Q3 2020 results

Strong underlying performance

Björn Rosengren, CEO | Timo Ihmuotila, CFO
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 US 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.
Q3 2020 key take-aways

1. Strong underlying performance
   - Q3 margins >16% in EL, >17% in MO
   - COVID-19 continues to weigh on top-line
   - Uncertainties remain

2. Health & safety foremost, operations adapted
   - Ongoing focus on business continuity

3. Capital structure optimization program continues,
   executing share buyback as planned
Q3 2020 orders
US, Europe strongly impacted; China recovery continues

Order development yoy
Growth by region and largest 3 country markets in $ terms

<table>
<thead>
<tr>
<th>Region</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>-11%</td>
</tr>
<tr>
<td>USA</td>
<td>-12%</td>
</tr>
<tr>
<td>Canada</td>
<td>-4%</td>
</tr>
<tr>
<td>Mexico</td>
<td>-10%</td>
</tr>
<tr>
<td>Europe</td>
<td>-10%</td>
</tr>
<tr>
<td>Germany</td>
<td>-14%</td>
</tr>
<tr>
<td>Italy</td>
<td>-4%</td>
</tr>
<tr>
<td>Norway</td>
<td>+8%</td>
</tr>
<tr>
<td>AMEA</td>
<td>-2%</td>
</tr>
<tr>
<td>China</td>
<td>+8%</td>
</tr>
<tr>
<td>India</td>
<td>-11%</td>
</tr>
<tr>
<td>S. Korea</td>
<td>+29%</td>
</tr>
</tbody>
</table>

As % of orders
- Americas 33%
- Europe 34%
- AMEA 33%

All data presented on a yoy comparable basis; all growth comments refer to comparable growth trends
AMEA = Asia, Middle East and Africa, EL = Electrification, IA = Industrial Automation, MO = Motion, RA = Robotics & Discrete Automation. BA = Business Area

Americas
Decline correlated to ongoing COVID-19 pandemic
USA: MO robust, EL and RA subdued, steep fall in IA

Europe
Mixed, lower large orders weigh
Germany: EL resilient

AMEA
IA, EL weakness partially offset by robust MO and strong RA performance
China: RA very strong, EL and MO strong
Q3 2020 results summary

Orders -8%\(^1\)

Revenues -4%\(^1\)

Operational EBITA margin +30 bps

<table>
<thead>
<tr>
<th></th>
<th>Q3 19</th>
<th>Q3 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Op. EBITA margin</td>
<td>11.7</td>
<td>12.0</td>
</tr>
<tr>
<td>Stranded costs</td>
<td>-70</td>
<td>n.a.</td>
</tr>
<tr>
<td>Non-core</td>
<td>-30</td>
<td>-130</td>
</tr>
<tr>
<td>IA project</td>
<td>-90</td>
<td>-80</td>
</tr>
</tbody>
</table>

Operational EPS

- $0.21
- -36%

Basic EPS

- $2.14
- +785%
  incl. $5.3 bn PG book gain (pre-tax)

Cash flow from operating activities\(^2\)

- $408 mn
  after $273 mn negative pension impact

1. yoy comparable. Note: USD reported orders and revenues are impacted by foreign exchange and changes in the business portfolio
2. Cash flow from operating activities, continuing and discontinued operations
Q3 2020 Electrification
In target margin corridor

Orders $2,952 mn
Lower large orders
Buildings mixed, material decline in O&G
Utilities, data centers, F&B, wind & transport buoyant
Backlog $4.5 bn (prior Q-end $4.5 bn)

Revenues $3,031 mn
Resilient short-cycle business
Constrained project activities, mainly US
Book-to-bill 0.97x

Operational EBITA $493 mn
Margin yoy +210 bps
Good cost mitigation, supportive pricing actions
Improved Installation Products, GEIS; exit of solar inverter business
Q3 20 result reflects ~100 bps benefit from items that may not repeat
Q3 2020 Industrial Automation

COVID-19 continues to impact services

Orders $1,164 mn

- Energy and marine segments depressed
- Pulp & Paper resilient
- Backlog $5.2 bn (prior Q-end $5.2 bn)

Revenues $1,403 mn

- Substantial drop in book-and-bill, particularly due to mobility constraints
- Book-to-bill 0.83x

Operational EBITA $89 mn

- Margin yoy -260 bps
- Lower volumes, unfavorable mix particularly services
- Q3 20 result incl. ~400 bps impact in relation to the Kusile project
Q3 2020 Motion
Maintaining solid track record

Orders $1,535 mn
Continued downturn in select sectors e.g. oil & gas
Rail strong
Backlog $3.3 bn (prior Q-end $3.4 bn)

Revenues $1,611 mn
Resilience in short-cycle products business
Good backlog execution
Book-to-bill 0.95x

Operational EBITA $281 mn
Margin yoy -40 bps, tough comparison
Supportive mix, good cost mitigation
Q3 2020 Robotics & Discrete Automation

Order recovery led by China

Orders $720 mn
- Select investments in 3C, autos
- Strength in F&B, logistics
- Machine builders weak
- Backlog $1.4 bn (prior Q-end $1.5 bn)

Revenues $806 mn
- Good backlog execution
- Catch-up in robotics automotive and general industry
- Book-to-bill 0.89x

Operational EBITA $76 mn
- Margin yoy -340 bps
- Lower volumes, adverse mix
- Continued cost savings

Orders ($ mn) vs Orders growth (comparable % yoy)

Revenue growth (comparable % yoy)

EBITA margin vs Target 13-17% mid-term
Q3 2020 net income drivers
Moving through most significant transformation steps

787
Operational EBITA

- ~(100) restructuring & GEIS integration expenses
- ~(110) other items, incl. PPA amortization
- ~(200) changes in obligations to divested businesses
- ~(300) goodwill impairment

71
Income from operations

- ~(70) net finance expense
- ~(340) non-operational pension cost, pre-tax
- ~(160) tax
- ~(5.3 bn) book gain from Power Grids disposal, pre-tax

4,530
Net Income

In $ mn, unless stated otherwise

1. Included within $5.0 bn income from discontinued operations, net of tax
### Capital structure optimization program

**Improved financial flexibility**

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Share buyback</th>
<th>Debt and credit facilities</th>
<th>Pension structures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59.3 mn shares repurchased (Jul 23-Sep 30 incl.)</td>
<td>Significant repayments</td>
<td>Certain plans transferred to 3rd party insurers¹</td>
</tr>
<tr>
<td>Q3 actions</td>
<td>~3% of share capital</td>
<td>€2 bn short-term revolving credit facility (RCF) (fully repaid Jun-Jul)</td>
<td>~$320 mn cash contribution² and ~$850 mn plan assets transferred</td>
</tr>
<tr>
<td></td>
<td>~CHF 1.4 bn</td>
<td>$2.8 bn commercial paper</td>
<td>Removes ~$1.3 bn³ obligations, underfunded by ~$450 mn³</td>
</tr>
<tr>
<td>Ongoing</td>
<td>$1 bn bond at maturity (fully repaid early Oct)</td>
<td>Potential ~$90 mn³⁴ additional cash contribution</td>
<td>Thereafter, risk of further costs and charges declines materially</td>
</tr>
<tr>
<td></td>
<td>Further assessment ongoing⁴</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Balance sheet and liquidity position, end Q3 2020

<table>
<thead>
<tr>
<th>Debts</th>
<th>Cash &amp; facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt/EBITDA</td>
<td>Total cash⁵ and undrawn facilities</td>
</tr>
<tr>
<td>-0.4x</td>
<td>$11.6 bn</td>
</tr>
<tr>
<td>A/A3</td>
<td>$2 bn</td>
</tr>
</tbody>
</table>

- **Debts**
  - Total debt⁶
  - Credit rating (S&P, Moody's)
  - Undrawn RCF

- **Cash & facilities**
  - Total cash⁵
  - Total underfunding

<table>
<thead>
<tr>
<th>Pensions</th>
<th>Ongoing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total underfunding</td>
<td>~3% of share capital</td>
</tr>
<tr>
<td>$4 bn</td>
<td>$2.8 bn commercial paper</td>
</tr>
</tbody>
</table>

1. As a result, ABB recorded ~$340 mn non-operational pension cost in its income statement in Q3
2. Of which, $273 mn paid, remainder in Q4
3. Management estimates
4. Transaction(s) may generate non-operational costs and expenses totaling ~$330 mn in Q4
5. cash (including restricted) and cash equivalents plus marketable securities
6. short-term borrowings, current maturities of long-term debt plus long-term debt

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Slide 11
Outlook & priorities

Short-term outlook, by end-market

End Q3

Estimated growth, (% yoy):
- 0% or higher
- 0% to -5%
- -5% to -15%
- -15% or lower

Food & Beverage
Select process (e.g. Pulp & Paper, Water & Wastewater)
Select transport, infrastructure (e.g. e-mobility, wind, rail)
Data centers
3C, semiconductors
Buildings
Distribution utilities
Metals
Mining & Minerals
Conv. power generation
Other industry (e.g. chemicals, plastics)
Machine builders
Automotive
Oil & Gas
Marine

1. Strong underlying performance, operations adapting
   - #1 priority, Health & Safety
   - Staying close to customers
   - Reducing costs, sustainably
   - Resilient cash delivery anticipated for FY20

2. Accelerated transformation
   - Improving profitability in underperforming businesses
   - Faster delivery of ABB-OS cost savings
   - Active portfolio review

3. Attractive returns to shareholders
   - Buyback continues
   - Improving balance sheet strength

Capital Markets Day - November 19, 2020
## 2020 framework

<table>
<thead>
<tr>
<th>$ mn unless otherwise stated</th>
<th>FY 2020 framework</th>
<th>9M 2020</th>
<th>Q4 2020 framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate and Other operational EBITA</strong></td>
<td>~(550)</td>
<td>(401)</td>
<td>~(150)</td>
</tr>
<tr>
<td><strong>Non-operating items</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal restructuring</td>
<td>~(130)</td>
<td>(57)</td>
<td>~(70)</td>
</tr>
<tr>
<td>Simplification program(^1)</td>
<td>~(200)</td>
<td>(133)</td>
<td>~(65)</td>
</tr>
<tr>
<td>Transaction and separation related costs (PG, solar inverters)</td>
<td>~(211)</td>
<td>(211)(^2)</td>
<td>-</td>
</tr>
<tr>
<td>GEIS acquisition related expenses and integration costs</td>
<td>~(30)</td>
<td>(20)</td>
<td>~(10)</td>
</tr>
<tr>
<td>PPA-related amortization</td>
<td>~(260)</td>
<td>(197)</td>
<td>~(65)</td>
</tr>
<tr>
<td>Certain other income and expenses related to PG divestment(^3)</td>
<td>~(50)</td>
<td>(22)</td>
<td>~(25)</td>
</tr>
</tbody>
</table>

### FY 2020 framework

<table>
<thead>
<tr>
<th></th>
<th>9M 2020</th>
<th>Q4 2020 framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net finance expenses</strong></td>
<td>~(380)</td>
<td>(152)</td>
</tr>
<tr>
<td><strong>Non-operational pension (cost) / credit(^4)</strong></td>
<td>~(370)</td>
<td>(272)</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td>~27%</td>
<td>63.1%</td>
</tr>
<tr>
<td><strong>PG tax impact</strong></td>
<td>(246)</td>
<td>(246)(^6)</td>
</tr>
<tr>
<td><strong>Capital expenditure (continuing)</strong></td>
<td>~(650)</td>
<td>(434)</td>
</tr>
</tbody>
</table>

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1. ABB-OS simplification program expected to incur ~$285 million restructuring (previously $350 million) and ~$165 million related implementation costs (previously $150 million) over ~2 years from Q4 18. As at end Q3 2020, $240 million restructuring and $143 million related implementation costs have been recorded on a cumulative basis
2. Including amounts booked in discontinued operations of $87 million
3. Excluding share of net income from JV
4. Cash flow from operating activities is expected to include an additional cash contribution of $90 million in Q4 2020 due to pension structure changes
5. Primarily goodwill impairment, non-operational pension costs, changes in obligations to divested businesses
6. Includes tax related to continuing operations, discontinued operations as well as certain non-income taxes

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Key

New or revised guidance

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Slide 14
Q3 2020 operational EBITA bridge

11.7% margin $806

+ 245

- 128

- 60

- 107

- 4

+ 25

787

12.0% margin

Op. EBITA Q3 19

Net Savings

Commodities

Net Volume

Non-core Mix / Under-Absorption*

Others

Forex

Op. EBITA Q3 20

*Inclusive of COVID-19 related mobility constrained service activities

Others includes benefit from removal of stranded costs