

ABB LTD, ZURICH, SWITZERLAND, JULY 20, 2017, Q2 2017 RESULTS

# Building growth momentum

Ulrich Spiesshofer, CEO; Timo Ihamuotila, CFO



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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” 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.

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)

## Q2 2017: key figures

Orders	Base orders	Revenues
<b>\$8.3 bn</b> +3% <sup>1</sup>	<b>\$7.7 bn</b> +3% <sup>1</sup>	<b>\$8.5 bn</b> +1% <sup>1</sup>
Operational EBITA margin	Operational EPS	Cash flow from operating activities
<b>12.4%</b> -0.5pts	<b>\$0.30</b> -11% <sup>2</sup>	<b>\$467 mn</b> -\$615 mn <sup>3</sup>

# Q2 2017: building growth momentum

## Profitable Growth

Total and base orders up 3%; higher orders in all regions; service & software up 8%

Revenues up 1%

Key ABB Ability™ customer wins, artificial intelligence (AI) partnership with IBM

Active portfolio mgmt: B&R acquisition closed July 6, KEYMILE's communication business to be acquired

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## Relentless Execution

Op EBITA margin 12.4% dampened this quarter by commodity prices and some overcapacity

Solid performance in IA & PG; sequential margin improvement in EP & RM

White Collar Productivity program on track

Net Working Capital as a percentage of revenues decreased 90 bps to 14.1%

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## Business-led Collaboration

Visible impact from country and account collaboration

Ramp-up of Global Business Service centers in Krakow & Bangalore on track (2,500 employees)

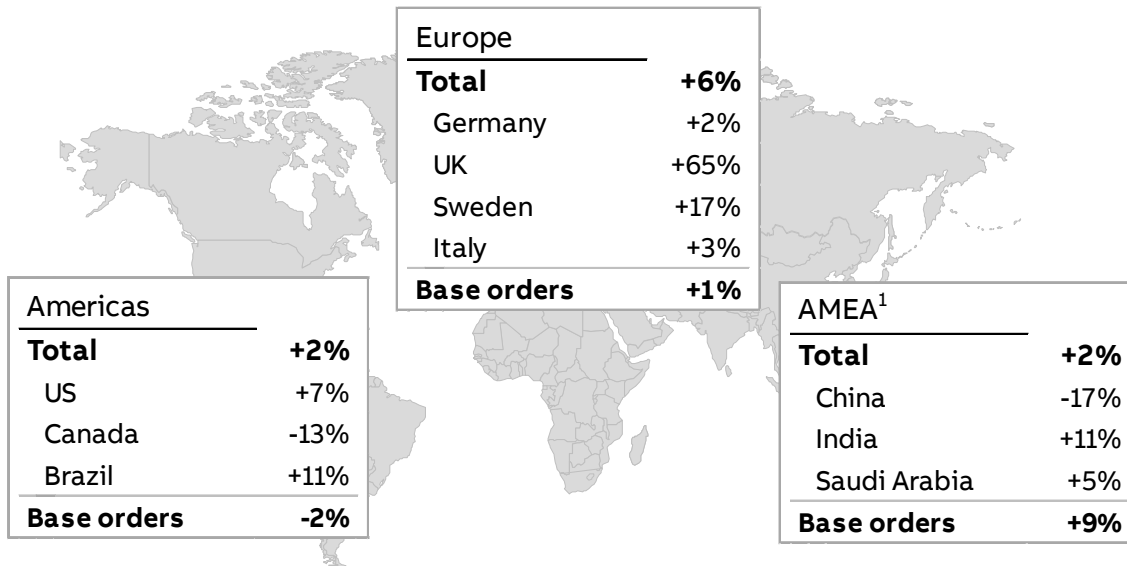
New Executive Committee composition better reflects geographic balance

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# Q2 2017: regional order development

## 2017 Q2 total order growth by region

*Change on a comparable basis*



## 2017 Q2 base order growth<sup>2</sup>

*Change on a comparable basis*

US	+1%
China	+4%
Germany	-2%
India	+23%
Canada	-14%
Italy	+1%
Sweden	+6%
UK	+1%
Saudi Arabia	-9%
UAE	-20%
Finland	+4%
Norway	-19%
Spain	+12%

# Q2 2017: performance by division

## Key figures

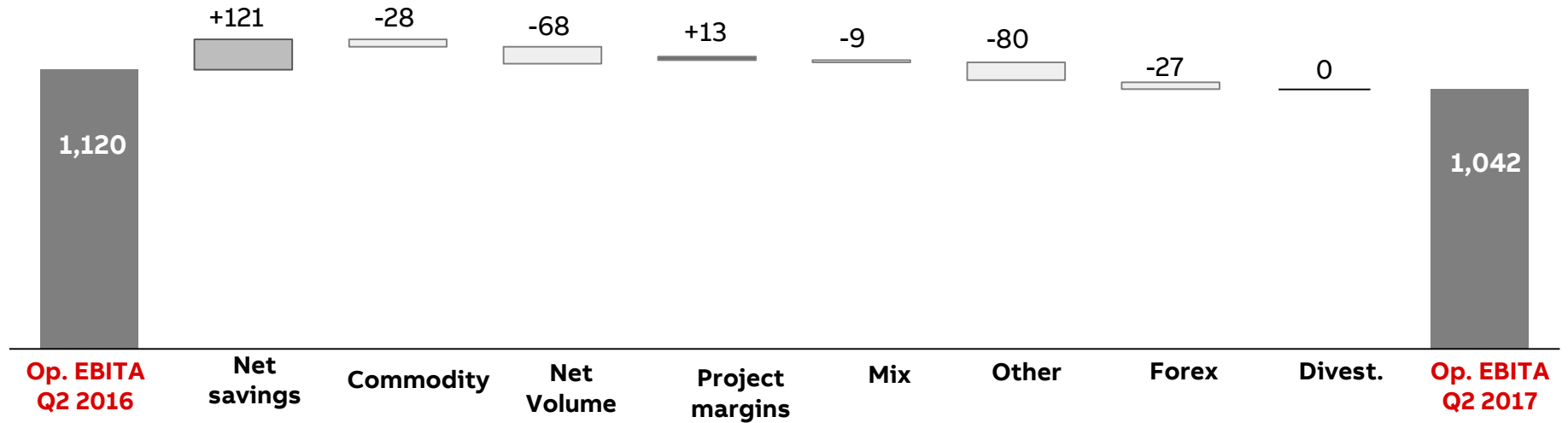
<i>\$ bn unless otherwise stated</i>	<b>ABB Group</b>	<b>Electrification Products</b>	<b>Robotics and Motion</b>	<b>Industrial Automation</b>	<b>Power Grids</b>
<b>Orders</b>	8.3	2.5	2.2	1.5	2.5
Δ Comparable	+3%	-1%	+14%	+8%	-3%
<b>Revenues</b>	8.5	2.5	2.1	1.6	2.6
Δ Comparable	+1%	+2%	+5%	-7%	+0%
<b>Op. EBITA %</b>	12.4%	15.0%	14.9%	12.7%	9.8%
Δ	-50 bps	-80 bps	-130 bps	+30 bps	+50 bps

# Q2 2017: operational EBITA

12.9% op.  
EBITA margin

12.4% op.  
EBITA margin

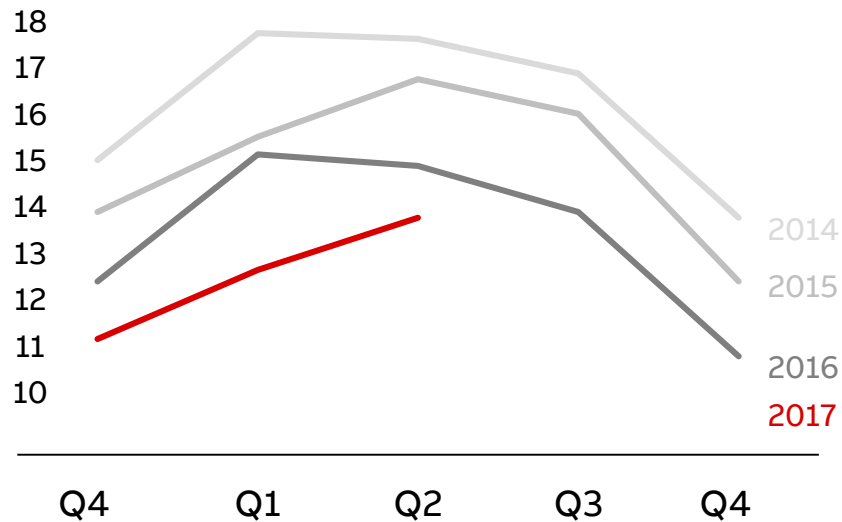
## Operational EBITA bridge Q2 2016 to Q2 2017, \$ mn



# H1 2017: net working capital and cash flow

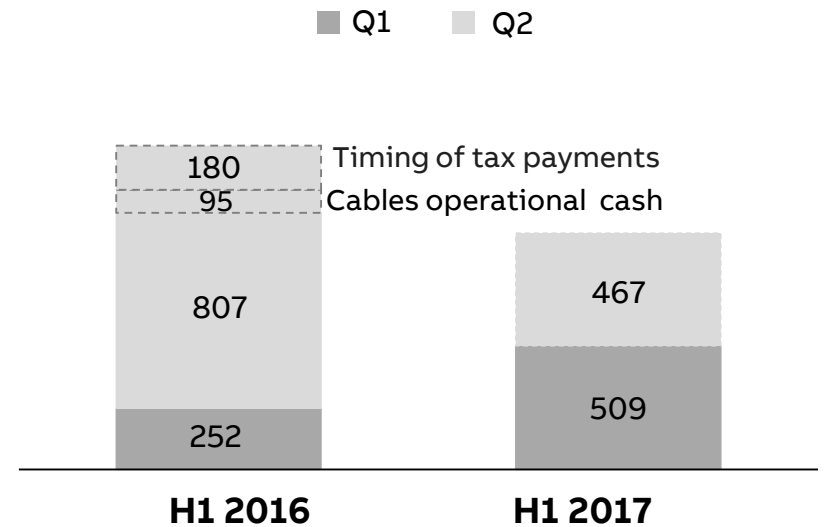
## Net Working Capital reduction

NWC as a % of revenues



## Cash flow from operating activities

\$ mn





# Next Level Stage 3 – committed to unlocking value

Four actions

ANNOUNCED OCTOBER 4<sup>TH</sup>, 2016

**Profitable  
Growth**

**1** Driving growth in four market-leading entrepreneurial divisions

**2** Quantum leap in digital

**Relentless  
Execution**

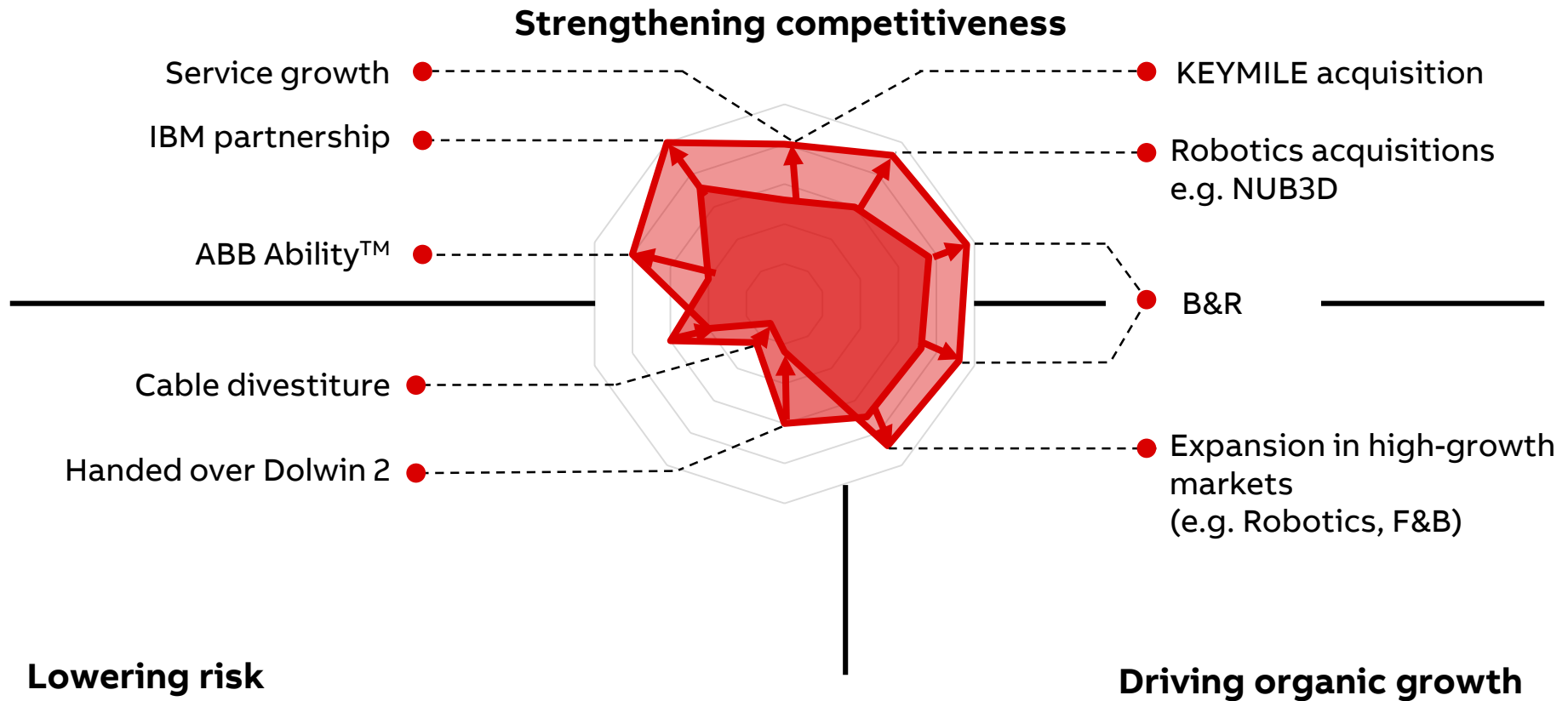
**3** Accelerating momentum in operational excellence

**Business-led  
Collaboration**

**4** Strengthening the global ABB brand

Delivering attractive shareholder returns

# H1 2017: Continuing to shift ABB's Center of Gravity



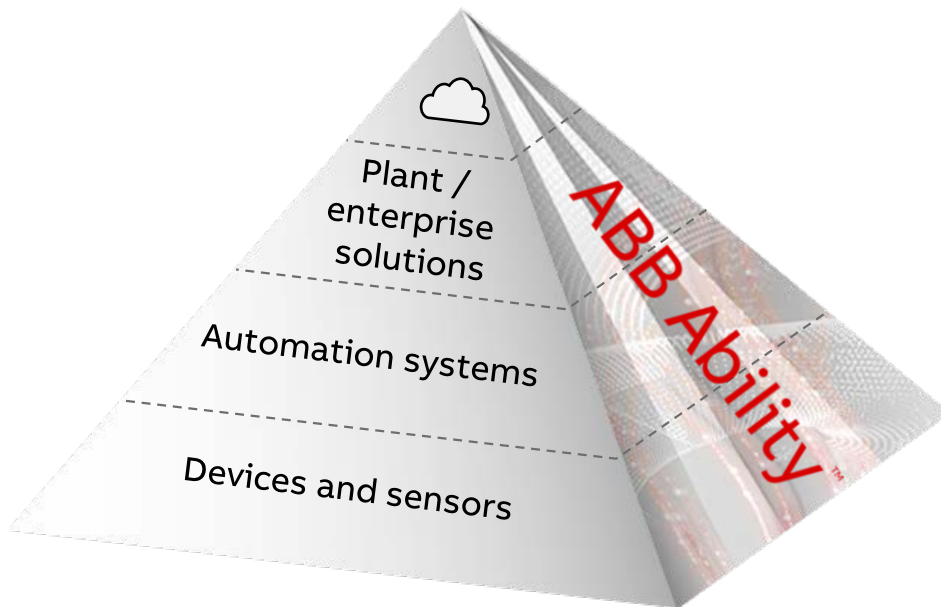
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# H1 2017: ABB Ability™

Strong momentum building

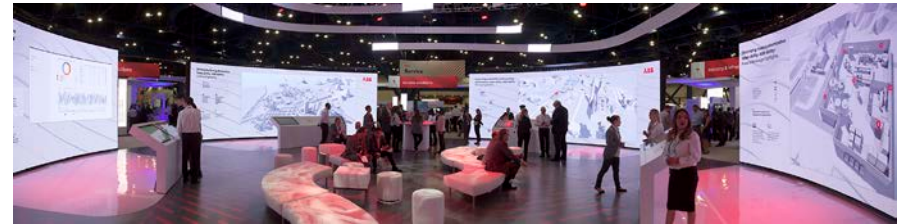
## Industry-leading offering

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## Global launch

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~ 30'000 customer representatives in US,  
Europe and China

## Innovation and expansion

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180+ ABB Ability solutions

8 ABB Ability Collaborative Operations Centers

## Partnership

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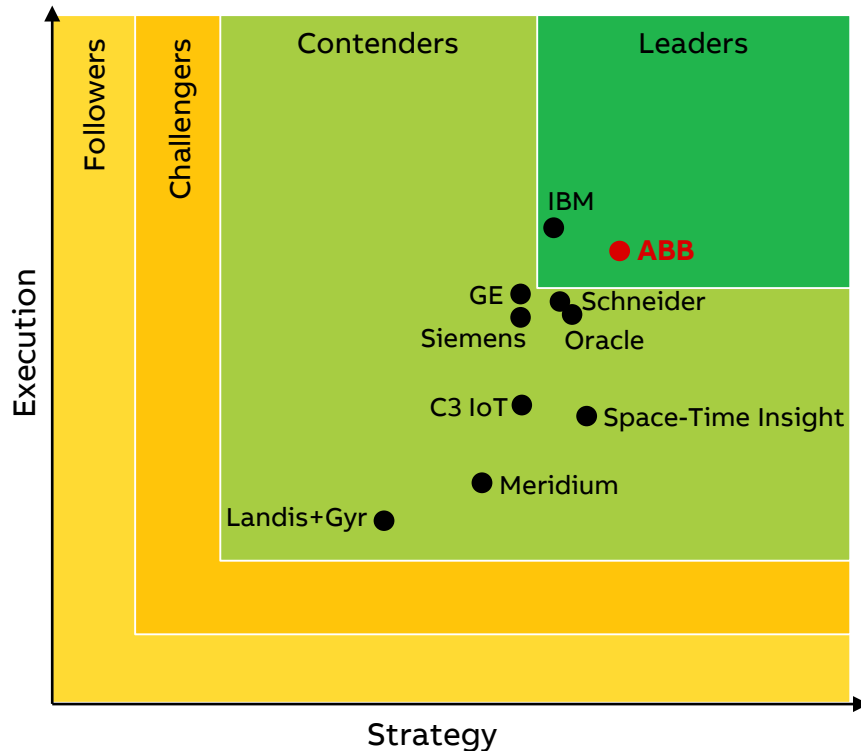


# H1 2017: ABB Ability™

Leadership and strong customer interest

## Leadership in digital grid

Example: asset performance management



## Key wins

### Utilities – Nordic HVDC link

Solution for world-class grid reliability  
ABB Ability MACH™ control system



### Industry – Semiconductor Manufacturing Int'l Corp

Solution for improved asset effectiveness  
ABB Ability iVD4® MV intelligent power distribution



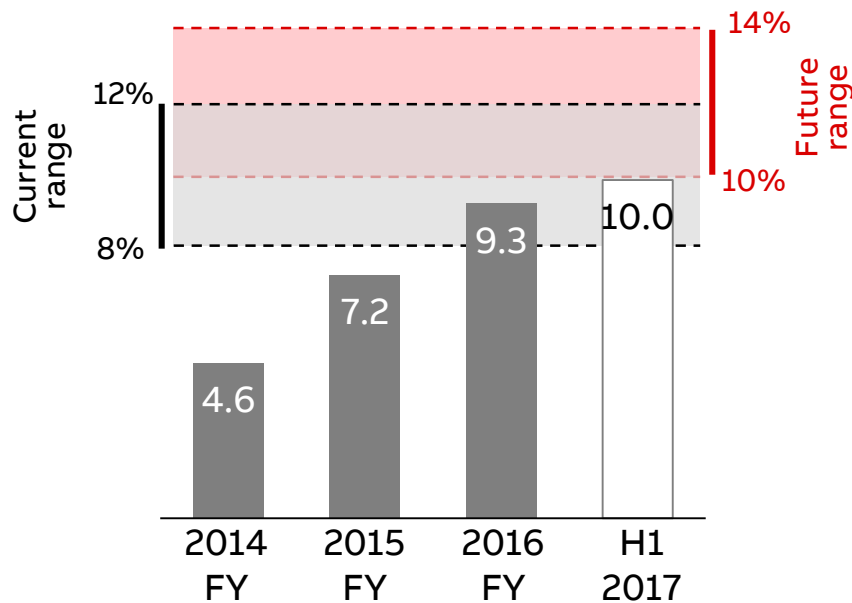
### Transport & Infrastructure

Powerful EV charging infrastructure for first electric buses in the UK  
ABB Ability EV charging infrastructure



# H1 2017: Power Grids transformation continuing

## Operational EBITA margin, %



### Shifting the Center of Gravity

- Business model change
- Investment in digitalization, ABB Ability™
- Keymile's communication business to be acquired
- Investment in Enbala – distributed energy mgmt.
- High Voltage cables business divested

### Operational Excellence

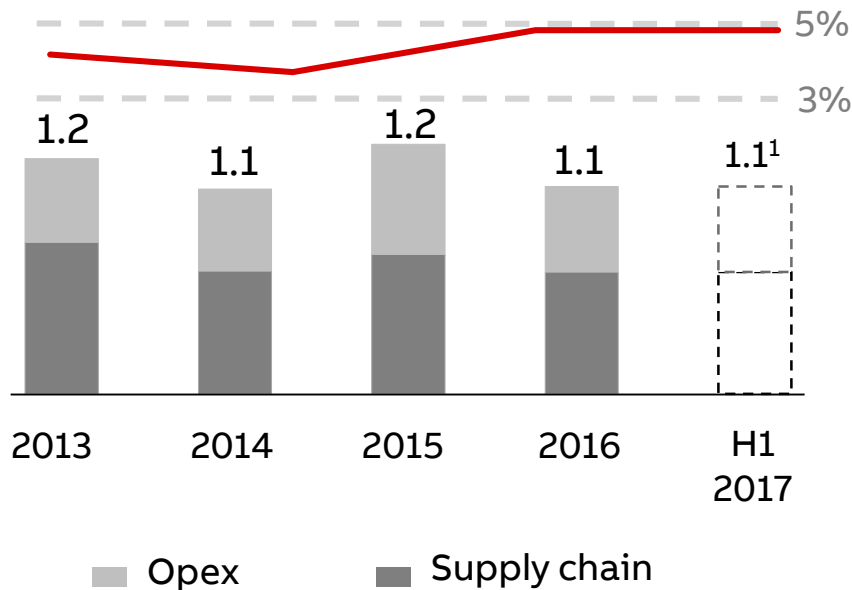
- Dolwin 2 handed over
- Continuous improvement in project execution
- White Collar Productivity & Working Capital program

**'Power Up' transformation program on track**

# H1 2017: regular cost savings and White Collar Productivity

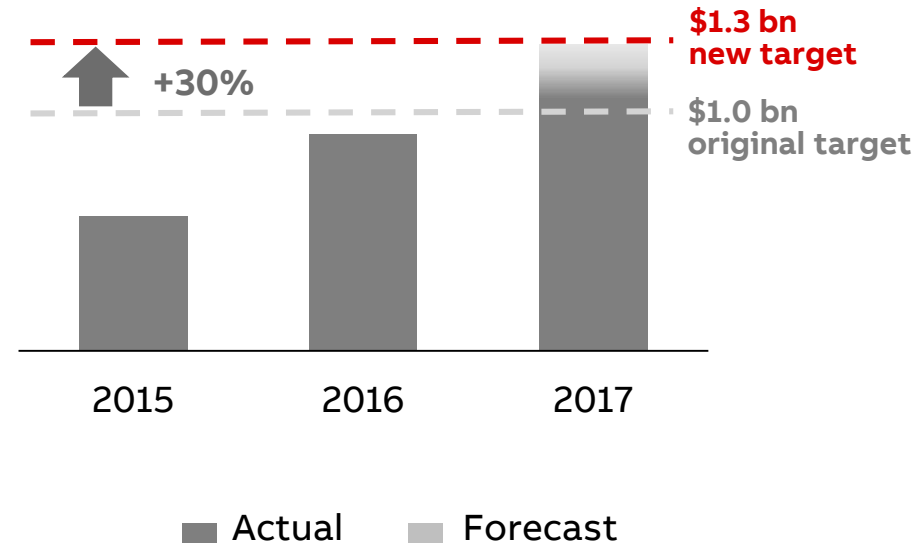
## Constant Opex and SCM savings

Target 3-5% of cost of sales, \$ bn



## Increased White Collar Productivity ambition

Run rate gross savings



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# Q2 2017: summary and outlook

## Q2 2017 results

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Total and base orders up 3%

Higher orders in all regions

Revenues up 1%

Op EBITA margin 12.4% dampened this quarter by commodity prices and some overcapacity

Net income \$525 million

Cash flow from operating activities reflects timing of short term incentive payments

NWC as a % of revenues reduced 90bps to 14.1%

Active portfolio management:

- B&R acquisition closed on July 6
- Announced acquiring KEYMILE communication network business

## Outlook unchanged

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Mixed short-term picture

Some macroeconomic signs remain positive in US and growth in China expected to continue

Overall global market impacted by modest growth and increased uncertainties

Long-term demand outlook remains positive – growth drivers in place for utility, industry, transport & infrastructure

2017 – a transitional year

**ABB**



# Key figures Q2 2017

	Q2 17	Q2 16	Change		
<i>\$ mn unless otherwise indicated</i>			\$	Local currency	Comparable
Orders	8,349	8,316	+0%	+3%	+3%
Order backlog	23,553	25,338	-7%	-6%	-1%
Revenues	8,454	8,677	-3%	+0%	+1%
Operational EBITA	1,042	1,120	-7%	-5%	
as % of operational revenues	12.4%	12.9%	-0.5 pts		
Income from operations	884	647	+37%		
as % of revenues	10.5%	7.5%	+3.0 pts		
Net income	525	406	+29%		
Basic earnings per share (\$)	0.25	0.19	+30%		
Operational earnings per share	0.30	0.35	-15% <sup>1</sup>		-11% <sup>2</sup>
Cash flow from operating activities	467	1,082	-57%		

# Third party base orders by division

	Q2 17	Q2 16	% Change
<i>Third-party base orders \$ mn</i>			Comparable
Electrification Products	2,393	2,494	-1%
Robotics and Motion	1,967	1,826	+10%
Industrial Automation	1,327	1,325	+2%
Power Grids	1,977	1,980	+2%
Corporate and Other	17	32	
<b>Total Group</b>	<b>7,681</b>	<b>7,657</b>	<b>+3%</b>

# Cash flow from operating activities by division

	Q2 17	Q2 16	% Change
<i>Cash flow from operating activities \$ mn</i>			
Electrification Products	259	325	-20%
Robotics and Motion	213	289	-26%
Industrial Automation	143	270	-47%
Power Grids	75	241	-69%
Corporate and Other	-223	-43	n.a.
<b>Total Group</b>	<b>467</b>	<b>1,082</b>	<b>-57%</b>

# Order backlog by division

	Q2 17	Q2 16	% Change	
<i>Order backlog (end June) \$ mn</i>			\$	Comparable
Electrification Products	3,220	3,452	-7%	-5%
Robotics and Motion	4,188	4,025	+4%	+4%
Industrial Automation	5,710	6,165	-7%	-7%
Power Grids	11,860	12,286	-3%	-2%
Corporate and Other	-1,425	-590		
<b>Total Group</b>	<b>23,553</b>	<b>25,338</b>	<b>-7%</b>	<b>-1%</b>

# Operational EPS analysis

	Q2 17		Q2 16		Δ <sup>1</sup>
<i>mn \$, except per share data in \$</i>		EPS		EPS	
<b>Net income (attributable to ABB)</b>	525	0.25	406	0.19	+30%
Operational adjustments:					
Acquisition-related amortization	56		71		
Restructuring and restructuring-related expenses <sup>2</sup>	84		367		
Non-operational pension cost	-7		0		
Changes in retained obligations of divested businesses	0		0		
Changes in pre-acquisition estimates	0		14		
Gains and losses on sale of businesses	7		0		
Acquisition-related expenses and certain non-operational items	58		9		
FX / commodity timing differences in income from operations	-40		12		
Tax on operational adjustments <sup>3</sup>	-46		-123		
<b>Operational net income / Operational EPS</b>	<b>637</b>	<b>0.30</b>	<b>756</b>	<b>0.35</b>	<b>-11%</b> <sup>4</sup>

# ABB's Executive Committee

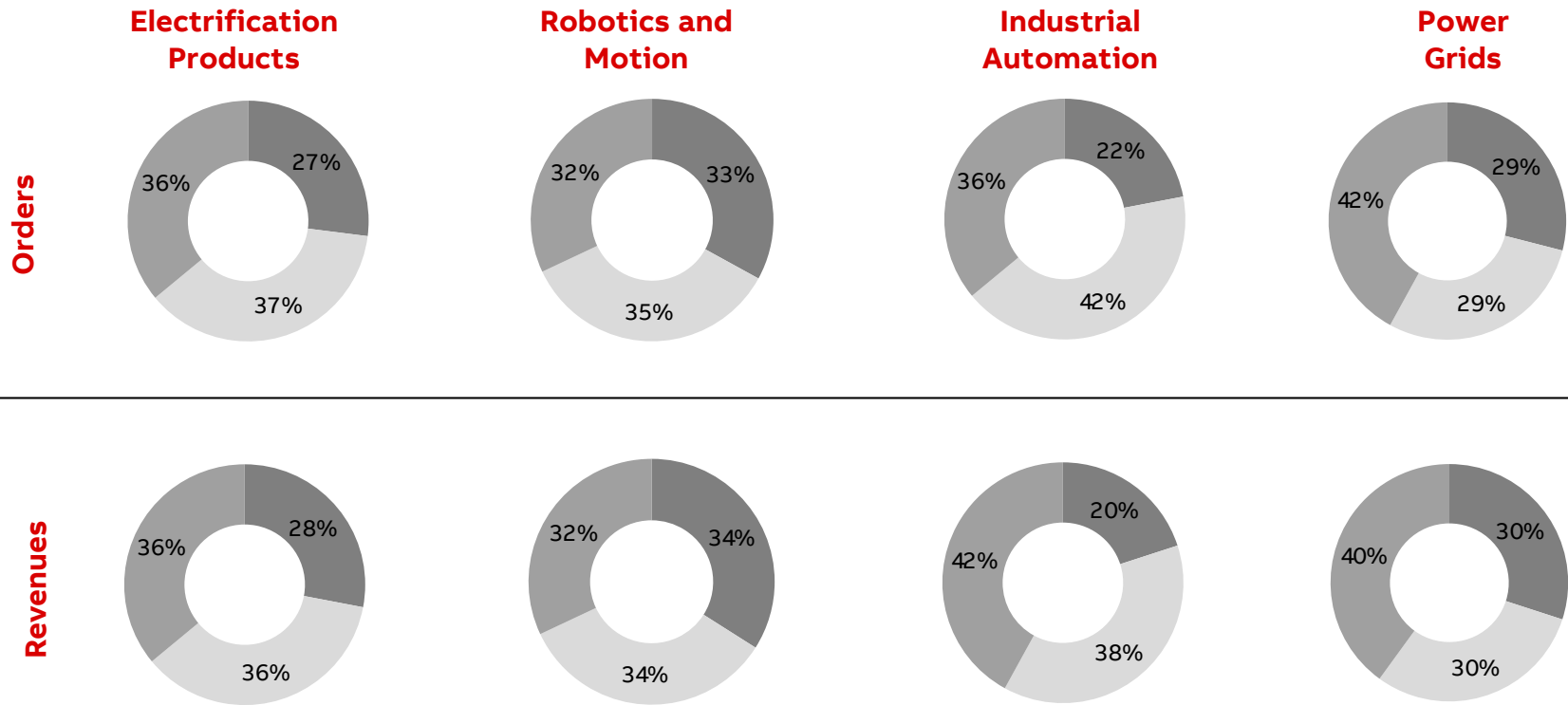
As of July 1, 2017



<b>Frank Duggan</b> Region Europe	<b>Sami Atiya</b> Division Robotics and Motion	<b>Peter Terwiesch</b> Division Industrial Automation	<b>Diane de Saint Victor</b> General Counsel	<b>Jean- Christophe Deslarzes</b> Chief Human Resources Officer	<b>Ulrich Spiesshofer</b> President and Chief Executive Officer	<b>Claudio Facchin</b> Division Power Grids	<b>Timo Ihamuotila</b> Chief Financial Officer	<b>Tarak Mehta</b> Division Electrification Products	<b>Chunyuan Gu</b> Region AMEA	<b>Greg Scheu</b> Region Americas
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# Regional share of total orders and revenues by division

Q2 2017

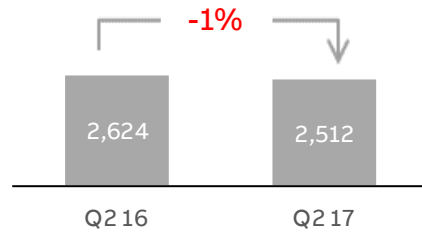


# Electrification Products

Q2 2017

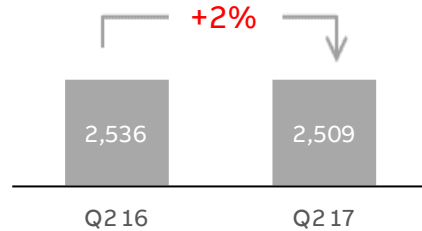
*In \$ mn, y-o-y change comparable*

Orders



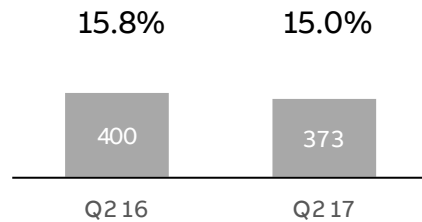
Orders impacted by fewer trading days in the quarter  
Positive orders in Europe could not fully compensate the decline in the Americas and AMEA  
H1 2017 orders up 1 percent

Revenues



Revenues grew 2 percent in the quarter

Op. EBITA & margin



Operational EBITA margin improved sequentially but was lower in the quarter mainly due to higher material cost, which more than offset productivity and cost savings.

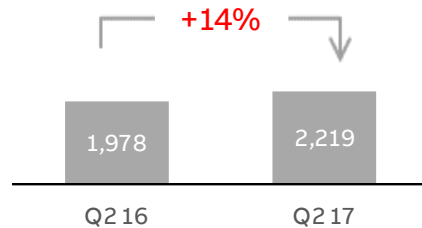


# Robotics and Motion

Q2 2017

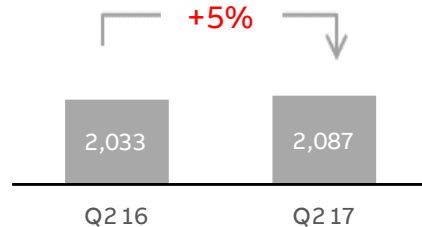
*In \$ mn, y-o-y change comparable*

Orders



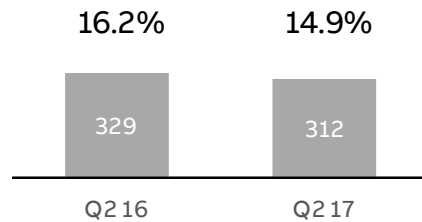
Total orders were 14 percent higher; up in all regions and business units  
Third-party base orders increased 10 percent on continued strong growth in robotics and light industry

Revenues



Revenues improved 5 percent

Op. EBITA & margin



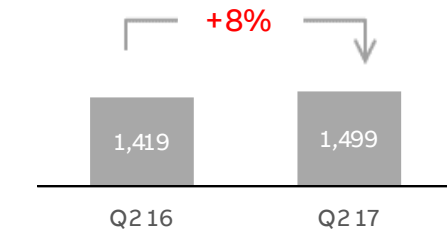
Operational EBITA margin was impacted by product mix, significantly higher commodity prices, and under absorption which more than offset cost-out measures

# Industrial Automation

Q2 2017

*In \$ mn, y-o-y change comparable*

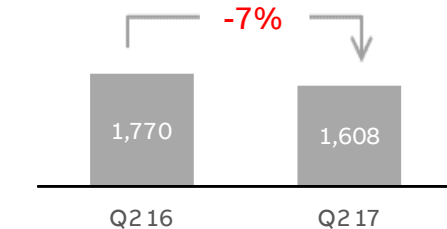
Orders



Total orders up 8 percent on selective CAPEX investments in oil and gas and mining

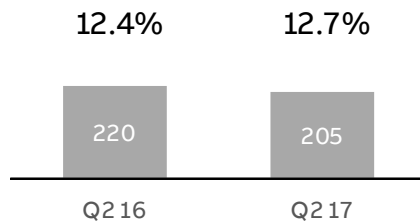
Third-party base orders continued positive development

Revenues



Revenues were 7 percent lower reflecting the execution of a lower order backlog

Op. EBITA & margin



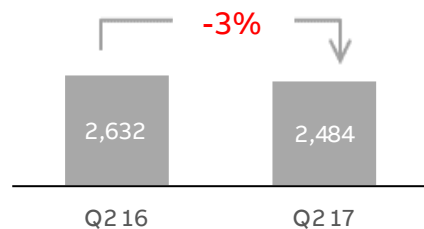
Operational EBITA margin increased slightly as cost and productivity savings offset lower revenue contribution

# Power Grids

Q2 2017

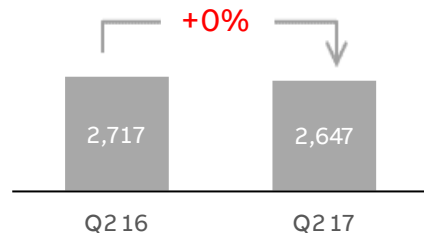
*In \$ mn, y-o-y change comparable*

Orders



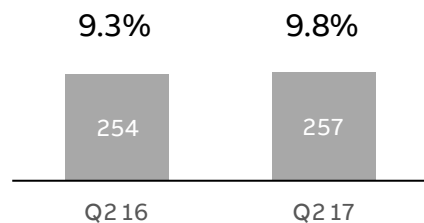
Third-party base orders grew 2 percent on investments in emerging markets  
Total orders were impacted by timing of large order awards

Revenues



Revenues were steady on solid order backlog execution

Op. EBITA & margin



Operational EBITA margin increased 50 basis points to 9.8 percent, reflecting improved productivity, project execution and continued cost savings.  
Power Up program to drive transformation and value creation underway; continue investments in coming quarters

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# More information available at ABB Investor Relations

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