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ABB Q2 2012 results

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Safe-harbor statement

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, 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.

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 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.

Q2 2012: Higher top line in a mixed market

Sequential improvement in operating margins

- Both orders and revenues higher despite uncertain markets
- Currency translation reduced reported revenues by ~\$600 mill, op EBITDA by ~\$100 mill
- China orders stabilized, North America still strong, rebound in Middle East, Europe steady
- Order price pressure in power easing slightly, steady Power Products margins over the past 3 quarters
- Operational EBITDA decreased vs Q2 2011 on negative mix and strong US dollar translation impact vs Q2 2011—savings offset price pressure
- Sequential op EBITDA margin improved 1.2% points vs Q1 2012
- Thomas & Betts acquisition completed, integration on track, solid contribution after 6 weeks
- Divisions delivered solid cash from operations

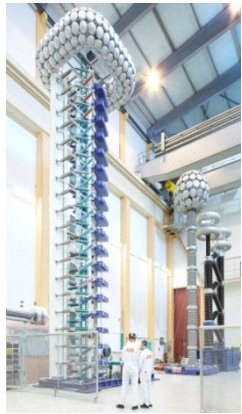
Key figures for Q2 2012

Q2 2012 performance¹ <i>US\$ millions unless otherwise stated</i>	Q2 2012	Q2 2011	<i>Change vs Q2 2011</i> US\$	<i>Change vs Q2 2011</i> local currencies
Orders	10,052	9,867	+2%	+9% (organic +6%)
Revenues	9,663	9,680	0%	+6% (organic +3%)
Order backlog	29,070	29,983	-3%	+6%
Operational EBITDA	1,471	1,547	-5% (organic -9%)	
Operational EBITDA %	15.1%	16.0%	-0.9 percentage points	
Net income attributable to ABB	656	893	-27%	
Cash from operations	595	891	-33%	

¹ Incl. 6 weeks of Thomas & Betts results

Steady to higher demand in most regions

Strong Americas, resilient Europe, Asia sequentially better



Order growth by region Q2 2012 vs Q2 2011
(in local currencies)

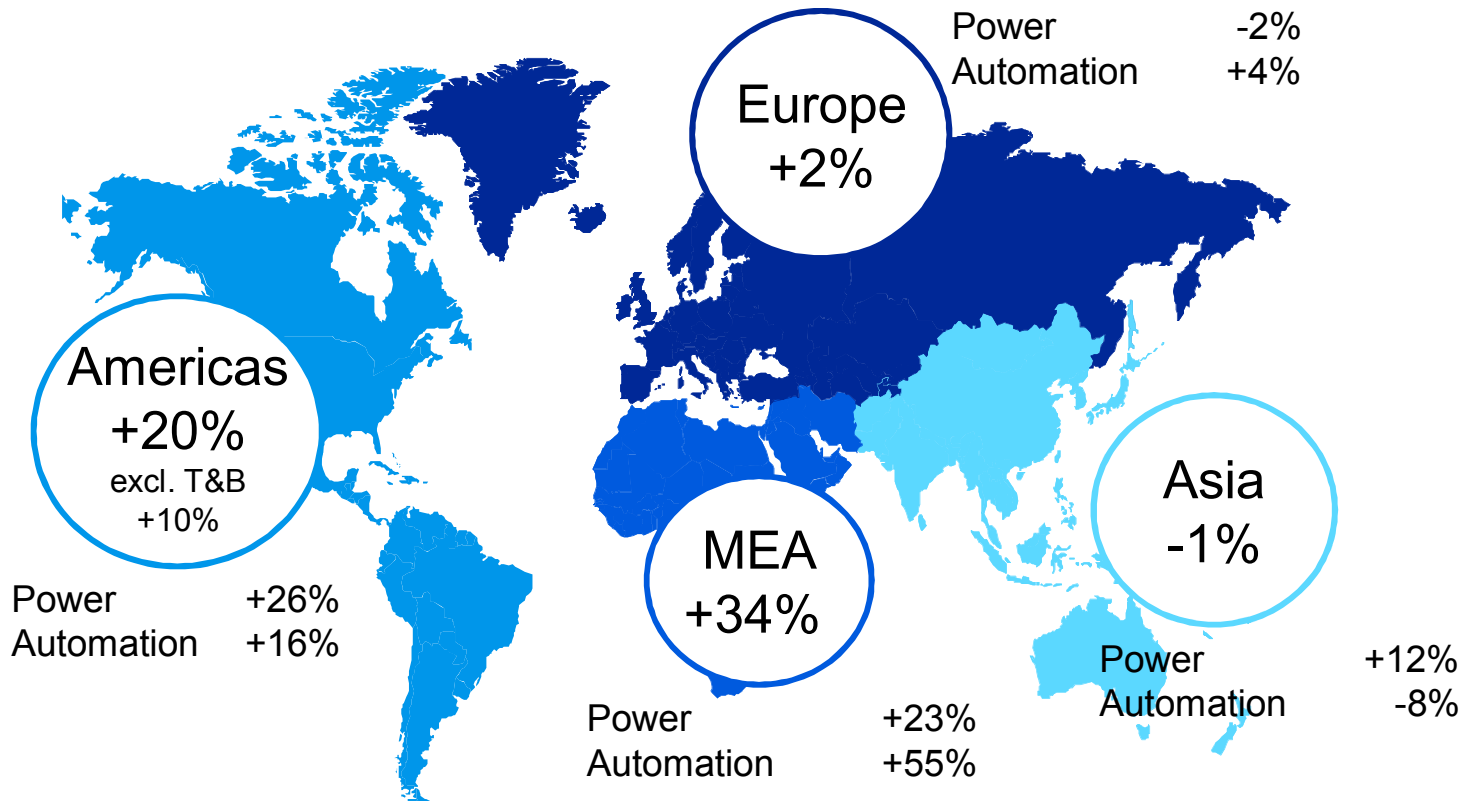


Chart 5

Our geographic scope provides a natural hedge

Capturing growth opportunities where they arise



Order growth by selected country
Q2 2012 vs Q2 2011
(in local currencies)

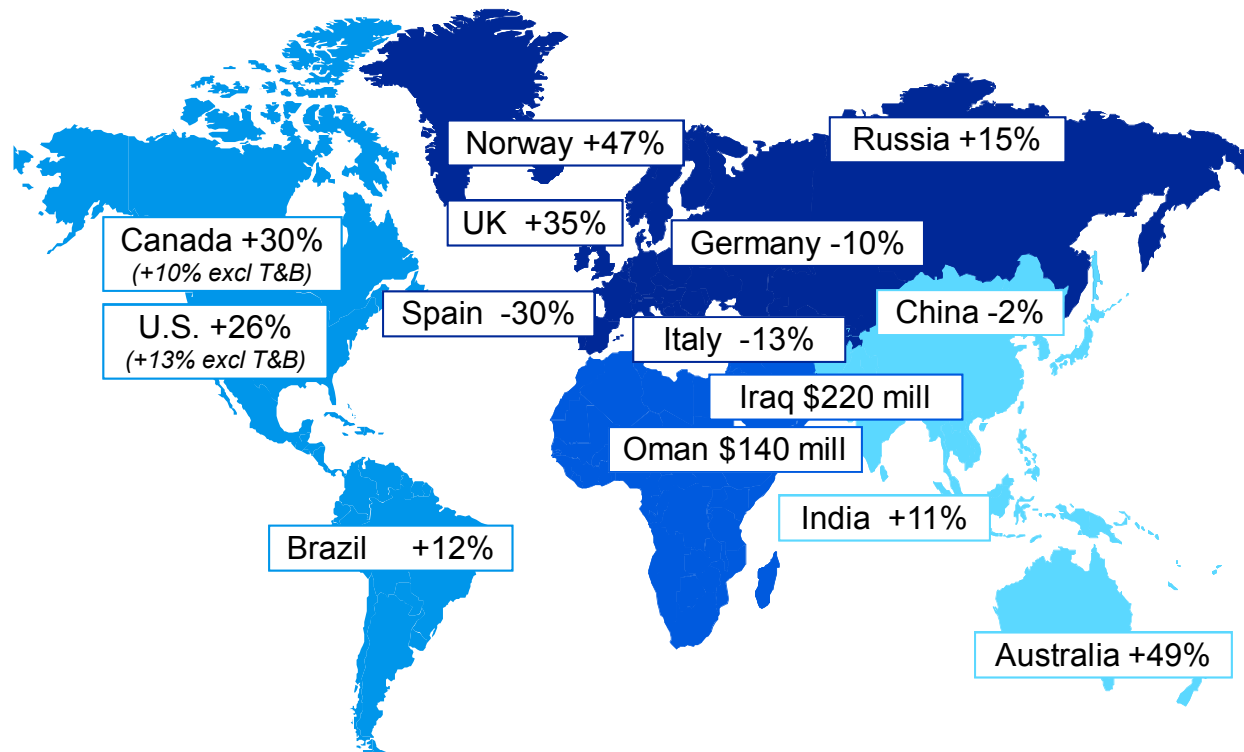


Chart 6

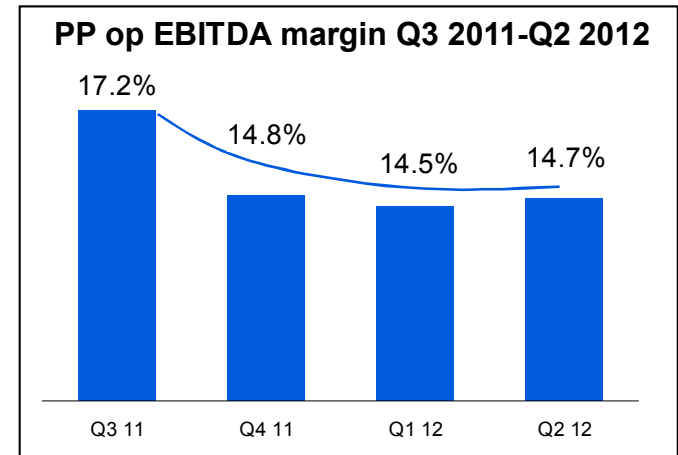
Q2 divisional overview: Power

Order price pressure eases, PP margins stabilizing



Power Products

- Orders price pressure easing slightly, stable on revenues
- Revenues flat on timing of order execution out of the backlog
- Op EBITDA reflects weaker priced orders from backlog
- >\$100 million cost savings in Q2



Power Systems

- Significant market opportunity remains, tender pipeline full
- As in PP, revenues reflect execution timing
- Margin slippage on a small number of projects in different businesses: cumulative impact ~\$40 mill.

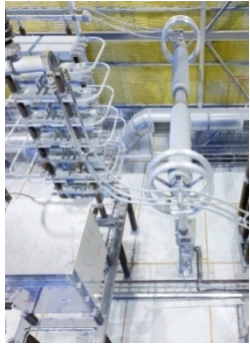
	Orders ¹ Δ vs Q2 11	Revenues ¹ Δ vs Q2 11	Op EBITDA Δ vs Q2 11	Op EBITDA %	Δ vs Q2 11 (percentage pts)	Δ vs Q1 12 (percentage pts)
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Power Products	+5%	+0%	-15%	14.7%	-1.8	+0.2
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Power Systems	+27%	+1%	-37%	6.2%	-3.2	-0.4
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¹ percentage change in local currencies vs same period in 2011 except operational EBITDA percentage change in US\$

Successes and challenges in Power Q2 2012



Quarterly successes

- Strong order growth and tendering activity
- Power transformer capacity cut by >10% in past 12 months
- Major technology advance: World's first 1,100 KV UHVDC converter transformer
- M&A for technology: Tropos, wireless systems for network communications



Challenges and action plans

- Projects: Drive risk management in contracts, technology, regulation, people
- Price pressure: No let-up on cost out, high selectivity in orders, broad end-market focus, in-country for-country
- Service: Leverage technology innovations, software, industry know-how, and large installed base to drive growth

Q2 divisional overview: Automation

Resilient performance, T&B makes first contribution



Discrete Automation & Motion

Orders ¹ Δ vs Q2 11	Revenues ¹ Δ vs Q2 11	Op EBITDA Δ vs Q2 11	Op EBITDA %	Δ vs Q2 11 (percentage pts)	Δ vs Q1 12 (percentage pts)
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-2%	+11%	+6%	18.8%	+0.1	+0.2
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- Lower demand in renewables and rail, esp. impacting LV drives
- Solid execution on revenues led by robotics, PE and MV drives
- Op EBITDA margin steady despite difficult market and unfavorable mix



Low Voltage Products

23% (+1%) ²	21% (-2%)	+7%	17.9% (17.7%)	-1.3 (-1.5)	+1.3 (+1.1)
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- 6 weeks T&B contributed ~\$310 million revenues, ~\$60 million op EBITDA
- China construction demand recovering, trend confirmed in early July
- Product/system mix continues to challenge op EBITDA margin



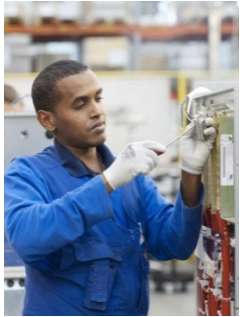
Process Automation

+3%	+5%	+8%	13.1%	+1.3	+0.7
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- Oil & gas and marine lead order growth
- Progress in lifecycle services, continued streamlining of full service portfolio
- Higher op EBITDA margin on project execution, cost savings, higher margins in lifecycle services and measurement products

¹ Percentage change in local currencies vs same period in 2011, except operational EBITDA percentage change in US\$ ² Excl T&B

Successes and challenges in Automation Q2 2012



Quarterly successes

- Rapid margin recovery in LP vs Q1 2012: China plus cost
- Product pricing improvements in parts of DM and LP
- Closed T&B acquisition
- New launches in cyber security, LV breakers (smart grid), drives, motors, robots
- Inaugurated DC data center in Switzerland



Challenges and action plans

- Demand weakness in early-cycle: Fast and flexible capacity adjustments (e.g., temporary workers) in both mature and emerging markets
- Focus on cost: Ensure timely returns on growth investments in line with targets
- Optimize product and system mix (e.g., measurement products in PA)

Thomas & Betts update: A strong start

Integration on track



- Mid-May to end-June stand-alone¹ vs. year-earlier period
 - 10% revenue growth on full-quarter basis
 - Q2 operational EBITDA margin² 18.5% vs 16.7% in Q2 2011
 - Contributed ~\$310 mill in revenues, ~\$60 mill in operational EBITDA
- Integration on track
 - Early wins through ABB channels (e.g., South America)
 - Synergy estimates confirmed and actions started
- EPS accretive in year 1 (excl. one-time charges)
- Special items
 - Q2 acquisition-related costs of ~\$70 mill (~\$80 mill FY 12)
 - Q2 PPA amortization³ of \$33 mill; \$117 mill for full year 2012; ~\$120 mill for full year 2013

¹ Last 6 weeks trading to 30th June (excl. purchase accounting impacts)

² Estimated operational EBITDA margin based on ABB definition

³ Incl. acquisition-related amortization and inventory step-up

Operational EBITDA bridge – Q2 12 vs Q2 11

Factors affecting operational EBITDA Q2 2012

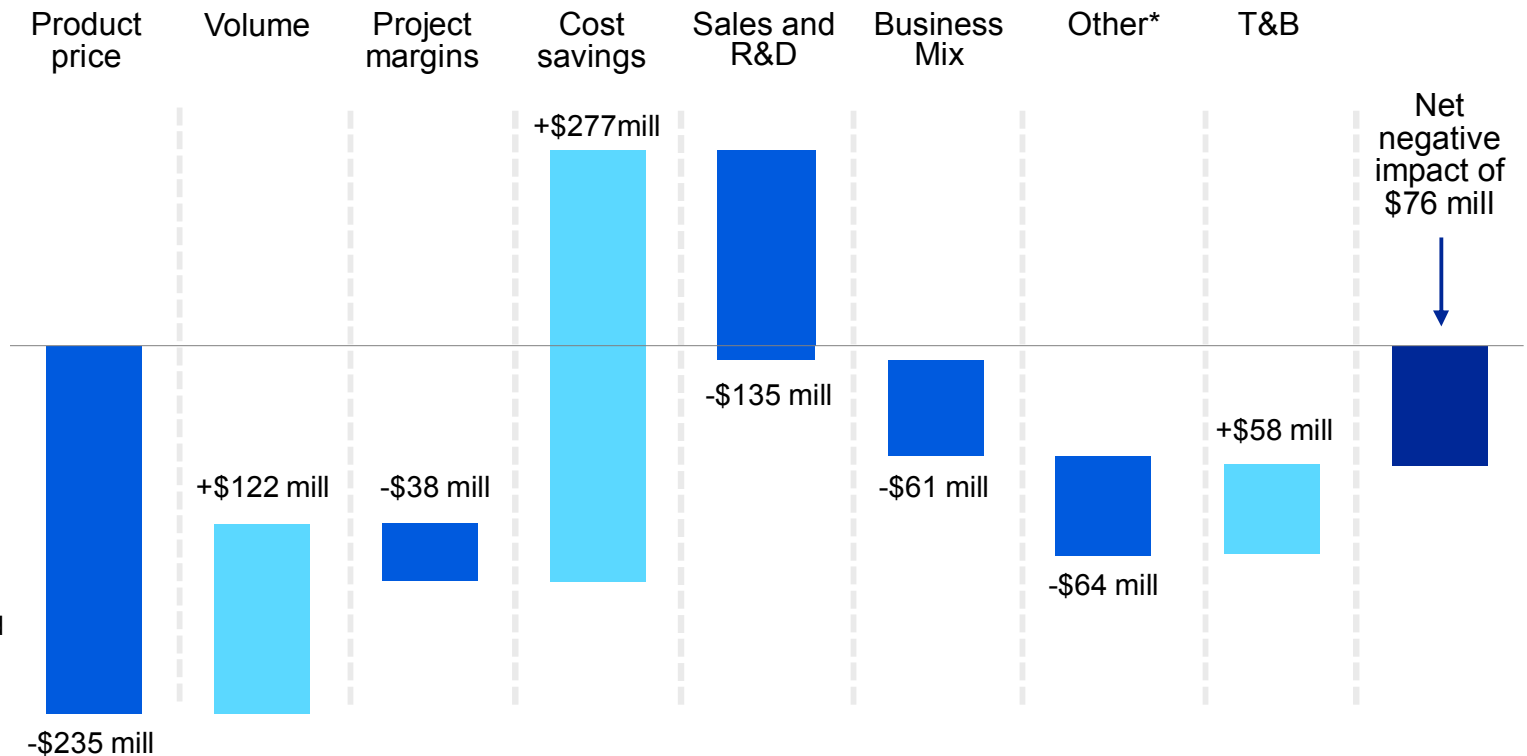
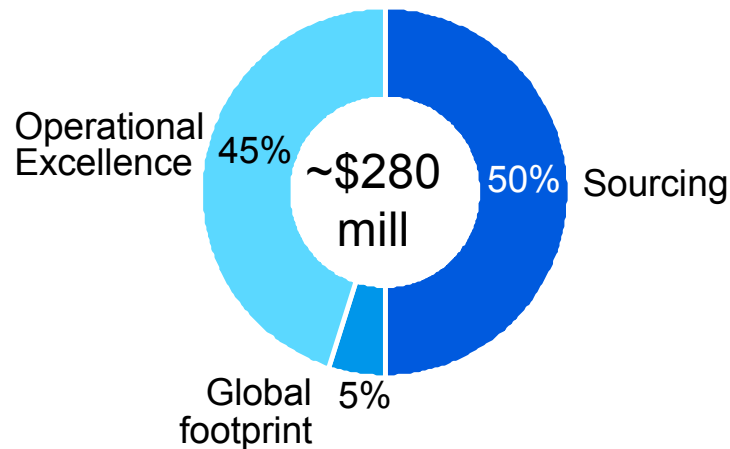


Chart 12

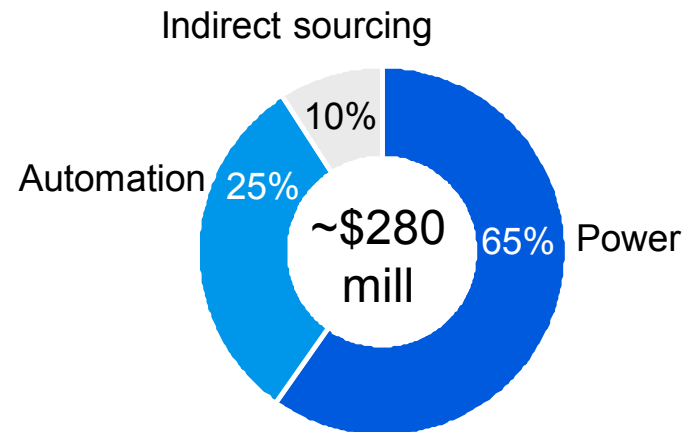
Cost savings update Q2 2012

Confident in our ability to take out cost long term

Approx. share of savings by type
Percent



Approx. share of savings by business
Percent



- Continue to build portfolio of operational excellence and productivity improvement initiatives, indirect sourcing initiatives paying off
- Sourcing from low-cost countries, product redesign remain large opportunities
- Expect to continue at current run rate >\$250 million a quarter—set to exceed \$1 billion for the full year

Operational EPS analysis

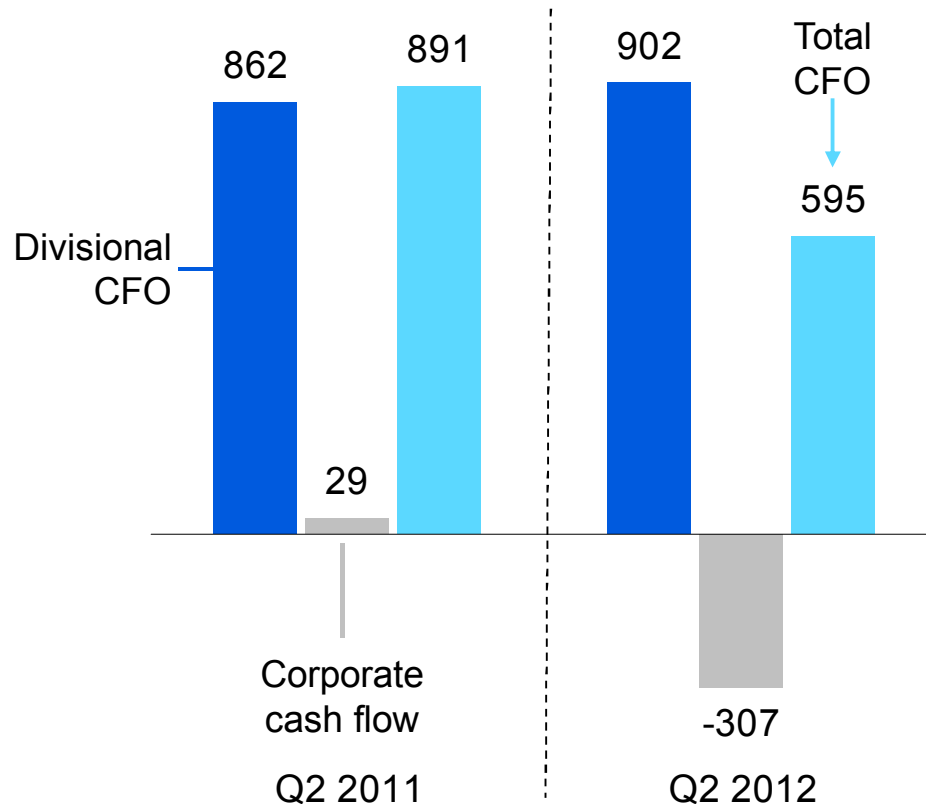
	Q2 11		Q2 12		change	change
	US\$	EPS	US\$	EPS	US\$	local
Net Income	893	0.39	656	0.29	-27%	-22%
Restructuring-related costs ¹	19	0.01	12	0.00		
FX/commodity timing differences on EBIT ¹	-41	-0.02	60	0.03		
Acquisition-related expense and certain non-operational items ¹	-1	0.00	65	0.03		
Operational Net Income	870	0.38	793	0.35	-9%	-3%
Amortization rel. to acquisitions ^{1,2}	36	0.02	60	0.02		
Operational Net Income, before amortization	906	0.40	853	0.37	-6%	0%

¹ net of tax at Group tax rate; ² includes amortization of intangibles assets and backlog amortization

- Basic EPS adversely affected by acquisition-related costs and amortization, as well as foreign exchange translation

Improved cash flow from divisions

Strength of US dollar affected total cash flow








- Divisional cash flows increased ~\$40 mill versus Q2 a year ago
- Group cash flow reflects lower cash generation from hedging of corporate exposures as a result of the strengthening US dollar
- NWC at 15.6% of revenues (vs 16.5% in Q2 2011)—guidance remains at 11-14%

Chart 15

2011-2015 strategic plan

Five elements that drive management decisions

Strategic Elements		Group targets – 2012 status	
1	Drive competitiveness	Organic ¹ revenue growth (CAGR ²)	7-10% 
2	Capitalize on mega trends	Op EBITDA margin corridor	13-19% 
3	Aggressively expand core business	Organic ¹ EPS growth (CAGR ²)	10-15% 
4	Disciplined M&A	Free cash flow conversion	Annual avg. >90% 
5	Exploit disruptive opportunities	Cash return on invested capital	>20% by 2015 

¹ Organic incl. acquisitions closed as of end-Oct 2011

² CAGR = Compound annual growth rate, base year 2010

Outlook for the remainder of 2012



Short-term view

- Macro indicators in US, Europe and emerging markets remain mixed

But Q2 provided reasons for optimism

- Stability in op EBITDA margins in PP in recent quarters
- Price pressure easing in orders vs a year ago
- Resilience of orders in Europe
- Higher orders in key power and automation businesses in China
- Sustained order growth across the portfolio in the US
- Continued targeted investments in power transmission

Management focus for rest of 2012

- Leverage business/geographic scope, market channels and business models to capture growth
- Further measures to reduce costs, ensure investments in growth generating returns in line with targets
- Confirm longer-term Group and divisional targets

Cautiously optimistic that H2 business environment will support continued growth and profitability in line with 2011-2015 targets, provided there is no further deterioration in the macroeconomic environment

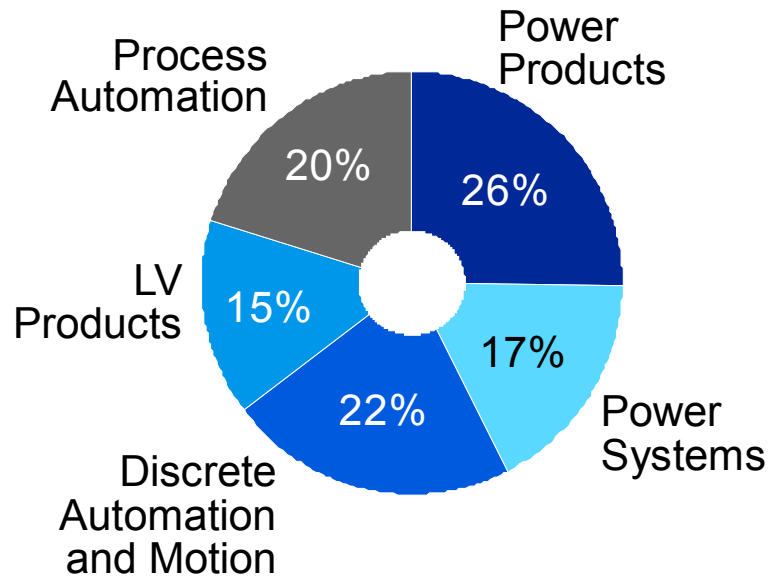
Power and productivity
for a better world™



Balanced business and geographic portfolio

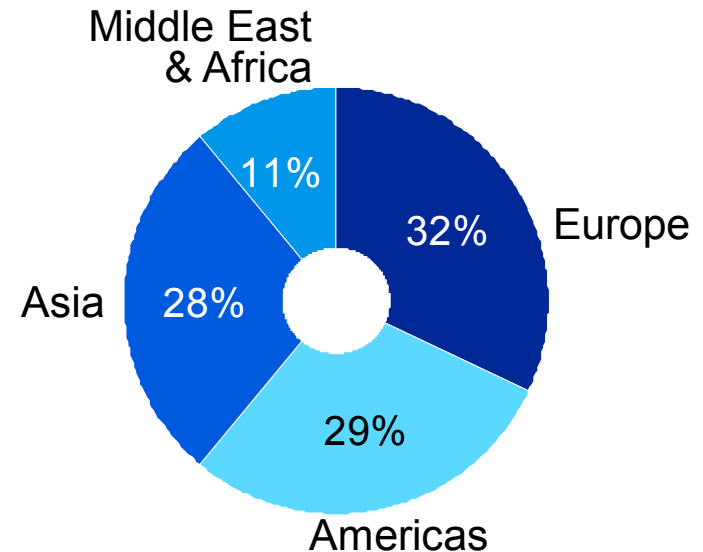
Orders by division

% of total orders Q2 2012 (non-consolidated)



Orders by region

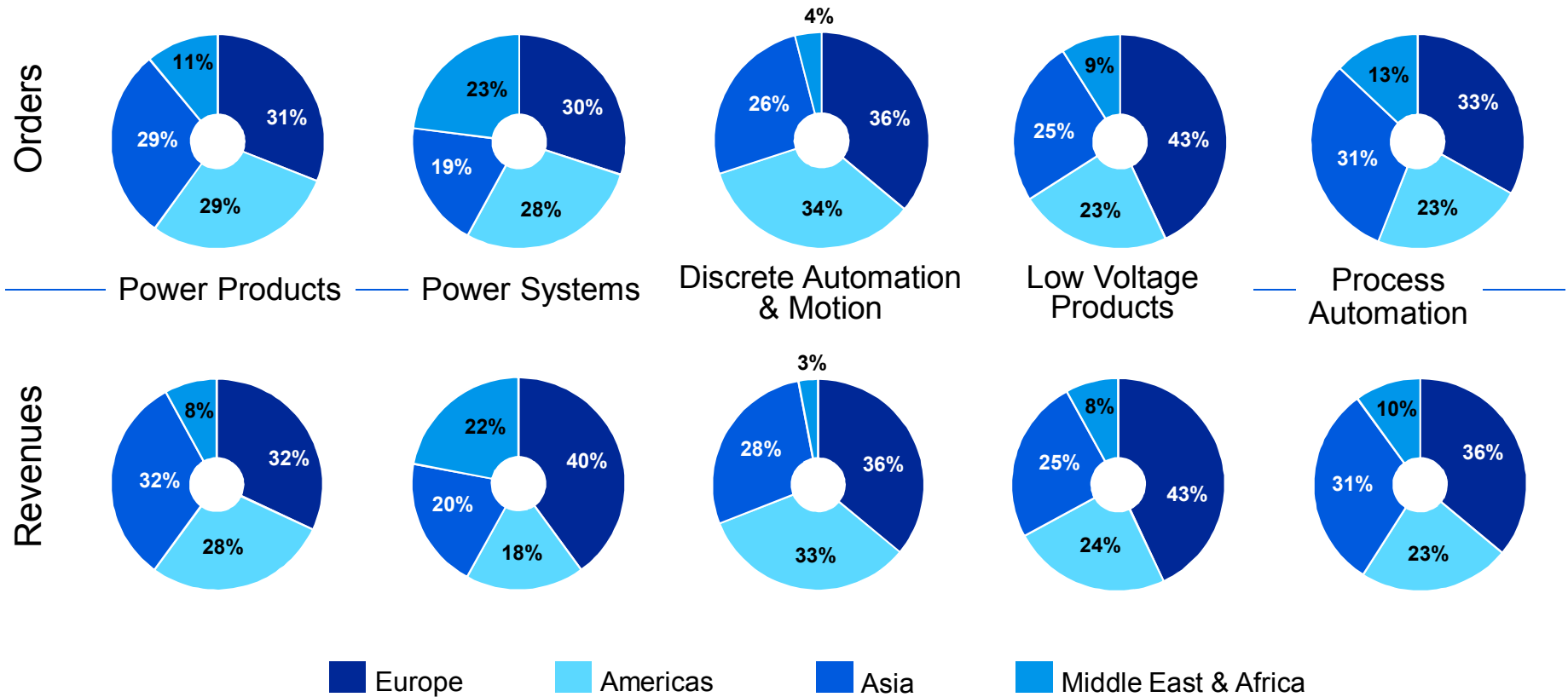
% of total orders Q2 2012



Orders and revenues by region and division Q2 2012

Regional share of total orders and revenues by division

US\$

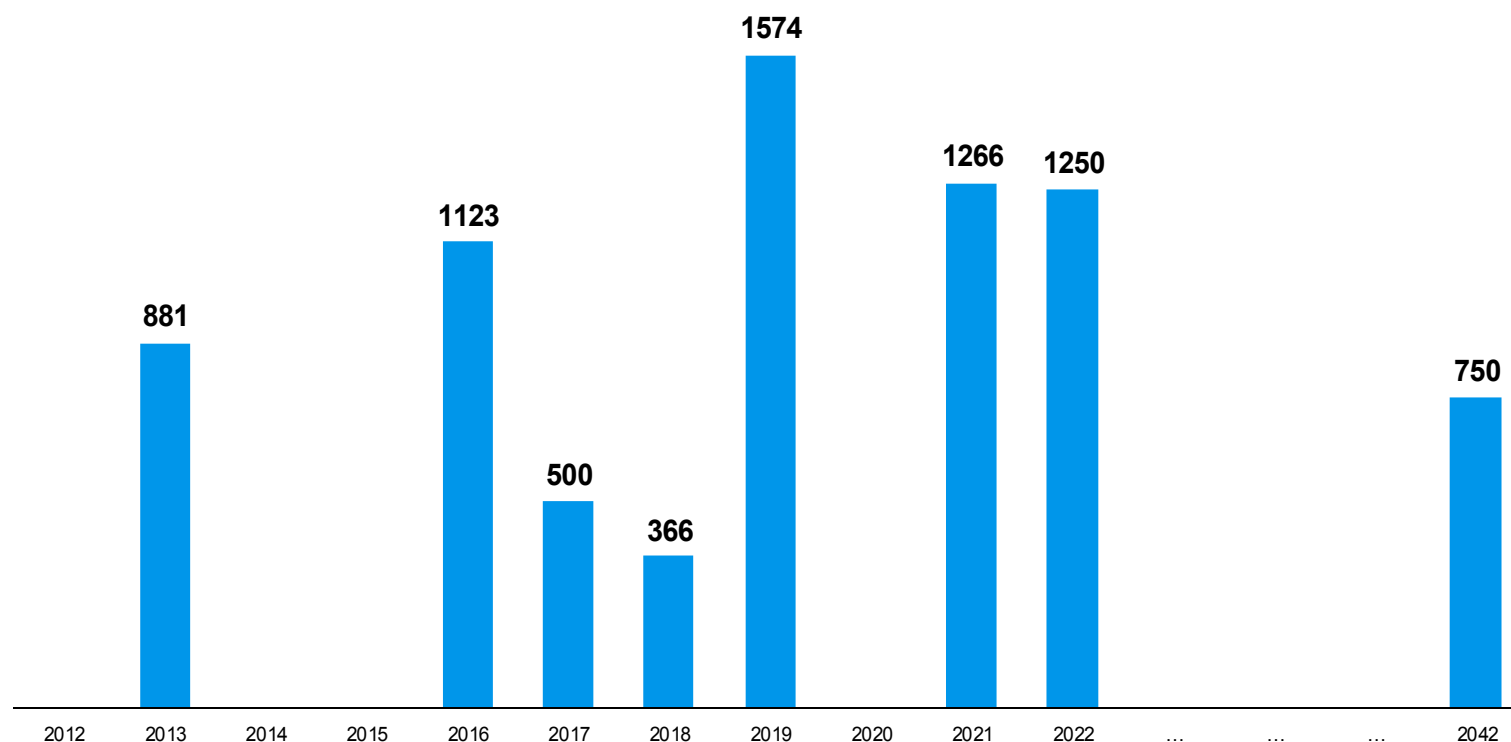


Maturity profile of long-term debt securities

Total debt securities of approx. \$7.7 billion

Principal outstanding at June 30th, 2012

US\$ millions



Based on June 30,
2012 FX rates

Reconciliation of Operational EBITDA by Division

Q2 2012 vs Q2 2011

Operational EBITDA Q2 2012 vs Q2 2011

	ABB		Power Products		Power Systems		Discrete Automation & Motion		Low Voltage Products		Process Automation	
	Q2 12	Q2 11	Q2 12	Q2 11	Q2 12	Q2 11	Q2 12	Q2 11	Q2 12	Q2 11	Q2 12	Q2 11
Operational revenues	9'724	9'643	2'628	2'755	1'909	2'011	2'369	2'240	1'599	1'396	2'053	2'109
FX/commodity timing differences on Revenues	(61)	37	(18)	28	(37)	14	(1)	8	(3)	1	(1)	(14)
Revenues (as per Financial Statements)	9'663	9'680	2'610	2'783	1'872	2'025	2'368	2'248	1'596	1'397	2'052	2'095
Operational EBITDA	1'471	1'547	387	454	119	189	446	419	286	268	268	249
Depreciation	(174)	(167)	(43)	(43)	(17)	(14)	(34)	(31)	(33)	(29)	(15)	(15)
Amortization	(107)	(75)	(9)	(7)	(26)	(13)	(31)	(32)	(20)	(2)	(5)	(6)
<i>including total acquisition-related amortization of</i>	<i>(82)</i>	<i>(51)</i>	<i>(8)</i>	<i>(5)</i>	<i>(22)</i>	<i>(11)</i>	<i>(27)</i>	<i>(30)</i>	<i>(18)</i>	<i>(1)</i>	<i>(3)</i>	<i>(2)</i>
Acquisition-related expenses and certain non-operational items*	(90)	1	-	-	(3)	-	(1)	1	(81)	-	-	-
FX/commodity timing differences on EBIT	(82)	58	(27)	14	(34)	42	(3)	4	(8)	-	(8)	(3)
Restructuring-related costs	(17)	(27)	(6)	(1)	(2)	(10)	5	(12)	(5)	(3)	(8)	(2)
EBIT (as per Financial Statements)	1'001	1'337	302	417	37	194	382	349	139	234	232	223
Operational EBITDA margin (%)	15.1%	16.0%	14.7%	16.5%	6.2%	9.4%	18.8%	18.7%	17.9%	19.2%	13.1%	11.8%

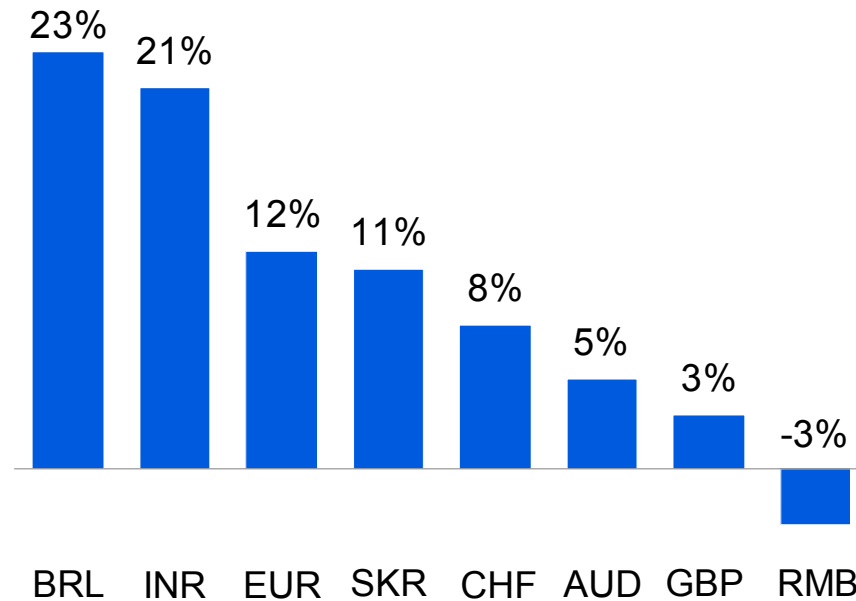
* The Low Voltage Products Q2 12 amount of \$81 million includes \$15 million of Thomas & Betts inventory step-up

Reconciliation of non-GAAP measures (\$ in millions)

Net Cash (Net Debt) (= Cash and equivalents plus marketable securities and short-term investments, less total debt)	Jun. 30, 2012	Dec. 31, 2011
Cash and equivalents	4'773	4'819
Marketable securities and short-term investments	375	948
Cash and marketable securities	5'148	5'767
Short-term debt and current maturities of long-term debt	2'217	765
Long-term debt	6'977	3'231
Total debt	9'194	3'996
Net Cash (Net Debt)	(4'046)	1'771

Major forex movements

USD change Q2 2012 vs. Q2 2011



Appendix: Definitions

- Net working capital (NWC): the sum of i) receivables, net, ii) inventories, net, and iii) prepaid expenses; less iv) accounts payable, trade, v) billings in excess of sales, vi) employee and other payables, vii) advances from customers, and viii) accrued expenses
- Operational EBITDA: Earnings before interest and taxes (EBIT) excluding depreciation and amortization, adjusted for i) unrealized gains and losses on derivatives (FX, commodities, embedded derivatives), ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, iii) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities), iv) restructuring and restructuring-related expenses, and v) acquisition-related expenses and certain non-operational items.
- Operational EBITDA margin: Operational EBITDA as a percentage of Operational revenues
- Operational revenues: Revenues adjusted for i) unrealized gains and losses on derivatives, ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and iii) unrealized foreign exchange movements on receivables (and related assets).
- Operational net income: Net income adjusted for the net-of-tax impact of i) unrealized gains and losses on derivatives (FX, commodities, embedded derivatives), ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, iii) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities), iv) restructuring and restructuring-related expenses, and v) acquisition-related expenses and certain non-operational items.
- Operational EPS: Operational net income per share.
- CROI: Cash return on capital invested, calculated as i) cash provided by operating activities plus interest paid, divided by ii) capital employed plus accumulated amortization and depreciation

For more information, call ABB Investor Relations
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