



ABB LTD, ZURICH, SWITZERLAND, OCTOBER 25, 2018

# Sustained growth

Q3 2018 results

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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”, “2018 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.

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

Q3 2018 financial performance

2018 update

## Q3 2018 sustained growth

### Profitable Growth

Total orders +9%, up in all divisions and regions

Base orders +7%, up in all divisions and regions

Revenues +3%; service revenues +11%

ABB Ability™ recognized as Global #1 in Distributed Control Systems, Global #1 in Enterprise Asset Management<sup>1</sup>

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### Relentless Execution

Group Operational EBITA margin 12.1%, impacted by GEIS dilution

Strong operating result in RM, IA; EP robust; PG at target margin corridor

Net cost savings >\$100 mn

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### Business-led Collaboration

EPC business transferred to new JV established with SNC Lavalin

Thomas & Betts brand migration completed

Recognized as #1 employer of choice in the technology sector<sup>2</sup>

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## Q3 2018 financial summary

Orders

**\$8.9 bn**

+9%<sup>1</sup>

Base orders

**\$8.3 bn**

+7%<sup>1</sup>

Revenues

**\$9.3 bn**

+3%<sup>1</sup>

Operational EBITA margin

**12.1%**

-80 bps<sup>2</sup>

Operational EPS

**\$0.34**

+4%<sup>3</sup>

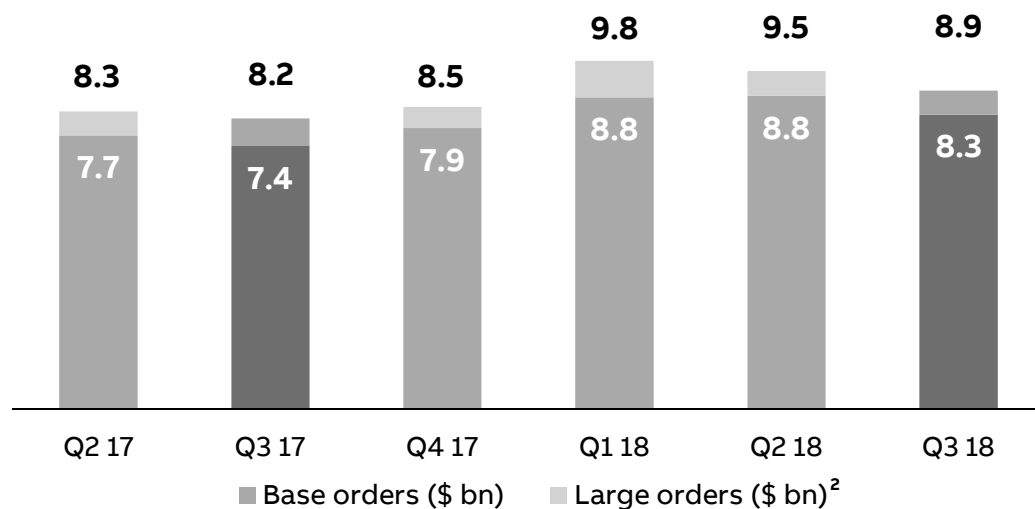
Cash flow from operating activities

**\$565 mn**

## Q3 2018 orders

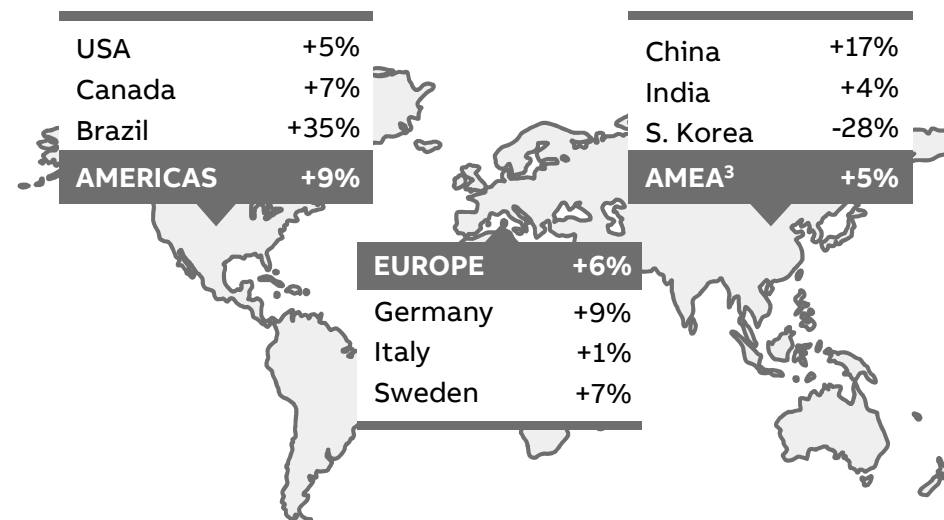
Order growth in all regions

**Total orders +9% yoy<sup>1</sup>**



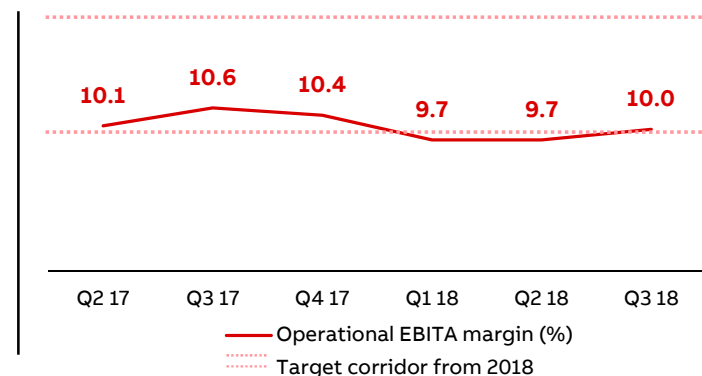
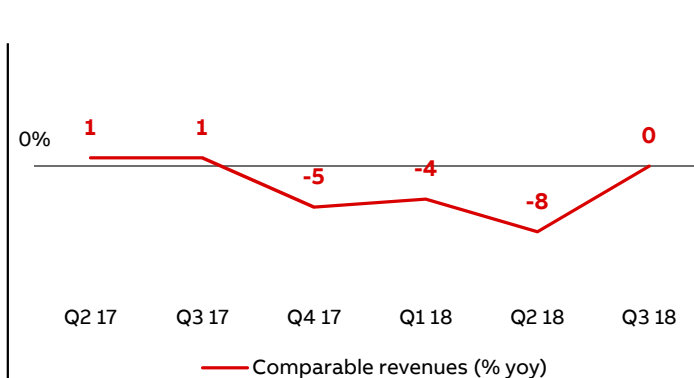
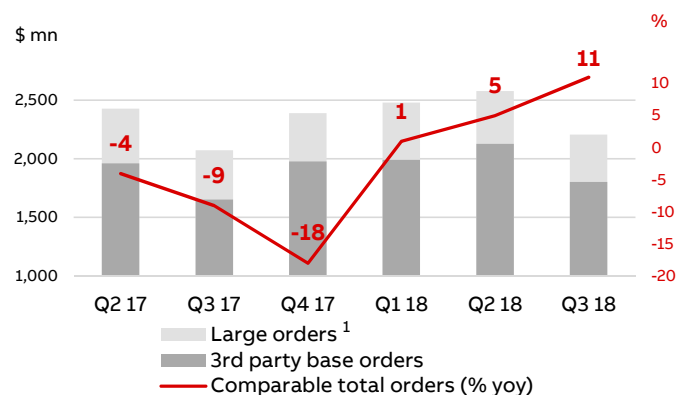
**Base orders +7% yoy<sup>1</sup>**

Growth by region and top 3 country markets in \$ terms<sup>1</sup>



## Q3 2018 Power Grids

Strong order momentum, margin at target corridor



### Orders \$2207 mn

Third-party base orders +13% yoy<sup>2</sup>

Broad based growth; grid digitalization and services strong

Large HVDC order

### Revenues \$2336 mn

Growth in services mitigates lower opening backlog

Order backlog end Q2 -4%, end Q3 -1% yoy

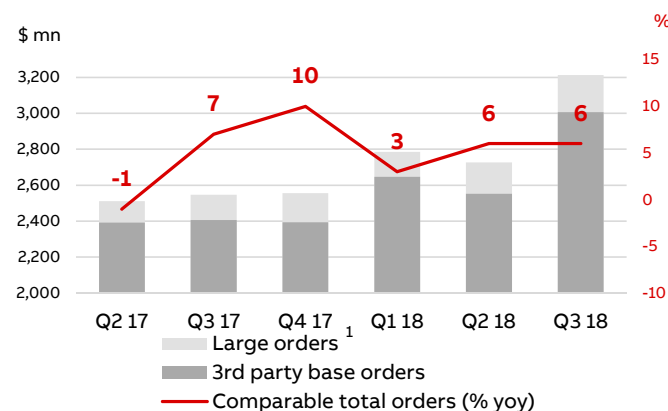
### Operational EBITA \$232 mn

Margin at target corridor, yoy -60 bps

Cost reduction efforts, strong project execution

# Q3 2018 Electrification Products

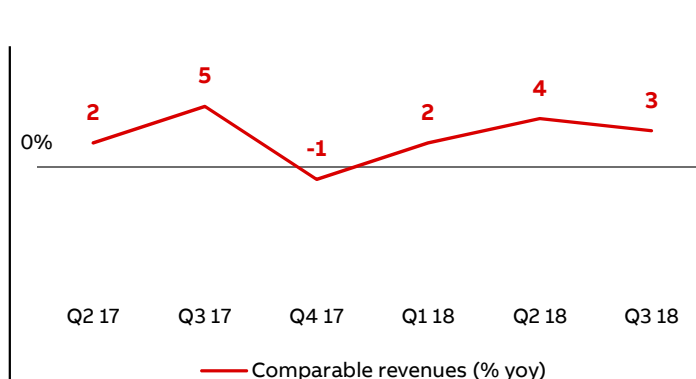
Robust organic growth, GEIS integration on track



## Orders \$3215 mn

Third-party base orders +3% yoy<sup>2</sup>

Construction robust, growth for data center solutions

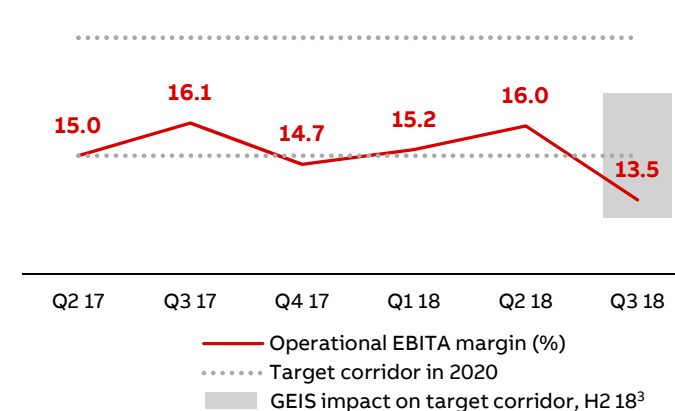


## Revenues \$3199 mn

Good building products growth

GEIS in line with expectations

Order backlog end Q2 +5%, end Q3 +8% yoy



## Operational EBITA \$431 mn

Margin yoy -260 bps

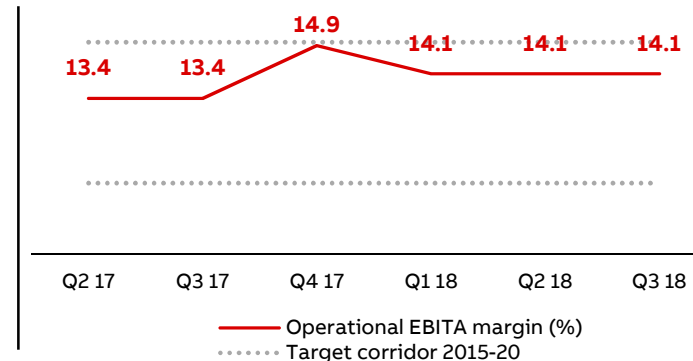
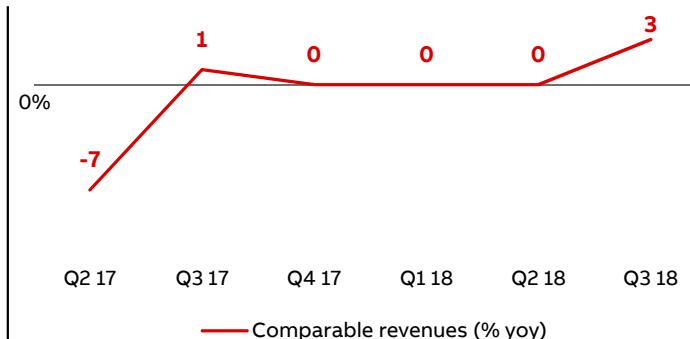
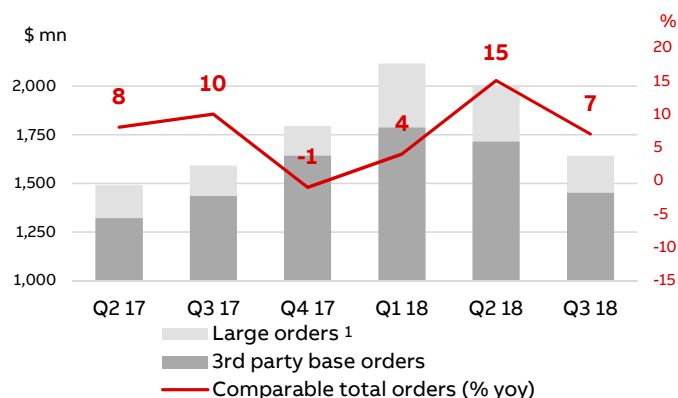
Volume growth, pricing actions, cost control

GEIS dilution -270 bps, as expected



# Q3 2018 Industrial Automation

## Solid delivery



### Orders \$1643 mn

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

Continued recovery in process industries

Strong quarter for cruise ships

### Revenues \$1758 mn

Strong book-and-bill, execution of backlog

Order backlog end Q2 -4%, end Q3 -2% yoy

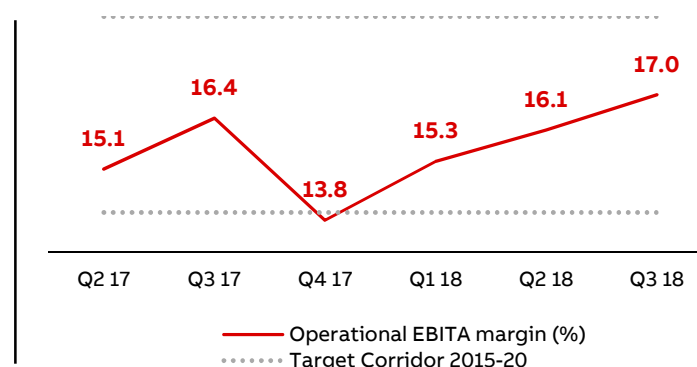
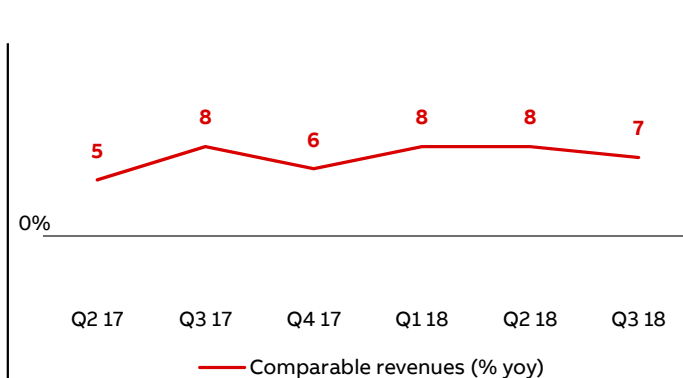
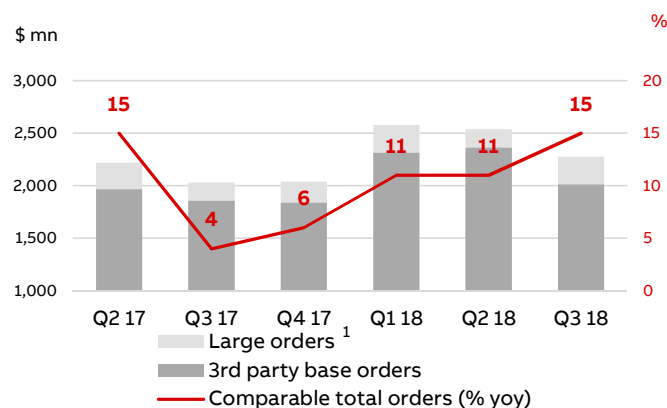
### Operational EBITA \$246 mn

Margin yoy +70 bps

Net savings, strong project execution, positive one-time effects

# Q3 2018 Robotics and Motion

Strong execution



## Orders \$2276 mn

Third-party base orders +12% yoy<sup>2</sup>

Growth in automotive, F&B, process industries, rail

## Revenues \$2281 mn

Execution of backlog, good book-and-bill

Order backlog end Q2 +6%, end Q3 +10% yoy

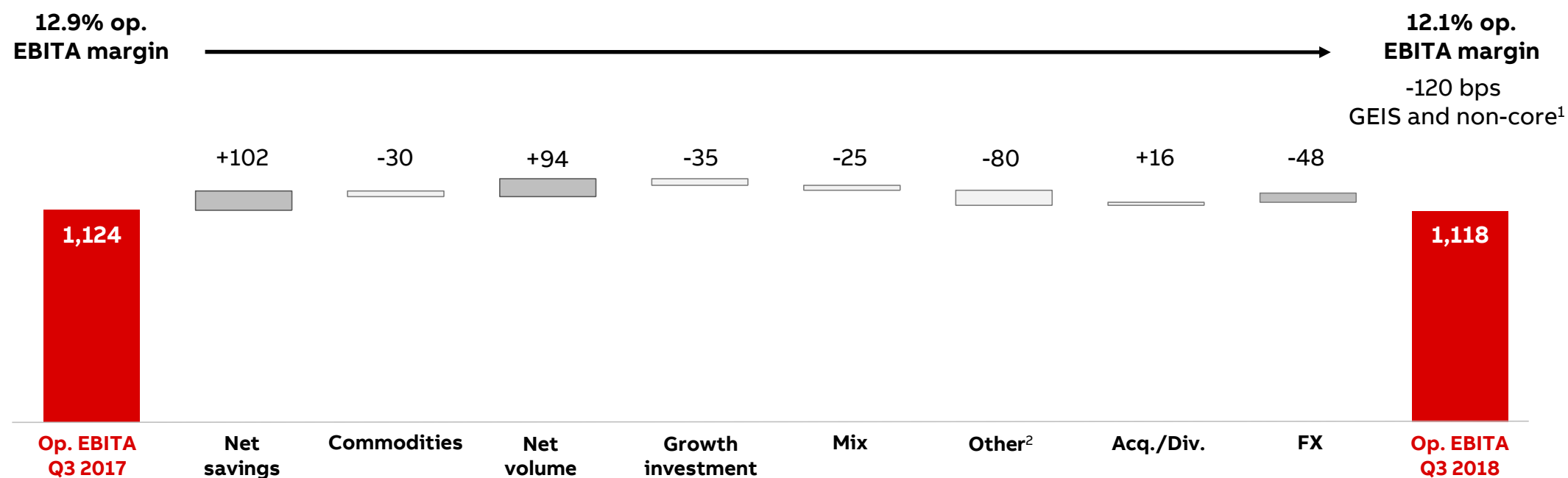
## Operational EBITA \$386 mn

Margin yoy +60 bps

Positive volume and mix, ongoing restructuring, cost discipline

## Q3 2018 Operational EBITA

### Operational EBITA bridge Q3 2017 to Q3 2018 (\$ mn)



## Other financial items

*\$ mn unless otherwise stated*

**9M 18A** **FY 18  
framework**

**Corporate & Other Operational EBITA** **(455)** **~(600)**

### **Key non-operating items:**

PPA-related amortization (225) ~(315)

Normal restructuring (61) ~(150)

Acquisition-related expenses and integration costs (152) ~(182)

*\$ mn unless otherwise stated*

**9M 18A** **FY 18  
framework**

Net finance expense (180) (250)

Effective tax rate 27% 27%

Cash flow from operating activities 1,057 Solid

Capex (674) ~(1,000)

# Driving profitable growth in four entrepreneurial divisions

Q3 highlights – penetration, innovation, expansion

## Power Grids



### Penetration of emerging markets

Major HVDC order enabling efficient long-distance transmission of hydropower

**CASA-1000 grid integration project, Pakistan**

## Electrification Products



### Innovation for industrial data centers

Ultra-reliable solutions to secure power supply

**Launch of best-in-class modular UPS technology**

## Industrial Automation



### Penetration of recovering process industries

Largest ever integrated control, safety and security system for gas pipeline delivered

**1,850 km Trans-Anatolian Natural Gas Pipeline, Azerbaijan**

## Robotics and Motion



### Expansion of robotics solutions suite

Strengthening of value proposition for fast growing logistics segment

**Acquisition of Intrion, Benelux**

# Driving profitable growth in China – ABB's #2 market

Key contributor to China's reform agenda

## ABB end-markets where China is #1



Transmission & Distribution



Mining & Minerals



Metals



3C & Semiconductor



Robotics



Railways



Marine

## Well aligned to China's 13th 5 Year Plan



Electrical Power



High-end robotics



Next Gen IT & AI



New EVs & equipment



Rail transportation



Maritime engineering

## ABB's competitive strengths

**In China,  
for China,  
for 111 years**

- 90%+ sales from locally-made products, solutions and services
- ~18,000 employees, 12% of employees in R&D
- Active in 800+ cities (including e-commerce)
- Continuous investment, e.g. Xiamen Hub

# ABB Ability™ – quantum leap in digital

Recognized as market leader

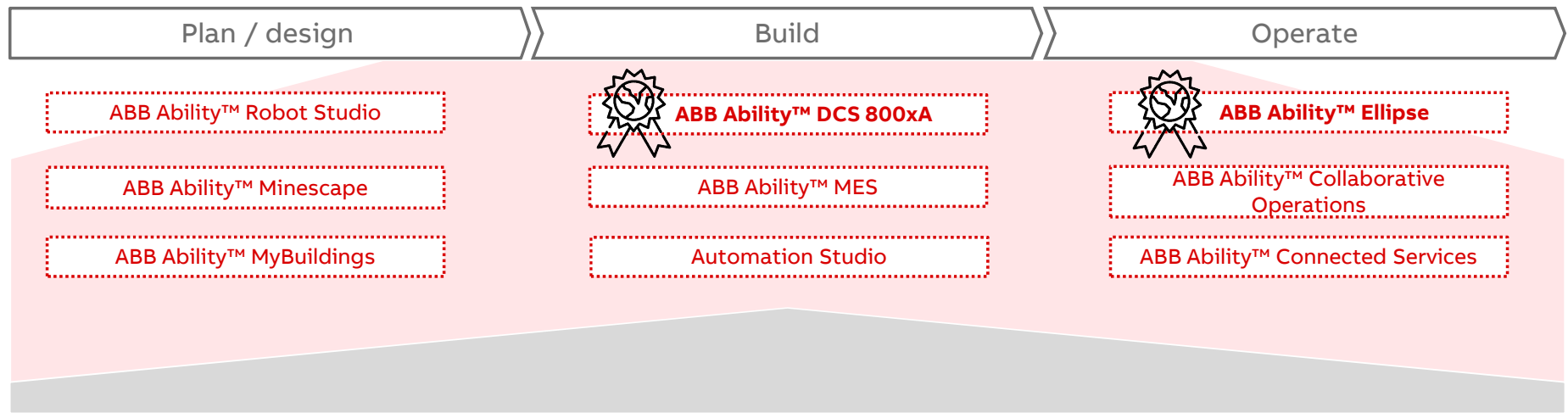
Customer  
asset lifecycle

**ABB Ability™  
solutions**

(Examples)

Enhanced digital  
value proposition

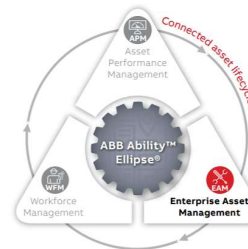
“Traditional” value  
proposition



## #1 ABB Ability™ DCS 800xA<sup>1</sup>

Cutting-edge solutions for integrated process, electrical and safety control systems

**Reduces project execution risk, drives asset productivity**



## #1 ABB Ability™ Ellipse EAM Software<sup>1</sup>














Best-practice management of assets, operations, logistics, financials, HR

**Lowers operating costs, increases productivity**

# ABB better positioned in a better market

## Summary

### Market outlook<sup>1</sup>

		2018 – 2020
<b>Utilities</b>	Renewables	
	Transmission & distribution	
	Conventional power generation	
<b>Industries</b>	O&G upstream	
	Mining	
	Hybrid & discrete	
	O&G mid/downstream, chemicals	
	Metals, other process	
<b>Transport &amp; Infrastructure</b>	Data centers	
	EV charging infrastructure	
	Commercial buildings	
	Other buildings	
	Marine, Rail	

### Q3 highlights<sup>2</sup>

Total orders +9%, up in all divisions and regions

Base orders +7%, up in all divisions and regions

Revenues +3%; service revenues +11%

ABB Ability™ leadership recognized: #1 for DCS, #1 for EAM<sup>3</sup>

Group Operational EBITA margin 12.1%

- Impacted by GEIS dilution
- Strong operating result in RM, IA; EP robust; PG at target margin corridor

©ABB Expected growth rate  >3%  1-3%  0-1%  <0%



**AIB**

## Key figures Q3 2018

	Q3 18	Q3 17	Change yoy		
<i>in \$ mn unless stated otherwise</i>			\$	Local currency	Comparable
Orders	8,941	8,157	+10%	+13%	+9%
Order backlog (end September)	23,480	23,424	0%	+4%	+2%
Revenues	9,257	8,724	+6%	+9%	+3%
Operational EBITA	1,118	1,124	-1%	+4%	
as % of operational revenues	12.1%	12.9%	-0.8pts		
Income from operations	908	888	+2%		
as % of revenues	9.8%	10.2%	-0.4pts		
Net income attributable to ABB	603	571	+6%		
Basic earnings per share (\$)	0.28	0.27	+6% <sup>1</sup>		
Operational earnings per share (\$)	0.34	0.34	+0% <sup>1</sup>		+4% <sup>2</sup>
Cash flow from operating activities	565	954	-41%		

# Total and base orders

By division

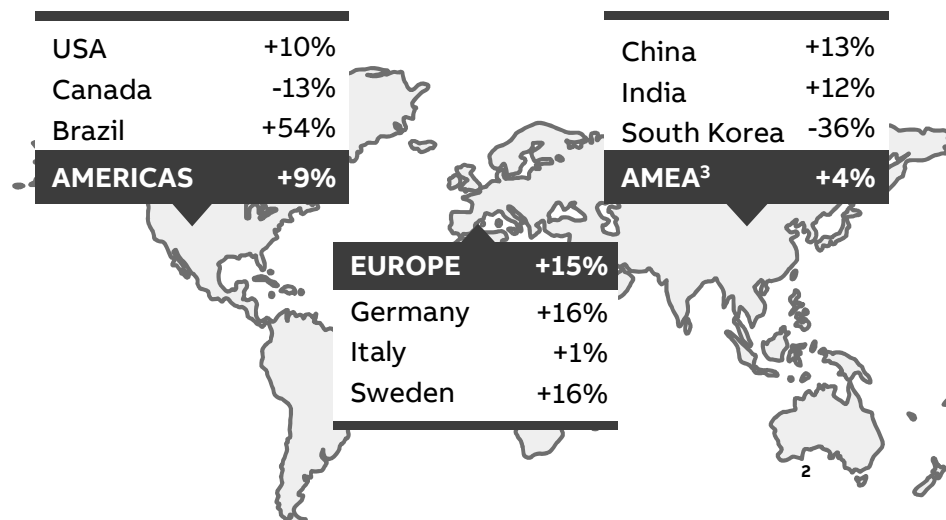
		Q3 18	Q3 17	Change yoy
<i>in \$ mn unless stated otherwise</i>				Comparable
Power Grids	Total orders	2,207	2,072	+11%
	3 <sup>rd</sup> party base orders	1,802	1,654	+13%
Electrification Products	Total orders	3,215	2,547	+6%
	3 <sup>rd</sup> party base orders	3,008	2,407	+3%
Industrial Automation	Total orders	1,643	1,592	+7%
	3 <sup>rd</sup> party base orders	1,451	1,436	+4%
Robotics and Motion	Total orders	2,276	2,031	+15%
	3 <sup>rd</sup> party base orders	2,012	1,857	+12%
Corporate and Other	Total orders	(400)	(85)	n.a
	3 <sup>rd</sup> party base orders	(2)	30	n.a
<b>ABB Group</b>	<b>Total orders</b>	<b>8,941</b>	<b>8,157</b>	<b>+9%</b>
	<b>3<sup>rd</sup> party base orders</b>	<b>8,271</b>	<b>7,384</b>	<b>+7%</b>

# Total and base orders

By region

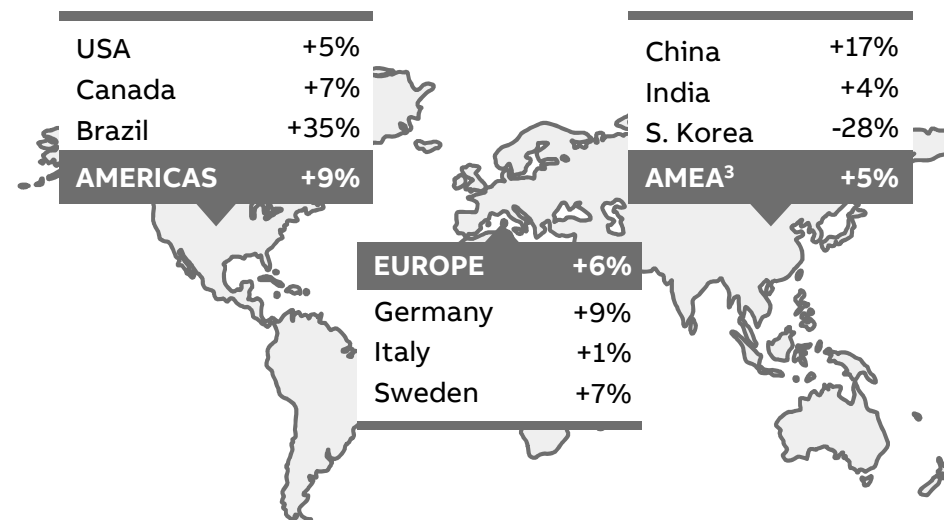
## Total orders +9% yoy

Growth by region<sup>1</sup>



## Base orders +7% yoy<sup>2</sup>

Growth by region<sup>1</sup>



# Order backlog

By division

	End September 2018	End September 2017		Change yoy
<i>in \$ mn unless stated otherwise</i>			\$	Comparable
Power Grids	10,272	10,833	-5%	-1%
Electrification Products	4,426	3,228	+37%	+8%
Industrial Automation	5,307	5,595	-5%	-2%
Robotics and Motion	4,204	3,958	+6%	+10%
Corporate and Other	(729)	(190)	n.a	n.a
<b>ABB Group</b>	<b>23,480</b>	<b>23,424</b>	<b>0%</b>	<b>+2%</b>
<i>Year of recognition</i>	<b>2018</b>	<b>2019</b>	<b>Thereafter</b>	
Backlog conversion estimate	<b>33%</b>	<b>45%</b>	<b>22%</b>	

# Cash flow from operating activities

By division

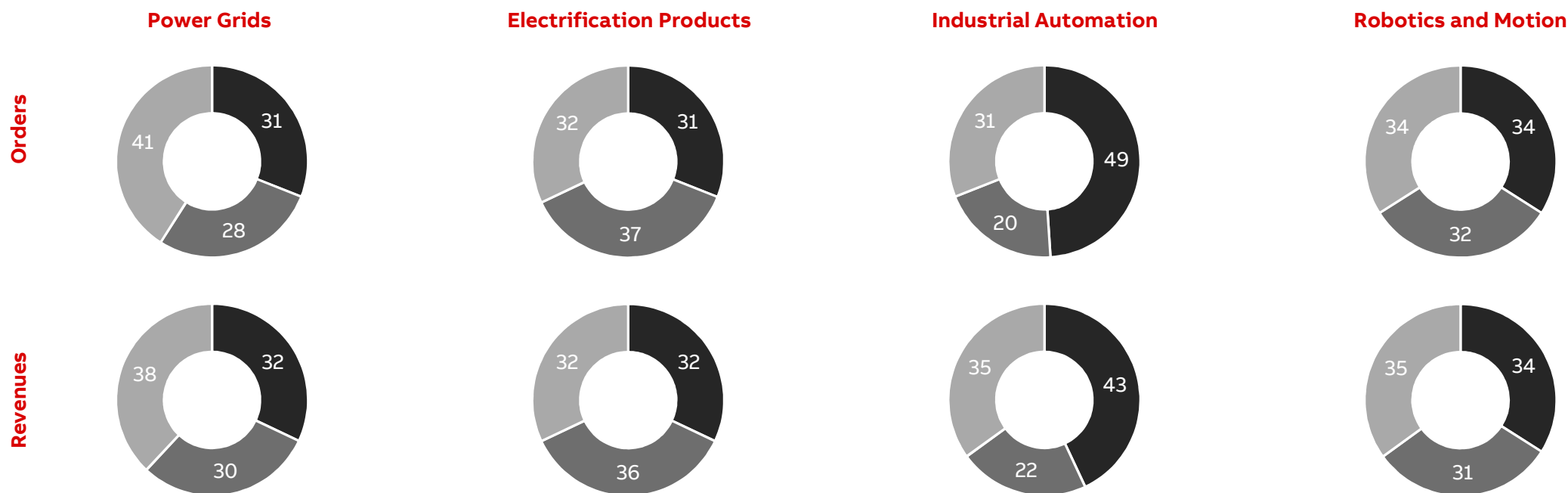
	Q3 18	Q3 17	Change yoy
<i>in \$ mn unless stated otherwise</i>			
Power Grids	(162)	182	n.a
Electrification Products	375	304	+23%
Industrial Automation	174	236	-26%
Robotics and Motion	300	247	+21%
Corporate and Other	(122)	(15)	n.a
<b>ABB Group</b>	<b>565</b>	<b>954</b>	<b>-41%</b>

# Operational EPS analysis

	Q3 18	Q3 17	Change yoy <sup>1</sup>
<i>\$ mn, except per share data in \$</i>			
		EPS	EPS
<b>Net income (attributable to ABB)</b>	<b>603</b>	<b>571</b>	<b>0.27</b>
			<b>+6%</b>
Operational adjustments:			
Acquisition-related amortization	80	74	
Restructuring and restructuring-related expenses <sup>2</sup>	44	92	
Non-operational pension cost (credit)	-29	-20	
Changes in obligations related to divested businesses	75	0	
Changes in pre-acquisition estimates	1	-2	
Gains and losses on sale of businesses	-66	1	
Acquisition-related expenses and integration costs	75	27	
Certain non-operational items	7	43	
FX / commodity timing differences in income from operations	-6	1	
Tax on operational adjustments <sup>3</sup>	-57	-62	
<b>Operational net income / Operational EPS</b>	<b>727</b>	<b>725</b>	<b>0.34</b>
			<b>+4%</b> <sup>4</sup>

## Regional share of total orders and revenues by division

Q3 2018, in % terms



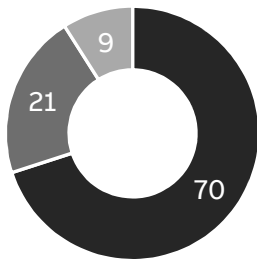


# End-customer and product type revenues by division

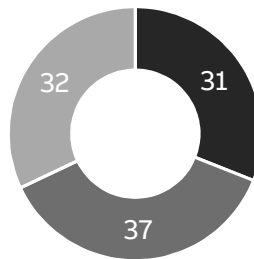
Q3 2018, in % terms

Orders  
End-customer market

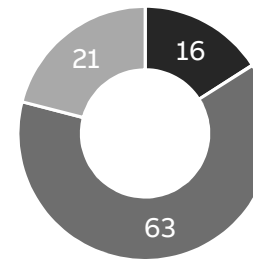
Power Grids



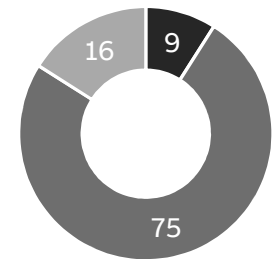
Electrification Products



Industrial Automation



Robotics and Motion



Orders  
Product type

