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## **Q2 2019 results**

Continued growth despite market headwinds; transformation progressing

Peter Voser, Chairman and CEO; Timo Ihamuotila, CFO



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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.

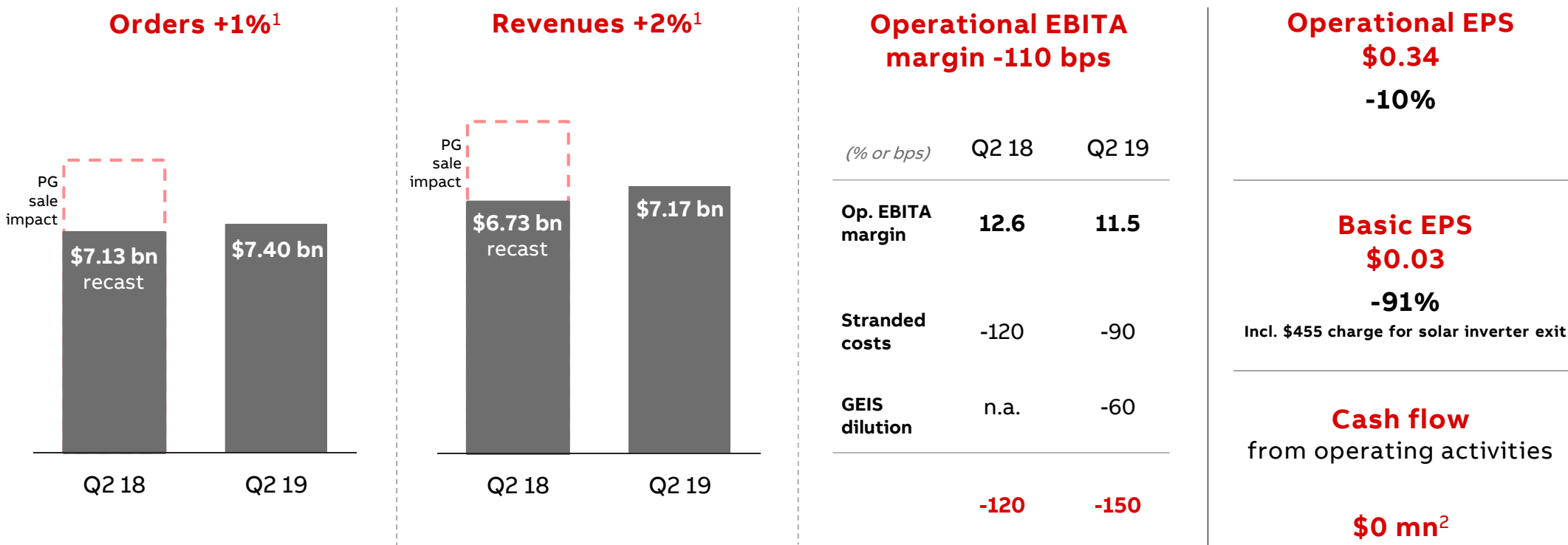
Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

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, annual reports and regulatory filings” on our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

# Q2 2019 results summary

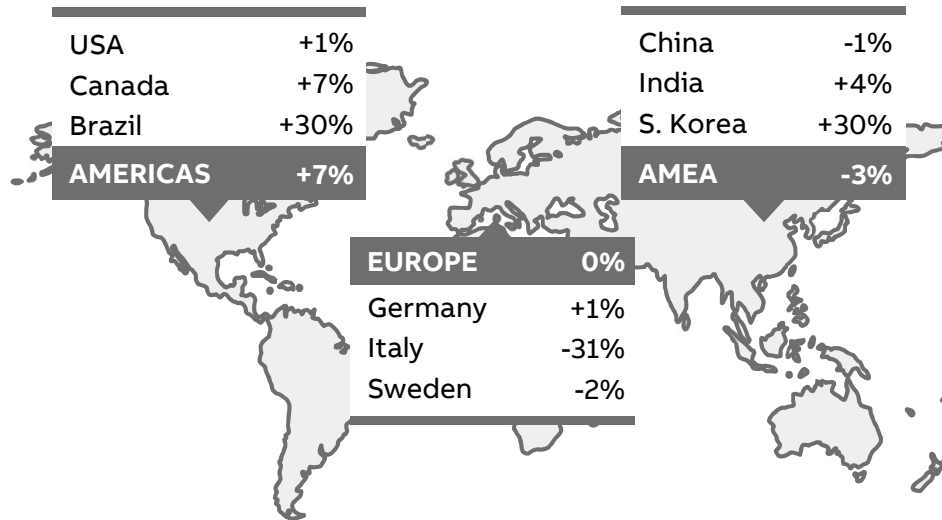


## Q2 2019 orders

Americas supportive; AMEA slower

### Order development yoy

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



### AMERICAS

All businesses up, led by strong growth in IA, RA, EL  
Robust in US, strong in South America

### EUROPE

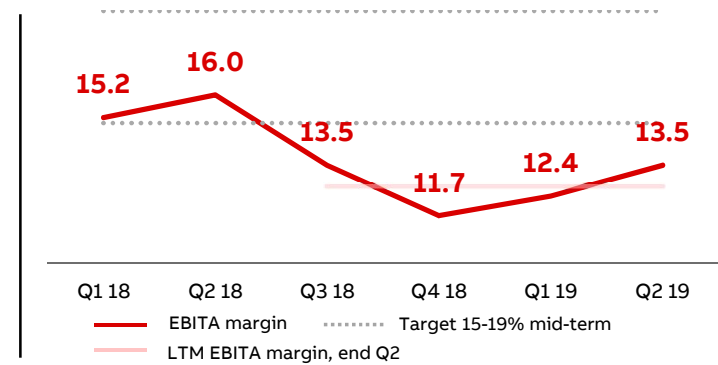
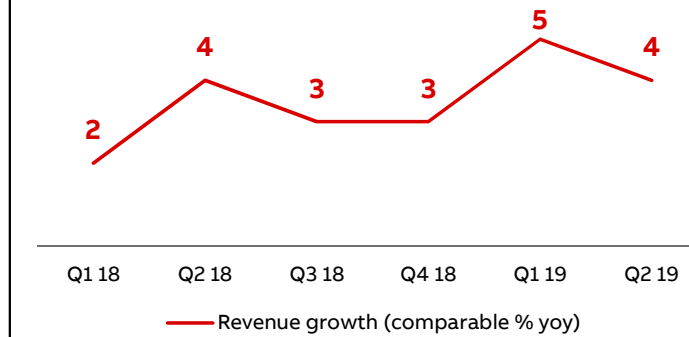
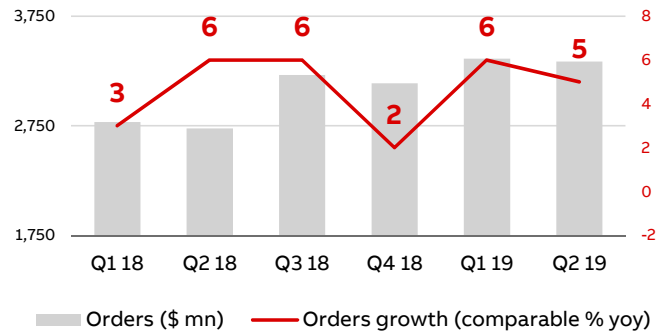
RA, MO, EL up, weaker large orders in IA  
Italy weak versus tough comparison base

### AMEA

Growth in EL, stable MO, outweighed by lower demand in IA, RA  
Slower in China, Middle East

# Q2 2019 Electrification

Continued top-line momentum



## Orders \$3,339 mn

Broad-based growth

Strong demand for solutions

Excellent growth in key segments e.g. rail, data centers, wind, EVs

## Revenues \$3,272 mn

Driven by solutions

Order backlog end Q2 \$4.6 bn, +10% yoy

## Operational EBITA \$440 mn

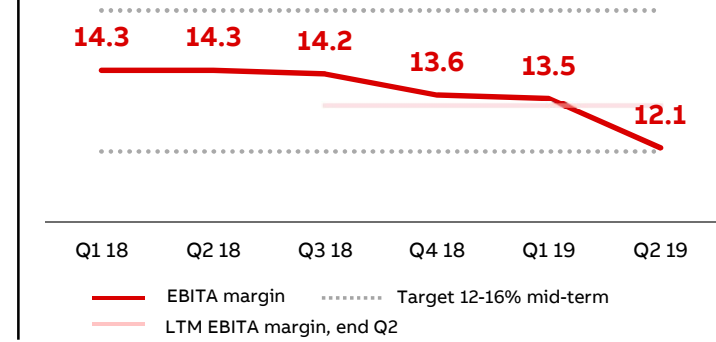
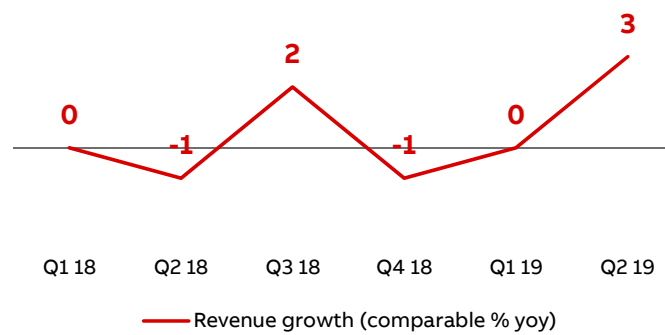
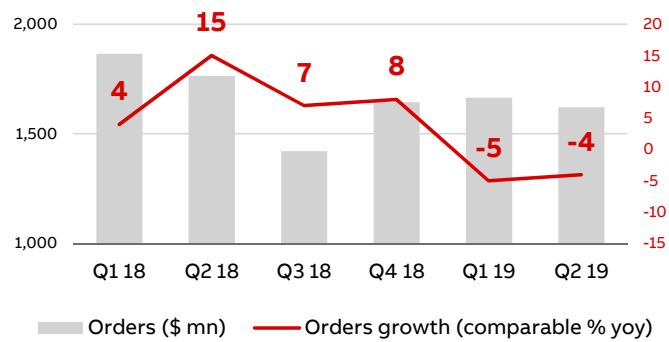
Margin yoy -250 bps

GEIS dilution -200 bps

Shift in mix toward solutions

# Q2 2019 Industrial Automation

Mixed end-market dynamics



## Orders \$1,622 mn

Tough comparison for large orders

Continued momentum in process industries

Power generation subdued

## Revenues \$1,580 mn

Supported by backlog execution

Order backlog end Q2 \$5.2 bn, flat yoy

## Operational EBITA \$190 mn

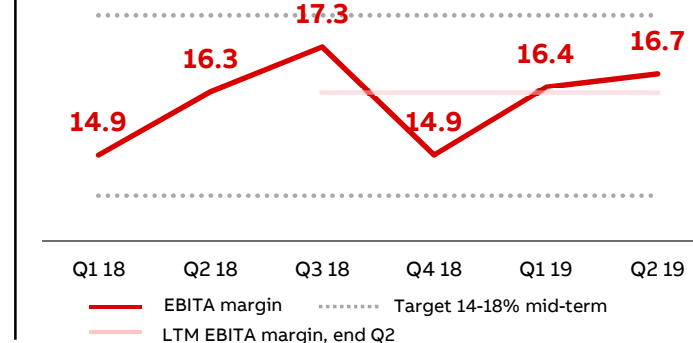
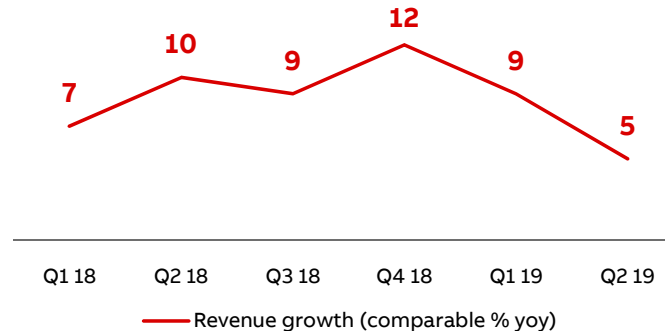
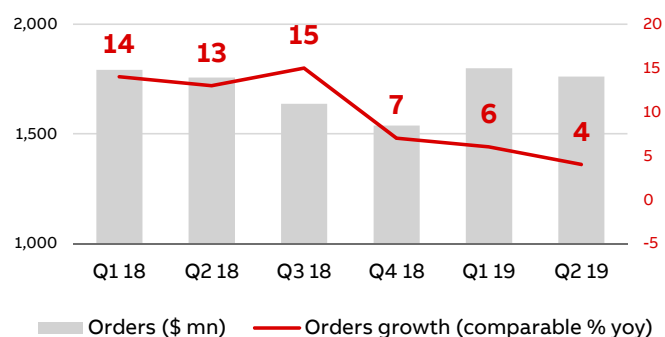
Margin yoy -220 bps

Project mix effects

Under-absorption, investments in growth

# Q2 2019 Motion

Solid execution



**Orders \$1,762 mn**

Tough comparison

Strength in drives, services

Substantial rail orders

**Revenues \$1,641 mn**

Tough comparison

Order backlog end Q2 \$3.1 bn, +5% yoy

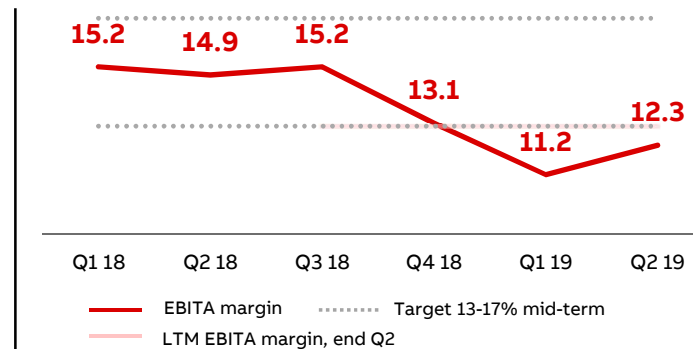
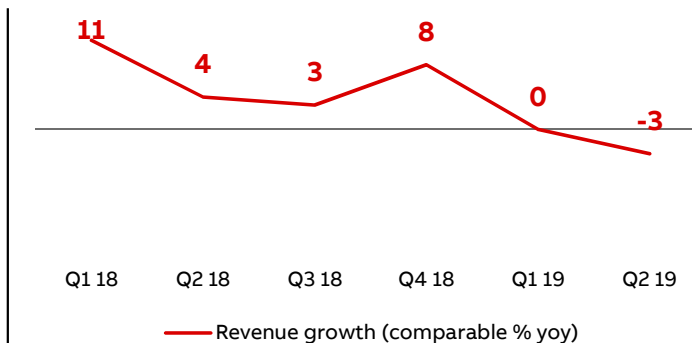
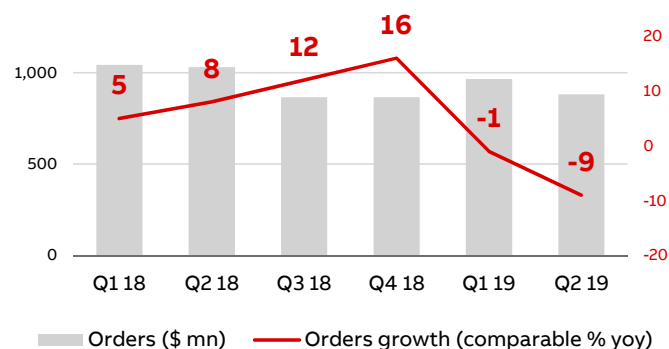
**Operational EBITA \$275 mn**

Margin yoy +40 bps

Favorable volumes, ongoing cost management

# Q2 2019 Robotics & Discrete Automation

Stronger headwinds



## Orders \$883 mn

Deteriorating autos, machine builders, 3C

Growth in focus areas e.g. logistics

Continued automotive solutions orders

## Revenues \$845 mn

Weaker book-and-bill

Order backlog end Q2 \$1.6 bn, +10% yoy

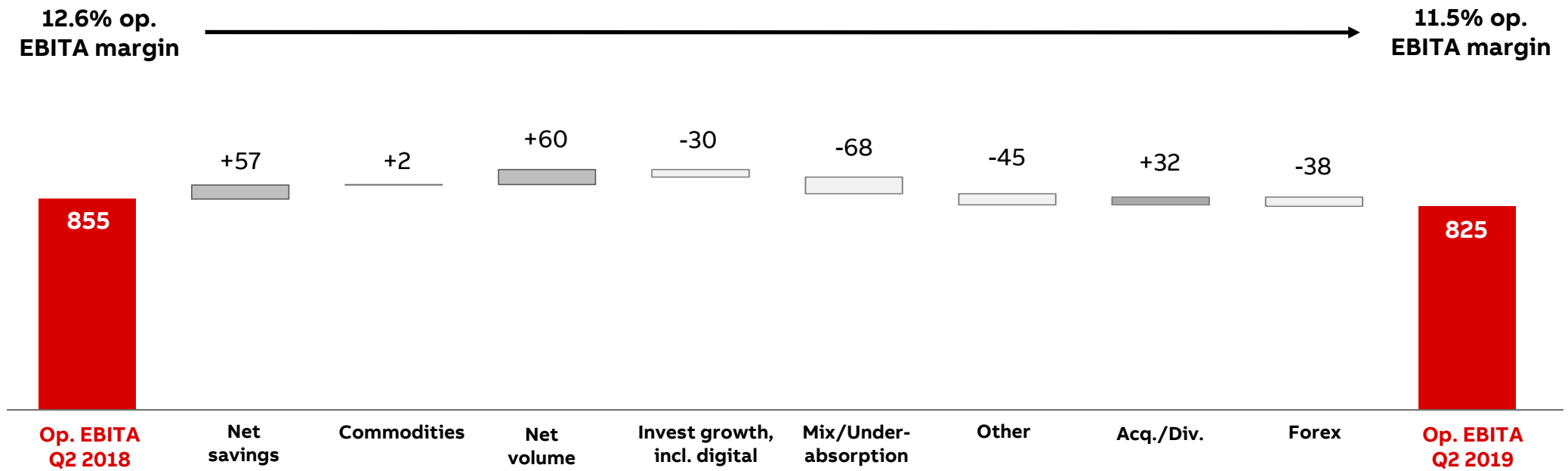
## Operational EBITA \$105 mn

Margin yoy -260 bps

Lower volumes, adverse mix

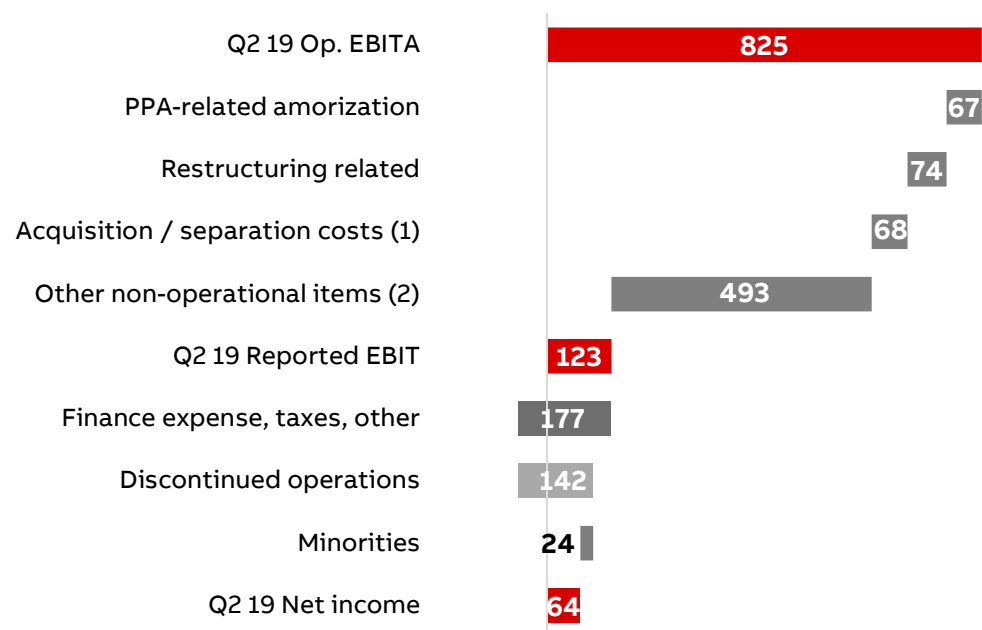
# Q2 2019 operational EBITA

## Operational EBITA bridge Q2 2018 to Q2 2019 (\$ mn)



## Q2 2019 net income drivers

### Operational EBITA to net income walk Q2 2019 (\$ mn)



### Key non-operating items

**Restructuring related** includes \$51 mn ABB-OS simplification

**Power Grids related transaction and separation costs** \$38 mn

**Charge from announced sale of solar inverter business** \$455 mn

### Discontinued operations (Power Grids)

**Net income** \$142 mn, reflects ongoing business performance, restructuring and Power Up investments

## 2019 framework

*\$ mn unless otherwise stated*

	FY 2019 framework	H1 2019	Q3 2019 framework
<b>Corporate &amp; Other operational EBITA</b>	~(800)	(359)	~(220)
Of which, stranded costs (gross)	~(300)	(154)	~(70)
Stranded cost elimination	~60	21	~15
<b>Non-operating items</b>			
Normal restructuring	~(125) ↑	(73)	~(20)
Simplification program <sup>1</sup>	~(300) ↓	(69)	~(100)
Transaction and separation related costs, of which			
PG	~(250) ↓	(58)	~(90)
Solar inverters	~(20)	n.a.	~(10)
GEIS acquisition related expenses and integration costs	~(120)	(47)	~(30)
PPA-related amortization	~(275)	(135)	~(67)

	FY 2019 framework	H1 2019
<b>Net finance expenses (continuing)<sup>2</sup></b>	~(200)	(86)
<b>Effective tax rate (excl. solar)</b>	~27%	27.5% <sup>3</sup>
PG tax impact	~(200) in H2	
<b>Capital expenditure<sup>2</sup></b>	~(850)	(376)
<b>Cash flow from operating activities (continuing + discontinued)</b>	Solid <sup>4</sup>	(256)

Key ↓ ↑ New or revised guidance

<sup>1</sup>ABB-OS simplification program expected to incur ~\$350 million restructuring and ~\$150 million related implementation costs; <sup>2</sup>for continuing operations only; <sup>3</sup>Effective tax rate including solar 46.2%; <sup>4</sup>Not including cash outflows for simplification program and carve-out activities and associated cash tax impacts

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# Driving growth

## Q2 highlights

### Electrification

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#### LV switchgear innovation

**NeoGear™ showcased to customers, available end 2019**

Maximizes safety  
25% smaller footprint, 20% less heat loss, 30% reduced opex with ABB Ability™

### Industrial Automation

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#### Pulp & paper sector leadership

**Control systems order, Trident Ltd, India**

Monitoring and control of paper quality  
Minimizes maintenance, reduces life-cycle costs

### Motion

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#### Extended digital solutions

**Collaboration with HPE's Aruba**

Combining ABB Ability™ Smart Sensor and wireless tech  
Reduces downtime up to 70%, extends lifetime up to 30%

### Robotics & Discrete Automation

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#### Robotics for the Hospital of the Future

**New facility at Texas Medical Center campus, Houston, USA**

New hub for automated lab technologies, logistics solutions<sup>1</sup>  
Improving speed, enhancing consistency and safety

## Power Grids: separation activities tracking to plan

### Power Grids separation

On track for planned H1 2020 closing

Country and functional teams implementing separation to plan

Demerger of Chinese holding company approved by authorities; demerger of ABB India Ltd. on track

Two-thirds of new legal entities incorporated

### Power Grids operations

Maintaining strong focus on customers and operations

Significant large orders won YTD, including

- HVDC order to transmit wind power from North Sea (Tennet)
- UHVDC order for High Voltage and Transformers (China's State Grid)
- HVDC order to reinforce Transmission Grid in Japan (existing Hitachi-ABB HVDC JV)

# GEIS: integration making good progress

## Delivering on integration commitments

Organization streamlined, ~80% employees fully integrated

### Market access

Combined salesforces focused on growth areas

ABB service products developed for GEIS installed base

New products to market from H2 19 onwards; target >50% of portfolio

ABB products added to Empower E-commerce platform

### Footprint and supply chain optimization

Investments in factories and equipment to improve delivery and performance

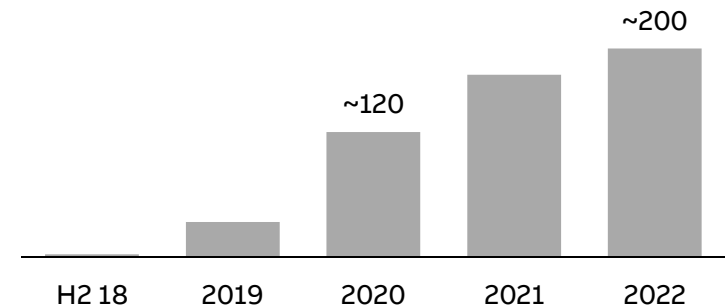
Implementation of supplier savings underway

## Performance

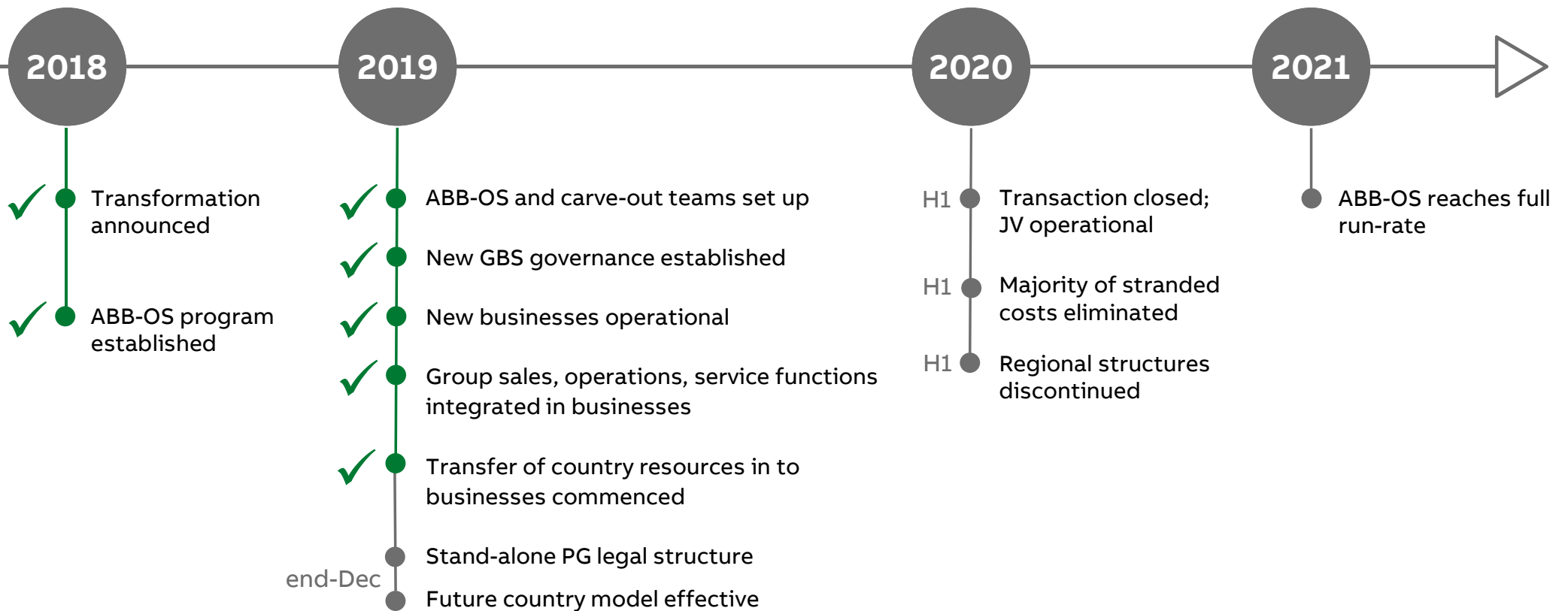
Q2 Operational EBITA ~5%

On track to capture targeted cost synergies

### Expected annual cost synergies (\$ mn)



# Managing the transformation



# 2019 progress and outlook

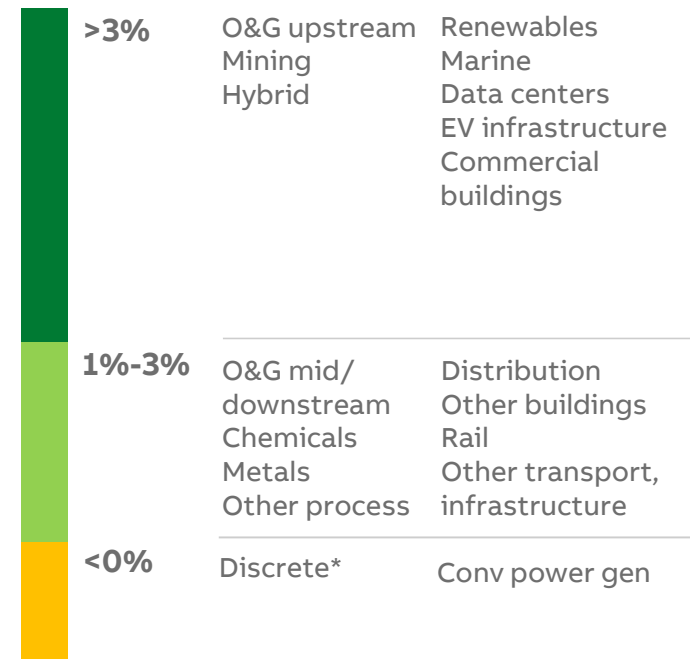
## Business and transformation progress

- Focused on growth, headwinds in some markets
- \$150-200 mn ABB-OS run-rate savings expected
- PG separation tracking to plan
- Good progress in GEIS integration
- Ongoing streamlining of the portfolio

## FY19 financial outlook

- Expect slight comparable revenue growth
- Operational EBITA margin to improve
- Solid cash from operating activities<sup>1</sup>

## End-market growth estimates, short-term



# — Appendix

# Operational EPS analysis

	Q2 2019		Q2 2018		Change yoy <sup>1</sup>
<i>\$ mn, except per share date in \$</i>		EPS		EPS	
<b>Net income (attributable to ABB)</b>	<b>64</b>	<b>0.03</b>	<b>681</b>	<b>0.32</b>	<b>-91%</b>
Operational adjustments:					
Acquisition-related amortization	67		62		
Restructuring, related and implementation costs <sup>2</sup>	74		(1)		
Non-operational pension costs (credit)	(21)		(25)		
Changes in obligations related to divested businesses	4		10		
Changes in pre-acquisitions estimates	13		1		
(Gains) and losses from sale of businesses	3		(1)		
Fair value adjustment on assets and liabilities held for sale	455		-		
Acquisition- and divestment-related expenses and integration costs	30		48		
FX / commodity timing differences in income from operations	13		18		
Certain other non-operational items:					
Costs for planned divestment of Power Grids	38		-		
Regulatory, compliance and legal costs	-		13		
Division transformation costs	3		-		
Executive Committee transition costs	14		-		
Gain on sale of investments	(15)		-		
Other non-operational items	3		(3)		
Operational adjustments in discontinued operations	63		54		
Tax on operational adjustments <sup>3</sup>	(85)		(48)		
<b>Operational net income / Operational EPS</b>	<b>723</b>	<b>0.34</b>	<b>809</b>	<b>0.38</b>	<b>-10%</b> <sup>4</sup>

<sup>1</sup>Calculated on earnings per share before rounding; <sup>2</sup>2019 includes \$24 million of OS implementation costs; <sup>3</sup>Tax amount is computed by applying the Adjusted Group effective tax rate to the operational adjustments, except for gains and losses from sale of businesses (including fair value adjustments on assets and liabilities held for sale), for which the actual provision for taxes resulting from the gain or loss has been computed; <sup>4</sup>Operational EPS growth rate is in constant currency (2014 foreign exchange rates)

**ABB**