
May 18, 2022

Capital Markets Day 2022

Process Automation

Supplemental Reconciliations and Definitions

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The following financial measures supplement the May 18, 2022, Press Release and the Capital Markets Day 2022 presentations. These supplemental financial measures are, or may be, considered non-GAAP financial measures as defined in the rules of the U.S. Securities and Exchange Commission (SEC).

While ABB's management believes that the non-GAAP financial measures herein are useful in evaluating ABB's operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP. Therefore these measures should not be viewed in isolation but considered together with the Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for three months ended March 31, 2022, and with the Consolidated Financial Statements prepared in accordance with U.S. GAAP as of and for the years ended December 31, 2021, 2020, 2019 and 2018.

Process Automation Business Area excluding Turbocharging

KEY FINANCIAL INFORMATION

The following section presents the reconciliations of Orders, Revenues and Operational EBITA margin for the Process Automation Business Area excluding Turbocharging for 2018 to 2021.

Definition

Operational EBITA Margin

Operational EBITA margin is Operational EBITA as a percentage of operational revenues.

For the full definition of each of these measures, refer to Supplemental Reconciliations and Definitions, ABB Q1 2022 Financial information on global.abb/group/en/investors/results-and-reports/2022.

Reconciliation

(\$ in millions, unless otherwise indicated)	Year ended December 31,			
	2021	2020	2019	2018
Orders (as published)	6,779	6,144	6,432	6,697
Less: Orders Turbocharging	(785)	(690)	(767)	(849)
Orders excluding Turbocharging	5,994	5,454	5,665	5,848
Revenues (as published)	6,259	5,792	6,273	
Less: Revenues Turbocharging	(756)	(710)	(782)	
Revenues excluding Turbocharging	5,503	5,082	5,491	
Operational EBITA Margin:				
Operational revenues (as published)	6,264	5,762	6,269	
Less: Operational revenues Turbocharging	(755)	(710)	(781)	
Operational revenues excluding Turbocharging	5,509	5,052	5,488	
Operational EBITA (as published)	801	451	732	
Less: Operational EBITA Turbocharging	(190)	(147)	(204)	
Operational EBITA excluding Turbocharging	611	304	528	
Operational EBITA margin (%) (as published)	12.8%	7.8%	11.7%	
Operational EBITA margin (%) excluding Turbocharging	11.1%	6.0%	9.6%	

The following table provides reconciliations of Cost of sales, Gross profit, Selling, general and administrative expenses, Non-order related research and development (R&D), and Operational EBITA margin as a percentage of Revenues, to their corresponding as percentage of Revenues for the Process Automation Business Area excluding Turbocharging and Non-operational items for 2021.

Reconciliation

	2021			
	as % of Revenues			
	Process Automation	Turbocharging	Non-operational items	Process Automation excluding Turbocharging and Non-operational items
Cost of sales	68%	2%	-1%	69%
Gross profit	32%	-2%	1%	31%
Selling, general and administrative expenses	17%	0%	-2%	15%
Non-order related research and development expenses	5%	0%	0%	5%
Operational EBITA margin	13%	-2%	0%	11%

Geographical markets

The following table provides reconciliations of geographical markets as percentage of third-party revenues for the Process Automation Business Area excluding Turbocharging for 2021.

Reconciliation

	Process Automation (as published)	Impact of Turbocharging	Process Automation excluding Turbocharging
Europe	39%	0%	39%
The Americas	23%	1%	24%
Asia, Middle East and Africa	38%	0%	38%

Net working capital as a percentage of revenues

Definition

Net working capital as a percentage of revenues

Net working capital as a percentage of revenues is calculated as Net working capital divided by revenues for the trailing twelve months.

For the full definition of each of these measures, refer to Supplemental Reconciliations and Definitions, ABB Q1 2022 Financial information on global.abb/group/en/investors/results-and-reports/2022.

Reconciliation

Revenues for the trailing twelve months:

(\$ in millions)	Process Automation (as published)	Turbocharging	Process Automation excluding Turbocharging	Total revenues for the trailing twelve months at quarter end - Process Automation excluding Turbocharging
Revenues by quarter:				
Q2 2018	1,613	(214)	1,399	
Q3 2018	1,544	(208)	1,336	
Q4 2018	1,723	(210)	1,513	
Q1 2019	1,518	(196)	1,322	5,570
Q2 2019	1,580	(201)	1,379	5,550
Q3 2019	1,492	(194)	1,298	5,512
Q4 2019	1,683	(191)	1,492	5,491
Q1 2020	1,462	(186)	1,276	5,445
Q2 2020	1,382	(172)	1,210	5,276
Q3 2020	1,403	(168)	1,235	5,213
Q4 2020	1,545	(184)	1,361	5,082
Q1 2021	1,407	(183)	1,224	5,030
Q2 2021	1,540	(183)	1,357	5,177
Q3 2021	1,507	(189)	1,318	5,260
Q4 2021	1,805	(201)	1,604	5,503

Net working capital as a percentage of revenues:

(\$ in millions, unless otherwise indicated)	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net working capital⁽¹⁾	41	152	175	199
Less: Net working capital Turbocharging	(175)	(171)	(174)	(180)
Net working capital excluding Turbocharging	(134)	(19)	1	19
Revenues for the trailing twelve months excluding Turbocharging	5,503	5,260	5,177	5,030
Net working capital as a percentage of revenues (excluding Turbocharging) (%)	(2.4)%	(0.4)%	0.0%	0.4%

(\$ in millions, unless otherwise indicated)	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net working capital⁽¹⁾	299	380	427	415
Less: Net working capital Turbocharging	(188)	(179)	(196)	(212)
Net working capital excluding Turbocharging	111	201	231	203
Revenues for the trailing twelve months excluding Turbocharging	5,082	5,213	5,276	5,445
Net working capital as a percentage of revenues (excluding Turbocharging) (%)	2.2%	3.9%	4.4%	3.7%

(\$ in millions, unless otherwise indicated)	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net working capital⁽¹⁾	257	360	430	284
Less: Net working capital Turbocharging	(190)	(192)	(204)	(186)
Net working capital excluding Turbocharging	67	168	226	98
Revenues for the trailing twelve months excluding Turbocharging	5,491	5,512	5,550	5,570
Net working capital as a percentage of revenues (excluding Turbocharging) (%)	1.2%	3.0%	4.1%	1.8%

(1) Net working capital includes the Intersegment activities outside of the Process Automation Business Area.

Return on Capital employed (ROCE) for Process Automation excluding Turbocharging

Definition

Return on Capital employed (ROCE)

Return on Capital employed is calculated as Operational EBITA after tax, divided by the average of the period's opening and closing Capital employed, adjusted to reflect impacts from significant acquisitions/divestments occurring during the same period.

Capital employed

Capital employed is calculated as the sum of Adjusted total fixed assets and Net working capital (as defined above).

Adjusted total fixed assets

Adjusted total fixed assets is the sum of (i) property, plant and equipment, net, (ii) goodwill, (iii) other intangible assets, net, (iv) investments in equity-accounted companies, and (v) operating lease right-of-use assets, less (vi) deferred tax liabilities recognized in certain acquisitions.

Notional tax on Operational EBITA

The Notional tax on Operational EBITA is computed using an adjusted ABB Group effective tax rate multiplied by Operational EBITA.

Reconciliation

(\$ in millions, unless otherwise indicated)	December 31,			
	2021	2020	2019	2018
Adjusted total fixed assets:				
Property, plant and equipment, net	510	546	501	250 ⁽¹⁾
Goodwill	1,613	1,639	1,615	1,616
Other intangible assets, net	33	37	42	47
Operating lease right-of-use assets	237	237	229	-
Adjusted total fixed assets	2,393	2,459	2,387	1,913
Less: Adjusted total fixed assets Turbocharging	(190)	(188)	(168)	(86)
Adjusted total fixed assets excluding Turbocharging	2,203	2,271	2,219	1,827
Net working capital (as defined above)	41	299	257	179
Less: Net working capital Turbocharging	(175)	(188)	(190)	(173)
Net working capital excluding Turbocharging	(134)	111	67	6
Capital employed - excluding Turbocharging	2,069	2,382	2,286	1,833
Average Capital employed excluding Turbocharging:				
Capital employed at the end of the previous year	2,382	2,286	1,833	
Capital employed at the end of the current year	2,069	2,382	2,286	
Average Capital employed excluding Turbocharging	2,226	2,334	2,060	
Operational EBITA excluding Turbocharging for the year ended	611	304	528	
Notional tax on Operational EBITA excluding Turbocharging	(137)	(77)	(144)	
Operational EBITA after tax excluding Turbocharging	474	227	384	
Return on capital employed (ROCE) excluding Turbocharging⁽²⁾	21.3%	9.7%	18.6%	

(1) Excludes certain real estate assets which prior to 2019 were included in Corporate and Other and the corresponding costs recharged the business area.

(2) 2021 and 2020 are not comparable to 2019 due to the adoption of a new lease accounting standard in 2019.

Fixed asset intensity

Definition

Fixed asset intensity

Fixed asset intensity is calculated as adjusted fixed assets divided by adjusted revenues.

Adjusted fixed assets

Adjusted total fixed assets is the sum of (i) property, plant and equipment, net, (ii) goodwill, (iii) other intangible assets, net, (iv) investments in equity-accounted companies, and (v) operating lease right-of-use assets, less (vi) deferred tax liabilities relating to fair value adjustments recorded for fixed assets acquired in business combinations.

Adjusted revenues

Adjusted revenues for the trailing twelve months includes total third-party revenues recorded by ABB in the twelve months preceding the relevant balance sheet date adjusted to eliminate revenues of divested businesses and the estimated impact of annualizing revenues of certain acquisitions which were completed in the same trailing twelve-month period.

Reconciliation

Fixed asset intensity ABB Group excluding Process Automation:

(\$ in millions, unless otherwise indicated)	December 31, 2021
Adjusted total fixed assets ABB Group (as published)	18,236
Less: Adjusted total fixed assets for Process Automation	(2,393)
Adjusted fixed assets ABB Group excluding Process Automation	15,843
Adjusted revenues ABB Group (as published) for the year ended	28,428
Less: Adjusted revenues Process Automation for the year ended	(6,214)
Adjusted revenues ABB Group excluding Process Automation for the year ended	22,214
Fixed asset intensity (%)	71%

Fixed asset intensity Process Automation excluding Turbocharging:

(\$ in millions, unless otherwise indicated)	December 31, 2021
Adjusted total fixed assets Process Automation	2,393
Less: Adjusted total fixed assets Turbocharging	(190)
Adjusted fixed assets excluding Turbocharging	2,203
Adjusted revenues Process Automation for the year ended	6,214
Less: Adjusted revenues Turbocharging for the year ended	(755)
Adjusted revenues Process Automation excluding Turbocharging for the year ended	5,459
Fixed asset intensity (%)	40%

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