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# Progress in challenging markets

## ABB 2016 Q1 Results

125

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# Q1 2016 – Progress in challenging markets

## Next Level Strategy delivers

### Profitable Growth

Base orders steady<sup>1</sup>, total orders -7% reflect challenging Q1-15 comparison  
Order backlog +4%; book-to-bill 1.17x, all divisions >1.0x  
PIE<sup>2</sup> showing positive results mitigating market headwinds  
Strategic portfolio review of Power Grids on track

### Relentless Execution

Operational EBITA margin up 0.9pts to 12.0%; Op. earnings per share +3%<sup>3</sup>  
White Collar productivity and cost-out measures yielding results  
Power Grids division in target margin corridor  
Cash flow from operating activities up ~\$200 mn due to improved working capital mgmt.

### Business-led Collaboration

New market focused organization in place driving a culture of collaboration  
Collaborative sales platform, salesforce.com, operational in 86 countries  
Proven leadership appointed for leading operating model implementation

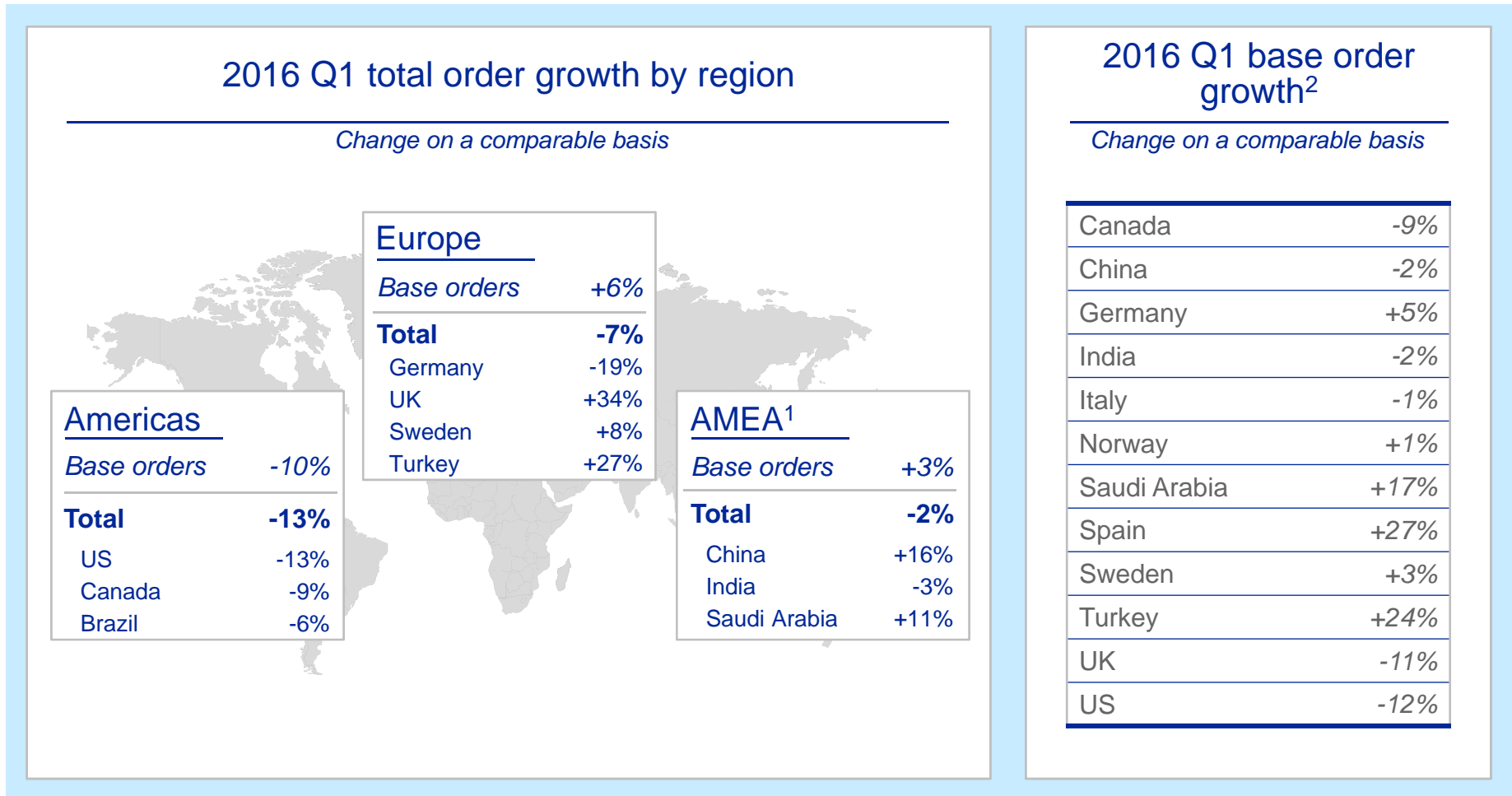
# Q1 2016

## Key figures

Orders	Base orders	Revenues
<b>\$9.3 bn</b> -7% <sup>1</sup>	<b>\$7.6 bn</b> steady <sup>1</sup>	<b>\$7.9 bn</b> -2% <sup>1</sup>
Op. EBITA margin	Operational EPS	Cash flow from operating activities
<b>12.0%</b> +0.9 pts.	<b>\$0.28</b> +3% <sup>2</sup>	<b>\$252 mn</b> +199 mn

# Steady base order development

## Total order growth impacted by high large orders in Q1 2015



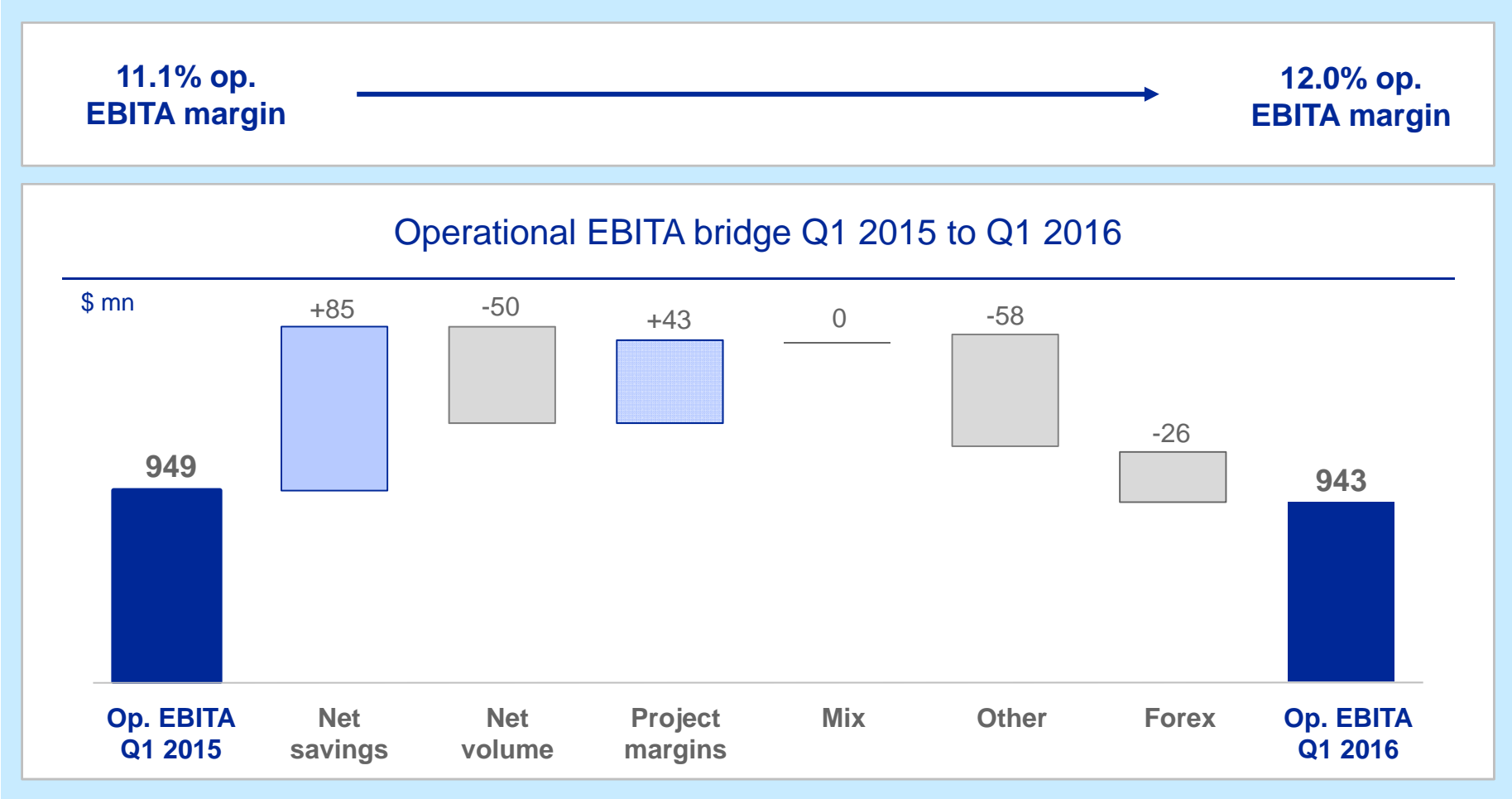
# Q1 2016 performance by division

## Key figures

<i>\$ bn unless otherwise stated</i>	<b>ABB Group</b>	<b>Electrification Products</b>	<b>Discrete Automation and Motion</b>	<b>Process Automation</b>	<b>Power Grids</b>
<b>Orders</b>	9.3	2.3	2.3	1.8	3.3
△ Comparable	-7%	-4%	-6%	-17%	-8%
<b>Revenues</b>	7.9	2.1	2.1	1.6	2.5
△ Comparable	-2%	0%	-5%	-3%	-2%
<b>Op. EBITA %</b>	12.0%	15.0%	13.2%	12.0%	8.0%
△	+0.9 pts.	-0.2 pts.	-1.0 pts.	-0.3 pts.	+2.1 pts.

# Op. EBITA margin increased to 12.0%

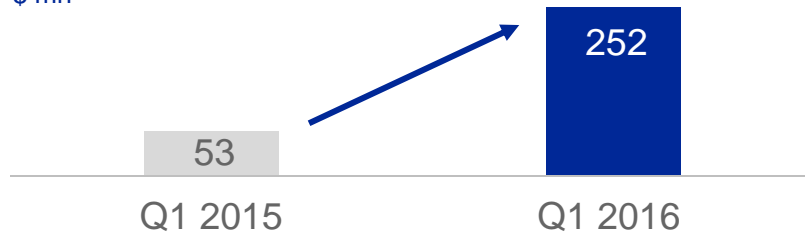
## Driving Relentless Execution



# Improved capital management

## A solid, more balanced, cash generator

Cash flow from operating activities  
\$ mn



Improved inventory management

Higher cash collection

## Status of share buyback

Q1: 27.7 mn shares, buyback value of ~\$500 mn

Total: 134 mn shares, buyback value of \$2.7 bn

## 2016 Total cash distribution

Dividend payment of 0.74 CHF

7<sup>th</sup> consecutive dividend increase

Dividend distribution from NVR<sup>1</sup> to be paid July

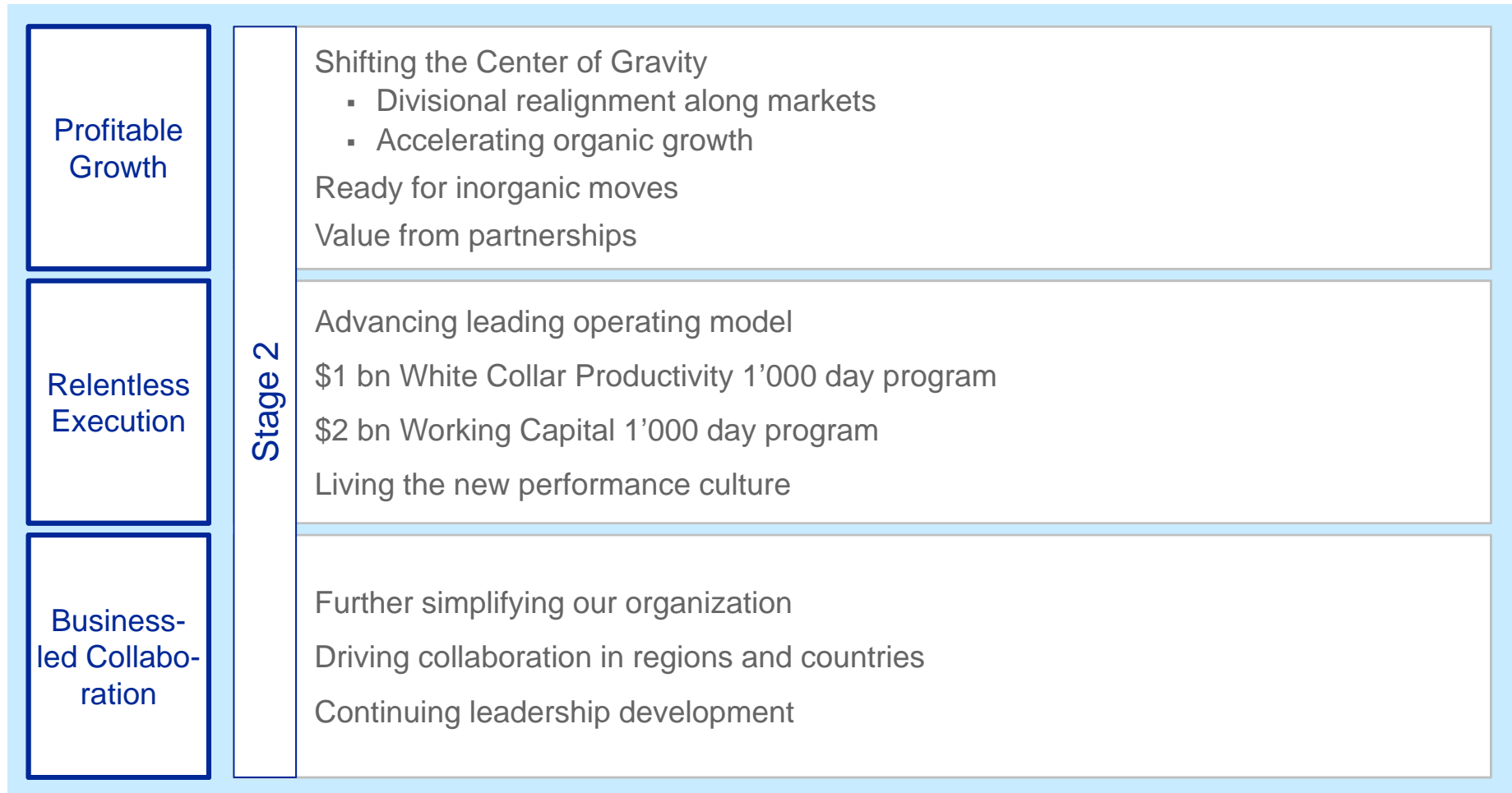
**Freeing up cash for growth**



# ABB – Next Level Stage 2

## Accelerating transformation

Presented September 9<sup>th</sup>, 2015



# Q1 2016: Profitable Growth

## Shifting the Center of Gravity – strengthening competitiveness

Examples

Profitable  
Growth

Relentless  
Execution

Business-  
led  
Collabo-  
ration

**IoTSP<sup>1</sup>**  
Digitalization

### Power & Automation “for the grid”

First digital substation in the UK for  
SP Energy Networks

Customer value:

Integration of renewables, improved  
control, safety, reduced maintenance cost



### Power & Automation “for the site”

Container terminal automation for  
APM Terminals Maasvlakte 2 Terminal

Customer value:




Safer, greener and more productive  
container terminal operations



# Q1 2016: Profitable Growth

## Shifting the Center of Gravity – driving organic growth

Examples

<p>Profitable Growth</p> <p>Relentless Execution</p> <p>Business-led Collaboration</p>	<b>PIE</b>		
	<b>Penetration</b>	<p><b>Europe</b></p> <p>6% base order growth</p> <p>Large orders wins</p> <p>Organizational realignment yielding results</p>	
	<b>Innovation</b>	<p><b>Smart devices</b></p> <p>Smart sensing solutions at Hannover Fair</p> <p>Enable remote monitoring of motors</p> <p>Increased uptime and energy efficiency</p>	
<b>Expansion</b>	<p><b>Electrical power systems</b></p> <p>Dynamic AC concept for cruise ships</p> <p>Reduce annual fuel consumption up to 6%</p>		

# Q1 2016: Relentless Execution

## White Collar Productivity

Profitable  
Growth

**Relentless  
Execution**

Business-  
led  
Collabo-  
ration

### Global Shared Service

Bangalore, India

Management structure in place

First wave of functional activities migrated from:

Accounting – Singapore, South East Asia,  
Gulf countries

HR – Australia

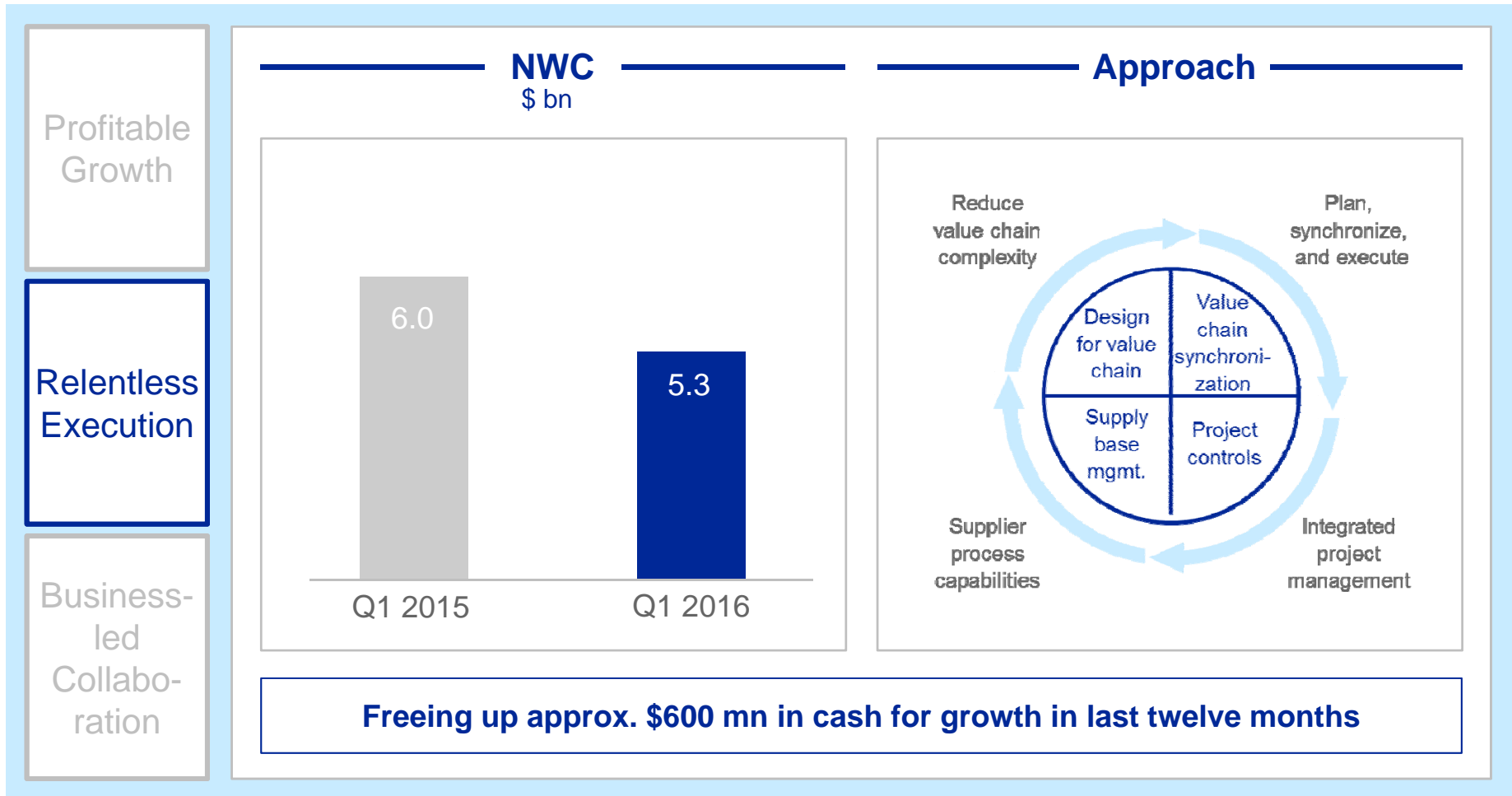
Global HR Delivery Center established



**Committed to \$400 mn in gross savings 2016**

# Q1 2016: Relentless Execution

## Working Capital improvements drove improved cash flow



# Q1 2016: Business-led Collaboration

## Divisional realignment seeing initial results

Profitable  
Growth

Relentless  
Execution

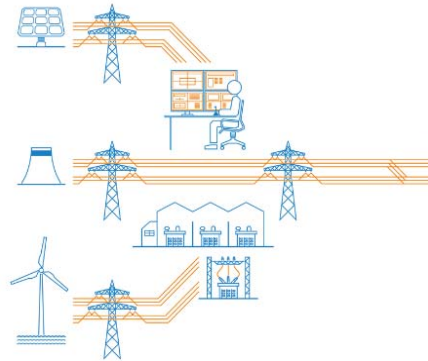
Business-  
led  
Collabo-  
ration

### Power Grids

Single face to customers

Internal collaboration

Operational synergies in SCM,  
engineering and R&D



### Electrification Products

One stop shop for electrification

Common channel management  
with distributors

Ease of business and increased speed



# Q1 2016 summary and outlook

## Q1 results

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Profitability and cash flow up through execution of Next Level Strategy

Base orders steady; total orders reflect challenging Q1 comparison; book to bill 1.17x

Revenues -2% on short cycle volumes and timing of order backlog

Op. EBITA margin up 0.9 pts. to 12.0%

Power Grids margin in target corridor, strategic portfolio review on track

Op. earnings per share +3%<sup>1</sup>

Cash flow from operating activities up ~\$200 mn

## Outlook

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Mixed short-term picture, uncertainty remains

Modest growth in Europe, slower growth in China; Continued market growth in US

Oil price effects to continue

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

**ABB Capital Markets Day October 4, 2016**

# ABB Next Level

Pioneering technology leader with strong positions in attractive markets

Clear transformation agenda driving EPS and CROI

Strong balance sheet; committed to attractive returns to shareholders

**Next Level Strategy: accelerating sustainable value creation**



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# Key figures Q1 2016

	Q1 16	Q1 15	Change		
<i>\$ mn unless otherwise indicated</i>			\$	Local currency	Comparable
Orders	9,253	10,404	-11%	-7%	-7%
Order backlog (end March)	25,978	25,491	+2%	+2%	+4%
Revenues	7,903	8,555	-8%	-3%	-2%
Operational EBITA	943	949	-1%	+2%	+2%
as % of operational revenues	12.0%	11.1%	+0.9 pts		
Income from operations	784	859	-9%		
as % of revenues	10.0%	10.0%	0 pts		
Net income	500	564	-11%		
Basic earnings per share (\$)	0.23	0.25	-9% <sup>1</sup>		
Cash flow from operating activities	252	53	+199		

# Order backlog by division

	Q1 2016	Q1 2015	Change %	
<i>Order backlog (end March)</i> <i>\$ mn</i>			\$	Comparable
Electrification Products	3,168	3,027	+5%	+7%
Discrete Automation and Motion	4,619	4,596	+1%	+1%
Process Automation	6,392	6,643	-4%	-4%
Power Grids	13,787	13,076	+5%	+10%
Corporate and Other (incl. Inter-division eliminations)	(1,988)	(1,851)		
<b>Total Group</b>	<b>25,978</b>	<b>25,491</b>	<b>+2%</b>	<b>+4%</b>

# Third party base orders by division

	Q1 2016	Q1 2015	Change%
<i>Third-party base orders \$ mn</i>			Comparable
Electrification Products	2,181	2,347	-2%
Discrete Automation and Motion	2,021	2,204	-5%
Process Automation	1,403	1,508	-2%
Power Grids	2,024	1,957	+9%
Corporate and other	13	19	
<b>Total Group</b>	<b>7,642</b>	<b>8,035</b>	<b>+0%</b>

# Cash flow from operating activities by division

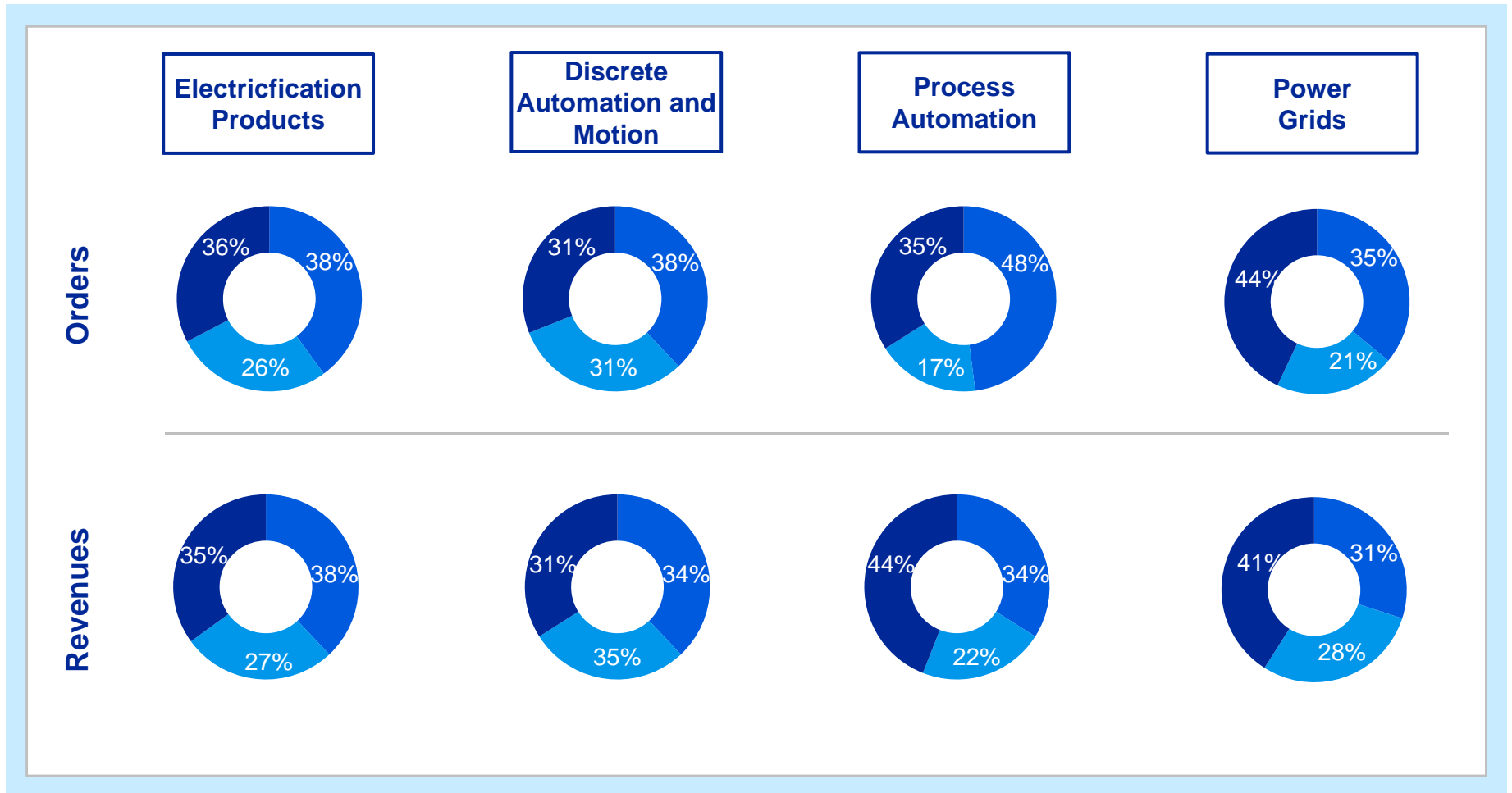
	Q1 2016	Q1 2015	Change %
<i>Cash flow from operating activities</i> <i>\$ mn</i>			\$
Electrification Products	33	56	-41%
Discrete Automation and Motion	114	182	-37%
Process Automation	48	21	+129%
Power Grids	83	(122)	n.a.
Corporate and other	(26)	(84)	
<b>Total Group</b>	<b>252</b>	<b>53</b>	<b>\$199</b>

# Operational EPS analysis

	Q1 2016		Q1 2015		
<i>mn \$, except per share data in \$</i>		<i>EPS<sup>1</sup></i>		<i>EPS<sup>1</sup></i>	$\Delta^2$
<b>Net income (attributable to ABB)</b>	<b>500</b>	<b>0.23</b>	<b>564</b>	<b>0.25</b>	<b>-9%</b>
Restructuring and restructuring-related expenses <sup>3</sup> (including WCP implementation costs)	51	0.02	19	0.01	
Gains and losses on sale of businesses, acquisition-related expenses and certain non-operational items <sup>4</sup>	2	0.00	8	0.00	
FX/commodity timing differences in income from operations <sup>3</sup>	11	0.01	(21)	(0.01)	
Acquisition-related amortization <sup>3</sup>	51	0.02	59	0.03	
<b>Operational net income / Operational EPS</b>	<b>615</b>	<b>0.28</b>	<b>629</b>	<b>0.28</b>	<b>+3%<sup>5</sup></b>

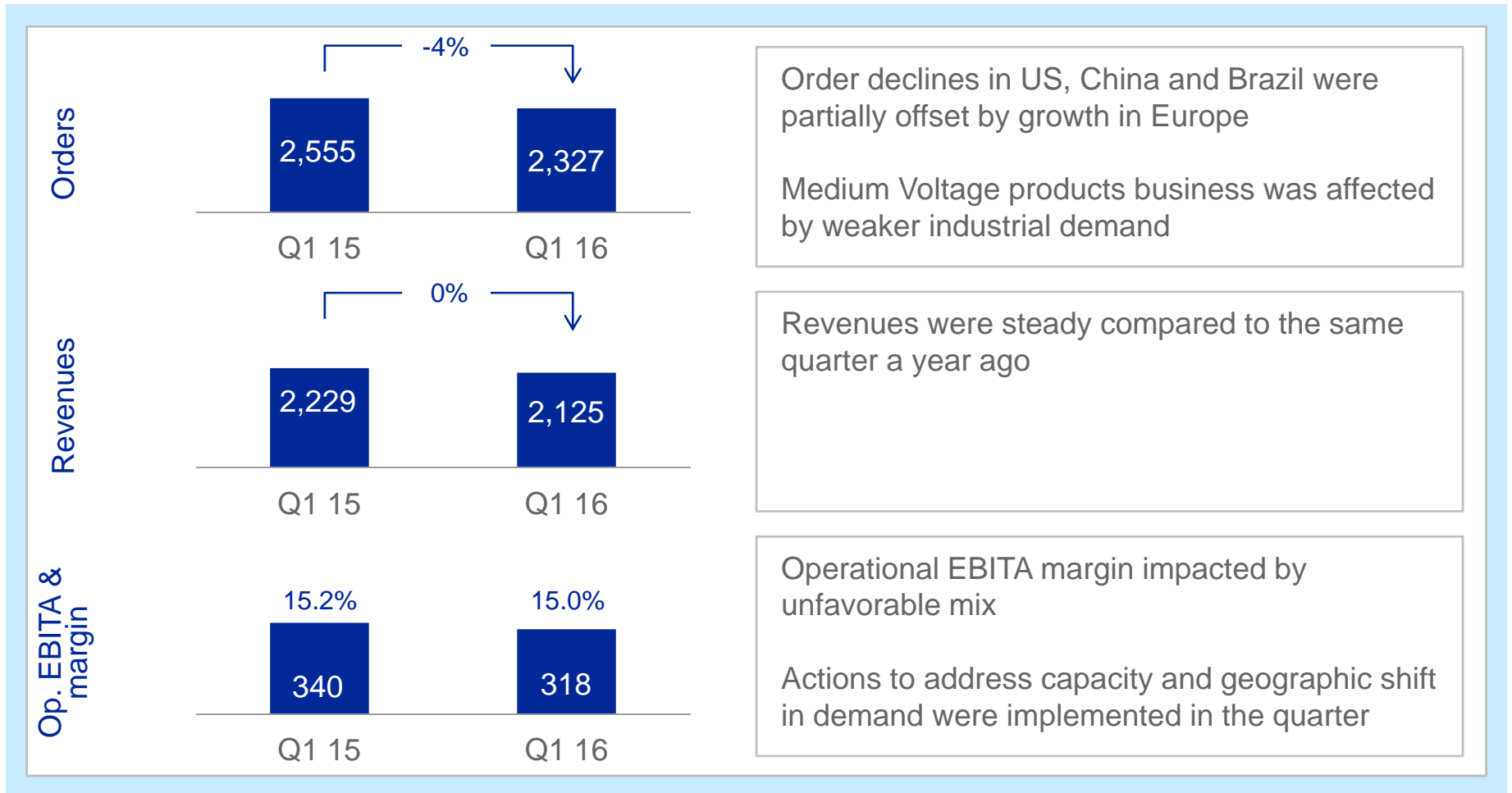
<sup>1</sup>EPS amounts are computed individually, therefore the sum of the per share amounts may not equal to the total; <sup>2</sup>Calculated on earnings per share before rounding; <sup>3</sup>Net of tax at the Adjusted Group effective tax rate; <sup>4</sup>Net of tax at the Adjusted Group effective tax rate, except for gains and losses on sale of businesses and certain other non-operational items, which are net of the actual related provision for taxes; <sup>5</sup>Operational EPS growth rate is in constant currency (2014 foreign exchange rates)

# Regional share of total orders and revenues by division Q1 2016



# Electrification Products

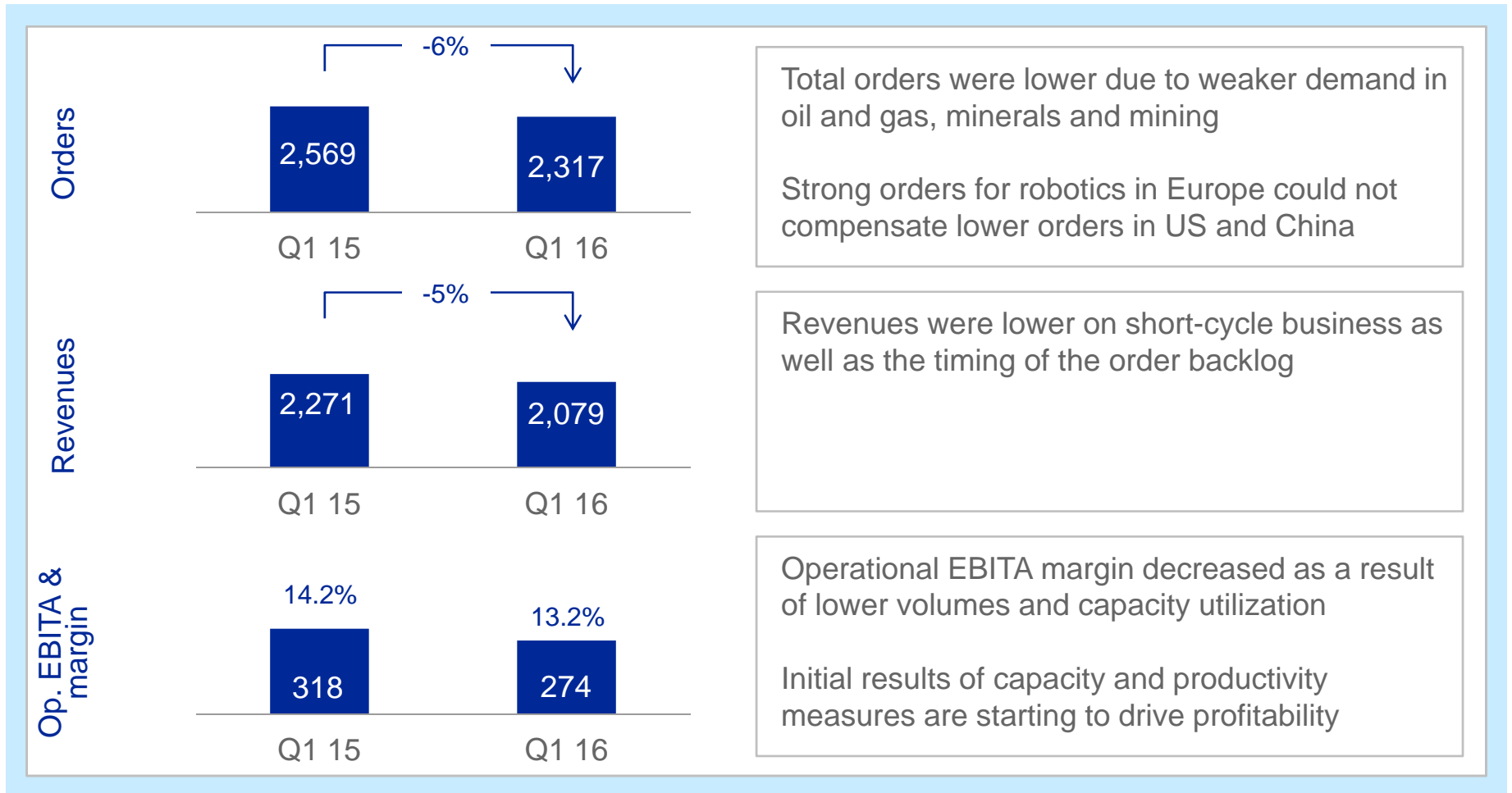
## Q1 2016





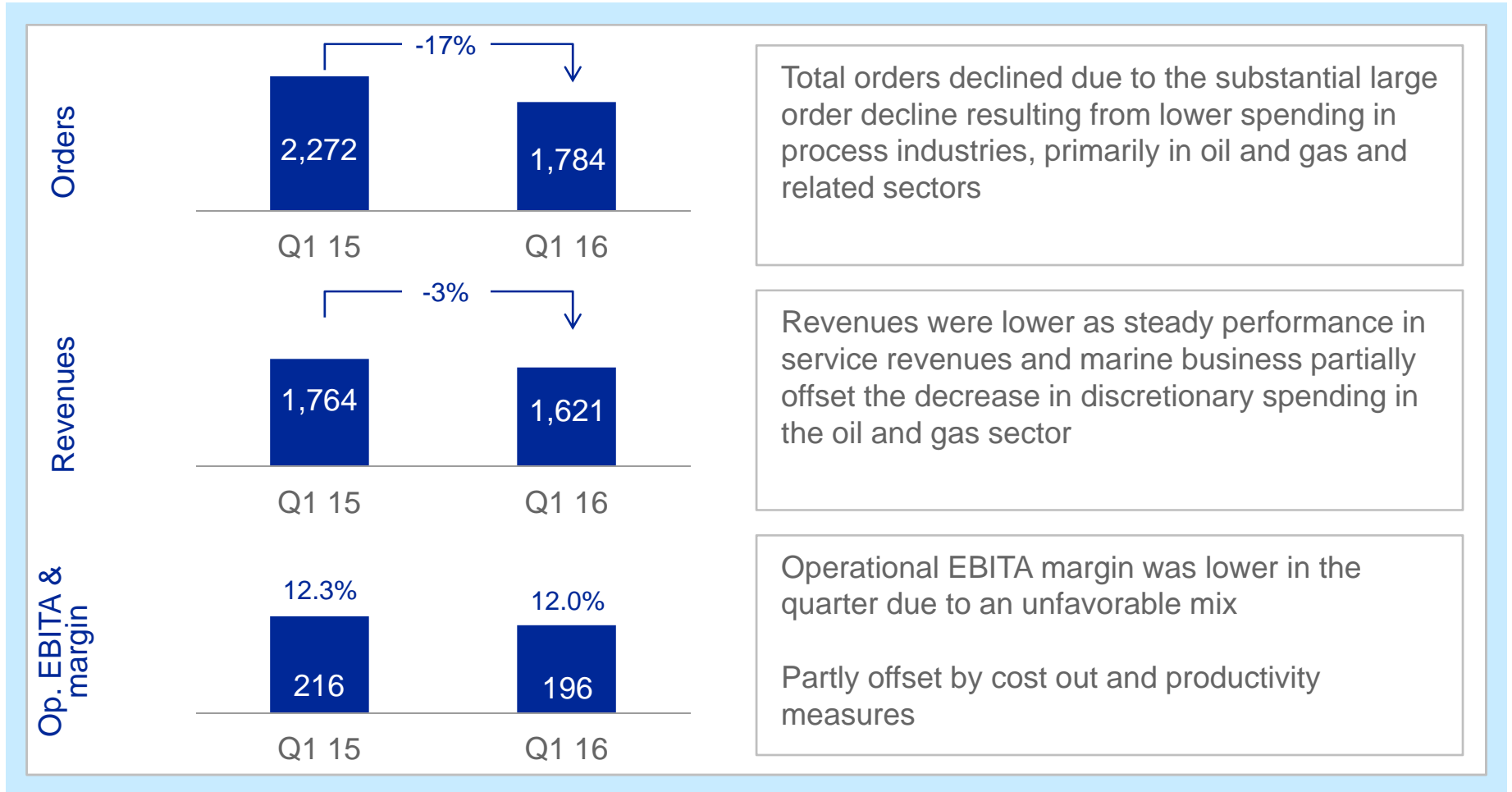
# Discrete Automation & Motion

## Q1 2016



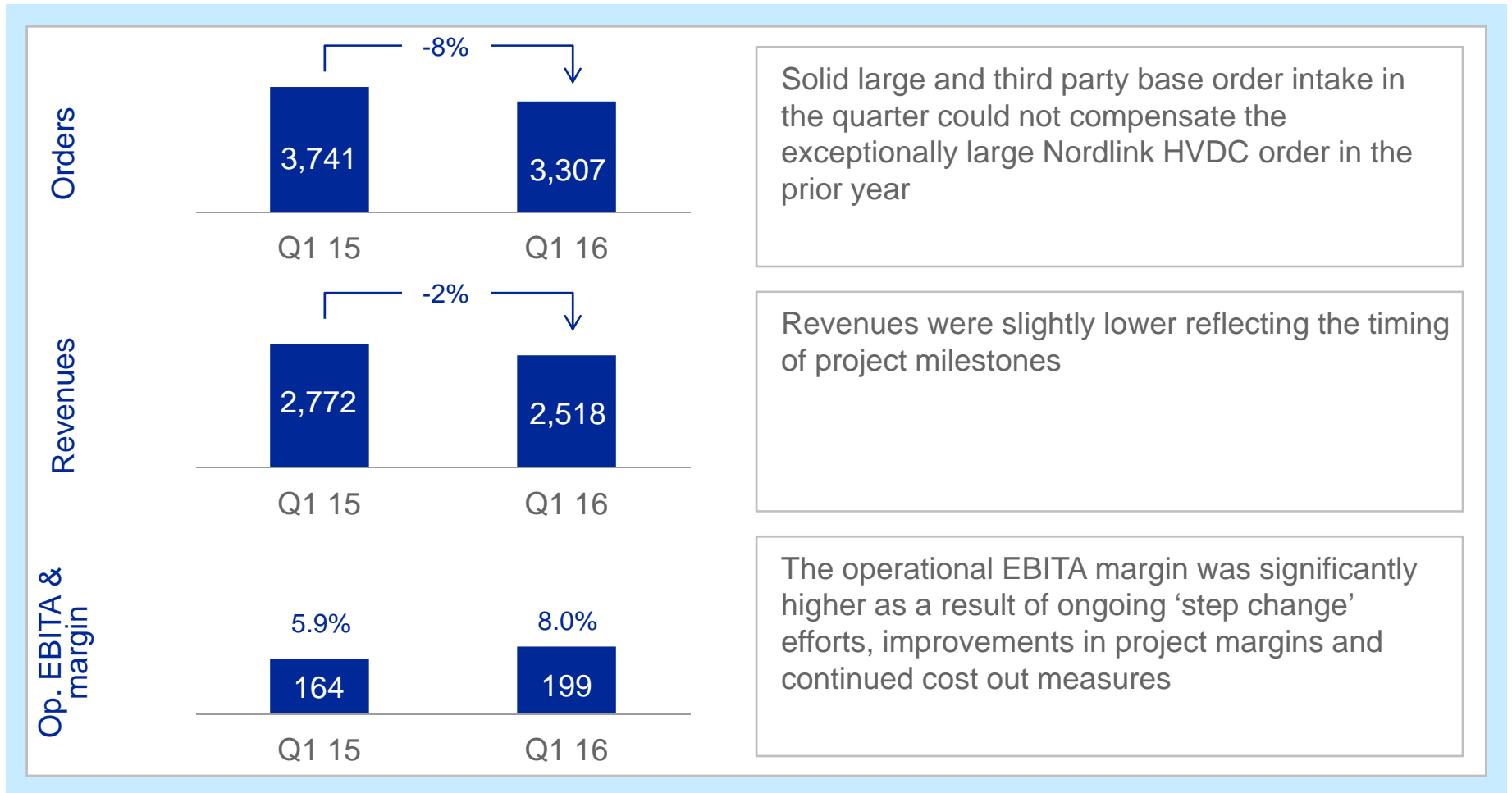
# Process Automation

## Q1 2016



# Power Grids

## Q1 2016



# 2015-2020 targets

## Group targets and divisional Operational EBITA margin targets effective January 2016

Group		Divisions	
Revenue growth <sup>1</sup>	3-6%	Electrification Products	15-19%
Operational EBITA % <sup>2</sup>	11-16%	Discrete Automation and Motion	14-19%
Operational EPS CAGR <sup>3</sup>	10-15%	Process Automation	11-15%
FCF conversion to net income	>90%	Power Grids	8-12%
CROI % <sup>4</sup>	Mid-teens		

<sup>1</sup>Average annual revenue growth on a like-for-like basis over 6 years, base year 2014;

<sup>2</sup>Target is on a full-year basis; <sup>3</sup>CAGR = Compound annual growth rate, base year is 2014 and assuming constant exchange rates; <sup>4</sup>Temporary reduction possible in the event of larger acquisitions

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