

## **Supplemental financial information December 31, 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 year and three months ended December 31, 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 December 31, 2013

### Reconciliation

(\$ in millions, except Operational EBITDA margin in %)	Year ended December 31, 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>9,915</b>	<b>7,729</b>	<b>8,497</b>	<b>11,032</b>	<b>8,375</b>	<b>(3,700)</b>	<b>41,848</b>	
<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)	
<b>Operational revenues</b>	<b>9,905</b>	<b>7,730</b>	<b>8,513</b>	<b>11,036</b>	<b>8,369</b>	<b>(3,700)</b>	<b>41,853</b>	
<b>Income from operations</b>	<b>1,458</b>	<b>1,092</b>	<b>990</b>	<b>1,331</b>	<b>171</b>	<b>(655)</b>	<b>4,387</b>	
Depreciation and amortization	285	323	87	223	183	217	1,318	
Restructuring and restructuring-related expenses	19	31	31	66	101	4	252	
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	
<b>Operational EBITDA</b>	<b>1,783</b>	<b>1,468</b>	<b>1,096</b>	<b>1,637</b>	<b>419</b>	<b>(328)</b>	<b>6,075</b>	
<b>Operational EBITDA margin (%)</b>	<b>18.0%</b>	<b>19.0%</b>	<b>12.9%</b>	<b>14.8%</b>	<b>5.0%</b>	<b>-</b>	<b>14.5%</b>	

## Supplemental financial information December 31, 2013

(\$ in millions, except Operational EBITDA margin in %)	Year ended December 31, 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>9,405</b>	<b>6,638</b>	<b>8,156</b>	<b>10,717</b>	<b>7,852</b>	<b>(3,432)</b>	<b>39,336</b>	
<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	
<b>Operational revenues</b>	<b>9,405</b>	<b>6,626</b>	<b>8,134</b>	<b>10,702</b>	<b>7,812</b>	<b>(3,433)</b>	<b>39,246</b>	
<b>Income from operations</b>	<b>1,469</b>	<b>856</b>	<b>912</b>	<b>1,328</b>	<b>7</b>	<b>(514)</b>	<b>4,058</b>	
Depreciation and amortization	263	250	82	209	174	204	1,182	
Restructuring and restructuring-related expenses	(4)	23	28	65	52	16	180	
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	
<b>Operational EBITDA</b>	<b>1,735</b>	<b>1,219</b>	<b>1,003</b>	<b>1,585</b>	<b>290</b>	<b>(277)</b>	<b>5,555</b>	
<b>Operational EBITDA margin (%)</b>	<b>18.4%</b>	<b>18.4%</b>	<b>12.3%</b>	<b>14.8%</b>	<b>3.7%</b>	<b>-</b>	<b>14.2%</b>	

## Supplemental financial information December 31, 2013

Three months ended December 31, 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>2,687</b>	<b>2,022</b>	<b>2,261</b>	<b>3,070</b>	<b>2,300</b>	<b>(967)</b>	<b>11,373</b>
<i>Foreign exchange/commodity timing differences in total revenues</i>							
Unrealized gains and losses on derivatives	-	1	8	3	6	-	18
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	-	(2)	2	(6)	-	(5)
Unrealized foreign exchange movements on receivables (and related assets)	(3)	(2)	(1)	7	(1)	-	-
<b>Operational revenues</b>	<b>2,685</b>	<b>2,021</b>	<b>2,266</b>	<b>3,082</b>	<b>2,299</b>	<b>(967)</b>	<b>11,386</b>
<b>Income from operations</b>	<b>357</b>	<b>283</b>	<b>263</b>	<b>356</b>	<b>(169)</b>	<b>(267)</b>	<b>823</b>
Depreciation and amortization	81	82	22	60	48	59	352
Restructuring and restructuring-related expenses	12	14	17	28	85	2	158
Acquisition-related expenses and certain non-operational items	14	7	(8)	9	3	64	89
<i>Foreign exchange/commodity timing differences in income from operations</i>							
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	1	1	6	-	-	(1)	7
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	-	-	(4)	2	(18)	-	(20)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(2)	(1)	-	12	1	(1)	9
<b>Operational EBITDA</b>	<b>463</b>	<b>386</b>	<b>296</b>	<b>467</b>	<b>(50)</b>	<b>(144)</b>	<b>1,418</b>
<b>Operational EBITDA margin (%)</b>	<b>17.2%</b>	<b>19.1%</b>	<b>13.1%</b>	<b>15.2%</b>	<b>-2.2%</b>	<b>-</b>	<b>12.5%</b>

## Supplemental financial information December 31, 2013

(\$ in millions, except Operational EBITDA margin in %)	Three months ended December 31, 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>2,489</b>	<b>1,970</b>	<b>2,230</b>	<b>3,068</b>	<b>2,272</b>	<b>(1,008)</b>	<b>11,021</b>	
<i>Foreign exchange/commodity timing differences in total revenues</i>								
Unrealized gains and losses on derivatives	(2)	(4)	4	(8)	23	-	13	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	-	(1)	-	(17)	(1)	(18)	
Unrealized foreign exchange movements on receivables (and related assets)	-	(1)	(1)	(8)	(2)	(1)	(13)	
<b>Operational revenues</b>	<b>2,488</b>	<b>1,965</b>	<b>2,232</b>	<b>3,052</b>	<b>2,276</b>	<b>(1,010)</b>	<b>11,003</b>	
<b>Income from operations</b>	<b>371</b>	<b>259</b>	<b>222</b>	<b>379</b>	<b>(190)</b>	<b>(178)</b>	<b>863</b>	
Depreciation and amortization	71	91	22	54	45	58	341	
Restructuring and restructuring-related expenses	(9)	13	21	38	49	13	125	
Acquisition-related expenses and certain non-operational items	1	2	1	-	67	8	79	
<i>Foreign exchange/commodity timing differences in income from operations</i>								
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	-	7	(5)	(6)	(7)	1	(10)	
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	-	-	(1)	-	(20)	(1)	(22)	
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	1	(2)	(1)	(4)	1	2	(3)	
<b>Operational EBITDA</b>	<b>435</b>	<b>370</b>	<b>259</b>	<b>461</b>	<b>(55)</b>	<b>(97)</b>	<b>1,373</b>	
<b>Operational EBITDA margin (%)</b>	<b>17.5%</b>	<b>18.8%</b>	<b>11.6%</b>	<b>15.1%</b>	<b>-2.4%</b>	<b>-</b>	<b>12.5%</b>	

## Supplemental financial information December 31, 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

(\$ in millions, except per share data in \$)

#### Net income (attributable to ABB)

Restructuring and restructuring-related expenses<sup>(2)</sup>  
Acquisition-related expenses and certain non-operational items<sup>(2)</sup>  
FX/commodity timing differences in Income from operations<sup>(2)</sup>  
Amortization related to acquisitions<sup>(2)</sup>

#### Operational net income

	Year ended	
	December 31, 2013	December 31, 2012
	EPS <sup>(1)</sup>	EPS <sup>(1)</sup>
<b>Net income (attributable to ABB)</b>	<b>2,787</b>	<b>2,704</b>
Restructuring and restructuring-related expenses <sup>(2)</sup>	182	132
Acquisition-related expenses and certain non-operational items <sup>(2)</sup>	131	146
FX/commodity timing differences in Income from operations <sup>(2)</sup>	(46)	(47)
Amortization related to acquisitions <sup>(2)</sup>	282	263
<b>Operational net income</b>	<b>3,336</b>	<b>3,198</b>

(\$ in millions, except per share data in \$)

#### Net income (attributable to ABB)

Restructuring and restructuring-related expenses<sup>(2)</sup>  
Acquisition-related expenses and certain non-operational items<sup>(2)</sup>  
FX/commodity timing differences in Income from operations<sup>(2)</sup>  
Amortization related to acquisitions<sup>(2)</sup>

#### Operational net income

	Three months ended	
	December 31, 2013	December 31, 2012
	EPS <sup>(1)</sup>	EPS <sup>(1)</sup>
<b>Net income (attributable to ABB)</b>	<b>525</b>	<b>604</b>
Restructuring and restructuring-related expenses <sup>(2)</sup>	121	94
Acquisition-related expenses and certain non-operational items <sup>(2)</sup>	68	60
FX/commodity timing differences in Income from operations <sup>(2)</sup>	(3)	(26)
Amortization related to acquisitions <sup>(2)</sup>	79	81
<b>Operational net income</b>	<b>790</b>	<b>813</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 cash / (Net debt)

#### Definition

#### Net cash / (Net debt)

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

#### Cash and marketable securities

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

#### Total debt

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

### Reconciliation

(\$ in millions)

	December 31,					
	2013	2012	2011	2010	2009	2008
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
<b>Cash and marketable securities</b>	<b>6,485</b>	<b>8,481</b>	<b>5,767</b>	<b>8,610</b>	<b>9,552</b>	<b>7,753</b>
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
<b>Total debt</b>	<b>8,023</b>	<b>10,071</b>	<b>3,996</b>	<b>2,182</b>	<b>2,333</b>	<b>2,363</b>
<b>Net cash / (Net debt)</b>	<b>(1,538)</b>	<b>(1,590)</b>	<b>1,771</b>	<b>6,428</b>	<b>7,219</b>	<b>5,390</b>

## Supplemental financial information December 31, 2013

### 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)

	December 31,	
	2013	2012
<b>Net debt (as defined above)</b>	<b>1,538</b>	<b>1,590</b>
<b>EBITDA</b>		
Income from operations	4,387	4,058
Depreciation and amortization	1,318	1,182
<b>Total EBITDA</b>	<b>5,705</b>	<b>5,240</b>
<b>Net debt to EBITDA</b>	<b>0.3</b>	<b>0.3</b>



## Supplemental financial information December 31, 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 and vii) other current liabilities (excluding primarily: a) income taxes payable, b) current derivative liabilities, and c) pension and other employee benefits).

#### 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)

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Receivables, net	12,146	11,575
Inventories, net	6,004	6,182
Prepaid expenses	252	311
Accounts payable, trade	(5,112)	(4,992)
Billings in excess of sales	(1,714)	(2,035)
Advances from customers	(1,726)	(1,937)
Other current liabilities <sup>(1)</sup>	(3,541)	(3,544)
<b>Net working capital</b>	<b>6,309</b>	<b>5,560</b>
Total revenues for the twelve months ended	41,848	39,336
Adjustment to annualize revenues of certain acquisitions <sup>(2)</sup>	460	915
<b>Adjusted revenues for the trailing twelve months</b>	<b>42,308</b>	<b>40,251</b>
<b>Net working capital as a percentage of revenues</b>	<b>15%</b>	<b>14%</b>

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

(2) Power-One, acquired in July 2013; Thomas & Betts, acquired in May 2012.

## Supplemental financial information December 31, 2013

### Finance net

#### Definition

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

#### Reconciliation

(\$ in millions)

Interest and dividend income  
Interest and other finance expense  
**Finance net**

Year ended December 31,	
2013	2012
69	73
(390)	(293)
<b>(321)</b>	<b>(220)</b>

(\$ in millions)

Interest and dividend income  
Interest and other finance expense  
**Finance net**

Three months ended December 31,	
2013	2012
19	18
(91)	(55)
<b>(72)</b>	<b>(37)</b>

### Book-to-bill ratio

#### Definition

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

#### Reconciliation

(\$ in millions)

Orders received  
Total revenues

Year ended December 31, 2013
38,896
41,848

**Book-to-bill ratio**

**0.93**

## Supplemental financial information December 31, 2013

### 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.

#### Capital invested

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

#### 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.

#### Reconciliation

(\$ in millions)

	Year ended December 31,	
	2013	2012
Net cash provided by operating activities	3,653	3,779
Interest paid	287	189
Estimate to annualize the net cash provided by operating activities of certain acquisitions <sup>(1)</sup>	86	(8)
<b>Adjusted cash return</b>	<b>4,026</b>	<b>3,960</b>
	December 31,	
	2013	2012
Property, plant and equipment, net	6,254	5,947
Goodwill	10,670	10,226
Other intangible assets, net	3,297	3,501
Investments in equity-accounted companies	197	213
<b>Total fixed assets</b>	<b>20,418</b>	<b>19,887</b>
Less: deferred taxes recognized in certain acquisitions <sup>(2)</sup>	(1,959)	(1,773)
<b>Adjusted total fixed assets</b>	<b>18,459</b>	<b>18,114</b>
<b>Net working capital (as defined above)</b>	<b>6,309</b>	<b>5,560</b>
Accumulated depreciation of property plant and equipment	7,127	6,599
Accumulated amortization of intangible assets including goodwill <sup>(3)</sup>	2,793	2,321
<b>Accumulated depreciation and amortization</b>	<b>9,920</b>	<b>8,920</b>
<b>Capital invested</b>	<b>34,688</b>	<b>32,594</b>
<b>Cash return on invested capital (CROI)</b>	<b>11.6%</b>	<b>12.1%</b>

(1) Power-One (2013) and Thomas & Betts (2012)

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

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

## Supplemental financial information December 31, 2013

### Free Cash Flow (FCF)

#### Definition

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)

	Year ended December 31,					
	2013	2012	2011	2010	2009	2008
<b>Net cash provided by operating activities</b>	<b>3,653</b>	<b>3,779</b>	<b>3,612</b>	<b>4,197</b>	<b>4,027</b>	<b>3,958</b>
<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 <sup>(1)</sup>	5	29	(55)	(7)	(7)	7
<b>Free cash flow</b>	<b>2,632</b>	<b>2,555</b>	<b>2,593</b>	<b>3,397</b>	<b>3,089</b>	<b>2,888</b>
Net income attributable to ABB	2,787	2,704	3,168			
<b>Free cash flow as a percentage of Net income (conversion rate)</b>	<b>94%</b>	<b>94%</b>	<b>82%</b>			

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