



New York - March 19 2012, Handelsbanken

# ABB: Managing for growth and cost

## Alanna Abrahamson VP IR

# 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, 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” or similar expressions. However, there are many 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 press release 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 related to the economic environment, costs associated with compliance activities, the amount of revenues we are able to generate from backlog and orders received, raw materials 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.

# Introduction to ABB

# ABB: A global leader in power and automation



**Power Products**

**\$10.9 billion\***



**Power Systems**

**\$8.1 billion**



**Discrete  
Automation and  
Motion**

**\$8.8 billion**



**Low Voltage  
Products**

**\$5.3 billion**



**Process  
Automation**

**\$8.3 billion**

Power transmission & distribution  
solutions for utilities and industry

Market leader across most of the portfolio

Energy efficiency solutions for process industries (e.g., oil &  
gas), factory automation and building & construction

Among Top 3 in most markets

135,000 employees in 100 countries

\$38 billion in revenue (2011)

Head office in Zurich, Switzerland, traded on stock exchanges in  
Switzerland, Sweden and the U.S. (NYSE)

Market capitalization ~\$45 bn

*\* 2011 revenues unconsolidated*

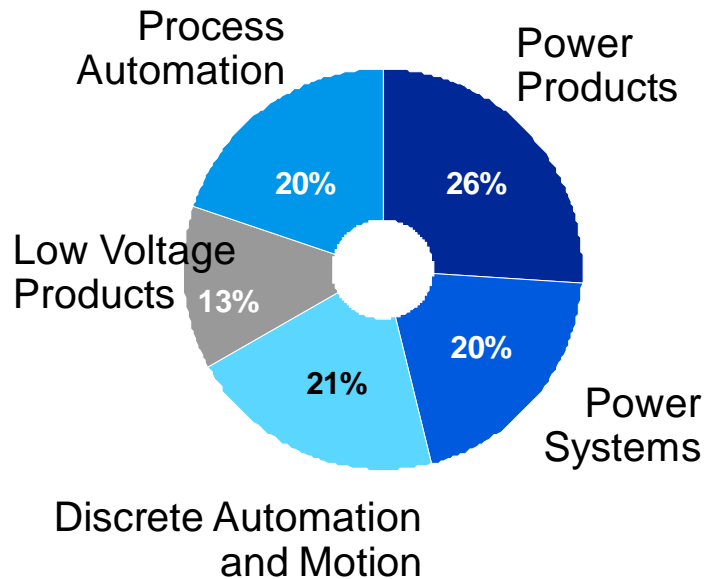


# Well-balanced business and geographic portfolio

## Capturing growth opportunities, wherever they arise

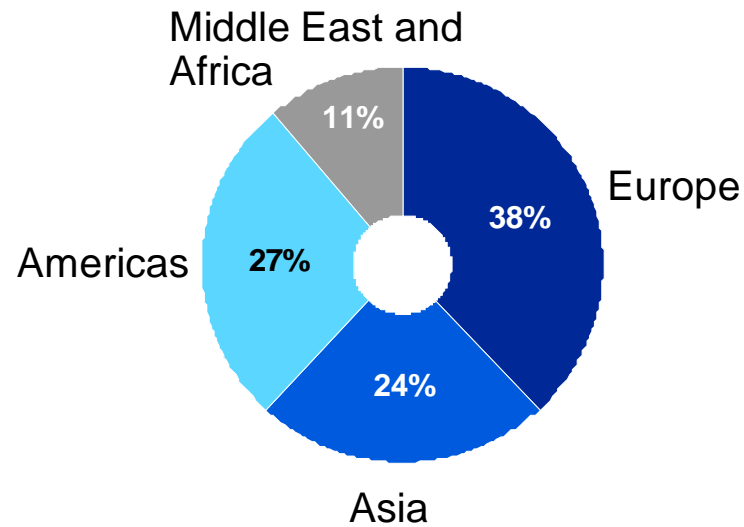
### Revenues by division

% of total revenues 2011 (non-consolidated)



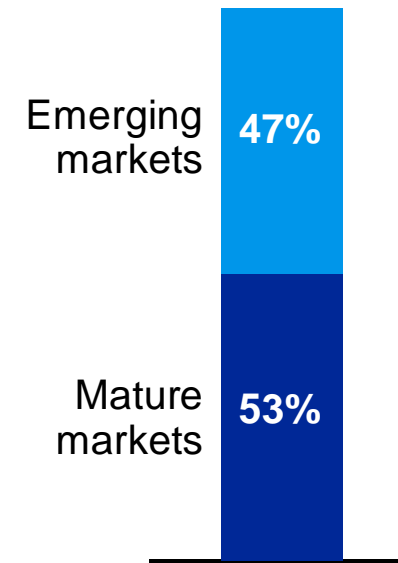
### Revenues by region

% of total revenues 2011



### Share of employees

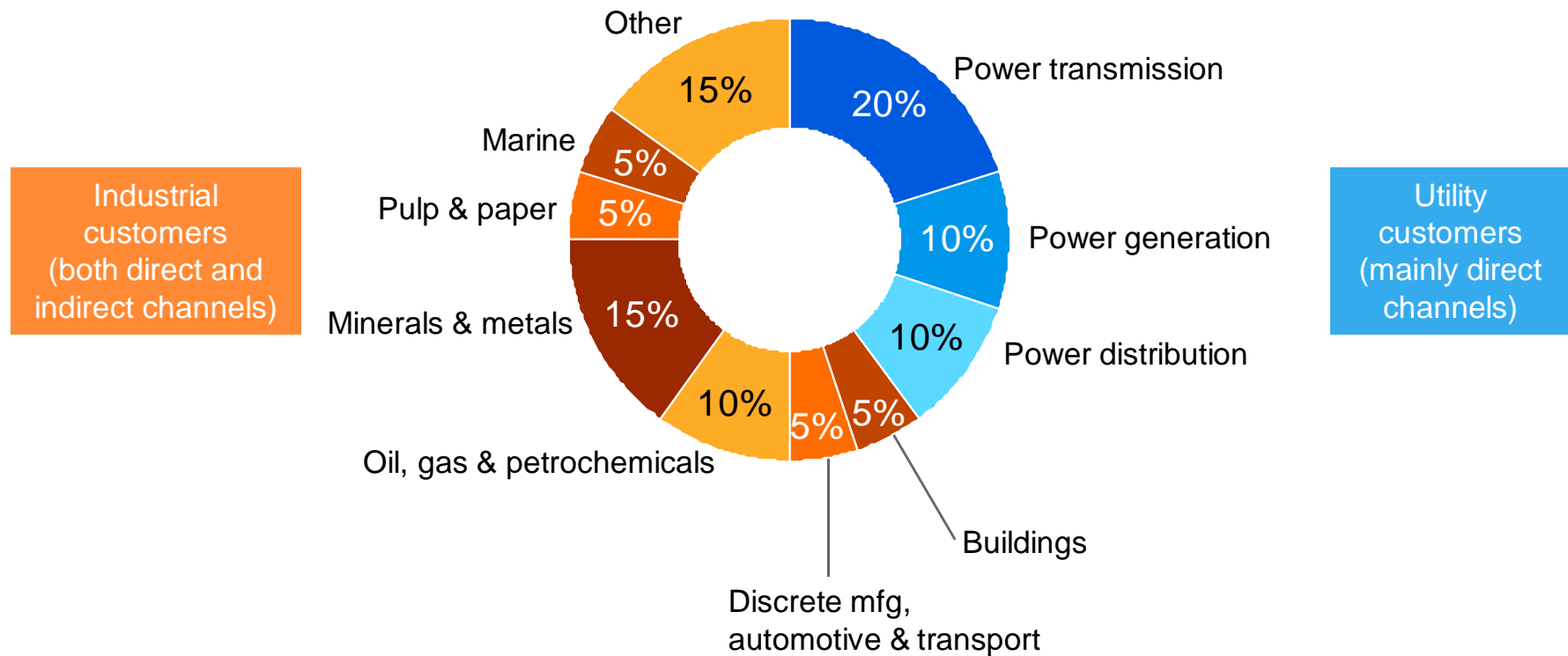
2011



# ABB serves a broad customer base

## With both direct and indirect sales channels

### End markets served\*



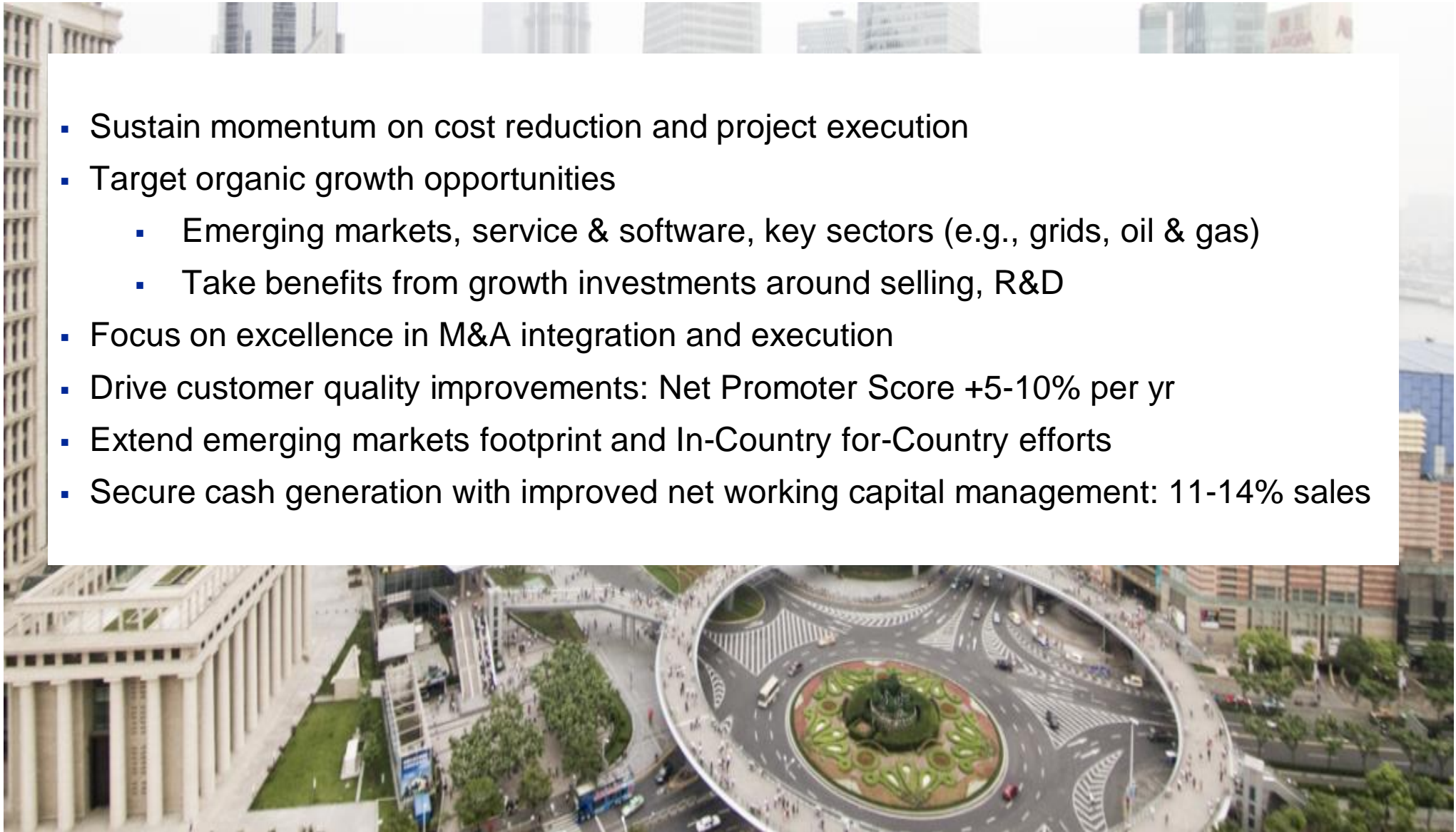
\* As a percentage of total 2011 Divisional revenues; approximations

# Priorities for 2012 and beyond

# Management priorities for 2012

## Managing for both cost and growth

- Sustain momentum on cost reduction and project execution
- Target organic growth opportunities
  - Emerging markets, service & software, key sectors (e.g., grids, oil & gas)
  - Take benefits from growth investments around selling, R&D
- Focus on excellence in M&A integration and execution
- Drive customer quality improvements: Net Promoter Score +5-10% per yr
- Extend emerging markets footprint and In-Country for-Country efforts
- Secure cash generation with improved net working capital management: 11-14% sales





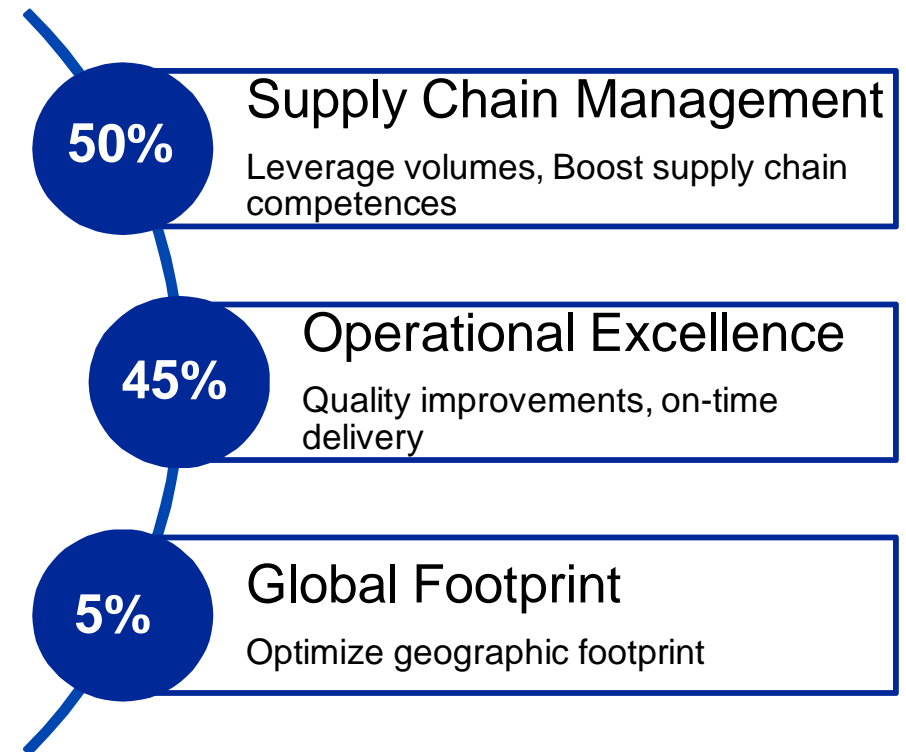
# Organic growth initiatives boost top line growth

## Continued cost-out for 2012 at 3-5% of cost of sales

### Organic growth initiatives

- Accelerate execution on software and service
- Focus on key growth areas e.g. smart grid, rail, data centers, mobility
- Lead in grid expansion through HVDC, FACTS
- Disruptive technologies to open new markets, e.g. direct current applications
- Leverage core technologies for new products, e.g., inverters & drives, power DCS

### Cost savings

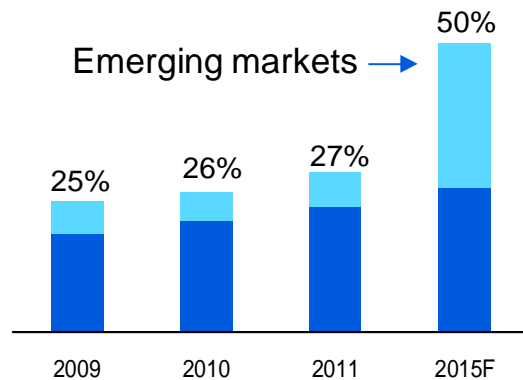


# Technology to remain a key focus in 2012

## Localized R&D, new products for new markets

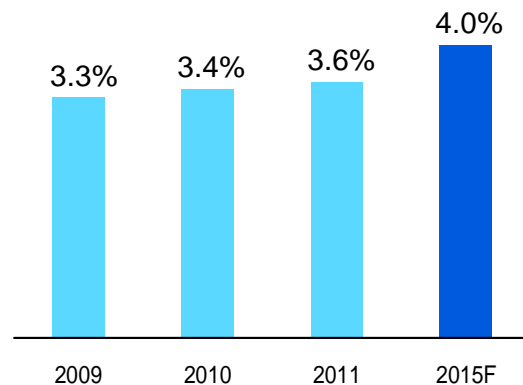
### R&D employees in emerging markets

% total R&D employees



- R&D where the customers are: Faster to market, better match to customer needs

### Annual R&D spend as % of sales



- Target R&D spend 4% of revenues by 2015—key to sustained competitiveness

### Examples of new products launched in 2011



#### Door entry systems

- Residential/commercial, indoor/outdoor
- Modular design for network configuration



#### Symphony DCS

- New generation DCS upgrade for installed base
- Widely used in power and water applications



#### GIS type ELK-14

- Space saver for high-voltage substations
- Highly modular, easy to customize



#### EV fast-charger

- Operating in Europe, Asia
- Full charge <30 mins.
- Software connectivity to grid

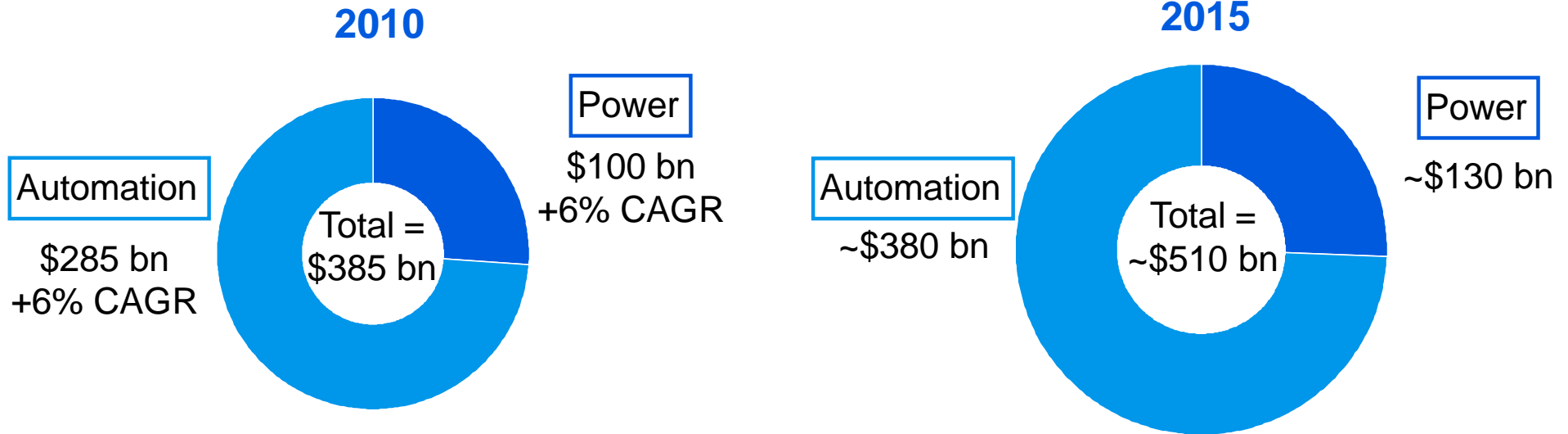
# Actions taken in last cycle will be key performance levers going forward

- Systematic optimization of footprint and sourcing to increase competitiveness
- Increasing focus on customer needs and markets
- Organizational alignment resulted in better growth and transparency
- Increasing focus on software and services
- Expanding presence in emerging markets resulting in better global balance
- Equal focus on organic market growth and M&A to ensure speed to market

We created a better balanced, increasingly market focused organization

# We expect our market to grow at 6% CAGR to 2015

**Estimated total market sizes and expected growth rates (CAGR) 2010-15**  
*US\$ bn and percent change*



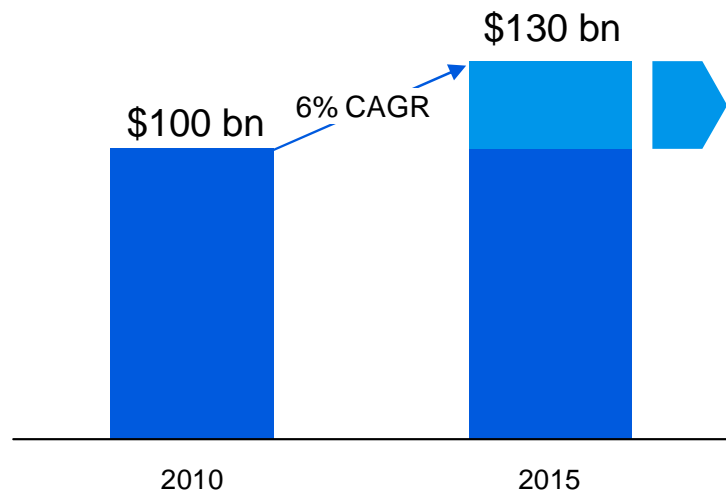
Assumes average annual global GDP growth of 3-4%

# Key drivers of market growth to 2015

## Power

### Estimated total market sizes and expected growth rates (CAGR) 2010-15

*US\$ bn and percent change*



### Key drivers

- Aging networks in NAM and EU
- Remote renewable integration and interconnections in EU
- Emerging market grid and generation build-out
- Wind and solar PV to reach grid parity in many markets by 2015
- Smart grids to manage power system volatility

Assumes average annual global GDP growth of 3-4%

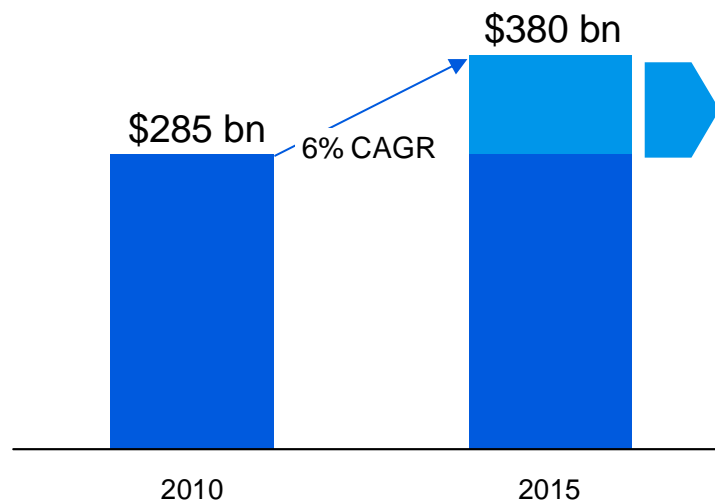


# Key drivers of market growth to 2015

## Automation

### Estimated total market sizes and expected growth rates (CAGR) 2010-15

*US\$ bn and percent change*



### Key drivers

- Energy efficiency
- Commodity demand
- Use of energy (oil & gas)
- Factory automation
- Transportation and mobility

Assumes average annual global GDP growth of 3-4%

# Growth areas: Geography, products, services

## ABB Divisions

### Power Products



## Geography

- Asia export
- Emerging demand

## Products

- New GIS designs
- Dry transformers
- LP footprint design

## Service

- Refurbishment
- Software
- Monitoring & uptime

### Power Systems



- Americas
- Emerging regions

- HVDC, FACTS
- Grids

- Parts & upgrades
- Monitoring and efficiency

### Discrete Automation & Motion



- Americas
- Asia, MEA
- Europe

- Inverters / motion
- Power electronics
- PLCs / control

- Parts & upgrades
- Life-cycle service
- Energy appraisals

### Low Voltage Products



- Americas
- South Asia, MEA

- Systems data center
- Building control (KNX)
- Wire devices

- Parts & upgrades
- Retrofits

### Process Automation



- Emerging areas

- Software devices
- Electrical mechanical

- Software
- Energy efficiency

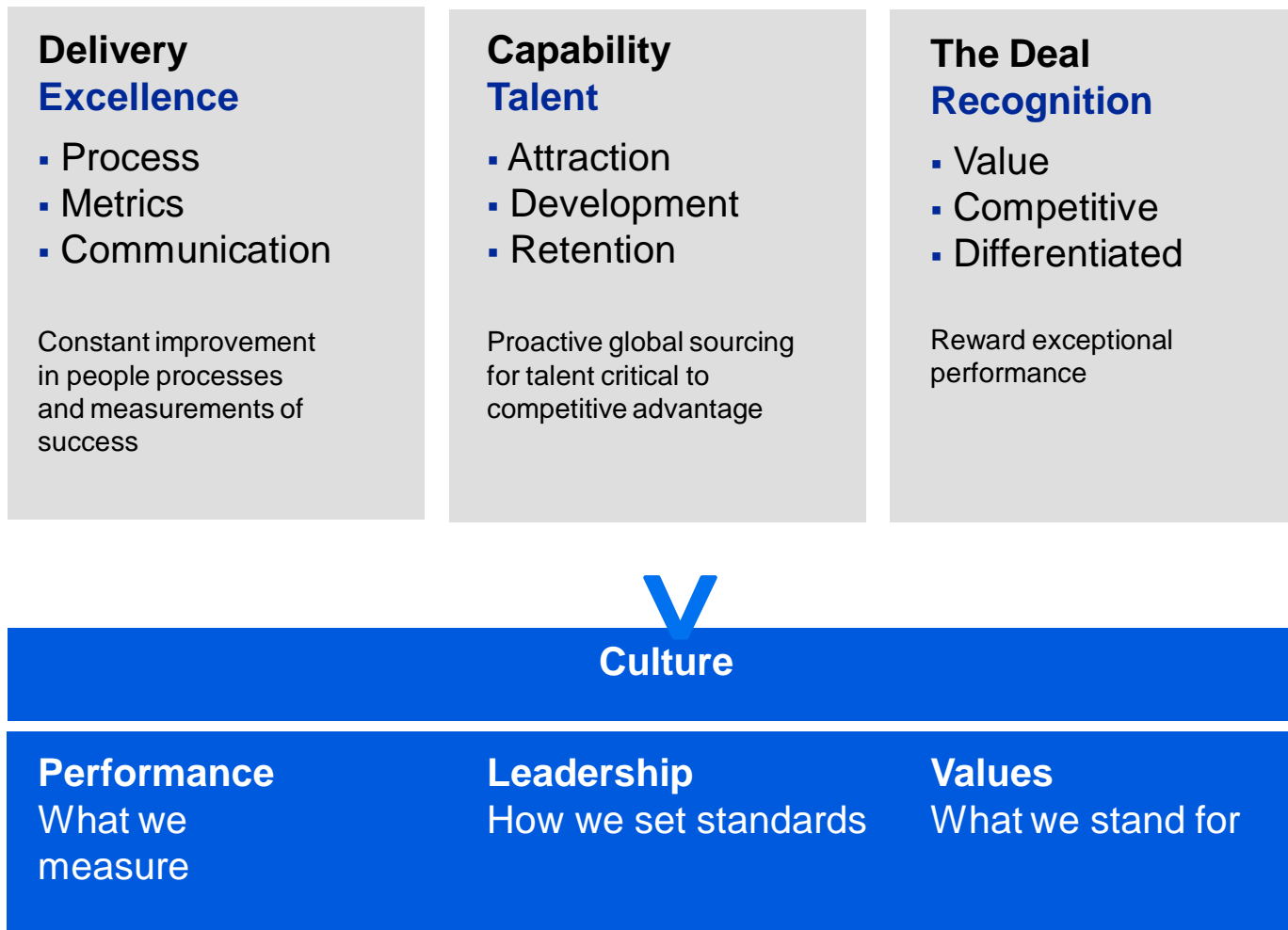
# Where will ABB find future growth?

Key growth areas	% of sales		Focus/Comments
	2010	2015	
Emerging markets	~50%	~+60%	<ul style="list-style-type: none"><li>▪ China, India, Africa</li><li>▪ More automation, base orders in power</li></ul>
Americas	19%	~25-30%	<ul style="list-style-type: none"><li>▪ North America LV &amp; DM expansion</li><li>▪ Power, smart grid, HVDC, energy efficiency</li></ul>
Services	16%	~20-25%	<ul style="list-style-type: none"><li>▪ Leverage installed base</li><li>▪ Software OT + IT conversion</li></ul>
Portfolio expansion	Base year	~10-15%	<ul style="list-style-type: none"><li>▪ Inverters, mechanical equipment</li><li>▪ Renewables, energy, automation</li><li>▪ Smart grid, E-mobility</li></ul>

Ample opportunities for profitable growth

# Staying competitive hinges on our people strategy

## Getting the most from talent



# 2015 strategy summary

## Long term growth

- Find and exploit disruptive opportunities in relevant markets
- Disciplined M&A across products, markets and geographies
- Aggressively expand core business to secure next level of growth
- Capitalize on mega trends: anticipate, participate and lead in key mega trends

5

4

3

2

## Execution is top priority

### **Drive competitiveness and stay relevant in our current markets**

- Continue to drive cost and quality competitiveness
- Invest in technology leadership
- Efficient use of assets: cash, people, IP & brand
- People development and investment

1



# 2011 FY and Q4 Results Summary

# 2011: Successful execution against strategic targets

## Managing for both cost and growth

- Achieved double-digit order and revenue growth, improved operating margin
- Executed strongly on cost to increase profitability despite market turbulence
- Leveraged our product and regional scope to tap growth opportunities
- Managed working capital successfully to secure strong cash generation
- Focused M&A to build a platform for future profitable growth
- Maintained best-in-class balance sheet
- Returning cash to shareholders through an increasing, sustainable dividend over time



# First-year performance against our targets

## Group targets

	2011 performance <sup>1</sup>	2011-15 Targets <sup>1</sup>	
Revenue growth (CAGR <sup>2</sup> )	15%	7 – 10%	Starting well above the range
Operational EBITDA margin corridor	15.8%	13 – 19%	Still a good buffer thanks to cost programs
EPS growth (CAGR <sup>2</sup> )	23%	10 – 15%	A strong first year
Free cash flow conversion	82%	Annual avg. >90%	High capital spending; to normalize over time
Cash return on invested capital	14%	>20% by 2015	1 <sup>st</sup> year shows impact of Baldor acquisition

<sup>1</sup> Includes acquisitions closed as of end-Oct. 2011

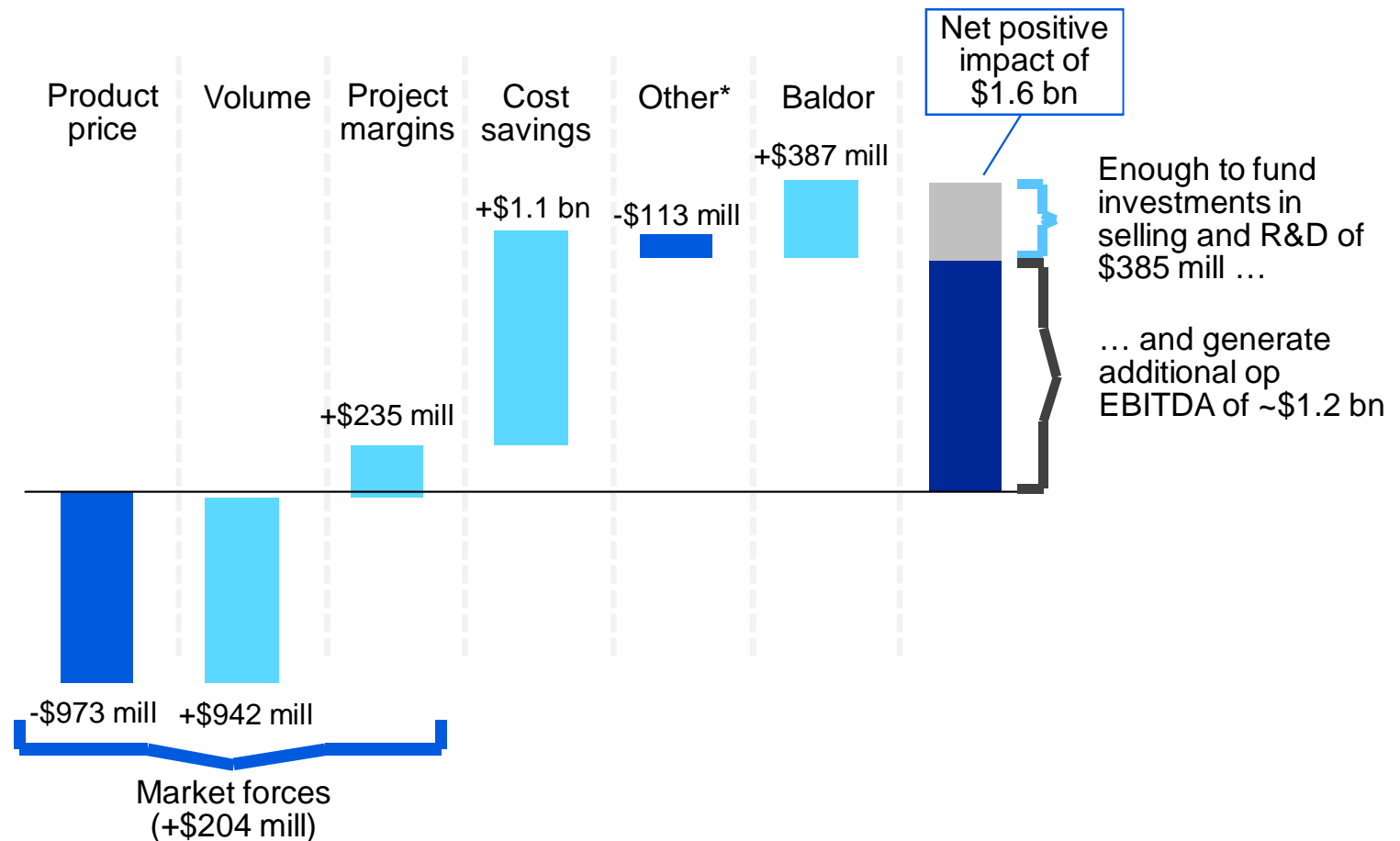
<sup>2</sup> CAGR = Compound annual growth rate, base year 2010

# Successful cost mgmt secures growth & profitability

## Product price erosion more than offset by savings

### Factors affecting operational EBITDA full year 2011

US\$ millions



\*Includes business mix, inventory, forex, acquisition costs and commodity impacts

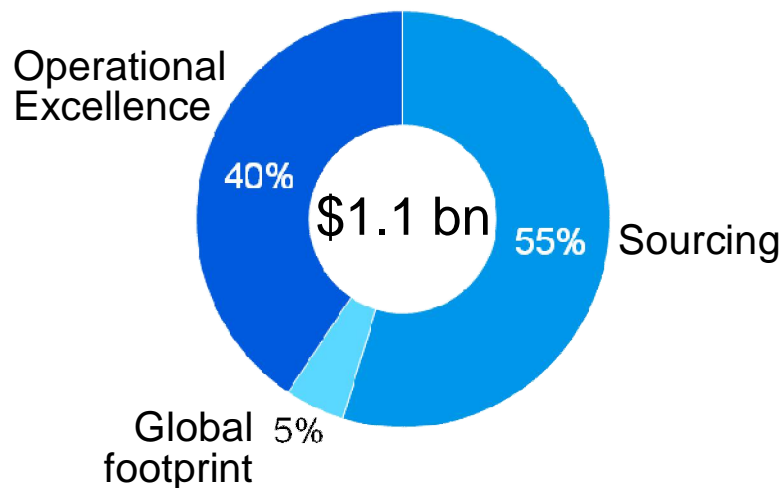
Plan to take out ~\$1 billion of costs in 2012

# Exceeded 2011 cost savings target

## Savings continued to outpace negative market impact

**Approx. share of savings by category**

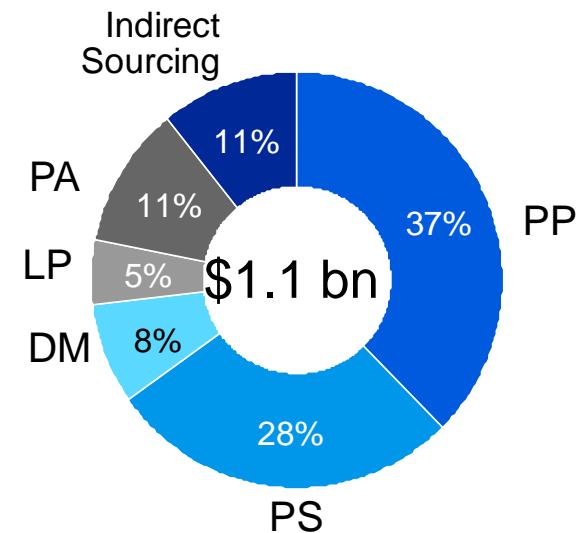
*Percent*



- \$1.1 bn savings offset >\$970 mill of price pressure
- Operational excellence measures continue to gain traction

**Approx. share of savings by division**

*Percent*



- Focus in power pays off with sector-leading profitability despite challenging price environment



# \$5 billion invested in strategic acquisitions in 2011

## ABB continued to fill strategic white spots

### Disciplined approach

- All transactions in line with stated acquisition strategy
- Balancing integration challenges across divisions and geography

### Financial criteria

- Cash returns at or above WACC within 3 years
- NPV positive (DCF at WACC + internal hurdles)
- Conservative net debt/EBITDA and gearing ratios – maintain single A credit rating

<i>Critical gap</i>	Baldor	Mincom	Epyon	Lorentzen & Wettre	Trasfor	Envi-tech	Power-corp	Newave*	T&B*
Geographic	✓	✓		✓				✓	✓
Product/ service/ solution	✓	✓	✓	✓	✓	✓	✓	✓	✓
Industry/ market	✓	✓	✓	✓	✓	✓	✓	✓	✓

\* Transactions expected to be closed in 2012

# Q4: Continued growth across all divisions

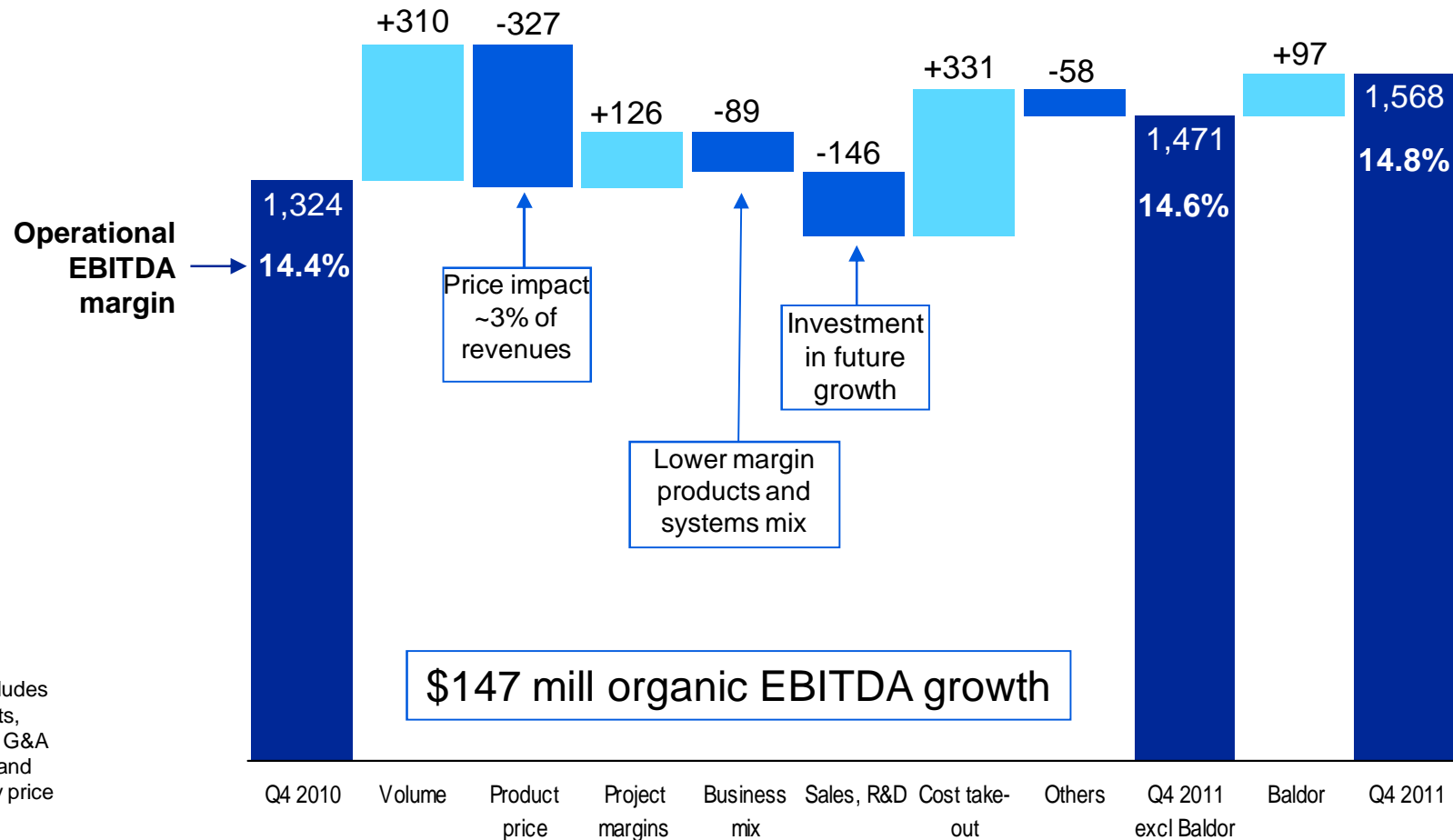
## PS results compensate mix & price in other divisions

	<i>percentage change in local currencies vs same period in 2010 except operational EBITDA percentage change in US\$</i>	Orders Δ vs Q4 10	Revenues Δ vs Q4 10	Op. EBITDA Δ vs Q4 10	Op. EBITDA margin	Δ vs Q410 (percentage points)	
Growth continues		+8%	+6%	-13%	14.8%	-3.2%	Pricing, tougher comps
Large orders, strong backlog		+21%	+17%	+245%	9.9%	+6.6%	Q4 '10 charges, Q4 '11 claims management
11% organic		+49%	+44%	+37%	17.4%	-0.8%	
Led by systems		+6%	+7%	+2%	19.0%	-1.1%	Mainly unfavorable business mix, e.g., systems vs product revenues
Strong order backlog		+7%	+10%	-7%	11.8%	-2.0%	
ABB Group		+17%	+16%	+18%	14.8%	+0.4%	

# Q4: Cost savings keep pace against price pressure And fund growth investments and margins

## Local currency analysis of change in operational EBITDA

US\$ millions

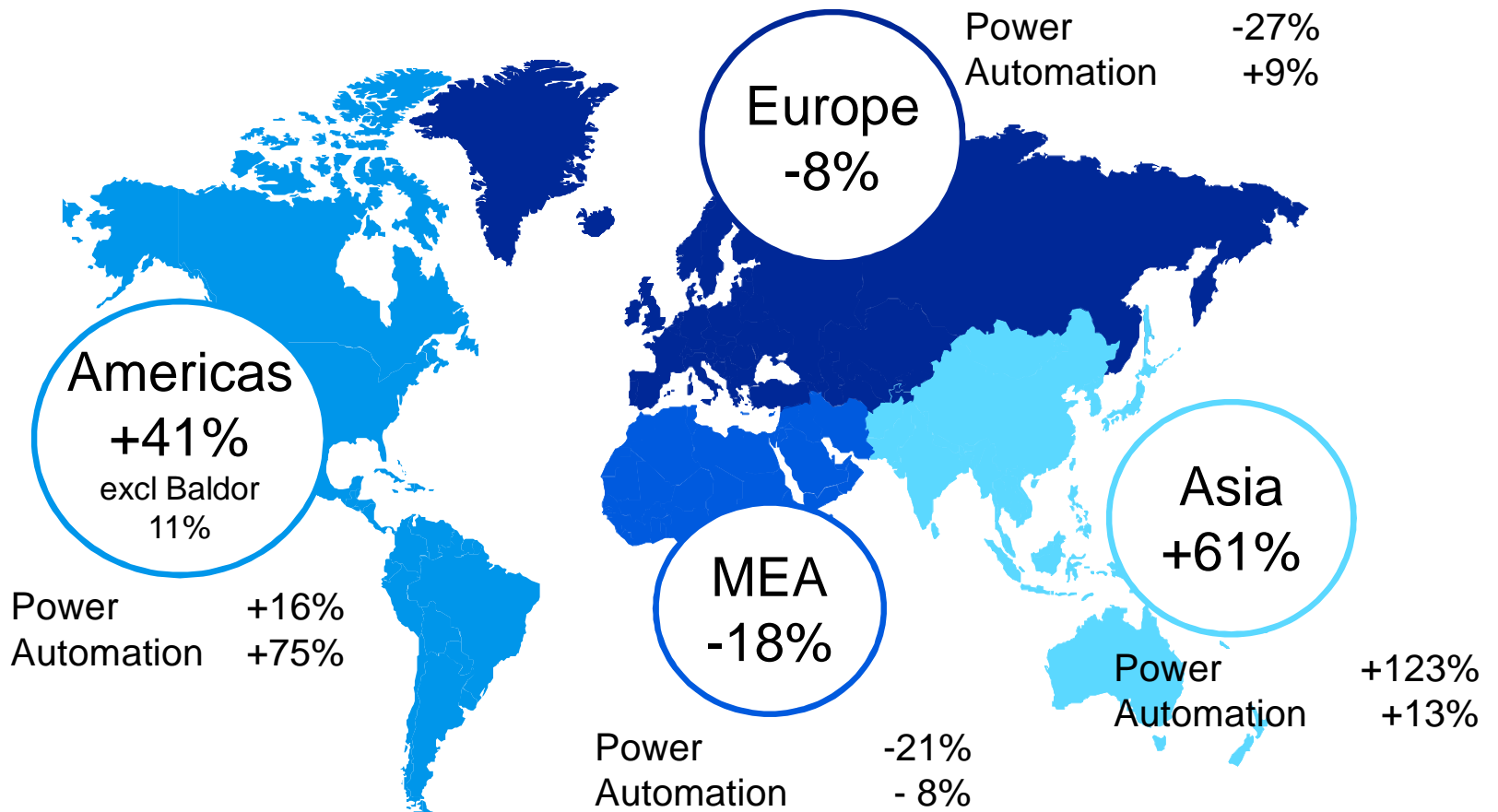


\* Others includes forex effects, charges in G&A expenses and commodity price impacts

# Solid growth in North America and Asia in both power and automation



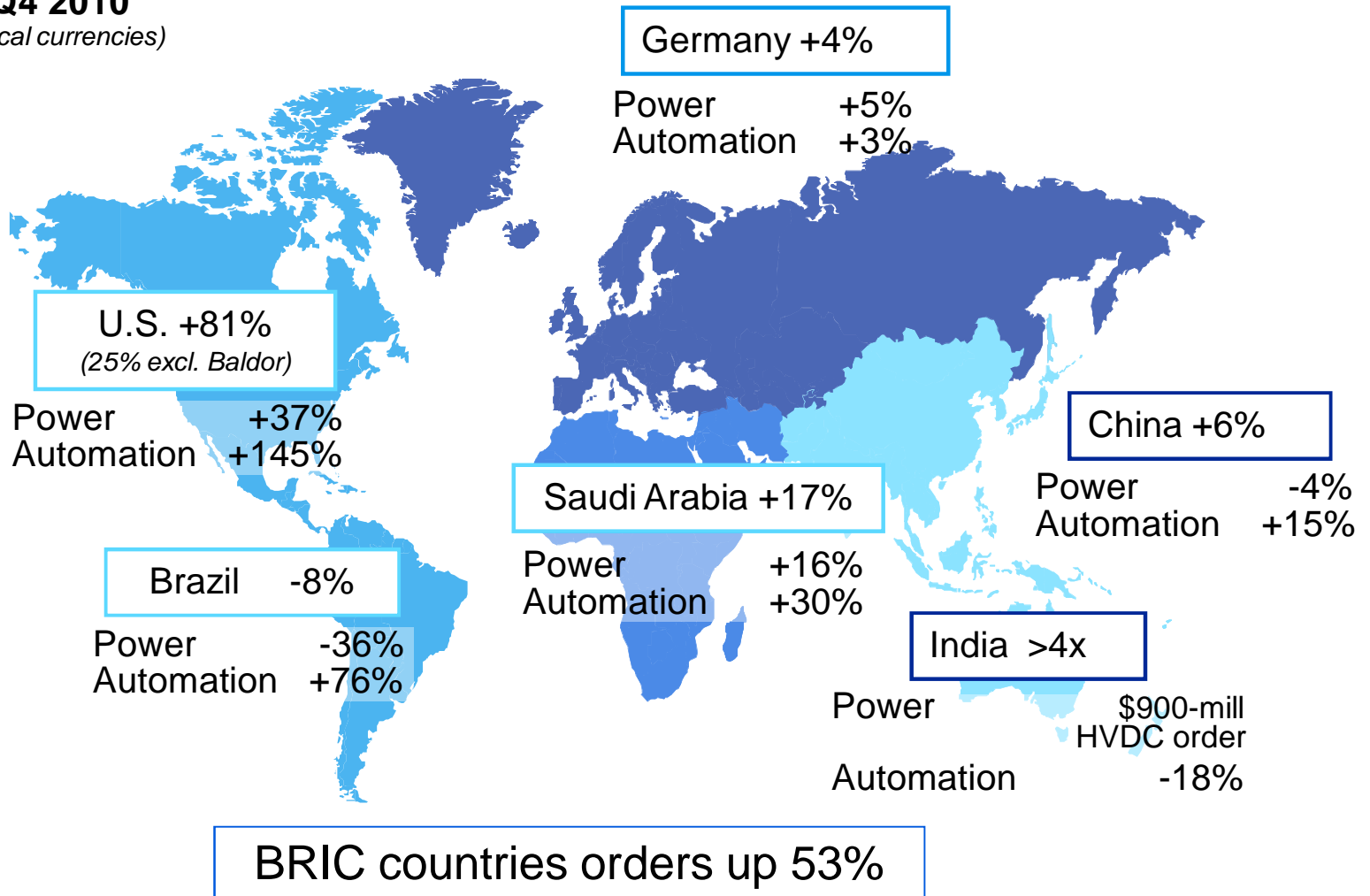
**Order growth by region Q4 2010 vs Q4 2011**  
*(in local currencies)*



# Most large markets performed well

## Geographic scope continues to pay off

### Order growth by selected country Q4 2011 vs Q4 2010 (in local currencies)





# Baldor update: Solid execution, synergies on track ~\$100 mill contribution to operational EBITDA in Q4



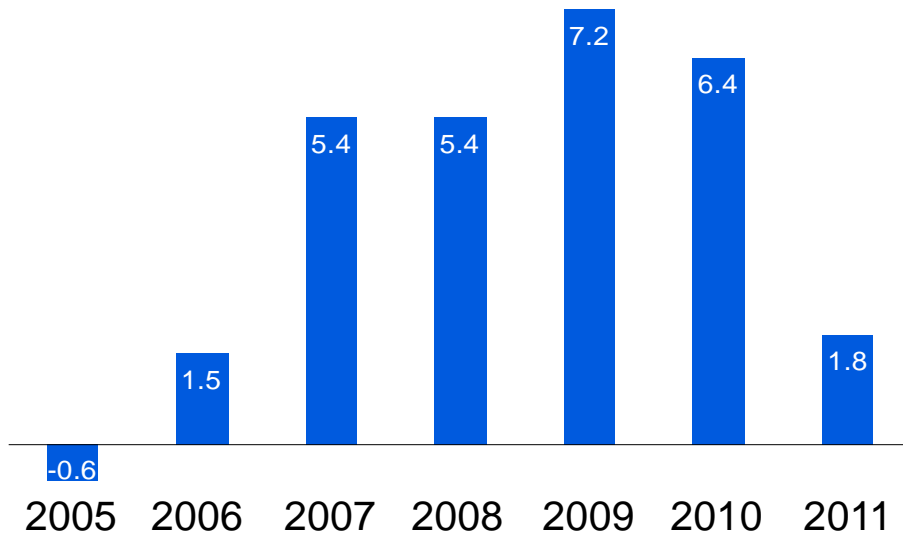
- Q4 2011 stand-alone vs year-earlier period:
  - 22% revenue growth
  - Operational EBITDA up 48%<sup>1</sup>
  - Operational EBITDA margin at ~18%, up from 2010<sup>2</sup>
- Synergy update:
  - Cost synergies year one hit target
  - Good progress in cross-selling NEMA/IEC motors and drives
  - Sales channels in NAM (motors) and US (drives) merged
- Cash return ~8% after 11 months
- Integration on track, good balance of integration and daily business
- Management retention successful
- No major acquisition-related charges in Q4
- Annual amortization expected at ~\$110 million until 2017

<sup>1</sup> Indicative; <sup>2</sup> Operating profit margin based on Baldor historical definition at 15.7% in Q4 2011 vs 12.2% in Q4 2010

# ABB's balance sheet retains strong investment grade

## Net cash position 2005-2011

US\$ billions



- \$1,250 mill in US bonds (5 and 10 year) issued in June 2011
- CHF 850 mill dual tranche (5 and 10 year) bond issue – Swiss bond of the year
- €650 mill bond repaid in November
- Another CHF 350 mill 2018 bond issue in January 2012
- Average debt duration now >5 years
- Pension underfunding at ~\$1 bn on declining discount rates, adjusted mortality tables and low—but positive—asset return
- Gearing down from 22% end-Q3 to 20% end-Q4
- Moody's and S&P reaffirmed A/A2 rating with stable outlook after T&B announcement

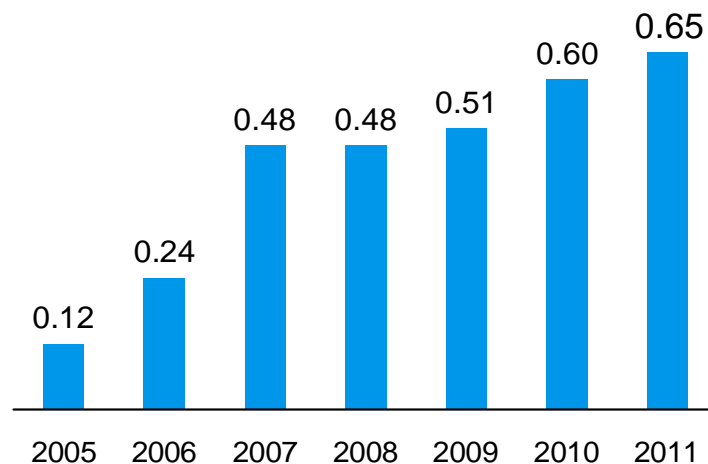
# 2011 dividend: CHF 0.65 per share vs 0.60 in 2010 Equivalent to 47% payout ratio, 3.3% yield

## Dividend policy

A steadily rising, sustainable annual dividend over time

## Dividend payout 2005-2011

*CHF per share*



- 8% dividend increase vs 2010
- Shareholders to benefit from higher earnings
- Payment from capital contribution reserve retains Swiss tax benefits
- CHF 5.3 bn available for 2011 and future tax-free dividends
- Needs AGM approval, dividend payment early May

# Outlook for 2012: Mixed view short term

## Ample profitable growth opportunities for FY 2012



### Long-term market outlook remains positive

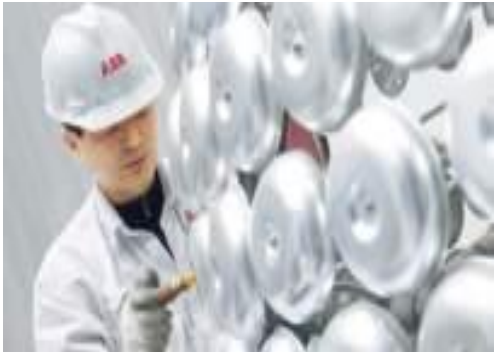
- Continued investments in grid efficiency and industrial productivity

### Short-term market view mixed

- Uncertainty in Europe, but signs of recovery in NAM, China focus on growth

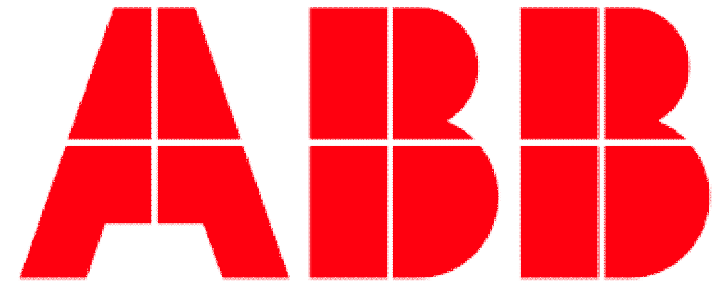
### Management expectations on results

- Early-cycle growth at low single digits
- Price pressure expected to continue in parts of power (as previously guided)
- Business mix expected to weigh on Q1 margins
- Management focus on driving cost and productivity improvements to continue
- Backlog, power distribution, oil & gas, emerging markets support profitable growth in 2012



Driving the business for both cost and growth

Power and productivity  
for a better world™



# Full-year 2011: Record orders and revenues

## Strong cash flow, redeployed in acquisitions, dividends

YTD Performance <i>US\$ millions unless otherwise stated</i>		<i>change vs 2010</i>
Orders	40,210	+18% <sup>1</sup> (organic. +11%)
Revenues	37,990	+15% <sup>1</sup> (organic +9%)
Operational EBITDA	6,014	+25%
Operational EBITDA %	15.8%	+0.5 percentage points
Net Income	3,168	+ 24%
EPS (basic)	1.38	+23%
Dividend per share <i>(CHF, proposed)</i>	0.65	+8%
Cash from operations	3,612	-14%
Cash return on invested capital	14%	-7 percentage points

<sup>1</sup> In local currencies

- \$40 bn orders for 1st time ever, record revenues
- Solid delivery against growth, profitability and EPS targets
- Much improved project execution
- Cost savings >\$1 bn offset price pressure, funded additional selling and R&D, lifted margins
- Acquired companies with strong revenue, earnings and cash generation contributions
- Net income up \$600 mill.
- Q4 cash flow close to last year's record
- 8% increase in dividend proposed to CHF 0.65
- CROI at 14%, initial impact of Baldor acquisition

# Q4: Solid top and bottom line in a challenging market

## Strong cash flow generation on lower NWC

Q4 Performance <i>US\$ millions unless otherwise stated</i>		<i>change vs 2010</i>
Orders	10,160	+17% <sup>1</sup> (organic 10%)
Revenues	10,571	+16% <sup>1</sup> (organic 10%)
Operational EBITDA	1,568	+18%
Operational EBITDA %	14.8%	+0.4 percentage points
Net Income	830	+19%
Cash from operations	1,674	-5%

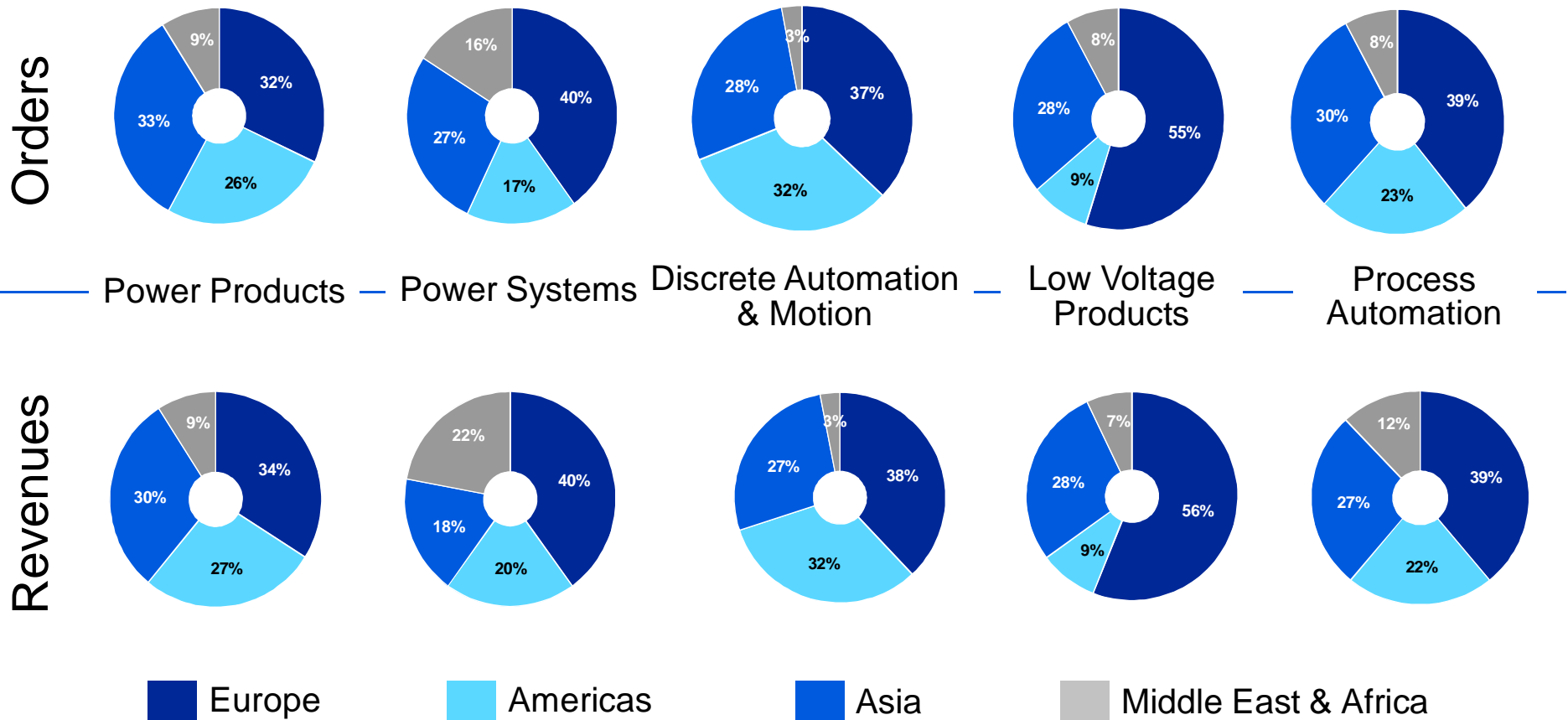
<sup>1</sup> In local currencies

- Good order growth in N America and emerging markets, S Europe weaker on market uncertainty
- Orders up in all divisions
- Revenues up on execution of strong order backlog, all divisions positive
- Service orders & revenues up faster than Group (organic)
- Operational EBITDA up ~\$250 mill., divisional margins impacted by business mix and price pressure
- Cost savings remain key to maintaining margins
- Strong cash generation near last year's record—NWC reduced by \$1 bn vs Q3 2011 (-2.6% of 2011 revenues)



# ABB's businesses by division and region

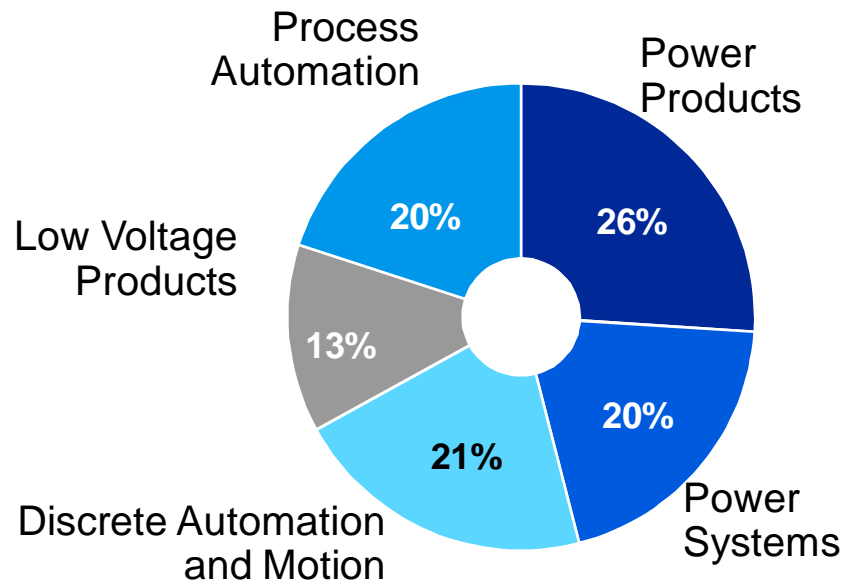
Percentage of total orders and revenues 2011 by region (US\$)



# A balanced portfolio of power and automation businesses

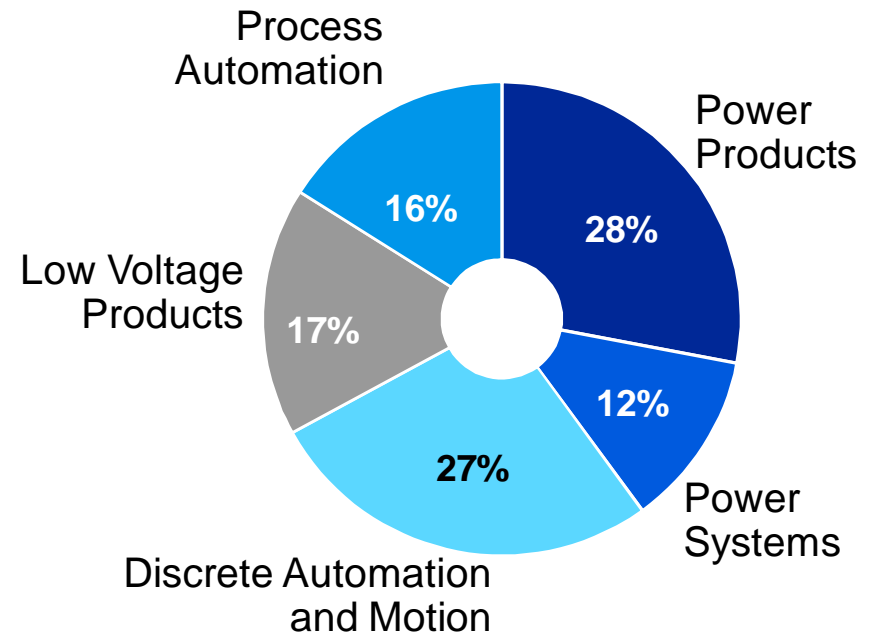
## 2011 revenues by division

*Share of total revenues in %, unconsolidated*



## 2011 Operational EBITDA by division

*Share of total Operational EBITDA in %, unconsolidated*



# Power Products

## Q4 and full-year 2011 summary

### Key data Q4 and full-year 2011

*US\$ millions unless otherwise stated*

	Q4 2011	Q4 2010	Change		FY 2011	FY 2010	Change	
			US\$	Local			US\$	Local
Orders received	2,738	2,533	8%	8%	11,068	9,778	13%	8%
Order backlog (end Dec.)	8,029	7,930	1%	4%				
Revenues	3,083	2,913	6%	6%	10,869	10,199	7%	2%
EBIT	353	454	-22%		1'476	1'636	-10%	
as % of revenues	11.4%	15.6%			13.6%	16.0%		
Operational EBITDA	460	527	-13%		1'782	1'861	-4%	
as % of op. revenues	14.8%	18.0%			16.3%	18.2%		
Cash from operations	548	658	-17%		1'095	1'756	-38%	

- Orders up across all businesses driven primarily by demand from the power distribution and industrial sectors
- Revenue growth across all business units with service revenues growing faster than total revenues
- Lower operational EBITDA and EBITDA margin mainly due to execution of lower margin order backlog; reflects weaker pricing environment in 2010 and 2011 and less favorable product mix
- Partly compensated by savings from ongoing sourcing, operational improvements, footprint initiatives

# Power Systems

## Q4 and full-year 2011 summary

### Key data Q4 and full-year 2011

US\$ millions unless otherwise stated	Q4 2011	Q4 2010	Change		FY 2011	FY 2010	Change	
			US\$	Local			US\$	Local
Orders received	3,130	2,626	19%	21%	9,278	7,896	18%	12%
Order backlog (end Dec.)	11,570	10,929	6%	11%				
Revenues	2,412	2,088	16%	17%	8,101	6,786	19%	14%
EBIT	145	3	n.a		548	114	381%	
as % of revenues	6.0%	0.1%			6.8%	1.7%		
Operational EBITDA	238	69	245%		743	304	144%	
as % of op. revenues	9.9%	3.3%			9.1%	4.5%		
Cash from operations	306	512	-40%		288	443	-35%	

- Strong order growth driven by large orders, incl. Ultra High Voltage Direct Current (UHVDC) transmission system in India, cable system order in Sweden combined value more than \$1 bn
- Revenues up on execution of strong order backlog—record level at end-2011
- Most of operational EBITDA increase in Q4 2011 reflects favorable comparison vs Q4 2010 when significant project-related charges were incurred in cables business
- Successful claims management in Q4 2011 also contributed to improved earnings

# Discrete Automation and Motion

## Q4 and full-year 2011 summary

### Key data Q4 and full-year 2011

*US\$ millions unless otherwise stated*

	Q4 2011	Q4 2010	Change		FY 2011	FY 2010	Change	
			US\$	Local			US\$	Local
Orders received	2,230	1,505	48%	49%	9,566	5,862	63%	57%
Order backlog (end Dec.)	4,120	3,350	23%	26%				
Revenues	2,365	1,657	43%	44%	8,806	5,617	57%	51%
EBIT	338	280	21%		1'294	911	42%	
as % of revenues	14.3%	16.9%			14.7%	16.2%		
Operational EBITDA	411	301	37%	36%	1'664	1'026	62%	54%
as % of op. revenues	17.4%	18.2%			18.9%	18.3%		
Cash from operations	410	204	101%		1'086	573	90%	

- Orders continued to grow for all businesses, but slower than in previous 3 Qs
- Organic order growth amounted to 11 percent in local currencies
- Revenue growth reflects execution of the strong order backlog
- Operational EBITDA increased on higher revenues and the contribution from Baldor
- Operational EBITDA margin declined compared to Q4 2010 on unfavorable product/business mix, higher investments in business development, sales and R&D

# Low-Voltage Products

## Q4 and full-year 2011 summary

### Key data Q4 and full-year 2011

*US\$ millions unless otherwise stated*

	Q4 2011	Q4 2010	Change		FY 2011	FY 2010	Change	
			US\$	Local			US\$	Local
Orders received	1,204	1,142	5%	6%	5,364	4,686	14%	9%
Order backlog (end Dec.)	887	838	6%	9%				
Revenues	1,348	1,254	7%	7%	5,304	4,554	16%	11%
EBIT	209	200	5%		904	788	15%	
as % of revenues	15.5%	15.9%			17.0%	17.3%		
Operational EBITDA	256	252	2%		1'059	926	14%	
as % of op. revenues	19.0%	20.1%			19.9%	20.3%		
Cash from operations	312	280	11%		548	717	-11%	

- Orders growth rate reflects generally weaker early-cycle demand in most markets
- Revenue growth outpaced orders on execution of strong order backlog in low voltage systems
- Higher revenues drove the increase in operational EBITDA, supported by price increases earlier in the year to offset rising raw material costs
- Higher share of systems revenues during the quarter resulted in a decline in operational EBITDA margin

# Process Automation

## Q4 and full-year 2011 summary

### Key data Q4 and full-year 2011

US\$ millions unless otherwise stated	Q4 2011	Q4 2010	Change		FY 2011	FY 2010	Change	
			US\$	Local			US\$	Local
Orders received	1,881	1,764	7%	7%	8,726	7,383	18%	12%
Order backlog (end Dec.)	5,771	5,530	4%	8%				
Revenues	2,317	2,101	10%	10%	8,300	7,432	12%	6%
EBIT	243	198	23%		963	759	27%	
as % of revenues	10.5%	9.4%			11.6%	10.2%		
Operational EBITDA	272	293	-7%		1'028	925	11%	
as % of op. revenues	11.8%	13.8%			12.4%	12.5%		
Cash from operations	416	222	87%		904	738	22%	

- Orders driven mainly by oil & gas; base order growth led by measurement products, large orders flat
- Revenues driven by execution of strong order backlog
- Operational EBITDA and EBITDA margin reflects higher share of system orders executed out of backlog, higher R&D and impact of strong Swiss Franc on turbocharging



# Divisional Fact Sheets

2010-11

# Overview of divisional targets 2011-15

	Revenue growth	Market	Op. EBITDA margin
Power Products	5-7%	4%	14-20%
Power Systems <sup>1</sup>	10-14%	6%	7-11%
Discrete Automation & Motion <sup>2</sup>	12-15%	7%	16-21%
Low Voltage Products	8-11%	4%	16-22%
Process Automation	6-9%	6%	11-15%

1) Excl. Ventyx & Mincom, 9-13%

2) Excl. Baldor 7-10%

# Power Products

## Market Information

### Customer Applications:

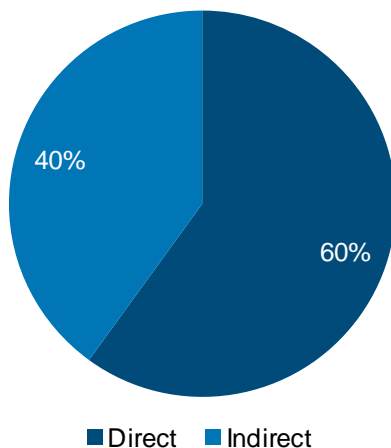
- Switch, protect, transform and measure power transmission and distribution for industries, utilities and power generation

Total Market Size 2010:~\$55B

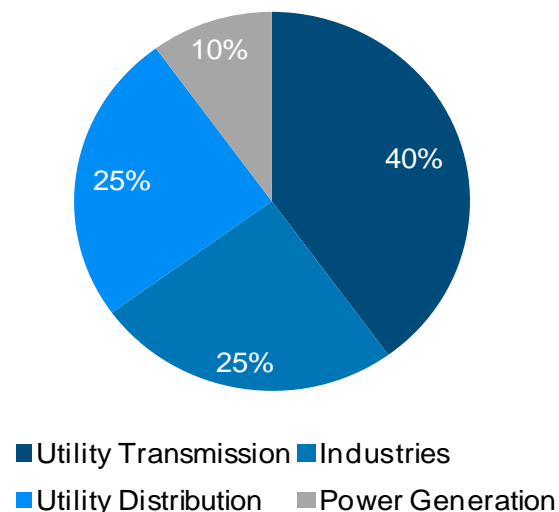
### Market Dynamics:

- Emerging markets growing faster than mature markets driven by infrastructure development
- Upgrade replacement and focus on grid efficiency and reliability for mature markets
- Industrial markets growing earlier in the cycle
- Increased investment in renewables
- Pricing pressure from emerging competitors

**Main Channels \***



**End Markets \***



# Power Products

## Overview

### Portfolio overview:

- High and medium voltage switchgears
- Power, distribution and specialty transformers
- Products to measure and control power flow
- Products for power quality
- Service

### Business Characteristics:

- Critical technologies to ensure performance, efficiency and reliability of the power network

### Major Competitors alphabetically

Transformers	Medium Voltage Products	High Voltage Products
Alstom	Schneider	Alstom
Hyundai	Siemens	Siemens
Siemens		

### Competitive Advantage:

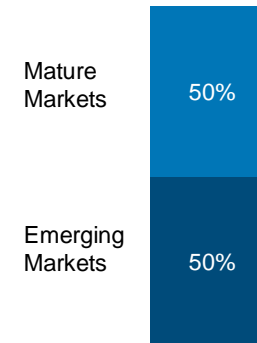
- Leading market positions
- Presence in more than 100 countries
- Technology Leadership
- Comprehensive portfolio
- Large global installed base
- Economies of Scale
- Geographically balanced and global production footprint/ R&D

# Power Products

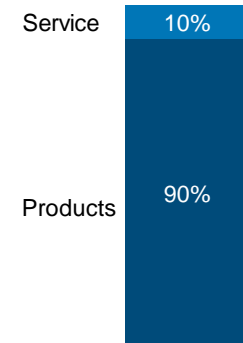
## Financial Data

Figures in BUSD	2010 Full year	Q3 2011 YTD
Orders Received	9.8	8.3
Revenues	10.2	7.8
Oper. EBITDA	1.9	1.3
Oper. EBITDA Margin	18.2%	17.0%
Employees	~ 32,500	~ 34,500

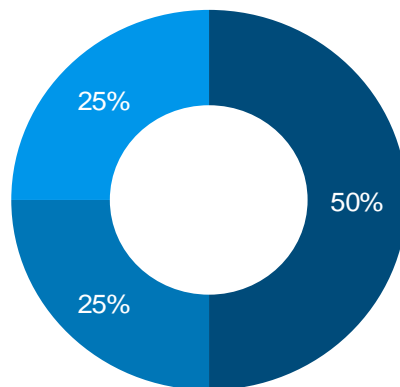
**2010 Orders Geographic Mix**  
*Approximate*



**2010 Orders by Type**  
*Approximate*

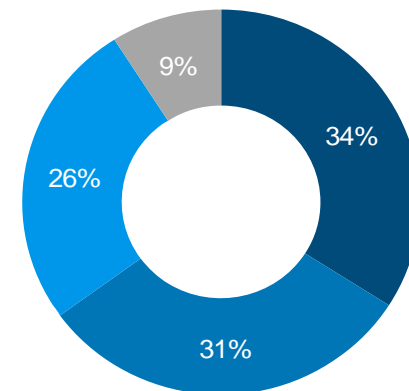


**2010 Revenues by business**  
*Approximate*



■ Transformers ■ High Voltage Products ■ Medium Voltage Products

**2010 Revenues by region**



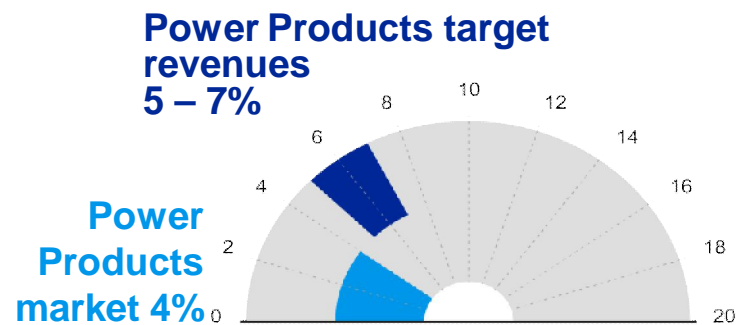
■ Europe ■ Asia ■ Americas ■ MEA

# Power Products

## Secure market leadership, improve cost position

### Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies



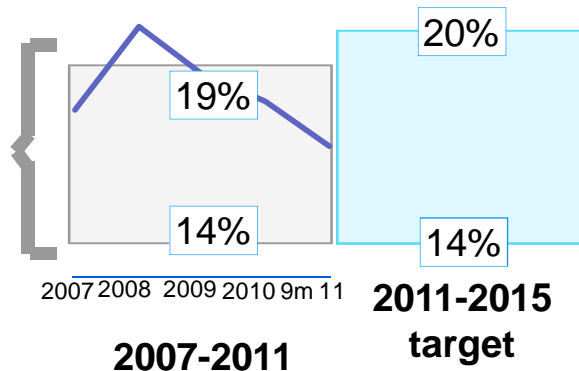
#### Execution plan for top-line growth

- Expand market coverage in key markets
- Strengthen channels to increase market penetration
- Enhance product portfolio to realize growth from megatrends
- Lead technological innovation
- Grow service business faster than core business

### Op. EBITDA margin target corridors 2007-15

% revenues

Previous EBIT margin targets converted to operational EBITDA margins



#### Execution plan for profitability

- Implement product cost reduction programs
- Further optimize global footprint
- Drive flawless operations & increase customer loyalty
- Focus on continuous productivity improvements
- Enhance application-specific offering for industries

# Power Systems

## Market Information

### Customer Applications:

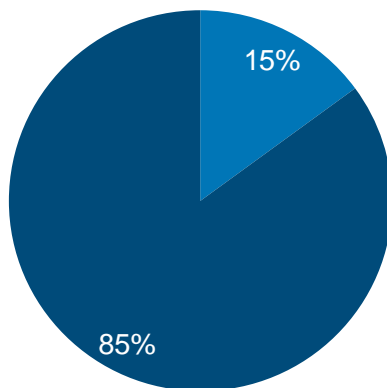
- Serves utilities, industrial and commercial customers for the generation, transmission and distribution of electricity

### Market Dynamics:

- Emerging market growth and need for industrialization
- Need for new power infrastructure in emerging markets: upgrade/ replacement in mature markets
- Renewable integration

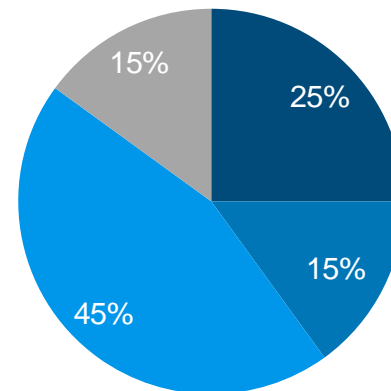
Total Market Size 2010:~\$80B

**Main Channels \***



■ EPCs ■ Direct

**End Markets \***



■ Generation ■ Distribution ■ Transmission ■ Industry



# Power Systems

## Overview

### Portfolio overview:

- Power plant electrification and automation
- Bulk power transmission (HVDC, FACTS)
- Substation solutions
- Power distribution and network management
- Software solutions
- Services

### Business Characteristics:

- Turnkey solutions/ system integration
- Technology as a differentiator
- Domain expertise
- Global installed base
- Wide portfolio across the power value chain

### Major Competitors alphabetically

Grid Systems	Network Management	Substations	Power Generation
Alstom	Alstom	Alstom	Alstom
Nexans	GE	Siemens	Emerson
Prysmian	Siemens		GE
Siemens			Siemens

### Competitive Advantages:

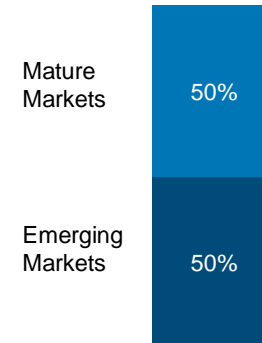
- Technology and innovation
- Offering / breadth of portfolio
- Global presence
- Installed base

# Power Systems

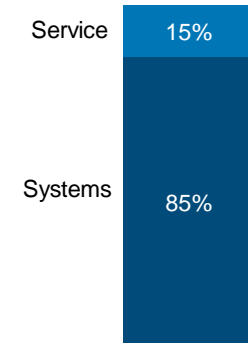
## Financial Data

Figures in BUSD	2010 Full year	Q3 2011 YTD
Orders Received	7.9	6.1
Revenues	6.8	5.7
Oper. EBITDA	0.3	0.5
Oper. EBITDA Margin	4.5%	8.8%
Employees	~ 17,300	~ 19,100

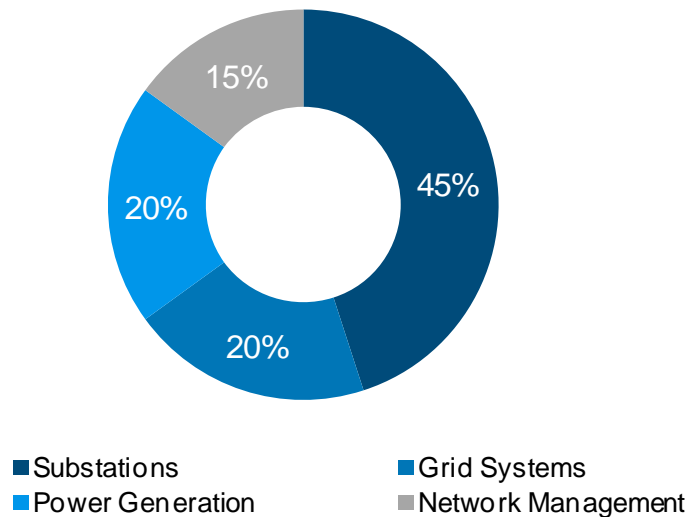
**2010 Orders Geographic Mix**  
*Approximate*



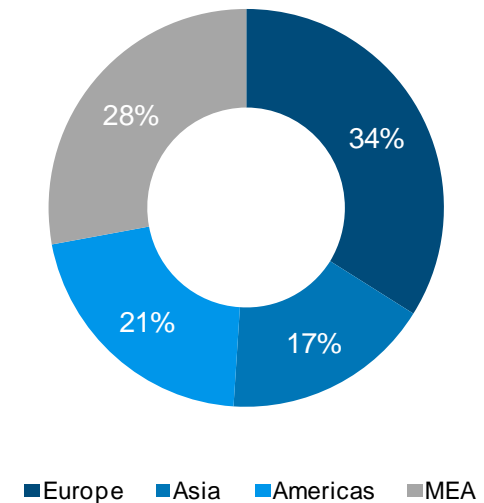
**2010 Orders by Type**  
*Approximate*



**2010 Revenues by business**  
*Approximate*



**2010 Revenues by region**

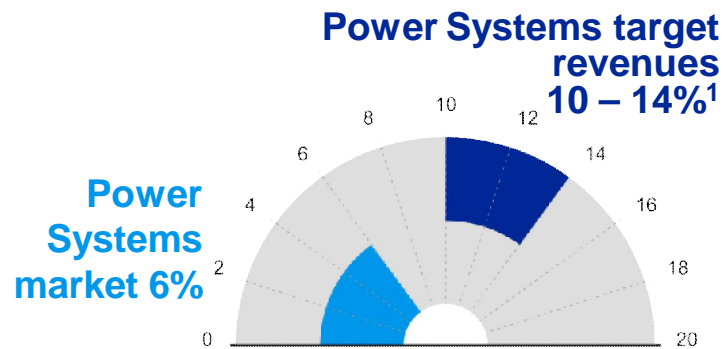


# Power Systems

## Huge market opportunities, build on technology leadership

### Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies



<sup>1</sup> Excl. Ventyx and Mincom, CAGR 9-13%

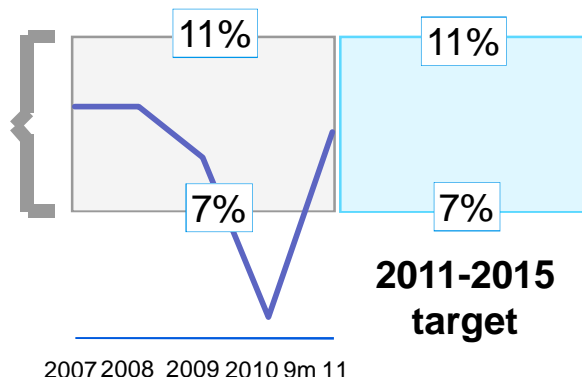
### Execution plan for top-line growth

- Tap opportunities in large-scale renewables: hydro, wind, solar
- Build grid business around capacity, reinforcement and reliability
- Leverage business opportunities in automation, network control
- Expand software solutions business (OT/IT convergence)
- Drive service and consulting growth above division average

### Op. EBITDA margin target corridors 2007-15

% revenues

Previous EBIT margin targets converted to operational EBITDA margins



2007-2011

### Execution plan for profitability

- Further strengthen contract and risk management
- Drive operational excellence
- Sharper focus on supply management and footprint for cost competitiveness
- Differentiate on technology and innovation leadership

# Discrete Automation and Motion

## Market Information

### Customer Applications:

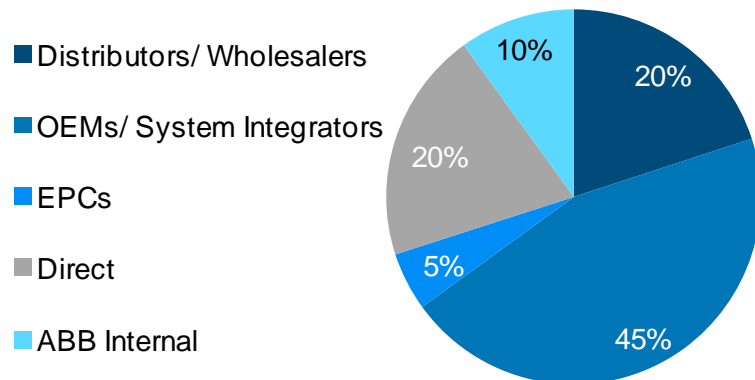
- Discrete automation: products and integrated automation solutions
- Industrial motion: movement and control for industrial applications
- Renewables: components and packages for wind power, solar inverters and solar tracker solutions
- Power control and quality: control of power supply and ensuring power quality for industry, utilities and infrastructure
- Transport: electrical components and packages for rolling stock and fixed rail applications, electrical vehicle charging infrastructure

### Market Dynamics:

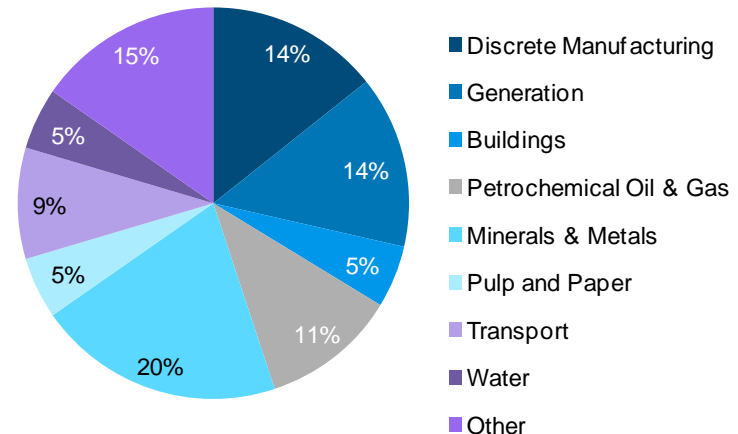
- Next level of productivity
- Automation penetration in emerging markets
- Infrastructure investments especially in emerging markets
- Energy efficiency
- Renewable growth

Total Market Size 2010:~\$115B

**Main Channels \***



**End Markets \***



\* As a percentage of total 2010 Divisional revenues; approximations

# Discrete Automation and Motion

## Overview ABB

### Portfolio overview:

- A leading player in drives, motors, generators, converters/power electronics and robotics
- Portfolio completed by PLC, mechanical power transmission
- Products, packages, solutions and related services for industries, utilities, infrastructure and transport

### Business Characteristics:

- Standard and engineered products
- Application specific packages and solutions
- Strong service business
- Balanced across regions, industries and cycle
- Acquisition of Baldor has significantly improved position in North America

### Major Competitors alphabetically

Robotics	Industrial motion	Renewable	Power Control & Quality	Transport
Fanuc	GE/Converteam	Enercon	Areva	Alstom
Kuka	Hyundai	GE/Converteam	Eaton	Bombardier
Mitsubishi	Rockwell	PowerOne	Emerson	Siemens
Siemens	Siemens	Siemens	Friem	
Rockwell	Schneider	SMA	GE/Converteam	
Yasukawa	Weg	Vestas	Siemens	
			Schneider	

### Competitive Advantage:

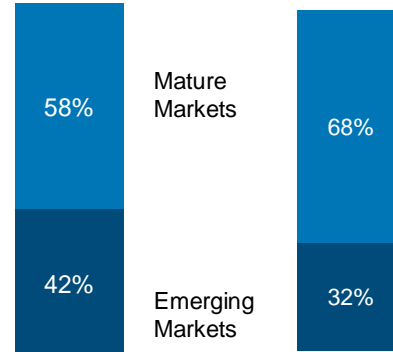
- Very broad portfolio of high quality products
- Ability to deliver application-specific product packages and solutions
- Technology leadership
- Global presence: sales, R&D/engineering, sourcing, manufacturing, service
- Early mover in emerging markets
- Large installed base and innovative service concepts

# Discrete Automation and Motion

## Financial Data

Figures in BUSD	2010 Full year	Q3 2011 YTD
Orders Received	5.9	7.3
Revenues	5.6	6.4
Oper. EBITDA	1.0	1.3
Oper. EBITDA Margin	18.3%	19.4%
Employees	~ 18,300	~ 27,200

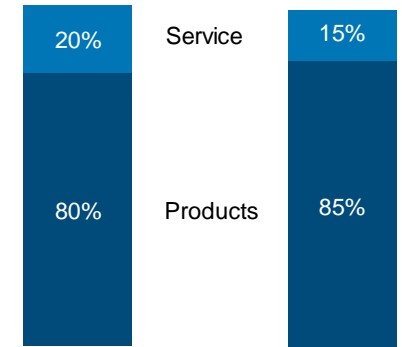
**2010 Orders Geographic Mix**  
*Approximate*



Exclud. Baldor

Includ. Baldor

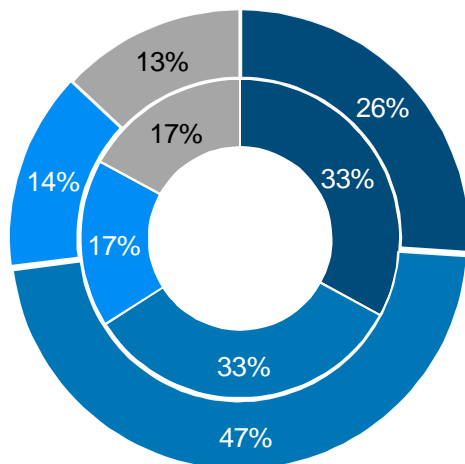
**2010 Orders by Type**  
*Approximate*



Exclud. Baldor

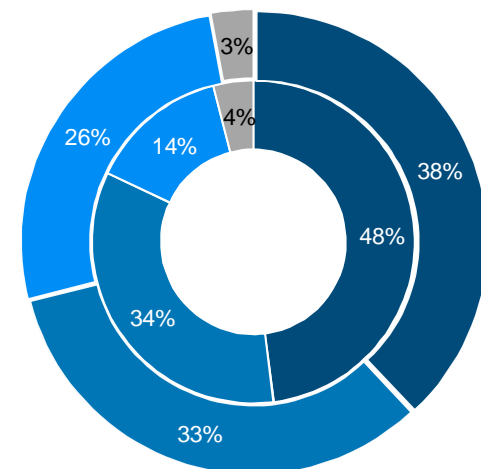
Includ. Baldor

**2010 Revenues by business**  
*Approximate; Outercircle; Include. Baldor\**



■ Low Voltage Drives
 ■ Motors & Generators  
■ Power Electronics & Medium Voltage Drives
 ■ Robotics

**2010 Revenues by region**  
*Outer circle; Include. Baldor\**



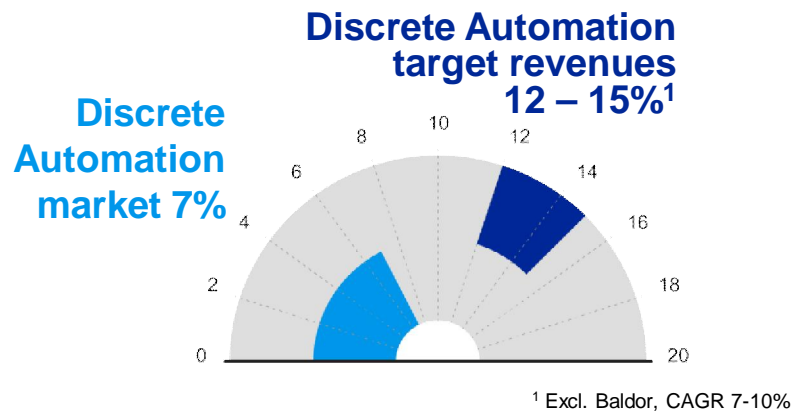
■ Europe
 ■ Asia
 ■ Americas
 ■ MEA

# Discrete Automation and Motion

## Expand product and application offering

### Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies



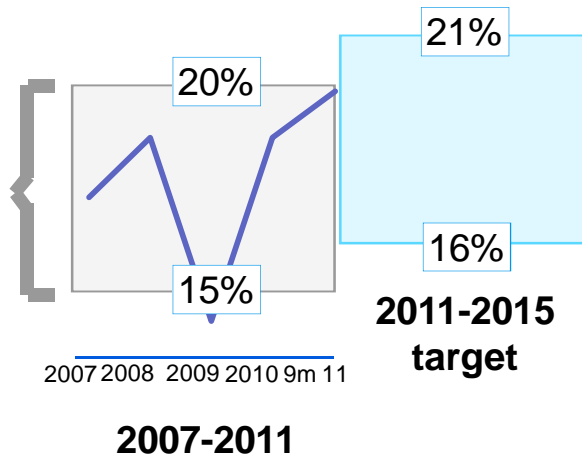
### Execution plan for top-line growth

- Expand discrete automation offering
- Industrial motion: Further expand presence & portfolio
- Drive renewables component & package growth
- Power electronics strength for new applications
- Continue growth in traction, early-mover EV infrastructure
- Further tap large installed base with advanced service concepts
- Grow application business based on broad portfolio

### Op. EBITDA margin target corridors 2007-15

% revenues

Previous EBIT margin targets converted to operational EBITDA margins



### Execution plan on op EBITDA margin

- Drive pricing excellence
- Aim for world-class operations supporting growth and profitability
- Enhance target costing/design-to-cost
- Continue successful footprint and sourcing optimization



# Low Voltage Products

## Market Information

### Customer Applications:

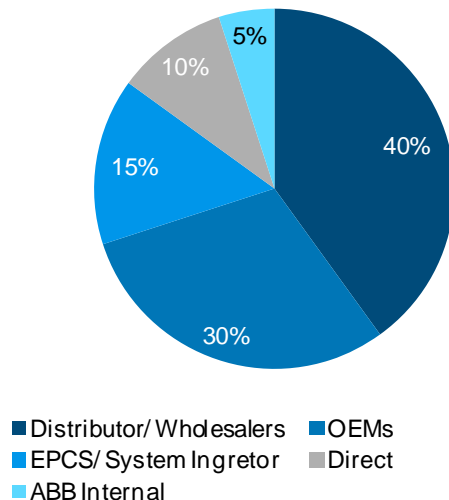
- Products and solutions to provide protection, control and measurement for LV electrical installations
- Intelligent building control and automation

Total Market Size 2010:~\$60B

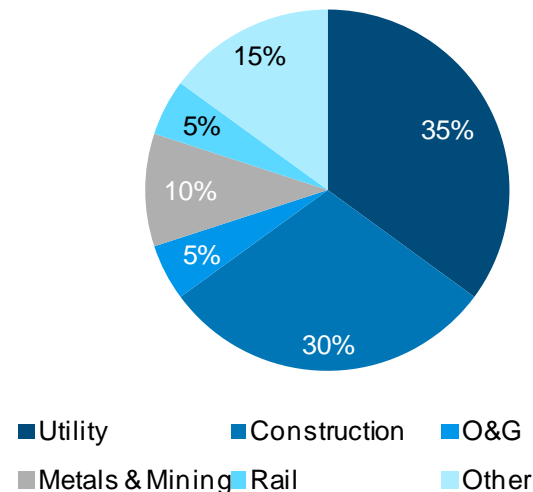
### Market Dynamics:

- Automation and energy efficiency in industry and buildings
- Industrial production process
- Residential & commercial construction
- General GDP Development

**Main Channels \***



**End Markets \***



\* As a percentage of total 2010 Divisional revenues; approximation

# Low Voltage Products

## Overview

### Portfolio overview:

- The Low Voltage Products offering covers a wide range of products and services including low-voltage switchgear, breakers, switches, control products, DIN-rail components, enclosures and wiring accessories

### Business Characteristics:

- Manufacture standardized products, shipping over 1 million items per day

### Competitive Advantages:

- Price/value: Economies of scale, smart design and global sourcing
- Global Market Presence: Market penetration and above average growth secured by global scope
- Segmentation approach to the market with products and solution by the application
- Excellence: Products recognized for quality and reliability based on operational excellence in production, distribution and response time

### Major Competitors alphabetically

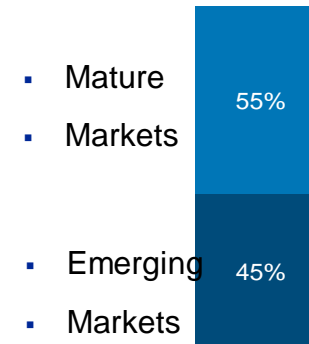
Wiring Accessories	LV systems	Enclosures & Rail Products	Control Products	LV Breakers & Switches
Legrand	Eaton	Hager	Eaton	Eaton
Leviton	GE	Legrand	Phoenix Contact	Mitsubishi
Schneider	Siemens	Rittal	Siemens	Siemens
	Schneider	Schneider	Schneider	Schneider

# Low Voltage Products

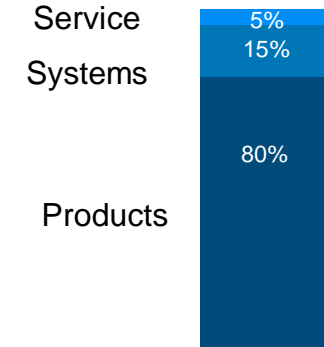
## Financial Data

Figures in BUSD	2010 Full year	Q3 2011 YTD
Orders Received	4.6	4.2
Revenues	4.6	4.0
Oper. EBITDA	0.9	0.8
Oper. EBITDA Margin	20.3%	20.3%
Employees	~ 19,800	~ 21,300

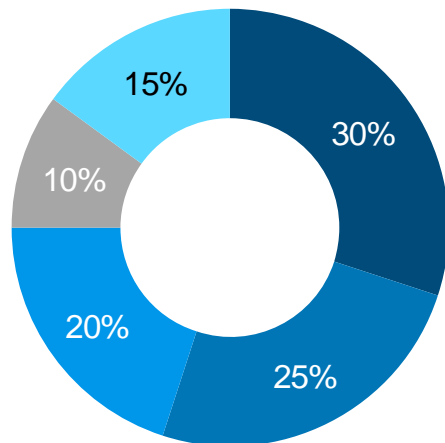
**2010 Orders Geographic Mix**  
Approximate



**2010 Orders by Type**  
Approximate

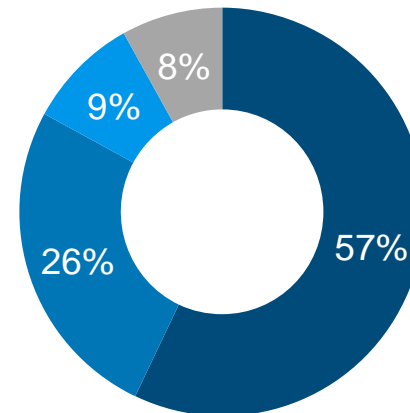


**2010 Revenues by business**



■ LV Breakers & Switches  
 ■ Enclosures & DIN Rail  
 ■ Control Products  
 ■ LV Systems  
 ■ Wiring Accessories

**2010 Revenues by region**



■ Europe  
 ■ Asia  
 ■ Americas  
 ■ MEA

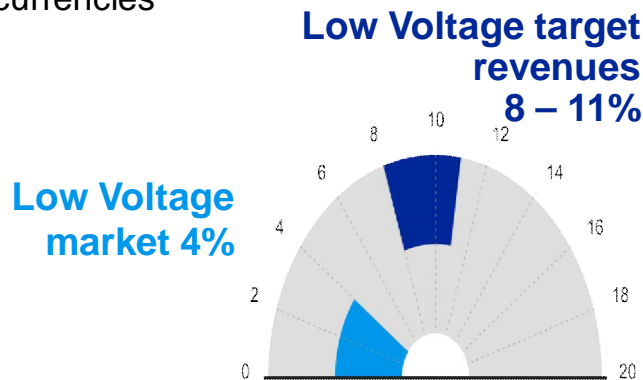
# Low Voltage Products

## Expand market access, broaden product scope

### Target revenue growth vs market growth 2011-15

15

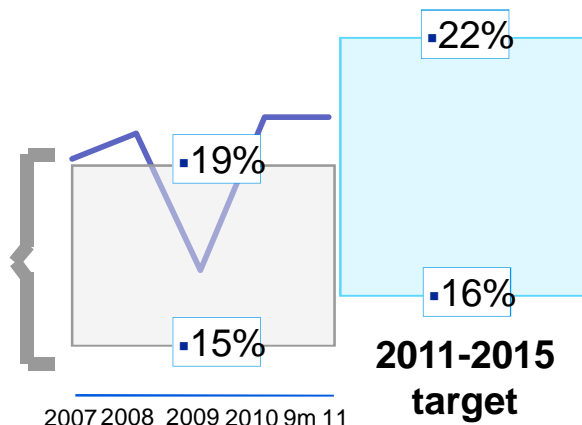
Compound annual growth rate, base year 2010, % change in local currencies



### Op. EBITDA margin target corridors 2007-15

% revenues

Previous EBIT margin targets converted to operational EBITDA margins



2007-2011

### Execution plan on revenues

- Market access in key geographies (N America and BRIC)
- Application focus (e.g., buildings, renewables, data centers)
- Broaden product scope (e.g., security, lifestyle, energy efficiency)
- Develop additional channels to market (South Asia, Middle East & South America)
- Expand service offering

### Execution plan on op EBITDA margin

- Operations and logistics excellence
- Products tailored for emerging markets (e.g., mid segment)
- Technology leadership in switching, current interruption and power distribution
- Price management

# Process Automation

## Market Information

### Customer Applications:

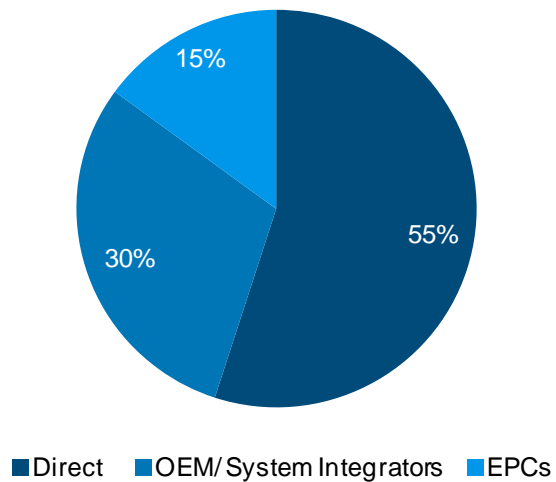
- Process control, safety, energy and information management
- Plant maintenance and performance enhancement

### Market Dynamics:

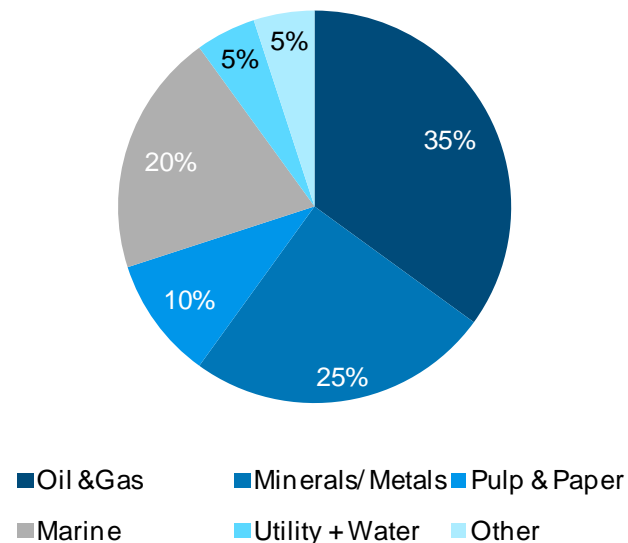
- Commodity prices and process industry capex
- Need for industrial efficiency and productivity improvements

Total Market Size 2010:~\$110B

**Main Channels \***



**End Markets \***



\* As a percentage of total 2010 Divisional revenues; approximations

# Process Automation

## Overview

### Portfolio overview:

- Engineered solutions & products for
  - Process control
  - Safety
  - Instrumentation
  - Plant electrification
  - Energy management
- Industry specific control & measurement products
- Life-time service, maintenance and Full Service

### Major Competitors alphabetically

Oil, Gas & Petrochemicals	Metals & Minerals	Marine	Pulp & Paper	Turbocharging
Emerson	FLS	Converteam	Andritz	MAN
Honeywell	Emerson	Siemens	Metso	Mitsubishi
Invensys	Siemens	Wartsilla	Siemens	
Rockwell	SMS			
Yokogawa	TMEIC			

### Business Characteristics:

- Industry-specific system and software engineering automation for increased customer productivity, profitability, safety and environmental compliance

### Competitive Advantage: :

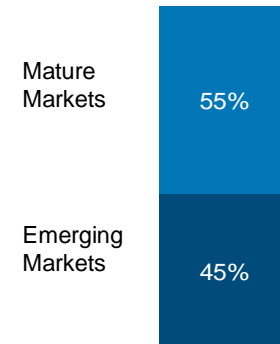
- Technology leadership: System 800xA control platform offers state of the art functionality, allows integration of existing control systems, reduces development costs for product variants
- Economies of scope : Broad industrial and geographic presence, industry expertise for tailor made solutions in many sectors
- Captive service business : Largest installed base >\$30Bn

# Process Automation

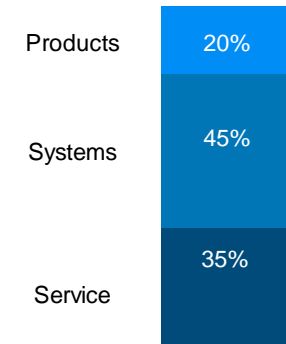
## Financial Data

Figures in BUSD	2010 Full year	Q3 2011 YTD
Orders Received	7.4	6.8
Revenues	7.4	6.0
Oper. EBITDA	0.9	0.8
Oper. EBITDA Margin	12.5%	12.6%
Employees	~ 26,700	~ 28,400

**2010 Orders Geographic Mix**  
*Approximate*

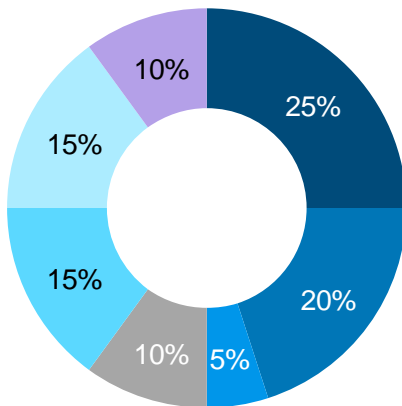


**2010 Orders by Type**  
*Approximate*

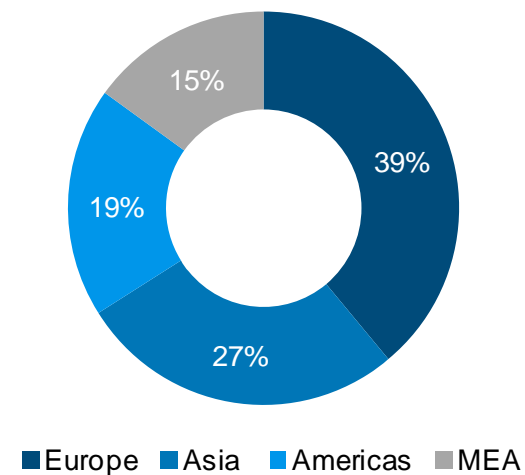


**2010 Revenues by business**  
*Approximate*

- Oil, Gas & Petrochemicals
- Minerals/ Metals
- Pulp & Paper
- Marine
- Measurement Products
- Turbocharging
- Performance Services



**2010 Revenues by region**

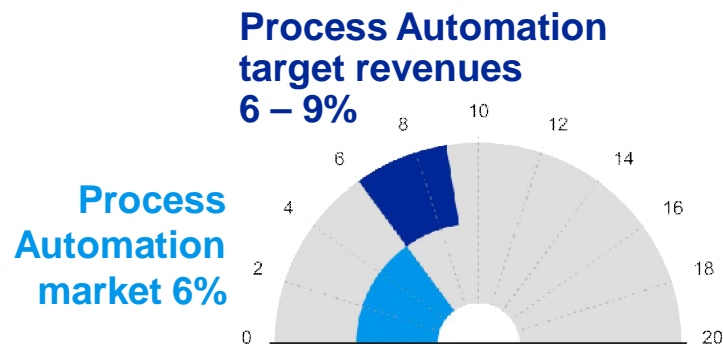


# Process Automation

## Enhance offering mix, increase relevance in oil and gas

### Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies



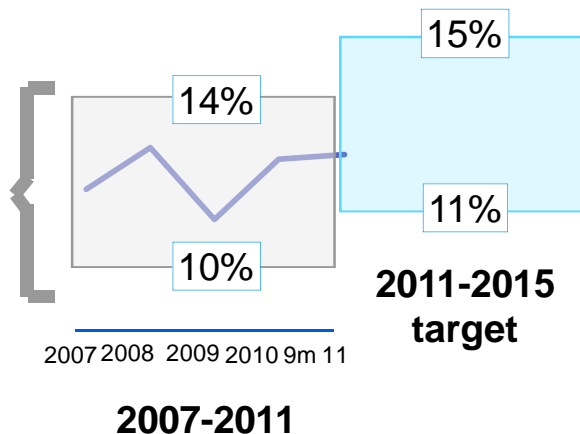
#### Execution plan on revenues

- Consolidate lead in process control, #1 in all focus industries
- Broaden portfolio and increase relevance to customers in oil&gas
- Increase market share in measurement and control products
- Tap service in large and growing installed base
- Expand domain-specific products to differentiate ABB's offering
- Capture new business by offering solutions based on energy audits

### Op. EBITDA margin target corridors 2007-15

% revenues

Previous EBIT margin targets converted to operational EBITDA margins



#### Execution plan on op EBITDA margin

- Focus on cost-competitive products, improve LCC footprint
- Improve business models (e.g. mid-segment, software pricing)
- Flawless project execution
- Continue cost-out program



# Summary of operational EBIT and EBITDA by division

## Q4 2011 vs Q4 2010

### Operational EBIT and Operational EBITDA Q4 2011 vs Q4 2010

	ABB		Power Products		Power Systems		Discrete Automation & Motion		Low Voltage Products		Process Automation	
	Q4 11	Q4 10	Q4 11	Q4 10	Q4 11	Q4 10	Q4 11	Q4 10	Q4 11	Q4 10	Q4 11	Q4 10
<b>Revenues (as per Financial Statements)</b>	<b>10,571</b>	<b>9,179</b>	<b>3,083</b>	<b>2,913</b>	<b>2,412</b>	<b>2,088</b>	<b>2,365</b>	<b>1,657</b>	<b>1,348</b>	<b>1,254</b>	<b>2,317</b>	<b>2,101</b>
FX/commodity timing differences in Revenues	(2)	32	19	10	(12)	5	1	(6)	2	(1)	(9)	24
<b>Operational revenues</b>	<b>10,569</b>	<b>9,211</b>	<b>3,102</b>	<b>2,923</b>	<b>2,400</b>	<b>2,093</b>	<b>2,366</b>	<b>1,651</b>	<b>1,350</b>	<b>1,253</b>	<b>2,308</b>	<b>2,125</b>
<b>EBIT (as per Financial Statements)</b>	<b>1,123</b>	<b>978</b>	<b>353</b>	<b>454</b>	<b>145</b>	<b>3</b>	<b>338</b>	<b>280</b>	<b>209</b>	<b>200</b>	<b>243</b>	<b>198</b>
FX/commodity timing differences in EBIT	53	35	10	0	15	15	8	(11)	(1)	(4)	2	46
Restructuring-related costs	107	116	44	23	33	23	1	10	19	29	7	29
Acquisition-related expenses and certain non-recurring items	20	0	0	0	0	0	3	0	0	0	0	0
<b>Operational EBIT</b>	<b>1,303</b>	<b>1,129</b>	<b>407</b>	<b>477</b>	<b>193</b>	<b>41</b>	<b>350</b>	<b>279</b>	<b>227</b>	<b>225</b>	<b>252</b>	<b>273</b>
<b>Operational EBIT margin</b>	<b>12.3%</b>	<b>12.3%</b>	<b>13.1%</b>	<b>16.3%</b>	<b>8.0%</b>	<b>2.0%</b>	<b>14.8%</b>	<b>16.9%</b>	<b>16.8%</b>	<b>18.0%</b>	<b>10.9%</b>	<b>12.8%</b>
Depreciation (reversal of)	174	145	43	43	21	12	32	19	27	26	15	15
Amortization (reversal of)	91	50	10	7	24	16	29	3	2	1	5	5
<b>Operational EBITDA</b>	<b>1,568</b>	<b>1,324</b>	<b>460</b>	<b>527</b>	<b>238</b>	<b>69</b>	<b>411</b>	<b>301</b>	<b>256</b>	<b>252</b>	<b>272</b>	<b>293</b>
<b>Operational EBITDA margin</b>	<b>14.8%</b>	<b>14.4%</b>	<b>14.8%</b>	<b>18.0%</b>	<b>9.9%</b>	<b>3.3%</b>	<b>17.4%</b>	<b>18.2%</b>	<b>19.0%</b>	<b>20.1%</b>	<b>11.8%</b>	<b>13.8%</b>

# Appendix: Definitions of non-GAAP measures 1

- Organic: includes acquisitions closed by October 31, 2011
- Operational EBIT: Earnings before interest and taxes (EBIT) 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) charges related to significant acquisitions.
- Operational EBITDA: Operational EBIT adjusted for depreciation and amortization
- 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 EBIT margin: Operational EBIT as a percentage of operational revenues
- Operational EBITDA margin: Operational EBITDA as a percentage of operational revenues

# Appendix: Definitions of non-GAAP measures 2

- ROCE: Return on capital employed, calculated as 12 months EBIT x (1-tax rate) divided by capital employed
- Capital employed: the sum of fixed assets and net working capital
- Fixed assets: the sum of property, plant and equipment (net), goodwill, other intangible assets (net) and investments in equity method companies
- 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
- Normalized earnings per share: Reported basic earnings per share (undiluted) adjusted in the relevant periods for i) the gain on the sale of ABB Lummus Global, ii) the recognition of certain deferred tax assets (DTA), iii) the impact of compliance provisions, iv) costs associated with the cost take-out program and/or restructuring and restructuring-related costs, v) the mark-to-market treatment of hedging transactions and unrealized FX movements on receivables/payables, and vi) Baldor acquisition costs

# Appendix: Definitions of non-GAAP measures 3

- Gross gearing: Total debt divided by total debt plus total stockholders' equity (including noncontrolling interests)
- Total debt: the sum of short-term debt (including current maturities of long-term debt) and long-term debt
- Net cash/Net debt: Cash and equivalents plus marketable securities and short-term investments, less total debt
- Free cash flow (FCF): Net cash provided by operating activities adjusted for i) changes in financing and other non-current receivables; ii) purchases of property, plant and equipment and intangible assets; and iii) proceeds from sales of property, plant and equipment
- Cash conversion: Free cash flow as a percentage of net income
- 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  
or visit our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

	Telephone	e-mail
Johanna Henttonen, Head of Investor Relations (Zurich)	+41 43 317 3808	johanna.henttonen@ch.abb.com
John Fox (Zurich)	+41 43 317 3812	john.fox@ch.abb.com
Alanna Abrahamson (Cary, NC)	+1 919 856 3827	alanna.abrahamson@us.abb.com
Tatyana Dubina (Zurich)	+41 43 317 3816	tatyana.dubina@ch.abb.com
Annatina Tunkelo Assistant (Zurich)	+41 43 317 3820	annatina.tunkelo@ch.abb.com