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Q3 2019 results

Holding course in tougher markets

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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.

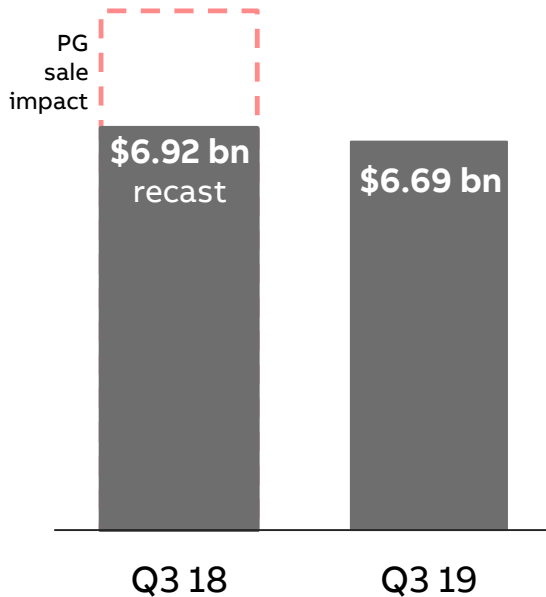
Some of the planned changes might be subject to any relevant I&C processes with the Employee Council Europe and / or local employee representatives / employees.

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.

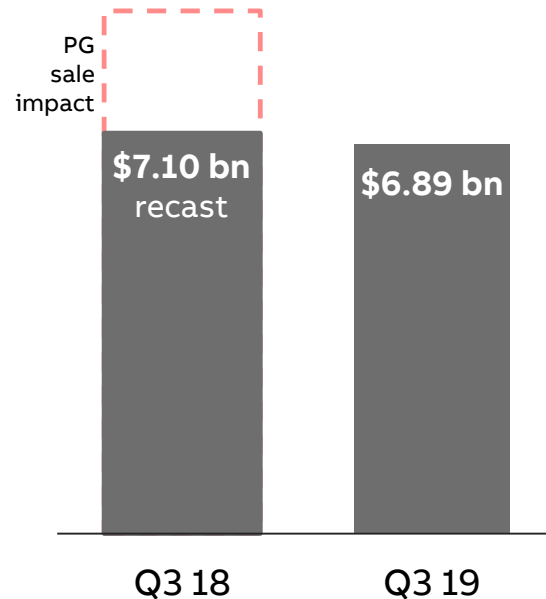
This presentation contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the ‘Supplemental reconciliations and definitions’ section of “Financial Information” under “Quarterly results and annual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

Q3 2019 results summary

Orders -1%¹



Revenues steady²



Operational EBITA margin +20 bps

(% or bps)	Q3 18	Q3 19
Op. EBITA margin	11.5	11.7
Stranded costs	-100	-70
Non-core	-60	-30
IA project revaluation		-90
	-160	-190

Operational EPS \$0.33 -7%³

Basic EPS
\$0.24
-15%

Cash flow
from operating activities

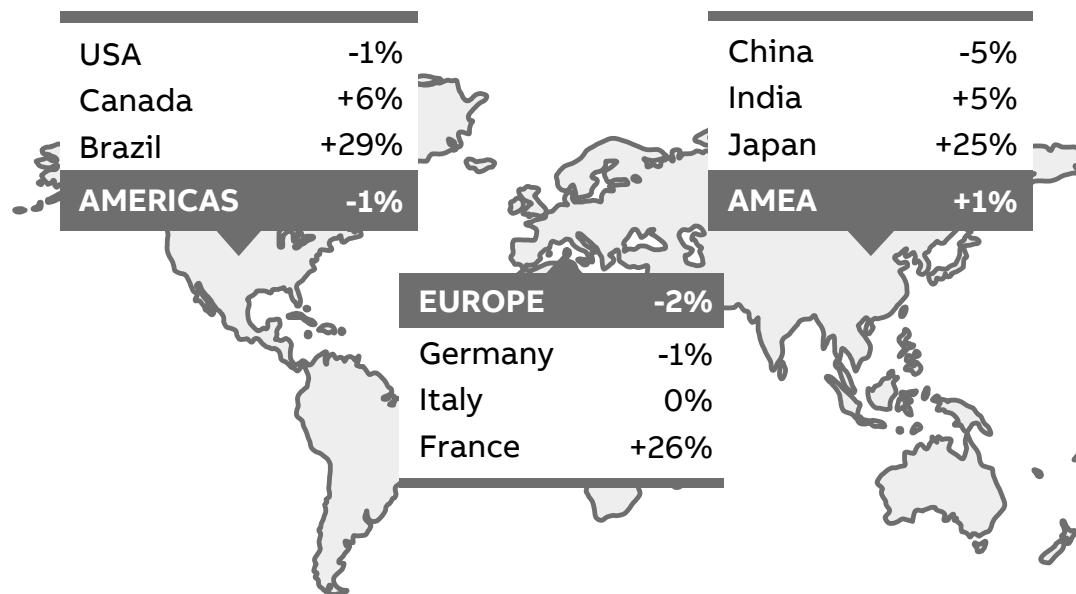
\$670 mn⁴

Q3 2019 orders

AMEA up, Americas and Europe subdued

Order development yoy

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



AMERICAS

EL steady, strong growth in IA outweighed by MO, RA headwinds
USA slower: weaker in MO, RA, steady in EL, up in IA

EUROPE

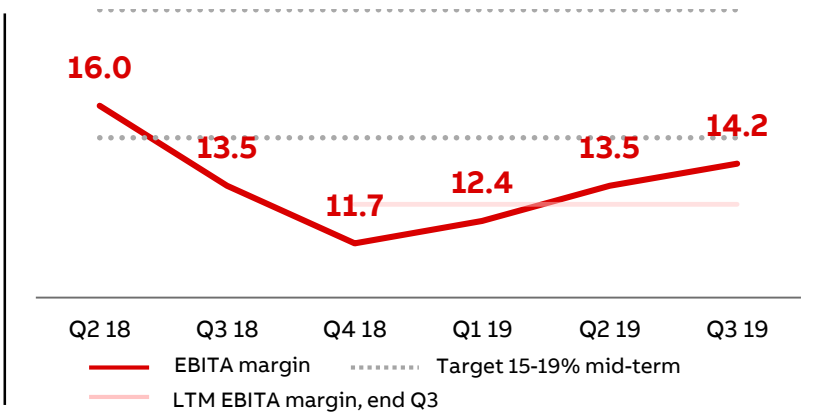
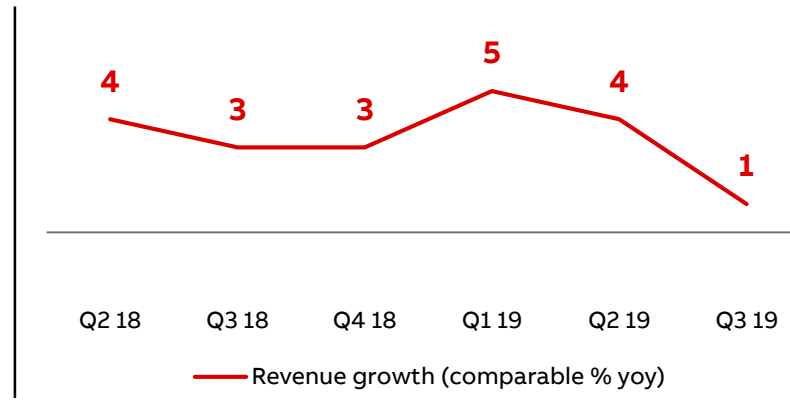
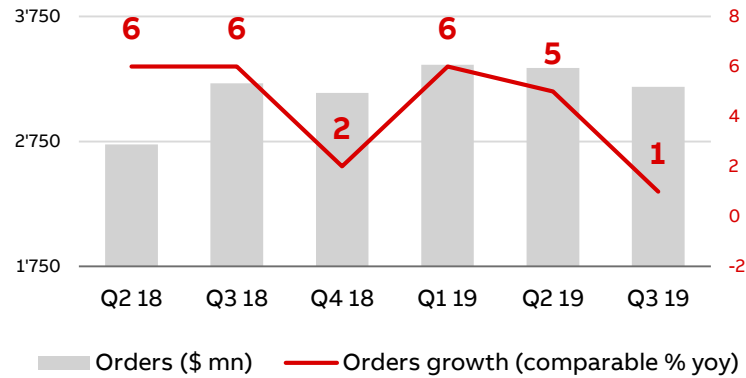
MO, EL solid; RA and IA lower, driven by fewer large orders
Germany softer: positive market for MO and EL

AMEA

Strong in IA, slight growth in EL and MO, RA weak
China weaker: IA strength offset by tough market for RA; EL, MO slower

Q3 2019 Electrification

Margin development supported by strong execution



Orders \$3,188 mn

Tough comparison

Strong growth in solutions, buildings automation

Revenues \$3,161 mn

Order backlog end Q2 +10%, end Q3 +4% yoy

Operational EBITA \$450 mn

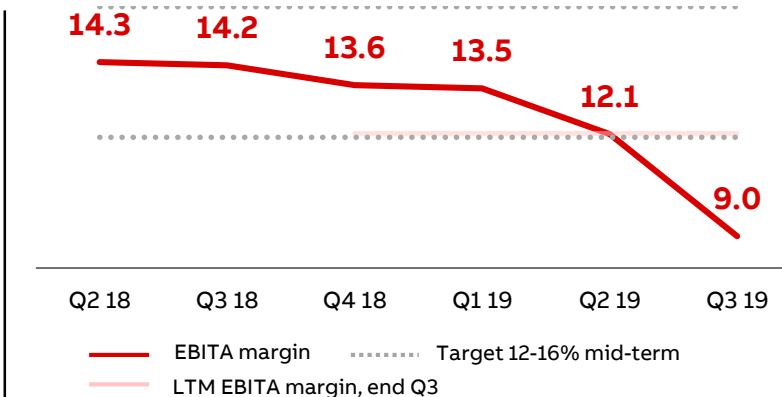
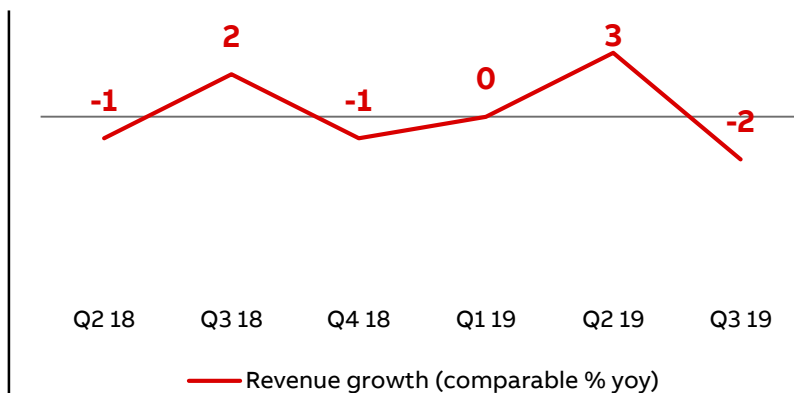
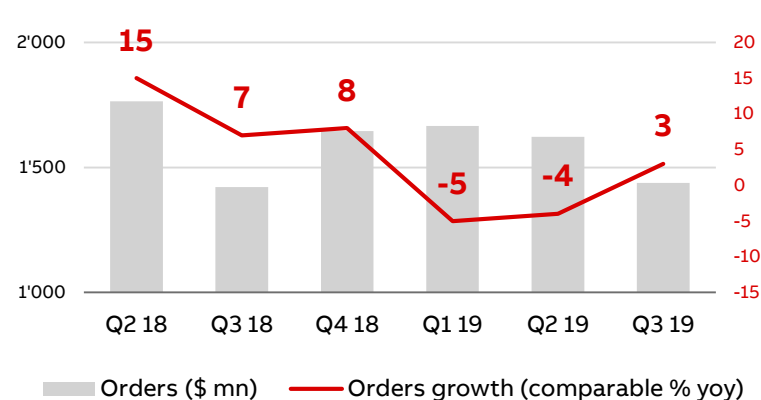
Margin yoy +70 bps

GEIS integration on track

Cost productivity, pricing actions

Q3 2019 Industrial Automation

Impacted by project revaluation



Orders \$1,438 mn

Project revaluation -2%

Strong in O&G and chemical

Conventional power generation weak

Revenues \$1,492 mn

Project revaluation -5%

Order backlog end Q2 flat, end Q3 flat yoy

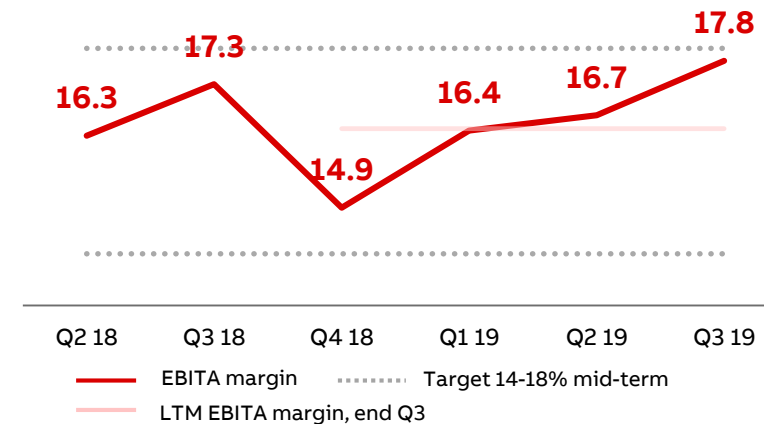
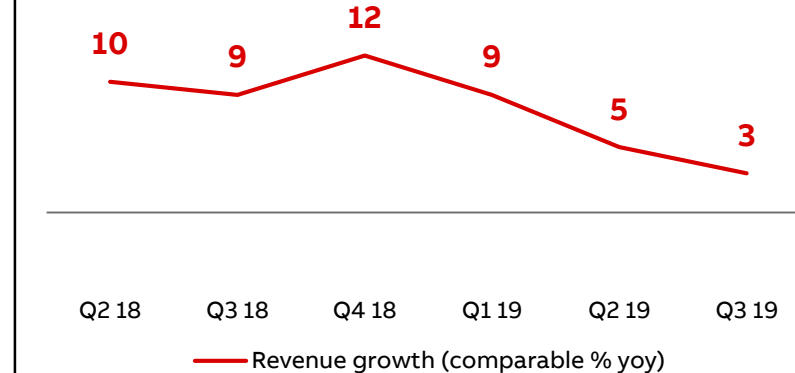
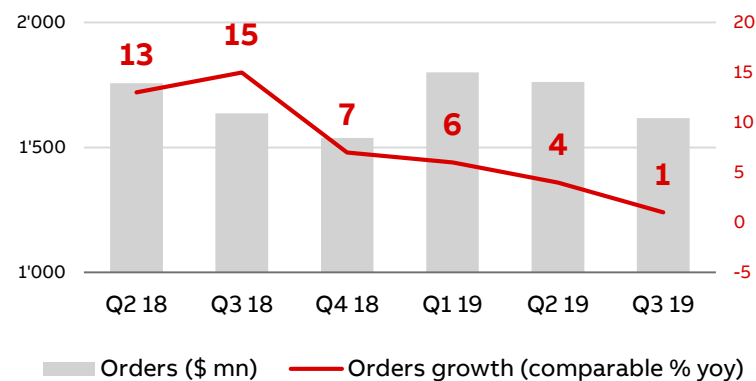
Operational EBITA \$135 mn

Margin yoy -520 bps

- Project revaluation -400 bps
- Unfavorable mix, absence one-time benefits in prior year

Q3 2019 Motion

Steady execution



Orders \$1,618 mn

Tough comparison

Growth driven by motors and generators

Revenues \$1,630 mn

Tough comparison

Order backlog end Q2 +5%, end Q3 +4% yoy

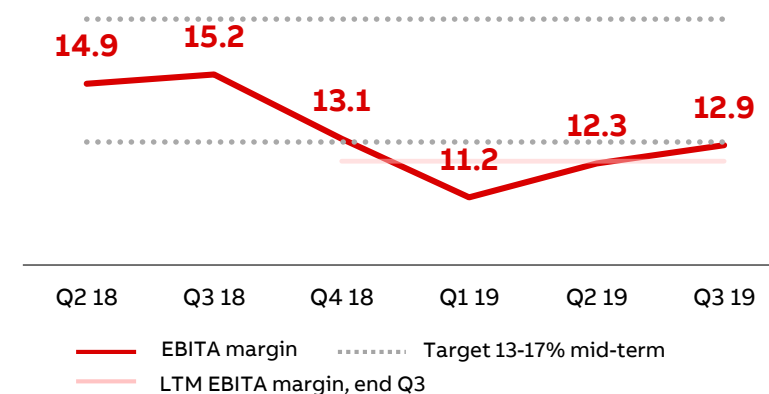
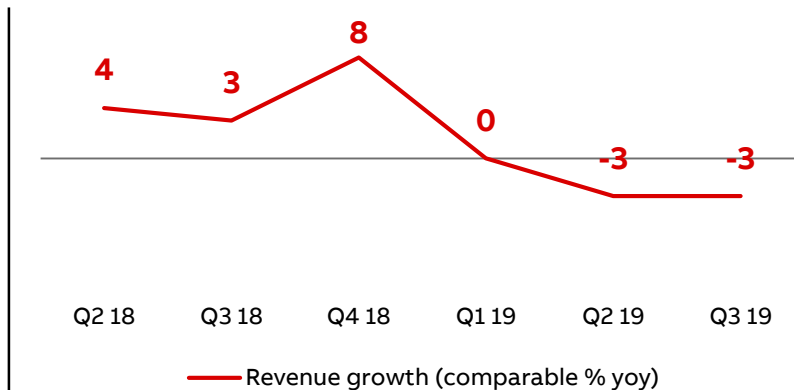
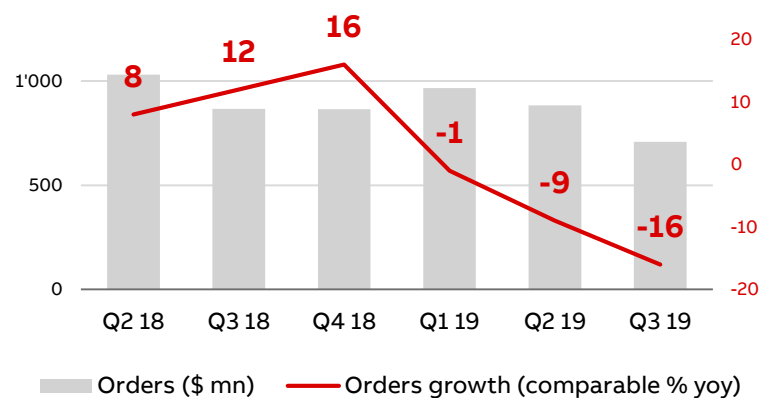
Operational EBITA \$290 mn

Margin yoy +50 bps, record level

Strong project execution and cost management

Q3 2019 Robotics & Discrete Automation

Continued headwinds



Orders \$709 mn

Tough comparison

Weak autos, 3C, machine builders

Growth in warehouse automation

Revenues \$831 mn

Strong backlog execution

Order backlog end Q2 +10%, end Q3 +2% yoy

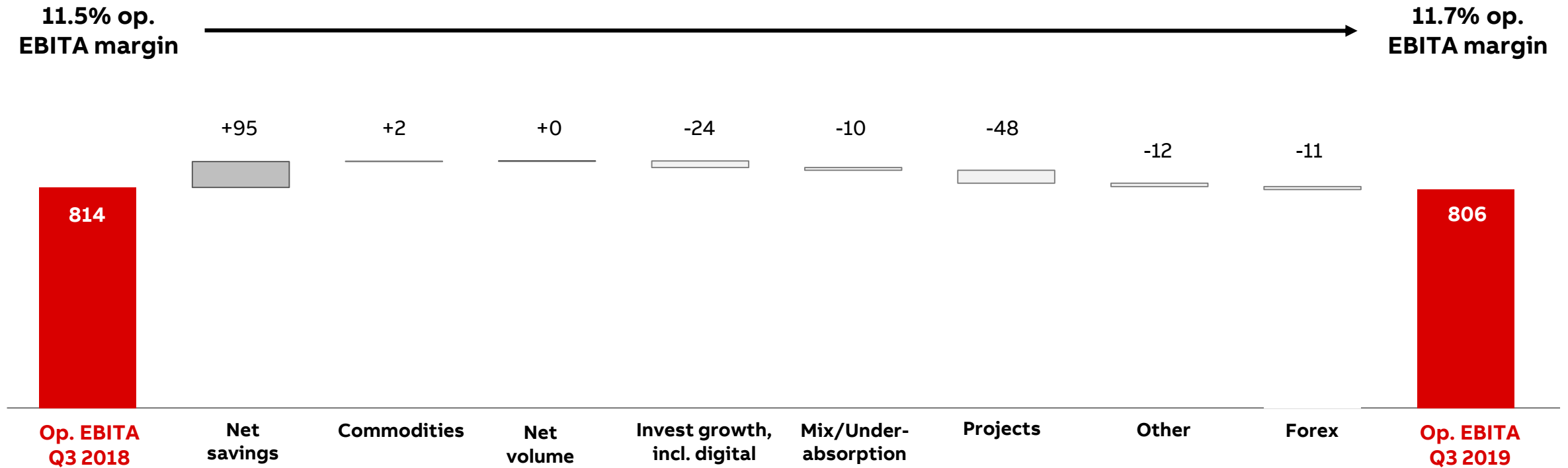
Operational EBITA \$107 mn

Margin yoy -230 bps

Lower volumes, adverse mix, partly mitigated by cost measures

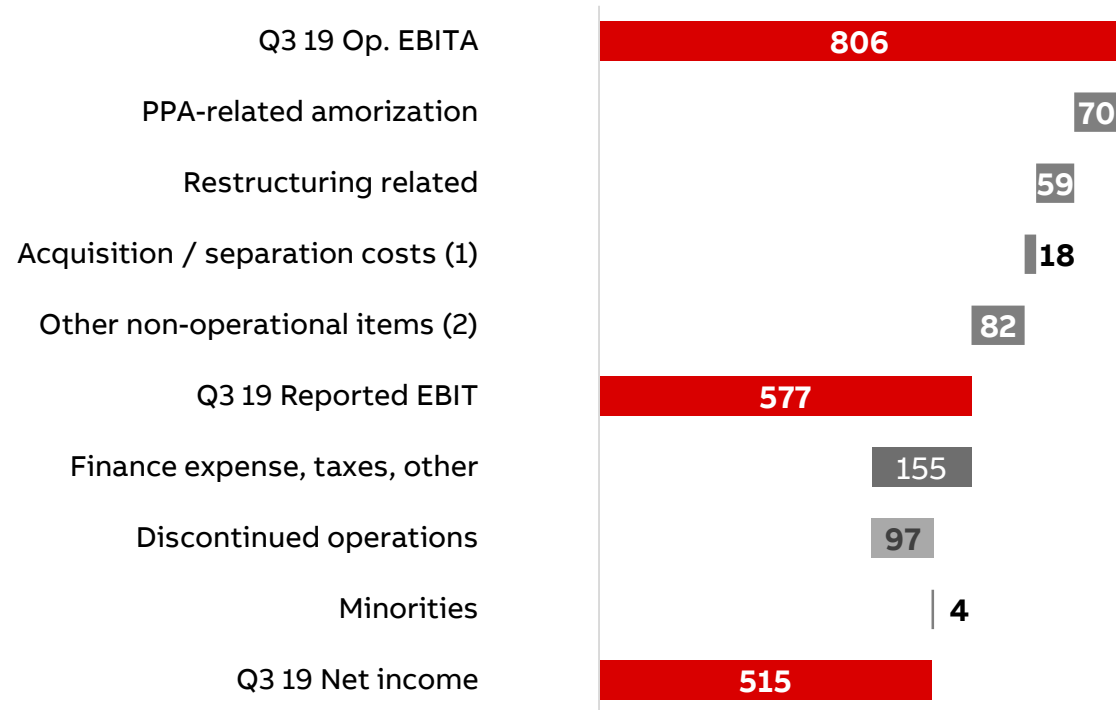
Q3 2019 operational EBITA

Operational EBITA bridge Q3 2018 to Q3 2019 (\$ mn)



Q3 2019 net income drivers

Operational EBITA to net income walk Q3 2019 (\$ mn)



Key non-operational items

- Restructuring related** includes \$53 mn ABB-OS simplification
- Power Grids related transaction and separation** costs \$44 mn

Discontinued operations (Power Grids)

- Net income** \$97 mn, impacted by ~\$80 mn pre-tax project revaluations
- Performance improvement anticipated from Q4 onwards

2019 framework

\$ mn unless otherwise stated

	FY 2019 framework	YTD
Corporate & Other operational EBITA	~(800)	(535)
Of which, stranded costs (gross)	~(300)	(225)
Stranded cost elimination	~60	40
Non-operating items		
Normal restructuring	~(125)	(79)
Simplification program ¹	~(200) ↓	(122)
Transaction and separation related costs (PG, solar inverters)	~(200) ↓	(102)
GEIS acquisition related expenses and integration costs	~(100) ↓	(60)
PPA-related amortization	~(275)	(205)

	FY 2019 framework	YTD
Net finance expenses²	~(170) ↓	(122)
Effective tax rate (excl. solar)	~27%	26.6% ³
PG tax impact	~(200) in Q4	
Capital expenditure²	~(850)	(528)
Cash flow from operating activities (continuing)	Solid ⁴	445

Key ↓ ↑ New or revised guidance

¹ABB-OS simplification program expected to incur ~\$350 million restructuring and ~\$150 million related implementation costs; ²for continuing operations only; ³Effective tax rate including solar 36.6%; ⁴for continuing operations only, not including cash outflows for simplification program and carve-out activities and associated cash tax impacts

Driving growth

Q3 highlights

Electrification



Leadership in co-location data center market

Electrification and automation solution order, DODID, Singapore

Raises energy efficiency, reliability
Cuts ownership costs by 20%

Industrial Automation



Expansion in renewables

Automation solution order, CSP solar program, China

Unifies controls for power island, heat storage, heat transfer etc.
Maximizes plant efficiency and reliability

Motion

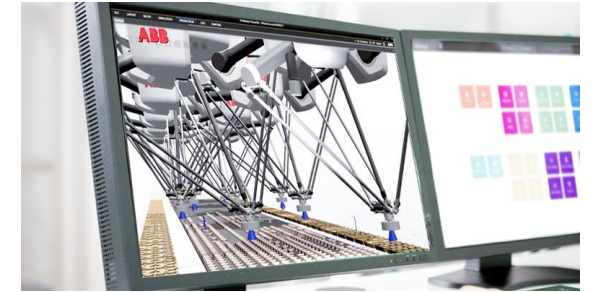


Services growth in process industries

Drives Service order, SIG, New Zealand

Reduces downtime by up to 70%
Extends and protects asset life

Robotics & Discrete Automation

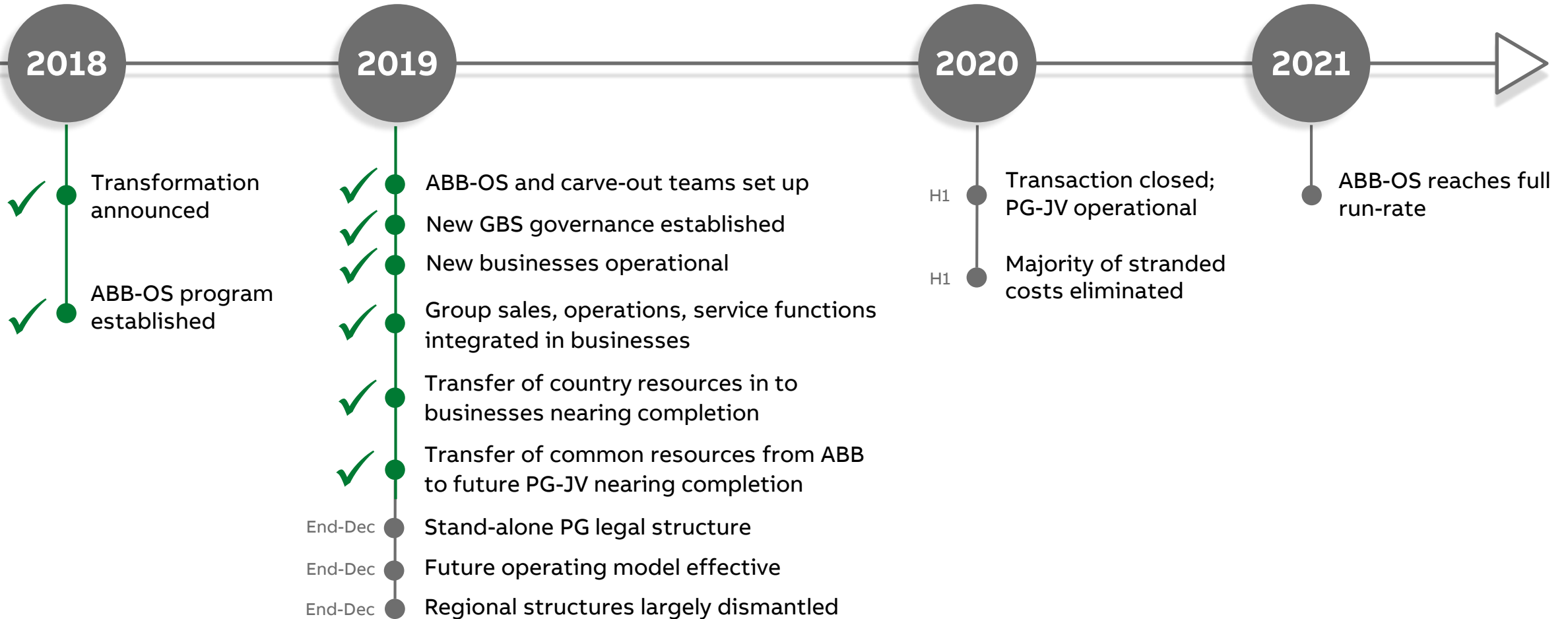


Upgraded software solution for packaging

Pickmaster® Twin launched

Higher outputs, responsiveness
Cuts commissioning, change-over periods

Managing the transformation



2019 progress and outlook

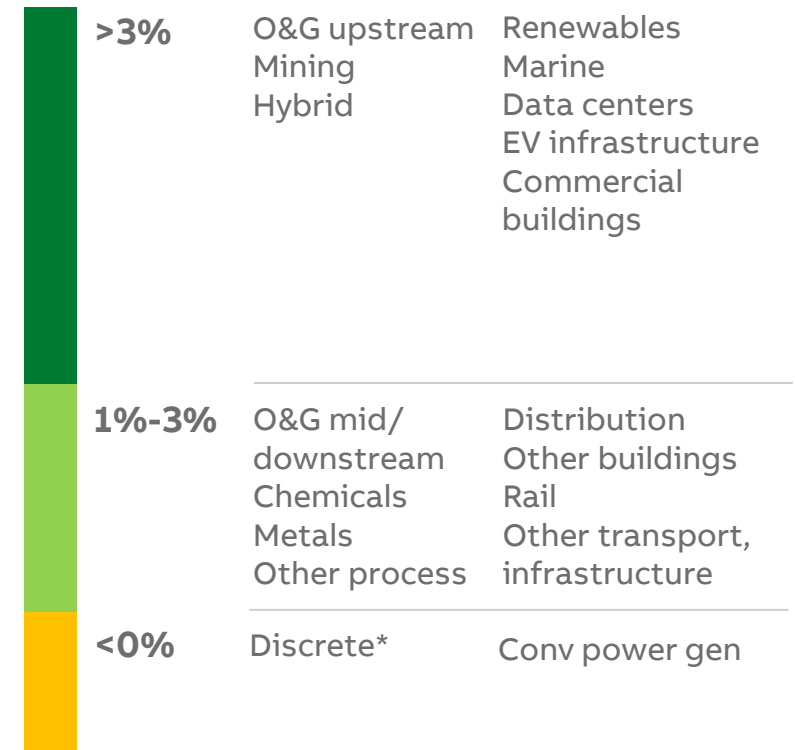
Business and transformation progress

Robust results in more challenging markets
 \$150-200 mn ABB-OS run-rate savings on track
 PG separation tracking to plan
 GEIS integration on track

FY19 financial outlook

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

	Q3 2019		Q3 2018		Change yoy ¹
<i>\$ mn, except per share date in \$</i>		EPS		EPS	
Net income (attributable to ABB)	515	0.24	603	0.28	-15%
Operational adjustments:					
Acquisition-related amortization	70		73		
Restructuring, related and implementation costs ²	59		37		
Non-operational pension costs (credit)	(23)		(25)		
Changes in obligations related to divested businesses	25		75		
Changes in pre-acquisitions estimates	-		1		
(Gains) and losses from sale of businesses	(12)		(66)		
Fair value adjustment on assets and liabilities held for sale	11		-		
Acquisition- and divestment-related expenses and integration costs	18		75		
FX / commodity timing differences in income from operations	13		2		
Certain other non-operational items:					
Costs for planned divestment of Power Grids	44		-		
Regulatory, compliance and legal costs	1		13		
Division transformation costs	7		5		
Executive Committee transition costs	(2)		-		
Gain on sale of investments	-		(31)		
Other non-operational items	(5)		13		
Operational adjustments in discontinued operations	51		9		
Tax on operational adjustments ³	(63)		(57)		
Operational net income / Operational EPS	709	0.33	727	0.34	-7% ⁴

ABB