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# ABB delivers strong order 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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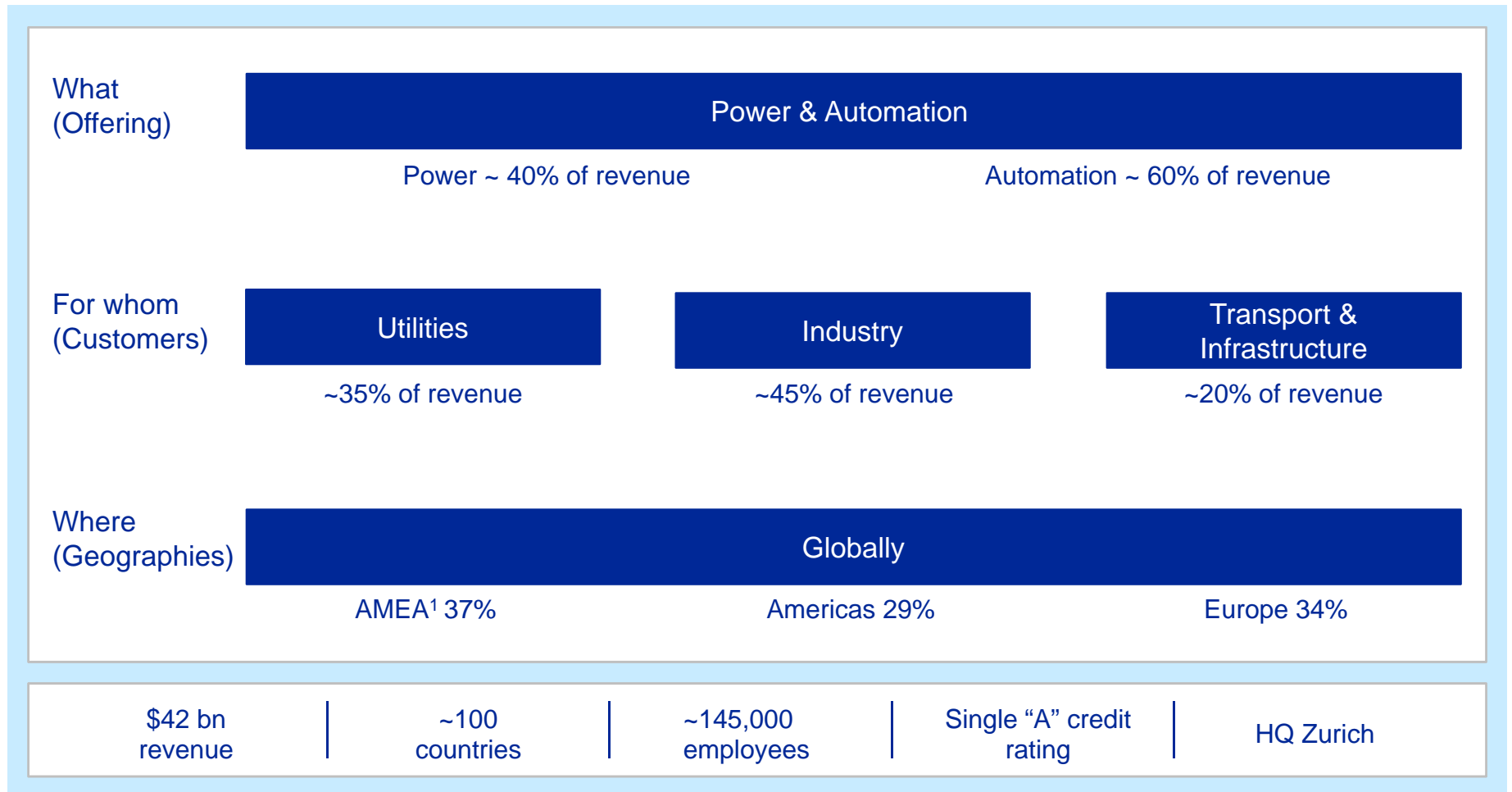
- business risks associated with the with the volatile global economic environment and political conditions
- costs associated with compliance activities
- raw materials availability and prices
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This presentation contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in “Supplemental Financial Information” under “Financial results & presentations” – “Quarterly results & annual reports” on our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

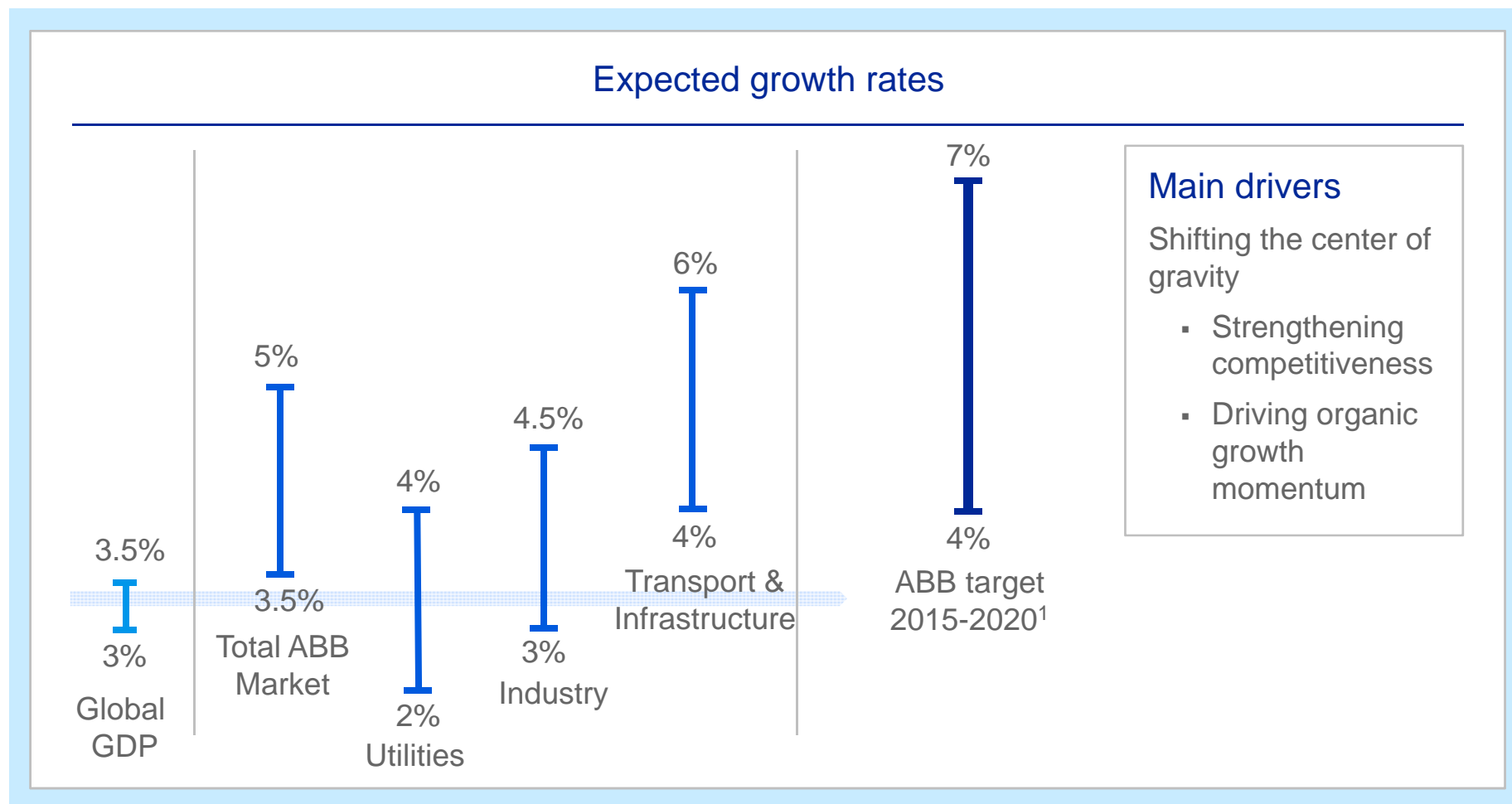
# Well positioned in attractive markets

## ABB today



# ABB organic revenue growth target in context

## Targeting above-market growth



# Overview of 2015-2020 targets

## Group targets and divisional operational EBITA margin targets

| Group                                    |           | Divisions                      |                    |
|--|-----------|--------------------------------|--------------------|
| Revenue growth <sup>1</sup>              | 4-7%      | Discrete Automation and Motion | 14-19%             |
| Operational EBITA % <sup>2</sup>         | 11-16%    | Low Voltage Products           | 15-19%             |
| Operational EPS growth CAGR <sup>3</sup> | 10-15%    | Process Automation             | 11-15%             |
| FCF conversion to net income             | >90%      | Power Products                 | 12-16%             |
|  |           | Power Systems                  | 7-11% <sup>5</sup> |
| CROI % <sup>4</sup>                      | Mid-teens |                                |                    |

# Q3 2014 key takeaways

## ABB delivers strong order growth in Q3

### Profitable Growth

Orders up 28%<sup>1</sup>, large orders in power and oil & gas

Base orders up 5<sup>th</sup> consecutive quarter

Double-digit service growth

Book-to-bill at 1.14x

Q3 revenue reflects lower opening order backlog

Orders show results from 1<sup>st</sup> year of PIE initiatives

### Relentless Execution

PS 'step change' on track; Q3 operational EBITDA breakeven

Operational EBITDA reflects lower revenues and PS

Cost reduction and cash generation on track

\$4 bn share buyback launched, \$350 mn purchased

Solid progress in PS, good execution on cost and cash

### Business-led Collaboration

Organizational realignment well underway for smooth implementation on Jan. 1

- Roles and responsibilities
- Global business lines
- Regional structure
- Management appointments

Streamlining market-focused organization on track

**Launched Next Level strategy aimed at accelerating sustainable value creation**



# Q3 2014

## Key figures

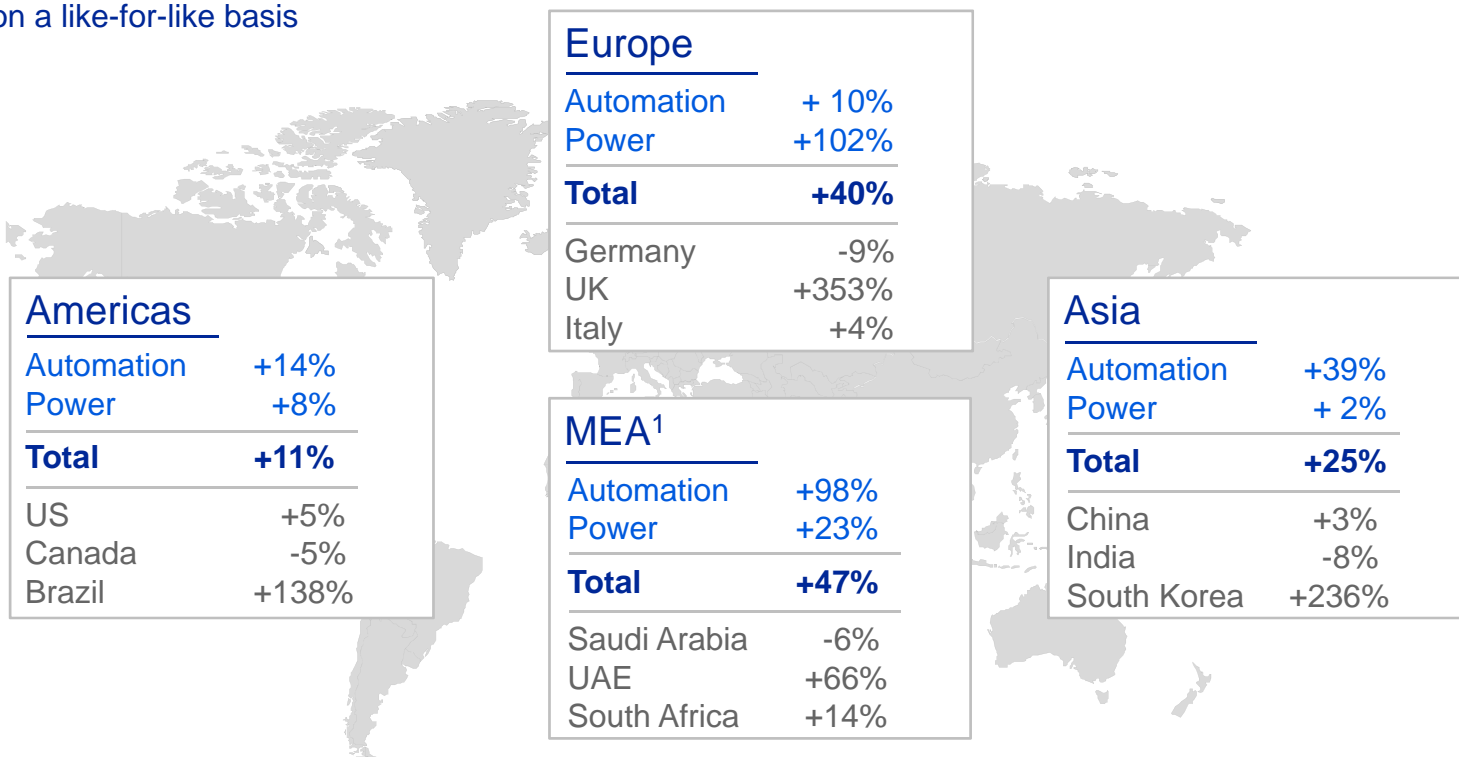
|                                  | Q3 14  | Q3 13  | Change            |
|----------------------------------|--------|--------|-------------------|
| \$ mn unless otherwise indicated |        |        |                   |
| Orders                           | 11,225 | 9,089  | +28% <sup>1</sup> |
| Revenues                         | 9,823  | 10,535 | -4% <sup>1</sup>  |
| Operational EBITDA               | 1,418  | 1,638  | -13%              |
| as % of operational revenues     | 14.3%  | 15.7%  |                   |
| Income from operations           | 1,222  | 1,324  | -8%               |
| as % of revenues                 | 12.4%  | 12.6%  |                   |
| Net income                       | 734    | 835    | -12%              |
| Basic earnings per share (\$)    | 0.32   | 0.36   |                   |
| Cash from operating activities   | 1,169  | 1,241  | -6%               |

# Power and automation growth in all regions

## Overview

### 2014 Q3 order growth by region

Change on a like-for-like basis





# Large orders more than tripled

## 2014 Q3 large order examples

### Americas

#### **\$100-mn mine automation, Brazil**

- Combined automation and power solution
- Improves productivity, lowers environmental impact

### Europe

#### **\$800-mn HVDC, UK**

- Attractive profitability and risk profile
- Leverage ABB technology, strong track record on execution

### MEA

#### **\$200-mn gas treatment plant, Tunisia**

- Targeting higher-growth oil & gas segment
- Power and automation combination as a competitive advantage

### Asia

#### **\$30-mn power substation, Bangladesh**

- Targeting urbanization and infrastructure in emerging markets
- Turnkey substations

# Broad-based order momentum through PIE

## Well executed across businesses and regions

### Base order growth

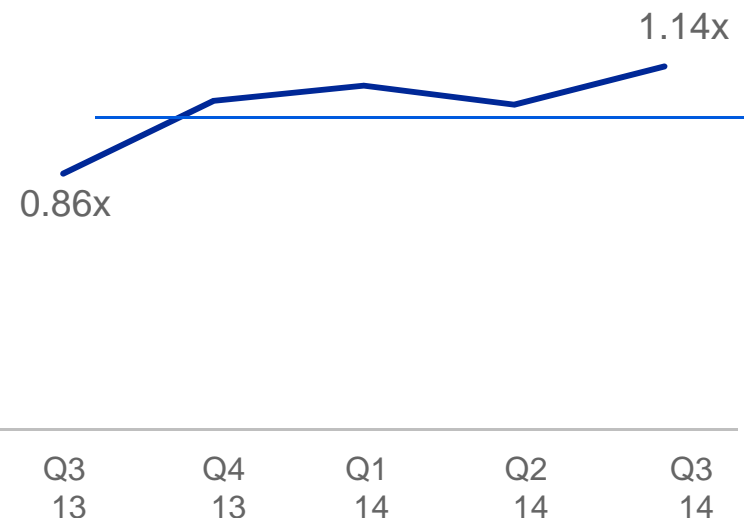
% change<sup>1</sup> Q3 14 vs Q3 13

|              |      |
|--------------|------|
| Brazil       | +3%  |
| Canada       | +9%  |
| China        | +4%  |
| Finland      | +13% |
| Germany      | +4%  |
| France       | +6%  |
| Japan        | +7%  |
| Saudi Arabia | +63% |
| Switzerland  | +8%  |
| UK           | +14% |

**Overall base orders growing ahead of market**

### Book-to-bill ratio

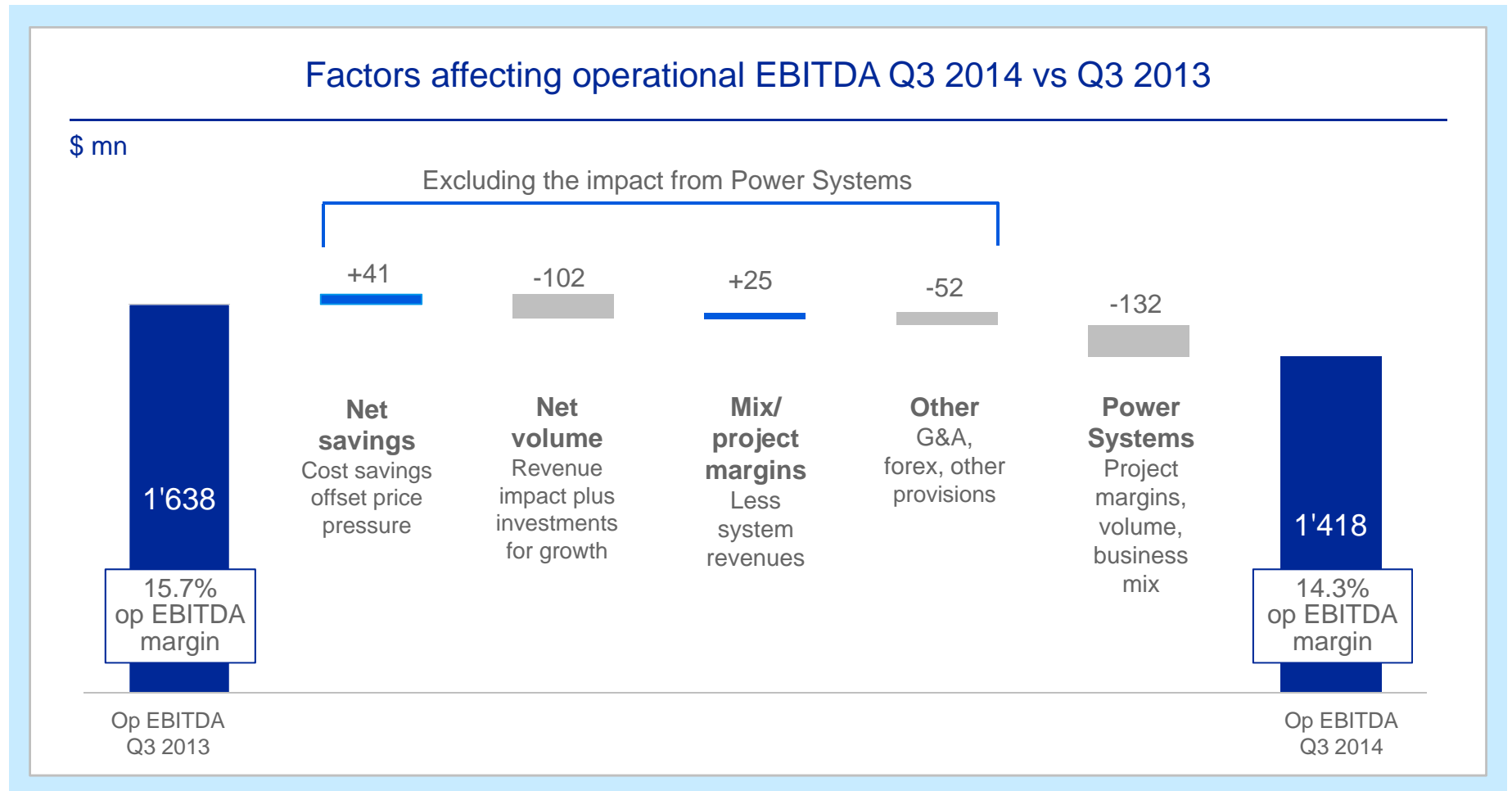
Orders over revenues



**Supports revenue growth in 2015 and beyond**

# Operational EBITDA bridge

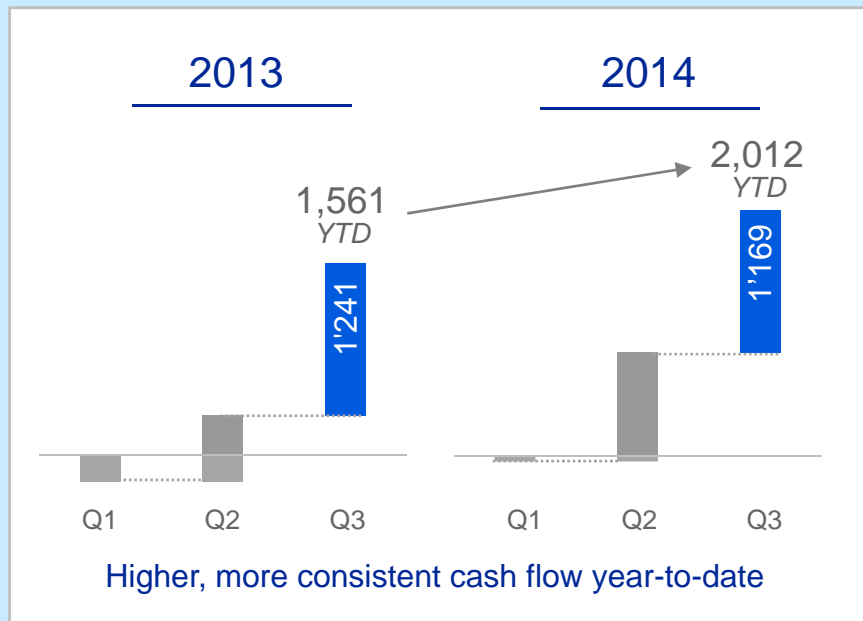
## Solid execution on cost offset by volume effects and PS



# Cash flow

Cash from operations up ~\$400 million year-to-date

## Quarterly cash from operations (\$ mn)



Q3 cash flow lower vs 2013

- NWC improvements—lower as % of revenues
- Offset by net income decrease

Cash from operations up 29% year-to-date





Focused efforts to generate a more even distribution of quarterly cash flows over the year

\$4-bn share buyback program:

15.4 mn shares purchased in quarter  
Buyback value of \$350 mn

# Key figures Q3 2014

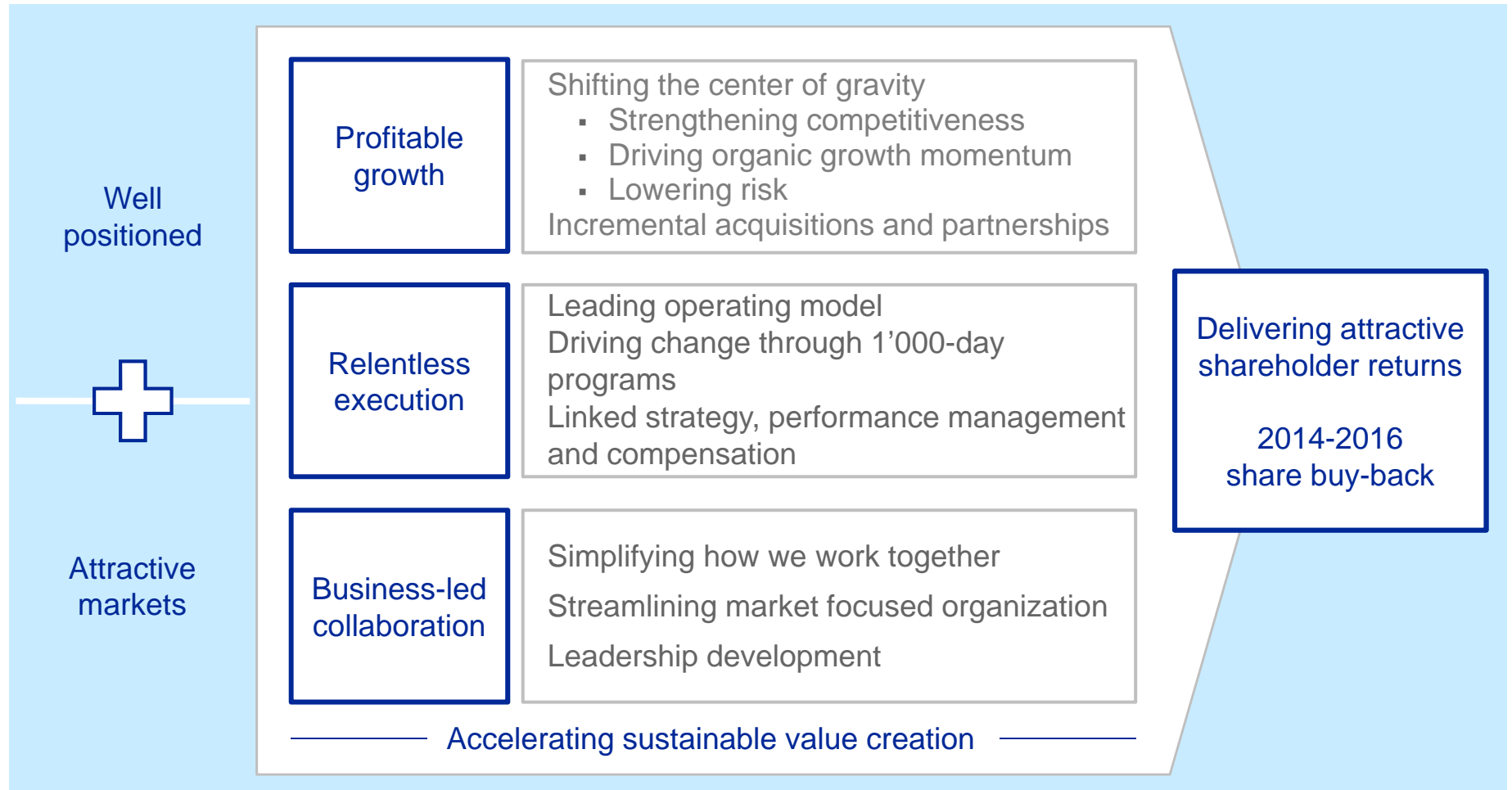
## Divisional overview

| <i>\$ mn<br/>unless otherwise stated</i> | <b>Orders</b> | <br>Like-for-like | <b>Revenues</b> | <br>Like-for-like | <b>Operational<br/>EBITDA%</b> |  | <b>Cash flow from<br/>operations</b> |  |
|--|---------------|--|-----------------|--|--------------------------------|---|--------------------------------------|---|
| Discrete Automation<br>and Motion        | 2,697         | +14%   | 2,635           | +4%  | 18.1%                          | -0.7pts   | 409                                  | -117  |
| Low Voltage<br>Products                  | 1,914         | +3%  | 1,921           | +3%  | 18.9%                          | -0.8 pts  | 308                                  | -127  |
| Process Automation                       | 2,622         | +58%   | 1,899           | -6%  | 12.6%                          | -1.0 pts  | 258                                  | -13   |
| Power Products                           | 2,725         | +13%   | 2,455           | -8%  | 14.6%                          | 0 pts   | 325                                  | +118  |
| Power Systems                            | 2,177         | +84%   | 1,637           | -19%   | 0.5%                           | -6.5pts   | (92)                                 | +26   |
| Corporate                                | (910)         |  | (724)           |  |                                |   | (39)                                 | +41   |
| <b>ABB Group</b>                         | <b>11,225</b> | <b>+28%</b>  | <b>9,823</b>    | <b>-4%</b>   | <b>14.3%</b>                   | <b>-1.4 pts</b>   | <b>1,169</b>                         | <b>-72</b>  |

# ABB – Next Level

## Shaping a global leader in power & automation

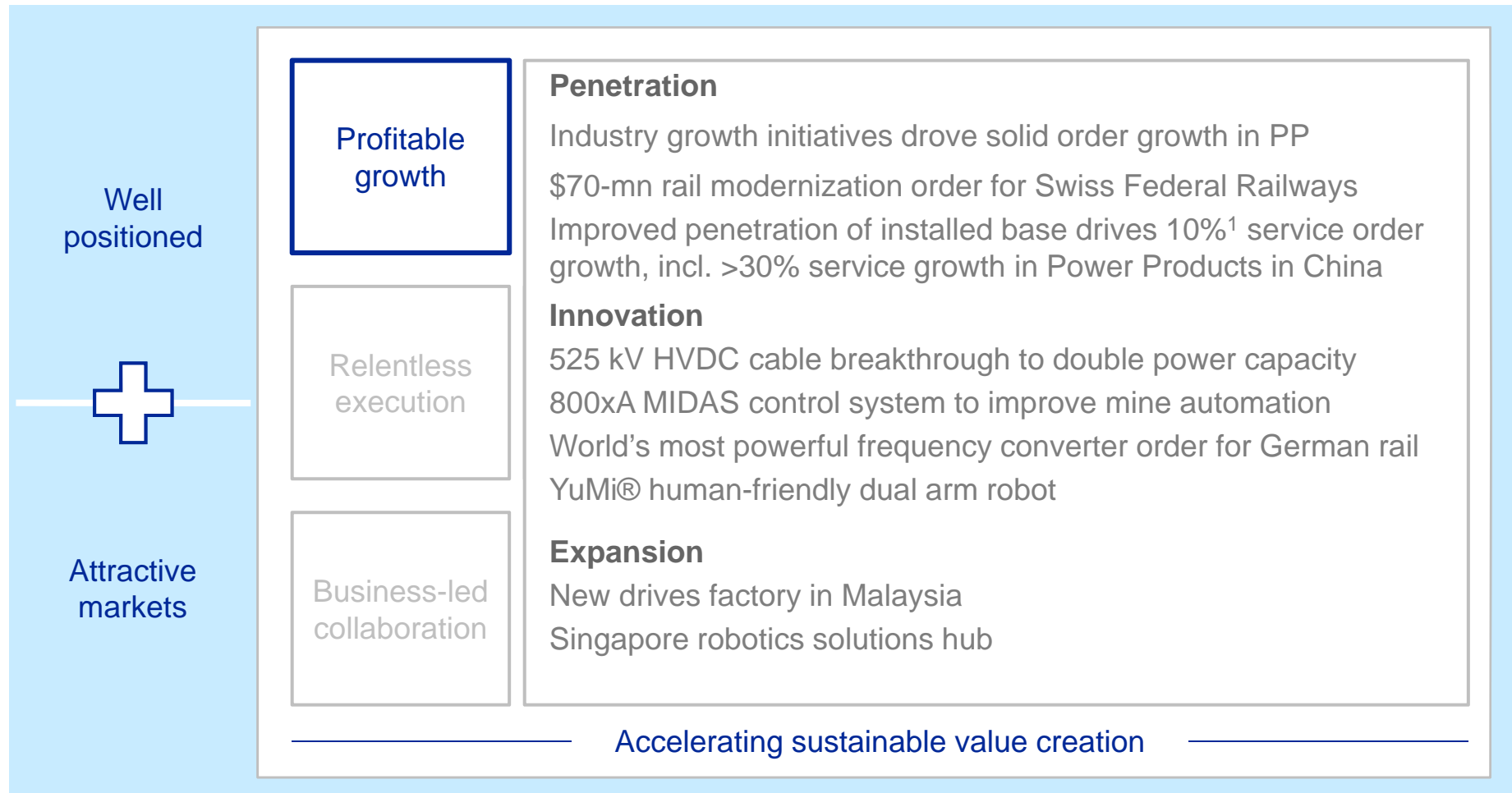
Presented September 9<sup>th</sup>, 2014



# ABB – Next Level

## Profitable growth: Penetration, innovation and expansion

Example

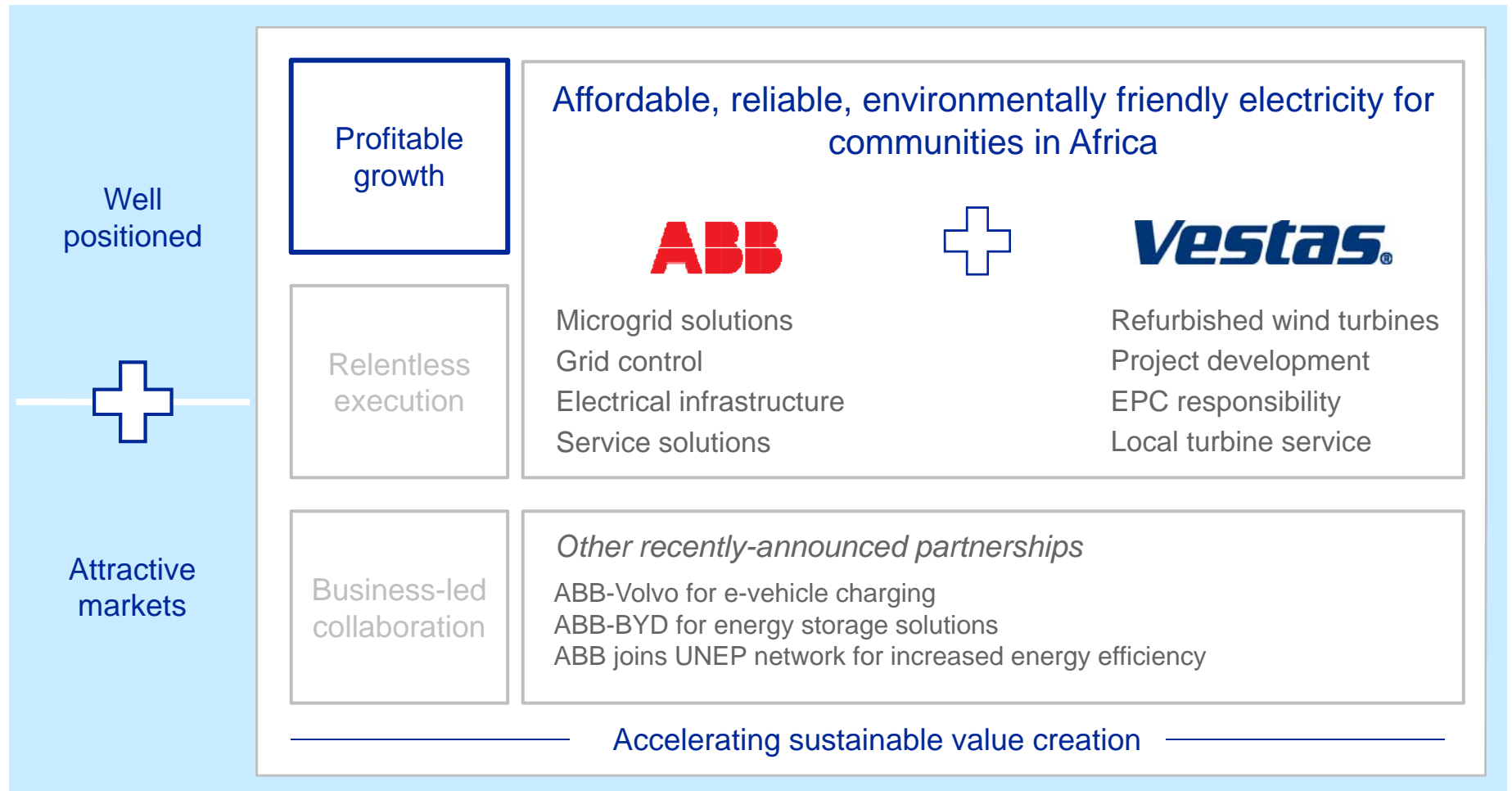




# ABB – Next Level

## Expansion: ABB-Vestas microgrid alliance

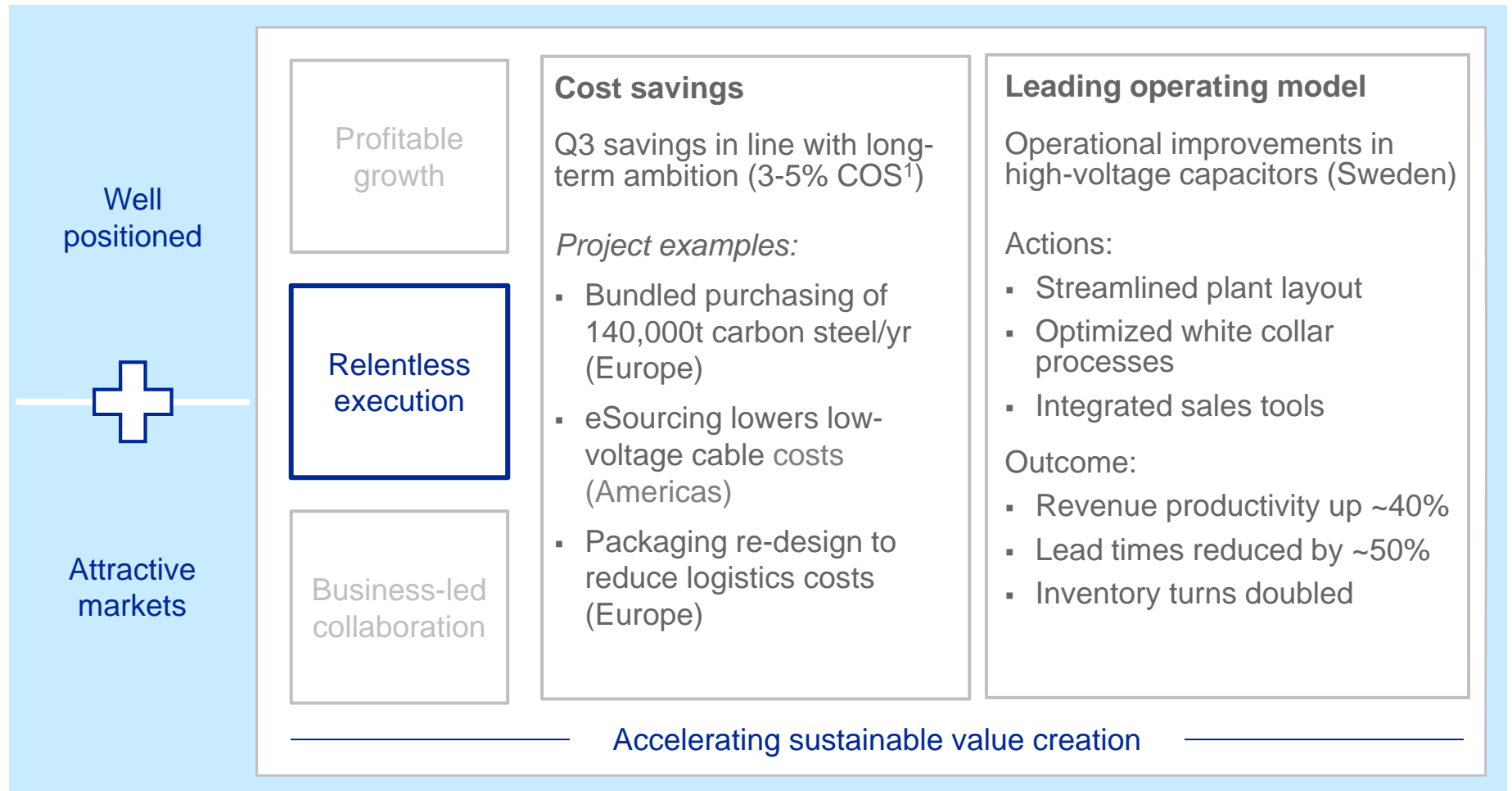
Example



# ABB – Next Level

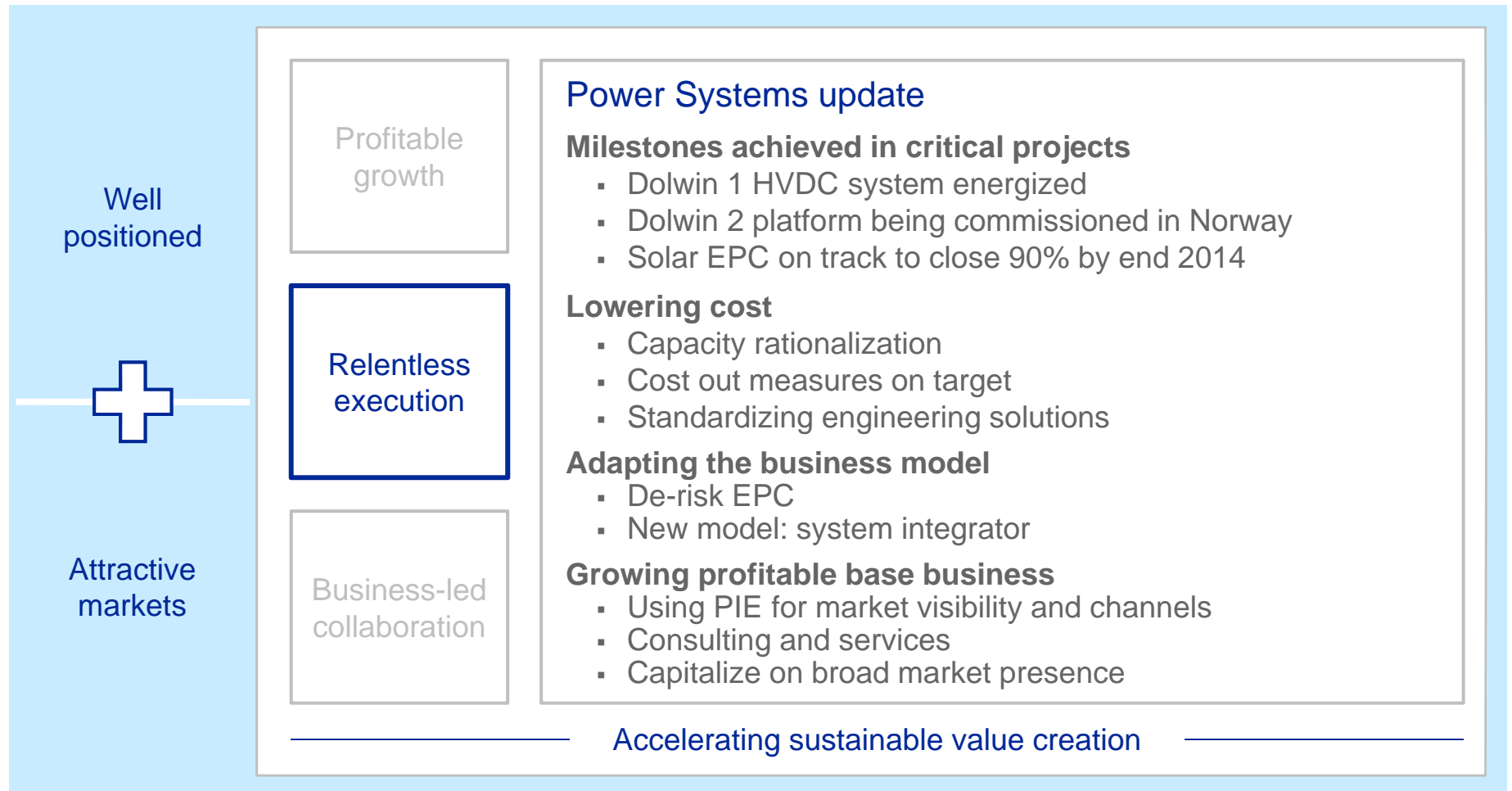
## Relentless execution: Driving cost savings and profitability

Example



# ABB – Next Level

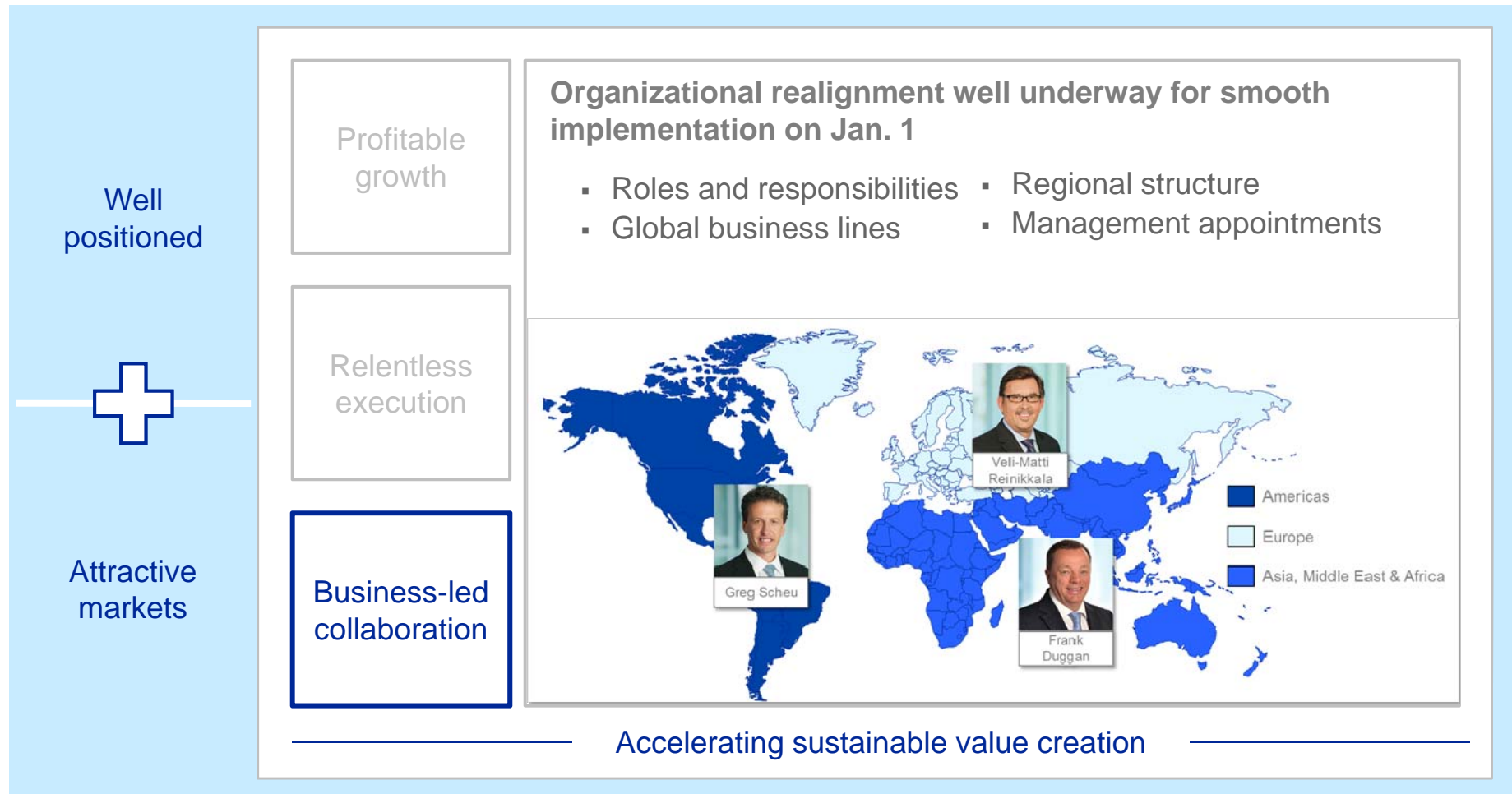
## Relentless execution: Power Systems ‘step change’ update



# ABB – Next Level

## Business-led collaboration: Simplifying how we work together

Example



# Implementing the Next Level strategy

## Management team is mobilizing the entire organization

### Next Level: accelerating sustainable value creation

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Strategy and new financial targets announced in September

Focused, phased and rigorous implementation

- Internal communication and employee mobilization on track
- EC has briefed 12,000 employees face-to-face
- Staged roll-out in waves across countries and regions
- 1,000-day project teams and processes being put in place

Regional realignment (from 8 to 3 regions) and shared services consolidation underway

Actions taken to drive “Leading operating model” across the organization

Performance tracking tools being put in place

**Execution focus with continuous tracking and follow-up**

# Q3 summary and outlook

## Solid results despite increased uncertainty

### Q3 results

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ABB delivers strong order growth

- Orders up 28%<sup>1</sup> driven by large orders in power infrastructure and oil and gas
- Base orders increased for 5th consecutive quarter
- PS 'step change' program on track, operational EBITDA at breakeven in Q3
- Revenues and operational EBITDA reflect lower order backlog and Power Systems (PS)
- Cost reduction and cash generation on track
- Launched Next Level strategy aimed at accelerating sustainable value creation

### Outlook

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Long-term demand outlook remains positive

Growth drivers in place for utility, industry and transportation & infrastructure markets

Short-term picture is mixed, uncertainty has increased

Expect continued growth in US, China

Market remains impacted by slow growth in Europe, political tensions, health situation in Africa

Management team aims to continue to outgrow market in major customer segments

Driving Next Level strategy throughout the organization

**Power and productivity  
for a better world™**





# Key figures Q3 and 9-months 2014

|   | Q3 14  | Q3 13  | Change |                |               | 9-mo. 14 | 9-mo. 13 | Change |                |               |
|---|--------|--------|--------|----------------|---------------|----------|----------|--------|----------------|---------------|
| <i>\$ mn unless otherwise indicated</i> |        |        | \$     | Local currency | Like-for-like |          |          | \$     | Local currency | Like-for-like |
| Orders                                  | 11'225 | 9'089  | +24%   | +25%           | +28%          | 32'150   | 28'893   | +11%   | +13%           | +13%          |
| Order backlog (end September)           | 27'005 | 27'454 | -2%    | +4%            |               |          |          |        |                |               |
| Revenues                                | 9'823  | 10'535 | -7%    | -6%            | -4%           | 29'484   | 30'475   | -3%    | -2%            | -2%           |
| Income from operations                  | 1'222  | 1'324  | -8%    |                |               | 3'129    | 3'564    | -12%   |                |               |
| as % of revenues                        | 12.4%  | 12.6%  |        |                |               | 10.6%    | 11.7%    |        |                |               |
| Operational EBITDA                      | 1'418  | 1'638  | -13%   |                |               | 4'020    | 4'657    | -14%   |                |               |
| as % of operational revenues            | 14.3%  | 15.7%  |        |                |               | 13.6%    | 15.3%    |        |                |               |
| Net income                              | 734    | 835    | -12%   |                |               | 1'914    | 2'262    | -15%   |                |               |
| Basic earnings per share (\$)           | 0.32   | 0.36   |        |                |               | 0.83     | 0.99     |        |                |               |
| Cash from operating activities          | 1'169  | 1'241  | -6%    |                |               | 2'012    | 1'561    | +29%   |                |               |

# Order backlog by division

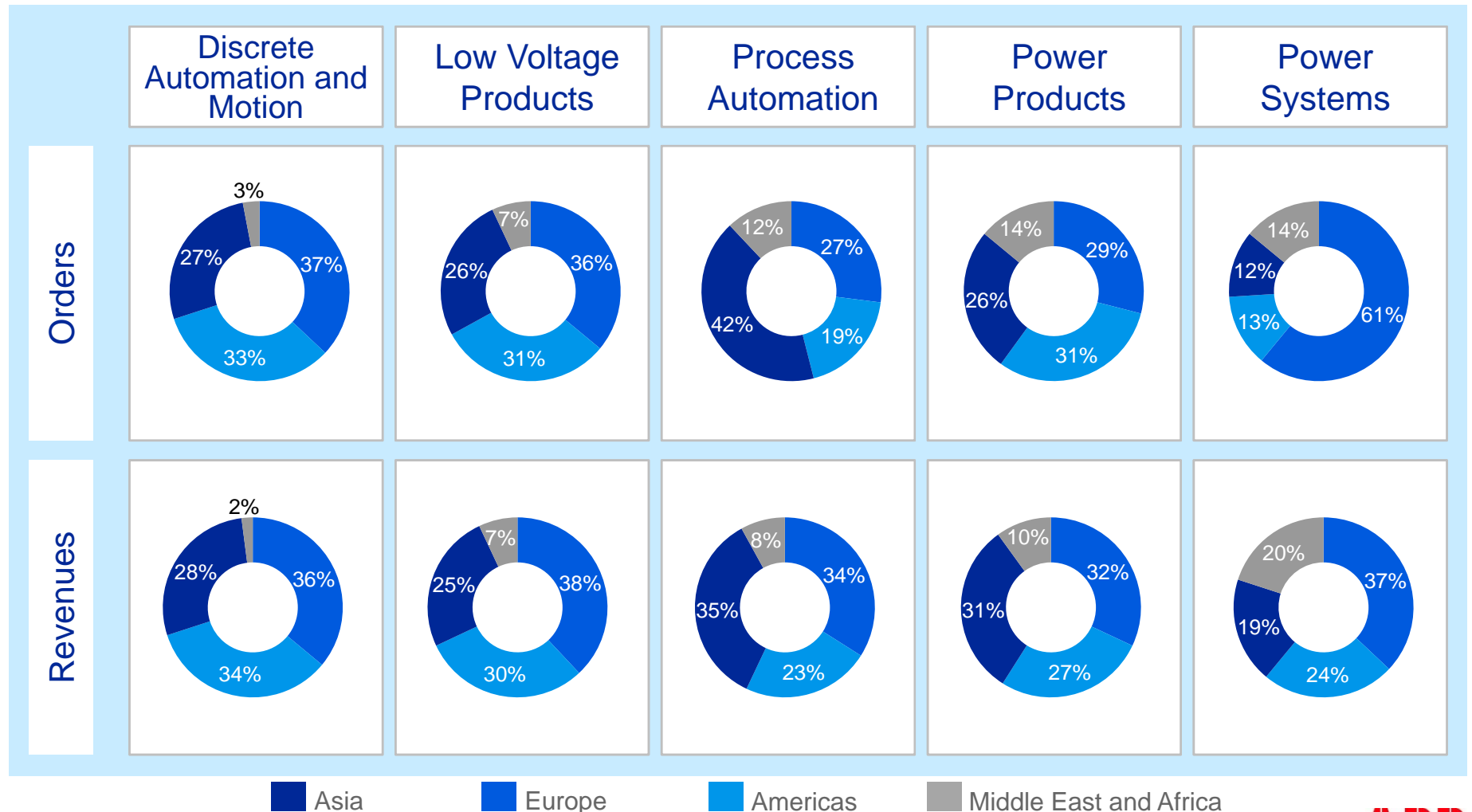
|  | 2014          | 2013          | Change %   |                  |
|--|---------------|---------------|------------|------------------|
| <i>Order backlog (end September)</i>                           |               |               | \$         | Local currencies |
| <i>\$ mn</i>   |               |               |            |                  |
| Discrete Automation and Motion                                 | 4'741         | 4'532         | +5%        | +9%              |
| Low Voltage Products   | 994           | 1'242         | -20%       | -17%             |
| Process Automation   | 6'230         | 5'995         | +4%        | +10%             |
| Power Products   | 8'297         | 8'479         | -2%        | +3%              |
| Power Systems  | 9'128         | 9'954         | -8%        | -2%              |
| Consolidation and Other<br>(incl. Inter-division eliminations) | (2'385)       | (2'748)       |            |                  |
| <b>Total Group</b>   | <b>27'005</b> | <b>27'454</b> | <b>-2%</b> | <b>+4%</b>       |

# Operational EPS analysis

|  | Q3 14      |                  | Q3 13      |                  |                |
|--|------------|------------------|------------|------------------|----------------|
| <i>\$ mn,<br/>except per share data in \$</i>  |            | EPS <sup>1</sup> |            | EPS <sup>1</sup> | △ <sup>2</sup> |
| <b>Net income<br/>(attributable to ABB)</b>  | <b>734</b> | <b>0.32</b>      | <b>835</b> | <b>0.36</b>      | <b>-12%</b>    |
| Restructuring and restructuring-<br>related expenses <sup>3</sup>  | 40         | 0.02             | 29         | 0.01             |                |
| Gains and losses from sale of<br>businesses, acquisition-related<br>expenses and certain non-operational<br>items <sup>4</sup> | (103)      | (0.04)           | 43         | 0.02             |                |
| FX/commodity timing differences in<br>Income from operations <sup>3</sup>  | 56         | 0.02             | (82)       | (0.04)           |                |
| Acquisition-related amortization <sup>3</sup>  | 68         | 0.03             | 72         | 0.03             |                |
| <b>Operational net income</b>  | <b>795</b> | <b>0.35</b>      | <b>897</b> | <b>0.39</b>      | <b>-11%</b>    |

<sup>1</sup> EPS amounts are computed separately, therefore the sum of the per share amounts shown may not equal to the total; <sup>2</sup> Calculated on basic earnings per share before rounding; <sup>3</sup> Net of tax at the Adjusted Group effective tax rate; <sup>4</sup> Net of tax at the Adjusted Group effective tax rate, except for gains and losses on sale of businesses which are net of the actual provision for taxes

# Regional share of total orders and revenues by division Q3 2014

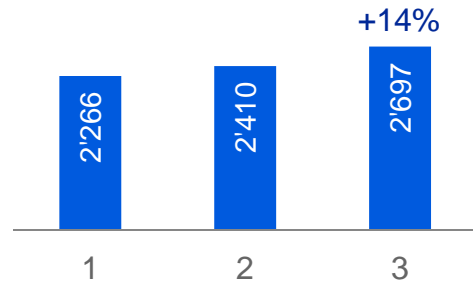


# Discrete Automation & Motion

## Q3 2014 summary

### Orders received

\$ mn, y-o-y change like-for-like

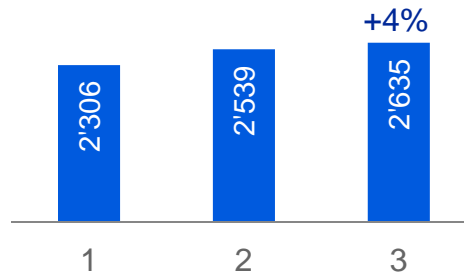


Increased in all businesses and regions

Driven by initiatives to drive base orders—including service—and continued demand growth in rail and marine

### Revenues

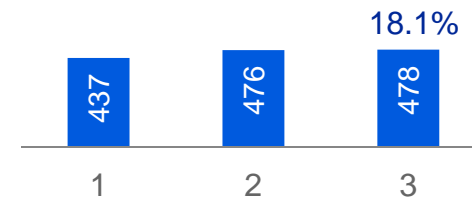
\$ mn, y-o-y change like-for-like



Increase driven mainly by execution of strong order backlog in robotics, as well as power conversion and service

### Operational EBITDA

\$ mn, operational EBITDA margin



Margin decline reflects the dilutive impact from Power-One

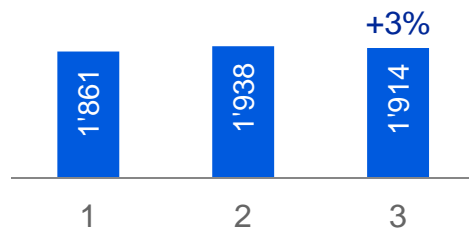
Excluding that impact, operational EBITDA margin was higher vs year-earlier period

# Low Voltage Products

## Q3 2014 summary

### Orders received

\$ mn, y-o-y change like-for-like

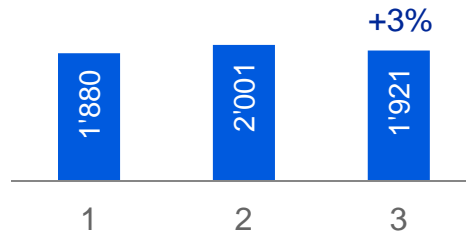


Like-for-like orders steady to higher in all businesses

Growth in all regions except Europe which was steady vs Q3 13

### Revenues

\$ mn, y-o-y change like-for-like



Revenues grew in line with orders

### Operational EBITDA

\$ mn, operational EBITDA margin



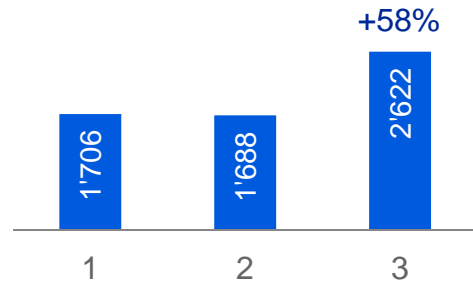
Operational EBITDA margin mainly reflects higher share of lower-margin system revenues

# Process Automation

## Q3 2014 summary

### Orders received

\$ mn, y-o-y change like-for-like

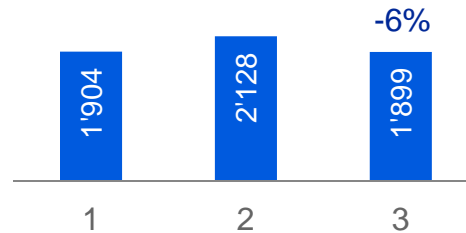


Large oil & gas, marine and mining orders offset lower base orders

Orders up strongly in all regions

### Revenues

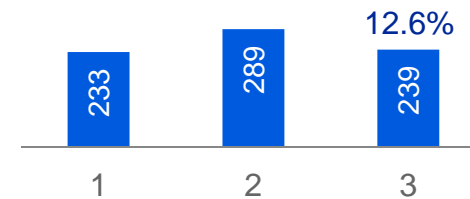
\$ mn, y-o-y change like-for-like



Revenues reflect lower opening order backlog

### Operational EBITDA

\$ mn, operational EBITDA margin



Decline mainly reflects impact of lower revenues and comparison with very strong result in previous Q3

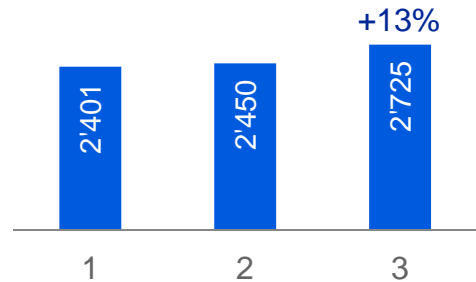


# Power Products

## Q3 2014 summary

### Orders received

\$ mn, y-o-y change local currency

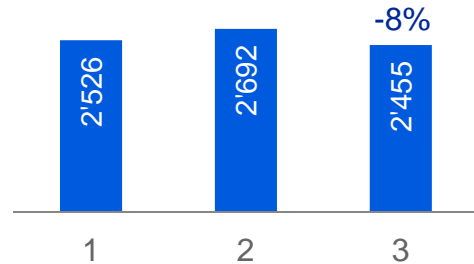


Large and base orders up, supported by industry and selective transmission investments

Double-digit growth in Europe, Americas, Middle East and Africa; lower in Asia but growth in China

### Revenues

\$ mn, y-o-y change local currency



Revenue decline mainly reflects lower opening order backlog

### Operational EBITDA

\$ mn, operational EBITDA margin



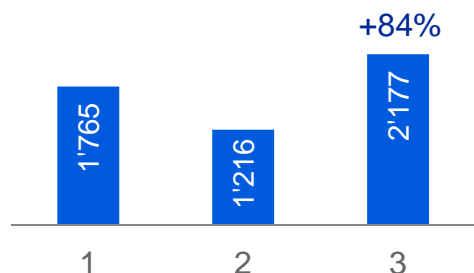
Operational EBITDA margin steady as a result of continued cost savings and favorable mix

# Power Systems

## Q3 2014 summary

### Orders received

\$ mn, y-o-y change local currency



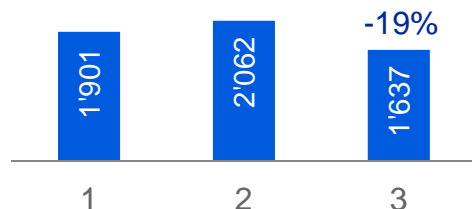
Base and large orders up

Utilities remain cautious in power transmission investments

ABB continues to be selective, focusing on margin and pull-through

### Revenues

\$ mn, y-o-y change local currency



Revenues impacted by lower opening order backlog and execution delays in selected projects

### Operational EBITDA

\$ mn, operational EBITDA margin



Operational EBITDA and margin mainly reflect continued impact of project-related costs in offshore wind and EPC solar

Lower revenues also affected earnings

# More information available at ABB Investor Relations

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