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ABB Q2 2013 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” 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
- 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 GAAP counterparts can be found in “Supplemental Financial Information” under “Reports and Presentations” – “Quarterly Financial Releases” on our website at www.abb.com/investorcenter

Q2 2013: Improved results on a balanced portfolio
Revenues & earnings up despite uncertain market

Growth	▪ Revenues up on balanced backlog across industries, cycles, geographies ▪ Positive orders in key markets (e.g., construction, automotive, China, Germany) ▪ Realignment in Power Systems, timing of large orders reduced total orders ▪ Service revenues grew faster than Group revenues (on an organic basis)
Execution	▪ Higher revenues and operational EBITDA on steady execution ▪ Gross margins in PS order backlog reflect early success of repositioning ▪ Thomas & Betts with positive top and bottom line contribution, synergies on track ▪ Solid execution on cost: savings more than offset price pressure ▪ Power-One transaction approved, to be closed shortly
Earnings	▪ Basic EPS up 16% in Q2, 6% higher for H1
Cash	▪ Solid cash generation dampened by PS repositioning

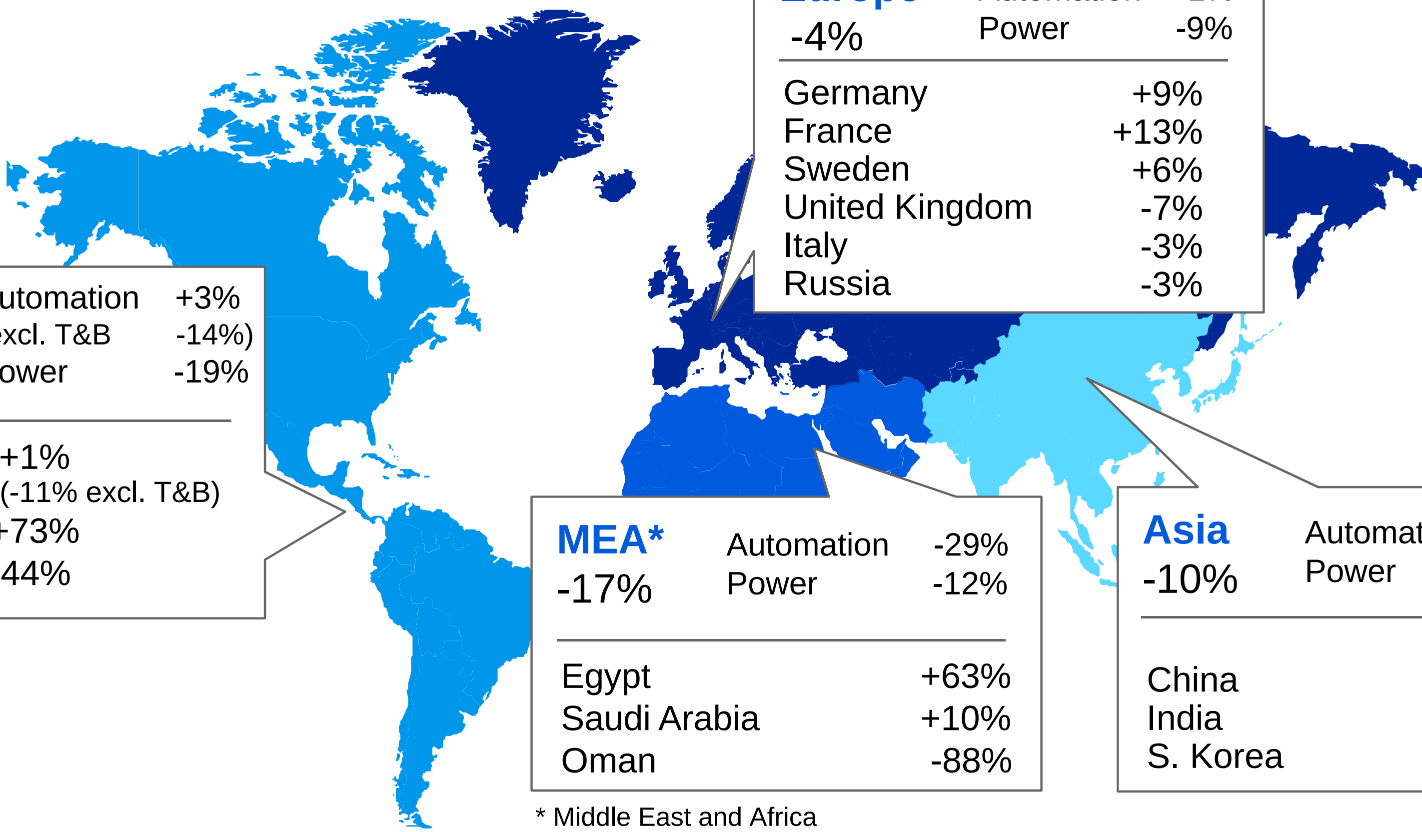
Key figures for Q2 2013

Q2 2013 performance *US$ millions unless otherwise indicated*	**Q2 2013**	**Q2 2012**	*Change in US$*	*Change in local currencies*
Orders	9’312	10’052	*-7%*	-8% *(organic[1]: -11%)*
Order backlog (end June)	*28’292*	*29’070*	*-3%*	-2%
Revenues	10’225	9’663	*+6%*	+6% *(organic[1]: +2%)*
Operational EBITDA	1’561	1’471	*+6%*	
Operational EBITDA margin	15.2%	15.1%		
Net income	763	656	*+16%*	
Basic net income per share ($)	0.33	0.29	*+16%[2]*	
Cash flow from operating activities	543	595	-9%	

[1] Excluding Thomas & Betts; [2] Calculated on basic earnings per share before rounding

Mixed picture across geographies in Q2 2013
Large order timing impacted all regions

Order growth in selected countries, Q2 13 vs Q2 12
(in local currencies)



Americas -6% (excl. T&B -16%)

Automation	+3%
(excl. T&B	-14%)
Power	-19%
US	+1% (-11% excl. T&B)
Mexico	+73%
Brazil	-44%

Europe -4%

Automation	-1%
Power	-9%
Germany	+9%
France	+13%
Sweden	+6%
United Kingdom	-7%
Italy	-3%
Russia	-3%

MEA* -17%

Automation	-29%
Power	-12%
Egypt	+63%
Saudi Arabia	+10%
Oman	-88%

Asia -10%

Automation	-4%
Power	-19%
China	+2%
India	-12%
S. Korea	-49%

* Middle East and Africa

Selective customer investments continued
Upgrading existing assets, targeted capex spend

- Automotive robotics orders (UK, Sweden, China)
- Offshore oil safety and automation system upgrade (Norway)
- Energy-efficient propulsion solutions for rail (Russia)
- Substation and utility communications solutions (Iraq)
- New high-voltage transmission substations (Norway)

ABB to build world's largest nationwide network of EV fast-charging stations in the Netherlands

Fast-chargers to be separated by max.
50 km along all highways in the Netherlands

- >200 electric vehicle fast-charging stations
- Able to charge in 15-30 minutes
- Value-based services for uptime and reliability management
- Cloud connectivity allows user-friendly payment
- Compatible with all major car brands
- First chargers for delivery in September 2013
- Stations expected to be completed by 2015

Q2 2013 divisional growth overview
Orders reflect selectivity & capex trends; revenues up on backlog execution

US$ millions	**Orders**	Change vs Q2 12 in local currencies	**Revenues**	Change vs Q2 12 in local currencies
Discrete Automation and Motion	2’392	*-2%*	2’362	*-1%*
Low Voltage Products *(Organic)*	1’980 *1’352*	*19%* *0%*	1’929 *1’291*	*20%* *0%*
Process Automation	1’788	*-21%*	2’130	*4%*
Power Products	2’596	*-7%*	2’781	*6%*
Power Systems	1’307	*-31%*	1’962	*5%*

- DM: Weaker industry demand in some markets partly offset by rail, robotics; service revenues up 4%
- LP: Growth in early-cycle businesses; organic orders up in China, Russia, and US
- PA: Fewer large orders in oil & gas, mining, marine, declines in full service, but after-market service higher
- PP: Distribution and industrial demand steady, targeted transmission investments, service revenues higher
- PS: Increased project selectivity impacted order levels; large orders delayed by economic uncertainty

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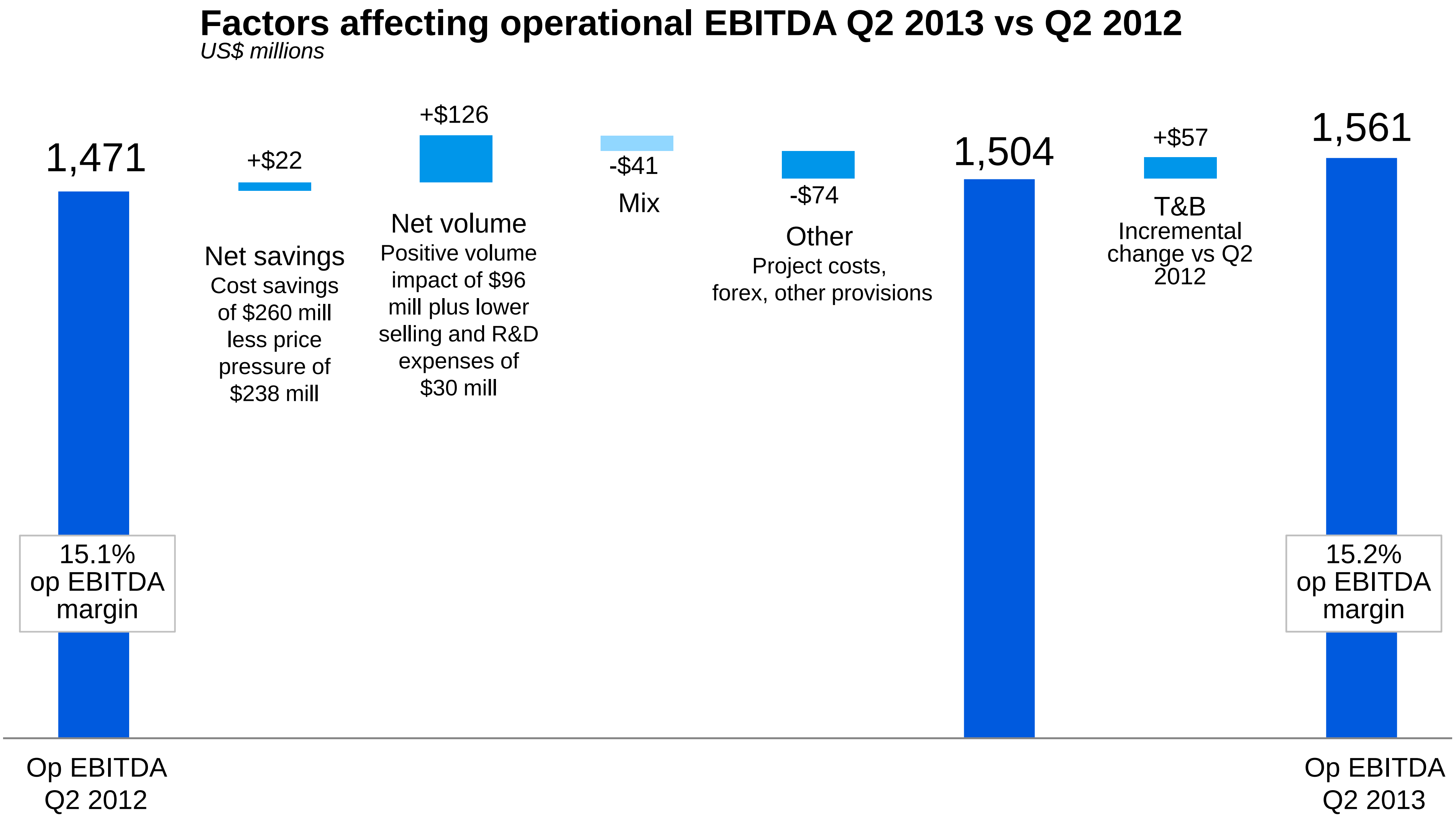
Q2 2013 divisional earnings overview
Delivering on target across the portfolio

US$ millions	**Op EBITDA**	Change vs Q2 12 in US$	**Op EBITDA margin**	Change vs Q2 12 in percentage points
Discrete Automation and Motion	428	*-4%*	18.1%	*-0.7*
Low Voltage Products *(Organic)*	367 *251*	*28%* *10%*	19.0% *19.4%*	+*1.1* +*1.7*
Process Automation	252	*-6%*	11.8%	*-1.3*
Power Products	409	*6%*	14.7%	+*0.0*
Power Systems	159	*34%*	7.9%	+*1.7*

- DM: Well within target corridor despite less favorable revenue mix (e.g., strong automotive shipments)
- LP: Excl. T&B, earnings up on cost management, growth in a number of product businesses, service sales
- PA: Project revenue timing, some fixed cost underabsorption; margin improvements in lifecycle services
- PP: Steady execution of the order backlog, continued cost savings
- PS: Higher margin mainly due to improved project execution

Operational EBITDA bridge



Operational EPS analysis

US$ millions, except per share data in US$	Q2 13	EPS	Q2 12	EPS	change[2]
Net income (attributable to ABB)	763	0.33	656	0.29	16%
Restructuring and restructuring-related expenses[1]	25		12		
Acquisition-related expenses and certain non-operational items[1]	20		65		
FX/commodity timing differences in Income from operations[1]	-6		60		
Amortization rel. to acquisitions[1]	66		60		
Operational net income	868	0.38	853	0.37	2%

	H1 13	EPS	H1 12	EPS	change[2]
Net income (attributable to ABB)	1'427	0.62	1'341	0.58	6%
Restructuring and restructuring-related expenses[1]	38		24		
Acquisition-related expenses and certain non-operational items[1]	23		51		
FX/commodity timing differences in Income from operations[1]	38		8		
Amortization rel. to acquisitions[1]	132		106		
Operational net income	1'658	0.72	1'530	0.67	8%

[1] Net of tax at Group effective tax rate
[2] Calculated on basic earnings per share before rounding

Thomas & Betts update: Another solid contribution
Integration on track



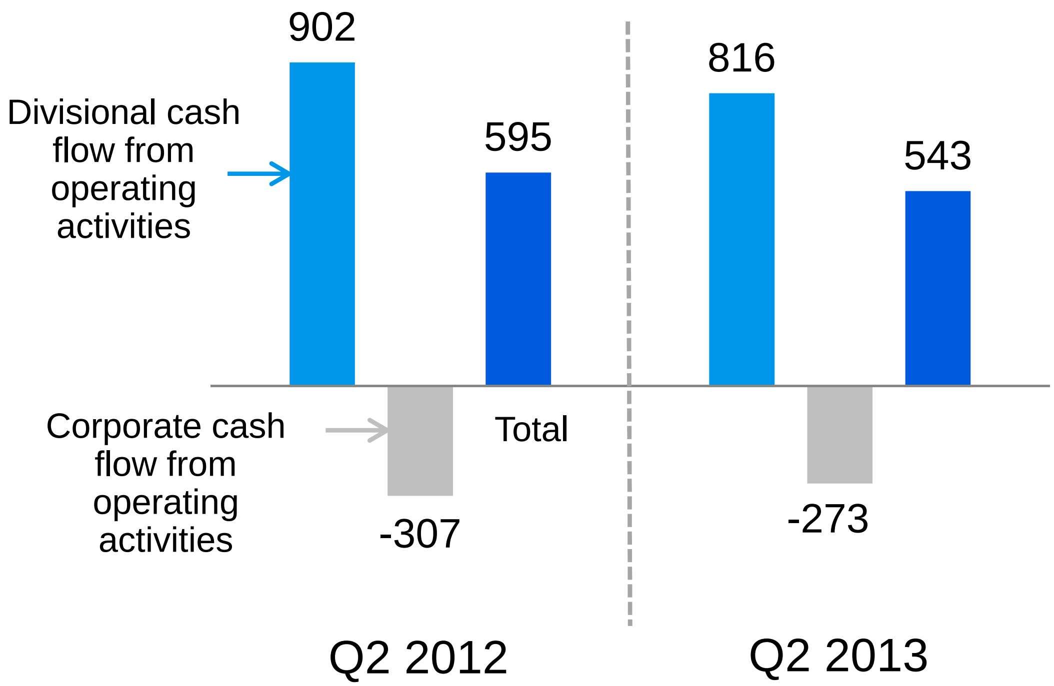
- Q2 stand-alone vs. year-earlier period
  - 2% revenue growth on full-quarter basis
  - Contributed ~$640 mill in revenues, ~$115 mill in op EBITDA and ~$90 mill in cash from operations
  - Q2 operational EBITDA margin 18.2%
- Integration on track
  - Integration costs and cost synergies in line with plan
  - Regional revenue synergy plans being implemented
- EPS accretive

- Special items
  - PPA amortization[1]: Q2 = $29 mill
FY 13 = ~$120 mill
  - No further material acquisition-related costs expected

[1] Acquisition-related amortization

Lower cash generation mainly in Power Systems
Solid cash in majority of portfolio

Cash from operating activities
Q2 13 vs Q2 12
US$ millions

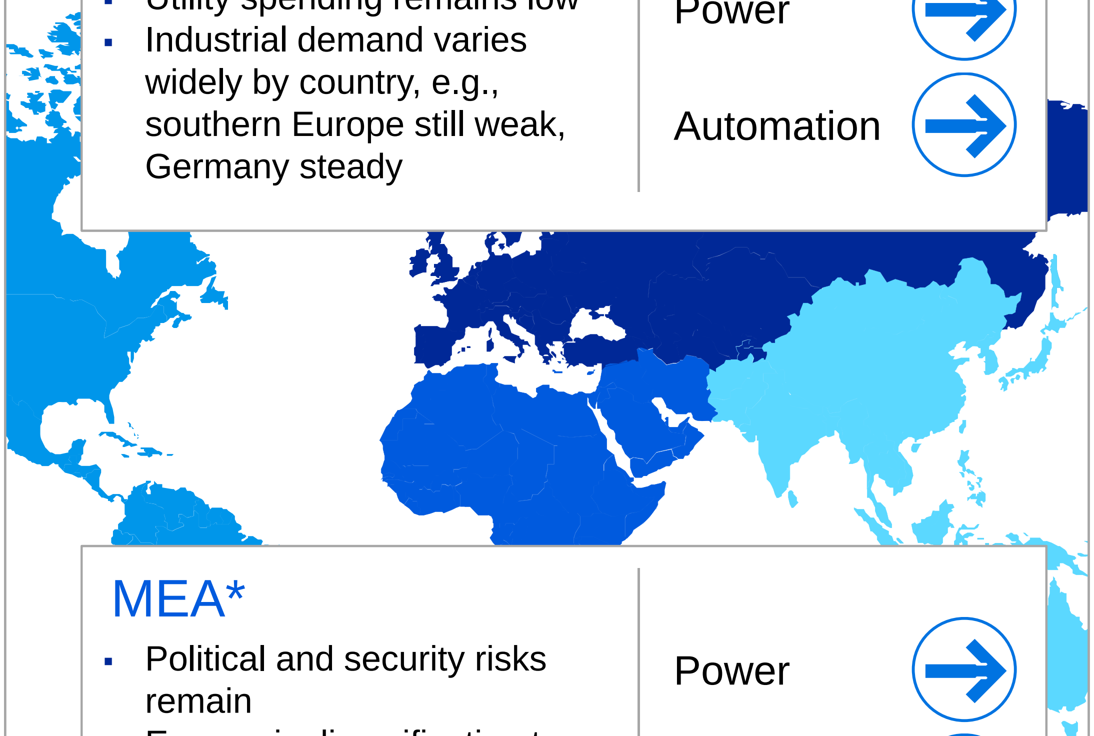


- Underlying cash generation solid
- PS down ~$150 million on timing of project payments and repositioning outflows
- Net working capital at 17.5% of revenues—continued focus in H2 2013

Balance sheet

- Single A rating confirmed
- Net debt $3.4 billion end of June
- Power-One acquisition to require ~$750 million (net of cash acquired – closing expected shortly)

Mid-term demand outlook
Large order timing uncertain, short-term focus on positive early-cycle trends



Americas

- Industrial demand soft but still positive
- Grid upgrades continue but large projects likely to be delayed into 2014
- Construction to support US low-voltage and power distribution
- Brazil weaker than expected

Power

Automation

Europe

- Utility spending remains low
- Industrial demand varies widely by country, e.g., southern Europe still weak, Germany steady

Power

Automation

Asia

- Continues to outgrow world GDP >2x
- Early cycle demand positive in many markets
- China H2 demand environment expected to continue positive
- India remains a challenge

Power

Automation

MEA*

- Political and security risks remain
- Economic diversification to continue
- Large projects delayed

Power

Automation

* Middle East and Africa

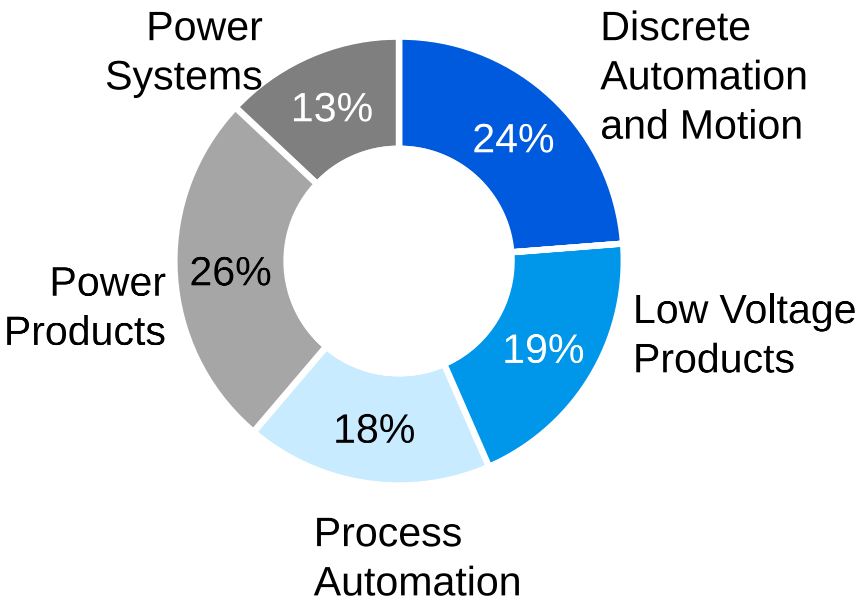
Outlook for the remainder of 2013
Mixed macro trends ahead

Growth	▪ Long-term growth drivers intact: Industrial productivity, energy efficiency ▪ Market uncertainty continued; large order delays likely to continue ▪ Positive early-cycle signals, situation remains volatile
Execution	▪ Leverage stronger automation portfolio across markets and regions ▪ Sustain annual Power Products op EBITDA margins in the 14.5-15% range ▪ Drive PS reset and improve project and risk management ▪ Further focus on growing service revenues faster than total revenues ▪ Cost savings and productivity improvements ~3-5% of cost of sales ▪ Execute order backlog on time and at right quality ▪ Drive measures to improve customer satisfaction ▪ Close Power-One transaction, start integration
Cash and capital allocation	▪ Secure cash return on investment in both organic and inorganic growth ▪ Continue our dividend policy: Sustainable and steadily rising over time

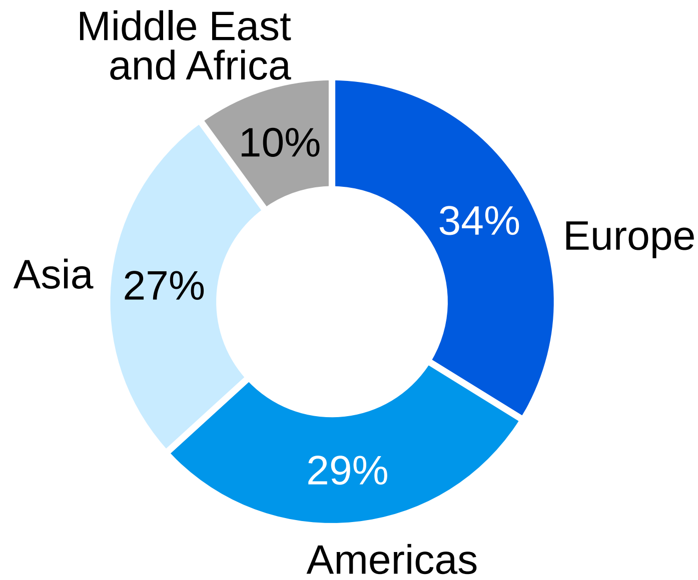
Power and productivity
for a better world™

Balanced business and geographic portfolio

Orders by division Q2 2013
Non-consolidated



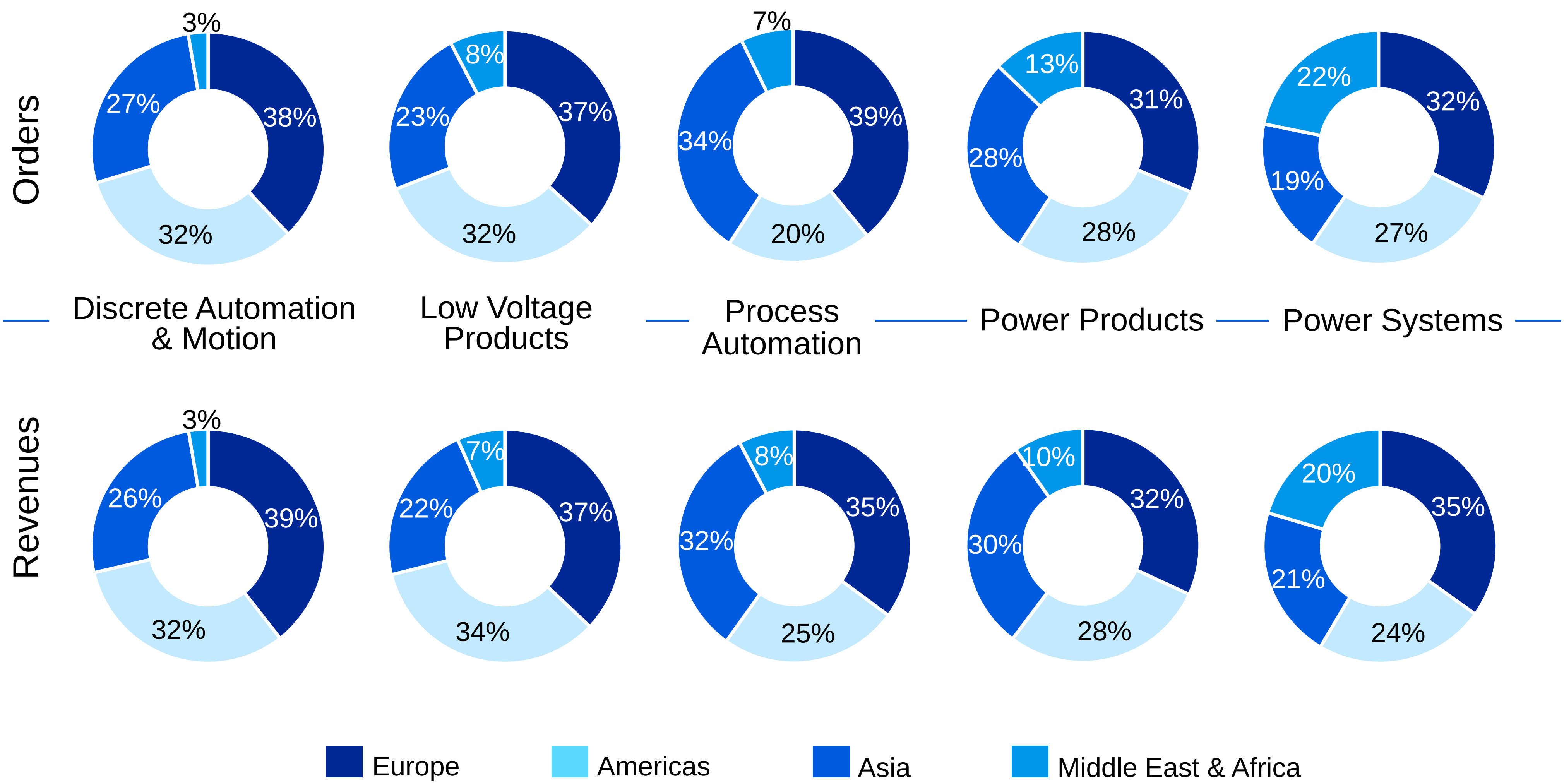
Orders by region Q2 2013



Orders and revenues by region and division Q2 2013

Regional share of total orders and revenues by division

US$



Order backlog by division

Order backlog (end June) *US$ millions*	**Q2 2013**	**Q2 2012**	**Change %**	
			US$	*Local currencies*
Discrete Automation and Motion	4‘481	4‘567	*-2%*	*-2%*
Low Voltage Products	1'289	1'082	*19%*	*20%*
Process Automation	6’361	6'417	*-1%*	*0%*
Power Products	8’578	8’692	*-1%*	*-1%*
Power Systems	10’598	11’571	*-8%*	*-8%*
Consolidation and Other (incl. Inter-division eliminations)	-3’015	-3'259		
Total Group	**28’292**	**29’070**	***-3%***	***-2%***

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