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OCTOBER 4, 2016

# Capital Markets Day 2016

## Supplemental financial information

# Supplemental Reconciliations and Definitions

Capital Markets Day – October 4, 2016

The following financial measures supplement the October 4, 2016, Press Release and the Capital Markets Day 2016 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 Interim Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the six and three months ended June 30, 2016, and with the Consolidated Financial Statements prepared in accordance with U.S. GAAP as of and for the years ended December 31, 2015, 2014 and 2013.

# Comparable growth rates

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 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 also adjust 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.

## Reconciliation

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

### Divisional comparable growth rate reconciliation

Division	FY 2015 compared to FY 2014							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification Products	-9%	9%	0%	0%	-10%	10%	0%	0%
Discrete Automation and Motion	-13%	8%	0%	-5%	-10%	8%	0%	-2%
Process Automation	-20%	11%	0%	-9%	-16%	11%	0%	-5%
Power Grids	-4%	12%	0%	8%	-7%	10%	-1%	2%
<b>ABB Group</b>	<b>-12%</b>	<b>10%</b>	<b>1%</b>	<b>-1%</b>	<b>-11%</b>	<b>10%</b>	<b>1%</b>	<b>0%</b>

# Adjusted service revenues as a percentage of total revenues

Adjusted service revenues as a percentage of total revenues is calculated as Sales of services 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.

## Reconciliation

(\$ in millions, unless otherwise indicated)	December 31,			
	2015	2014	2013	2012
<b>Adjusted service revenues as a percentage of total revenues</b>				
Sales of services	6,004	6,551	6,566	6,357
Sales of services in divested businesses	–	(225)	(459)	(630)
<b>Adjusted service revenues</b>	<b>6,004</b>	<b>6,326</b>	<b>6,107</b>	<b>5,727</b>
Total revenues	35,481	39,830	41,848	39,336
Total revenues in divested businesses	(574)	(1,172)	(1,231)	(630)
<b>Adjusted total revenues</b>	<b>34,907</b>	<b>38,658</b>	<b>40,617</b>	<b>38,706</b>
<b>Adjusted service revenues as a percentage of total revenues</b>	<b>17%</b>	<b>16%</b>	<b>15%</b>	<b>15%</b>

# Operational EBITA margin

## Definition

### Operational EBITA margin

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

### Operational EBITA

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

### Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

### Operational revenues

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 *Total Revenues*, which represent our revenues measured in accordance with U.S. GAAP.

## Reconciliation

The following tables provide reconciliations of consolidated Operational EBITA to Net Income and Operational EBITA Margin tables.

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## Reconciliation of Operational EBITA margin

(\$ in millions, unless otherwise indicated)	Six months ended	Year ended December 31,			
	June 30, 2016	2015	2014	2013	2012
<b>Total revenues</b>	<b>16,580</b>	<b>35,481</b>	<b>39,830</b>	<b>41,848</b>	<b>39,336</b>
Foreign exchange/commodity timing differences in total revenues	18	(28)	213	5	(90)
<b>Operational revenues</b>	<b>16,598</b>	<b>35,453</b>	<b>40,043</b>	<b>41,853</b>	<b>39,246</b>
<b>Income (loss) from operations</b>	<b>1,431</b>	<b>3,049</b>	<b>4,178</b>	<b>4,387</b>	<b>4,058</b>
Acquisition-related amortization	142	310	380	390	359
Restructuring and restructuring-related expenses <sup>(1)</sup>	436	674	235	252	180
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	11	120	(482)	181	199
Foreign exchange/commodity timing differences in income from operations	29	16	164	(63)	(64)
<b>Operational EBITA</b>	<b>2,049</b>	<b>4,169</b>	<b>4,475</b>	<b>5,147</b>	<b>4,732</b>
<b>Operational EBITA margin (%)</b>	<b>12.3%</b>	<b>11.8%</b>	<b>11.2%</b>	<b>12.3%</b>	<b>12.1%</b>

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

## Reconciliation of consolidated Operational EBITA to Net Income

(\$ in millions)	Six months ended	Year ended December 31,			
	June 30, 2016	2015	2014	2013	2012
<b>Operational EBITA</b>	<b>2,049</b>	<b>4,169</b>	<b>4,475</b>	<b>5,147</b>	<b>4,732</b>
Acquisition-related amortization	(142)	(310)	(380)	(390)	(359)
Restructuring and restructuring-related expenses <sup>(1)</sup>	(436)	(674)	(235)	(252)	(180)
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	(11)	(120)	482	(181)	(199)
<i>Foreign exchange/commodity timing differences in income from operations:</i>					
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(35)	67	(223)	60	135
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	14	(68)	(42)	14	(28)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(8)	(15)	101	(11)	(43)
<b>Income from operations</b>	<b>1,431</b>	<b>3,049</b>	<b>4,178</b>	<b>4,387</b>	<b>4,058</b>
Interest and dividend income	38	77	80	69	73
Interest and other finance expense	(146)	(286)	(362)	(390)	(293)
<b>Income from continuing operations before taxes</b>	<b>1,323</b>	<b>2,840</b>	<b>3,896</b>	<b>4,066</b>	<b>3,838</b>
Provision for taxes	(350)	(788)	(1,202)	(1,122)	(1,030)
<b>Income from continuing operations, net of tax</b>	<b>973</b>	<b>2,052</b>	<b>2,694</b>	<b>2,944</b>	<b>2,808</b>
Income (loss) from discontinued operations, net of tax	(2)	3	24	(37)	4
<b>Net income</b>	<b>971</b>	<b>2,055</b>	<b>2,718</b>	<b>2,907</b>	<b>2,812</b>

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

## Reconciliation of Operational EBITA margin by quarter

(\$ in millions, unless otherwise indicated)	2016		2015				2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Total revenues</b>	<b>8,677</b>	<b>7,903</b>	<b>9,242</b>	<b>8,519</b>	<b>9,165</b>	<b>8,555</b>	<b>10,346</b>
Foreign exchange/commodity timing differences in total revenues	37	(19)	(4)	113	(100)	(37)	66
<b>Operational revenues</b>	<b>8,714</b>	<b>7,884</b>	<b>9,238</b>	<b>8,632</b>	<b>9,065</b>	<b>8,518</b>	<b>10,412</b>
<b>Income (loss) from operations</b>	<b>647</b>	<b>784</b>	<b>347</b>	<b>882</b>	<b>961</b>	<b>859</b>	<b>1,049</b>
Acquisition-related amortization	71	71	73	74	80	83	90
Restructuring and restructuring-related expenses <sup>(1)</sup>	367	69	531	59	58	26	93
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	9	2	76	(6)	39	11	(122)
Foreign exchange/commodity timing differences in income from operations	12	17	54	72	(80)	(30)	43
<b>Operational EBITA</b>	<b>1,106</b>	<b>943</b>	<b>1,081</b>	<b>1,081</b>	<b>1,058</b>	<b>949</b>	<b>1,153</b>
<b>Operational EBITA margin (%)</b>	<b>12.7%</b>	<b>12.0%</b>	<b>11.7%</b>	<b>12.5%</b>	<b>11.7%</b>	<b>11.1%</b>	<b>11.1%</b>

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

## Reconciliation of Operational EBITA margin by division

	Year ended December 31, 2015					
	Electrification	Discrete	Process	Power	Corporate and	
(\$ in millions, unless otherwise indicated)	Products	Automation	Automation	Grids	Other and	Consolidated
		and Motion			Intersegment	
					elimination	
<b>Total revenues</b>	<b>9,547</b>	<b>9,127</b>	<b>7,224</b>	<b>11,621</b>	<b>(2,038)</b>	<b>35,481</b>
<i>Foreign exchange/commodity timing differences in total revenues:</i>						
Unrealized gains and losses on derivatives	(21)	23	(2)	(92)	1	(91)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	8	(27)	32	64	(1)	76
Unrealized foreign exchange movements on receivables (and related assets)	2	8	(17)	(5)	(1)	(13)
<b>Operational revenues</b>	<b>9,536</b>	<b>9,131</b>	<b>7,237</b>	<b>11,588</b>	<b>(2,039)</b>	<b>35,453</b>
<b>Income (loss) from operations</b>	<b>1,356</b>	<b>991</b>	<b>685</b>	<b>613</b>	<b>(596)</b>	<b>3,049</b>
Acquisition-related amortization	100	128	12	52	18	310
Restructuring and restructuring-related expenses <sup>(1)</sup>	124	125	130	160	135	674
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	4	26	14	39	37	120
<i>Foreign exchange/commodity timing differences in income from operations:</i>						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(28)	17	(3)	(57)	4	(67)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	6	(27)	26	63	–	68
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	2	11	(7)	4	5	15
<b>Operational EBITA</b>	<b>1,564</b>	<b>1,271</b>	<b>857</b>	<b>874</b>	<b>(397)</b>	<b>4,169</b>
<b>Operational EBITA margin (%)</b>	<b>16.4%</b>	<b>13.9%</b>	<b>11.8%</b>	<b>7.5%</b>	<b>n.a.</b>	<b>11.8%</b>

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

Year ended December 31, 2014

(\$ in millions, unless otherwise indicated)	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids	Corporate and Other and Intersegment elimination	Consolidated
<b>Total revenues</b>	<b>10,572</b>	<b>10,142</b>	<b>8,618</b>	<b>12,518</b>	<b>(2,020)</b>	<b>39,830</b>
<i>Foreign exchange/commodity timing differences in total revenues:</i>						
Unrealized gains and losses on derivatives	25	10	12	192	-	<b>239</b>
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	-	(2)	17	48	-	<b>63</b>
Unrealized foreign exchange movements on receivables (and related assets)	(5)	(13)	(15)	(56)	-	<b>(89)</b>
<b>Operational revenues</b>	<b>10,592</b>	<b>10,137</b>	<b>8,632</b>	<b>12,702</b>	<b>(2,020)</b>	<b>40,043</b>
<b>Income (loss) from operations</b>	<b>1,562</b>	<b>1,422</b>	<b>931</b>	<b>257</b>	<b>6</b>	<b>4,178</b>
Acquisition-related amortization	113	138	18	89	22	<b>380</b>
Restructuring and restructuring-related expenses <sup>(1)</sup>	49	25	36	106	19	<b>235</b>
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	(7)	-	32	9	(516)	<b>(482)</b>
<i>Foreign exchange/commodity timing differences in income from operations:</i>						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	23	16	20	168	(4)	<b>223</b>
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(2)	13	32	(2)	<b>42</b>
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	-	(10)	(22)	(66)	(3)	<b>(101)</b>
<b>Operational EBITA</b>	<b>1,741</b>	<b>1,589</b>	<b>1,028</b>	<b>595</b>	<b>(478)</b>	<b>4,475</b>
<b>Operational EBITA margin (%)</b>	<b>16.4%</b>	<b>15.7%</b>	<b>11.9%</b>	<b>4.7%</b>	<b>n.a.</b>	<b>11.2%</b>

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

## Reconciliation of Operational EBITA margin for Power Grids

(\$ in millions, unless otherwise indicated)	Power Grids									
	2016		2015				2014			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Total revenues</b>	<b>2,779</b>	<b>2,518</b>	<b>3,107</b>	<b>2,791</b>	<b>2,951</b>	<b>2,772</b>	<b>3,394</b>	<b>2,985</b>	<b>3,246</b>	<b>2,893</b>
Foreign exchange/commodity timing differences in total	27	(22)	(16)	43	(57)	(3)	42	77	53	12
<b>Operational revenues</b>	<b>2,806</b>	<b>2,496</b>	<b>3,091</b>	<b>2,834</b>	<b>2,894</b>	<b>2,769</b>	<b>3,436</b>	<b>3,062</b>	<b>3,299</b>	<b>2,905</b>
<b>Income (loss) from operations</b>	<b>151</b>	<b>181</b>	<b>145</b>	<b>159</b>	<b>181</b>	<b>128</b>	<b>59</b>	<b>62</b>	<b>99</b>	<b>37</b>
Acquisition-related amortization	9	9	10	10	15	17	18	25	20	26
Restructuring and restructuring-related expenses <sup>(1)</sup>	76	18	122	13	10	15	42	32	17	15
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	2	2	1	5	31	2	6	-	(3)	6
Foreign exchange/commodity timing differences in income from operations	15	(11)	15	34	(41)	2	30	56	22	26
<b>Operational EBITA</b>	<b>253</b>	<b>199</b>	<b>293</b>	<b>221</b>	<b>196</b>	<b>164</b>	<b>155</b>	<b>175</b>	<b>155</b>	<b>110</b>
<b>Operational EBITA margin (%)</b>	<b>9.0%</b>	<b>8.0%</b>	<b>9.5%</b>	<b>7.8%</b>	<b>6.8%</b>	<b>5.9%</b>	<b>4.5%</b>	<b>5.7%</b>	<b>4.7%</b>	<b>3.8%</b>

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

# Operational EPS

## Definition

### Operational EPS

Operational EPS is calculated as Operational net income divided by the weighted-average number of shares outstanding 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) acquisition-related amortization,
- (ii) restructuring and restructuring-related expenses,
- (iii) gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items, and
- (iv) 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).

### 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 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), as well as certain other amounts included solely in provision for taxes, are excluded from the computation.

### Constant currency Operational EPS adjustment and Operational EPS growth rate (constant currency)

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.

## Reconciliation

### Reconciliation of Operational EPS

(\$ in millions, except per share data in \$)	Year ended December 31,		
	2015	2014	Growth <sup>(1)</sup>
<b>Net income (attributable to ABB)</b>	<b>1,933</b>	<b>2,594</b>	
<i>Operational adjustments:</i>			
Acquisition-related amortization	310	380	
Restructuring and restructuring-related expenses <sup>(2)</sup>	674	235	
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	120	(482)	
FX/commodity timing differences in income from operations	16	164	
Tax on operational adjustments <sup>(3)</sup>	(284)	48	
<b>Operational net income</b>	<b>2,769</b>	<b>2,939</b>	
<b>Weighted-average number of shares outstanding (in millions)</b>	<b>2,226</b>	<b>2,288</b>	
<b>Operational EPS</b>	<b>1.24</b>	<b>1.28</b>	
Constant currency Operational EPS adjustment	0.11	-	
<b>Operational EPS (constant currency basis - 2014 exchange rates)</b>	<b>1.35</b>	<b>1.28</b>	<b>5%</b>

(1) Growth is computed using unrounded EPS amounts

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

(3) 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.

### Reconciliation of Operational EPS by quarter

(\$ in millions, except per share data in \$)	2016		2015				2014			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Net income (attributable to ABB)</b>	<b>406</b>	<b>500</b>	<b>204</b>	<b>577</b>	<b>588</b>	<b>564</b>	<b>680</b>	<b>734</b>	<b>636</b>	<b>544</b>
<i>Operational adjustments:</i>										
Acquisition-related amortization	71	71	73	74	80	83	90	93	96	101
Restructuring and restructuring-related expenses <sup>(1)</sup>	367	69	531	59	58	26	93	55	40	47
Gains and losses from sale of businesses, acquisition-related expenses and certain non-operational items	9	2	76	(6)	39	11	(122)	(257)	(114)	11
FX/commodity timing differences in income from operations	12	17	54	72	(80)	(30)	43	76	20	25
Tax on operational adjustments <sup>(2)</sup>	(119)	(44)	(185)	(57)	(17)	(25)	(12)	94	18	(52)
<b>Operational net income</b>	<b>746</b>	<b>615</b>	<b>753</b>	<b>719</b>	<b>668</b>	<b>629</b>	<b>772</b>	<b>795</b>	<b>696</b>	<b>676</b>
<b>Weighted-average number of shares outstanding (in millions)</b>	<b>2,149</b>	<b>2,181</b>	<b>2,203</b>	<b>2,219</b>	<b>2,232</b>	<b>2,251</b>	<b>2,266</b>	<b>2,290</b>	<b>2,295</b>	<b>2,301</b>
<b>Operational EPS</b>	<b>0.35</b>	<b>0.28</b>	<b>0.34</b>	<b>0.32</b>	<b>0.30</b>	<b>0.28</b>	<b>0.34</b>	<b>0.35</b>	<b>0.30</b>	<b>0.29</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.

# Net working capital (NWC) as a percentage of revenues

## Definition

### **Net working capital as a percentage of revenues**

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

### **Net working capital**

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

### **Adjusted revenues for the trailing twelve months**

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

## Reconciliation

### Net working capital as a percentage of revenues

(\$ in millions, unless otherwise indicated)	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
<b>Net working capital:</b>											
Receivables, net	10,384	10,131	10,061	10,564	11,071	10,599	11,078	11,788	12,106	12,215	12,146
Inventories, net	5,045	5,104	4,757	5,410	5,458	5,346	5,376	5,961	6,210	6,201	6,004
Prepaid expenses	246	268	225	286	304	289	218	307	306	305	252
Accounts payable, trade	(4,536)	(4,323)	(4,342)	(4,405)	(4,564)	(4,473)	(4,765)	(4,820)	(4,950)	(4,872)	(5,112)
Billings in excess of sales	(1,377)	(1,331)	(1,375)	(1,440)	(1,505)	(1,396)	(1,455)	(1,560)	(1,499)	(1,539)	(1,714)
Advances from customers	(1,612)	(1,601)	(1,598)	(1,497)	(1,512)	(1,503)	(1,624)	(1,628)	(1,705)	(1,780)	(1,726)
Other current liabilities	(3,002)	(2,949)	(3,127)	(3,103)	(3,030)	(2,900)	(3,286)	(3,380)	(3,381)	(3,307)	(3,541)
<i>excluding:<sup>(1)</sup></i>	<i>2,505</i>	<i>803</i>	<i>690</i>	<i>802</i>	<i>1,201</i>	<i>1,017</i>	<i>971</i>	<i>1,260</i>	<i>774</i>	<i>710</i>	<i>701</i>
Net working capital in assets and liabilities held for sale	-	-	-	-	1	-	-	(8)	27	-	-
<b>Net working capital</b>	<b>5,148</b>	<b>5,299</b>	<b>4,601</b>	<b>5,815</b>	<b>6,223</b>	<b>5,962</b>	<b>5,542</b>	<b>6,660</b>	<b>7,114</b>	<b>7,223</b>	<b>6,309</b>
<b>Total revenues for the three months ended:</b>											
June 30, 2016 / 2015 / 2014 / 2013	8,677	9,165	9,165	9,165	9,165	10,190	10,190	10,190	10,190	10,225	10,225
March 31, 2016 / 2015 / 2014 / 2013	7,903	7,903	8,555	8,555	8,555	8,555	9,471	9,471	9,471	9,471	9,715
December 31, 2015 / 2014 / 2013	9,242	9,242	9,242	10,346	10,346	10,346	10,346	11,373	11,373	11,373	11,373
September 30, 2015 / 2014 / 2013	8,519	8,519	8,519	8,519	9,823	9,823	9,823	9,823	10,535	10,535	10,535
<b>Total revenues for the trailing twelve months</b>	<b>34,341</b>	<b>34,829</b>	<b>35,481</b>	<b>36,585</b>	<b>37,889</b>	<b>38,914</b>	<b>39,830</b>	<b>40,857</b>	<b>41,569</b>	<b>41,604</b>	<b>41,848</b>
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	-	-	-	(64)	(144)	(372)	(613)	(633)	(212)	204	460
<b>Adjusted revenues for the trailing twelve months</b>	<b>34,341</b>	<b>34,829</b>	<b>35,481</b>	<b>36,521</b>	<b>37,745</b>	<b>38,542</b>	<b>39,217</b>	<b>40,224</b>	<b>41,357</b>	<b>41,808</b>	<b>42,308</b>
<b>Net working capital as a percentage of revenues (%)</b>	<b>15%</b>	<b>15%</b>	<b>13%</b>	<b>16%</b>	<b>16%</b>	<b>15%</b>	<b>14%</b>	<b>17%</b>	<b>17%</b>	<b>17%</b>	<b>15%</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.

# 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, (ii) interest paid and (iii) estimate to annualize/eliminate the net cash provided by operating activities of certain acquisitions / (divestments).

### Adjusted cash return for the trailing twelve months

Adjusted cash return for the trailing twelve months includes adjusted cash return as defined above recorded by ABB in the twelve months preceding the relevant balance sheet date.

### 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, (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.

### Capital Invested

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

## Reconciliation

### Cash return on invested capital (CROI)

(\$ in millions, unless otherwise indicated)	Trailing twelve months ended	Year ended December 31,	
	June 30, 2016	2015	2014
<b>Adjusted cash return:</b>			
Net cash provided by operating activities	4,501	3,818	3,845
Interest paid	214	221	259
Estimate to annualize/eliminate the net cash provided by operating activities of certain divestments <sup>(1)</sup>	-	-	(58)
<b>Adjusted cash return</b>	<b>4,715</b>	<b>4,039</b>	<b>4,046</b>

(\$ in millions, unless otherwise indicated)	June 30,	December 31,	
	2016	2015	2014
<b>Adjusted total fixed assets:</b>			
Property, plant and equipment, net	5,239	5,276	5,652
Goodwill	9,782	9,671	10,053
Other intangible assets, net	2,191	2,337	2,702
Investments in equity-accounted companies	167	178	177
<b>Total fixed assets</b>	<b>17,379</b>	<b>17,462</b>	<b>18,584</b>
Less: deferred taxes recognized in certain acquisitions <sup>(2)</sup>	(1,901)	(1,901)	(1,928)
<b>Adjusted total fixed assets</b>	<b>15,478</b>	<b>15,561</b>	<b>16,656</b>
<b>Net working capital (as defined above)</b>	<b>5,148</b>	<b>4,601</b>	<b>5,542</b>
<b>Accumulated depreciation and amortization:</b>			
Accumulated depreciation of property, plant and equipment	7,207	6,840	6,905
Accumulated amortization of intangible assets including goodwill <sup>(3)</sup>	3,379	3,175	2,767
<b>Accumulated depreciation and amortization</b>	<b>10,586</b>	<b>10,015</b>	<b>9,672</b>
<b>Capital invested</b>	<b>31,212</b>	<b>30,177</b>	<b>31,870</b>
<b>Cash return on invested capital (CROI)</b>	<b>15.1%</b>	<b>13.4%</b>	<b>12.7%</b>

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

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

(3) 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 the trailing twelve months to June 30, 2016

(\$ in millions, unless otherwise indicated)	Net cash provided by operating activities	Interest paid
	Q3 2015	1,173
Q4 2015	1,994	70
Q1 2016	252	52
Q2 2016	1,082	71
<b>Adjusted for the trailing twelve months</b>	<b>4,501</b>	<b>214</b>

# Free cash flow conversion to net income

## Definition

### **Free cash flow conversion to net income**

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

### **Free cash flow (FCF)**

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

### **Free cash flow for the trailing twelve months**

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

### **Net income for the trailing twelve months**

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

## Reconciliation

### Free cash flow conversion to net income

(\$ in millions, unless otherwise indicated)	Trailing twelve months ended	Year ended December 31,				
	June 30, 2016	2015	2014	2013	2012	2011
<b>Net cash provided by operating activities</b>	<b>4,501</b>	<b>3,818</b>	<b>3,845</b>	<b>3,653</b>	<b>3,779</b>	<b>3,612</b>
<i>Adjusted for the effects of:</i>						
Purchases of property, plant and equipment and intangible assets	(866)	(876)	(1,026)	(1,106)	(1,293)	(1,021)
Proceeds from sale of property, plant and equipment	72	68	33	80	40	57
Changes in financing receivables and other non-current receivables	(3)	9	5	5	29	(55)
<b>Free cash flow</b>	<b>3,704</b>	<b>3,019</b>	<b>2,857</b>	<b>2,632</b>	<b>2,555</b>	<b>2,593</b>
<b>Net income attributable to ABB</b>	<b>1,687</b>	<b>1,933</b>	<b>2,594</b>	<b>2,787</b>	<b>2,704</b>	<b>3,168</b>
<b>Free cash flow conversion to net income</b>	<b>220%</b>	<b>156%</b>	<b>110%</b>	<b>94%</b>	<b>94%</b>	<b>82%</b>
<b>Adjusted revenues for the trailing twelve months (as defined under NWC above)<sup>1</sup></b>						
	<b>34,341</b>	<b>35,481</b>	<b>39,217</b>	<b>42,308</b>	<b>40,251</b>	<b>37,990</b>
<b>Free cash flow conversion to Total revenues</b>	<b>11%</b>	<b>9%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>

(1) For the adjusted revenues for the trailing twelve months for 2012 please see the "Supplemental financial information" files published on our website for the year 2013. The file is available on our investor relations website.

### Reconciliation of the trailing twelve months to June 30, 2016

(\$ in millions)	Net cash provided by operating activities	Purchase of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Changes in financing receivables and other non-current receivables	Net income attributable to ABB
Q3 2015	1,173	(189)	20	(5)	577
Q4 2015	1,994	(329)	24	3	204
Q1 2016	252	(170)	12	(3)	500
Q2 2016	1,082	(178)	16	2	406
<b>Total for the trailing twelve months to June 30, 2016</b>	<b>4,501</b>	<b>(866)</b>	<b>72</b>	<b>(3)</b>	<b>1,687</b>

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