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ABB LTD, ZURICH, SWITZERLAND, APRIL 17, 2019

# Resilient growth

Q1 2019 results

Peter Voser, Chairman and interim CEO and 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”, “on track”, “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.

On December 17, 2018, ABB announced an agreed sale of its Power Grids (“PG”) 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.

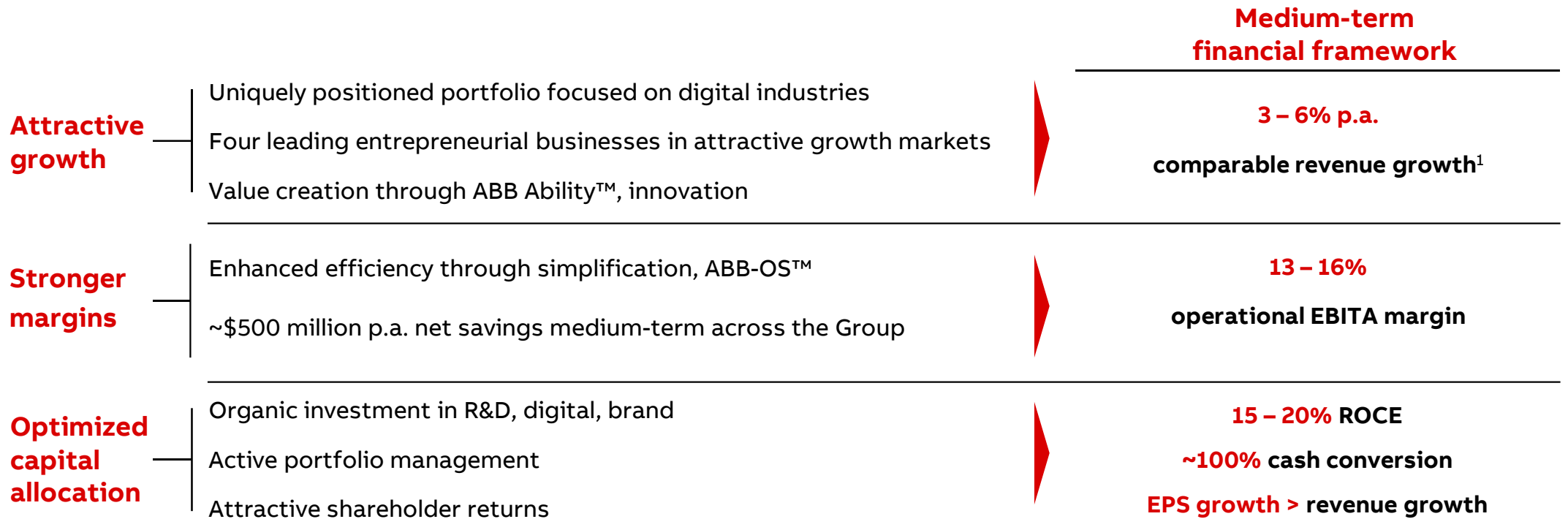
This presentation contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the ‘Supplemental reconciliations and definitions’ section of “Financial Information” under “Quarterly results and annual reports” on our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

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## Today's leadership announcement

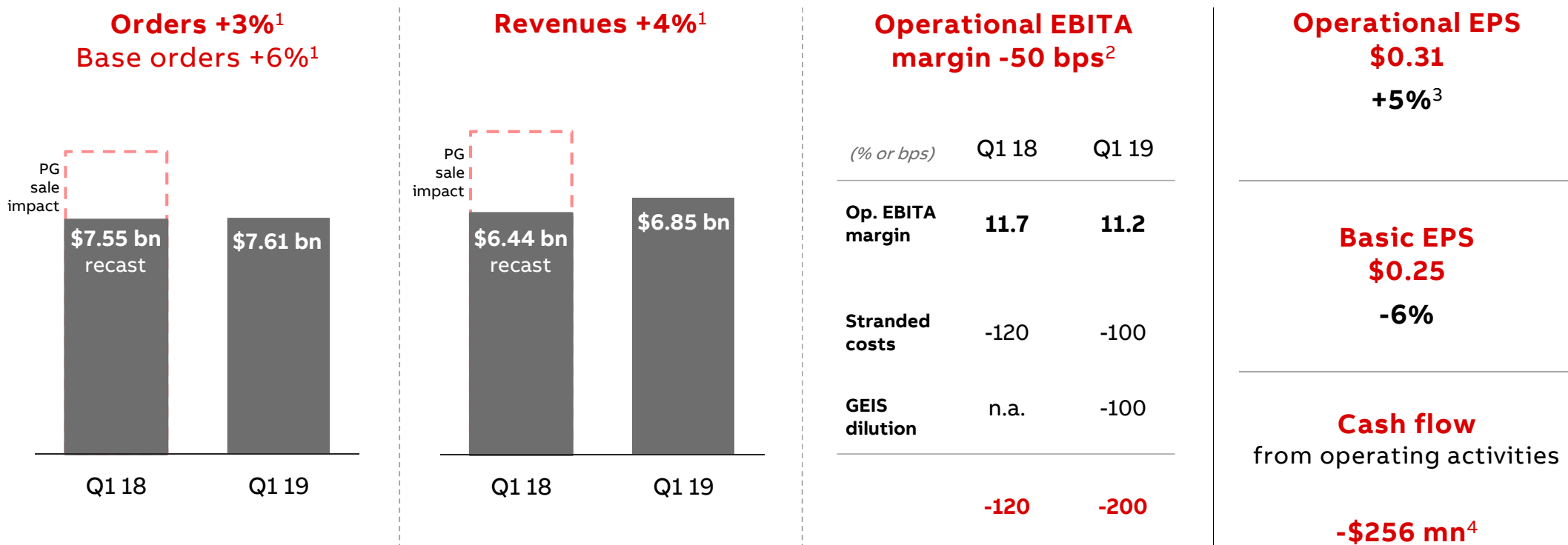
- ▶ Selection process for new CEO to commence
- ▶ Chairman to fulfill dual role as interim CEO until new CEO in role
- ▶ Transformation of ABB to continue with full support of the Board

# The new ABB investment proposition



# Q1 2019 resilient growth

## Financial summary

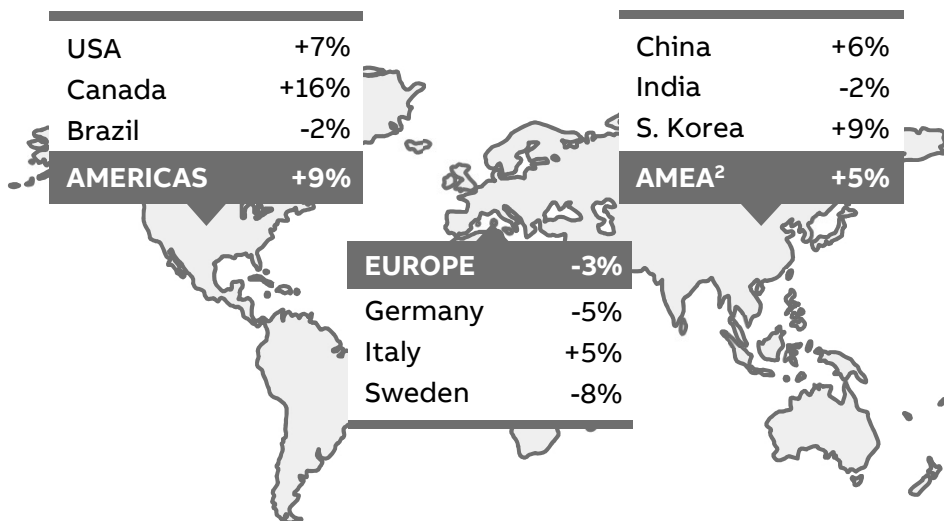


# Q1 2019 orders

Base order growth in all regions

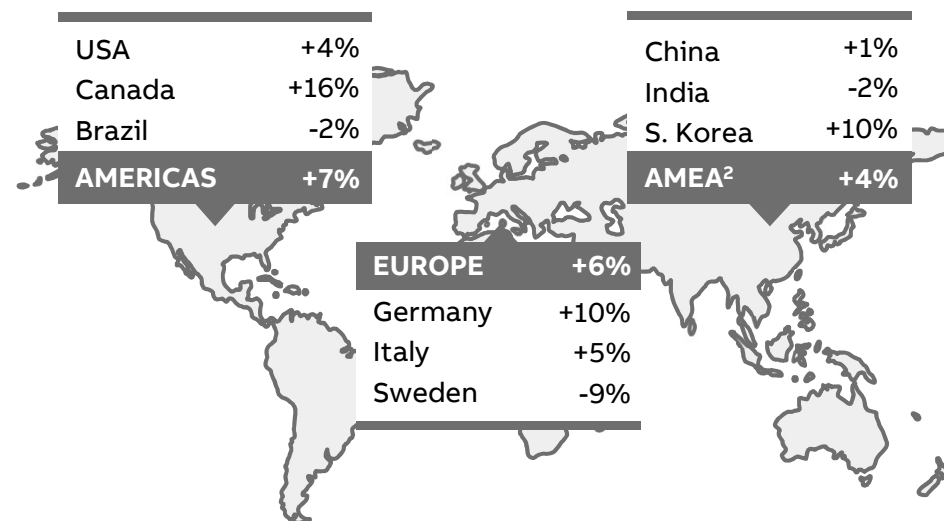
## Total orders +3%<sup>1</sup>

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



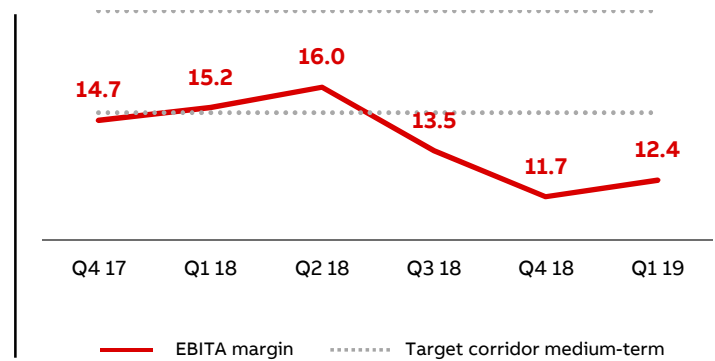
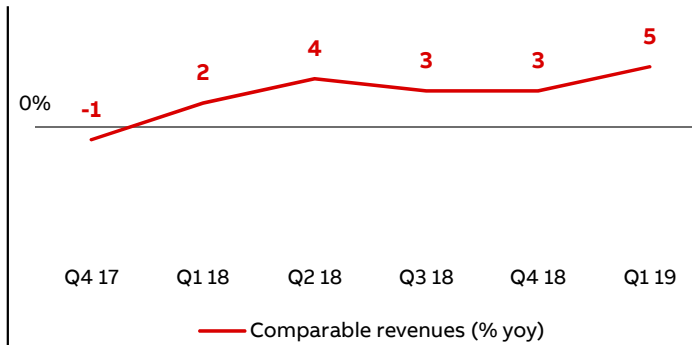
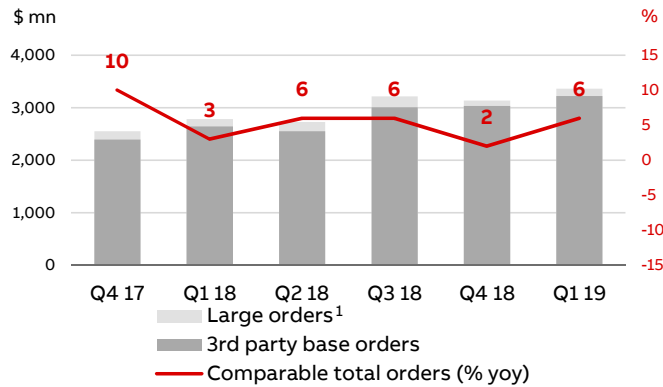
## Third-party base orders +6%<sup>1</sup>

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



# Q1 2019 Electrification Products

Strong order and revenue growth



## Orders \$3,363 mn

Third-party base orders +5%<sup>2</sup>

Growth across systems and products

## Revenues \$3,057 mn

Order backlog end Q4 +7%, end Q1 +6%

## Operational EBITA \$377 mn

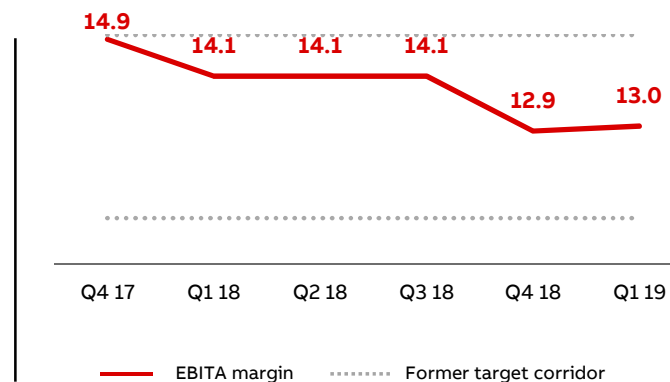
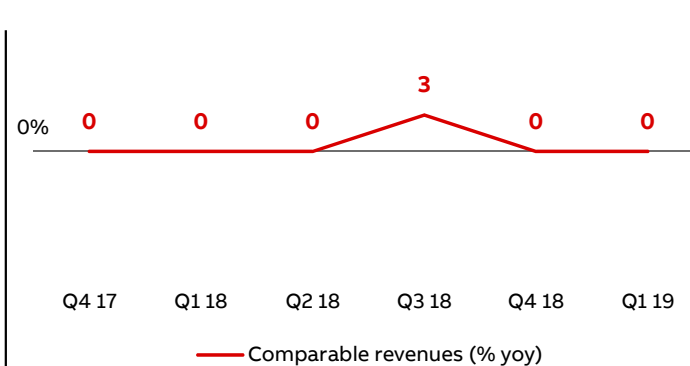
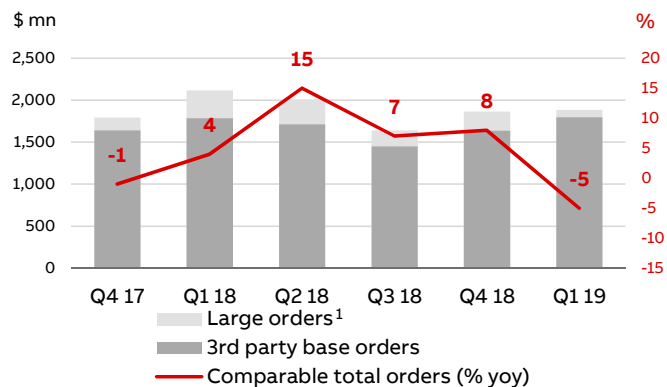
Margin yoy -280 bps

GEIS dilution -270 bps

Positive volumes offset by mix effects

# Q1 2019 Industrial Automation

Continued base order momentum



## Orders \$1,884 mn

Third-party base orders +7%<sup>2</sup>

Tough comparison for large orders

Subdued market in discrete

## Revenues \$1,738 mn

Good backlog execution

Order backlog end Q4 +2%, end Q1 +2%

## Operational EBITA \$226 mn

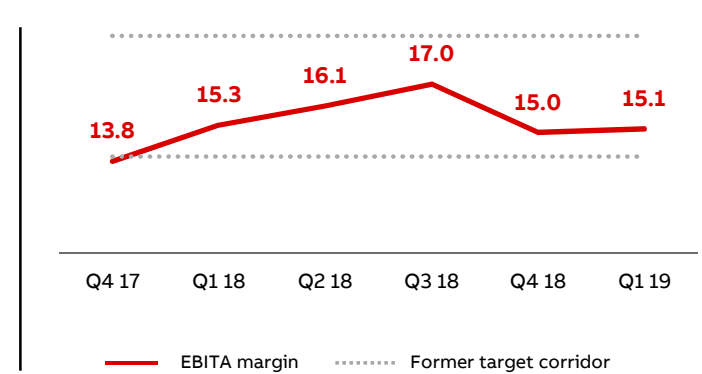
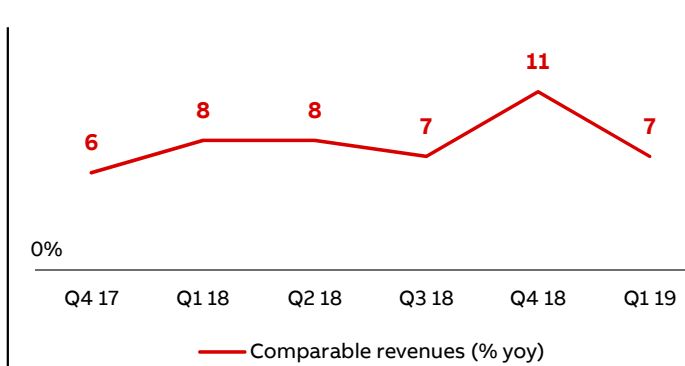
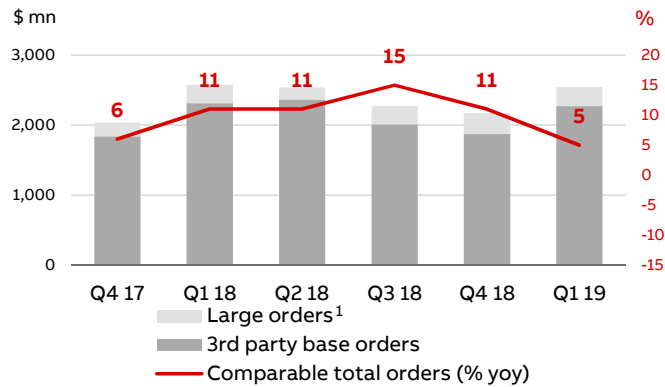
Margin yoy -110 bps, relative to strong Q1 18

Mix, growth investments impact



# Q1 2019 Robotics and Motion

Solid execution



**Orders \$2,545 mn**

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

Tough comparison period

Strong growth in motion

**Revenues \$2,229 mn**

Good book-and-bill in motion

Order backlog end Q4 +10%, end Q1 +9%

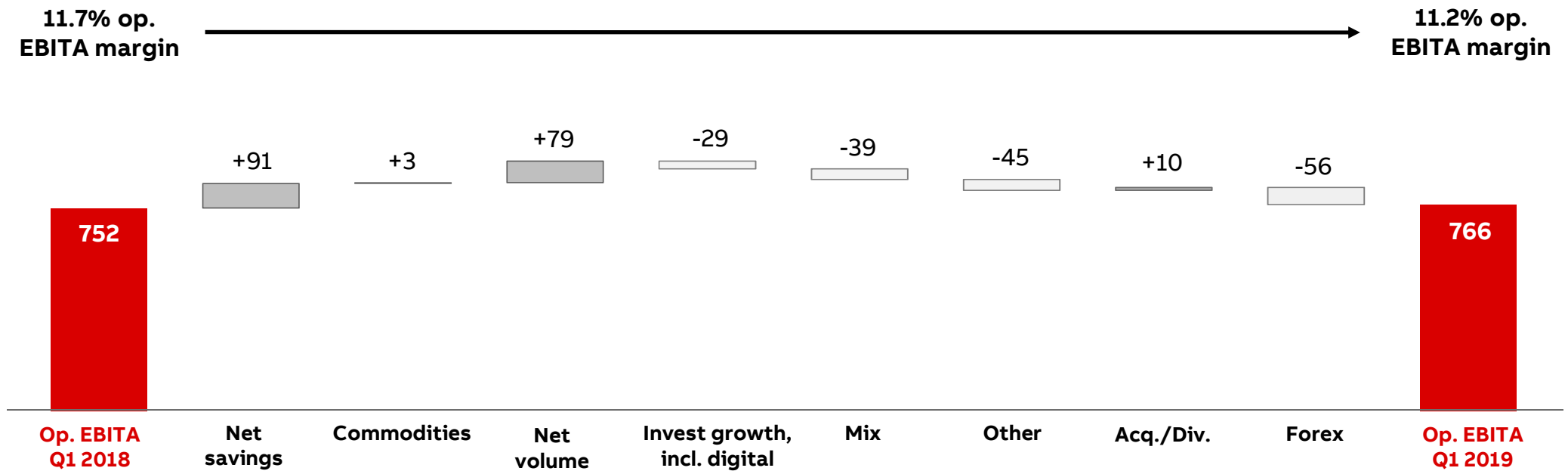
**Operational EBITA \$337 mn**

Margin yoy -20 bps

Negative mix effects in robotics

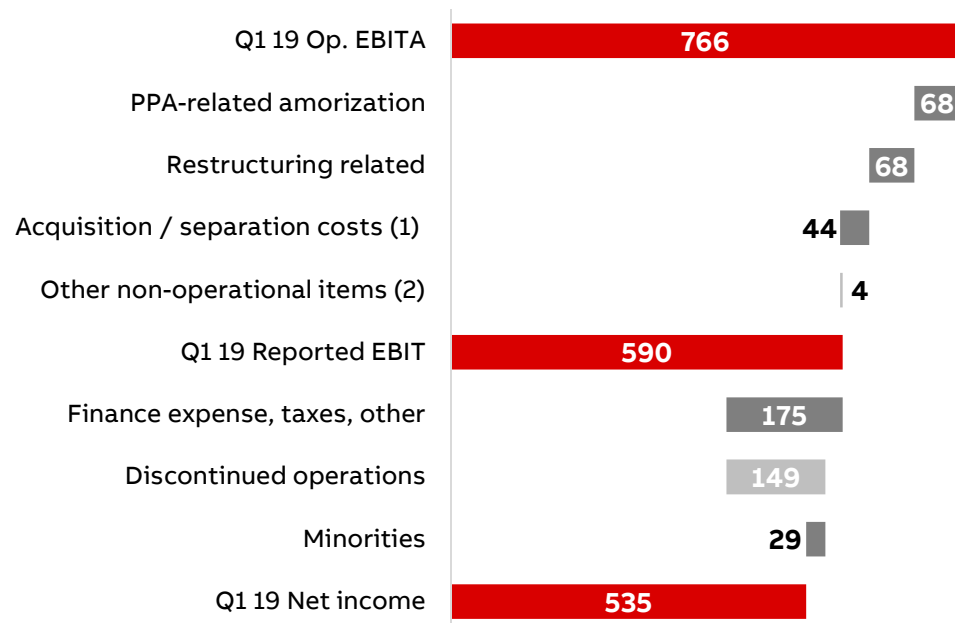
# Q1 2019 operational EBITA

## Operational EBITA bridge Q1 2018 to Q1 2019 (\$ mn)



## Q1 2019 net income drivers

### Operational EBITA to net income walk Q1 2019 (\$ mn)



### Key non-operating items

**Restructuring related** includes \$19 mn ABB-OS™ simplification

**Power Grids related transaction and separation costs** \$20 mn

### Discontinued operations (Power Grids)

**Net income** \$149 mn, reflects seasonality, ongoing restructuring and Power Up investments

## 2019 framework

*\$ mn unless otherwise stated*

	FY 2019 framework	Q1 2019	Q2 2019 framework
<b>Corporate &amp; Other operational EBITA</b>	~(800)	(174)	~(225)
Of which, stranded costs (gross)	~(300)	(76)	~(75)
Stranded cost elimination	~60	9	~10
<b>Non-operating items</b>			
Normal restructuring	~(100)	(49)	~(25)
Simplification program <sup>1</sup>	~(400)	(19)	~(100)
PG transaction and separation related costs	~(350)	(20)	~(75)
GEIS acquisition related expenses and integration costs	~(120)	(21)	~(30)
PPA-related amortization	~(275)	(68)	~(75)

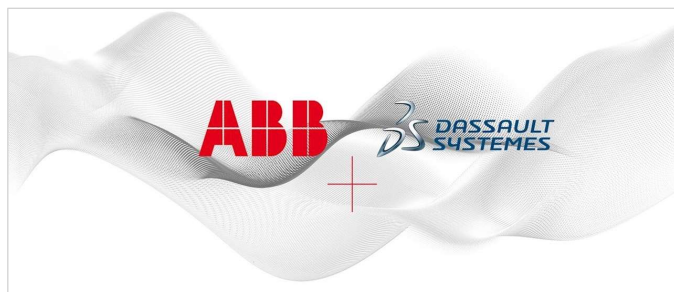
	FY 2019 framework	Q1 2019
<b>Net finance expenses</b>	~(230)	(43)
<b>Effective tax rate</b>	~27%	27.2%
PG tax impact	~(200) in H2	
<b>Capital expenditure</b>	~(850)	(159) <sup>2</sup>
<b>Cash flow from operating activities (continuing + discontinued)</b>	Solid	(256) <sup>3</sup>

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# Accelerating growth in digital

## Q1 highlights

### Strengthened end-to-end offering



#### Dassault Systèmes, PLM / IT-OT

Solutions from product lifecycle management to asset health

Optimized processes and systems, enhanced flexibility

1<sup>st</sup> joint solution showcased

### Advancing wireless automation



#### Ericsson alliance, 5G / IT-OT

5G technologies for digital industries

Higher flexibility, lower cost, shorter lead-times

Up to 20% of automation solutions in “factory of the future” to use 5G<sup>1</sup>

### Connected packaging solution



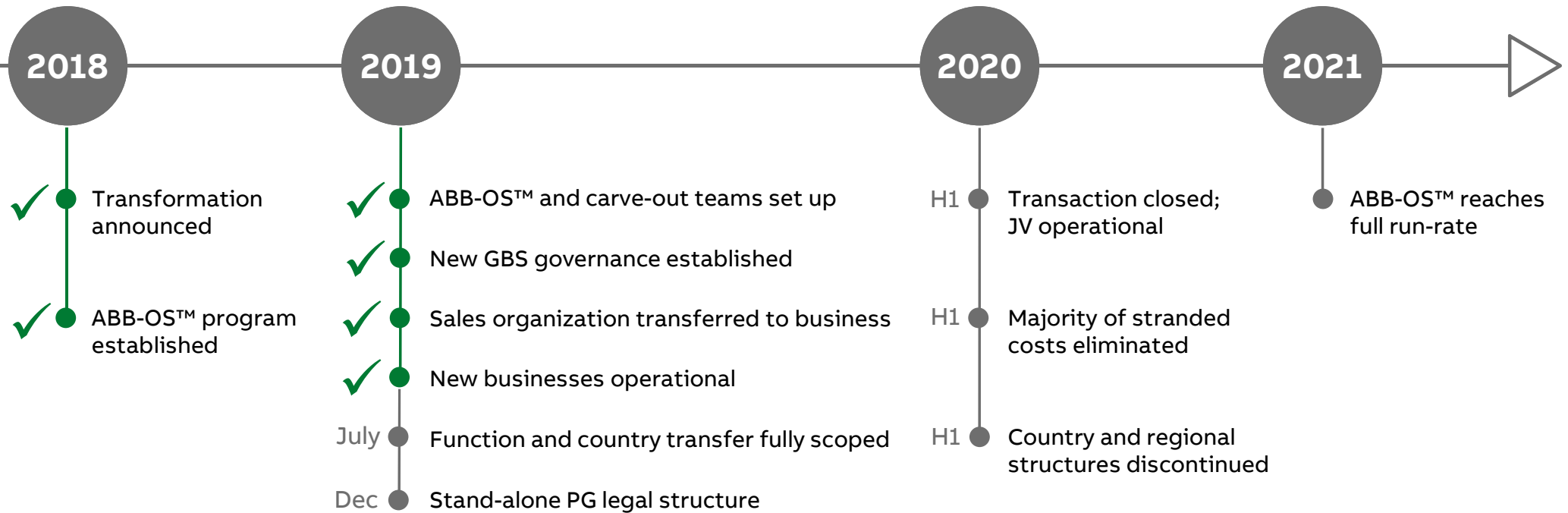
#### Tetra Pak collaboration

Pioneering energy program for F&B sector

Improved flexibility, productivity

15-25% cut in energy costs

# Managing the transformation



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## 2019 priorities

### Running the company

- Solid order and revenue growth, demonstrating quality and resilience
- Continued focus on operational execution
- GEIS turnaround proceeding to plan

### Managing the transformation

- PG separation on track
- ABB-OS™ implementation underway
- Four leading businesses operational April 1, 2019

**ABB**



## Key figures Q1 2019

	Q1 2019	Q1 2018 recast	Change yoy		
<i>\$ in millions, unless otherwise indicated</i>			\$	Local currency	Comparable <sup>1</sup>
Orders	7,613	7,555	+1%	+7%	+3%
Order backlog (end March)	13,853	13,624	+2%	+9%	+6%
Revenues	6,847	6,441	+6%	+13%	+4%
Income from operations	590	626	-6%		
Operational EBITA <sup>2</sup>	766	752	+2%	+10% <sup>3</sup>	
as % of operational revenues	11.2%	11.7%	-0.5 pts		
Income from continuing operations, net of tax	415	414	+0%		
Net income attributable to ABB	535	572	-6%		
Basic earning per share (\$)	0.25	0.27	-6% <sup>4</sup>		
Operational earnings per share (\$)²	0.31	0.31	-3% <sup>4</sup>		+5% <sup>4</sup>
Cash flow from operating activities	(256)	(518)	+51%		

<sup>1</sup>Growth rates for orders, order backlog and revenues are on a comparable basis (local currency adjusted for acquisitions and divestitures);

<sup>2</sup>For non-GAAP measures, see the "Supplemental Financial Information" attachment to the press release; <sup>3</sup>Constant currency (not adjusted for portfolio changes); <sup>4</sup>EPS growth rates are computed using unrounded amounts. Comparable operational earnings per share is in constant currency (2014 exchange rates not adjusted for changes in the business portfolio)

# Total orders and order backlog

By division

		Q1 2019	Q1 2018	Change yoy
<i>In \$ mn unless stated otherwise</i>				Comparable
Electrification Products	Total orders	3,363	2,786	+6%
	Order backlog	4,394	3,441	+6%
Industrial Automation	Total orders	1,884	2,117	-5%
	Order backlog	5,297	5,595	+2%
Robotics and Motion	Total orders	2,545	2,579	+5%
	Order backlog	4,341	4,261	+9%
Corporate and Other	Total orders	(179)	73	n.a.
	Order backlog	(179)	327	n.a.
<b>ABB Group</b>	<b>Total orders</b>	<b>7,613</b>	<b>7,555</b>	<b>+3%</b>
	<b>Order backlog</b>	<b>13,853</b>	<b>13,624</b>	<b>+6%</b>
Order backlog, year of recognition		<b>2019</b>	<b>2020</b>	<b>Thereafter</b>
Conversion estimate, as at end Q1 19		<b>69%</b>	<b>19%</b>	<b>12%</b>

## Cash flow from operating activities by division

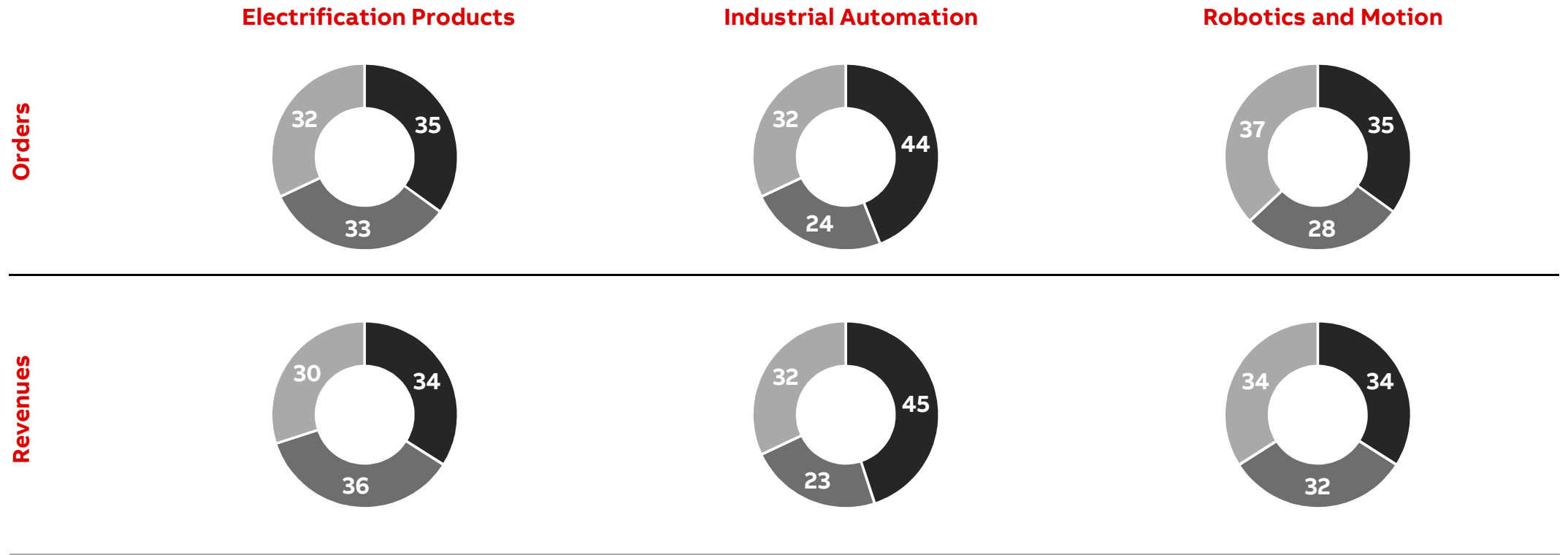
	Q1 2019	Q1 2018	Change yoy
<i>In \$ mn unless stated otherwise</i>			
Electrification Products	-2	81	n.a.
Industrial Automation	40	79	-49%
Robotics and Motion	175	73	+140%
Corporate and Other	(310)	(598)	+48%
Discontinued operations	(159)	(153)	-4%
<b>ABB Group</b>	<b>(256)</b>	<b>(518)</b>	<b>+51%</b>

# Operational EPS analysis

	Q1 2019		Q1 2018		Change yoy <sup>1</sup>
<i>\$ mn, except per share date in \$</i>		EPS		EPS	
<b>Net income (attributable to ABB)</b>	<b>535</b>	<b>0.25</b>	<b>572</b>	<b>0.27</b>	<b>-6%</b>
Operational adjustments:					
Acquisition-related amortization	68		63		
Restructuring, related and implementation costs <sup>2</sup>	68		7		
Non-operational pension cost (credit)	(23)		(27)		
Changes in obligations related to divested businesses	3		7		
Gains and losses on sale of businesses	1		6		
Acquisition- and divestment-related expenses and integration costs	24		25		
FX / commodity timing differences in income from operations	(21)		13		
Certain other non-operational items:					
Costs for planned divestment of Power Grids	20		–		
Regulatory, compliance and legal costs	8		3		
Division transformation costs	3		2		
Losses and other costs (recoveries) on Korea fraud	(1)		3		
Other non-operational items	3		(3)		
Operational adjustments in discontinued operations	6		36		
Tax on operational adjustments <sup>3</sup>	(42)		(38)		
<b>Operational net income / Operational EPS</b>	<b>652</b>	<b>0.31</b>	<b>669</b>	<b>0.31</b>	<b>5%</b> <sup>4</sup>

# Regional share of total orders and revenues by division

Q1 2019, in % terms



# End-customer and product type revenues by division

Q1 2019, in % terms

