

ABB LTD, ZURICH, SWITZERLAND, OCTOBER 26, 2017, Q3 2017 RESULTS

# Continuing growth

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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” or similar expressions.

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- costs associated with compliance activities
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates, and
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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)

## Q3 2017: continuing growth

Orders	Base orders	Revenues
<b>\$8.2 bn</b> +5% <sup>1</sup>	<b>\$7.4 bn</b> +6% <sup>1</sup>	<b>\$8.7 bn</b> +3% <sup>1</sup>
Operational EBITA margin	Operational EPS	Cash flow from operating activities
<b>12.9%</b> +0.1 pts	<b>\$0.34</b> +7% <sup>2</sup>	<b>\$954 mn</b> -\$127 mn

# Q3 2017: continuing growth

## Profitable Growth

Total orders up 5%, including B&R up 6%; up in all regions

Base orders up 6%, including B&R up 7%

Services and software orders up 11%; ABB Ability™ driving momentum

Revenues up 3%, including B&R up 4%

B&R acquisition closed July 6, integration on track; GE Industrial Solutions acquisition announced

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## Relentless Execution

Op EBITA margin increased to 12.9%

Solid performance in IA & PG; sequential margin improvement in EP & RM

White Collar Productivity program on track

NWC as a percentage of revenues stable, impacted by B&R acquisition and HV cables divestiture

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## Business-led Collaboration

Enhanced sales structure driving better performance

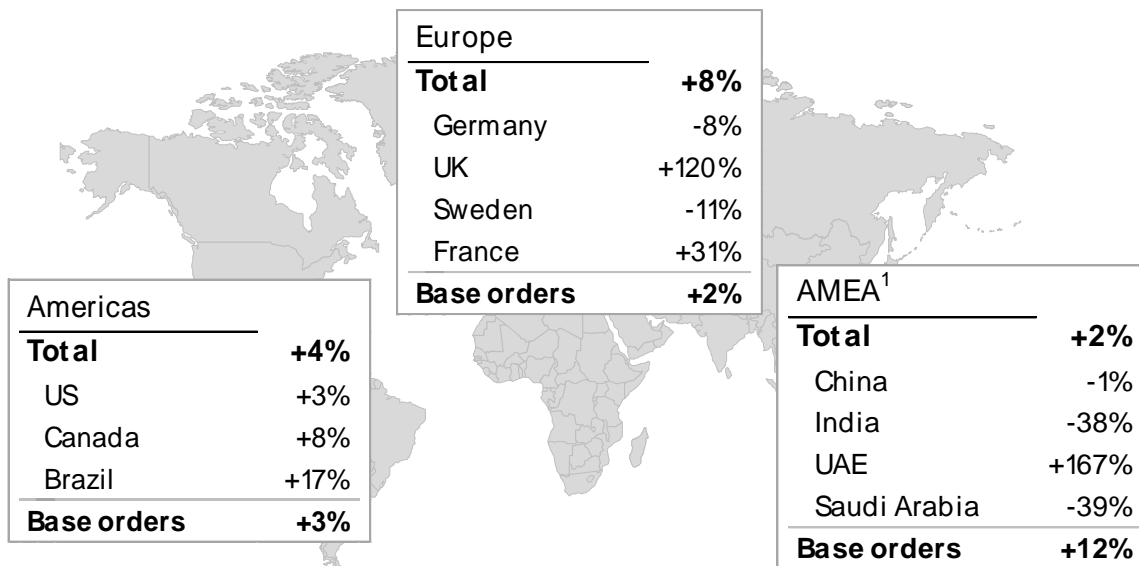
Global Business Services (GBS) nearing completion

4000+ employees in GBS hubs serving 80 countries

# Q3 2017: growth across all regions

## 2017 Q3 total order growth by region

*Change on a comparable basis*



## 2017 Q3 base order growth<sup>2</sup>

*Change on a comparable basis*

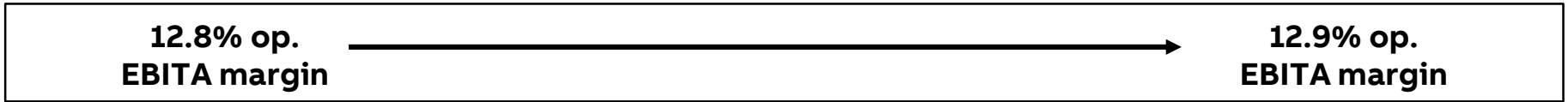
Australia	+26%
Canada	+14%
China	+10%
France	+31%
Germany	+5%
India	-4%
Italy	+6%
Norway	+48%
Saudi Arabia	-24%
South Korea	+2%
Spain	+20%
UK	-6%
US	+3%

# Q3 2017: performance by division

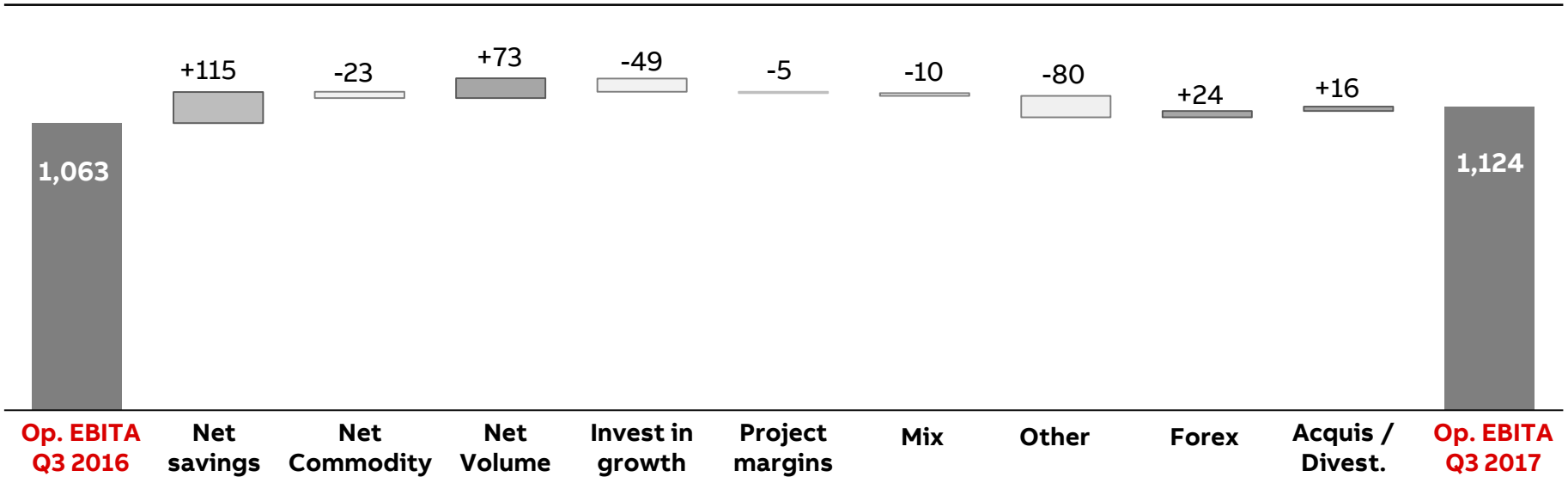
## Key figures

<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>	8.2	2.5	2.0	1.7	2.2
Δ Comparable	+5%	+7%	+4%	+14%	-6%
<b>Base orders<sup>1</sup></b>	7.4	2.4	1.9	1.4	1.7
Δ Comparable	+6%	+8%	+7%	+4%	+5%
<b>Revenues</b>	8.7	2.6	2.2	1.8	2.5
Δ Comparable	+3%	+5%	+8%	+1%	-2%
<b>Op. EBITA %</b>	12.9%	16.1%	16.1%	12.6%	9.8%
Δ	+0.1 pts	-0.1 pts	-0.3 pts	+0.3 pts	+0.2 pts

# Q3 2017: operational EBITA



## Operational EBITA bridge Q3 2016 to Q3 2017, \$ mn

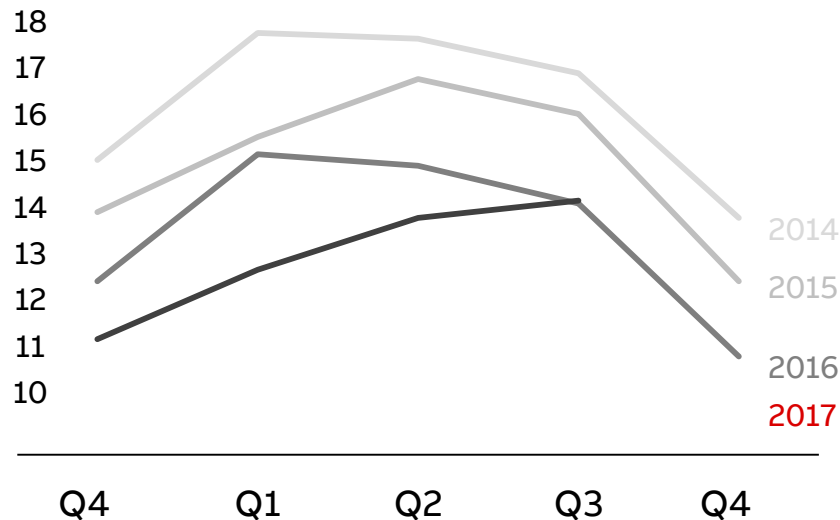


# 9M 2017: net working capital and cash flow

Growth impacting working capital and cash flow in the quarter

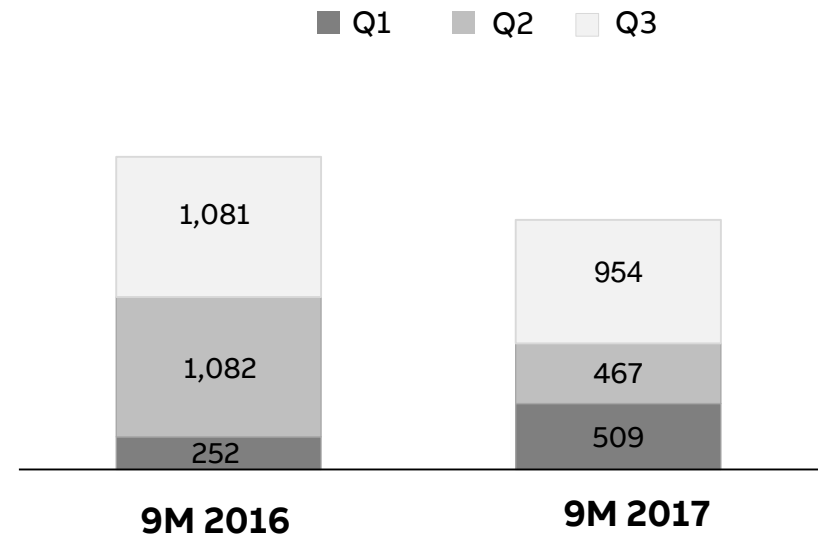
## Net Working Capital reduction

NWC as a % of revenues



## Cash flow from operating activities

\$ mn





# Next Level Stage 3 – committed to unlocking value

Four actions

ANNOUNCED OCTOBER 4<sup>TH</sup>, 2016

**Profitable  
Growth**

**1** Driving growth in four market-leading entrepreneurial divisions

**2** Quantum leap in digital

**Relentless  
Execution**

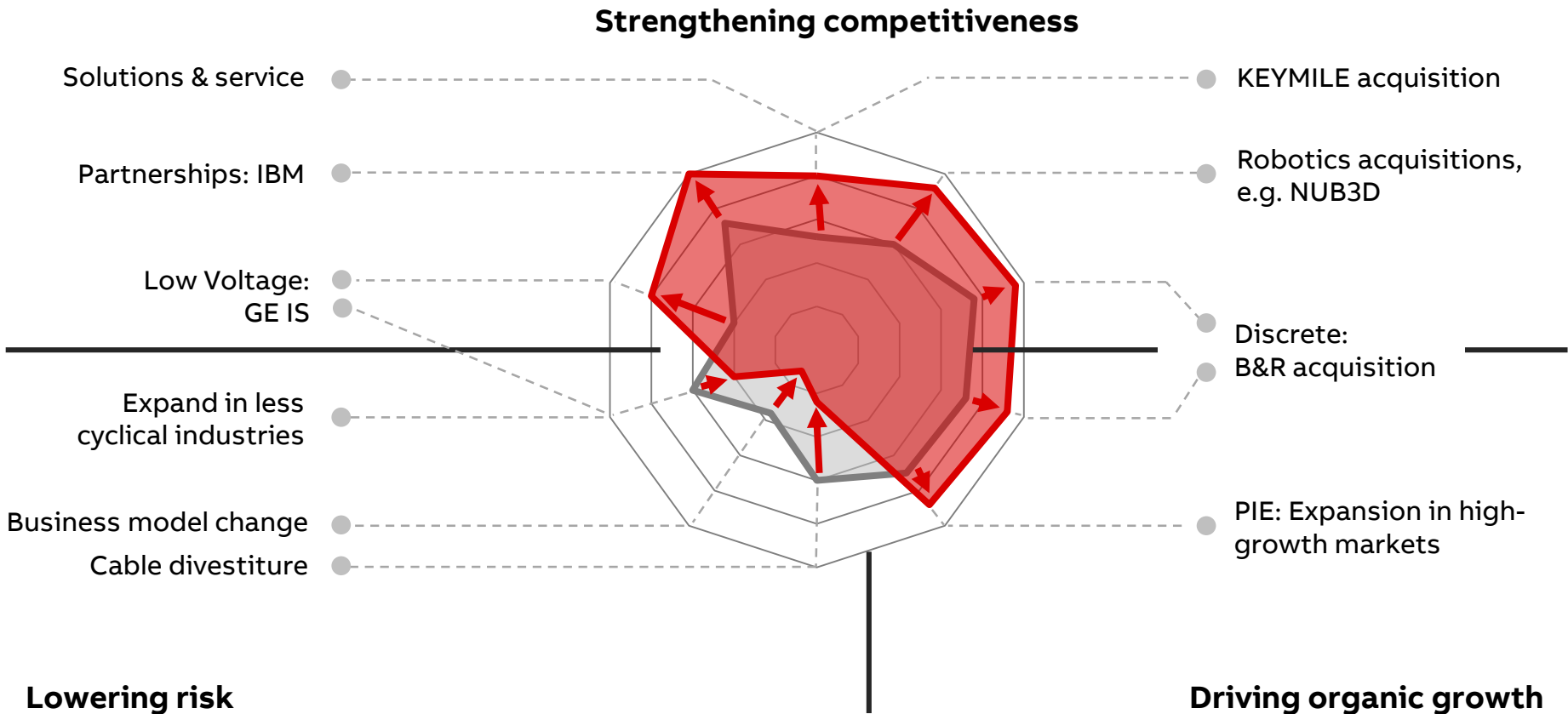
**3** Accelerating momentum in operational excellence

**Business-led  
Collaboration**

**4** Strengthening the global ABB brand

Delivering attractive shareholder returns

# 9M 2017: Continuing to shift ABB's Center of Gravity



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# Leadership in electrification

ABB to acquire GE Industrial Solutions (GE IS)



## Deal rationale

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### Market access

- Expanded access to North America
- Significant installed base globally

### Performance improvement

- Non-core business for GE
- Significant value creation potential:
  - ABB technology leadership
  - Cost synergies (\$200 mn in year 5)

### Comprehensive electrification portfolio

- Complementary portfolio and solutions

### Strategic supply partnership

- GE to tap ABB's leading portfolio through long-term supply partnership

## Deal Financials

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\$2.7 bn sales

- Op EBITDA: ~8%
- Op EBITA: ~6%

\$2.6 bn purchase price

Deal multiples in line with peer valuations

Operational EPS accretive in year 1

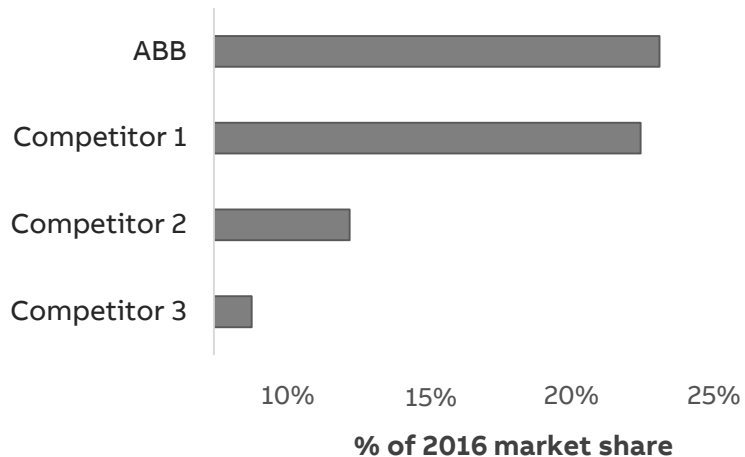
Closing subject to customary regulatory clearances, expected in H1 2018

# ABB Ability™

Leadership and strong customer interest

## Leadership in Digital Grid

ARC Market analysis - SCADA systems for Power T&D



## ABB Ability™ solution examples

### Utilities

ABB Ability™ Network Manager distribution & outage management system

ComEd (Chicago, USA)  
Solution to improve outage response



### Industry

ABB Ability™ collaborative operations

16 collaborative operations centers for robotics, P&P, mining, O&G, etc



### Transport & Infrastructure

ABB Ability™ free@home

Updated home control system that integrates Amazon Alexa and Sonos

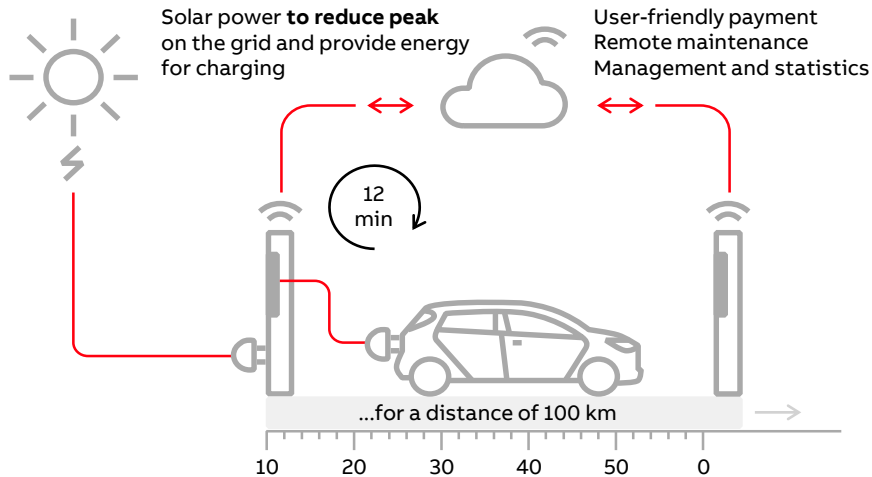


# EV Charging for cars and electric buses

ABB Ability™ powered management system

## Leading portfolio

Complete expertise in EV charging infrastructure from grid to socket supporting all EV charging standards



## Leading position

### Orders:

EV charging infrastructure

US, Germany, Netherlands, South America, ...

Fast chargers for electric buses

UK, Germany, Sweden, France, Switzerland

SCADA and EAM solutions for electric buses

Canada, Switzerland

### Installed base:

5,000+ fast charging stations globally in more than 50 countries connected to the ABB Ability™ cloud

Market growing +25%

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# Q3 2017: summary and outlook

## Q3 2017 results

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Total orders +5%; base orders +6%; higher in all regions

Services & software orders +11%; ABB Ability™ driving momentum

Revenues up 3%

Operational EBITA margin up to 12.9%

Net income \$571 mn; operational EPS +7%<sup>1</sup>

Cash flow from operating activities \$954 mn

NWC % of revenues stable, impacted by B&R acquisition and HV cables divestiture

B&R acquisition closed July 6; integration on track

Leadership position in electrification to be strengthened by GE Industrial Solutions acquisition

## Outlook

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While uncertainties prevail, some macroeconomic signs trend positively in Europe and US with growth expected to continue in China

Overall global market shows modest growth and is impacted by geopolitical tensions in various parts of the world

Long-term demand outlook remains positive – growth drivers in place for utility, industry, transport & infrastructure

2017 remains a transition year for ABB

**ABB**

# Key figures Q3 2017

	Q3 17	Q3 16	Change		
<i>\$ mn unless otherwise indicated</i>			\$	Local currency	Comparable
Orders	8,157	7,533	+8%	+8%	+5%
Order backlog (end September)	23,424	24,554	-5%	-6%	-1%
Revenues	8,724	8,255	+6%	+4%	+3%
Operational EBITA	1,124	1,063	+6%	+3%	
as % of operational revenues	12.9%	12.8%	+0.1 pts		
Income from operations	908	878	+3%		
as % of revenues	10.4%	10.6%	-0.2 pts		
Net income	571	568	+1% <sup>1</sup>		
Basic earnings per share (\$)	0.27	0.27	+1% <sup>1</sup>		
Operational earnings per share (\$)	0.34	0.33	+4%		+7% <sup>2</sup>
Cash flow from operating activities	954	1,081	-12%		



# Third-party base orders by division

	Q3 17	Q3 16	% Change
<i>Third-party base orders \$ mn</i>			Comparable
Electrification Products	2,407	2,227	+8%
Robotics and Motion	1,858	1,724	+7%
Industrial Automation	1,443	1,169	+4%
Power Grids	1,668	1,581	+5%
Corporate and Other	8	26	n.a.
<b>Total Group</b>	<b>7,384</b>	<b>6,727</b>	<b>+6%</b>

# Cash flow from operating activities by division

	Q3 17	Q3 16	% Change
<i>Cash flow from operating activities \$ mn</i>			
Electrification Products	304	352	-14%
Robotics and Motion	242	333	-27%
Industrial Automation	227	242	-6%
Power Grids	157	149	+5%
Corporate and Other	24	5	n.a.
<b>Total Group</b>	<b>954</b>	<b>1,081</b>	<b>-12%</b>

# Order backlog by division

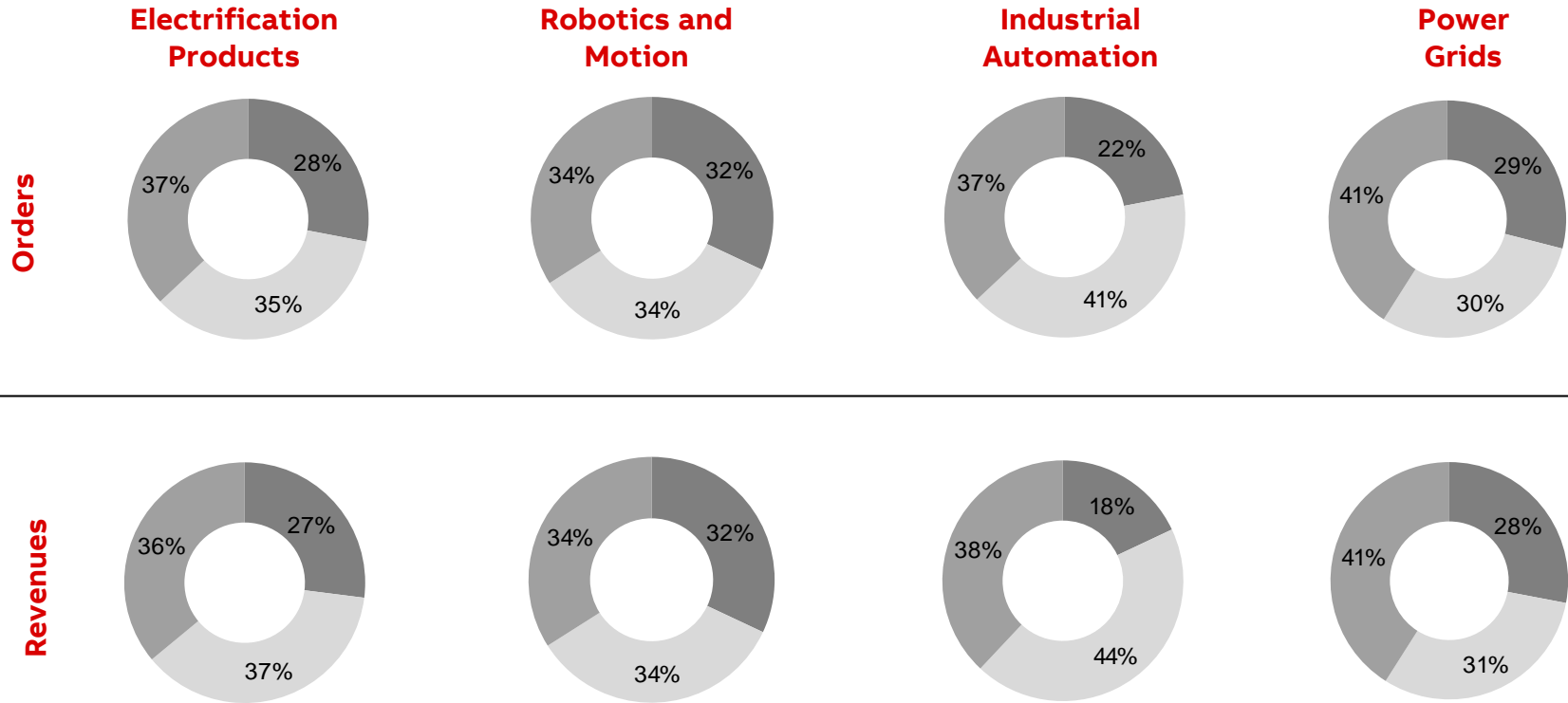
	Q3 17	Q3 16	% Change	
<i>Order backlog (end September) \$ mn</i>			\$	Comparable
Electrification Products	3,228	3,378	-4%	-4%
Robotics and Motion	4,086	3,958	+3%	+2%
Industrial Automation	5,766	5,854	-2%	-5%
Power Grids	11,752	12,139	-3%	-4%
Corporate and Other	-1,408	-775	n.a.	n.a.
<b>Total Group</b>	<b>23,424</b>	<b>24,554</b>	<b>-5%</b>	<b>-1%</b>

# Operational EPS analysis

	Q3 17		Q3 16		Δ <sup>1</sup>
<i>\$ mn, except per share data in \$</i>		EPS		EPS	
<b>Net income (attributable to ABB)</b>	<b>571</b>	<b>0.27</b>	<b>568</b>	<b>0.27</b>	<b>+1%</b>
Operational adjustments:					
Acquisition-related amortization	74		70		
Restructuring and restructuring-related expenses <sup>2</sup>	92		39		
Non-operational pension cost	-20		0		
Changes in retained obligations of divested businesses	0		0		
Changes in pre-acquisition estimates	0		17		
Gains and losses on sale of businesses	1		0		
Acquisition-related expenses and certain non-operational items	68		35		
FX/ commodity timing differences in income from operations	1		24		
Tax on operational adjustments <sup>3</sup>	-62		-58		
<b>Operational net income / Operational EPS</b>	<b>725</b>	<b>0.34</b>	<b>695</b>	<b>0.33</b>	<b>+7%<sup>4</sup></b>

# Regional share of total orders and revenues by division

Q3 2017

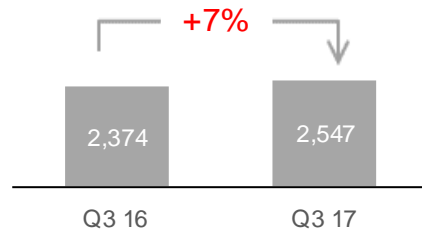


# Electrification Products

Q3 2017

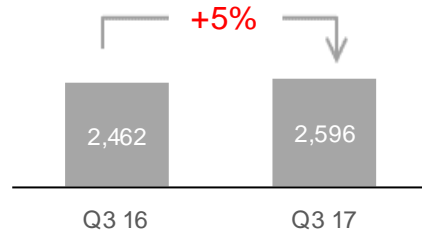
*In \$ mn, y-o-y change comparable*

Orders



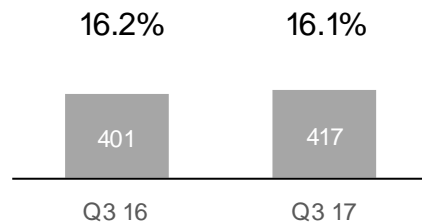
Total orders were 7 percent higher as construction and utility demand remained positive in particular in the AMEA region.

Revenues



Revenues grew 5 percent in the quarter.

Op. EBITA & margin



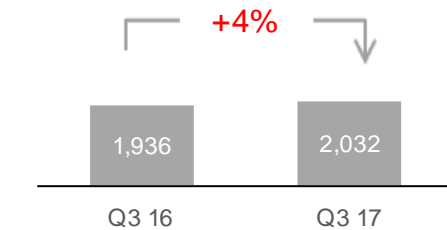
Operational EBITA margin improved sequentially by 110 basis points but was slightly lower in the quarter versus a year ago due to higher material costs, which could not be fully offset by productivity and cost savings.

# Robotics and Motion

Q3 2017

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

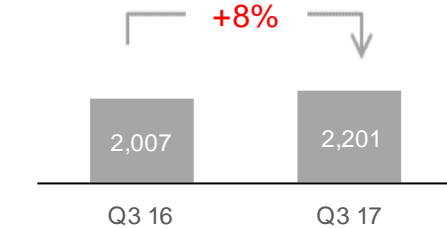
Orders



Total orders improved 4 percent on continued demand for robotics and energy efficient solutions. Demand for the process end markets were positive to stable in the quarter.

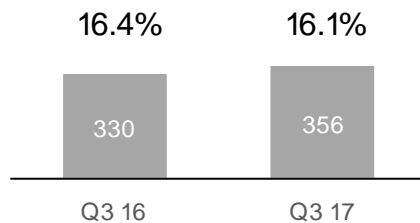
Third-party base orders continued to grow at 7 percent

Revenues



Revenues improved 8 percent.

Op. EBITA & margin



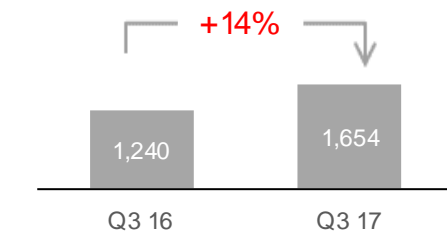
Operational EBITA margin improved sequentially by 120 basis points but was lower in the quarter versus a year ago due to higher commodity prices, which more than offset the positive cost-out measures.

# Industrial Automation

Q3 2017

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

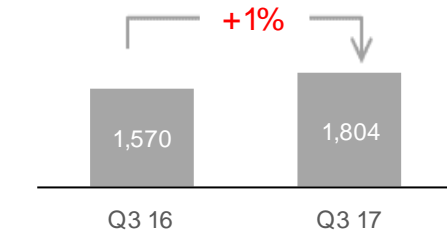
Orders



Total orders excluding B&R and currency effects grew 14 percent; third party base orders grew 4 percent.

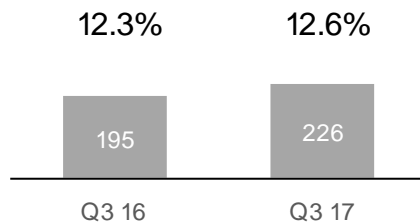
Including B&R and currency effects, the total reported order growth was 33 percent and third party base order growth was 23 percent in US dollars.

Revenues



Revenues excluding B&R and currency effects grew 1 percent reflecting the strong book and bill within the quarter. Including B&R and currency effects the reported revenue growth was 15 percent in US dollars.

Op. EBITA & margin



Operational EBITA margin improved to 12.6 percent reflecting improved project execution, positive mix and solid cost and productivity savings.

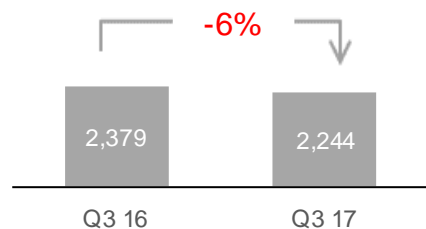


# Power Grids

Q3 2017

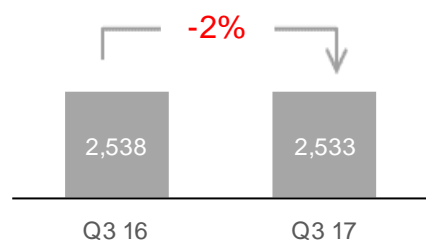
*In \$ mn, y-o-y change comparable*

Orders



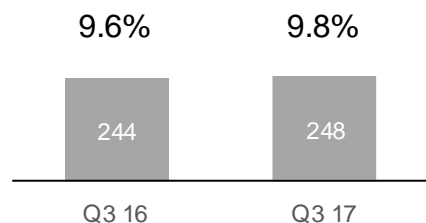
Total orders were impacted by the delayed timing of large order awards and continued selectivity driven by change in business model. Third party base orders grew 5 percent underpinned by investments in emerging markets.

Revenues



Revenues were 2 percent lower on timing of order backlog execution and result of lower backlog due to the business model change.

Op. EBITA & margin



Operational EBITA margin increased 0.2 percentage points to 9.8 percent, reflecting improved productivity and cost savings, solid execution and shift in portfolio mix which more than offset investments in growth.

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