



Joe Hogan, CEO, Annual General Meeting, Zurich, April 25, 2013

# 2012 and beyond

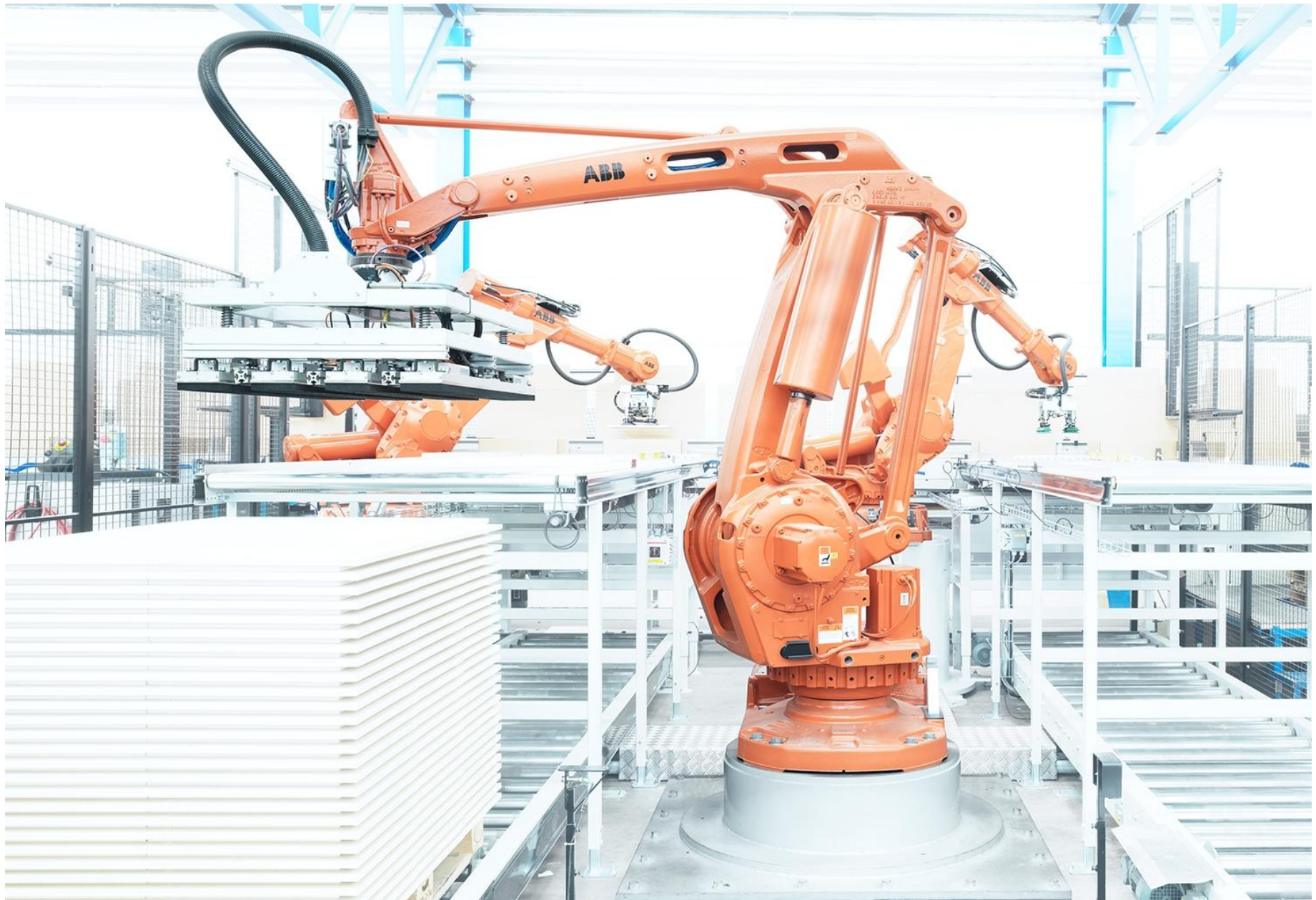
## Driving innovation and competitiveness

# 2012 summary and results overview









# FY 2012: Stable results in a tough market

## Improved geographic scope, value from M&A

### Growth

- Delivered higher<sup>1</sup> orders and revenues in a weak macro climate

### Execution

- Cost savings and portfolio changes supported earnings and margin
- Strengthened power businesses for more stable returns
- Strong execution and performance on acquisition integration

### Cash

- Generated stronger free cash at ~95% of net income

### Capital allocation

- Strengthening our automation portfolio in products & across regions
- Proposed increased cash to shareholders for 6th time in 7 years

Good operations performance and strategic progress in a challenging market

<sup>1</sup> In local currencies

# Full year 2012

<b>FY 2012 performance</b> US\$ millions unless otherwise stated	<b>FY 2012</b>	<b>FY 2011</b>	<b>Change vs 2011 US\$</b>	<b>Change vs 2011 local currencies</b>
Orders	40,232	40,210	0%	+4% (organic <sup>1</sup> : 0%)
Revenues	39,336	37,990	+4%	+7% (organic: 3%)
Operational EBITDA	5,555	6,014	-8% (organic: -12%)	
Operational EBITDA %	14.2%	15.8%	-1.6% pts (organic: -1.8% pts)	
Net income	2,704	3,168	-15%	
Earnings per share	1.18	1.38		
Dividend per share	0.68 <sup>2</sup>	0.65	+5% (in CHF)	
Cash from operations	3,779	3,612	+5%	
Free cash flow (FCF)	2,555	2,593		
FCF as % revenues	94%	82%		
Cash return on invested capital	12%	14%		

<sup>1</sup> Excluding Thomas & Betts

<sup>2</sup> Proposed by Board of Directors

# Thomas & Betts integration fully on track

## Record annual results in 2012, sales and profitability exceed targets



- Record revenues reach \$2.4 billion
- Operational EBITDA \$450 million<sup>1</sup>
- Already EPS accretive<sup>2</sup>
- Integration on track
  - Integration costs in line with plan
  - Regional synergy plans being implemented

<sup>1</sup> Estimated operational EBITDA based on ABB definition

<sup>2</sup> Before one-time charges and implementation costs



# Successes and challenges in Automation

## Industry automation, energy efficiency, North America drive growth



### Successes

- Positive top line in DM and LP despite market uncertainties
- Rebalanced portfolio supports Low Voltage Products
- Successful start of Thomas & Betts integration, strong Baldor performance
- Actions to boost services continue to pay off
- New products launched across the portfolio



### Challenges and action plans

- Tap market and portfolio scope to secure profitable growth
- Continue to drive Thomas & Betts synergies
- Further optimize product/system mix



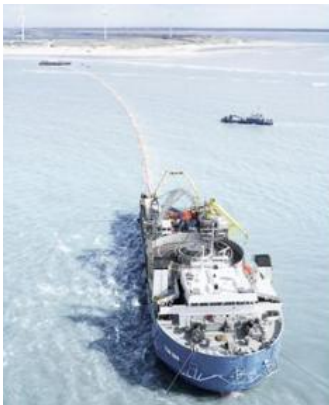
# Successes and challenges in Power

## Best in class profitability for power products



### Successes

- Best in class profitability in Power Products
- Focus on services: above-average service revenue growth continues
- Breakthrough Hybrid HVDC breaker for evolving DC grids
- Power Systems reset launched, first actions completed



### Challenges and action plans

- Secure return on investment in Power Systems refocus
- Power Products continues to work through lower-margin order backlog
- Take benefits from footprint investments in Saudi Arabia, India, US
- Higher tender selectivity to sustain profitable growth, stable margins

# Power Systems reset

## Focus on selective growth for higher profitability, reduce margin risk



### Short-term drivers for 2013

- Higher selectivity: More ABB content, better risk/return profile
- Stronger risk management to secure project margins
- Accelerated application of best practices across business units



### Actions completed

- Strategy and targets revised in all business units
- Focus areas and targets set by business unit and country, eg,
  - Higher value-added thresholds “hard-wired” into tendering
  - Dedicated claims and contract management resources
- Tap organizational synergies (eg, FACTS moved to substations)
- Additional actions launched in sales, project execution, supply chain

# Q1 2013: Revenue growth, improved profitability

## More balanced business and regional scope

### Growth

- Steady orders, higher revenues despite weak macro environment
- Order growth in mining, marine, robotics and China
- Revenues higher on execution of strong order backlog
- Emerging market orders up 10%

### Execution

- Higher operational EBITDA and operational EBITDA margin<sup>1</sup>
- T&B integration and synergies on track
- Solid execution on cost: savings of ~\$260 million in the quarter
- Power One positions ABB to tap key solar growth opportunity

### Cash

- Typical Q1 weakness from net working capital build-up

<sup>1</sup> See definitions in Appendix



# Executing against our 2015 strategy

1

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

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



2

**Capitalize on  
megatrends**



3

**Aggressively  
expand core  
business**



4

**Disciplined  
M&A**



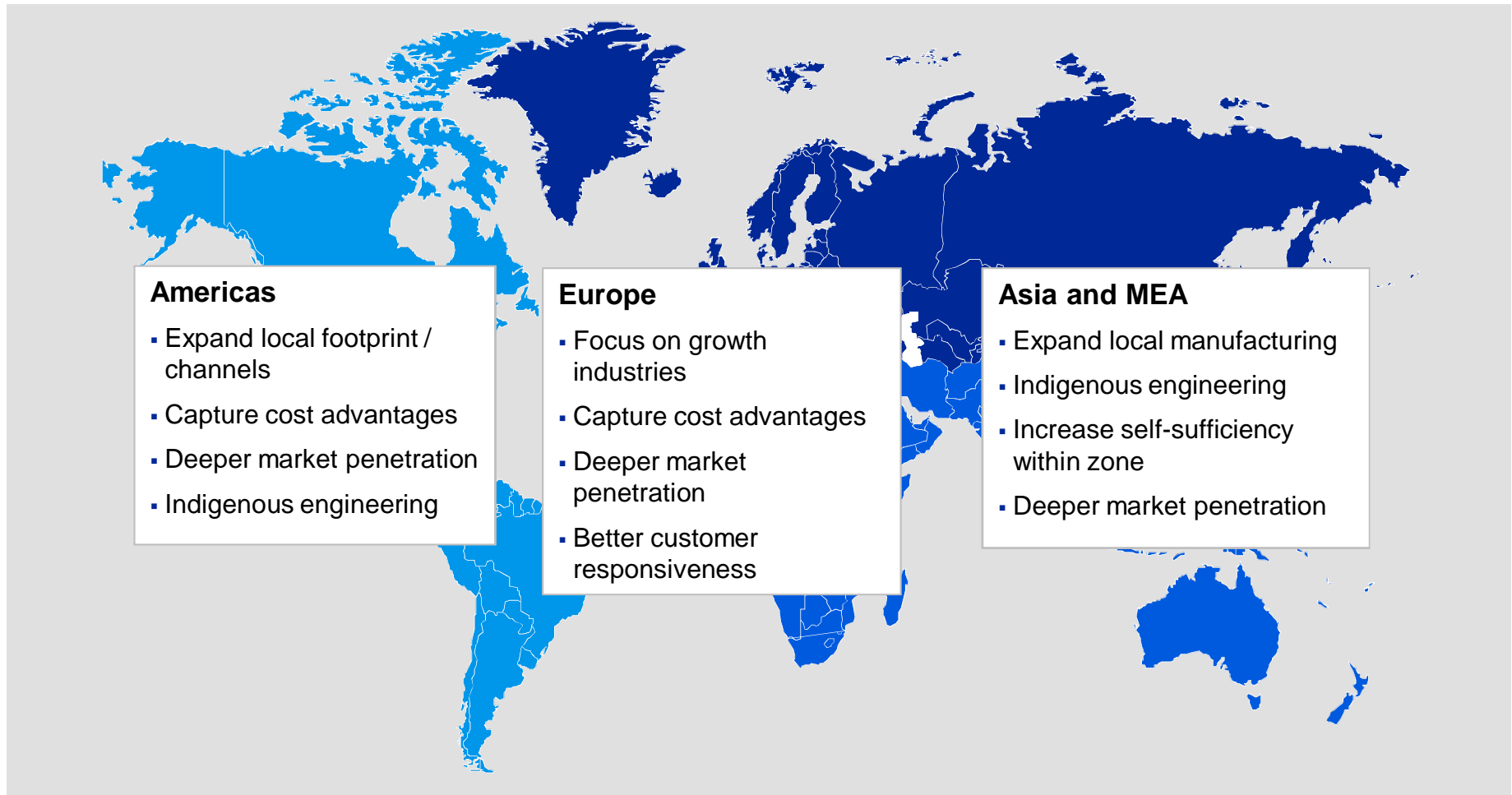
5

**Exploit  
disruptive  
opportunities**

# Driving growth Localization and moving closer to customers

# Balancing our global footprint

## Three trading zones perspective

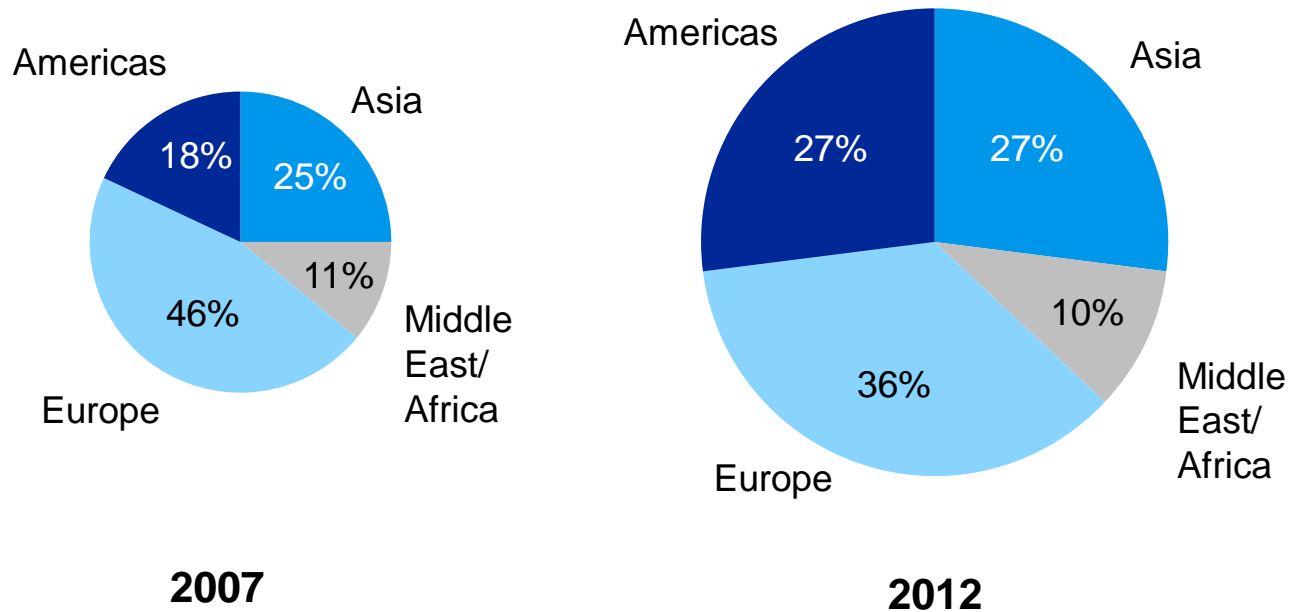




# Balancing our geographic scope

## Rapid expansion in North America; Europe remains largest market

### Revenues share by region



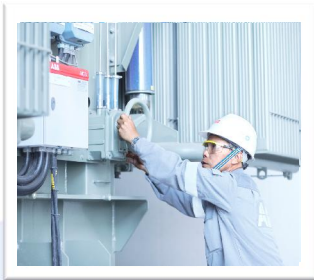
# Delivering the complete service package

## Leveraging the combination of power and automation



# ABB aims to cover the entire service value chain

## Tapping our leading installed base and global footprint



### **Responsive service**

- Installation and commissioning
- Break and fix
- Technical support
- Spare parts
- Training



### **Advanced services**

- Process improvement
- Lifecycle management
- Software services
- Evolution programs
- Optimization solutions
- Remote solutions



### **Value-creating partnerships**

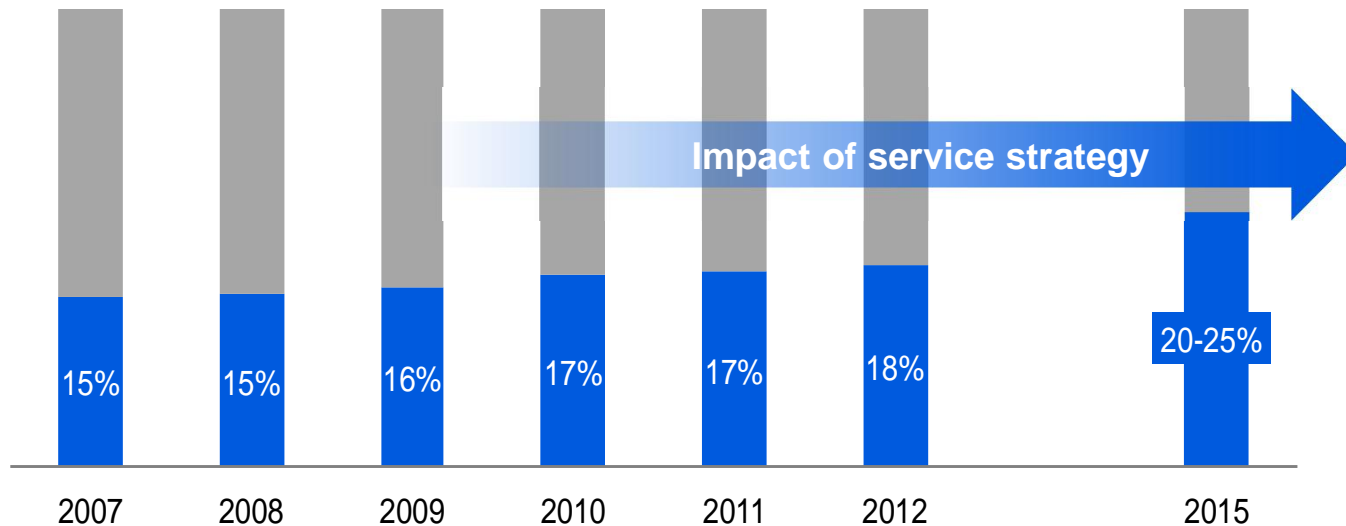
- Co-develop solutions
- Strategic partnerships
- Value-based offerings
- Productivity and energy efficiency solutions
- Consulting



# Achieving the full potential of service

## Growing share, doubling revenues

### Service as % of total revenue<sup>1</sup> history and ambition



- Leverage ABB's installed base
- Productized offerings
- Close white spots – technology and geography
- Use the full ABB portfolio
- Invest in service R&D
- Focus on operational excellence
- Onboard new service professionals

<sup>1</sup> excl. Baldor and Thomas & Betts in 2011 and 2012

# Service example: 24/7 remote service for IKEA preventing downtime

A packaged wardrobe is manufactured every 10 seconds



# Net Promoter Score (NPS) customer satisfaction survey

## More customer feedback, score up 32% in 2012

**22,284** responses +44% vs 2011



25,881 green cards



16,846 red cards

### Customers like our...

- Technical support
- Industry & application knowledge
- Engineering / design capability

### They tell us to improve...

- On-time delivery
- Issue resolution
- Complete and timely quotes

Source: ABB's Net Promoter Score (NPS) program, 2012 Data

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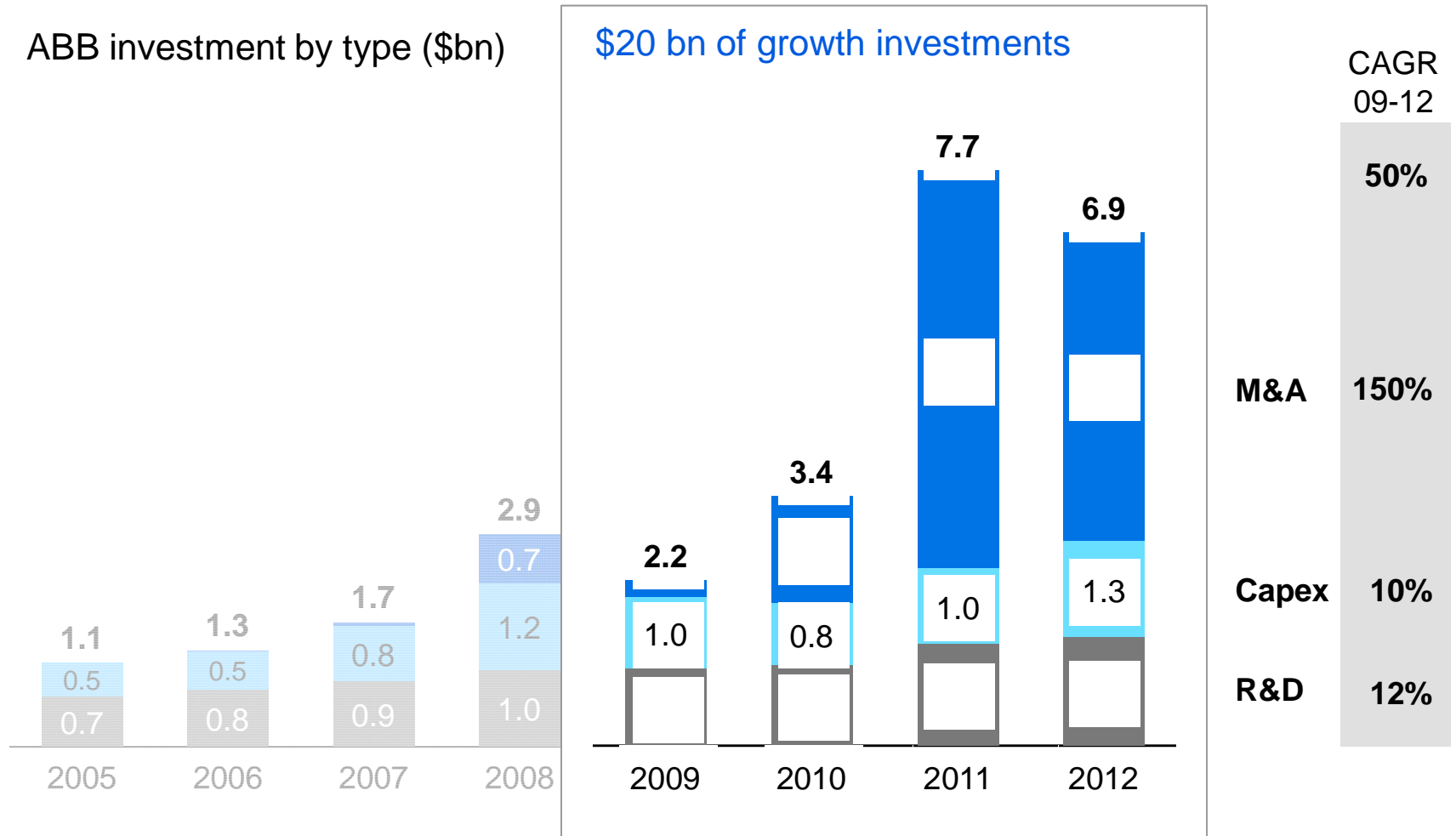
Feedback helps us to provide a better service

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Driving growth  
Strong investments into  
technology, capex, sales  
drive future business

# We have acted boldly since 2009

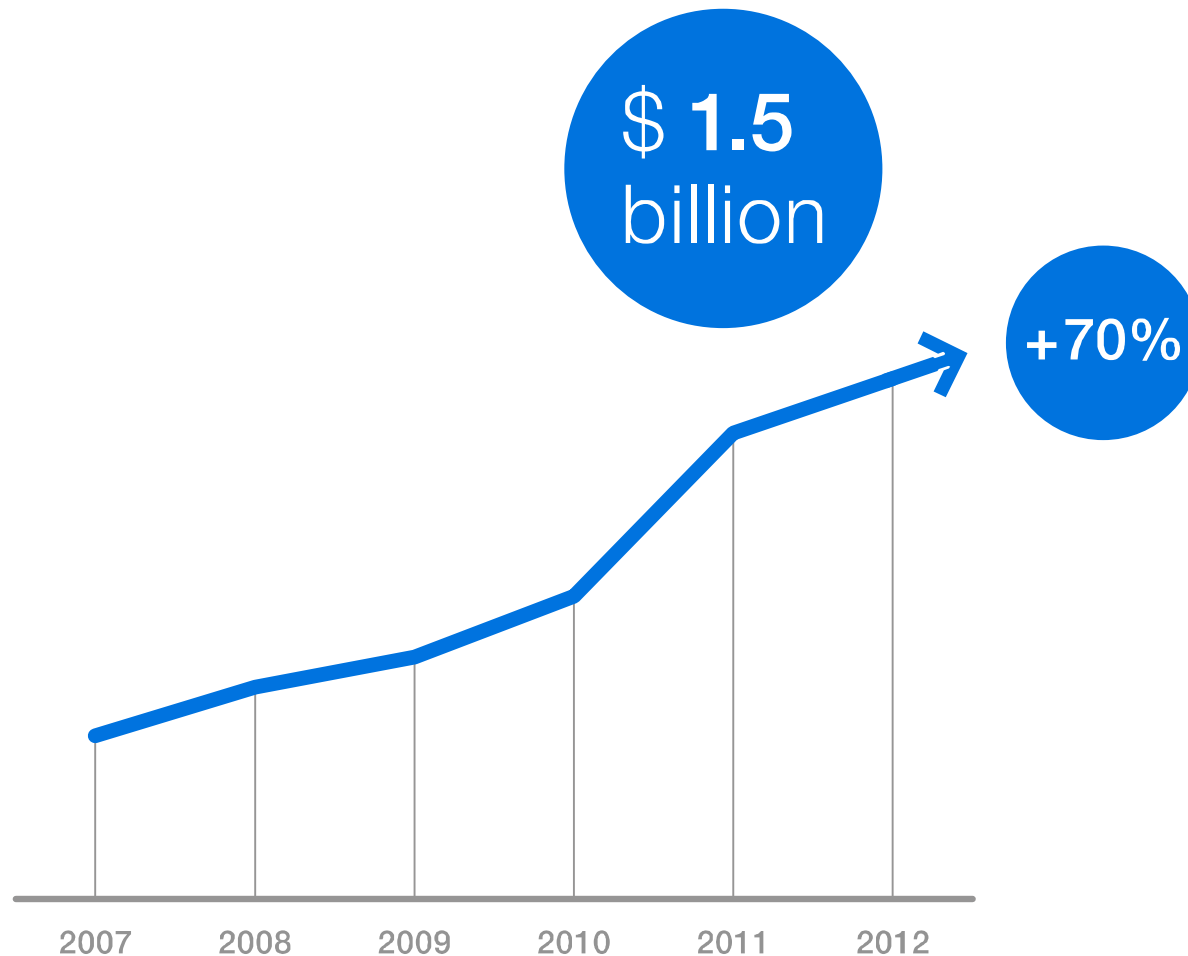
ABB investment by type (\$bn)





# Investing through the cycle

## Investments in R&D reach new record levels



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## Investments in R&D reach new record levels



MIT  
Technology  
Review

# 10 BREAKTHROUGH TECHNOLOGIES

MIT  
Technology  
Review

# 50 DISRUPTIVE COMPANIES 2013

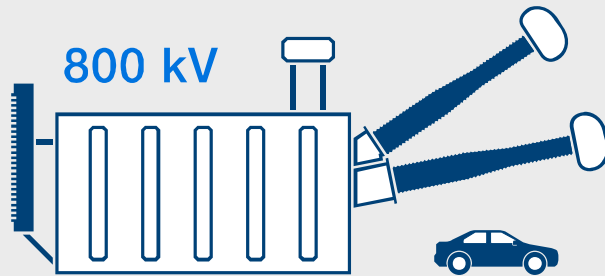
# Video presented at the Annual General Meeting 2013

[HVDC breaker movie](#)

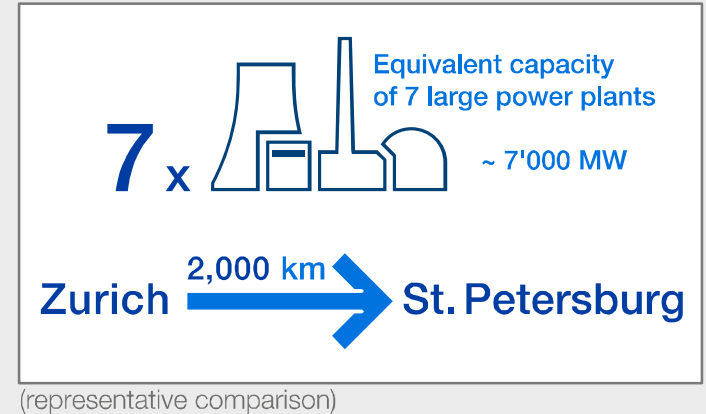
# Development of 1,100 kV UHVDC converter transformer

## New world record – highest DC voltage ever

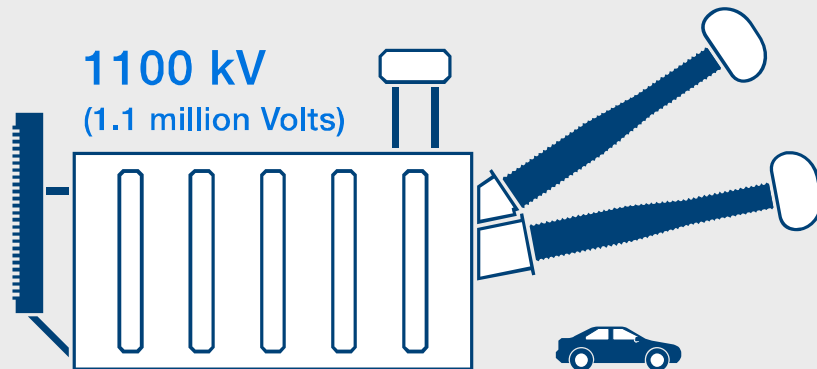
Today



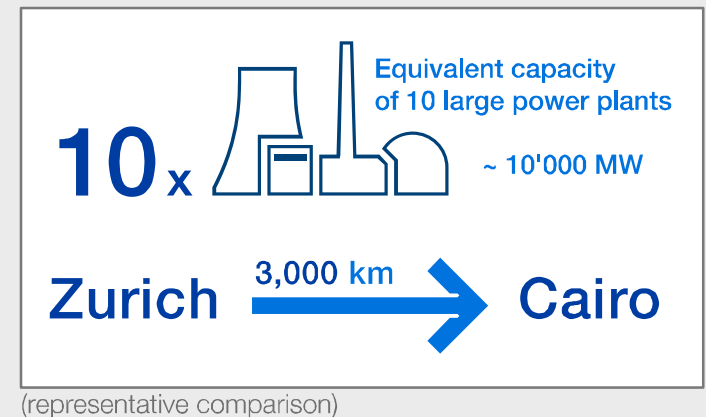
Can  
enable



Tomorrow



Can  
enable



# Constant expansion of robot portfolio

## Innovation examples

### Products



#### **New clean room robot (semicon)**

- Fast and compact robot
- Able to work in stringent cleanroom environment

#### **New lean arc welding robot (manufacturing)**



- Integrated process dressing
- Lower maintenance
- Higher accuracy and flexibility



#### **New HD FlexPicker (packaging)**

- Upgrade 8 kg payload capacity
- Based on proven high-speed picking technology

### Applications

#### **Electrical plug assembly at ABB plant in Czech Republic (electronics)**



- Boosting production
- Raising quality

#### **Packaging tubes of hair color for L'Oréal (cosmetics)**



- Robot with small footprint
- Fast set-up

#### **Automated luggage storage and retrieval (hospitality)**



- Installed at YOTEL in New York



# Strong new product pipeline for our growth areas

## New technologies and localization



# Localization, new products, higher productivity

## 16 new plants and capacity extensions in Europe



# Driving growth

## Solutions for growth areas

# Following the megatrends

## Expanding in segments with high growth



### Data centers

\$35 billion of investment\* in 2012

Forecast to double by 2020



### Solar

Photovoltaic (PV) installations expected to grow 3x by 2018



### Food and beverage

Capex expected to be 2x automotive for next five years



### Oil and gas

Investment to rise 16% in 2013 vs 2012, to \$1.2 trillion



### Smart grid

Distribution automation spending to reach over \$6 billion by 2018

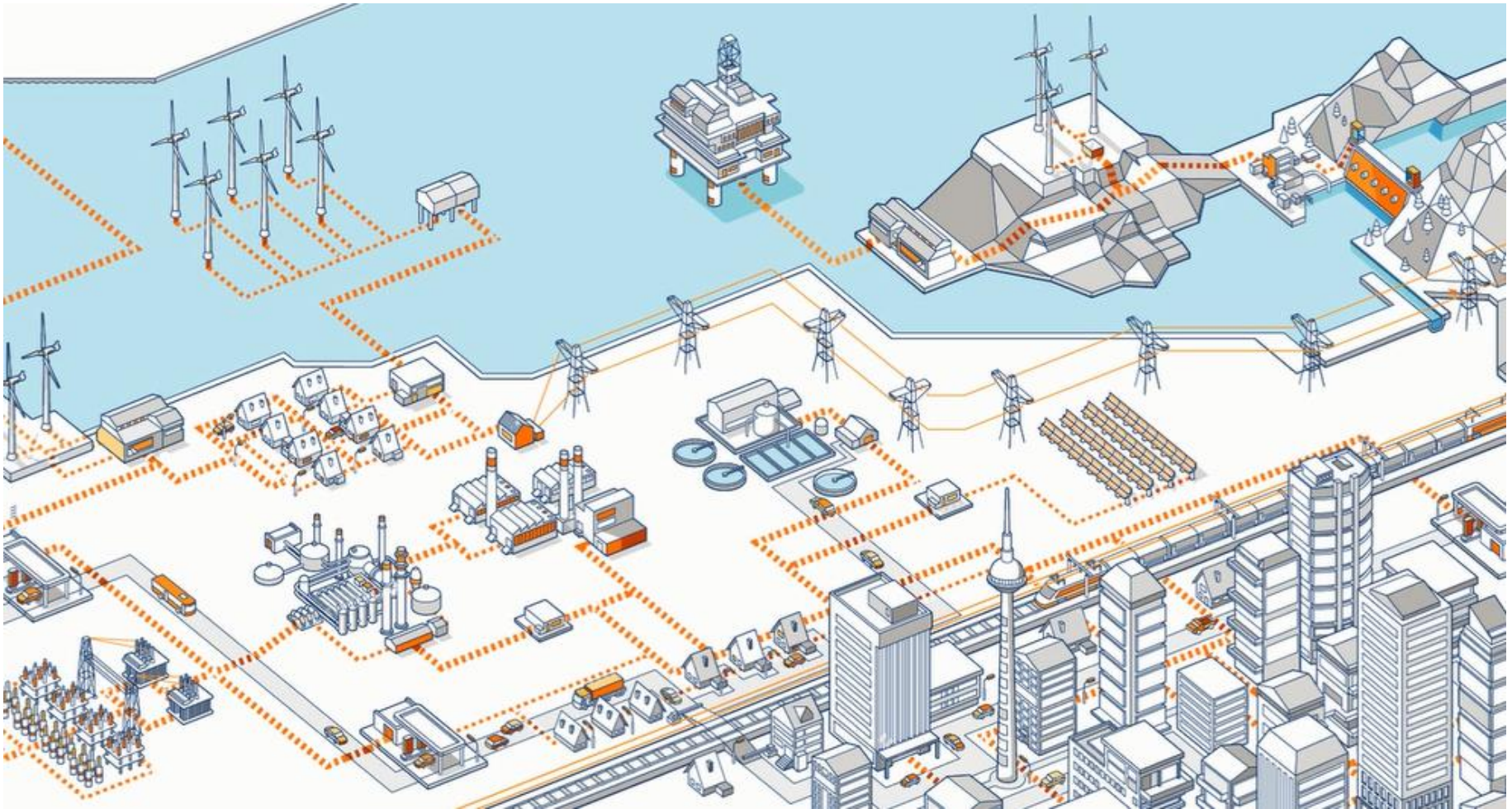
## Energy efficiency

\* Investment figures for power, automation and cooling, total industry investment significantly higher



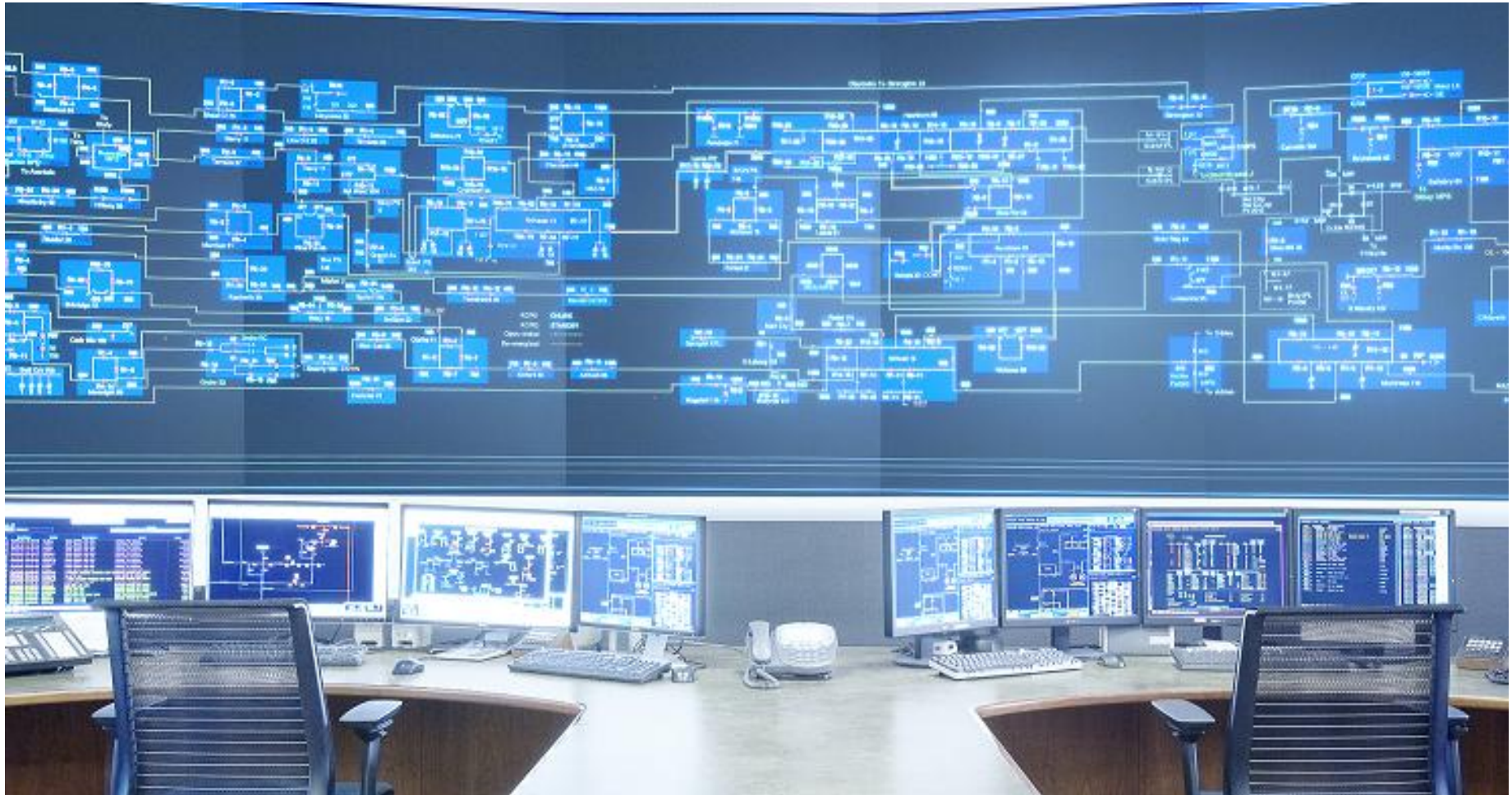
# The future grid

## Solutions for the grid challenges





# Ventyx offers the next level of asset management



# Power-One and ABB create strong solar inverter leader

## Highlights of strategic rationale

### Global reach to address rapidly developing markets

ABB's established presence in more than 100 countries ensures "first to market" benefits

### Comprehensive offering for solar inverters and solutions

Power-One complements ABB with the most extensive portfolio of products in the industry today

**Power-One  
+  
ABB**



### Bringing competencies together to create a global solar PV inverter leader

**Power-One:** Inverter technology leader with fastest time to market track record

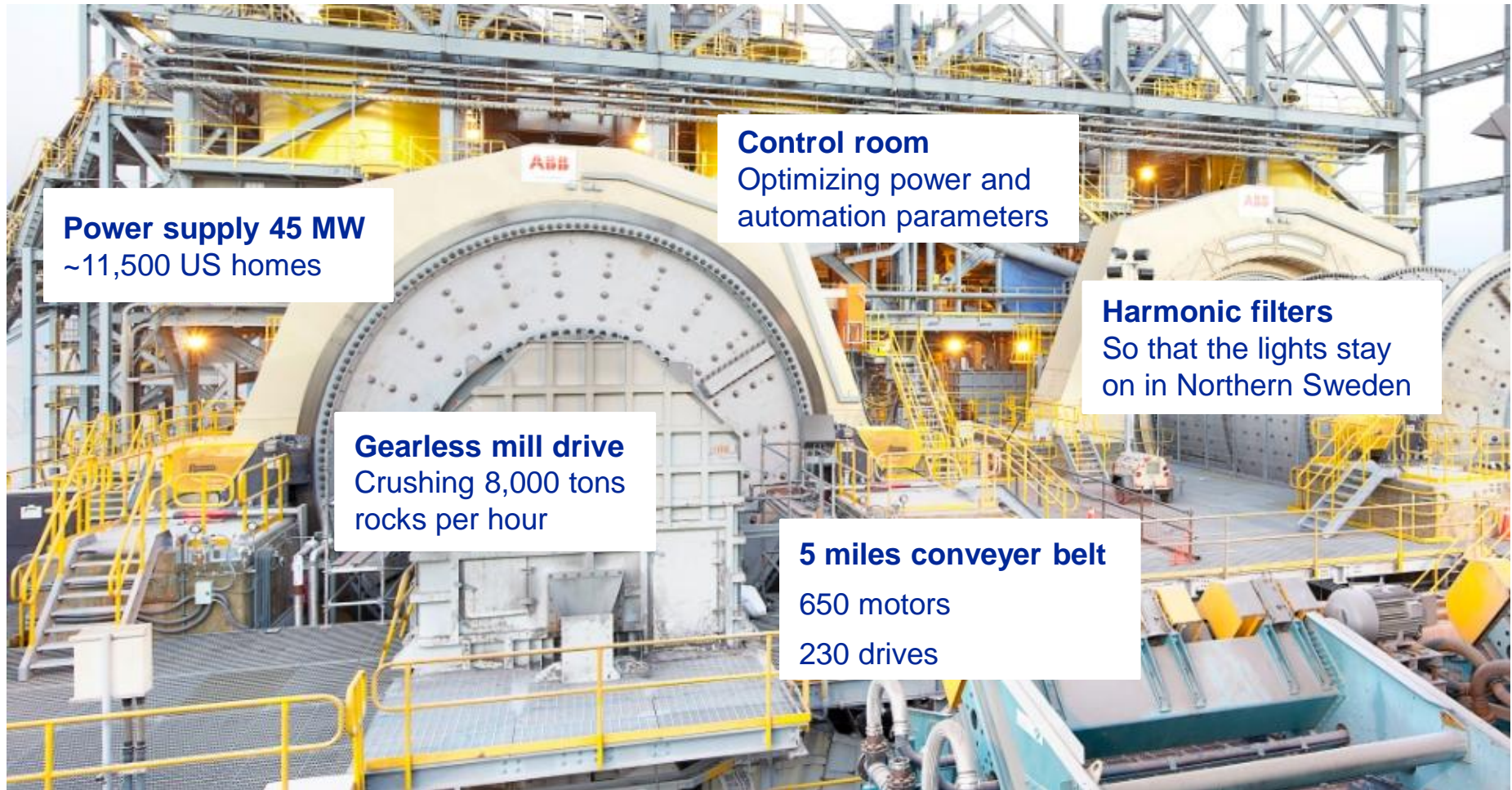
**ABB:** A bankable global leader in power electronics and smart grids





# Growth areas software and services

## End-to-end software solutions for mining



**Power supply 45 MW**  
~11,500 US homes

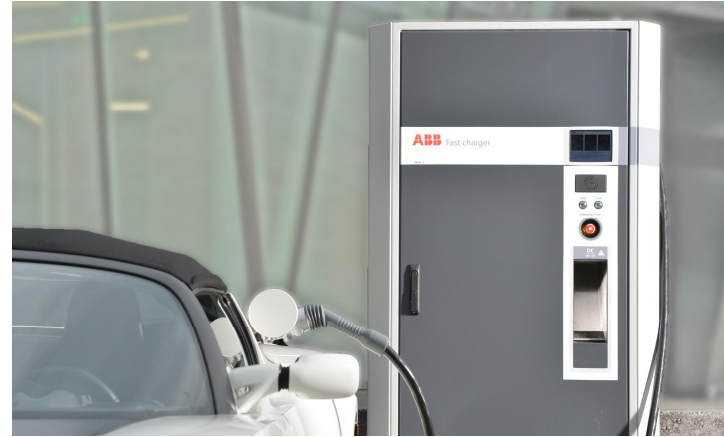
**Control room**  
Optimizing power and  
automation parameters

**Harmonic filters**  
So that the lights stay  
on in Northern Sweden

**Gearless mill drive**  
Crushing 8,000 tons  
rocks per hour

**5 miles conveyer belt**  
650 motors  
230 drives

# Power electronics, software, control systems, DC Solutions for the digital and second electrical revolution



facebook

You Tube

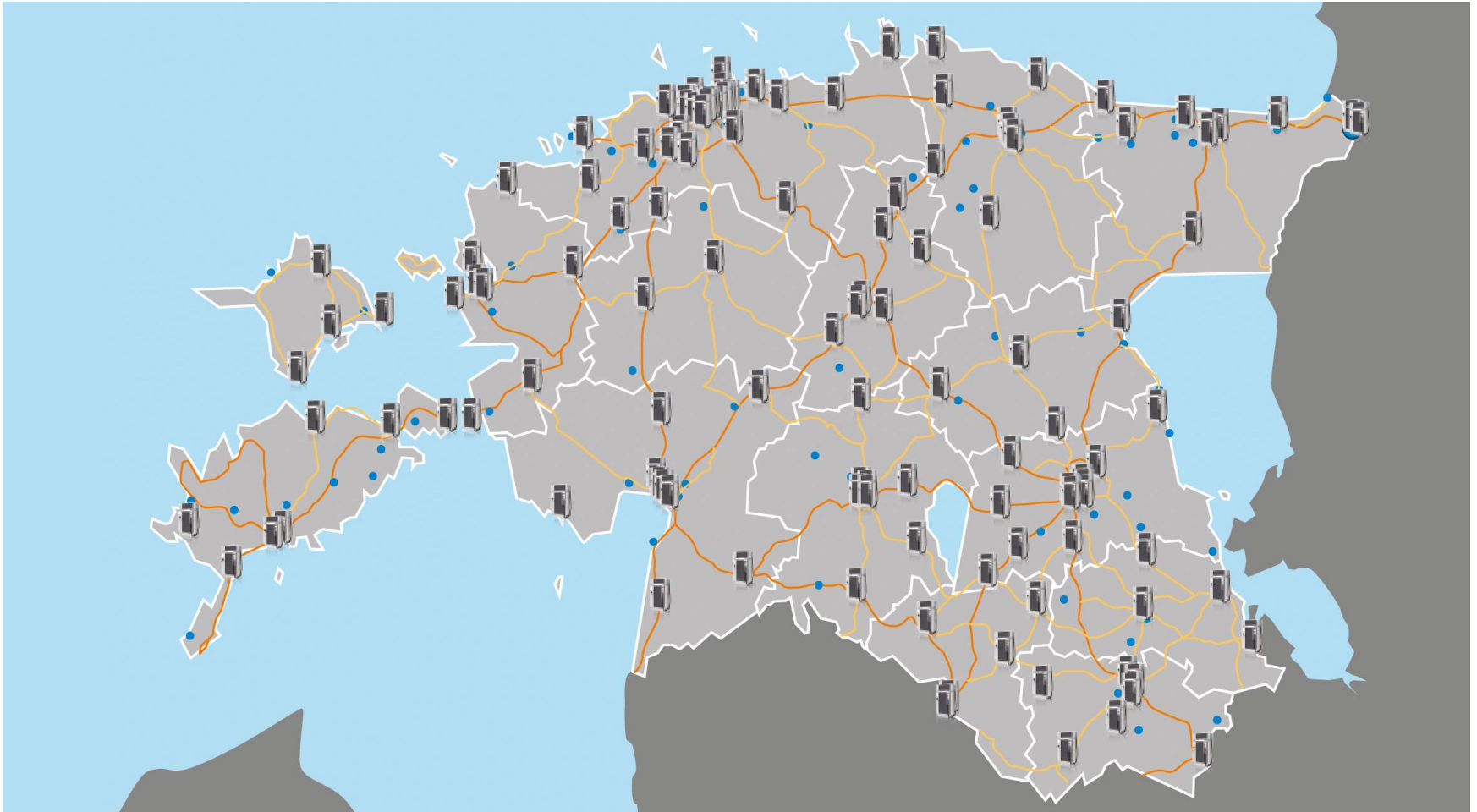


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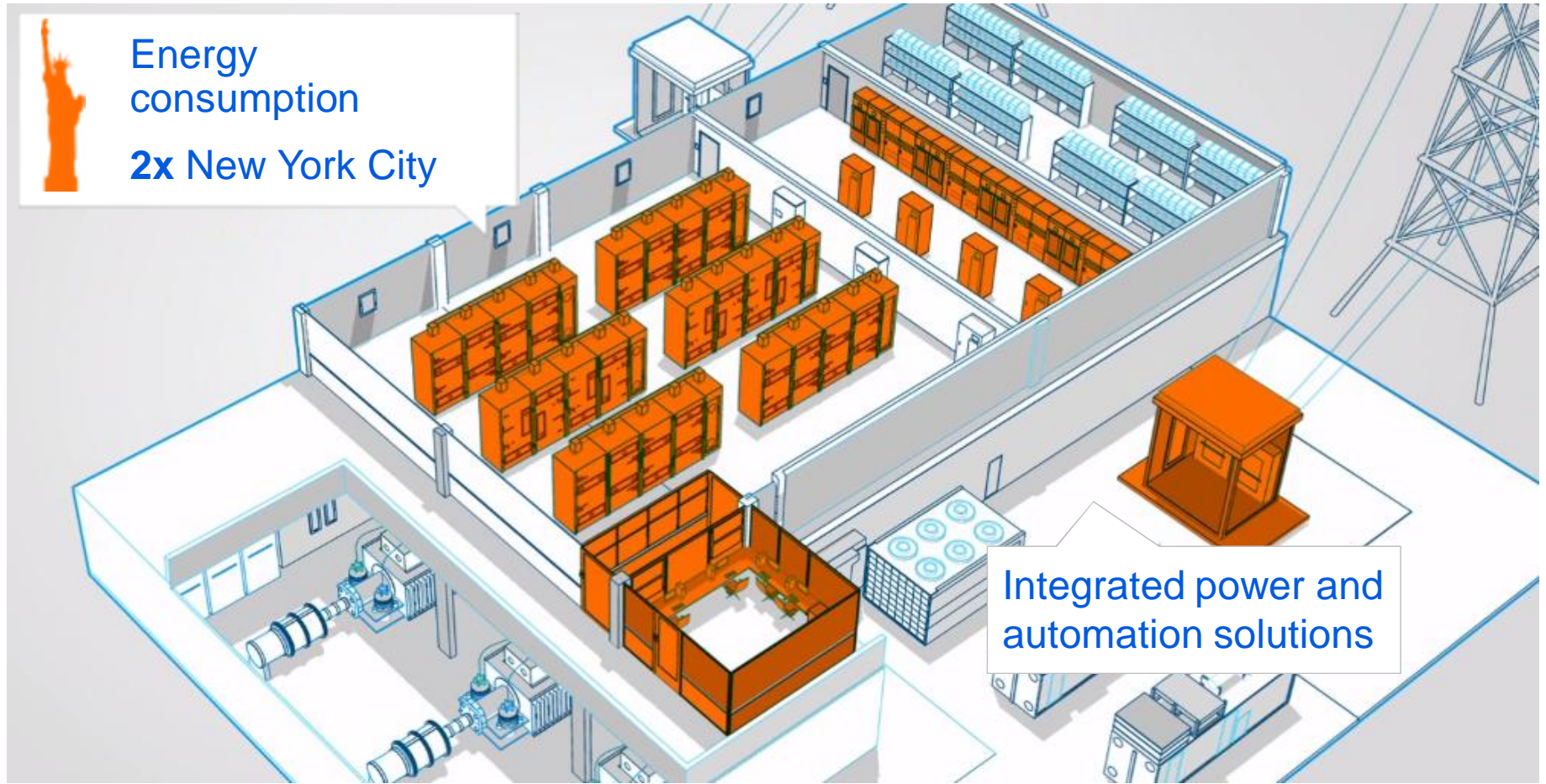
# Estonia is first country with nationwide network of fast chargers

## Making electric car use convenient...powered by ABB



# Data center technology from grid to chip

## \$300 million business in 2012





# Technology for Europe's largest DC data center – in Lupfig, Switzerland

## Winner of Swiss government's Watt d'Or energy efficiency award



Complete power  
distribution system

Follow-up order for  
Decathlon control  
system delivered

10% higher efficiency  
15% lower cost  
25% smaller footprint

Service level  
agreement



# Robot order awarded by BMW

## Improve productivity and quality



2,400 robots for gluing  
and spot welding

Efficient manufacturing  
systems to sustainably  
produce high-quality products

Equipping BMW  
factories in Germany  
and China



Our drives saved > 310 TWh in 2012 - about 5x Swiss consumption  
Motors use 40% of electricity in industry





# World's first vessel with DC grid

## New solution provides fuel efficiency and lower emissions



All power propulsion, automation and advisory systems

Fuel savings of up to 20%

30% smaller footprint

# Summary and outlook

## Capturing growth opportunities, driving higher productivity

# Demand outlook in 2013

## Short term unclear, long term remains supportive

### Americas

- Continued uncertainty from fiscal debate
- Industrial demand softer but still positive
- Grid upgrades continue
- Power distribution spending subject to macro recovery

Power



Automation



### Europe

- Utility spending remains low
- Industrial demand stable
- Eastern Europe outgrowing total Europe

Power



Automation



### Asia

- Continues to outgrow world GDP >2x
- Soft landing in China, H2 demand environment expected to improve
- Short-term uncertainties in India

Power



Automation



### MEA

- Political and security risks remain
- Economic diversification to continue

Power



Automation



# Cost and growth actions for 2013

## Building on our core and tapping new opportunities

### Emerging markets

- Build on footprint expansions in Middle East, China, India, Brazil
- Continue to “move west” in China

### Developed markets

- Capture large potentials in North America
- Refocus local resources in “Europe for Europe”

### Power

- Focus on ABB pull-through
- Grow offerings to industrial customers

### Automation

- Drive revenue synergies from Baldor and T&B
- End-to-end software solutions for resource efficiency

### Megatrends

- Need for greater resource efficiency in oil & gas and mining
- Industrialization and efficiency/productivity drive in China

### Technology

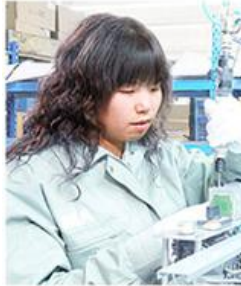
- Products redesigned-to-cost
- Drive ahead on DC and power electronics

# Five imperatives

## Creating an enterprising culture







## Successful execution of cost and growth focus Strong balance sheet and cash generation to fund future growth

- Solid performance supported by geographical balance
- Strong automation, best in class power products margin, momentum in service
- Good performance on cost take out and cash generation
- Strong investments into R&D, capex and sales for future growth
- HVDC hybrid breaker – historic technology breakthrough for future grid
- Rising customer satisfaction strengthens trust and loyalty

Power and productivity  
for a better world™

