



Ulrich Spiesshofer, CEO ABB; Eric Elzvik, CFO ABB, July 23rd, 2015

# Steady execution in challenging markets

## 2015 Q2 and H1 results

# 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
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- market acceptance of new products and services
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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 “Financial results & presentations” – “Quarterly results & annual reports” on our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

# Q2 2015 – Steady execution in challenging markets

## Delivering along our three focus areas

### Profitable growth

Orders reflect challenging market dynamics (-4%)<sup>1</sup>  
Revenues continued to grow (+3%)  
Book-to-bill for first 6 months 1.09x, >1.0x in every division  
Growth initiatives mitigate market headwinds

### Relentless execution

Group op. EBITA margin up 100 basis points at 11.7%  
Power Systems “step change” delivers 2.7% op EBITA margin vs loss in 2014  
Continued cost out and productivity measures safeguard profitability  
9% higher operational EPS on a constant currency basis

### Business-led collaboration

Simpler, faster and more flexible customer-focused organization  
Solid performance in Group accounts driven by combined power and automation offering

**Steady execution of Next Level strategy supports results**

# Q2 and first half 2015

## Key figures

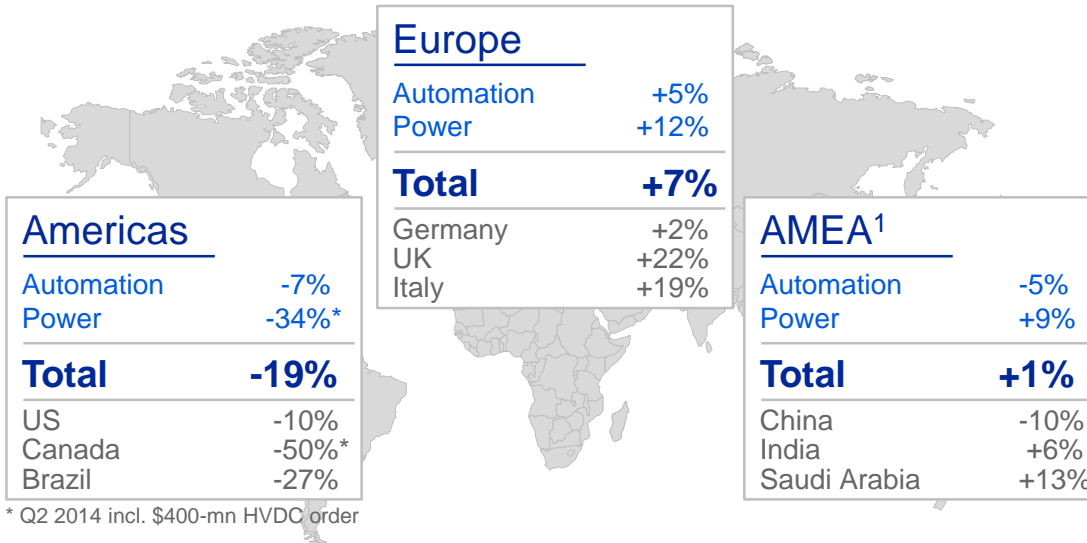
	Q2 15	Q2 14	Change	H1 15	H1 14	Change
\$ mn unless otherwise indicated						
Orders	8,996	10,567	-4% <sup>1</sup>	19,400	20,925	+6% <sup>1</sup>
Order backlog (end June)	26,028	27,089	+9% <sup>1</sup>			
Revenues	9,165	10,190	+3% <sup>1</sup>	17,720	19,661	+3% <sup>1</sup>
Operational EBITA	1,058	1,094	+8% <sup>1</sup>	2,007	2,133	+7% <sup>1</sup>
as % of operational revenues	11.7%	10.7%		11.4%	10.8%	
Net income	588	636	-8%	1,152	1,180	-2%
Basic earnings per share (\$)	0.26	0.28	-5% <sup>2</sup>	0.51	0.51	0% <sup>2</sup>
Operational earnings per share (\$) (constant currency basis)	0.33	0.30	+9% <sup>2, 3</sup>	0.64	0.60	+8% <sup>2, 3</sup>
Cash from operations	598	888	-33%	651	843	-23%

# Focused growth initiatives bear fruit in key markets

## Orders reflect market headwinds & challenging comparable

### 2015 Q2 total order growth by region

Change on a like-for-like basis



### 2015 Q2 base order growth<sup>2</sup>

Change on a like-for-like basis

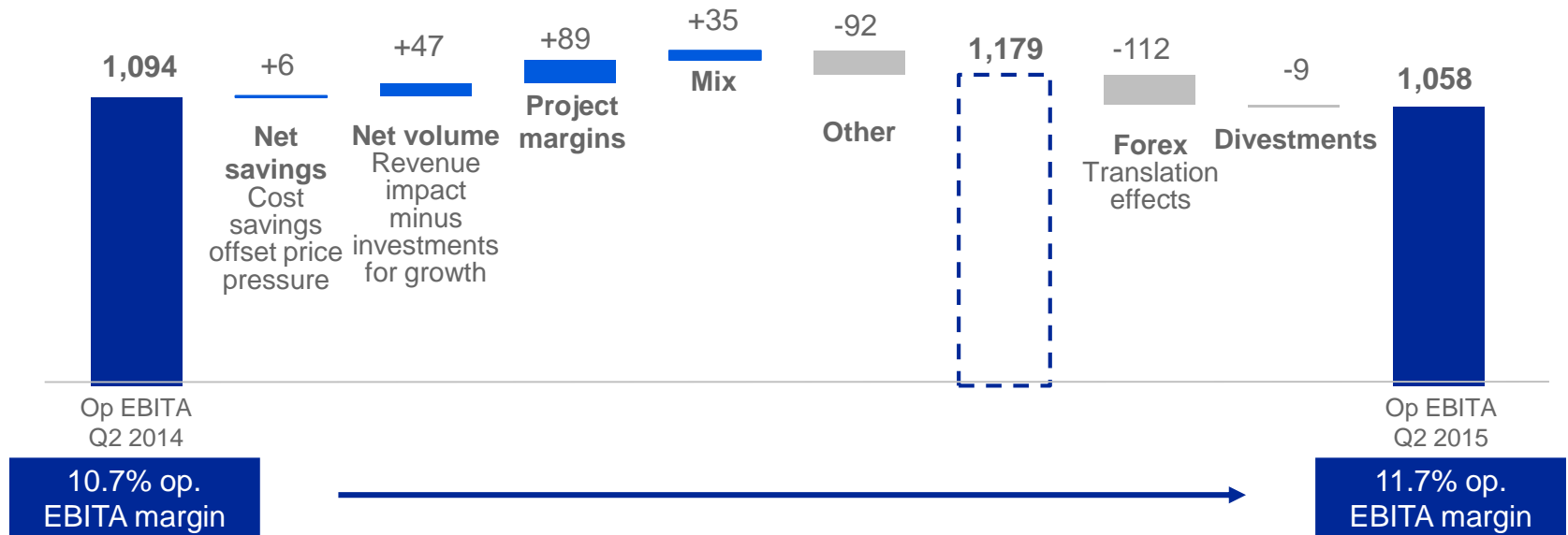
Australia	+16%
Brazil	-29%
Canada	+1%
China	-14%
Germany	-3%
India	+6%
Italy	-2%
Norway	+8%
Sweden	+12%
UK	+12%
US	-6%

**Driving growth initiatives in market headwinds**

# Operational EBITA bridge

## Driving relentless execution





### Factors affecting operational EBITA Q2 2015 vs Q2 2014



100 basis points margin accretion

# Q2 2015 performance by division

## Key figures quarter on quarter

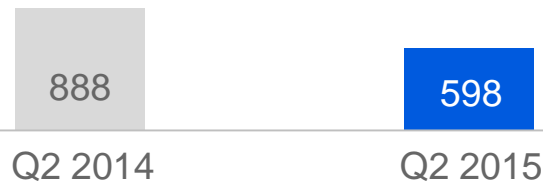
<i>\$ mn unless otherwise stated</i>		 Like-for-like		 Like-for-like				
	<b>Orders</b>		<b>Revenues</b>		<b>Operational EBITA%</b>		<b>Cash from operations</b>	
Discrete Automation and Motion	2,428	0%	2,348	+2%	14.5%	-1.2 pts	261	-30%
Low Voltage Products	1,703	+2%	1,731	+4%	16.8%	+0.2 pts	259	-5%
Process Automation	1,580	-10%	1,660	-1%	12.4%	+1.0 pts	88	-57%
Power Products	2,533	0%	2,399	-1%	12.6%	-0.3 pts	207	+10%
Power Systems	1,374	-12%	1,634	+4%	2.7%	+5.8 pts	71	+31%
Corporate & consolidation	(622)		(607)				(288)	
<b>ABB Group</b>	<b>8,996</b>	<b>-4%</b>	<b>9,165</b>	<b>+3%</b>	<b>11.7%</b>	<b>+1.0 pts</b>	<b>598</b>	<b>-33%</b>

# Capital management

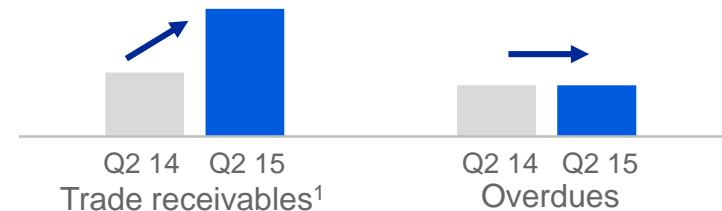
## Cash from operations reflects Q2 revenue pattern

### Cash from operations

\$ mn



### Late quarter revenue drives receivables build-up



### 2015 dividend

~\$1.4 bn (0.55CHF/share)  
in May from capital contribution  
~\$400 mn (0.17CHF/share)  
in July/August from nominal reduction

### Status of share buyback

~\$500 mn (23 mn shares) purchased in Q2  
~\$1 bn (44 mn shares) purchased YTD  
~\$1.7 bn (77 mn shares) purchased since start of program

**~\$3 bn cash return year-to-date committed to shareholders**



# ABB – Next Level

## Shaping a global leader in power & automation

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

Well  
positioned



Attractive  
markets

Profitable  
growth

Shifting the center of gravity

- Strengthening competitiveness
- Driving organic growth momentum
- Lowering risk

Incremental acquisitions and partnerships

Relentless  
execution

Leading operating model  
Driving change through 1'000 day  
programs  
Linked strategy, performance management  
and compensation

Business-led  
collaboration

Simplifying how we work together  
Streamlining market focused organization  
Leadership development

Delivering attractive  
shareholder returns

2014-2016  
share buy-back

Accelerating sustainable value creation

# Profitable growth

## Driving organic growth momentum

### Examples

Well  
positioned



Attractive  
markets

Profitable  
growth

Relentless  
execution

Business-led  
collaboration

#### Penetration

##### OEMS:

Tap European machinery channels, e.g., YTD orders >10% in key sectors



#### Innovation

##### Marine:

Azipod D propulsion "Innovation of the Year," boosts fuel efficiency 10-15%



#### Expansion

##### Food & beverage:

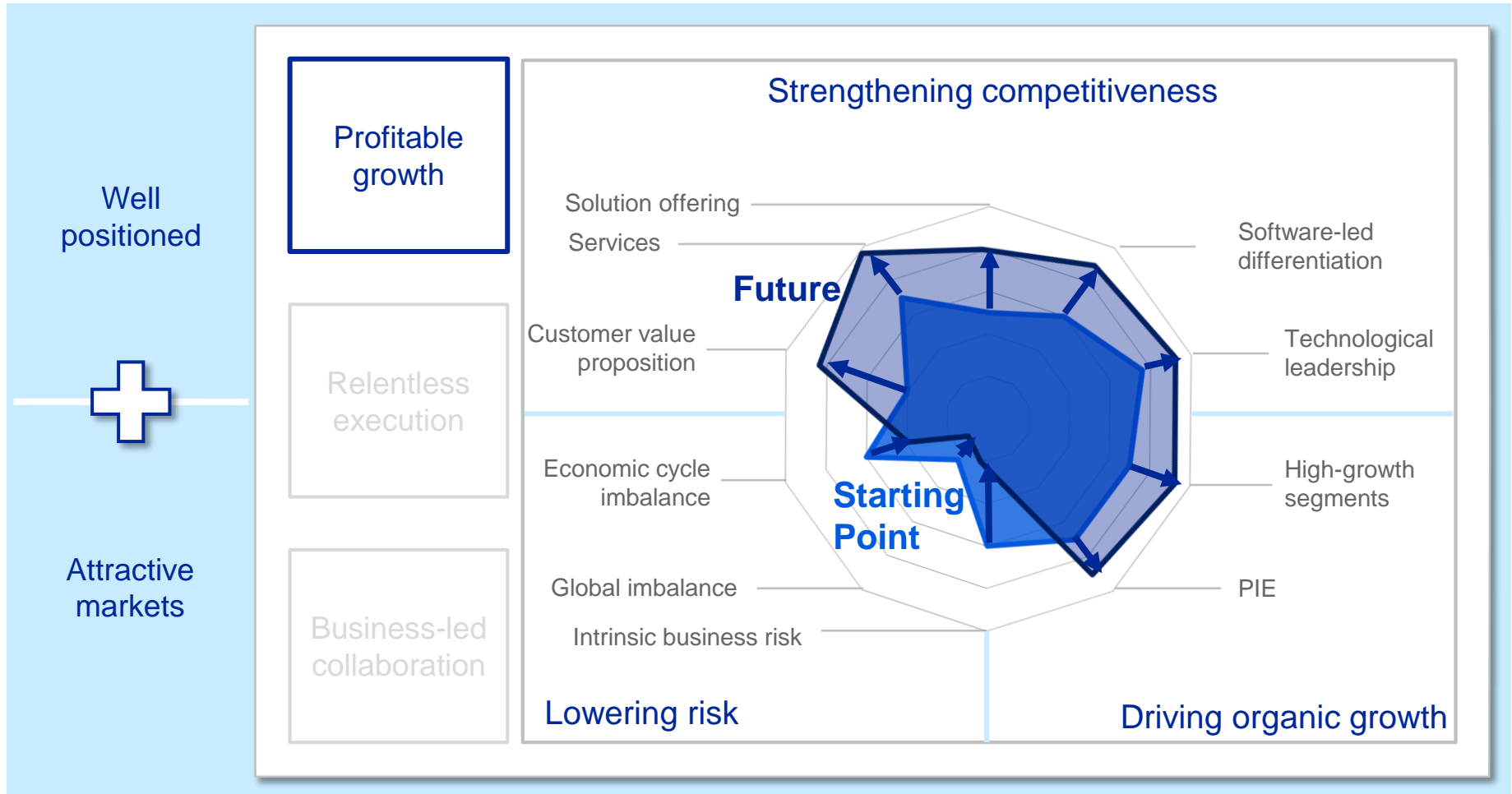
Target solutions for F&B customers, YTD orders up >10%



# Profitable growth

## Shifting the center of gravity

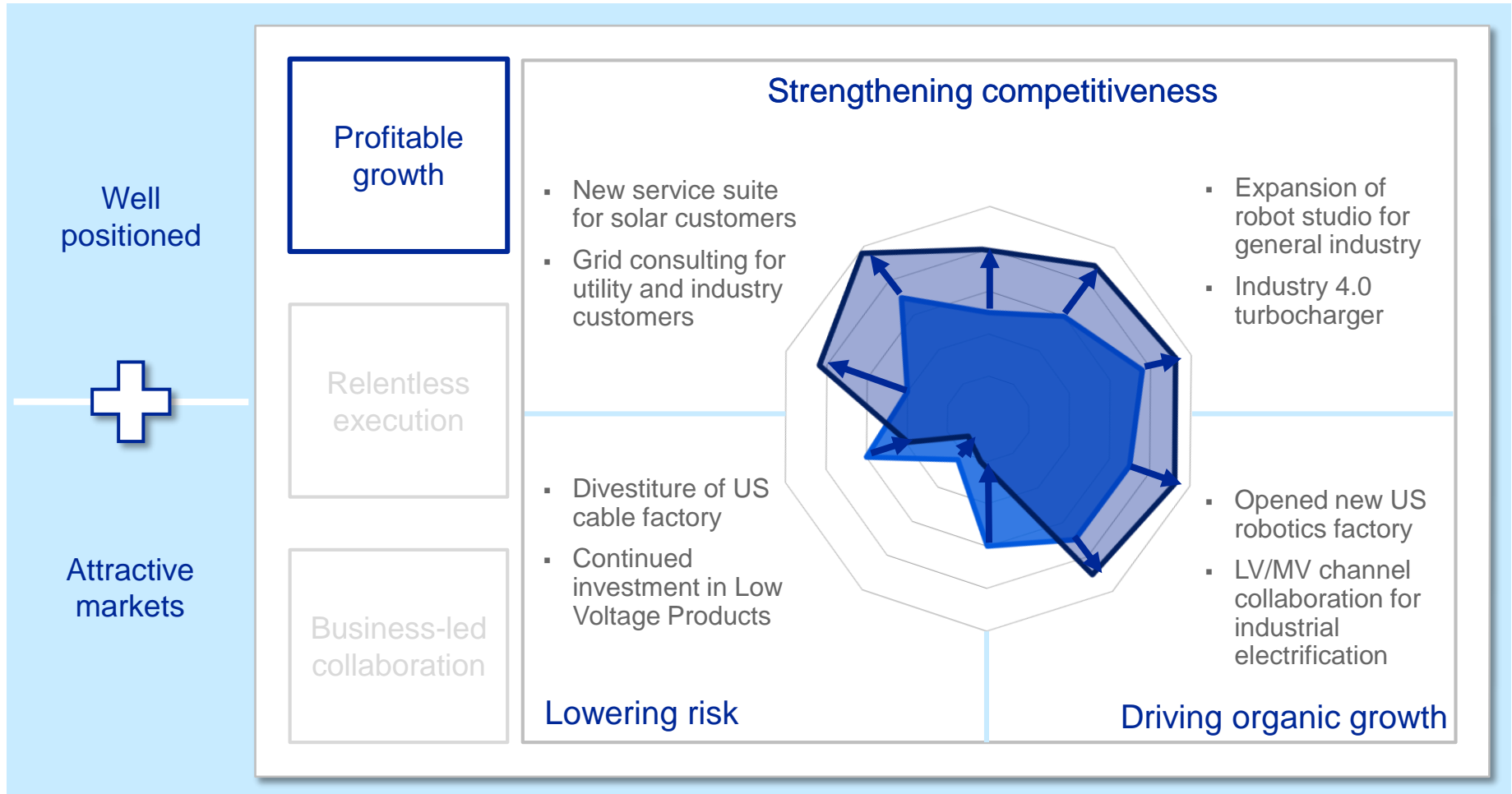
Example



# Profitable growth

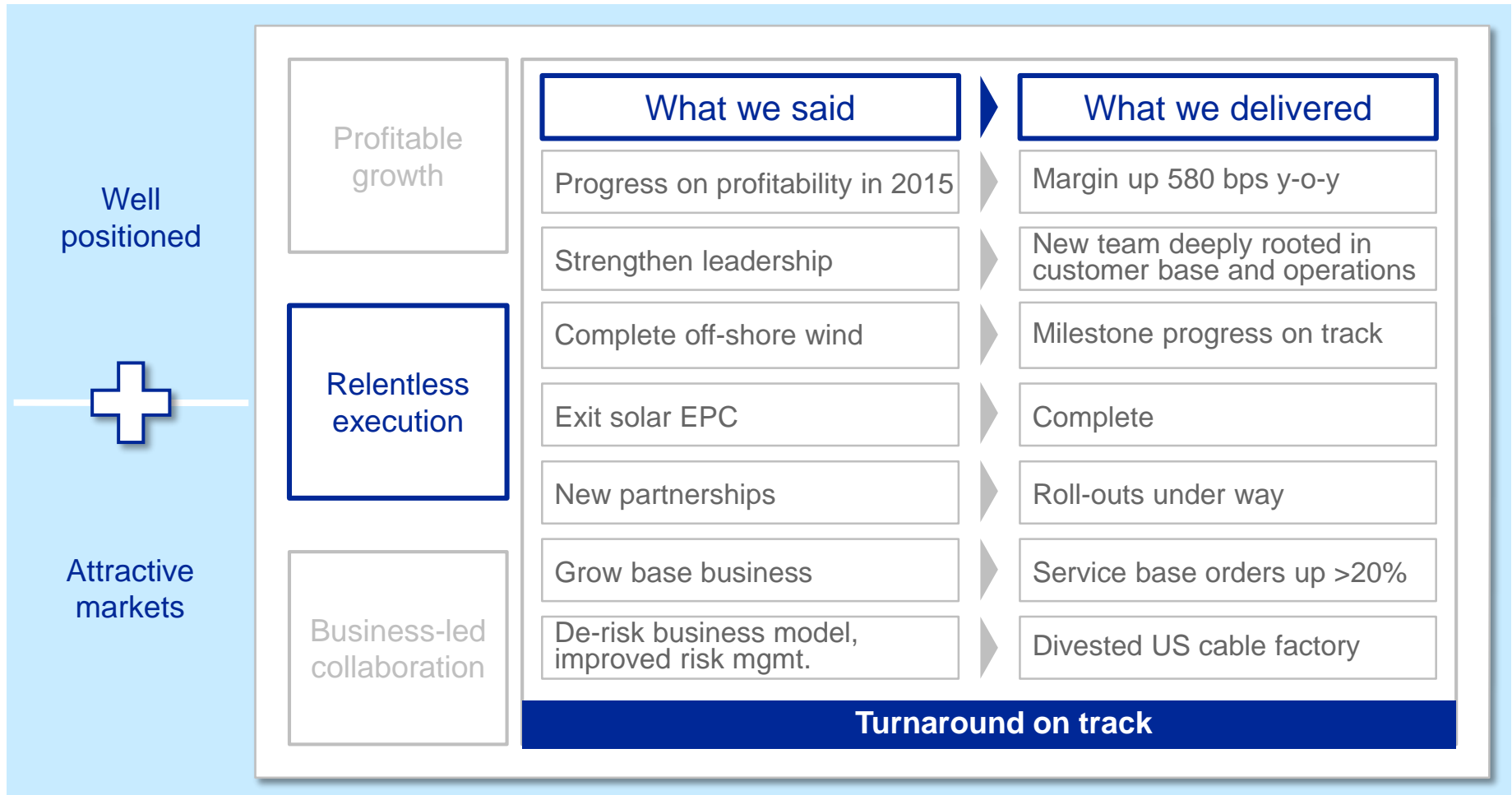
## Q2 actions – shifting the center of gravity

Example



# Relentless execution

## Power Systems delivering on 'step change'



# Relentless execution

## Stronger focus on operational performance management

Examples

Well positioned



Attractive markets

Profitable growth

Relentless execution

Business-led collaboration

### Relentless Execution Dashboard

Care	Customer			Cost			Cash		
Hazard Ratio	OTD	NPS	Field Failure Rate	Cost out as % cost	OPQ as % COS	Product Coeff Δ	DPO Δ* Actual	Invent Turns Δ*	DSO Δ* Actual

- Rewarding attention to health and safety
- Improving customer service
- Driving cost and cash
- Focus on common operational KPIs on all levels

**Cost savings**  
≈3-5% COS

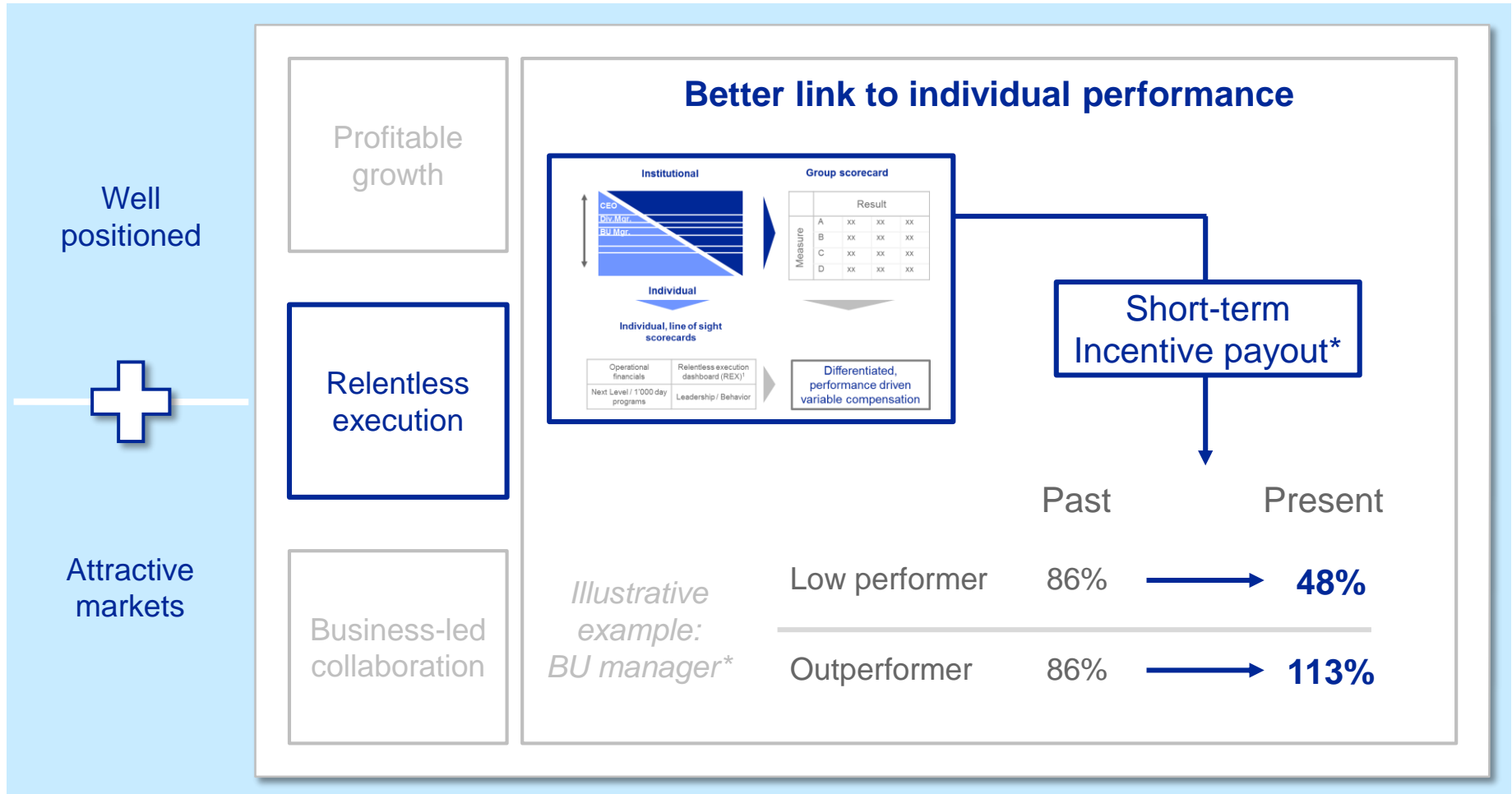
**Structural cost**  
7%<sup>1</sup> lower G&A YTD

**Productivity<sup>2</sup>**  
+4% run rate YTD

# Relentless execution

## New compensation model to drive performance culture

Example



# Business-led collaboration

## Delivering greater customer value

### Examples

Well positioned



Attractive markets

Profitable growth

Relentless execution

Business-led collaboration

#### Organization

##### New Country Manager role

Focus on customer collaboration

Clear responsibility

Shared services



#### Processes & tools

##### Salesforce.com

Common sales tools

More time with customers

Easier collaboration, coordinated reach



#### Go-to-market

##### Common channel strategy

Key channel penetration  
(distributors, OEMs, system integrators)

Increase share of wallet





# Q2 summary and outlook

## Q2 results

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Orders reflect challenging market dynamics (-4%)

Continued revenue growth (+3%)

Operational EBITA margin 11.7%, up 100 basis points, led by progress in Power Systems turnaround and cost and productivity measures

9% growth in operational EPS (constant currency)

Financials impacted by currency translation due to strong US dollar

## Outlook

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Hard-weather sailing: Mixed short-term picture, uncertainty remains

Continued growth in US; slower growth in China; modest growth in Europe

Oil price & forex translation effects to continue

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

**Steady execution of Next Level strategy supports results**

Power and productivity  
for a better world™



# Key figures Q2 2015

	Q2 15	Q2 14	Change		
<i>\$ mn unless otherwise indicated</i>			\$	Local currency	Like-for-like
Orders	8,996	10,567	-15%	-6%	-4%
Order backlog (end June)	26,028	27,089	-4%	+8%	+9%
Revenues	9,165	10,190	-10%	0%	+3%
Operational EBITA	1,058	1,094	-3%	+7%	+8%
as % of operational revenues	11.7%	10.7%			
Income from operations	961	1,052	-9%		
as % of revenues	10.5%	10.3%			
Net income	588	636	-8%		
Basic earnings per share (\$)	0.26	0.28	-5% <sup>1</sup>		
Cash from operating activities	598	888	-33%		

# Key figures first 6 months 2015

	H1 15	H1 14	Change		
<i>\$ mn unless otherwise indicated</i>			\$	Local currency	Like-for-like
Orders	19,400	20,925	-7%	+3%	+6%
Order backlog (end June)	26,028	27,089	-4%	+8%	+9%
Revenues	17,720	19,661	-10%	0%	+3%
Operational EBITA	2,007	2,133	-6%	+4%	+7%
as % of operational revenues	11.4%	10.8%			
Income from operations	1,820	1,907	-5%		
as % of revenues	10.3%	9.7%			
Net income	1,152	1,180	-2%		
Basic earnings per share (\$)	0.51	0.51	0% <sup>1</sup>		
Cash from operating activities	651	843	-23%		

# Order backlog by division

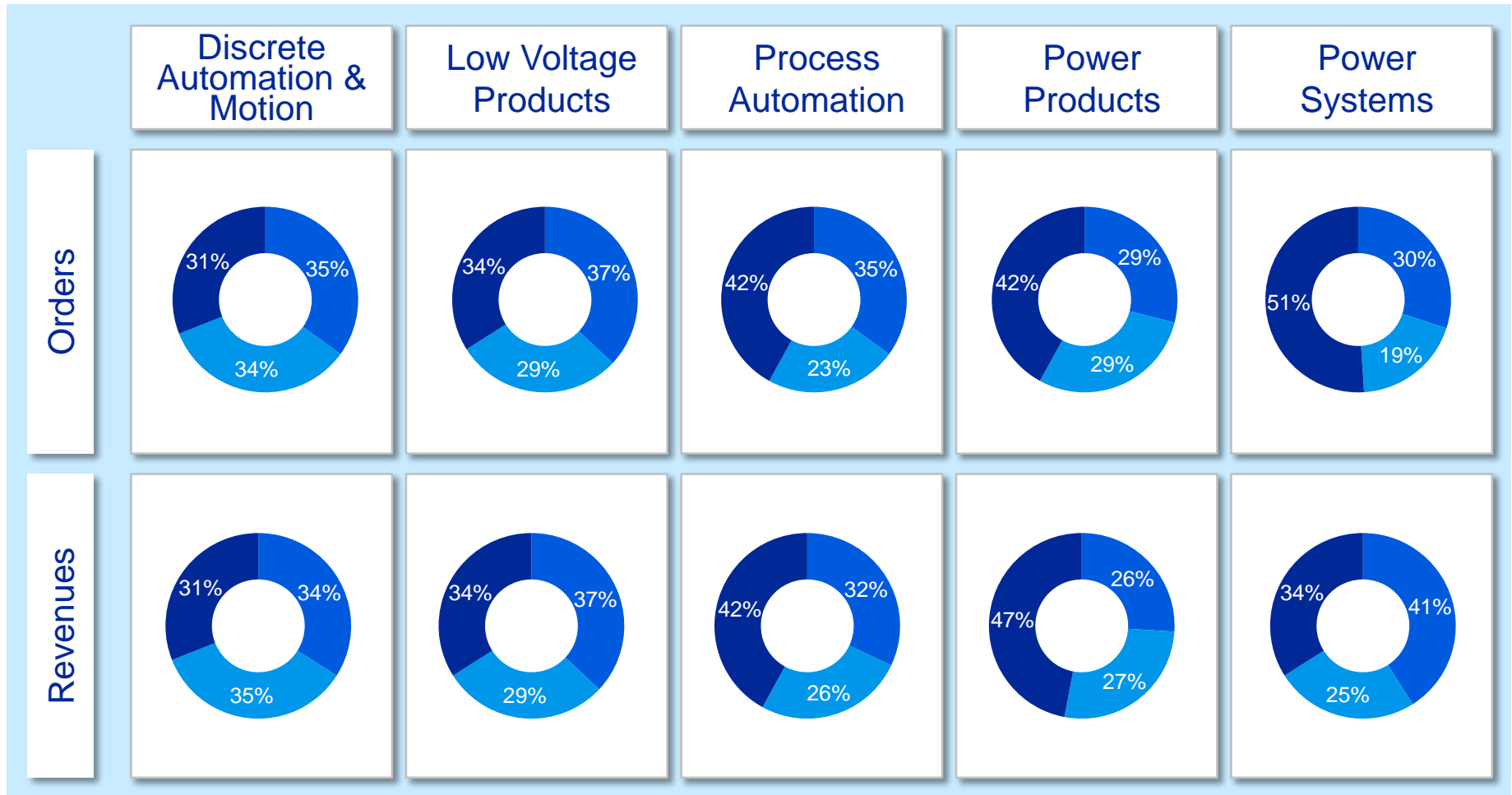
	Q2 2015	Q2 2014	Change %	
<i>Order backlog (end June)</i> <i>\$ mn</i>			\$	Like-for like
Discrete Automation and Motion	4,761	4,896	-3%	+7%
Low Voltage Products	978	1,170	-16%	+1%
Process Automation	5,709	5,858	-3%	+16%
Power Products	8,170	8,454	-3%	+7%
Power Systems	8,721	9,177	-5%	+9%
Consolidation and Other (incl. Inter-division eliminations)	(2,311)	(2,466)		
<b>Total Group</b>	<b>26,028</b>	<b>27,089</b>	<b>-4%</b>	<b>+9%</b>

# Operational EPS analysis

	Q2 2015		Q2 2014		
<i>mn \$</i> <i>except per share data in \$</i>		EPS <sup>1</sup>		EPS	△ <sup>2</sup>
<b>Net income (attributable to ABB)</b>	<b>588</b>	<b>0.26</b>	<b>636</b>	<b>0.28</b>	<b>-5%</b>
Restructuring and restructuring- related expenses <sup>3</sup>	42	0.02	28	0.01	
Gains and losses on sale of businesses, acquisition- related expenses and certain non-operational items <sup>4</sup>	38	0.02	(50)	(0.02)	
FX/commodity timing differences in Income from operations <sup>3</sup>	(57)	(0.03)	14	0.01	
Amortization rel. to acquisitions <sup>3</sup>	57	0.03	68	0.03	
<b>Operational net income</b>	<b>668</b>	<b>0.30</b>	<b>696</b>	<b>0.30</b>	<b>-2%</b>
<b><i>Operational EPS (constant currency)</i></b>		<b>0.33</b>		<b>0.30</b>	<b>+9%</b>

<sup>1</sup>EPS amounts are computed separately, therefore the sum of the per share amounts 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 Q2 2015



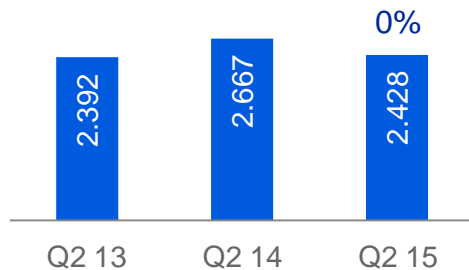
■ Europe
 ■ Americas
 ■ Asia, Middle East and Africa

# Discrete Automation & Motion

## Q2 2015

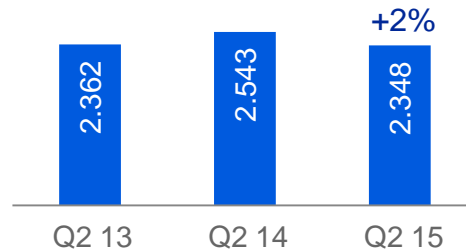
### Orders received

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



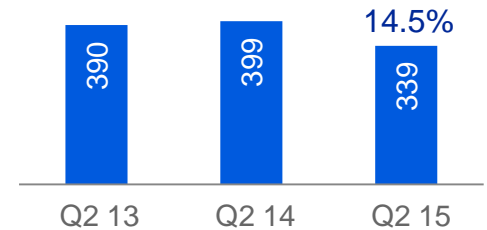
### Revenues

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



### Operational EBITA

\$ mn, operational EBITA margin



Higher large orders for energy-efficient rail solutions offset lower base orders, mainly in oil and gas and other process industries, especially in the US and China.

Revenues increased on execution of the stronger order backlog, mainly in the rail sector and robotics.

Operational EBITA margin decreased mainly due to a decline in the share of higher-margin standard products in total revenues resulting from soft demand in the oil and gas sector in recent quarters.

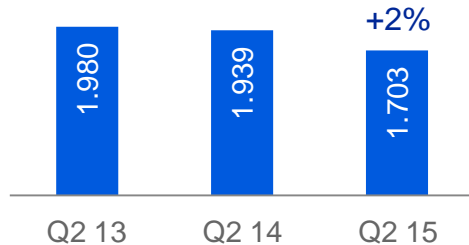


# Low Voltage Products

## Q2 2015

### Orders received

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

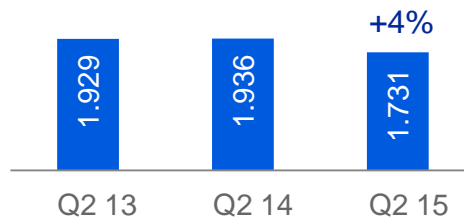


Orders reflect increased penetration of sales channels, expansion into high-growth markets, and initiatives in emerging markets.

This more than offset challenging market conditions in China and the US

### Revenues

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

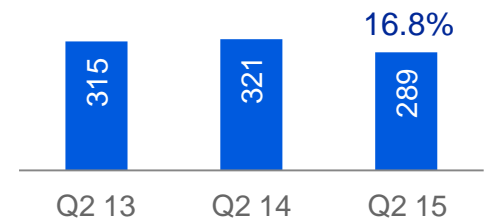


Revenues up in all regions, driven by product and systems businesses

T&B sales outside North America also supported the increase.

### Operational EBITA

\$ mn, operational EBITA margin



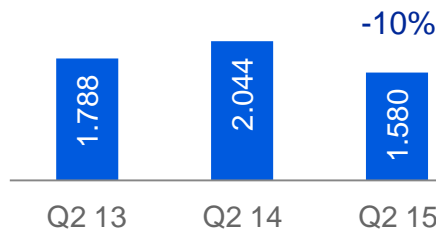
Higher operational EBITA margin mainly reflects a combination of increased like-for-like revenues and cost saving measures

# Process Automation

## Q2 2015

### Orders received

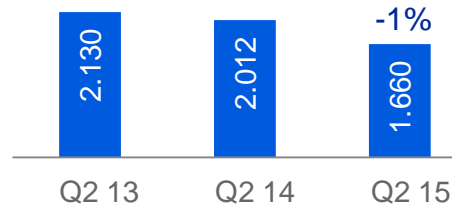
\$ mn, y-o-y change like-for-like



Decline mainly reflects lower discretionary spending in oil and gas, and lower oil and gas-related marine orders. Mining and metals remained at low levels.

### Revenues

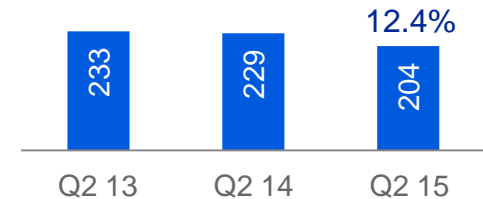
\$ mn, y-o-y change like-for-like



Revenues steady on execution of the order backlog.

### Operational EBITA

\$ mn, operational EBITA margin



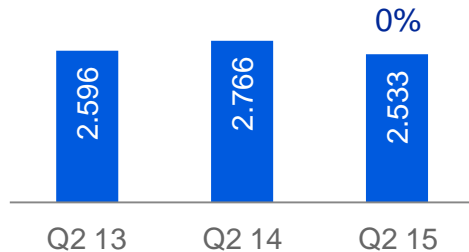
Operational EBITA margin increased, mainly due to the successful completion of a number of higher-margin projects from the backlog during the quarter.

# Power Products

## Q2 2015

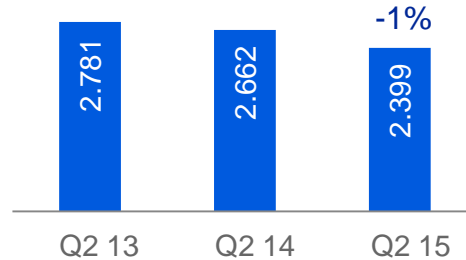
### Orders received

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



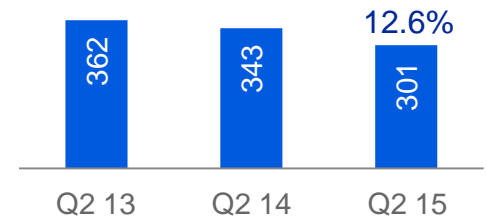
### Revenues

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



### Operational EBITA

\$ mn, operational EBITA margin



Both large and base orders remained steady, as selective investments by utility and industry customers continued. Higher orders in Europe, led by Germany, Italy and the UK, offset order declines in the Americas and AMEA.

Revenues were stable on execution out of the solid order backlog.

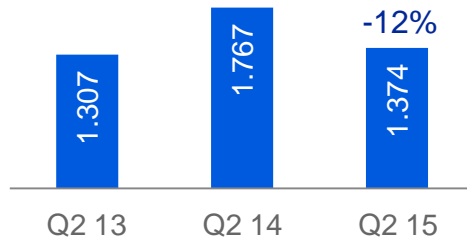
The slight operational EBITA margin decline was due to ramp-up costs associated with new production facilities in key markets.

# Power Systems

## Q2 2015

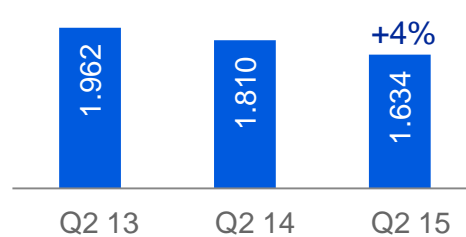
### Orders received

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



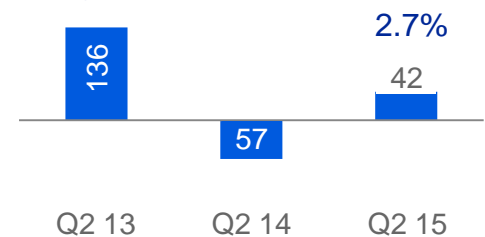
### Revenues

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



### Operational EBITA

\$ mn, operational EBITA margin



Orders declined vs same quarter of 2014 when the division won a \$400-million power transmission order in Canada.

Increased orders in Europe and AMEA—led by the Middle East—mostly offset order declines in the Americas.

Revenue growth was mainly driven by strong execution of the solid order backlog.

Operational EBITA and the related margin increased as the result of ongoing 'step change' measures and continued cost savings to return the division to higher and more consistent profitability.

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