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Q2 2019 results

Continued growth despite market headwinds; transformation progressing

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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.

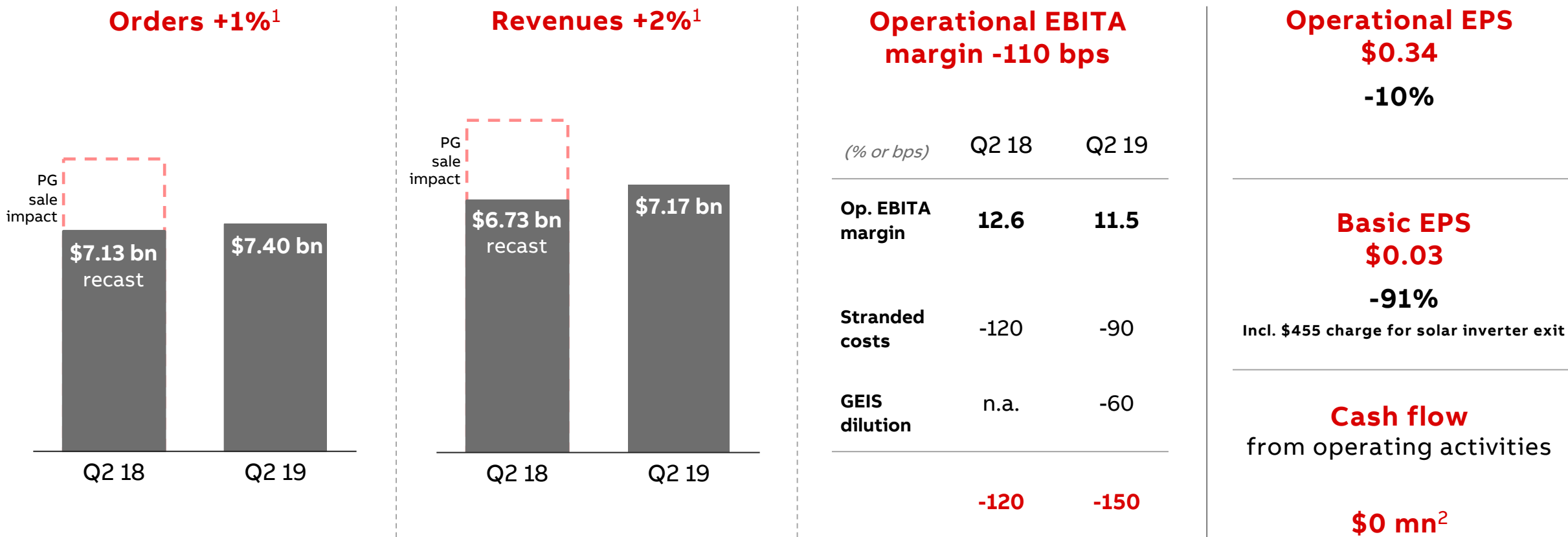
Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

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”) business. 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, annual reports and regulatory filings” on our website at www.abb.com/investorrelations

Q2 2019 results summary

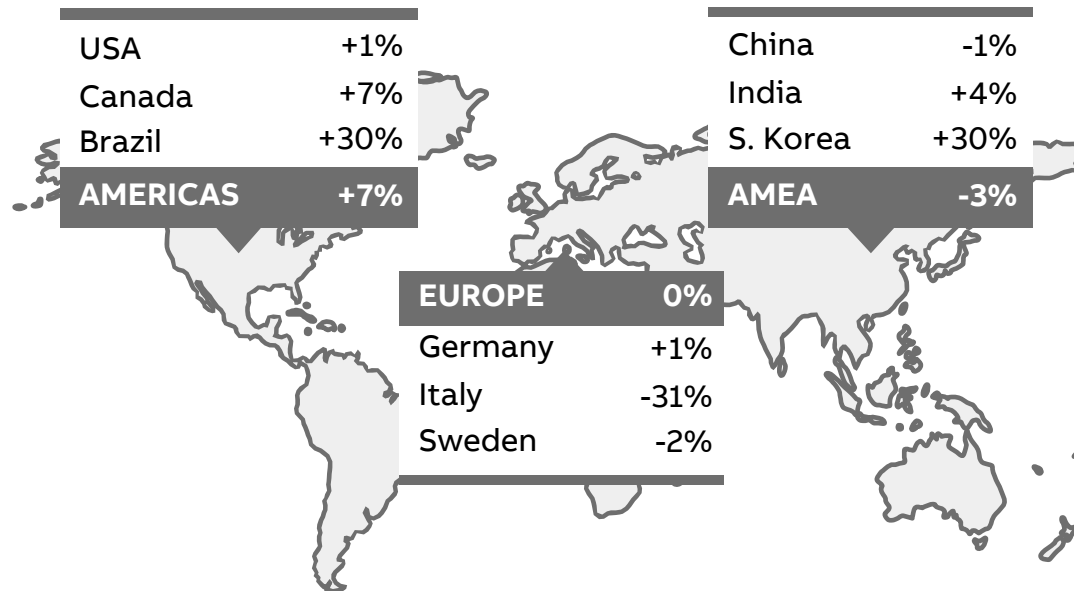


Q2 2019 orders

Americas supportive; AMEA slower

Order development yoy

Growth by region and largest 3 country markets in \$ terms



AMERICAS

All businesses up, led by strong growth in IA, RA, EL
Robust in US, strong in South America

EUROPE

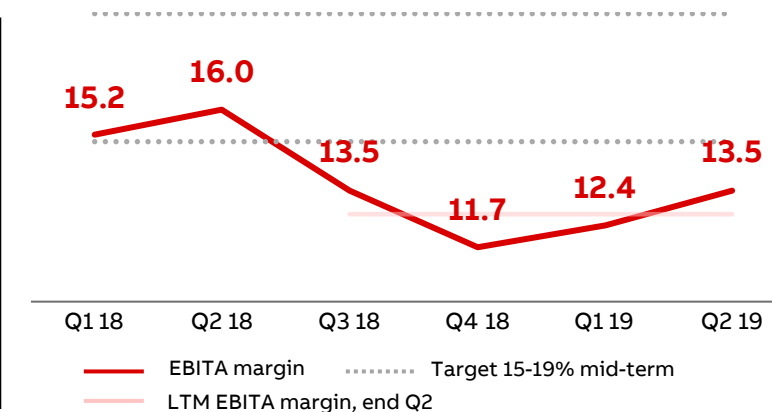
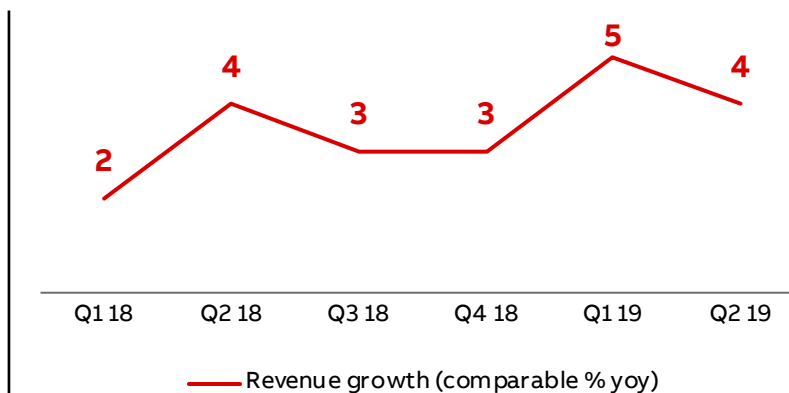
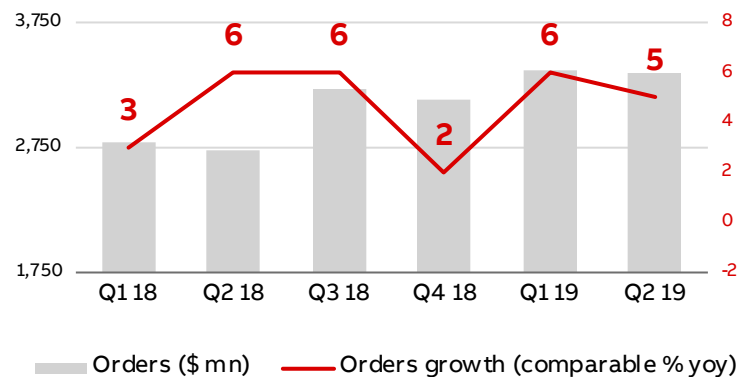
RA, MO, EL up, weaker large orders in IA
Italy weak versus tough comparison base

AMEA

Growth in EL, stable MO, outweighed by lower demand in IA, RA
Slower in China, Middle East

Q2 2019 Electrification

Continued top-line momentum



Orders \$3,339 mn

Broad-based growth

Strong demand for solutions

Excellent growth in key segments e.g. rail, data centers, wind, EVs

Revenues \$3,272 mn

Driven by solutions

Order backlog end Q2 \$4.6 bn, +10% yoy

Operational EBITA \$440 mn

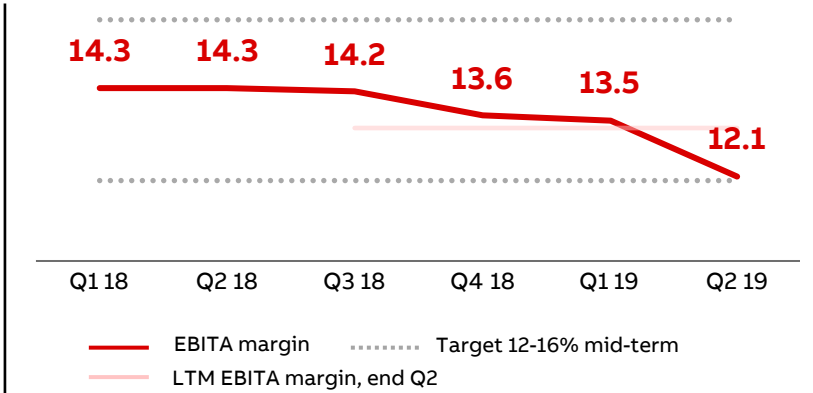
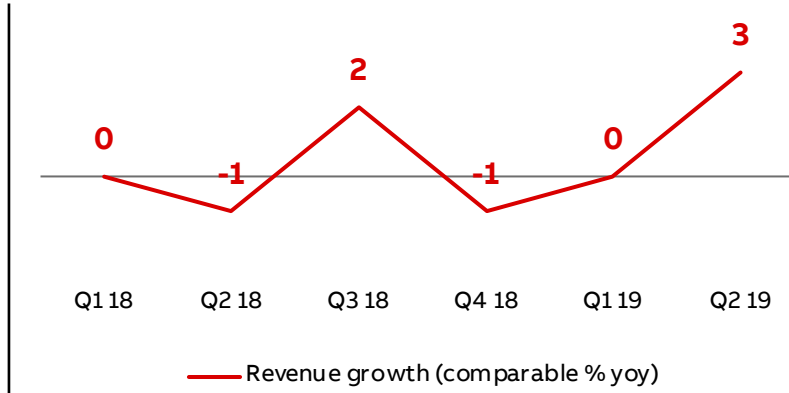
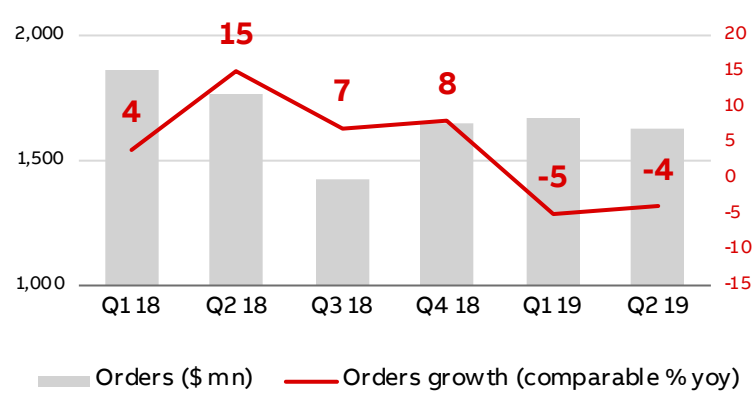
Margin yoy -250 bps

GEIS dilution -200 bps

Shift in mix toward solutions

Q2 2019 Industrial Automation

Mixed end-market dynamics



Orders \$1,622 mn

Tough comparison for large orders

Continued momentum in process industries

Power generation subdued

Revenues \$1,580 mn

Supported by backlog execution

Order backlog end Q2 \$5.2 bn, flat yoy

Operational EBITA \$190 mn

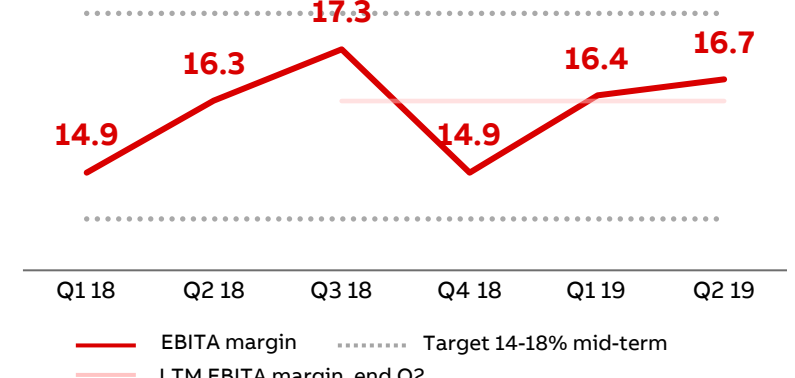
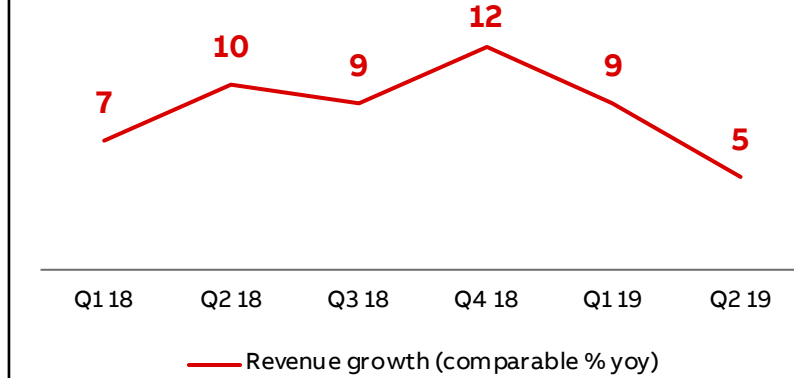
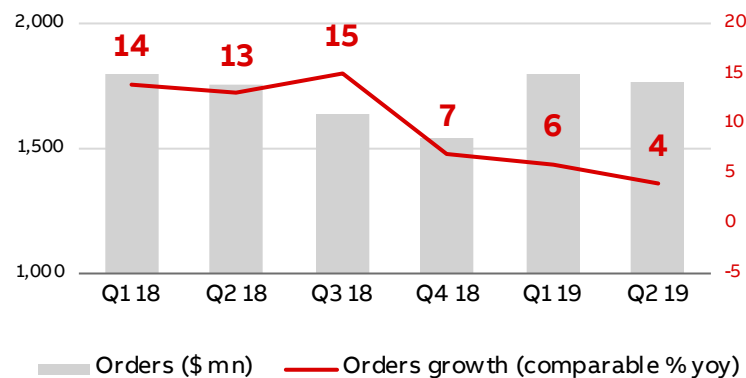
Margin yoy -220 bps

Project mix effects

Under-absorption, investments in growth

Q2 2019 Motion

Solid execution



Orders \$1,762 mn

Tough comparison

Strength in drives, services

Substantial rail orders

Revenues \$1,641 mn

Tough comparison

Order backlog end Q2 \$3.1 bn, +5% yoy

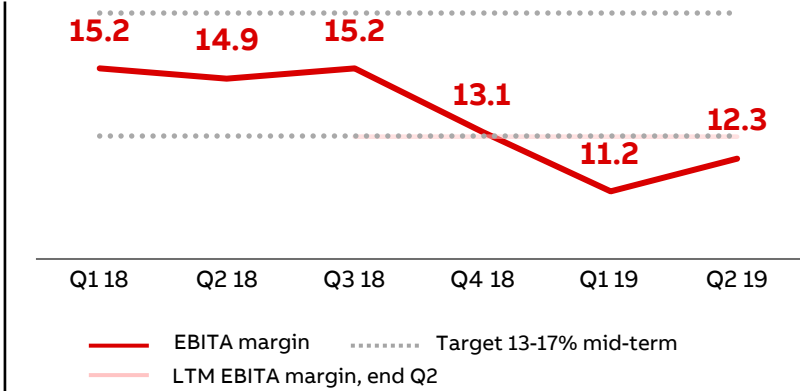
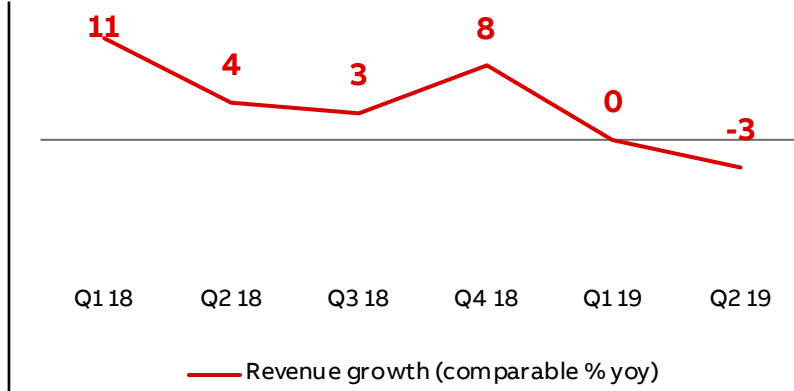
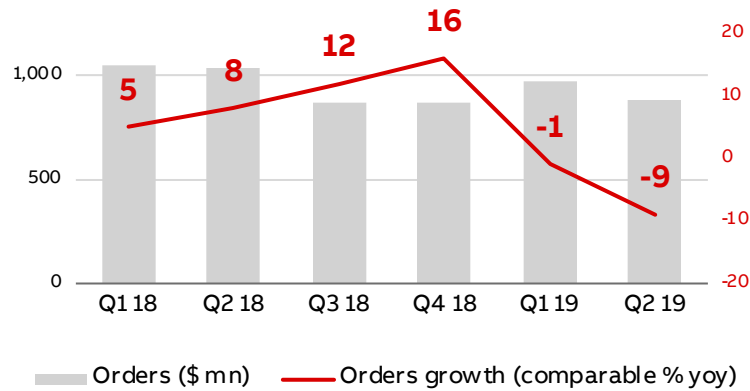
Operational EBITA \$275 mn

Margin yoy +40 bps

Favorable volumes, ongoing cost management

Q2 2019 Robotics & Discrete Automation

Stronger headwinds



Orders \$883 mn

Deteriorating autos, machine builders, 3C

Growth in focus areas e.g. logistics

Continued automotive solutions orders

Revenues \$845 mn

Weaker book-and-bill

Order backlog end Q2 \$1.6 bn, +10% yoy

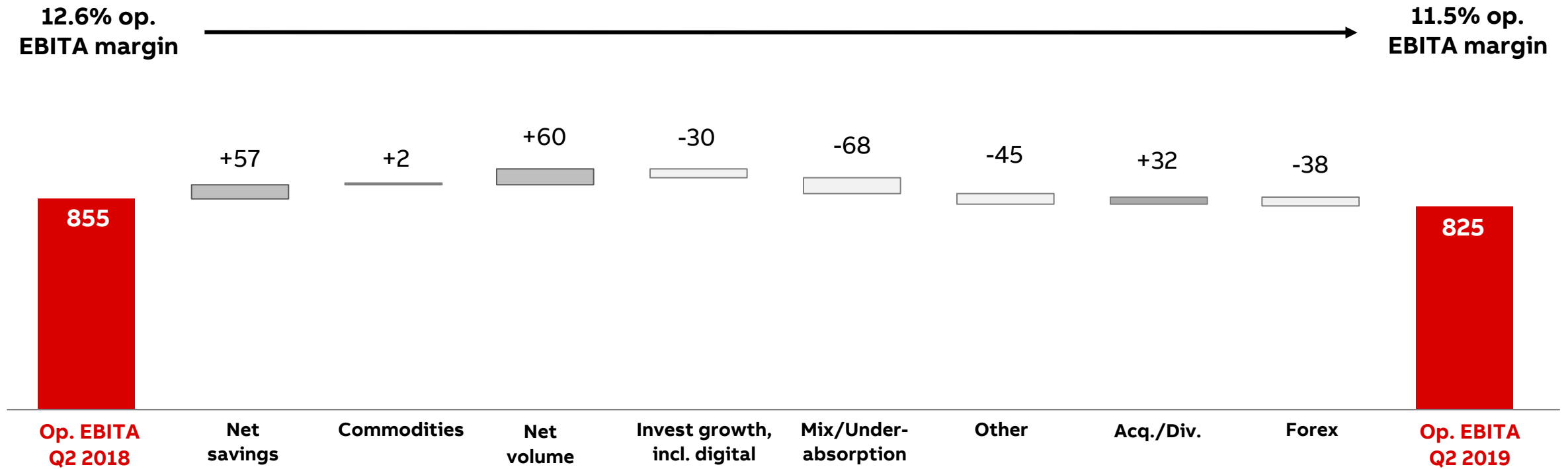
Operational EBITA \$105 mn

Margin yoy -260 bps

Lower volumes, adverse mix

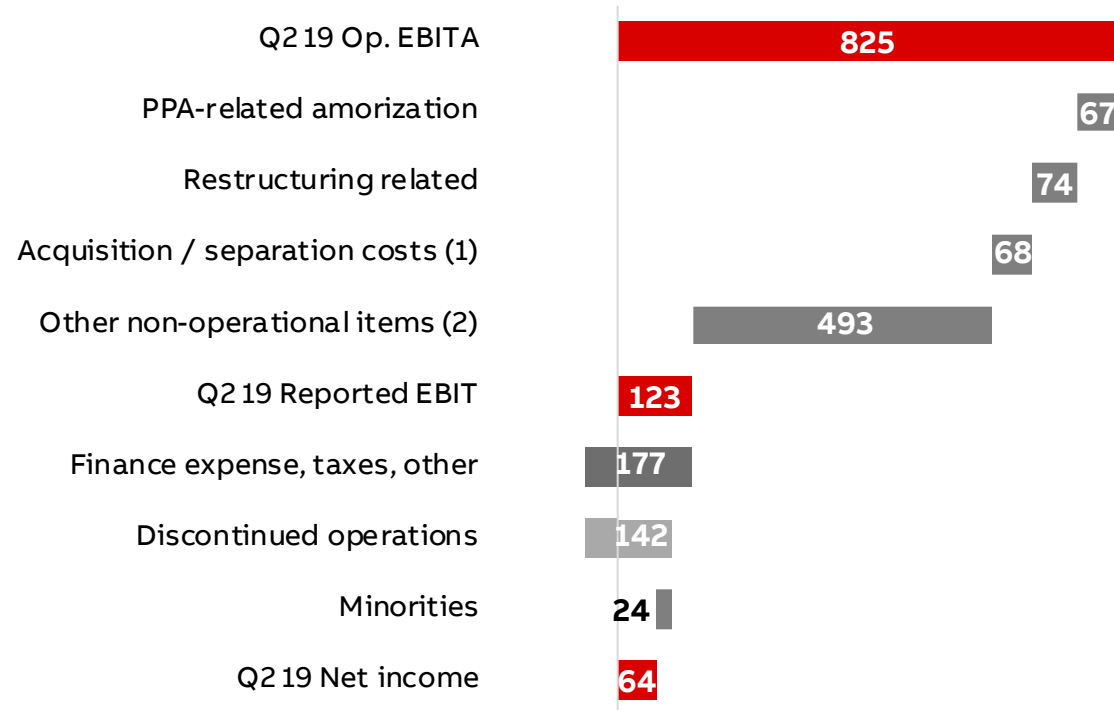
Q2 2019 operational EBITA

Operational EBITA bridge Q2 2018 to Q2 2019 (\$ mn)



Q2 2019 net income drivers

Operational EBITA to net income walk Q2 2019 (\$ mn)



Key non-operating items

Restructuring related includes \$51 mn ABB-OS simplification

Power Grids related transaction and separation costs \$38 mn

Charge from announced **sale of solar** inverter business \$455 mn

Discontinued operations (Power Grids)

Net income \$142 mn, reflects ongoing business performance, restructuring and Power Up investments

2019 framework

\$ mn unless otherwise stated

	FY 2019 framework	H1 2019	Q3 2019 framework
Corporate & Other operational EBITA	~(800)	(359)	~(220)
Of which, stranded costs (gross)	~(300)	(154)	~(70)
Stranded cost elimination	~60	21	~15
Non-operating items			
Normal restructuring	~(125) ↑	(73)	~(20)
Simplification program ¹	~(300) ↓	(69)	~(100)
Transaction and separation related costs, of which			
PG	~(250) ↓	(58)	~(90)
Solar inverters	~(20)	n.a.	~(10)
GEIS acquisition related expenses and integration costs	~(120)	(47)	~(30)
PPA-related amortization	~(275)	(135)	~(67)

	FY 2019 framework	H1 2019
Net finance expenses (continuing)²	~(200)	(86)
Effective tax rate (excl. solar)	~27%	27.5% ³
PG tax impact	~(200) in H2	
Capital expenditure²	~(850)	(376)
Cash flow from operating activities (continuing + discontinued)	Solid ⁴	(256)

Key ↓ ↑ New or revised guidance

Driving growth

Q2 highlights

Electrification



LV switchgear innovation

NeoGear™ showcased to customers, available end 2019

Maximizes safety

25% smaller footprint, 20% less heat loss, 30% reduced opex with ABB Ability™

Industrial Automation



Pulp & paper sector leadership

Control systems order, Trident Ltd, India

Monitoring and control of paper quality

Minimizes maintenance, reduces life-cycle costs

Motion



Extended digital solutions

Collaboration with HPE's Aruba

Combining ABB Ability™ Smart Sensor and wireless tech

Reduces downtime up to 70%, extends lifetime up to 30%

Robotics & Discrete Automation



Robotics for the Hospital of the Future

New facility at Texas Medical Center campus, Houston, USA

New hub for automated lab technologies, logistics solutions¹

Improving speed, enhancing consistency and safety

Power Grids: separation activities tracking to plan

Power Grids separation

On track for planned H1 2020 closing

Country and functional teams implementing separation to plan

Two-thirds of new legal entities incorporated

Power Grids operations

Maintaining strong focus on customers and operations

Significant large orders won YTD, including

- HVDC order to transmit wind power from North Sea (Tennet)
- UHVDC order for High Voltage and Transformers (China's State Grid)
- HVDC order to reinforce Transmission Grid in Japan (existing Hitachi-ABB HVDC JV)

GEIS: integration making good progress

Delivering on integration commitments

Organization streamlined, ~80% employees fully integrated

Market access

Combined salesforces focused on growth areas

ABB service products developed for GEIS installed base

New products to market from H2 19 onwards; target >50% of portfolio

ABB products added to Empower E-commerce platform

Footprint and supply chain optimization

Investments in factories and equipment to improve delivery and performance

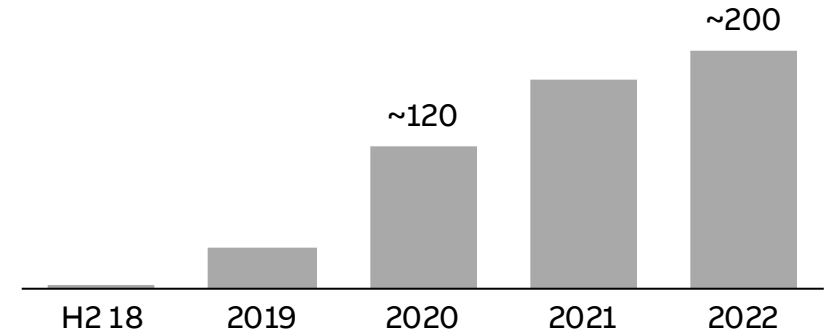
Implementation of supplier savings underway

Performance

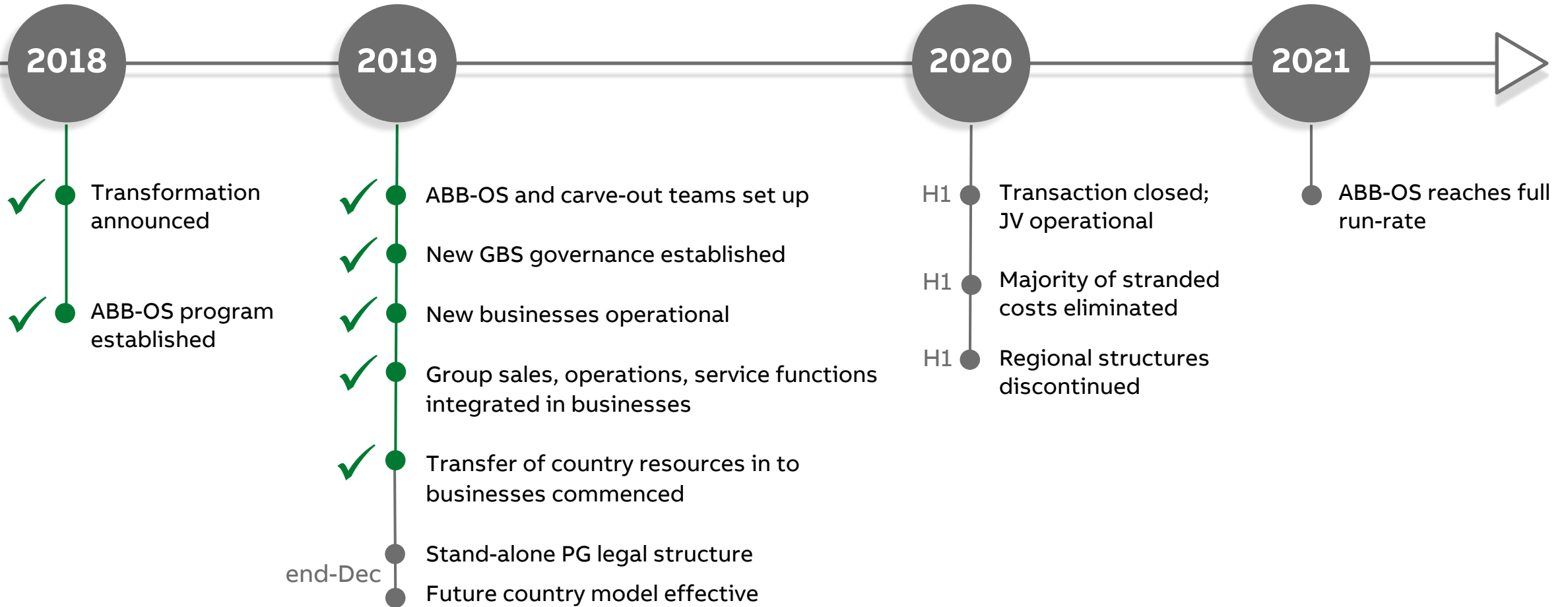
Q2 Operational EBITA ~5%

On track to capture targeted cost synergies

Expected annual cost synergies (\$ mn)



Managing the transformation



2019 progress and outlook

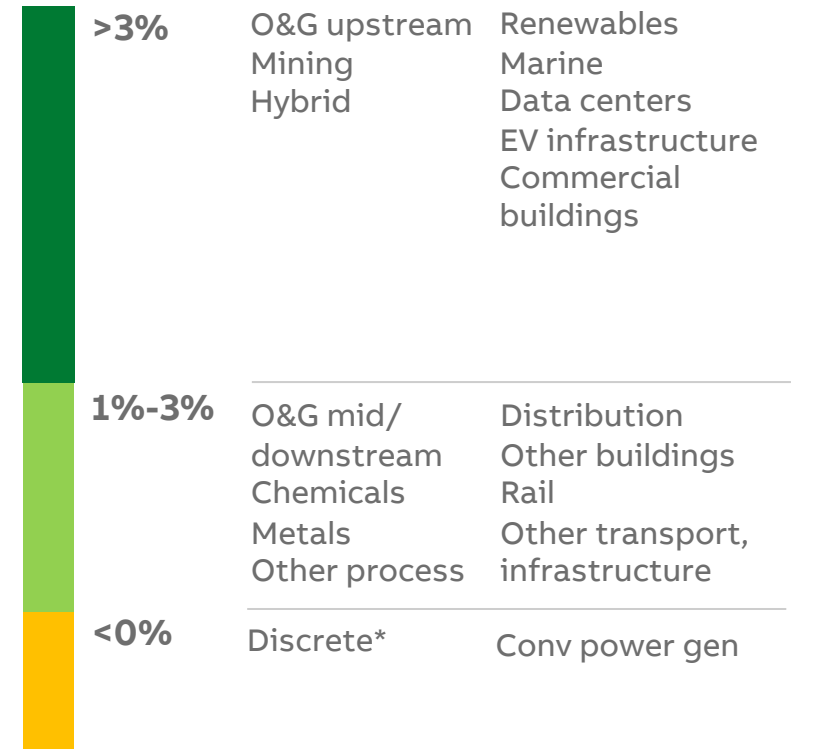
Business and transformation progress

Focused on growth, headwinds in some markets
 \$150-200 mn ABB-OS run-rate savings expected
 PG separation tracking to plan
 Good progress in GEIS integration
 Ongoing streamlining of the portfolio

FY19 financial outlook

Expect slight comparable revenue growth
 Operational EBITA margin to improve
 Solid cash from operating activities¹

End-market growth estimates, short-term



¹Not including cash outflows for the simplification program and carve-out activities and associated cash tax impacts

*Discrete industries including automotive, 3C, machine builders



Appendix

Operational EPS analysis

	Q2 2019		Q2 2018		Change yoy ¹
<i>\$ mn, except per share date in \$</i>		EPS		EPS	
Net income (attributable to ABB)	64	0.03	681	0.32	-91%
Operational adjustments:					
Acquisition-related amortization	67		62		
Restructuring, related and implementation costs ²	74		(1)		
Non-operational pension costs (credit)	(21)		(25)		
Changes in obligations related to divested businesses	4		10		
Changes in pre-acquisitions estimates	13		1		
(Gains) and losses from sale of businesses	3		(1)		
Fair value adjustment on assets and liabilities held for sale	455		-		
Acquisition- and divestment-related expenses and integration costs	30		48		
FX / commodity timing differences in income from operations	13		18		
Certain other non-operational items:					
Costs for planned divestment of Power Grids	38		-		
Regulatory, compliance and legal costs	-		13		
Division transformation costs	3		-		
Executive Committee transition costs	14		-		
Gain on sale of investments	(15)		-		
Other non-operational items	3		(3)		
Operational adjustments in discontinued operations	63		54		
Tax on operational adjustments ³	(85)		(48)		
Operational net income / Operational EPS	723	0.34	809	0.38	-10% ⁴

AABB