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ABB LTD, ZURICH, SWITZERLAND, FEBRUARY 8, 2018, FULL-YEAR AND Q4 2017 RESULTS

# **Positioned for profitable growth**

Transition delivers streamlined and strengthened portfolio and operations

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”, “framing 2018” 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)

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# Agenda

Full-year and Q4 2017 financial performance

Next Level update

ABB's way forward

# 2017 – ABB streamlined and strengthened

Year of transition

## Profitable Growth

Base orders growing in all divisions and regions  
ABB Ability™ momentum building, 210+ solutions  
Streamlined and strengthened portfolio

## Relentless Execution

Streamlined and strengthened operations

- White Collar Productivity (WCP): \$1.3+ bn run-rate savings vs. initial \$1 bn target
- Regular cost savings program on track
- Net Working Capital (NWC) % of revenues down 280 bps vs. 2014

## Business-led Collaboration

Simpler, leaner, more customer-focused organization  
Ongoing leadership development  
Brand strengthened

**Positioned for profitable growth**

# Full-year and Q4 2017

FY 2017

Orders	Revenues	Operational EBITA margin	Operational EPS	Cash flow from operating activities
<b>\$33.4 bn</b>	<b>\$34.3 bn</b>	<b>12.1 %</b>	<b>\$1.25</b>	<b>\$3,799 mn</b>
+0% <sup>1</sup>	+1% <sup>1</sup>	-0.3 pts	-1% <sup>2</sup>	steady

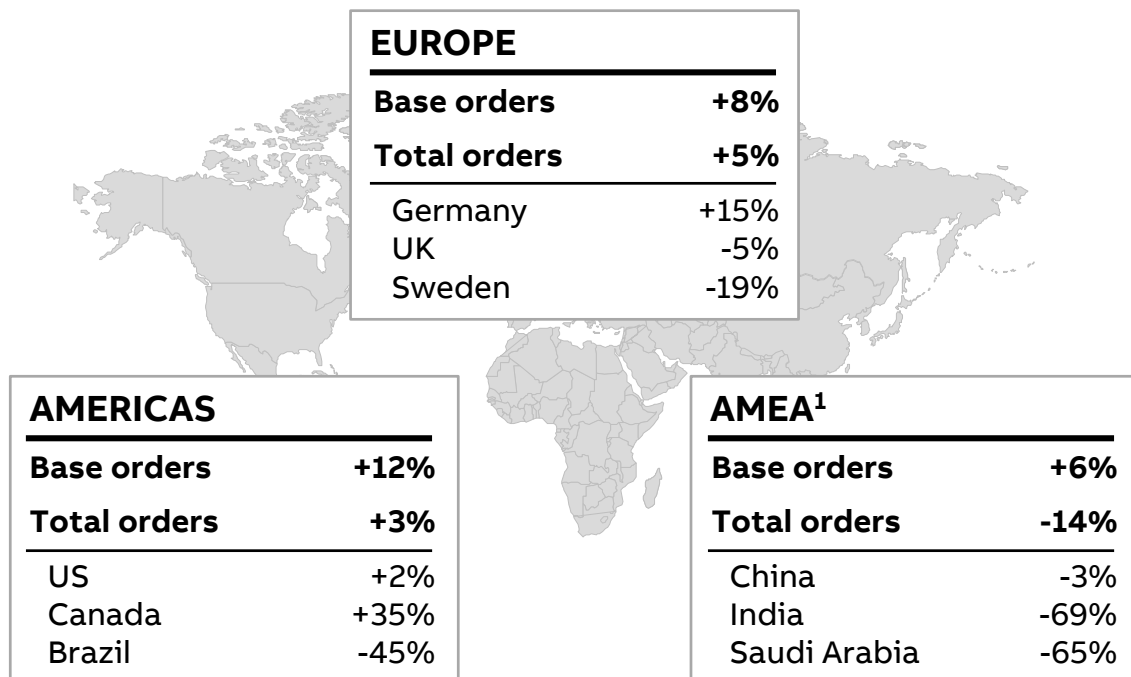
Q4 2017

Orders	Base orders	Revenues	Operational EBITA margin
<b>\$8.5 bn</b>	<b>\$7.9 bn</b>	<b>\$9.3 bn</b>	<b>10.9 %</b>
-3% <sup>1</sup>	+9% <sup>1</sup>	-1% <sup>1</sup>	-0.8 pts

# Q4 2017: strong base order momentum

## 2017 Q4 total order growth by region

Change on a comparable basis



## 2017 Q4 base order growth<sup>2</sup>

Change on a comparable basis

Australia	+26%
Canada	+28%
China	+1%
Finland	-7%
Germany	+7%
India	+10%
Italy	+18%
Norway	+32%
Saudi Arabia	-68%
South Korea	+8%
Sweden	-1%
UK	-17%
US	+11%

# EPC business model change completed in Q4 2017

## Actions across three divisions

### Power Grids

JV agreement for electrical substation projects with SNC-Lavalin signed

### Industrial Automation

Oil & gas JV with Arkad completed

### Robotics and Motion

Wind down of turnkey full train retrofit business

Effective January 1, 2018 – remaining EPC activities to be reported as non-core unit within Corporate and Other reporting to CFO

## Group financial impact

	Q4 2017	FY 2017
<b>Reported op. EBITA margin</b>	10.9%	12.1%
<b>Impact of EPC charges</b>	-150 bps	-30 bps

De-risking the ABB portfolio

# Q4 2017: performance by division

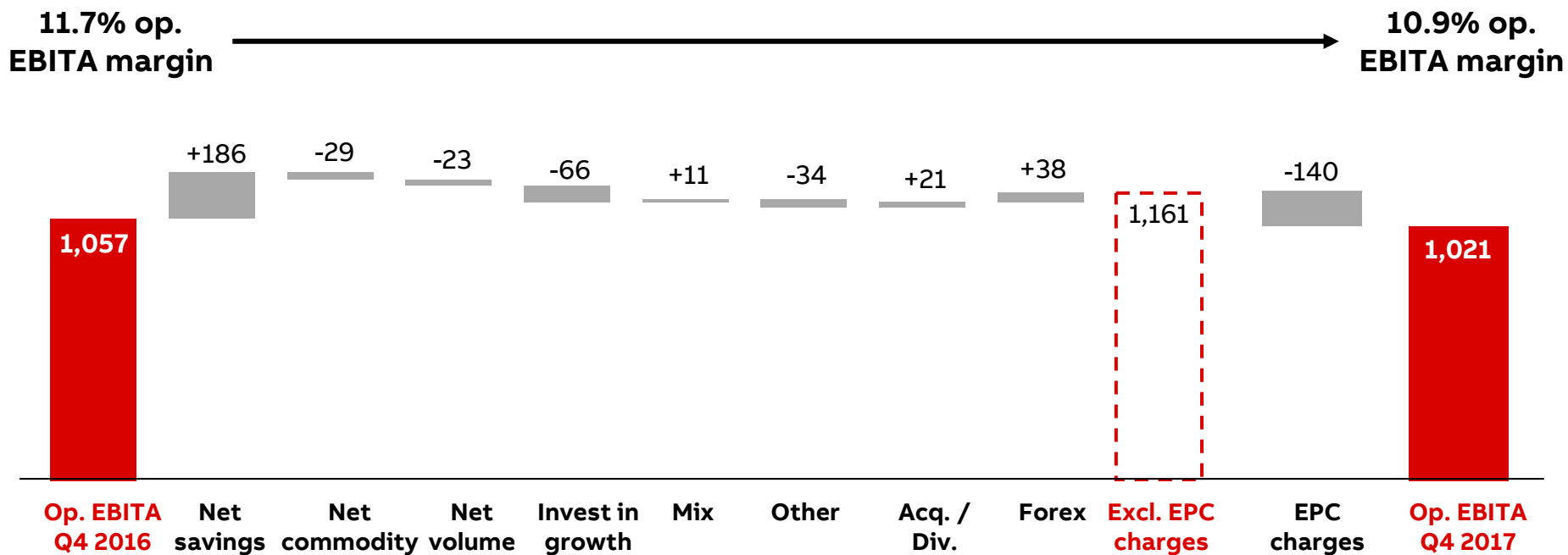
## Key figures

<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>	8.5	2.6	2.0	1.8	2.5
△ Comparable	-3%	+10%	+6%	-1%	-16%
<b>Base orders<sup>1</sup></b>	7.9	2.4	1.8	1.6	2.0
△ Comparable	+9%	+8%	+5%	+5%	+15%
<b>Revenues</b>	9.3	2.7	2.2	2.0	2.8
△ Comparable	-1%	-1%	+6%	+0%	-7%
<b>Op. EBITA %</b>	10.9%	14.7%	10.8%	14.8%	7.8%
△	-0.8 pts	+1.4 pts	-3.1 pts	-0.4 pts	-2.9 pts
Impact of EPC charges	-150 bps	n/a	-300 bps	n/a	-240 bps



# Q4 2017: operational EBITA

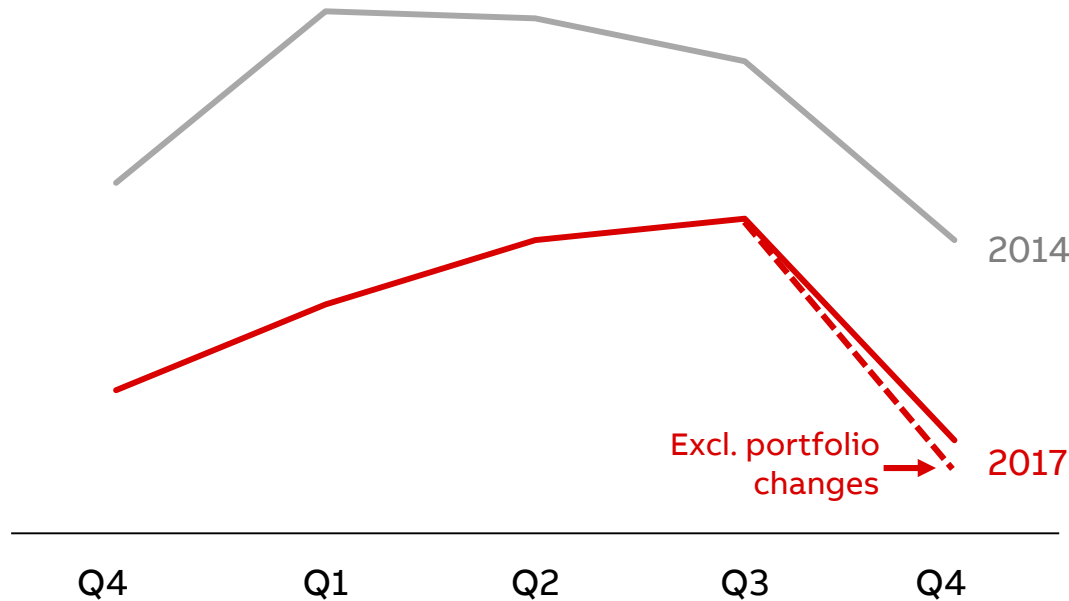
## Operational EBITA bridge Q4 2016 to Q4 2017, \$ mn



# Continued progress in Net Working Capital

## Net Working Capital reduction

NWC as a % of revenues



## Achievements vs. 2014

Net Working Capital lower by \$1.9 bn excl. portfolio changes

NWC % of revenue reduced 280 bps

Freed up \$1.5 bn in cash

NWC % improved across all divisions and regions

Further opportunities in value chain optimization

# Reminder: framing 2018

## Operational items

Order backlog and base order growth

EPC business model change effective Jan 1, 2018

Corporate op. EBITA incl. EPC business ~\$500 mn

‘Power Up’ investment continues through 2018  
(approx. \$100 mn)

Full-year of B&R financials

GE-IS expected to close in H1 (costs related to  
integration approx. \$100 mn)

## Other items

\$200 – 250 mn “normal” capacity restructuring

\$1,000 mn CAPEX

~\$220 mn finance net<sup>1</sup>

~\$250 mn PPA-related amortization<sup>1</sup>

~\$800 mn depreciation<sup>1</sup>

Forecast long term effective tax rate  
unchanged 27%

# Next Level strategy

2017 transition delivers streamlined and strengthened portfolio and operations

## Profitable Growth

Driving growth in four market-leading entrepreneurial divisions

Quantum leap in digital

Value creating, strategic acquisitions and partnerships

Shifting the Center of Gravity: competitiveness, growth, risk

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## Relentless Execution

World-class operational excellence across the whole organization

– White Collar Productivity, Net Working Capital, Quality

Linked strategy, performance management and compensation

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## Business-led Collaboration

Market focused and lean organization

Continued leadership development

Strengthening the global ABB brand



# Streamlined and strengthened digital-first portfolio

ABB today: two clear value propositions

**Bringing electricity from any  
power plant to any plug**

**Automating industries from natural  
resources to finished products**

Partner of choice for...



**Power Grids**

... a stronger,  
smarter and  
greener grid

#1



**Electrification Products**

... electrification of  
all consumption  
points

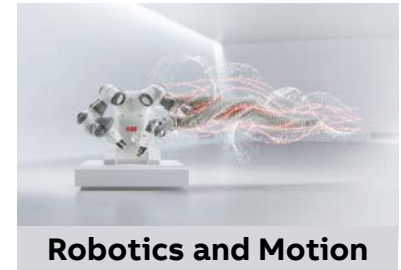
#2



**Industrial Automation**

... perfection in  
automation

#2



**Robotics and Motion**

... robotics and  
intelligent motion  
solutions

#1 motion  
#2 robotics

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# Driving growth in market-leading entrepreneurial divisions

PIE approach: Penetration highlights 2017

## Food & Beverage

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**...orders up 20%**

Industry solution offering,  
major awards from e.g.  
Heineken, TetraPak

## Microgrids

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**...orders up 100%+**

Growth driven by renewables  
development, digitalization  
and emerging markets

## Africa

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**...orders up ~40%**

Strong growth across all  
divisions, sub-regions and  
channels

# Driving growth in market-leading entrepreneurial divisions

PIE approach: Innovation highlights 2017

## Power Grids

Leadership  
in HVDC



## Electrification Products

Leadership  
in electric vehicle  
fast charging



## Industrial Automation

Leadership in  
process control



**#1** DCS<sup>1</sup>

## Robotics and Motion

Leadership in  
collaborative  
robotics



# Driving growth in market-leading entrepreneurial divisions

PIE approach: Expansion highlights 2017

## Power Grids

#1 position  
strengthened in  
digital grid



## Electrification Products

Global #2 position  
to be strengthened

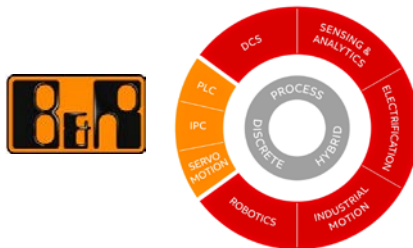


GE  
Industrial Solutions



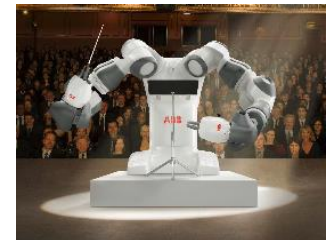
## Industrial Automation

Global #2 position  
strengthened



## Robotics and Motion

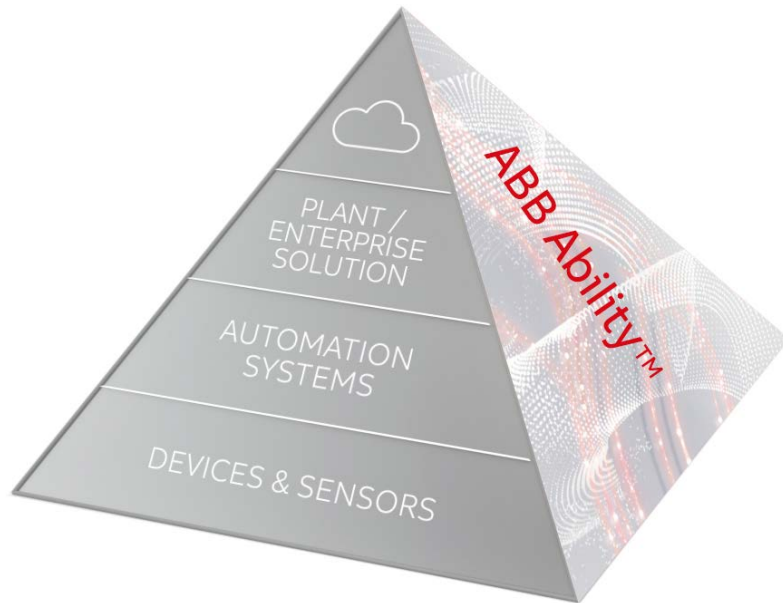
Leading in  
robotics and AI





# ABB Ability™ – making a quantum leap in digital

210+ ABB Ability™ solutions



Microsoft



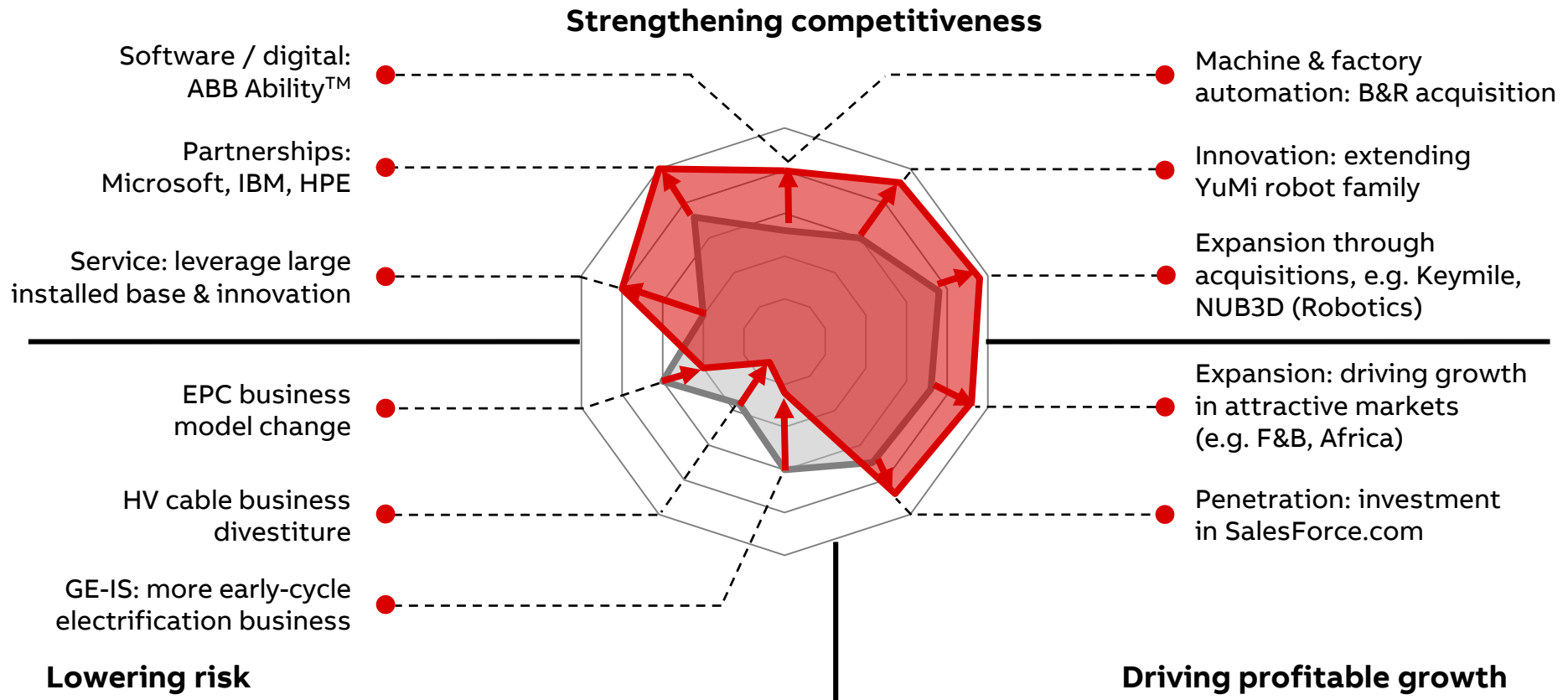
Hewlett Packard  
Enterprise



Common technologies for device, edge and cloud

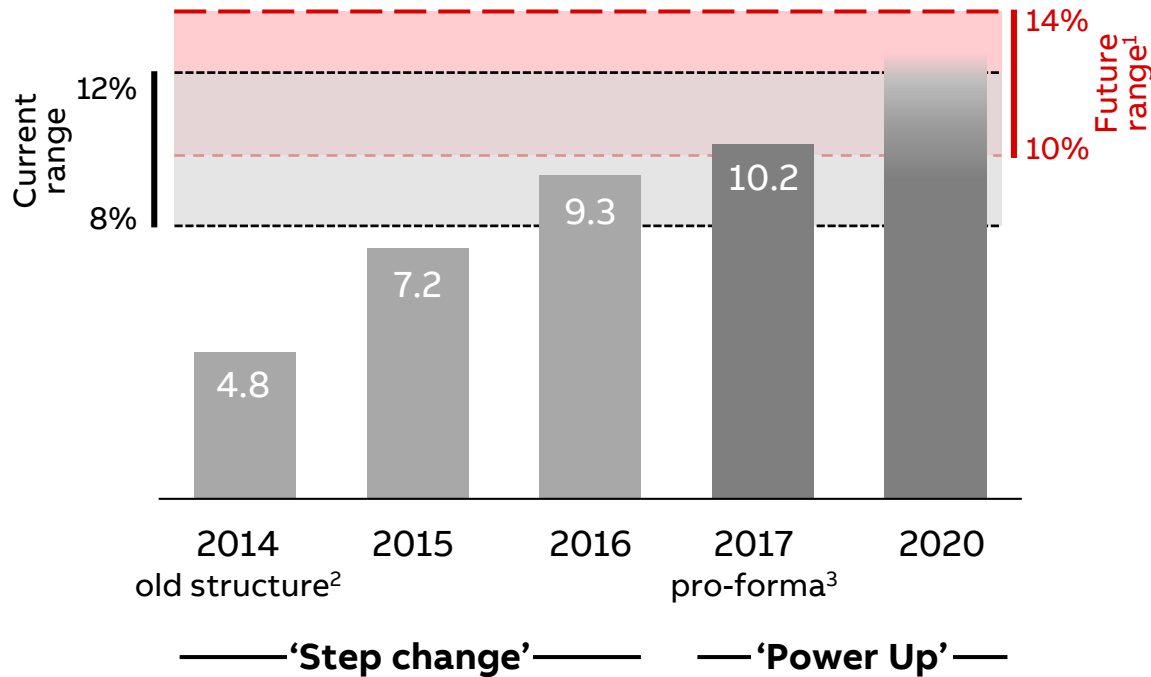
# Shifting ABB's Center of Gravity

Driving competitiveness, growth, risk profile



# Power Grids transformation well under way

## Operational EBITA margin %



## Relentless execution

Shaping our leading portfolio and business models

New ABB Ability™-enabled services and software

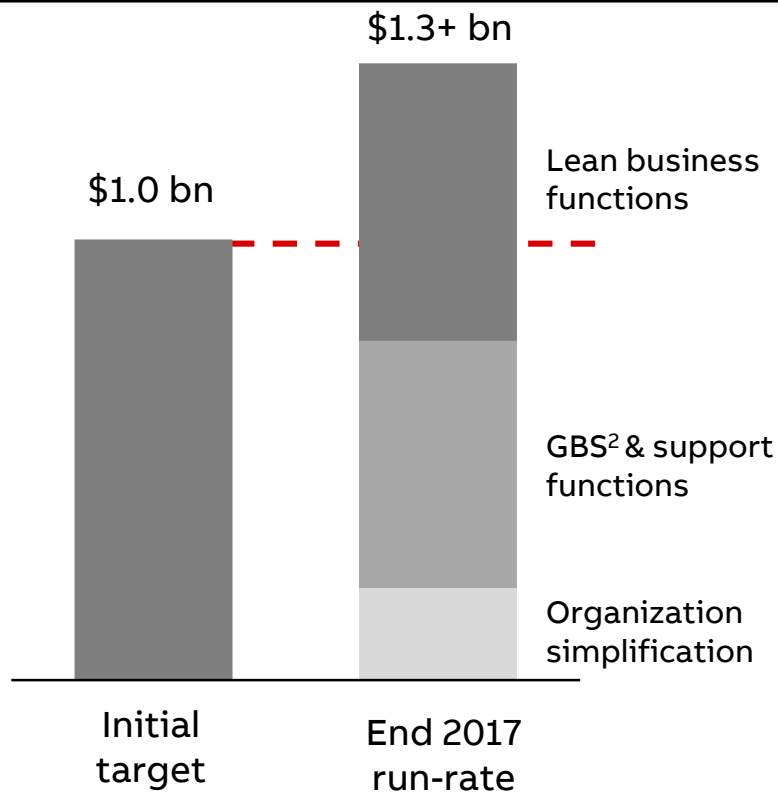
Delivering sustainable growth in service

Driving world-class execution

Achieved target 10 – 14% margin corridor on a pro-forma basis

# White Collar Productivity program target delivered

## 2014 – 2017 WCP program savings<sup>1</sup>



## Highlights

End 2017 run-rate \$1.3+ bn vs. initial \$1.0 bn target

Organization streamlined

- 5 → 4 divisions
- 8 → 3 regions
- ~1000 → ~500 HQ employees
- 60+ → 2 global & 3 regional business service centers

Re-investments in digital, Salesforce.com, brand

Program cost \$300 mn lower than originally announced<sup>3</sup>

# Linked strategy, performance and compensation

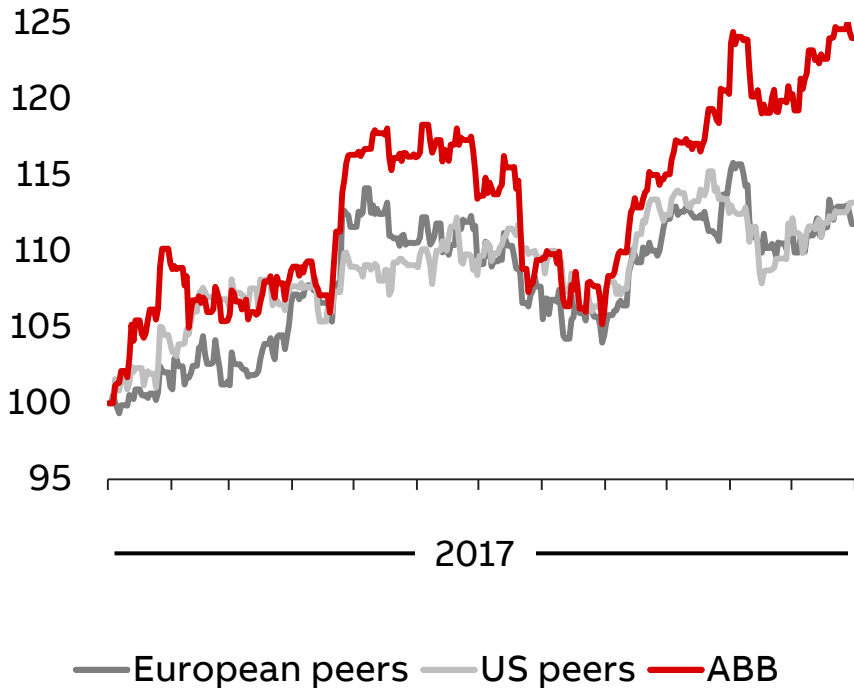
	<u>Base compensation</u>	<u>Short-term incentives</u>	<u>Long-term incentives<sup>2</sup></u>
<b>As at Jan. 2013</b>	Systematic change	100% Group scorecard	60% retention 40% EPS
<b>2018 effective</b>	Merit-driven compensation change	65% line-of-sight <sup>1</sup> 35% “one level up” <sup>1</sup>	50% EPS 50% TSR

Driving stronger performance orientation in line with Next Level strategy

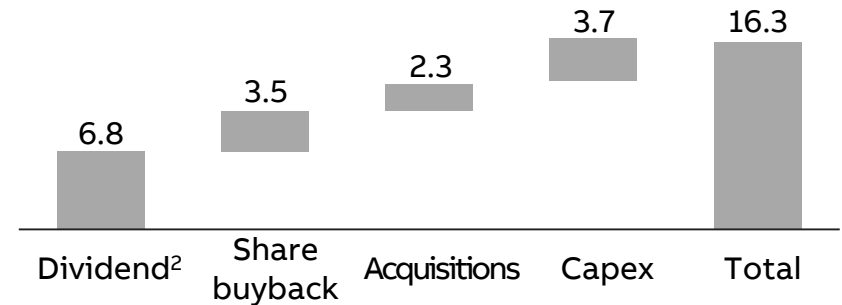
# Attractive shareholder returns, disciplined capital allocation

## Total shareholder return (TSR) 2017: +24%<sup>1</sup>

Normalized to 100



## Capital allocation 2014 – 2017, \$ bn



## Capital allocation priorities

Fund organic growth at attractive CROI

Steadily rising sustainable dividend

Value-creating acquisitions

Returning additional cash to shareholders

# ABB's way forward

## Living Next Level

### **Profitable Growth**

Driving growth in four market-leading entrepreneurial divisions

Quantum leap in digital

Value creating, strategic acquisitions and partnerships

Shifting the Center of Gravity: competitiveness, growth, risk

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### **Relentless Execution**

World-class operational excellence across the whole organization

Linked strategy, performance management and compensation

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### **Business-led Collaboration**

Market focused and lean organization

Continued leadership development

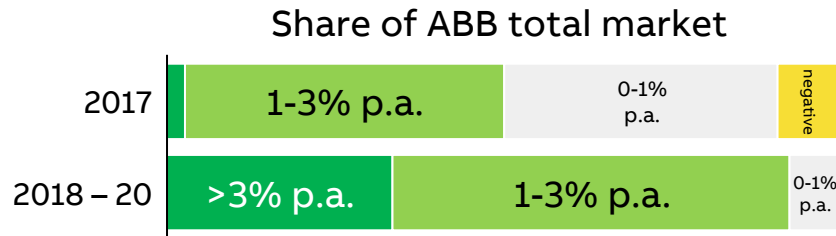
Strengthening the global ABB brand

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# ABB: positioned for profitable growth

## Summary

### Market growth across sectors



### ABB base order growth, yoy, comparable

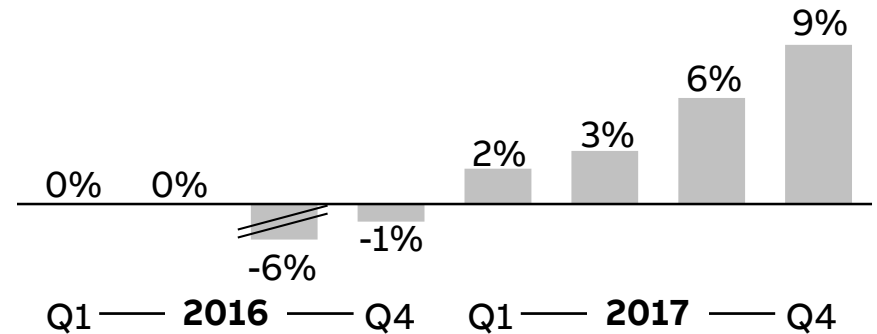


ABB better positioned in a better market

Portfolio and operations streamlined and strengthened

Focus on relentless execution



**ABB**

# Key figures Q4 2017

	Q4 17	Q4 16	Change		
<i>\$ mn unless otherwise indicated</i>			\$	Local currency	Comparable
Orders	8,478	8,277	+2%	-1%	-3%
Order backlog (end December)	22,414	22,981	-2%	-8%	-4%
Revenues	9,280	8,993	+3%	0%	-1%
Operational EBITA	1,021	1,057	-3%	-7%	
as % of operational revenues	10.9%	11.7%	-0.8 pts		
Income from operations	612	678	-10%		
as % of revenues	6.6%	7.5%	-0.9 pts		
Net income attributable to ABB	393	425	-8%		
Basic earnings per share (\$)	0.18	0.20	-7%		
Operational earnings per share (\$)	0.33	0.33	-2%		+2%
Cash flow from operating activities	1,869	1,428	+31%		

# Key figures FY 2017

	FY 17	FY 16	Change		
<i>\$ mn unless otherwise indicated</i>			\$	Local currency	Comparable
Orders	33,387	33,379	0%	0%	0%
Order backlog (end December)	22,414	22,981	-2%	-8%	-4%
Revenues	34,312	33,828	+1%	+1%	+1%
Operational EBITA	4,130	4,191	-1%	-2%	
as % of operational revenues	12.1%	12.4%	-0.3 pts		
Income from operations	3,434	2,987	+15%		
as % of revenues	10.0%	8.8%	+1.2 pts		
Net income attributable to ABB	2,213	1,899	+17%		
Basic earnings per share (\$)	1.04	0.88	+17%		
Operational earnings per share (\$)	1.25	1.29	-4%		-1%
Cash flow from operating activities	3,799	3,843	-1%		

# Third-party base orders by division

	Q4 17	Q4 16	% Change
<i>Third-party base orders \$ mn</i>			Comparable
Electrification Products	2,394	2,170	+8%
Robotics and Motion	1,838	1,676	+5%
Industrial Automation	1,638	1,304	+5%
Power Grids	1,994	1,691	+15%
Corporate and Other	18	19	n.a.
<b>Total Group</b>	<b>7,882</b>	<b>6,860</b>	<b>+9%</b>

# FY 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>	33.4	10.1	8.5	6.6	9.6
Δ Comparable	+0%	+5%	+8%	+2%	-11%
<b>Base orders<sup>1</sup></b>	30.5	9.6	7.7	5.8	7.4
Δ Comparable	+5%	+5%	+9%	+3%	+2%
<b>Revenues</b>	34.3	10.1	8.4	6.9	10.4
Δ Comparable	+1%	+2%	+6%	-3%	-2%
<b>Op. EBITA %</b>	12.1%	15.0%	14.0%	13.9%	9.4%
Δ	-0.3 pts	+0.3 pts	-1.5 pts	+0.5 pts	+0.1 pts

# Cash flow from operating activities by division

	Q4 17	Q4 16	% Change
<i>Cash flow from operating activities \$ mn</i>			
Electrification Products	590	436	+35%
Robotics and Motion	376	314	+20%
Industrial Automation	373	212	+76%
Power Grids	515	542	-5%
Corporate and Other	15	-76	n.a.
<b>Total Group</b>	<b>1,869</b>	<b>1,428</b>	<b>+31%</b>

# Order backlog by division

	Q4 17	Q4 16	% Change	
Order backlog (end December) \$ mn			\$	Comparable
Electrification Products	3,098	2,839	+9%	+5%
Robotics and Motion	3,961	3,660	+8%	+1%
Industrial Automation	5,376	5,409	-1%	-10%
Power Grids	11,330	11,638	-3%	-7%
Corporate and Other	-1,351	-565	n.a.	n.a.
<b>Total Group</b>	<b>22,414</b>	<b>22,981</b>	<b>-2%</b>	<b>-4%</b>

# Operational EPS analysis

	Q4 17	EPS	Q4 16	EPS	Δ <sup>1</sup>
\$ mn, except per share data in \$					
<b>Net income (attributable to ABB)</b>	<b>393</b>	<b>0.18</b>	<b>425</b>	<b>0.20</b>	<b>-7%</b>
Operational adjustments:					
Acquisition-related amortization	75		67		
Restructuring and restructuring-related expenses <sup>2</sup>	139		68		
Non-operational pension cost	-8		38		
Changes in retained obligations of divested businesses	0		0		
Changes in pre-acquisition estimates	8		92		
Gains and losses on sale of businesses	78		0		
Acquisition-related expenses and certain non-operational items	88		127		
FX/ commodity timing differences in income from operations	29		-13		
Tax on operational adjustments <sup>3</sup>	-104		-93		
<b>Operational net income / Operational EPS</b>	<b>698</b>	<b>0.33</b>	<b>711</b>	<b>0.33</b>	<b>+2%<sup>4</sup></b>

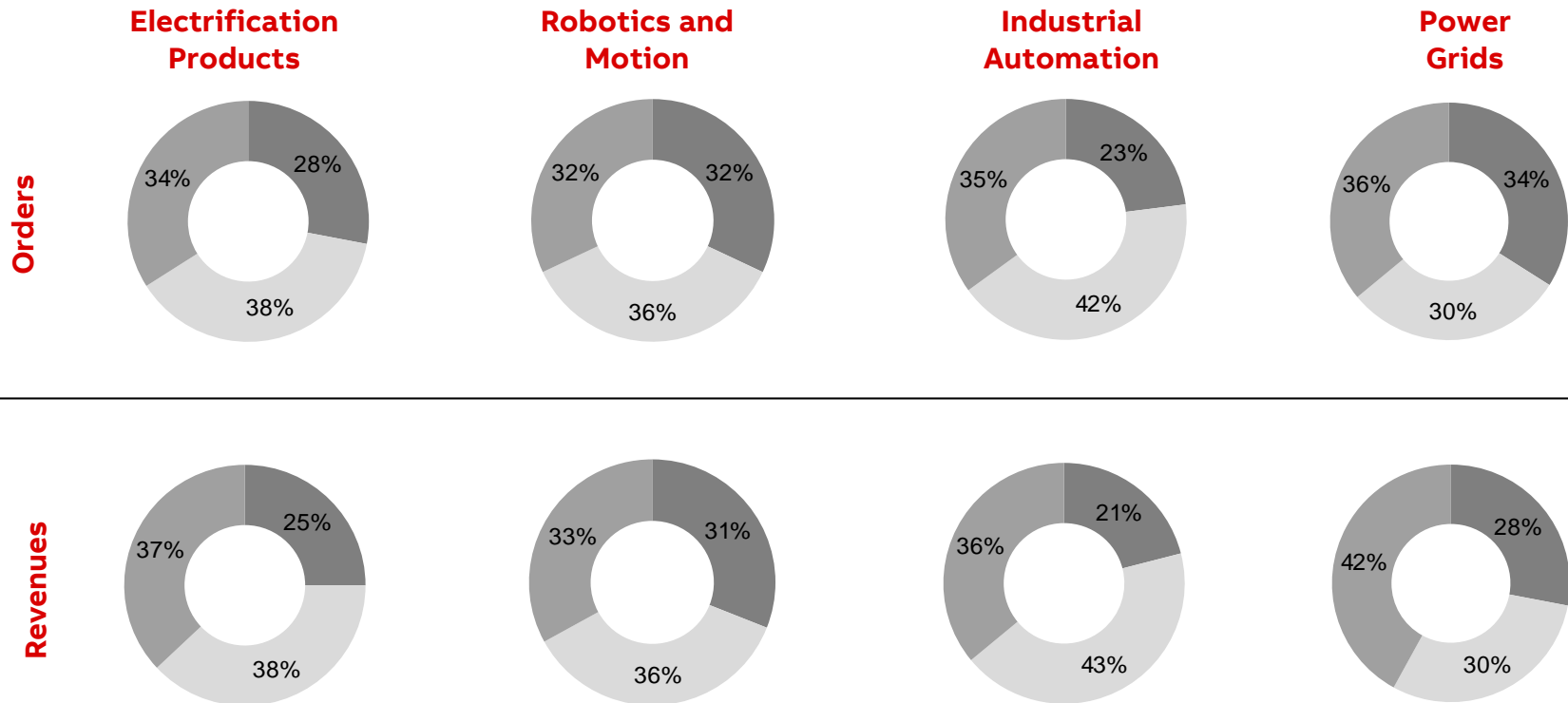


# Operational EPS analysis – full-year

	FY 17		FY 16		Δ <sup>1</sup>
<i>\$ mn, except per share data in \$</i>		EPS		EPS	
<b>Net income (attributable to ABB)</b>	<b>2,213</b>	<b>1.04</b>	<b>1,899</b>	<b>0.88</b>	<b>+17%</b>
Operational adjustments:					
Acquisition-related amortization	264		279		
Restructuring and restructuring-related expenses <sup>2</sup>	363		543		
Non-operational pension cost	-42		38		
Changes in retained obligations of divested businesses	94		0		
Changes in pre-acquisition estimates	8		131		
Gains and losses on sale of businesses	-252		10		
Acquisition-related expenses and certain non-operational items	322		163		
FX/ commodity timing differences in income from operations	-61		40		
Tax on operational adjustments <sup>3</sup>	-242		-320		
<b>Operational net income / Operational EPS</b>	<b>2,667</b>	<b>1.25</b>	<b>2,783</b>	<b>1.29</b>	<b>-1%<sup>4</sup></b>

# Regional share of total orders and revenues by division

Q4 2017

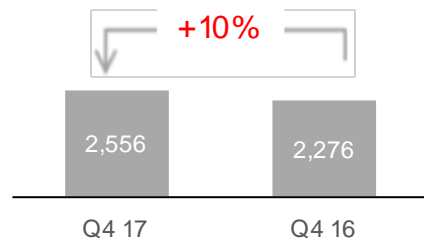


# Electrification Products

Q4 2017

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

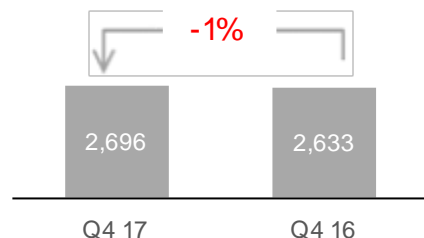
Orders



Total orders were 10 percent higher, as all regions and end markets showed strong demand, in particular for data center, food and beverage and electric vehicle fast-charging solutions.

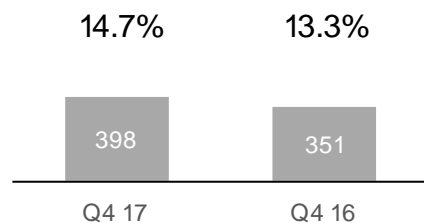
Third-party base orders increased 8 percent.

Revenues



Revenues declined 1 percent, as increases in short-cycle revenues were not enough to offset lower system revenues.

Op. EBITA & margin



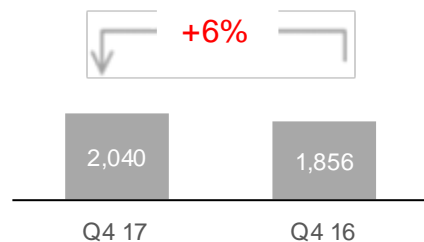
Operational EBITA margin of 14.7 percent was aided by cost savings and improved pricing despite ongoing commodity price headwinds.

# Robotics and Motion

Q4 2017

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

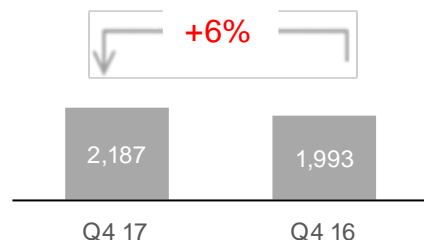
Orders



Total orders improved 6 percent, growing in all regions. The division saw improved demand from process end markets, whilst large orders declined due to the timing of tender awards.

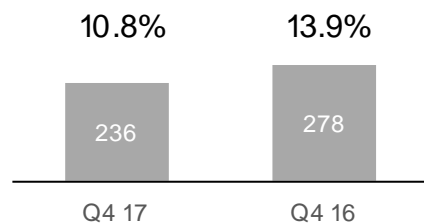
Third-party base orders grew 5 percent.

Revenues



Revenues were 6 percent higher on strong execution of the order backlog.

Op. EBITA & margin



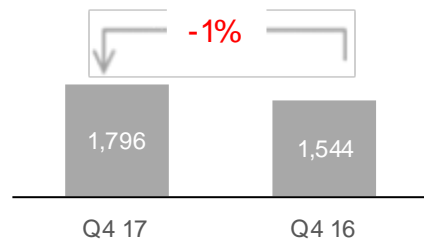
Operational EBITA margin of 10.8 percent was primarily impacted by the charges related to the EPC business and continued higher material costs. These EPC charges negatively impacted the operational EBITA margin by 300 basis points.

# Industrial Automation

Q4 2017

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

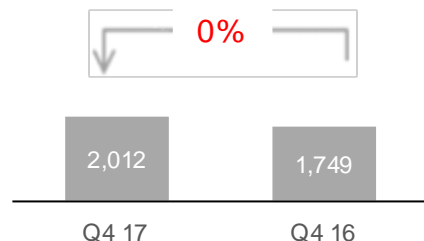
Orders



Third-party base orders continued to be positive at 5 percent on continued operational investment by process customers; total orders were 1 percent lower. Some selective capital expenditure was seen in mining and specialty vessels.

Including B&R the total reported order growth was 12 percent in local currency.

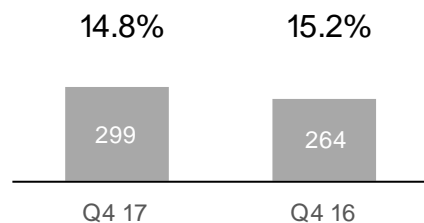
Revenues



Revenues were steady reflecting the strong book and bill within the quarter.

Revenue growth including B&R was 10 percent in local currency.

Op. EBITA & margin



Operational EBITA margin of 14.8 percent reflects investments in digital and negative business mix.

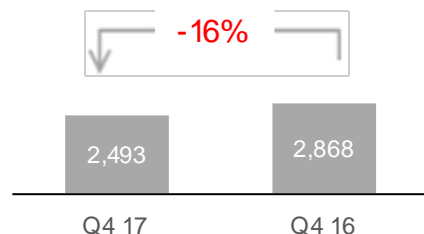
The joint venture completed with Arkad was established before the end of the year. The results of that divested business have been excluded from the results of the division.

# Power Grids

Q4 2017

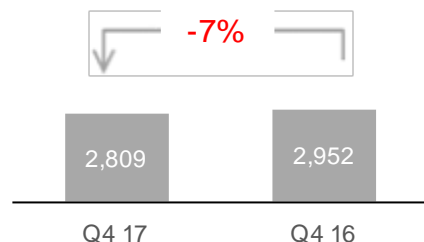
*In \$ mn, y-o-y change comparable*

Orders



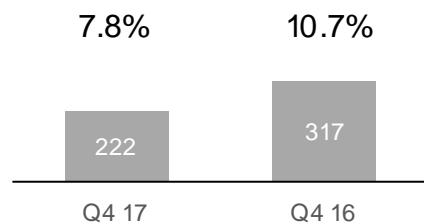
Third-party base orders grew 15 percent mainly driven by industry, particularly in transportation and infrastructure. Total orders declined 16 percent due to the exceptionally large UHVDC order that was awarded in India in 2016.

Revenues



Revenues were 7 percent lower due to the lower order backlog, primarily in EPC.

Op. EBITA & margin



Operational EBITA margin of 7.8 percent was impacted by charges related to the EPC business. Excluding this charge, the division's margin would have been 240 basis points higher.

The division's 'Power Up' program, driving its transformation and value creation, is underway.

# 2016 full-year figures

Pro-forma reflecting EPC business model change

<i>Approx.</i>	<b>Electrification Products</b>		<b>Robotics and Motion</b>		<b>Industrial Automation</b>		<b>Power Grids</b>		<b>Corporate and other</b>		<b>Total</b>
	Before	After	Before	After	Before	After	Before	After	Before	After	
<b>Orders</b> (\$ bn)	9.8	9.8	7.9	7.9	6.0	6.0	10.8	10.5	-1.2	-0.8	33.4
<b>Third-party base orders</b> (\$ bn)	9.2	9.2	7.0	7.0	5.2	5.2	7.3	7.1	0.1	0.4	28.9
<b>Revenues</b> (\$ bn)	9.9	9.9	7.9	7.9	6.7	6.7	10.7	10.0	-1.2	-0.7	33.8
<b>Op. EBITA</b> (\$ bn)	1.5	1.5	1.2	1.2	0.9	0.9	1.0	1.0	-0.4	-0.4	4.2
<b>Op. EBITA margin</b> (%)	14.7	14.7	15.5	15.6	13.4	13.4	9.3	10.1	n.a.	n.a.	12.4

# Q4 2017 figures

Pro-forma reflecting EPC business model change

<i>Approx.</i>	<b>Electrification Products</b>		<b>Robotics and Motion</b>		<b>Industrial Automation</b>		<b>Power Grids</b>		<b>Corporate and other</b>		<b>Total</b>
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	
<b>Orders (\$ bn)</b>	2.6	2.6	2.0	2.0	1.8	1.8	2.5	2.4	-0.4	-0.3	8.5
<b>Third-party base orders (\$ bn)</b>	2.4	2.4	1.8	1.8	1.6	1.6	2.0	2.0	0.0	0.1	7.9
<b>Revenues (\$ bn)</b>	2.7	2.7	2.2	2.2	2.0	2.0	2.8	2.7	-0.4	-0.3	9.3
<b>Op. EBITA (\$ bn)</b>	0.4	0.4	0.2	0.3	0.3	0.3	0.2	0.3	-0.1	-0.3	1.0
<b>Op. EBITA margin (%)</b>	14.7	14.7	10.8	13.8	14.8	14.8	7.8	10.4	n.a.	n.a.	10.9



# 2017 full-year figures

Pro-forma reflecting EPC business model change

<i>Approx.</i>	<b>Electrification Products</b>		<b>Robotics and Motion</b>		<b>Industrial Automation</b>		<b>Power Grids</b>		<b>Corporate and other</b>		<b>Total</b>
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>	
<b>Orders</b> (\$ bn)	10.1	10.1	8.5	8.5	6.6	6.6	9.6	9.2	-1.4	-1.0	33.4
<b>Third-party base orders</b> (\$ bn)	9.6	9.6	7.7	7.7	5.8	5.8	7.4	7.3	0.1	0.1	30.5
<b>Revenues</b> (\$ bn)	10.1	10.1	8.4	8.4	6.9	6.9	10.4	10.0	-1.5	-1.1	34.3
<b>Op. EBITA</b> (\$ bn)	1.5	1.5	1.2	1.3	1.0	1.0	1.0	1.0	-0.5	-0.7	4.1
<b>Op. EBITA margin</b> (%)	15.0	15.0	14.0	15.0	13.9	13.9	9.4	10.2	n.a.	n.a.	12.1

## More information available at ABB Investor Relations

Name	Telephone	Email
Jessica Mitchell Head of Investor Relations	+41 43 317 3832	jessica.mitchell@ch.abb.com
Beat Fueglistaller	+41 43 317 4144	beat.fueglistaller@ch.abb.com
Benita Barretto	+41 43 317 3876	benita.barretto@ch.abb.com
Ruth Jaeger	+41 43 317 3808	ruth.jaeger@ch.abb.com