,
- ii) 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) amortization related to acquisitions.

#### Amortization related to acquisitions

Amortization expense on intangibles arising upon acquisitions.

#### Operational EPS

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

#### Reconciliation

	September 30, 2013		September 30, 2012	
		EPS <sup>(1)</sup>		EPS <sup>(1)</sup>
(\$ in millions, except per share data in \$)				
<b>Net income (attributable to ABB)</b>	<b>2,262</b>	<b>0.99</b>	<b>2,100</b>	<b>0.92</b>
Restructuring and restructuring-related expenses <sup>(2)</sup>	67	0.03	40	0.02
Acquisition-related expenses and certain non-operational items <sup>(2)</sup>	66	0.03	87	0.04
FX/commodity timing differences in Income from operations <sup>(2)</sup>	(42)	(0.02)	(21)	(0.01)
Amortization related to acquisitions <sup>(2)</sup>	205	0.09	183	0.08
<b>Operational net income</b>	<b>2,558</b>	<b>1.11</b>	<b>2,389</b>	<b>1.04</b>

	September 30, 2013		September 30, 2012	
		EPS <sup>(1)</sup>		EPS <sup>(1)</sup>
(\$ in millions, except per share data in \$)				
<b>Net income (attributable to ABB)</b>	<b>835</b>	<b>0.36</b>	<b>759</b>	<b>0.33</b>
Restructuring and restructuring-related expenses <sup>(2)</sup>	29	0.01	16	0.01
Acquisition-related expenses and certain non-operational items <sup>(2)</sup>	43	0.02	36	0.02
FX/commodity timing differences in Income from operations <sup>(2)</sup>	(82)	(0.04)	(30)	(0.01)
Amortization related to acquisitions <sup>(2)</sup>	72	0.03	77	0.03
<b>Operational net income</b>	<b>897</b>	<b>0.39</b>	<b>858</b>	<b>0.37</b>

(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 Group effective tax rate.

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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)	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Short-term debt and current maturities of long-term debt	567	2,537
Long-term debt	7,553	7,534
<b>Total debt</b>	<b>8,120</b>	<b>10,071</b>
Cash and equivalents	4,296	6,875
Marketable securities and short-term investments	380	1,606
<b>Cash and marketable securities</b>	<b>4,676</b>	<b>8,481</b>
<b>Net debt</b>	<b>3,444</b>	<b>1,590</b>

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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)	September 30, 2013	December 31, 2012
<b>Net debt (as defined above)</b>	<b>3,444</b>	<b>1,590</b>
<b>EBITDA</b>		
<i>Income from operations for the three months ended:</i>		
September 30, 2013	1,324	-
June 30, 2013	1,188	-
March 31, 2013	1,052	-
December 31, 2012	863	863
September 30, 2012	-	1,146
June 30, 2012	-	1,001
March 31, 2012	-	1,048
<i>Depreciation and amortization for the three months ended:</i>		
September 30, 2013	327	-
June 30, 2013	318	-
March 31, 2013	321	-
December 31, 2012	341	341
September 30, 2012	-	307
June 30, 2012	-	281
March 31, 2012	-	253
<b>Total EBITDA for the trailing twelve months</b>	<b>5,734</b>	<b>5,240</b>
<b>Net debt to EBITDA</b>	<b>0.6</b>	<b>0.3</b>



## Supplemental financial information September 30, 2013

### Net working capital as a percentage of revenues

#### Definition

#### 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, vii) non-trade payables, and viii) accrued expenses and deferred income.

#### 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 estimate the impact of annualizing revenues of certain acquisitions which were completed in the same trailing twelve month period.

#### 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.

#### Reconciliation

(\$ in millions)	September 30,	
	2013	2012
<b>Net working capital:</b>		
Receivables, net	12,632	11,626
Inventories, net	6,634	6,659
Prepaid expenses	330	322
Accounts payable, trade	(5,103)	(4,697)
Billings in excess of sales	(1,746)	(1,924)
Advances from customers	(1,770)	(1,795)
Non-trade payables <sup>(1)</sup>	(1,371)	(1,390)
Accrued expenses and deferred income <sup>(1)</sup>	(2,228)	(2,098)
<b>Net working capital</b>	<b>7,378</b>	<b>6,703</b>
<b>Total revenues for the three months ended:</b>		
September 30, 2013 / 2012	10,535	9,745
June 30, 2013 / 2012	10,225	9,663
March 31, 2013 / 2012	9,715	8,907
December 31, 2012 / 2011	11,021	10,571
Adjustment to annualize revenues of certain acquisitions <sup>(2)</sup>	-	1,519
<b>Adjusted revenues for the trailing twelve months</b>	<b>41,496</b>	<b>40,405</b>
<b>Net working capital as a percentage of revenues</b>	<b>17.8%</b>	<b>16.6%</b>

(1) Amount is included within Other current liabilities at September 30, 2013.

(2) Thomas & Betts, acquired in May 2012.

## Supplemental financial information September 30, 2013

### 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,	
	2013	2012
Interest and dividend income	50	55
Interest and other finance expense	(299)	(238)
<b>Finance net</b>	<b>(249)</b>	<b>(183)</b>

(\$ in millions)

	Three months ended September 30,	
	2013	2012
Interest and dividend income	15	17
Interest and other finance expense	(122)	(94)
<b>Finance net</b>	<b>(107)</b>	<b>(77)</b>

### Book-to-bill ratio

#### Definition

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

#### Reconciliation

	Nine months ended September 30, 2013
(\$ in millions)	
Orders received	28,893
Total revenues	30,475
<b>Book-to-bill ratio</b>	<b>0.95</b>