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ABB LTD, ZURICH, SWITZERLAND, FEBRUARY 28, 2019

# **Solid growth**

Full-year and Q4 2018 results



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## Important notices

This presentation includes forward-looking information and statements including statements concerning the outlook for our businesses. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and 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,” “outlook”, “on track”, “2019 framework” or similar expressions.

There are numerous 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 presentation 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.

Some of the planned changes might be subject to any relevant I&C processes with the Employee Council Europe and / or local employee representatives / employees.

This presentation contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the ‘Supplemental reconciliations and definitions’ section of “Financial Information” under “Quarterly results and annual reports” on our website at

[www.abb.com/investorrelations](http://www.abb.com/investorrelations)

# 2018 results<sup>1</sup>: growth momentum built, transformation defined

## Profitable Growth

Orders +8%, revenues +4%, book to bill 1.03x  
Growth in all divisions and regions  
ABB Ability™ recognized as a globally leading offering for Industry 4.0  
Closed acquisition of GEIS, integration of GEIS and B&R well under way

## Relentless Execution

Group operational EBITA margin 10.9%, impacted by stranded costs, non-core charges, GEIS dilution  
Strong operating result in RM, steady in IA, EP impacted by GEIS  
PG transformation progressed, transaction announced  
Net working capital improved, cash generation solid<sup>2</sup>

## Business-led Collaboration

Customer satisfaction NPS<sup>3</sup> of 57%, from 16% in 2010  
Global brands strengthened, first year of ABB Formula E

## Transformation

Shaping a leader focused in digital industries through three fundamental actions:  
1. Focus of portfolio on digital industries through divestment of Power Grids, crystallizing \$11 bn in value for shareholders<sup>4</sup>  
2. Simplify business model and structure  
3. Shape four leading businesses

**Proposed dividend per share of CHF 0.80 – 10<sup>th</sup> consecutive increase underlines confidence in future**

<sup>1</sup>On December 17, 2018, ABB announced an agreed sale of its Power Grids division. Consequently, the results of the Power Grids business are presented as discontinued operations. The company's results for all periods have been adjusted accordingly. Net income, EPS and Cash flow from operating activities include results from continuing and discontinued operations; <sup>2</sup>From continuing operations; <sup>3</sup>Net Promoter Score

<sup>4</sup>Estimated net cash proceeds of \$7.6-7.8 billion from 80.1% sale

## Results summary

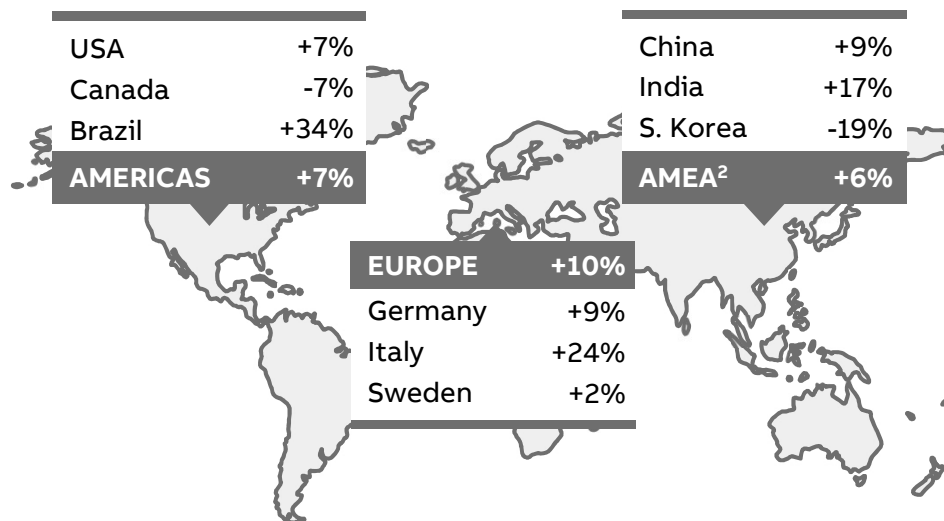
|         |                        |                        |                          |                                     |                                     |
|---------|------------------------|------------------------|--------------------------|-------------------------------------|-------------------------------------|
| FY 2018 | Orders                 | Revenues               | Operational EBITA margin | Operational EPS                     | Cash flow from operating activities |
|         | <b>\$28.6 bn</b>       | <b>\$27.7 bn</b>       | <b>10.9%<sup>2</sup></b> | <b>\$1.33</b>                       | <b>\$2,924 mn<sup>5</sup></b>       |
|         | <b>+8%<sup>1</sup></b> | <b>+4%<sup>1</sup></b> | <b>-30 bps</b>           | <b>+8%<sup>4</sup></b>              |                                     |
| Q4 2018 | Orders                 | Revenues               | Operational EBITA margin | Cash flow from operating activities |                                     |
|         | <b>\$7.0 bn</b>        | <b>\$7.4 bn</b>        | <b>7.9%<sup>3</sup></b>  | <b>\$1,867 mn<sup>5</sup></b>       |                                     |
|         | <b>+7%<sup>1</sup></b> | <b>+5%<sup>1</sup></b> | <b>-180 bps</b>          |                                     |                                     |

# Full-year and Q4 2018 orders

Order growth in all regions

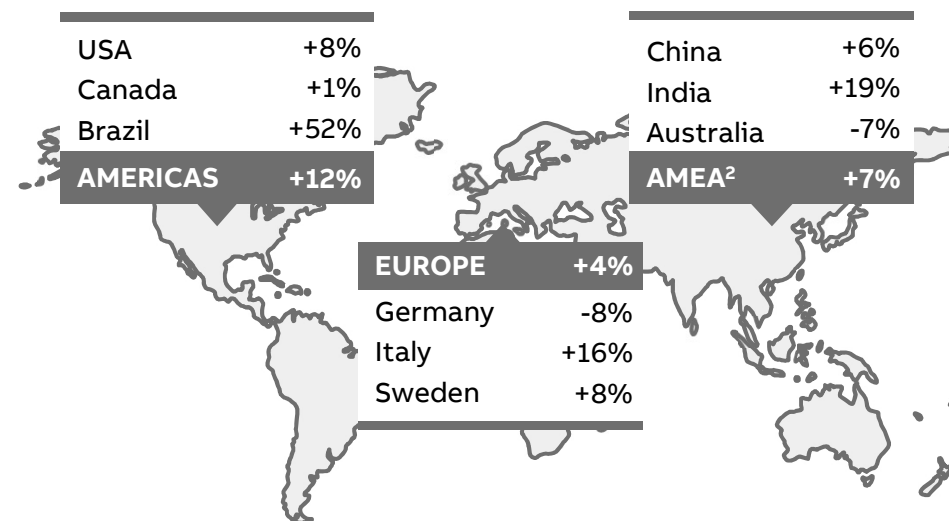
## FY 2018 total orders +8% yoy<sup>1</sup>

Growth by region and key country markets in \$ terms<sup>1</sup>



## Q4 2018 total orders +7% yoy<sup>1</sup>

Growth by region and key country markets in \$ terms<sup>1</sup>



# Full-year 2018 divisional results

Orders and revenues up in all divisions

*\$ mn and change yoy,  
unless otherwise stated*

## Electrification Products

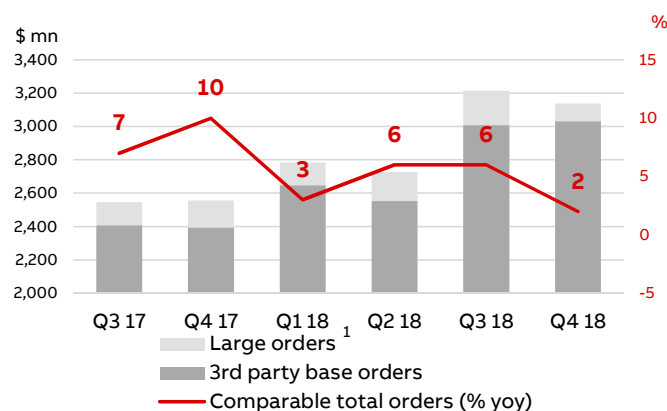
## Industrial Automation

## Robotics and Motion

|                                 |                          |              |              |
|---------------------------------|--------------------------|--------------|--------------|
| <b>Orders</b>                   | 11,867                   | 7,631        | 9,570        |
| <i>Comparable</i>               | <b>+4%</b>               | <b>+8%</b>   | <b>+12%</b>  |
| <b>Revenues</b>                 | 11,686                   | 7,394        | 9,147        |
| <i>Comparable</i>               | <b>+3%</b>               | <b>+1%</b>   | <b>+8%</b>   |
| <b>Operational EBITA</b>        | 1,626                    | 1,019        | 1,447        |
|                                 | +8%                      | +7%          | +15%         |
| <b>Operational EBITA margin</b> | <b>13.9%<sup>1</sup></b> | <b>13.8%</b> | <b>15.8%</b> |
|                                 | (110) bps                | (10) bps     | +80 bps      |

# Q4 2018 Electrification Products

GEIS in line with expectations

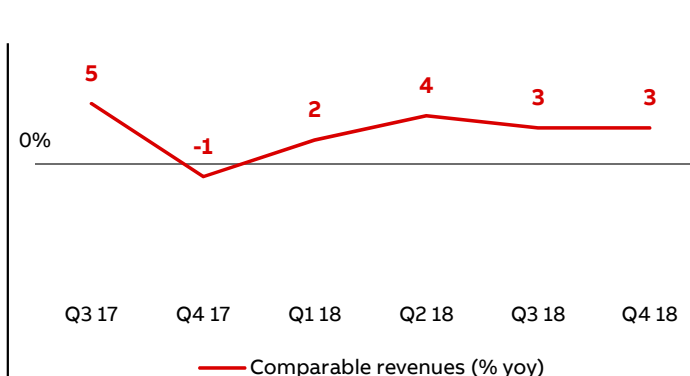


## Orders \$3,139 mn

Third-party base orders +3% yoy<sup>2</sup>

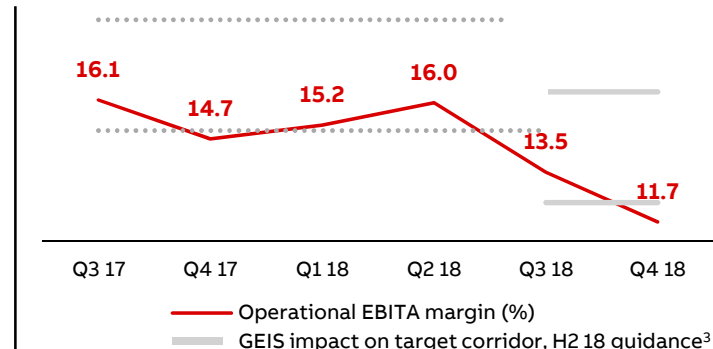
Strong growth in products, e.g. data centers, process industries; construction robust

Tough comparable



## Revenues \$3,320 mn

Order backlog end Q3 +8%, end Q4 +7% yoy



## Operational EBITA \$388 mn

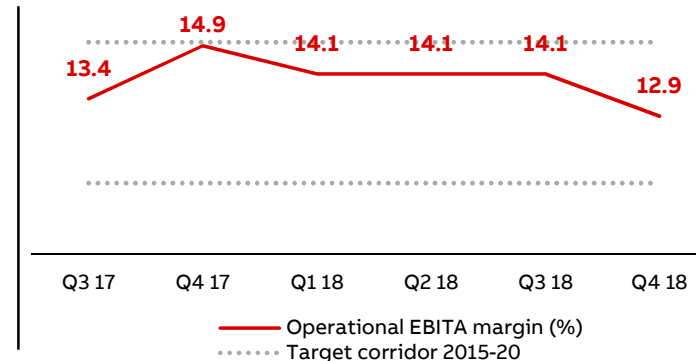
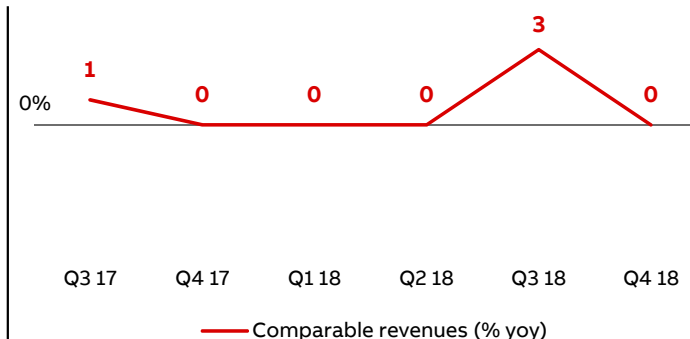
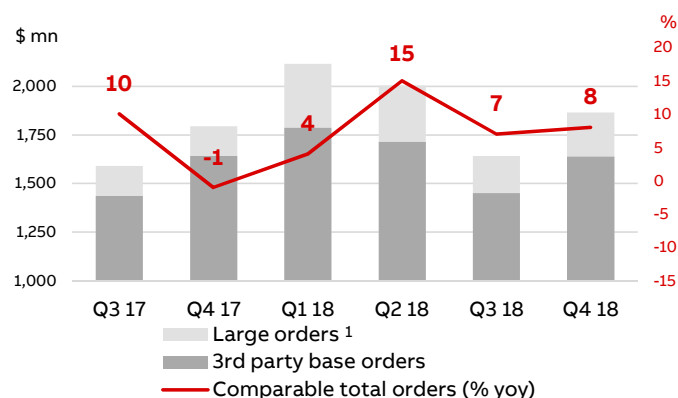
Margin yoy -300 bps

GEIS dilution -210 bps

Positive mix, cost savings and pricing actions offset by contractual charges (~90 bps)

# Q4 2018 Industrial Automation

Good order growth



## Orders \$1,866 mn

Third-party base orders +4% yoy<sup>2</sup>

Broad based growth: strength in pulp & paper, mining, marine; O&G robust

B&R good

## Revenues \$1,938 mn

Strong backlog execution

Order backlog end Q3 -2%, end Q4 +2% yoy

## Operational EBITA \$251 mn

Margin yoy -200 bps

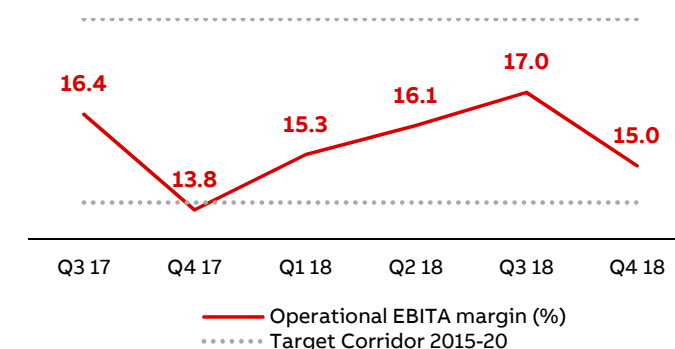
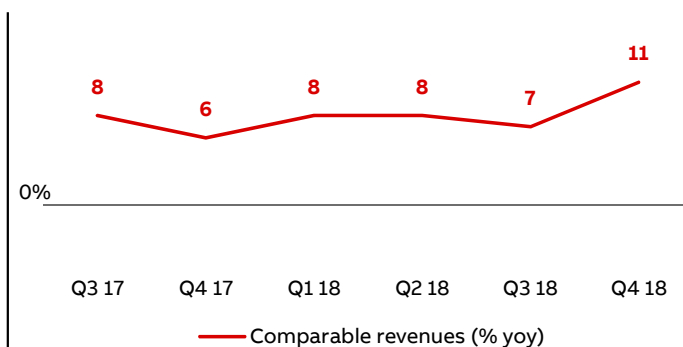
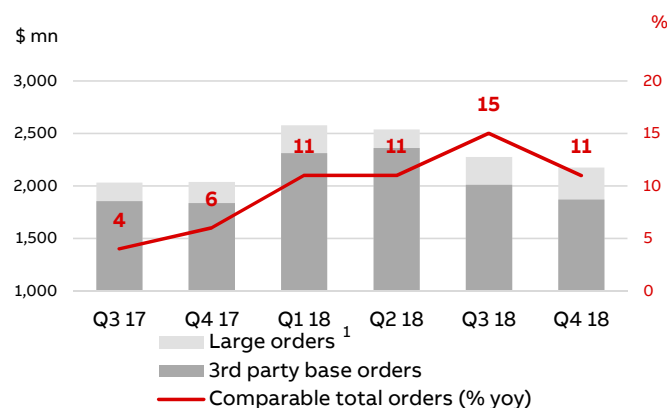
One-time customer payment default (~80 bps)

Tough comparable



# Q4 2018 Robotics and Motion

Strong growth and execution



## Orders \$2,175 mn

Third-party base orders +6% yoy<sup>2</sup>

Large orders from automotive, rail

Continued demand in process industries

## Revenues \$2,341 mn

Good backlog execution, book-and-bill

Order backlog end Q3 +10%, end Q4 +10% yoy

## Operational EBITA \$349 mn

Margin yoy +120 bps

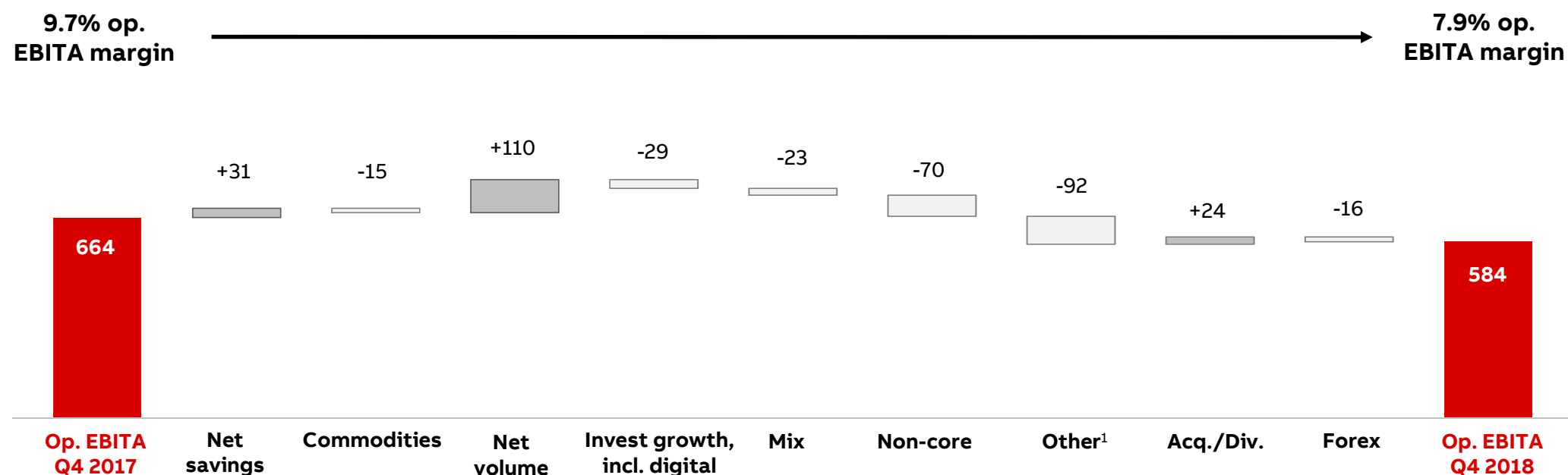
Positive volumes, continued cost management

## Group operational EBITA impacts

|                           | FY 2017         | FY 2018         | Q4 2017         | Q4 2018         |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| Operational EBITA margin  | 11.2%           | 10.9%           | 9.7%            | 7.9%            |
| PG related stranded costs | -110 bps        | -110 bps        | -110 bps        | -100 bps        |
| Non-core charges          | -70 bps         | -100 bps        | -200 bps        | -260 bps        |
| GEIS dilution             | n.a.            | -40 bps         | n.a.            | -40 bps         |
|                           | <b>-180 bps</b> | <b>-250 bps</b> | <b>-310 bps</b> | <b>-400 bps</b> |

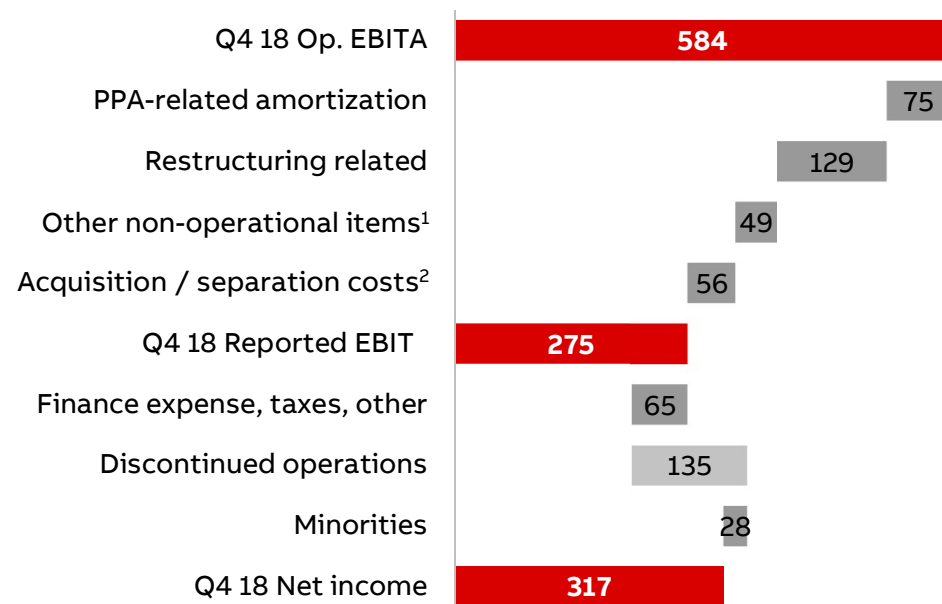
## Q4 2018 operational EBITA

### Operational EBITA bridge Q4 2017 to Q4 2018 (\$ mn)



## Q4 2018 net income drivers

### Operational EBITA to net income walk Q4 2018 (\$ mn)



### Key non-operating items

**Restructuring** including ~\$65 mn accelerated delivery of ABB-OS™ simplification plans

**Power Grids related transaction and separation costs** ~\$25 mn

### Discontinued operations (Power Grids)

**Net income** ~\$135 mn, reflects restructuring, ongoing Power Up program

## 2019 framework

| <i>\$ mn unless otherwise stated</i>                    | <b>FY 2018<br/>recast</b> | <b>FY 2019<br/>framework</b> | <b>Q1 2019<br/>framework</b> |
|---|---------------------------|------------------------------|------------------------------|
| <b>Corporate &amp; other operational EBITA</b>          | (1,087)                   | ~(800)                       | ~(200)                       |
| Of which, stranded costs (gross)                        | (297)                     | ~(300)                       | ~(75)                        |
| Stranded cost elimination                               | 0                         | ~60                          | ~10                          |
| <b>Non-operating items</b>                              |                           |                              |                              |
| Normal restructuring                                    | (107)                     | ~(100)                       | ~(25)                        |
| Simplification program <sup>1</sup>                     | (65)                      | ~(400)                       | ~(60)                        |
| PG transaction and separation related costs             | (32)                      | ~(350)                       | ~(90)                        |
| GEIS acquisition related expenses and integration costs | (162)                     | ~(120)                       | ~(30)                        |
| PPA-related amortization                                | (273)                     | ~(275)                       | ~(70)                        |

|  | <b>FY 2018<br/>recast</b> | <b>FY 2019<br/>framework</b> |
|--|---------------------------|------------------------------|
| <b>Net finance expenses</b>  | (190)                     | ~(230)                       |
| <b>Effective tax rate</b>  | 25.7%                     | ~27%                         |
| PG tax impact  |                           | ~(200) in H2                 |
| <b>Capital expenditure</b>   | (772)                     | ~(850)                       |
| <b>Cash flow from operating activities<br/>(continuing + discontinued)</b> | 2,924                     | Solid                        |

**ABB**

## Key figures Q4 2018

|  | Q4 2018 | Q4 2017 | Change yoy        |                |                  |
|--|---------|---------|-------------------|----------------|------------------|
| <i>In \$ mn unless stated otherwise</i>                  |         |         | \$                | Local currency | Comparable       |
| Orders   | 6,985   | 6,328   | +10%              | +15%           | +7%              |
| Order backlog (end December)                             | 13,084  | 12,491  | +5%               | +10%           | +6%              |
| Revenues   | 7,395   | 6,804   | +9%               | +13%           | +5%              |
| Income from operations                                   | 275     | 324     | -15%              |                |                  |
| as % of revenues   | 3.7%    | 4.8%    | -1.1 pts          |                |                  |
| Operational EBITA  | 584     | 664     | -12%              | -10%           |                  |
| as % of operational revenues                             | 7.9%    | 9.7%    | -1.8 pts          |                |                  |
| Net income attributable to ABB                           | 317     | 393     | -19%              |                |                  |
| Basic earnings per share from continuing operations (\$) | 0.10    | 0.10    | 0% <sup>1</sup>   |                |                  |
| Basic earning per share (\$)                             | 0.15    | 0.18    | -19% <sup>1</sup> |                |                  |
| Operational earnings per share (\$)                      | 0.30    | 0.33    | -9% <sup>1</sup>  |                | -6% <sup>2</sup> |
| Cash flow from operating activities                      | 1,867   | 1,869   | +0%               |                |                  |

## Key figures FY 2018

|  | FY 2018 | FY 2017 | Change yoy       |                |                  |
|--|---------|---------|------------------|----------------|------------------|
| <i>In \$ mn unless stated otherwise</i>                  |         |         | \$               | Local currency | Comparable       |
| Orders   | 28,590  | 25,034  | +14%             | +14%           | +8%              |
| Order backlog (end December)                             | 13,084  | 12,491  | +5%              | +10%           | +6%              |
| Revenues   | 27,662  | 25,196  | +10%             | +9%            | +4%              |
| Income from operations                                   | 2,226   | 2,230   | -0%              |                |                  |
| as % of revenues   | 8.0%    | 8.9%    | -0.9 pts         |                |                  |
| Operational EBITA  | 3,005   | 2,817   | +7%              | +5%            |                  |
| as % of operational revenues                             | 10.9%   | 11.2%   | -0.3 pts         |                |                  |
| Net income attributable to ABB                           | 2,173   | 2,213   | -2%              |                |                  |
| Basic earnings per share from continuing operations (\$) | 0.71    | 0.67    | +5% <sup>1</sup> |                |                  |
| Basic earning per share (\$)                             | 1.02    | 1.04    | -2% <sup>1</sup> |                |                  |
| Operational earnings per share (\$)                      | 1.33    | 1.25    | +7% <sup>1</sup> |                | +8% <sup>2</sup> |
| Cash flow from operating activities                      | 2,924   | 3,799   | -23%             |                |                  |



# Total and base orders

By division

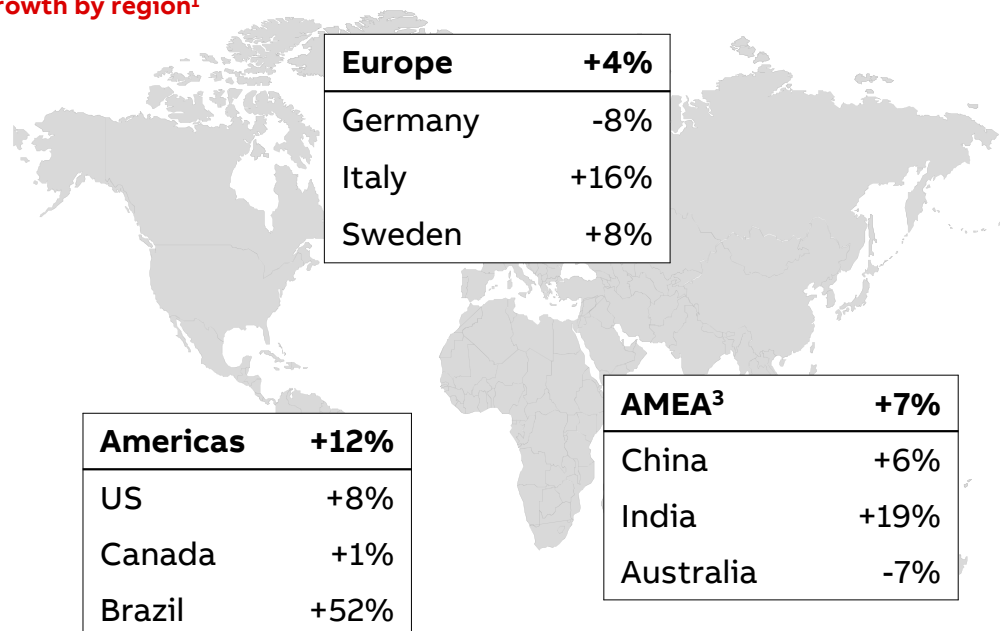
|   |   | Q4 2018      | Q4 2017      | Change yoy |
|---|---|--------------|--------------|------------|
| <i>In \$ mn unless stated otherwise</i> |   |              |              | Comparable |
| Electrification Products                | Total orders                            | 3,139        | 2,556        | +2%        |
|   | 3 <sup>rd</sup> party base orders       | 3,032        | 2,394        | +3%        |
| Industrial Automation                   | Total orders                            | 1,866        | 1,795        | +8%        |
|   | 3 <sup>rd</sup> party base orders       | 1,639        | 1,642        | +4%        |
| Robotics and Motion                     | Total orders                            | 2,175        | 2,039        | +11%       |
|   | 3 <sup>rd</sup> party base orders       | 1,872        | 1,837        | +6%        |
| Corporate and Other                     | Total orders                            | (195)        | (62)         | n.a.       |
|   | 3 <sup>rd</sup> party base orders       | 11           | 31           | n.a.       |
| <b>ABB Group</b>                        | <b>Total orders</b>                     | <b>6,985</b> | <b>6,328</b> | <b>+7%</b> |
|   | <b>3<sup>rd</sup> party base orders</b> | <b>6,554</b> | <b>5,904</b> | <b>+5%</b> |

## Q4 2018 total and base orders

By region and country

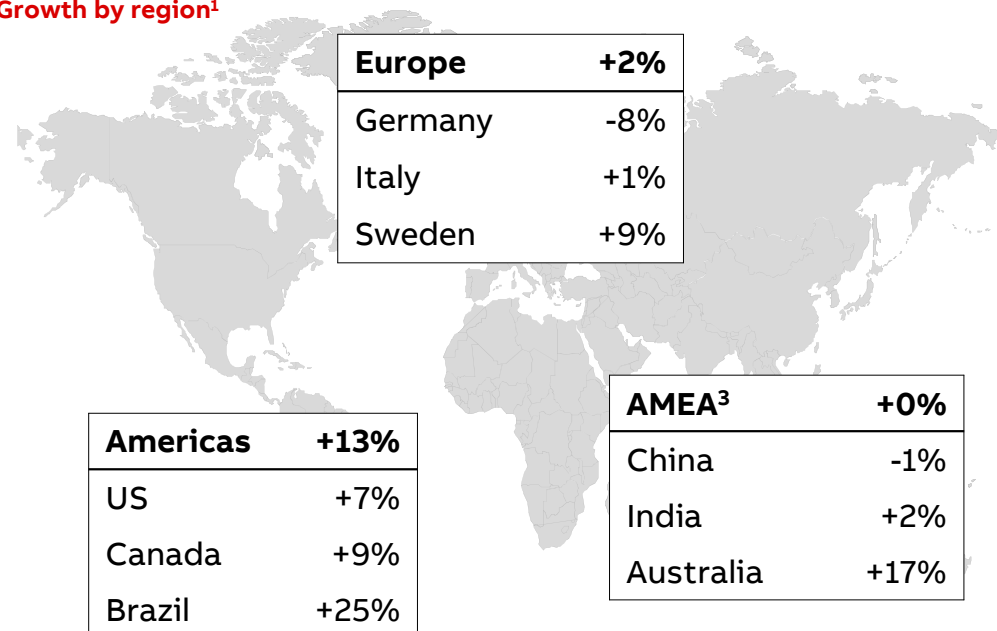
### Total orders +7% yoy<sup>1</sup>

Growth by region<sup>1</sup>



### Base orders<sup>2</sup> +5% yoy<sup>1</sup>

Growth by region<sup>1</sup>

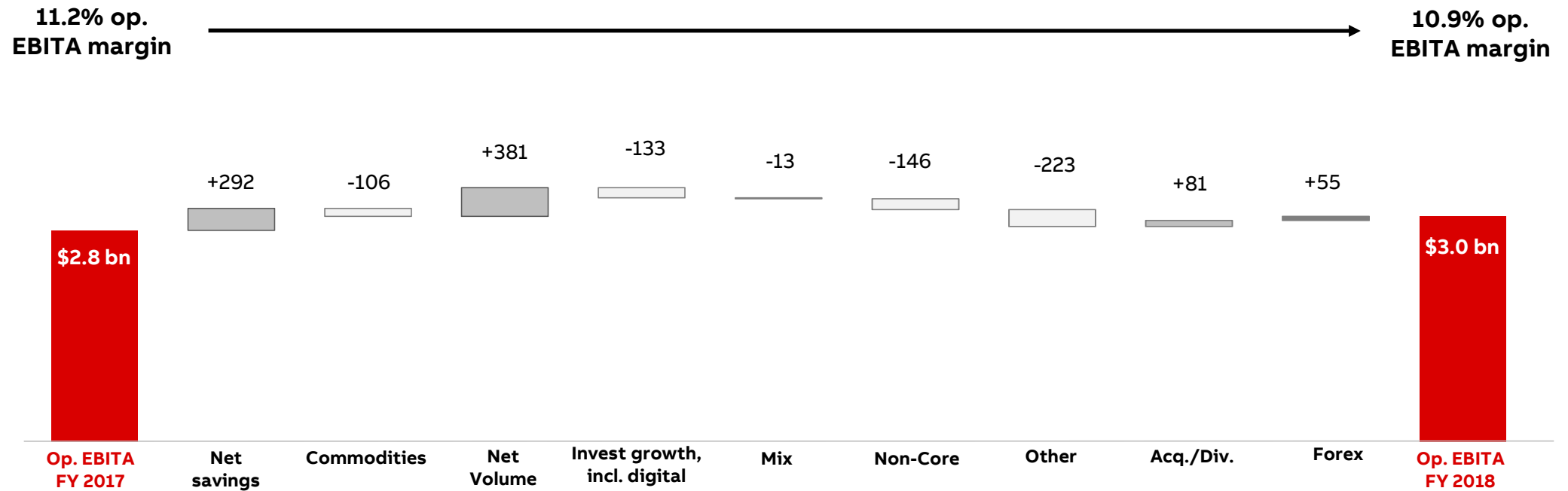


## Order backlog by division

|                                  | End December 2018 | End December 2017 |                   | Change yoy |
|----------------------------------|-------------------|-------------------|-------------------|------------|
| In \$ mn unless stated otherwise |                   |                   | \$                | Comparable |
| Electrification Products         | 4,113             | 3,098             | +33%              | +7%        |
| Industrial Automation            | 5,148             | 5,301             | -3%               | +2%        |
| Robotics and Motion              | 4,016             | 3,823             | +5%               | +10%       |
| Corporate and Other              | (193)             | 269               | n.a               | n.a        |
| <b>ABB Group</b>                 | <b>13,084</b>     | <b>12,491</b>     | <b>+5%</b>        | <b>+6%</b> |
| Year of recognition              | <b>2019</b>       | <b>2020</b>       | <b>Thereafter</b> |            |
| Backlog conversion estimate      | <b>76%</b>        | <b>14%</b>        | <b>10%</b>        |            |

# Full year 2018 operational EBITA

## Operational EBITA bridge FY 2017 to FY 2018, \$ mn



## Cash flow from operating activities by division

|   | Q4 2018      | Q4 2017      | Change yoy |
|---|--------------|--------------|------------|
| <i>In \$ mn unless stated otherwise</i> |              |              |            |
| Electrification Products                | 636          | 590          | +8%        |
| Industrial Automation                   | 372          | 356          | +4%        |
| Robotics and Motion                     | 476          | 388          | +23%       |
| Corporate and Other                     | (78)         | (9)          | n.a        |
| Discontinued operations                 | 461          | 544          | -15%       |
| <b>ABB Group</b>                        | <b>1,867</b> | <b>1,869</b> | <b>0%</b>  |

# Operational EPS analysis

|  | Q4 2018    |             | Q4 2017    |             | Change yoy <sup>1</sup> |
|--|------------|-------------|------------|-------------|-------------------------|
| <i>\$ mn, except per share date in \$</i>                          |            | EPS         |            | EPS         |                         |
| <b>Net income (attributable to ABB)</b>                            | <b>317</b> | <b>0.15</b> | <b>393</b> | <b>0.18</b> | <b>-19%</b>             |
| Operational adjustments:   |            |             |            |             |                         |
| Acquisition-related amortization                                   | 75         |             | 65         |             |                         |
| Restructuring and restructuring-related expenses <sup>2</sup>      | 129        |             | 108        |             |                         |
| Non-operational pension cost (credit)                              | -6         |             | -4         |             |                         |
| Changes in obligations related to divested businesses              | 14         |             | 0          |             |                         |
| Changes in pre-acquisition estimates                               | 6          |             | 8          |             |                         |
| Gains and losses on sale of businesses                             | 4          |             | 78         |             |                         |
| Acquisition- and divestment-related expenses and integration costs | 56         |             | 41         |             |                         |
| Certain other non-operational items                                | 25         |             | 28         |             |                         |
| FX / commodity timing differences in income from operations        | 0          |             | 12         |             |                         |
| Operational adjustments in discontinued operations                 | 108        |             | 74         |             |                         |
| Tax on operational adjustments <sup>3</sup>                        | -96        |             | -105       |             |                         |
| <b>Operational net income / Operational EPS</b>                    | <b>632</b> | <b>0.30</b> | <b>698</b> | <b>0.33</b> | <b>-6%<sup>4</sup></b>  |

<sup>1</sup>Calculated on earnings per share before rounding

<sup>2</sup>2017 includes White Collar Productivity implementation costs

<sup>3</sup>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

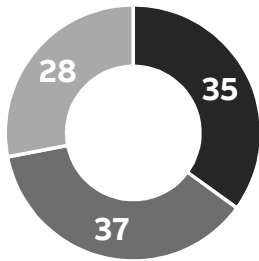
<sup>4</sup>Operational EPS growth rate is in constant currency (2014 foreign exchange rates)

# Regional share of total orders and revenues by division

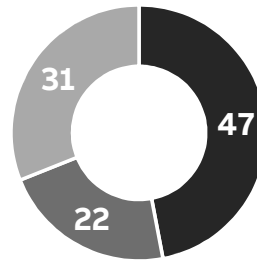
Q4 2018, in % terms

Orders

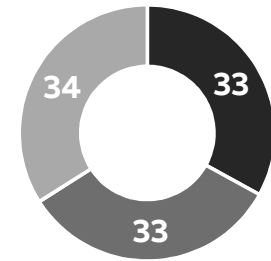
Electrification Products



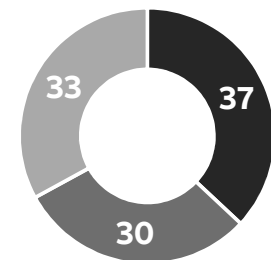
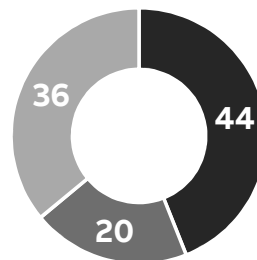
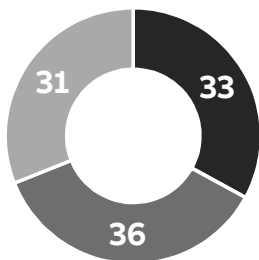
Industrial Automation



Robotics and Motion



Revenues

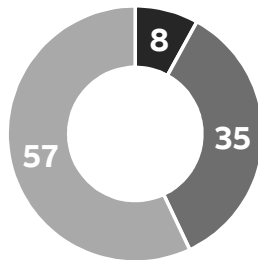


# End-customer and product type revenues by division

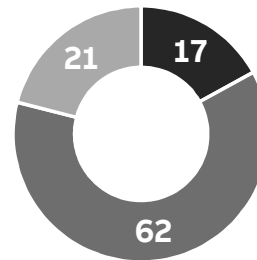
Q4 2018, in % terms

Orders  
End-customer market

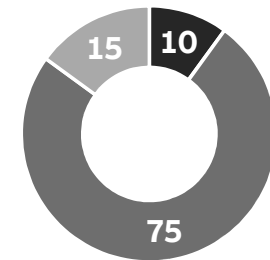
Electrification Products



Industrial Automation



Robotics and Motion



Orders  
Product type

