

London, UK June 13th, 2014 – JP Morgan European Capital Goods CEO Conference

# Positioned for profitable growth

Ulrich Spiesshofer, CEO ABB Ltd.

Chart 1

# Important notices

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,” “outlook” or similar expressions.

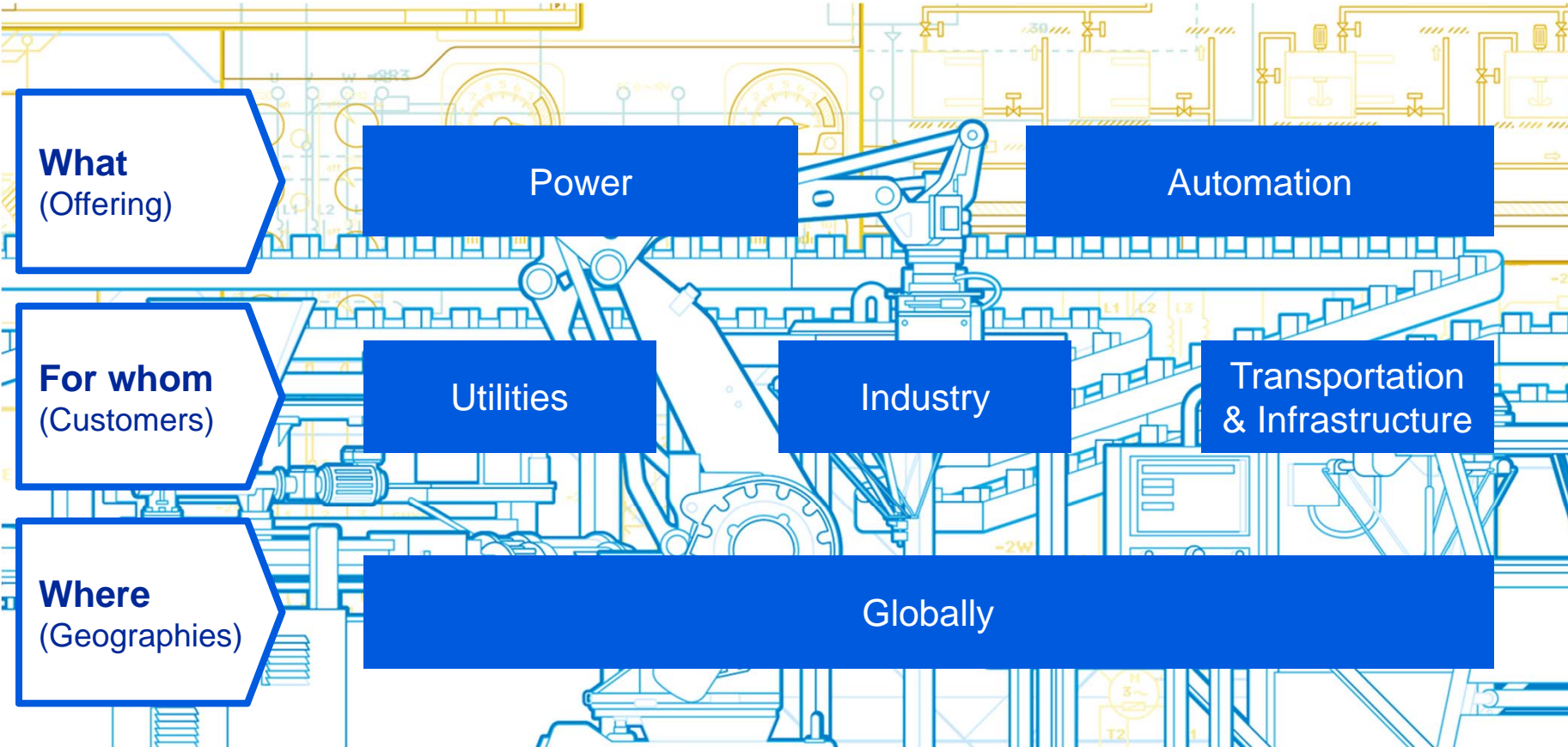
There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this presentation and which could affect our ability to achieve any or all of our stated targets. The important factors that could cause such differences include, among others:

- business risks associated with the with the volatile global economic environment and political conditions
- costs associated with compliance activities
- raw materials availability and prices
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates, and,
- such other factors as may be discussed from time to time in ABB Ltd’s filings with the U.S. Securities and Exchange Commission, including its Annual Reports on Form 20-F.

Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

This presentation contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in “Supplemental financial information” under “Financial Results and presentations” – “Quarterly results and annual reports” on our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

# ABB in simple terms



\$42bn revenue	100 countries	~150,000 employees	Single "A" credit rating	HQ Zurich	Listings	Zurich SIX	New York NYSE	Stockholm Nasdaq OMX
----------------	---------------	--------------------	--------------------------	-----------	----------	------------	---------------	----------------------

Note 2013 figures

Chart 3



# Our scope – Power and Automation Products, Solutions, Systems, Services

**What**  
(Offering)







Power	Automation
<p>Conversion of primary/renewable energy into electricity</p> 	<p>Design and planning</p> 
<p>Transmission and distribution of power from generation to site of consumption</p> 	<p>Production, conversion and transport</p> 
<p>Electrification of consumption site</p> 	<p>Optimization of operations</p> 

Chart 4



# Our market - 600 billion

## Attractive long-term growth drivers

**For whom  
(Customers)**

Customer sectors

### Utilities



Market size | **\$ ~200 billion**

Growth drivers

- Renewables
- More intelligent grids
- Different grid topologies (e.g. DC transmission, microgrids)
- New loads (e.g. electric transport)
- Power quality & reliability
- (Cyber) security
- Aging grids, new electrification
- Optimize operations & maintenance
- Changing regulations

### Industry



Market size | **\$ ~250 billion**

- Productivity & energy efficiency
- Automation penetration
- Next level of automation (e.g. software based services)
- Ease of design and ease of use
- (Cyber) security
- Product & process quality
- Power quality & reliability
- Quality of work
- Health and safety

### Transportation & Infrastructure



Market size | **\$ ~150 billion**

- Energy efficiency
- Urbanization and increasing living standards
- Electric mass transit
- E-mobility
- Building automation
- Growth of information and communication infrastructure
- Decentralized renewables
- Power quality and reliability

Chart 5

# Power and automation across our customer sectors

## Highlights

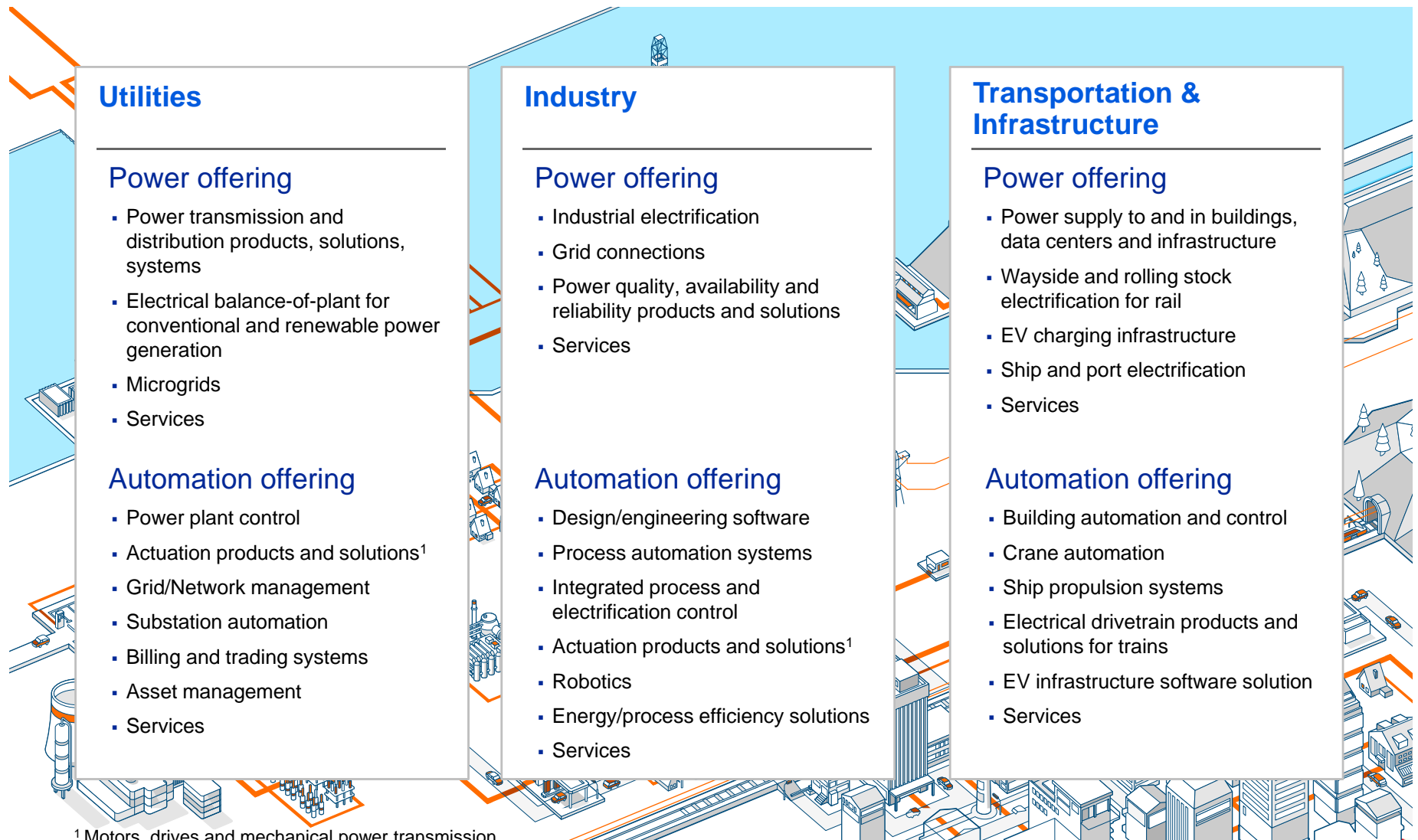


Chart 6

# Power and automation across all divisions

## Offering examples

	Utilities		Industry		Transportation & Infrastructure	
	Power	Automation	Power	Automation	Power	Automation
Power Products	 Gas Insulated Switchgear	 Remote transformer monitoring	 Smart grid enabled MV switchgear	 MV Distribution Relays	 Traction transformers (rail)	 Intelligent MV switchgear (marine)
Power Systems	 HVDC	 Power plant automation (S+)	 Industrial substation	 Software solutions (Ventyx)	 Railway Substation	 Substation automation
Low Voltage Products	 Low-voltage power distribution equipment	 Fieldbus controls for utility applications	 Low-voltage power distribution systems	 Intelligent switches for industrial control	 Open-source, intelligent LV switches	 Building automation products and solutions
Discrete Automation and Motion	 Generators for wind power applications	 Automatic voltage regulators and static excitation systems	 High power rectifiers for industrial power quality	 Robot for consumer goods packaging	 EV charging infrastructure	 ACS drives for marine applications
Process Automation	 Turbocharging for diesel power plants	 Measurement Products	 Subsea electrification	 800xA DCS	 Electric propulsion Azipod	 Crane Control

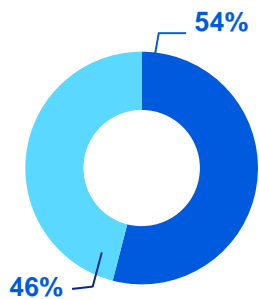
Chart 7

# Our footprint: well-balanced across all regions

## Ready to capture local growth opportunities

**Where**  
(Geographies)

Revenue split



- Mature markets
- Emerging markets

### Revenues and employees by region 2013

share of total revenues in percent , employees

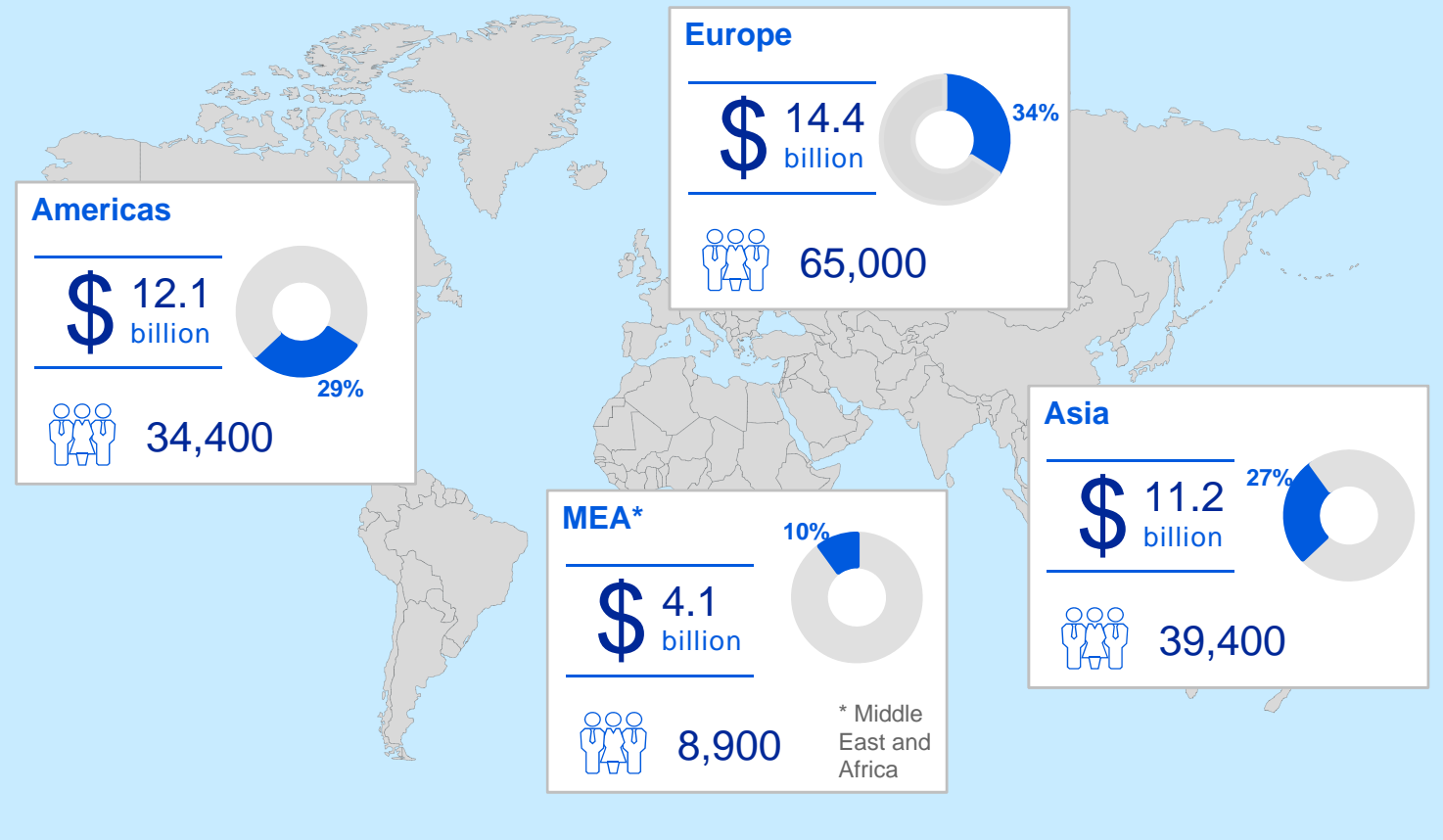
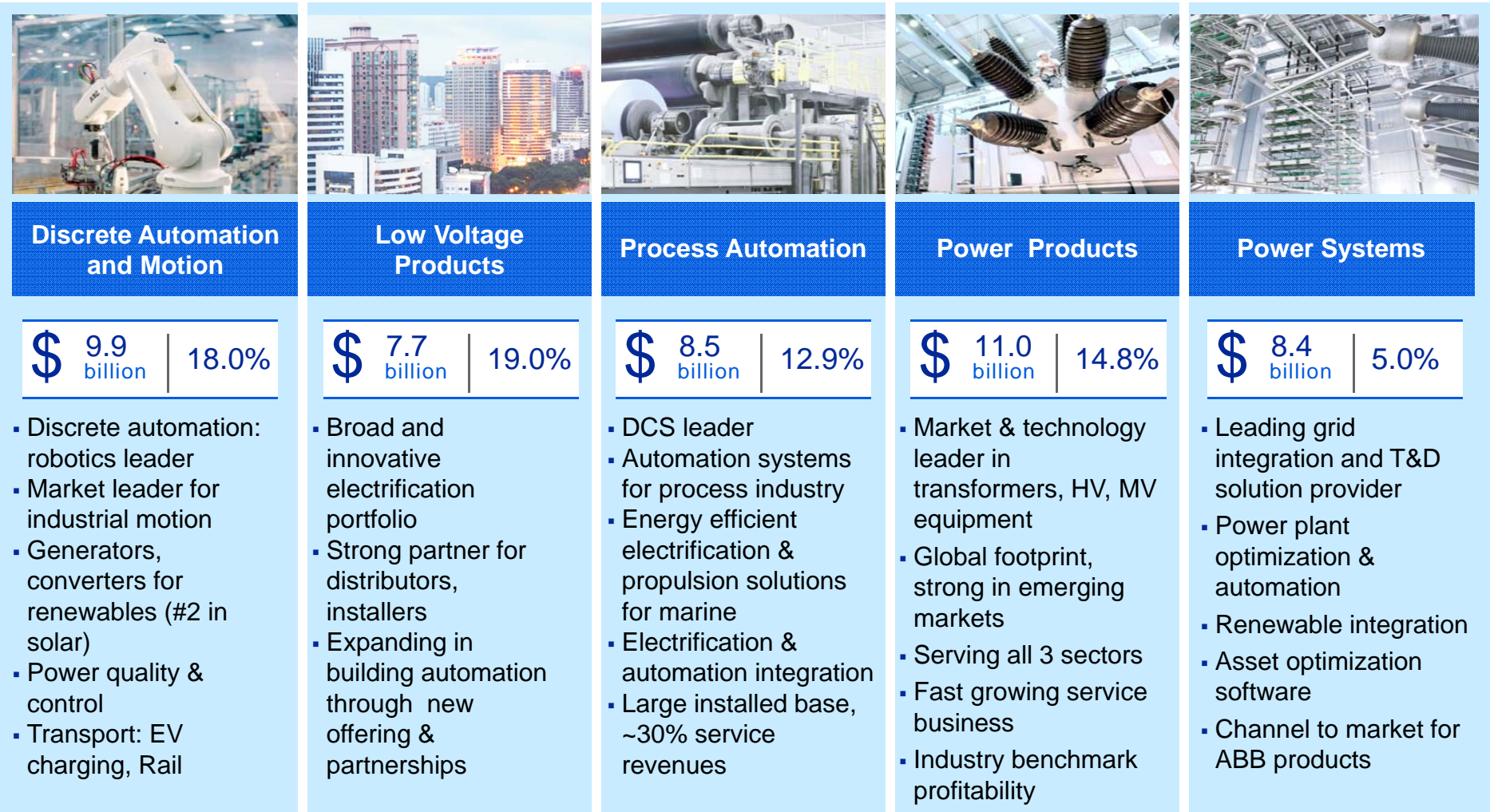


Chart 8

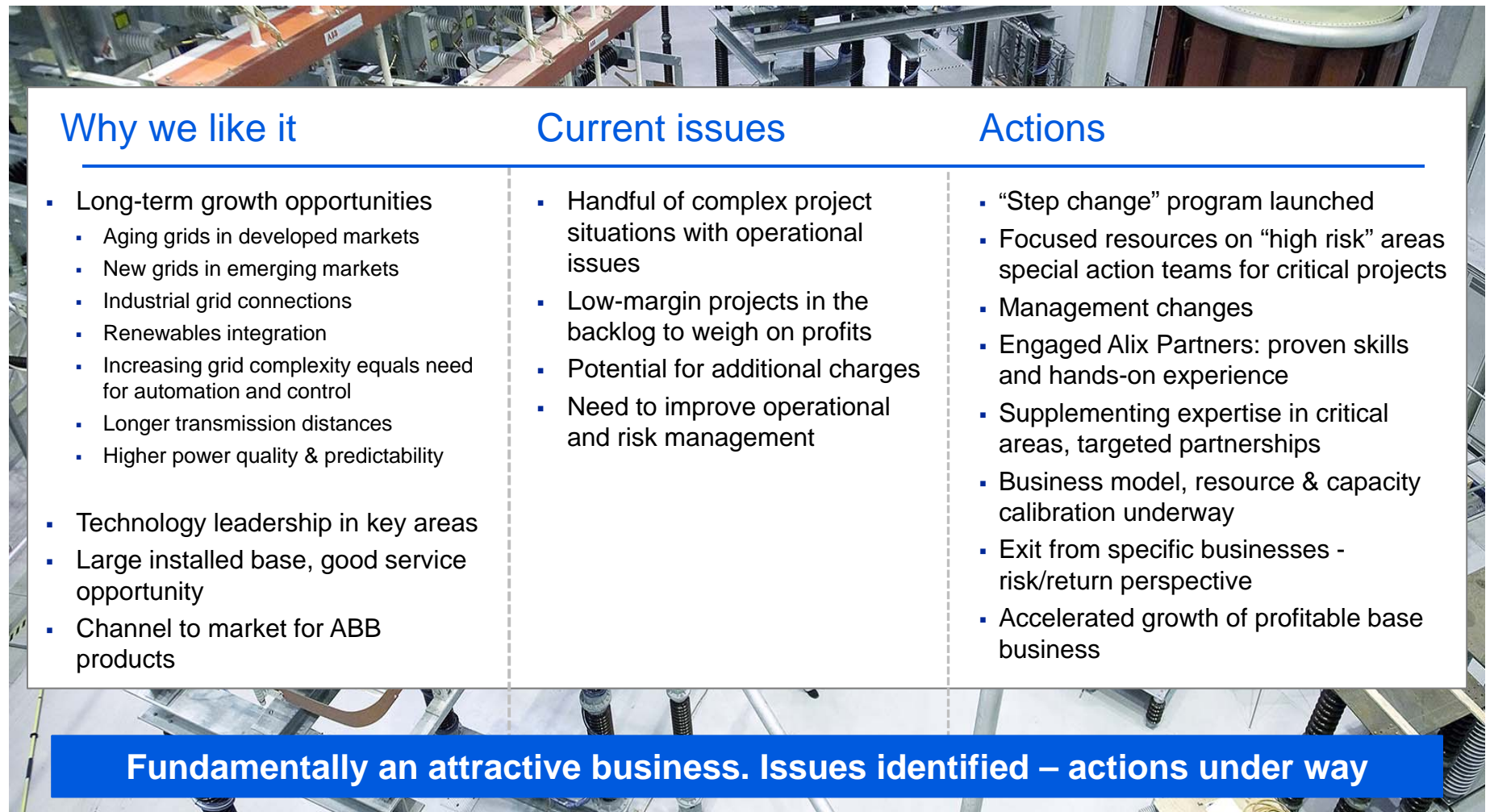


# Strong businesses, positioned for profitable growth

## Four divisions on track



# A glance at Power Systems



Why we like it	Current issues	Actions
<ul style="list-style-type: none"><li>▪ Long-term growth opportunities<ul style="list-style-type: none"><li>▪ Aging grids in developed markets</li><li>▪ New grids in emerging markets</li><li>▪ Industrial grid connections</li><li>▪ Renewables integration</li><li>▪ Increasing grid complexity equals need for automation and control</li><li>▪ Longer transmission distances</li><li>▪ Higher power quality &amp; predictability</li></ul></li><li>▪ Technology leadership in key areas</li><li>▪ Large installed base, good service opportunity</li><li>▪ Channel to market for ABB products</li></ul>	<ul style="list-style-type: none"><li>▪ Handful of complex project situations with operational issues</li><li>▪ Low-margin projects in the backlog to weigh on profits</li><li>▪ Potential for additional charges</li><li>▪ Need to improve operational and risk management</li></ul>	<ul style="list-style-type: none"><li>▪ “Step change” program launched</li><li>▪ Focused resources on “high risk” areas special action teams for critical projects</li><li>▪ Management changes</li><li>▪ Engaged Alix Partners: proven skills and hands-on experience</li><li>▪ Supplementing expertise in critical areas, targeted partnerships</li><li>▪ Business model, resource &amp; capacity calibration underway</li><li>▪ Exit from specific businesses - risk/return perspective</li><li>▪ Accelerated growth of profitable base business</li></ul>

**Fundamentally an attractive business. Issues identified – actions under way**

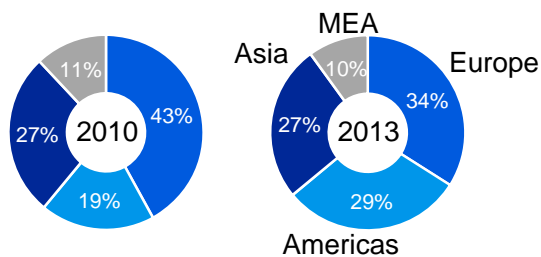
# ABB – resilient shareholder returns through the cycle

## Improved portfolio balance and business execution

### Well balanced

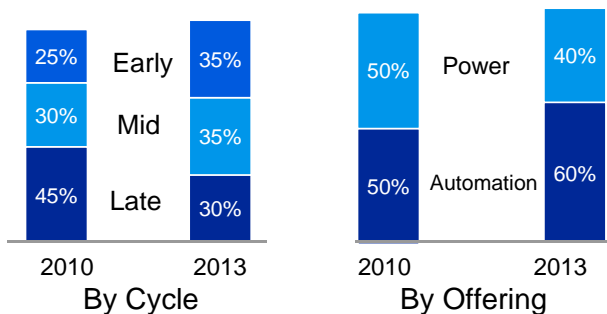
#### Share of orders by region

Percent of total orders



#### Share of orders

Percent of total orders, approximate



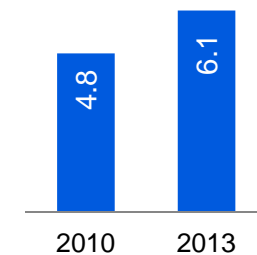
### Good execution

	Target	2010	2013
Cost savings	3-5% of COS	✓	✓
Free cash flow conversion	> 90%	✓	✓

### Superior returns

#### Operational EBITDA

US\$ billions,



#### Steadily raising dividends

CHF per share

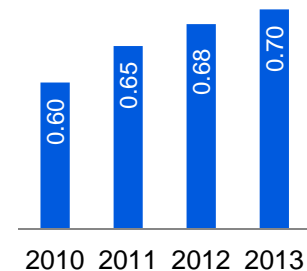


Chart 11

# The way forward

## Three focus areas

Profitable growth

Business-led collaboration

Relentless execution

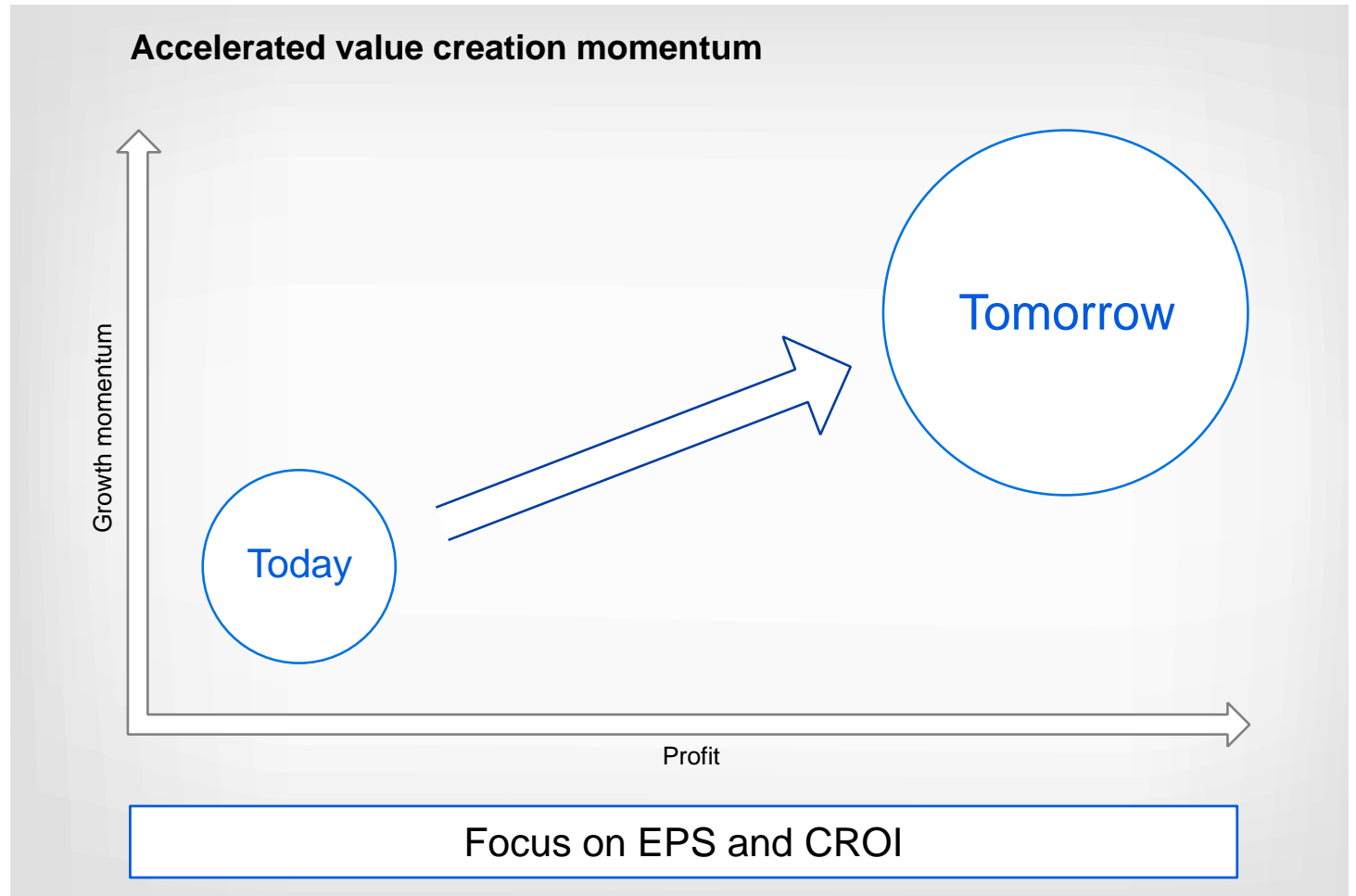
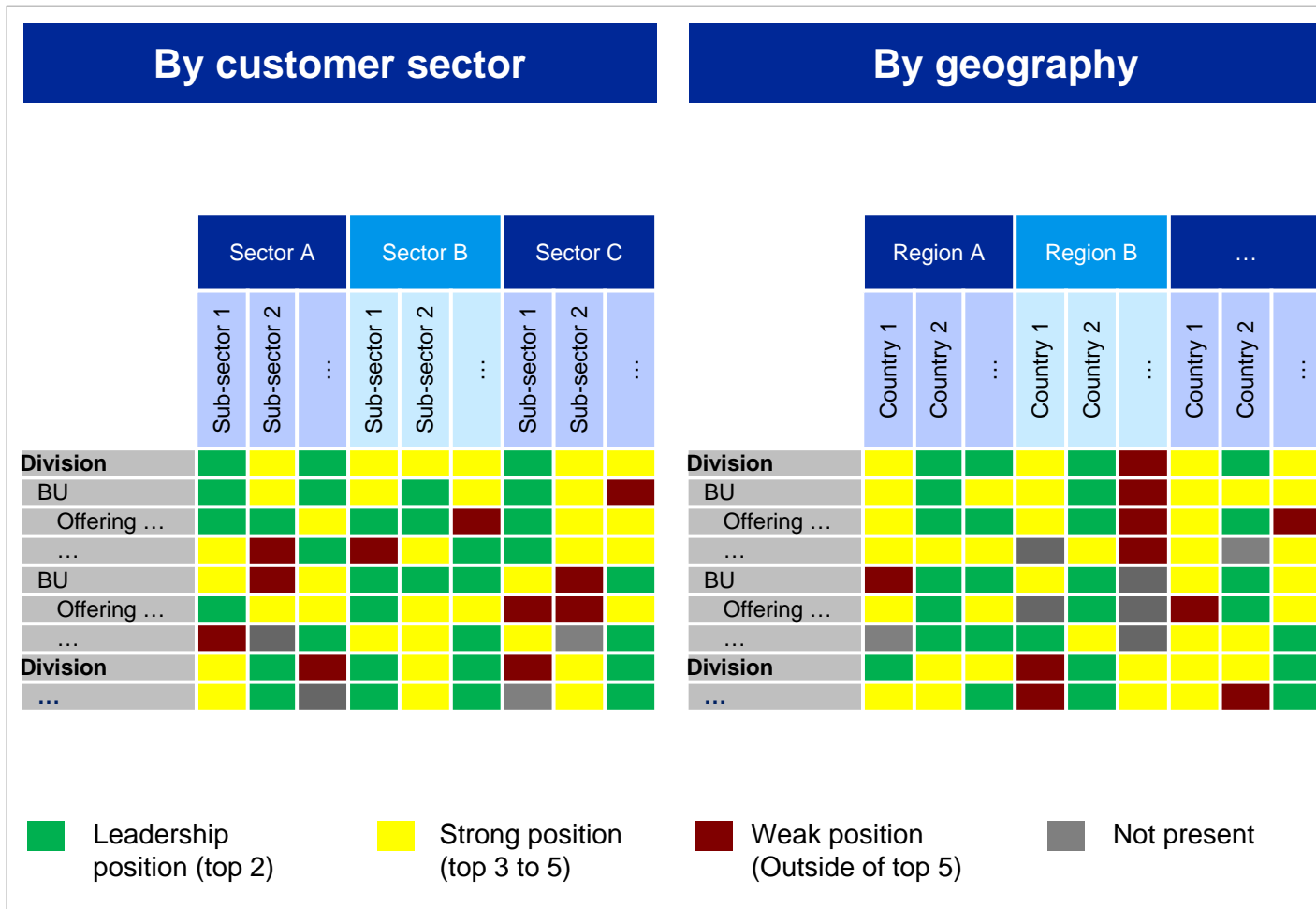


Chart 12

# Navigation check as basis for priority setting

## Systematic assessment of position and opportunities

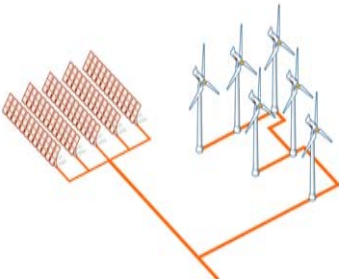


- Transparency on key strategic segments
- Prioritization on penetration, expansion and innovation
- Ambition to be #1 or #2 in selected segments
- Solid base for collaboration
- Basis for portfolio pruning

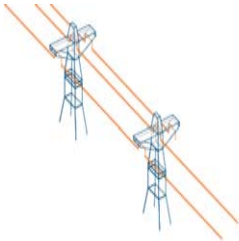
Chart 13

# Big shifts in electricity value chain

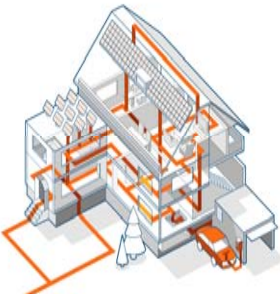
Generation mix



Power transmission and distribution



Micro-/Nano-grids



Unclear regulatory/political situation

# Generation mix

## More renewable energy increases complexity

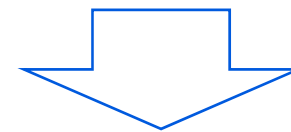


2035:  
**40%** of power generation capacity from  
**renewable energies**

Wind and solar power generation to  
increase **170%**



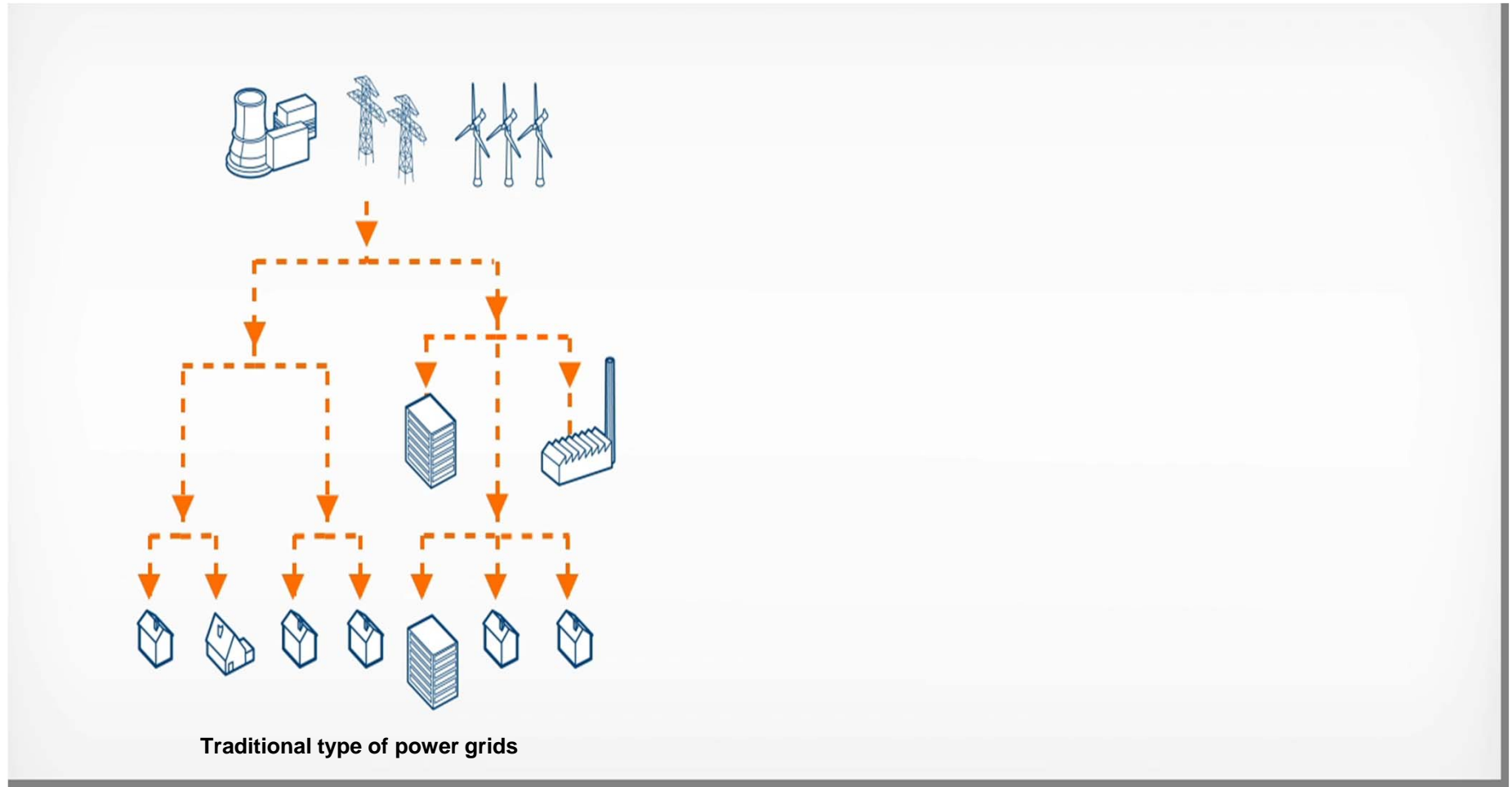
- Greater volatility
- Difficult to predict and control
- Greater distances between generation and consumption
- More feed-in nodes – centralized and decentralized



Generating and controlling power flow  
will become more complex

# Power transmission and distribution

## Challenge: Control of complex power & information flows





# Power transmission and distribution

## Challenge: Control of complex power & information flows

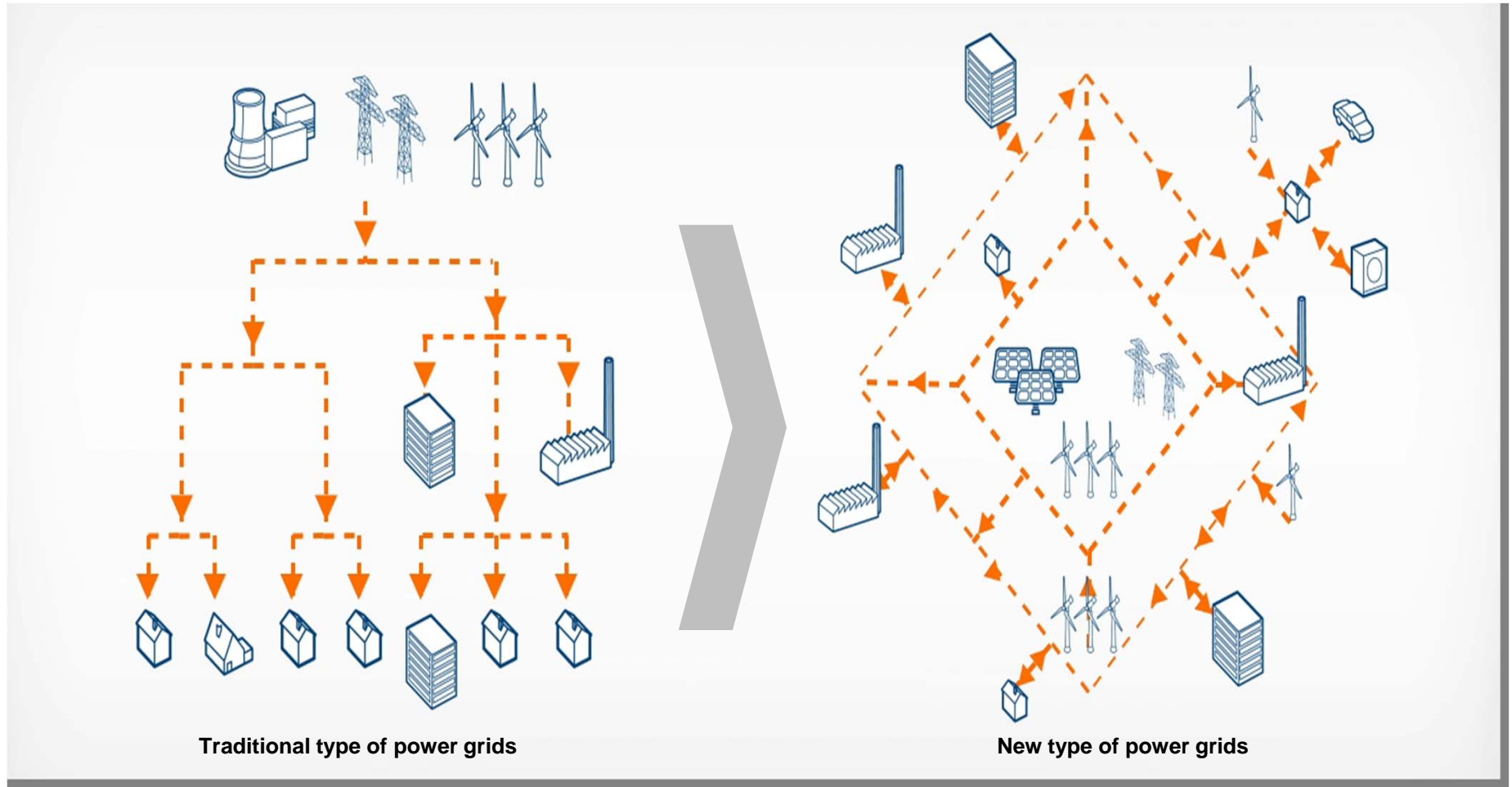


Chart 17

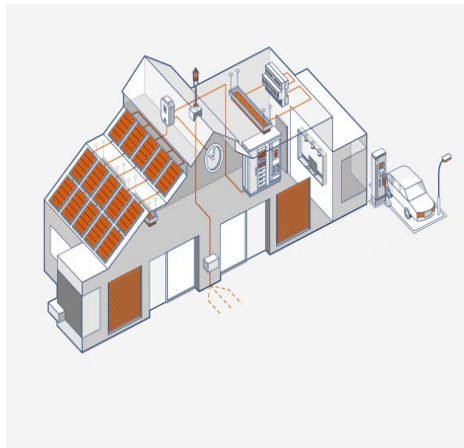
# Local micro/nano grids

## The next stage in decentralized power supply



- Decentralized generation, distribution, control
- Integrated renewable power
- On-grid/off-grid
- Next step: inclusion of energy storage

micro-grid



- Intelligently controlled decentralized power consumption in buildings
- Integrated renewable power, storage and consumption

nano-grid

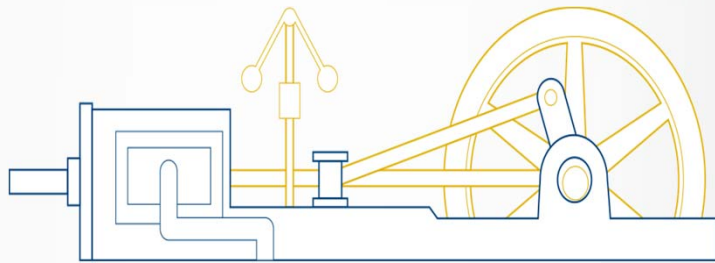
# Industry 4.0

## From the steam engine to the intelligent factory

### Industry 1.0

Thomas Newcomen built the first practical steam engine.

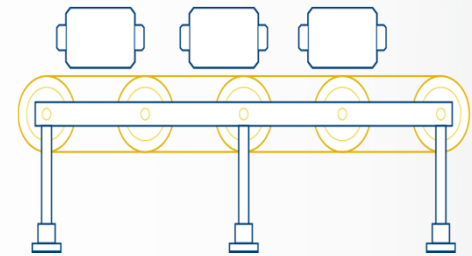
1712



### Industry 2.0

The first elevated conveyor belts were used in Cincinnati, Ohio.

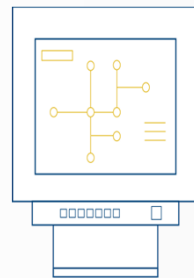
1870



### Industry 3.0

Programmable logic controllers and semiconductor-based logic

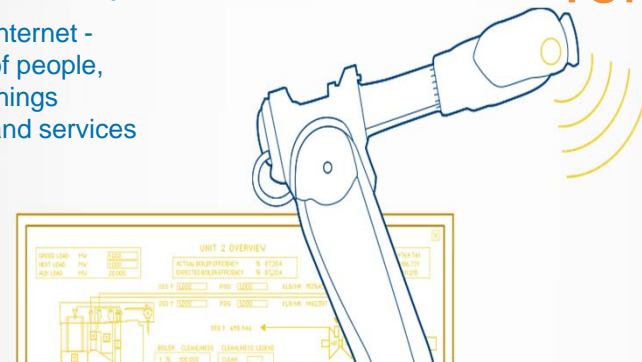
1969



### Industry 4.0

Internet - of people, things and services

Tomorrow



# Automation in growth markets

## Example China

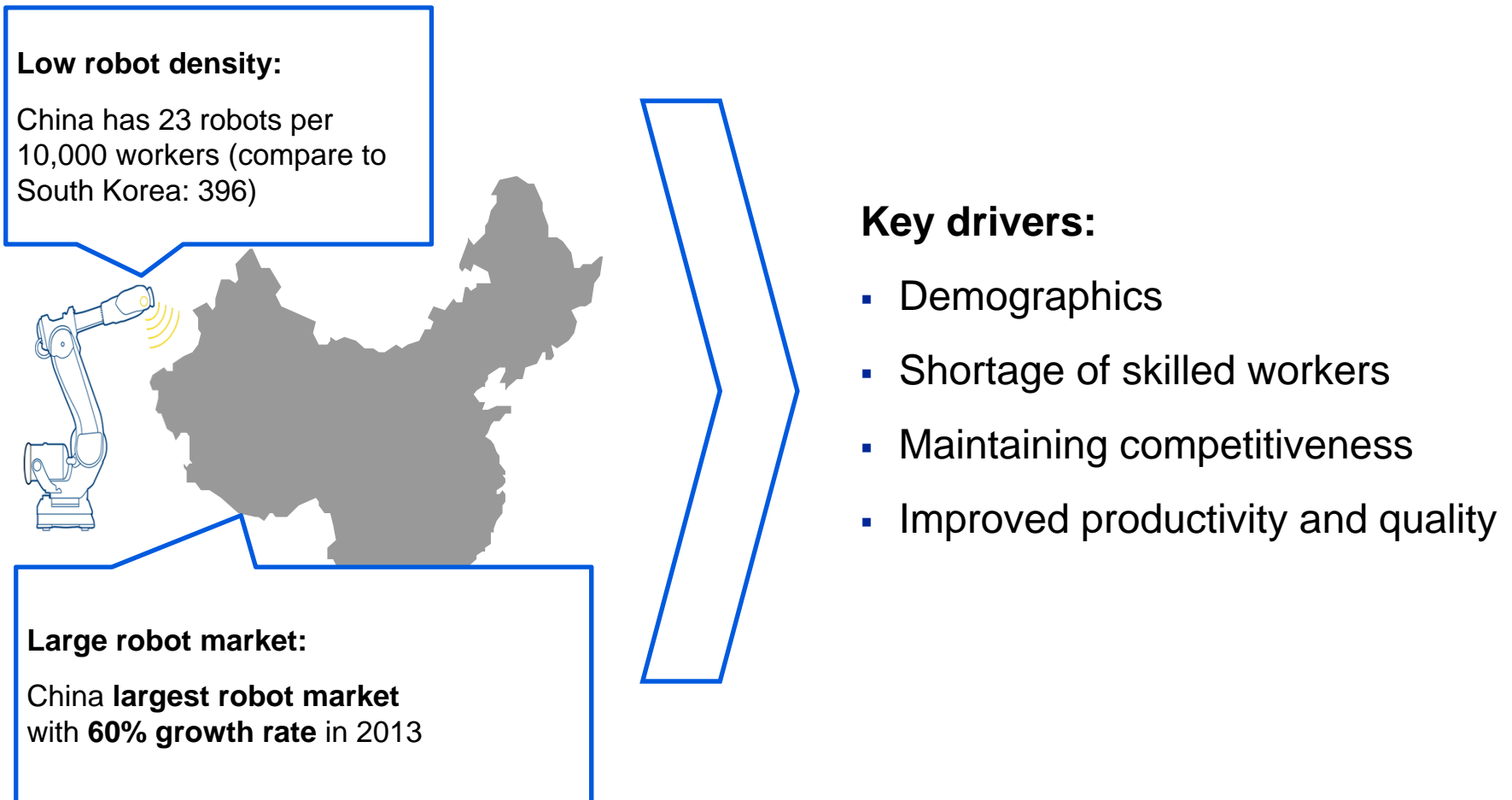


Chart 20

# The next phase: Human-robot cooperation ABB dual-arm robot soon to be launched



Chart 21

# Executing along the three focus areas

## A systematic and robust approach for value creation

Profitable growth

Strategic levers	Recent examples
<p><b>Penetration</b></p> <ul style="list-style-type: none"> <li>▪ Selling more of our existing offering to accessible customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Power sales for industry and infrastructure</li> <li>▪ Automation penetration in emerging markets, e.g. assembly, food &amp; beverage</li> <li>▪ Further penetrating oil &amp; gas</li> </ul>
<p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>▪ New offering/value propositions – focused resource allocation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Energy efficiency: IEC5 motors for Europe</li> <li>▪ Smart grid: 3D grid planning and simulation</li> <li>▪ DC ship electrification</li> </ul>
<p><b>Expansion</b></p> <ul style="list-style-type: none"> <li>▪ Expansion into new segments</li> </ul>	<ul style="list-style-type: none"> <li>▪ Partnerships: with Philips in building automation</li> <li>▪ Specific offering for new segments in emerging markets: solar powered pump drivetrain solution</li> <li>▪ EV charging: partnership with BYD and Daimler</li> </ul>

Chart 22

# Executing along the three focus areas

## A systematic and robust approach for value creation

Business-led collaboration

Strategic levers		Recent examples
<b>Packaged solutions</b> <ul style="list-style-type: none"> <li>▪ Integrated product offering, combined marketing</li> </ul>		<ul style="list-style-type: none"> <li>▪ Swedish rail \$200 million upgrade order</li> <li>▪ Robotics-based automation solutions</li> </ul>
<b>Channel and account management</b> <ul style="list-style-type: none"> <li>▪ Joint development/ deepening of customer &amp; channel relationship, cross-selling</li> </ul>		<ul style="list-style-type: none"> <li>▪ Combined power and automation channels to Tier 1, 2, and 3 cities in China</li> <li>▪ Exploit Baldor and T&amp;B market access</li> </ul>
<b>Service</b> <ul style="list-style-type: none"> <li>▪ Collaboration to expand service offering and improve penetration</li> </ul>		<ul style="list-style-type: none"> <li>▪ Joint product-service sales</li> <li>▪ “How to win” initiatives across 5 divisions and 100+ countries</li> </ul>
<b>Shared platforms and operations</b> <ul style="list-style-type: none"> <li>▪ Shared services and infrastructure across different units</li> </ul>		<ul style="list-style-type: none"> <li>▪ Multi-division footprint expansion: e.g. \$300 million in China, \$200 million in Brazil</li> <li>▪ Common Front-end tools</li> </ul>

Chart 23

# Executing along the three focus areas

## A systematic and robust approach for value creation

Relentless execution

Strategic levers		Recent examples
<b>Costs</b>	<ul style="list-style-type: none"> <li>Continued cost reductions, adding white collar productivity focus</li> </ul>	<ul style="list-style-type: none"> <li>Cost reduction on track in Q1</li> <li>Sales productivity pilots started</li> </ul>
<b>Cash</b>	<ul style="list-style-type: none"> <li>Improved cash management, e.g. inventory reduction, integrated business planning</li> </ul>	<ul style="list-style-type: none"> <li>Inventory management improvements in Discrete Automation and Motion</li> </ul>
<b>Integration</b>	<ul style="list-style-type: none"> <li>Thorough execution of integration plans, systematic best practice sharing</li> </ul>	<ul style="list-style-type: none"> <li>Baldor, T&amp;B, Power-One progressing in line with overall plan</li> </ul>
<b>Portfolio optimization</b>	<ul style="list-style-type: none"> <li>Disciplined pruning of our portfolio in line with strategy</li> </ul>	<ul style="list-style-type: none"> <li>Baldor gen-sets, T&amp;B HVAC, Power-One Power Solutions</li> </ul>
<b>PS “step change” program</b>	<ul style="list-style-type: none"> <li>Address immediate issues and ensure longer-term profitable growth</li> </ul>	<ul style="list-style-type: none"> <li>Improved expertise and resources in critical areas</li> <li>No new solar EPC projects</li> </ul>

Chart 24



# What you can expect at our Capital Markets Day in September

## Capital Markets Day: comprehensive “Next level” strategy

- Finalizing our in depth strategic review
  - Aims at superior EPS growth momentum and CROI across the portfolio
- In September, we will communicate:
  - “Next level” strategy
  - Implementation plan along our three focus areas
  - Longer-term targets

# Summary

## Status

- 4 divisions on track
- Challenges in PS addressed through “Step change” program
- Established systematic approach to accelerate organic growth, strengthen collaboration and further enhance execution
- Continued cost savings and cash focus
- Strong management team in place

## Outlook

- Early cycle businesses trending positively, but some uncertainty remains; lower large orders weigh on 2014 revenues
- Long-term drivers for profitable growth remain in tact
- Balance sheet provides great flexibility to support profitable growth

## 2014 priorities

- Profitable organic growth (penetration, innovation, expansion)
- Business-led collaboration (packaged solutions, channel and account management, service, shared platforms)
- Relentless execution (cost, cash, integration, portfolio optimization, PS “step change”,)
- Define the “Next level” strategy and start implementation

Power and productivity  
for a better world™



For more information, call ABB Investor Relations  
Or visit our website at [www.abb.com/investorcenter](http://www.abb.com/investorcenter)

<b>Name</b>	<b>Telephone</b>	<b>E-mail</b>
	Zurich, Switzerland	
Alanna Abrahamson Head of Investor Relations	+41 43 317 3804	alanna.abrahamson@ch.abb.com
John Fox	+41 43 317 3812	john.fox@ch.abb.com
Binit Sanghvi	+41 43 317 3832	binit.sanghvi@ch.abb.com
Beat Fueglistaller	+41 43 317 4144	beat.fueglistaller@ch.abb.com
Tatyana Dubina	+41 43 317 3816	tatyana.dubina@ch.abb.com
Annatina Tunkelo	+41 43 317 3820	annatina.tunkelo@ch.abb.com
Ruth Jaeger	+41 43 317 3808	ruth.jaeger@ch.abb.com