ZURICH, SWITZERLAND, OCTOBER 4, 2016

ABB: Next stage of unlocking value

- Shaping four focused, market-leading, entrepreneurial divisions:
    - Electrification Products
    - Robotics and Motion
    - Industrial Automation
    - Power Grids
- Continued Power Grids transformation under ABB ownership:
    - "Power Up" program aiming at growth, lower risk, earnings accretion
    - De-risked EPC business model
        - Partnership with Fluor for substations
        - Partnership with Aibel for offshore wind
    - Divesture of cable business expected in Q1 2017[1]
    - Raised margin target corridor 200bps to 10-14%, effective 2018
- Realizing full potential as digital champion
    - "ABB Ability": fully integrated digital offering across customer segments; cements ABB's leadership in the Fourth Industrial Revolution
    - Far-reaching partnership with Microsoft to develop next-generation digital solutions
    - IoT pioneer Guido Jouret took office as Chief Digital Officer effective October 1
- Strengthening global ABB brand
    - Consolidation of 1000+ brands under the ABB master brand
    - Prerequisite for full value creation of digital offering
    - Writes ABB's heritage as a pioneering technology leader into the future
- White-collar productivity target increased by 30% to $1.3bn; timeline and costs unchanged
- All other financial targets confirmed
- Second share buyback program of $3bn planned 2017 through 2019; capital allocation priorities unchanged

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ABB today launched Stage 3 of its Next Level strategy to unlock value for customers and shareholders. The core elements of this include: shaping ABB's divisions into four market-leading, entrepreneurial units, including continuing to transform the Power Grids division under ABB's ownership; realizing ABB's full digital potential; accelerating momentum in operational excellence; and strengthening ABB's brand.

ABB CEO Ulrich Spiesshofer said, "Over the last two years, ABB has become faster, leaner and more efficient. We have continuously improved margins and further strengthened our cash generation. In Stage 3 of our Next Level strategy, we are building on our successful transformation momentum and strengthening our position as a pioneering technology leader and global digital champion. With our four simplified, market-leading, entrepreneurial businesses, combined with "ABB Ability", we address customers' needs in the Energy and Fourth Industrial Revolutions in a more focused and agile way."

[1] Subject to regulatory clearances and fulfilment of the closing conditions.

Peter Voser, chairman of ABB's Board of Directors, said, "The successful execution of our Next Level strategy to date has led to significantly improved operational and financial performance and a more externally focused, simpler ABB. The entire board worked with the management and external advisors on all elements of Stage 3, which will unlock value for customers and all shareholders while ensuring the company's long-term success. The continued transformation of our Power Grids division under ABB's management is the best of all carefully assessed options for shareholders. We firmly support the management team and the action plan presented today."

Driving growth in four market-leading entrepreneurial divisions

ABB is shaping and focusing its divisional structure into four market-leading divisions: Electrification Products, Robotics and Motion, Industrial Automation and Power Grids, effective January 1, 2017. The divisions will be empowered as entrepreneurial units within ABB, reflected in an enhancement of its performance and compensation model focusing on individual accountability and responsibility. They benefit from sales collaboration orchestrated by regions and countries as well as from the group-wide digital offering; ABB's leading G&A structure and costs; common supply chain management; and corporate research centers. ABB will continue to strengthen its divisions through active portfolio management. This includes pursuing strategic additions, transforming business models and pruning non-core businesses.

"Entrepreneurial spirit is the base for our future operating model," said Spiesshofer. "Our four market-leading businesses, led by empowered entrepreneurs, will drive sustainable value creation, supported by regions and Group oxygen such as ABB Ability and our leading G&A cost level."

Electrification Products
Electrification Products (EP) will be the partner of choice for electrification of all consumption points.

By bringing together all electrification components, mainly by transferring businesses from the existing Discrete Automation and Motion (DM) division, EP will be the global #2 in that segment, offering a one-stop shop for customers.

The electric vehicle charging, solar, and power quality businesses will be transferred from the DM division to serve as growth platforms within the Electrification Products division. The necessary investment to continue the growth momentum of these businesses will initially have a dampening impact on the division's profit margin.

The growth of power consumption is outpacing overall energy consumption, as more people have access to electricity and new forms of electricity consumption, such as e-vehicle charging, are driving demand. There are significant opportunities to digitalize and innovate around our current offerings.

Robotics and Motion
Robotics and Motion will be the partner of choice for robotics and intelligent motion solutions.

ABB's leading offering in industrial motors and drives as well as its strongly performing robotics business are the building blocks of this newly shaped division which succeeds the former Discrete Automation and Motion division.

By focusing on the fast-growing robotics market and leveraging ABB's technology platform and global scale, the company is ideally positioned to move from its current #2 position in robotics to #1 in this highly attractive market. ABB will benefit from its strong position in the Fourth Industrial Revolution, its global reach and service platforms.

ABB will continue to invest in and shape its #1 position in industrial motors and drives by focusing on fast-growing segments and moving into light industry and emerging growth areas like Asia.

Intelligent services and a leading digital offering are already a strong pillar of the division's performance and open significant growth opportunities. ABB will strengthen divisional profitability through continued focus on operational excellence and value chain optimization.

Industrial Automation
Industrial Automation will be the partner of choice for industrial automation.

This division succeeds the former Process Automation division.

ABB will drive digitalization across industry sectors, building on its #1 position in process control through software and services. ABB has a unique combination of domain expertise that allows it to master the control room in a wide range of industries such as pharmaceuticals, mining, shipping and oil & gas. By focusing on growing segments and bringing together maintenance, operation and control, ABB will drive penetration of strongholds and create differentiation for customers.

Power Grids
Power Grids will be the partner of choice for stronger, smarter and greener grids.

Following a comprehensive strategic portfolio review, the Board and Executive Committee of ABB have concluded that the transformation of Power Grids under ABB ownership will unlock maximum shareholder value compared to other ownership options such as sale, IPO, spin-off or joint venture.

Key factors in the decision-making process included market attractiveness, the existing and future product offerings, business model opportunities and best ownership, as well as all alternative value creation options for ABB shareholders. This review included independent analyses from McKinsey and independent financial advice from Goldman Sachs and Credit Suisse.

The division, which is #1 globally, will take advantage of the Energy and Fourth Industrial Revolutions. These are creating significant demand for Power Grids' products, systems, software and services, and support the portfolio shift towards digitalization.

To realize the full potential of the division and continue the ongoing transformation, "Power Up," a massive program covering key aspects of the business, was introduced today. It will drive growth and enhance earnings accretion by focusing on core operational strengths and high growth segments as well as digitally enabled services and software.

A key element of the division's ongoing transformation is the de-risking of the business model and tapping of growth opportunities through two strategic partnerships announced today – with Fluor for large electrical substations, and Aibel for offshore wind connections. Both partnerships combine ABB's market leadership in power technologies with the respective partner's expertise – Fluor's in managing large engineering, procurement and construction (EPC) projects, and Aibel's in offshore wind projects.

Another key element is ABB's pruning of niche non-core businesses such as the recently announced sale of ABB's cable business to NKT cables while preserving access to technology through a strategic partnership.

As a consequence of the transformation, ABB is raising the operational EBITA margin target corridor for the division from 8-12% to 10-14%, effective 2018.

“In our strategic portfolio review we have listened carefully to all stakeholders and all expressed views. After a very thorough and detailed process, supported by leading advisors, we have concluded that the continued transformation of Power Grids under ABB’s ownership creates the highest value for our shareholders and customers. Building on the transformation success and momentum to date, the Power Grids division is ideally positioned within ABB to drive long-term, profitable growth during the Energy and Fourth Industrial Revolutions and is an integral part of our offering,” Spiesshofer said.

Quantum leap in digital with ABB Ability™

ABB is a hidden digital champion today. It is ideally positioned to win in the digital space with new and existing end-to-end digital solutions that build on the intelligent cloud and close the loop with connected devices. ABB will use its profound knowledge of its customers’ domains to plan, build and operate a unique digital offering which will deliver true operational differentiation for customers.

The newly launched ABB Ability offering combines ABB’s portfolio of digital solutions and services across all customer segments, cementing the group’s leading position in the Fourth Industrial Revolution and support the competiveness of ABB’s four entrepreneurial divisions.

ABB today announced a far-reaching strategic partnership with Microsoft, the world’s largest software company, to develop next-generation digital solutions on an integrated cloud platform. Customers will benefit from the unique combination of ABB’s deep domain knowledge and extensive portfolio of industrial solutions and Microsoft’s Azure intelligent cloud as well as B2B engineering competence. Together, the partners will drive digital transformation in customer segments across ABB’s businesses such as robotics, marine and e-mobility.

“This partnership will provide unique benefits to our customers in utilities, industry, transport & infrastructure, building on the combined strength of Microsoft and ABB,” said Spiesshofer. “Building on ABB’s installed base of more than 70 million connected devices and more than 70,000 installed control systems, the next step is to develop one of the world’s largest industrial cloud platforms.”

ABB’s digital transformation will be led by Guido Jouret, a pioneer in the Internet of Things, who began his role as Chief Digital Officer, reporting directly to the CEO, on October 1, 2016.

Strengthening the global ABB brand

ABB will adopt a single corporate brand, consolidating all its brands around the world under one umbrella. ABB’s portfolio of companies will be unified, showcasing the full breadth and depth of the company’s global offering under one master brand. This transition is expected to take up to two years.

The unified brand plays a key part in realizing the value potential of ABB’s digital offering, as it increases customer loyalty, price premiums and purchase probability. One master brand allows ABB to better present its strategy to relevant stakeholders, emphasizes the Group’s customer-first, digital-first thinking and makes it easier to interact with existing and future customers.

The brand will feature design elements intended to clearly articulate ABB’s vision, direction and unique market position to customers, shareholders, employees and all other stakeholders. ABB’s heritage as a pioneering technology leader and the three focus areas of its Next Level strategy are reflected in its new brand promise: “Let’s write the future. Together.”™

Accelerating momentum in operational excellence

ABB continues to build on its existing momentum and is further accelerating its operational excellence.

The company’s white-collar productivity savings program has outperformed expectations since its launch last year. As a result, ABB has increased the program’s cost reduction target by 30% to $1.3 billion. ABB will achieve these additional savings within the initially announced timeframe and with unchanged restructuring and implementation costs. ABB is continuing its regular cost-savings programs, leveraging operational excellence and world-class supply chain management to achieve savings equivalent to 3-5% of cost of sales each year.

ABB reaffirms the target of its 1,000-day working capital program to free up approximately $2 billion by the end of 2017. The program is well on track and focuses on improving inventory management by optimizing the entire value chain, from product design to manufacturing, and by optimizing other net working capital measures.

The Group reaffirms its 2015-2020 financial targets as laid out below.

ABB Next Level – 2015-2020 targets[2]

Revenue growth[3]	3-6%
Operational EBITA %[4]	11-16%
Operational EPS growth CAGR[5]	10-15%
Free cash flow conversion to net income	>90%
Cash return on investment %[6]	Mid-teens

Operational EBITA % – 2015-2020 divisional targets

Electrification Products	15-19%
Robotics and Motion	14-19%
Industrial Automation	11-15%
Power Grids	10-14%*

*The margin target for Power Grids will be in effect as of Jan. 1, 2018.

[2] For definitions refer to “Supplemental Financial Information” under “Capital Markets Day 2016” – “More information” on our website at www.abb.com/investorrelations
[3] Average annual revenue growth on a comparable basis, over six years, base year 2014.
[4] Target is on a full-year basis
[5] CAGR = Compound Annual Growth Rate. Base year is 2014 and target assumes constant exchange rates.
[6] Temporary reduction possible in the event of large acquisitions.

Capital allocation

ABB today announced its plans for a new share buyback program of up to $3 billion from 2017 through 2019. This reflects the company's confidence and the continued strength of ABB's cash generation and financial position. On September 30, 2016, ABB announced the completion of its recent share buyback program in which it returned $3.5bn to its shareholders. Over the last three years, ABB has returned $8.7bn to shareholders in the form of dividends and share buybacks.

Active portfolio management remains a key aspect of ABB's operating pattern as demonstrated in the recent portfolio pruning and bolt on acquisitions as well as the announced cable business divestiture and business model changes in Power Grids.

ABB's capital allocation priorities remain unchanged: 1) funding organic growth, R&D and capital expenditures at attractive cash returns; 2) paying a steadily rising, sustainable dividend; 3) investing in value-creating acquisitions; and 4) returning additional cash to shareholders.

About ABB

ABB (ABBN: SIX Swiss Ex) is a pioneering technology leader in electrification products, robotics and motion, industrial automation and power grids serving customers in utilities, industry and transport & infrastructure globally. For more than four decades, ABB is writing the future of industrial digitalization. With more than 70 million devices connected through its installed base of more than 70,000 control systems across all customer segments, ABB is ideally positioned to benefit from the Energy and Fourth Industrial Revolution. With a heritage of more than 130 years, ABB operates in more than 100 countries with about 135,000 employees. www.abb.com

Important notice about forward-looking information

This press release includes forward-looking information and statements as well as other statements concerning the outlook for our business, including those in the sections of this release titled "Accelerating momentum in operational excellence", "ABB Next Level – 2015-2020 targets", "Operational EBITA % - 2015-2020 divisional targets" and "Capital allocation". These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, the economic conditions of the regions and industries that are major markets for ABB Ltd. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects," "believes," "estimates," "targets," "plans," "is likely", "intends" or similar expressions. However, there are many risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this press release and which could affect our ability to achieve any or all of our stated targets. The important factors that could cause such differences include, among others, business risks associated with the volatile global economic environment and political conditions, costs associated with compliance activities, market acceptance of new products and services, changes in governmental regulations and currency exchange rates and such other factors as may be discussed from time to time in ABB Ltd's filings with the U.S. Securities and Exchange Commission, including its Annual Reports on Form 20-F. Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

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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

	FY 2015 compared to FY 2014							
	Order growth rate				Revenue growth rate			
Division	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%
ABB Group	**-12%**	**10%**	**1%**	**-1%**	**-11%**	**10%**	**1%**	**0%**

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

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

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.

Reconciliation of Operational EBITA margin

($ in millions, unless otherwise indicated)	Six months ended June 30, 2016	Year ended December 31, 2015	2014	2013	2012
Total revenues	**16,580**	**35,481**	**39,830**	**41,848**	**39,336**
Foreign exchange/commodity timing differences in total revenues	18	(28)	213	5	(90)
Operational revenues	**16,598**	**35,453**	**40,043**	**41,853**	**39,246**
Income (loss) from operations	**1,431**	**3,049**	**4,178**	**4,387**	**4,058**
Acquisition-related amortization	142	310	380	390	359
Restructuring and restructuring-related expenses(1)	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)
Operational EBITA	**2,049**	**4,169**	**4,475**	**5,147**	**4,732**
Operational EBITA margin (%)	**12.3%**	**11.8%**	**11.2%**	**12.3%**	**12.1%**

(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 June 30, 2016	Year ended December 31, 2015	2014	2013	2012
Operational EBITA	**2,049**	**4,169**	**4,475**	**5,147**	**4,732**
Acquisition-related amortization	(142)	(310)	(380)	(390)	(359)
Restructuring and restructuring-related expenses(1)	(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:					
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)
Income from operations	**1,431**	**3,049**	**4,178**	**4,387**	**4,058**
Interest and dividend income	38	77	80	69	73
Interest and other finance expense	(146)	(286)	(362)	(390)	(293)
Income from continuing operations before taxes	**1,323**	**2,840**	**3,896**	**4,066**	**3,838**
Provision for taxes	(350)	(788)	(1,202)	(1,122)	(1,030)
Income from continuing operations, net of tax	**973**	**2,052**	**2,694**	**2,944**	**2,808**
Income (loss) from discontinued operations, net of tax	(2)	3	24	(37)	4
Net income	**971**	**2,055**	**2,718**	**2,907**	**2,812**

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

Reconciliation of Operational EBITA margin by quarter

	2016		2015				2014
($ in millions, unless otherwise indicated)	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenues	8,677	7,903	9,242	8,519	9,165	8,555	10,346
Foreign exchange/commodity timing differences in total revenues	37	(19)	(4)	113	(100)	(37)	66
Operational revenues	8,714	7,884	9,238	8,632	9,065	8,518	10,412
Income (loss) from operations	647	784	347	882	961	859	1,049
Acquisition-related amortization	71	71	73	74	80	83	90
Restructuring and restructuring-related expenses(1)	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
Operational EBITA	1,106	943	1,081	1,081	1,058	949	1,153
Operational EBITA margin (%)	12.7%	12.0%	11.7%	12.5%	11.7%	11.1%	11.1%

(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					
($ in millions, unless otherwise indicated)	Electrification Products	Discrete Automation and Motion	Process Automation	Power Grids	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	**9,547**	**9,127**	**7,224**	**11,621**	**(2,038)**	**35,481**
Foreign exchange/commodity timing differences in total revenues:						
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)**
Operational revenues	**9,536**	**9,131**	**7,237**	**11,588**	**(2,039)**	**35,453**
Income (loss) from operations	**1,356**	**991**	**685**	**613**	**(596)**	**3,049**
Acquisition-related amortization	100	128	12	52	18	**310**
Restructuring and restructuring-related expenses[1]	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**
Foreign exchange/commodity timing differences in income from operations:						
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**
Operational EBITA	**1,564**	**1,271**	**857**	**874**	**(397)**	**4,169**
Operational EBITA margin (%)	**16.4%**	**13.9%**	**11.8%**	**7.5%**	**n.a.**	**11.8%**

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

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

Reconciliation of Operational EBITA margin for Power Grids

Power Grids										
	2016		2015				2014			
($ in millions, unless otherwise indicated)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues	**2,779**	**2,518**	**3,107**	**2,791**	**2,951**	**2,772**	**3,394**	**2,985**	**3,246**	**2,893**
Foreign exchange/commodity timing differences in total	27	(22)	(16)	43	(57)	(3)	42	77	53	12
Operational revenues	**2,806**	**2,496**	**3,091**	**2,834**	**2,894**	**2,769**	**3,436**	**3,062**	**3,299**	**2,905**
Income (loss) from operations	**151**	**181**	**145**	**159**	**181**	**128**	**59**	**62**	**99**	**37**
Acquisition-related amortization	9	9	10	10	15	17	18	25	20	26
Restructuring and restructuring-related expenses[1]	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
Operational EBITA	**253**	**199**	**293**	**221**	**196**	**164**	**155**	**175**	**155**	**110**
Operational EBITA margin (%)	**9.0%**	**8.0%**	**9.5%**	**7.8%**	**6.8%**	**5.9%**	**4.5%**	**5.7%**	**4.7%**	**3.8%**

(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[1]
Net income (attributable to ABB)	1,933	2,594	
Operational adjustments:			
Acquisition-related amortization	310	380	
Restructuring and restructuring-related expenses[2]	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[3]	(284)	48	
Operational net income	**2,769**	**2,939**	
Weighted-average number of shares outstanding (in millions)	**2,226**	**2,288**	
Operational EPS	**1.24**	**1.28**	
Constant currency Operational EPS adjustment	0.11	–	
Operational EPS (constant currency basis - 2014 exchange rates)	**1.35**	**1.28**	**5%**

(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

	2016		2015				2014			
($ in millions, except per share data in $)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income (attributable to ABB)	406	500	204	577	588	564	680	734	636	544
Operational adjustments:										
Acquisition-related amortization	71	71	73	74	80	83	90	93	96	101
Restructuring and restructuring-related expenses[1]	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[2]	(119)	(44)	(185)	(57)	(17)	(25)	(12)	94	18	(52)
Operational net income	**746**	**615**	**753**	**719**	**668**	**629**	**772**	**795**	**696**	**676**
Weighted-average number of shares outstanding (in millions)	**2,149**	**2,181**	**2,203**	**2,219**	**2,232**	**2,251**	**2,266**	**2,290**	**2,295**	**2,301**
Operational EPS	**0.35**	**0.28**	**0.34**	**0.32**	**0.30**	**0.28**	**0.34**	**0.35**	**0.30**	**0.29**

(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
Net working capital:											
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)
excluding: (1)	*2,505*	*803*	*690*	*802*	*1,201*	*1,017*	*971*	*1,260*	*774*	*710*	*701*
Net working capital in assets and liabilities held for sale	–	–	–	–	1	–	–	(8)	27	–	–
Net working capital	**5,148**	**5,299**	**4,601**	**5,815**	**6,223**	**5,962**	**5,542**	**6,660**	**7,114**	**7,223**	**6,309**
Total revenues for the three months ended:											
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
Total revenues for the trailing twelve months	**34,341**	**34,829**	**35,481**	**36,585**	**37,889**	**38,914**	**39,830**	**40,857**	**41,569**	**41,604**	**41,848**
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	–	–	–	(64)	(144)	(372)	(613)	(633)	(212)	204	460
Adjusted revenues for the trailing twelve months	**34,341**	**34,829**	**35,481**	**36,521**	**37,745**	**38,542**	**39,217**	**40,224**	**41,357**	**41,808**	**42,308**
Net working capital as a percentage of revenues (%)	**15%**	**15%**	**13%**	**16%**	**16%**	**15%**	**14%**	**17%**	**17%**	**17%**	**15%**

(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 June 30, 2016	Year ended December 31, 2015	2014
Adjusted cash return:			
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(1)	–	–	(58)
Adjusted cash return	**4,715**	**4,039**	**4,046**

($ in millions, unless otherwise indicated)	June 30, 2016	December 31, 2015	2014
Adjusted total fixed assets:			
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
Total fixed assets	**17,379**	**17,462**	**18,584**
Less: deferred taxes recognized in certain acquisitions(2)	(1,901)	(1,901)	(1,928)
Adjusted total fixed assets	**15,478**	**15,561**	**16,656**
Net working capital (as defined above)	**5,148**	**4,601**	**5,542**
Accumulated depreciation and amortization:			
Accumulated depreciation of property, plant and equipment	7,207	6,840	6,905
Accumulated amortization of intangible assets including goodwill(3)	3,379	3,175	2,767
Accumulated depreciation and amortization	**10,586**	**10,015**	**9,672**
Capital invested	**31,212**	**30,177**	**31,870**
Cash return on invested capital (CROI)	**15.1%**	**13.4%**	**12.7%**

(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	21
Q4 2015	1,994	70
Q1 2016	252	52
Q2 2016	1,082	71
Adjusted for the trailing twelve months	**4,501**	**214**

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 June 30, 2016	Year ended December 31, 2015	2014	2013	2012	2011
Net cash provided by operating activities	**4,501**	**3,818**	**3,845**	**3,653**	**3,779**	**3,612**
Adjusted for the effects of:						
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)
Free cash flow	**3,704**	**3,019**	**2,857**	**2,632**	**2,555**	**2,593**
Net income attributable to ABB	**1,687**	**1,933**	**2,594**	**2,787**	**2,704**	**3,168**
Free cash flow conversion to net income	**220%**	**156%**	**110%**	**94%**	**94%**	**82%**
Adjusted revenues for the trailing twelve months (as defined under NWC above)[1]	**34,341**	**35,481**	**39,217**	**42,308**	**40,251**	**37,990**
Free cash flow conversion to Total revenues	**11%**	**9%**	**7%**	**6%**	**6%**	**7%**

(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
Total for the trailing twelve months to June 30, 2016	**4,501**	**(866)**	**72**	**(3)**	**1,687**

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