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# Strong foundation, solid momentum

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# 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.

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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 & presentations” – “Quarterly results & annual reports” on our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

# Well positioned in attractive markets

## ABB today

What  
(Offering)

Power & Automation

Power ~ 40% of revenue

Automation ~ 60% of revenue

For whom  
(Customers)

Utilities

~35% of revenue

Industry

~45% of revenue

Transport &  
Infrastructure

~20% of revenue

Where  
(Geographies)

Globally

AMEA<sup>1</sup> 37%

Americas 29%

Europe 34%

\$40 bn  
revenue

~100  
countries

~140,000  
employees

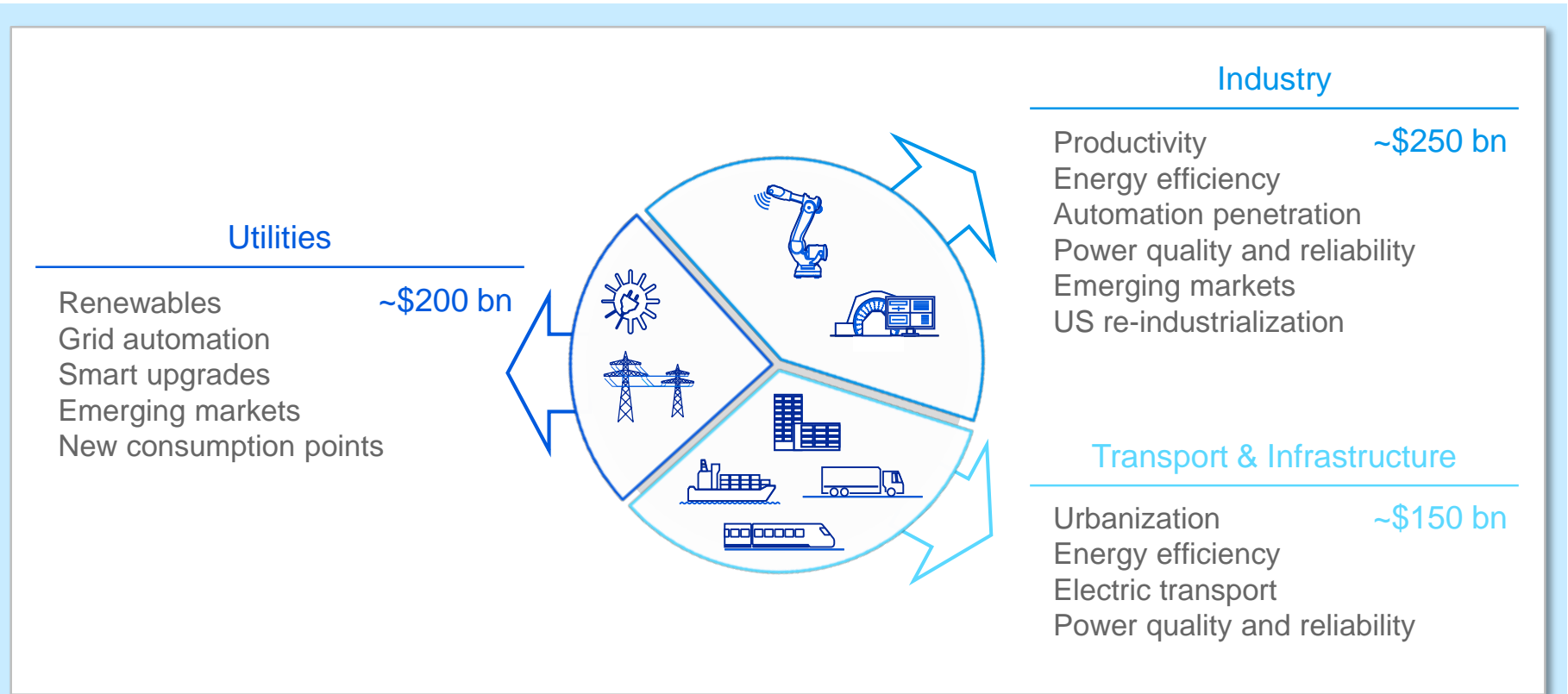
Single "A"  
credit rating

HQ Zurich

<sup>1</sup>Asia, Middle East, Africa

# Well positioned in attractive markets

## Power & automation demand drivers in three customer segments



**Significant market opportunities – today: ~ \$600 bn, 2020: ~ \$750 bn**

# Well positioned in attractive markets

## A leader in power & automation in all our segments – examples

### Power & Automation

#### Utilities



#1 in transmission and distribution  
Technology pioneer (FACTS<sup>1</sup>, HVDC<sup>2</sup> breaker, etc.)  
Deepest and broadest portfolio of offering footprint

Largest installed T&D<sup>3</sup> base  
Leading service capabilities  
#2 in solar inverters  
Strong innovative software portfolio

#### Industry



#1 in Distributed Control Systems  
#1 in gearless mill drives for mining  
#1 in industrial motion (motors and drives)

A leading robotics player  
Strong innovative software portfolio  
Leading service capabilities

#### Transport & Infrastructure



A leading player in infrastructure / building electrification  
#1 in electric propulsion for ships  
#1 in terminal automation for ports  
#1 for large industrial turbochargers

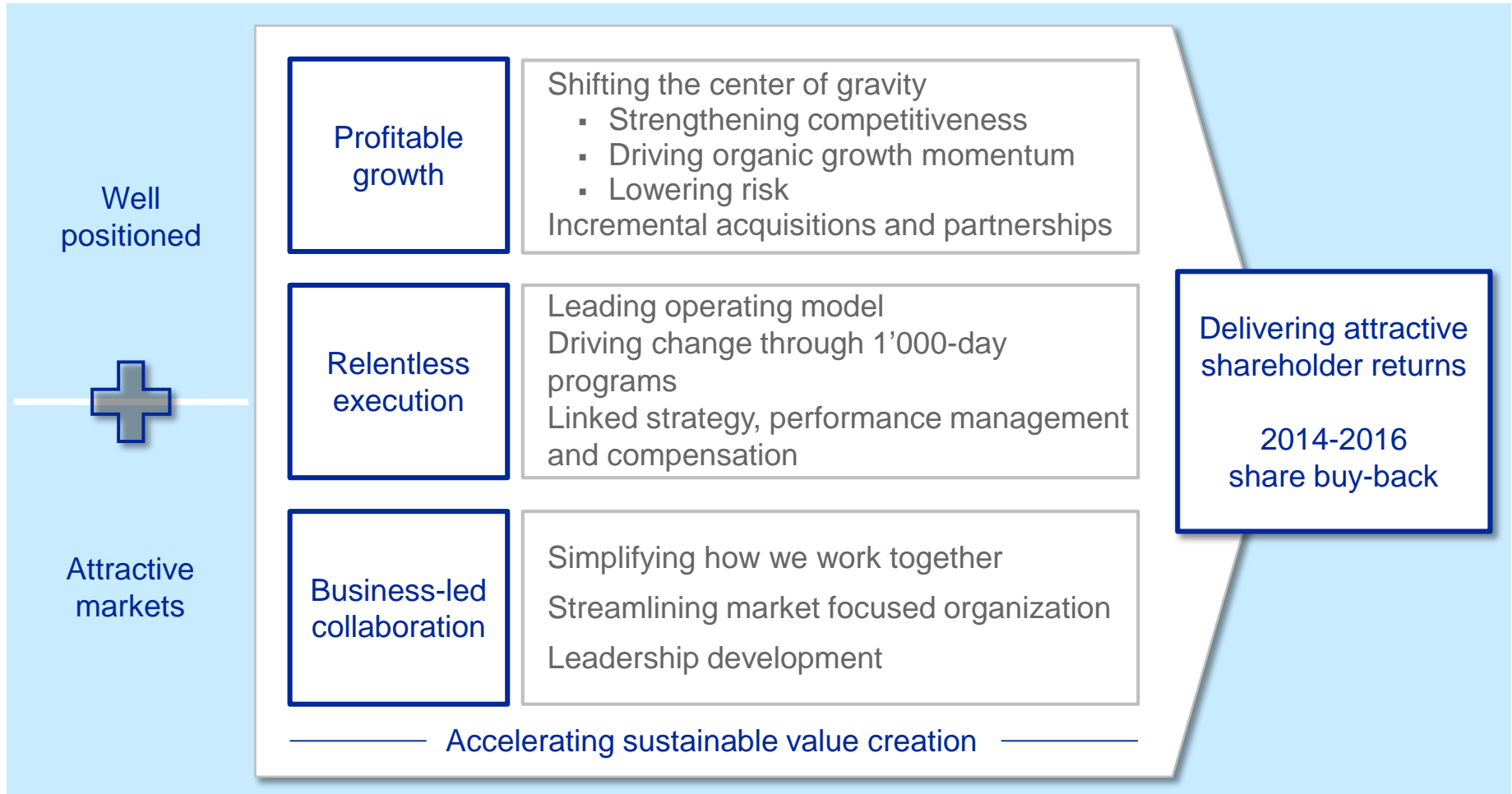
A leading player in electric train traction systems  
A leading player in high-speed train retrofits and wayside power systems  
A market and technology leader in EV<sup>4</sup> charging

**Our aspiration: #1 or #2 in all segments**

# ABB – our Next Level strategy

## Shaping a global leader in power & automation

Presented September 9<sup>th</sup>, 2014

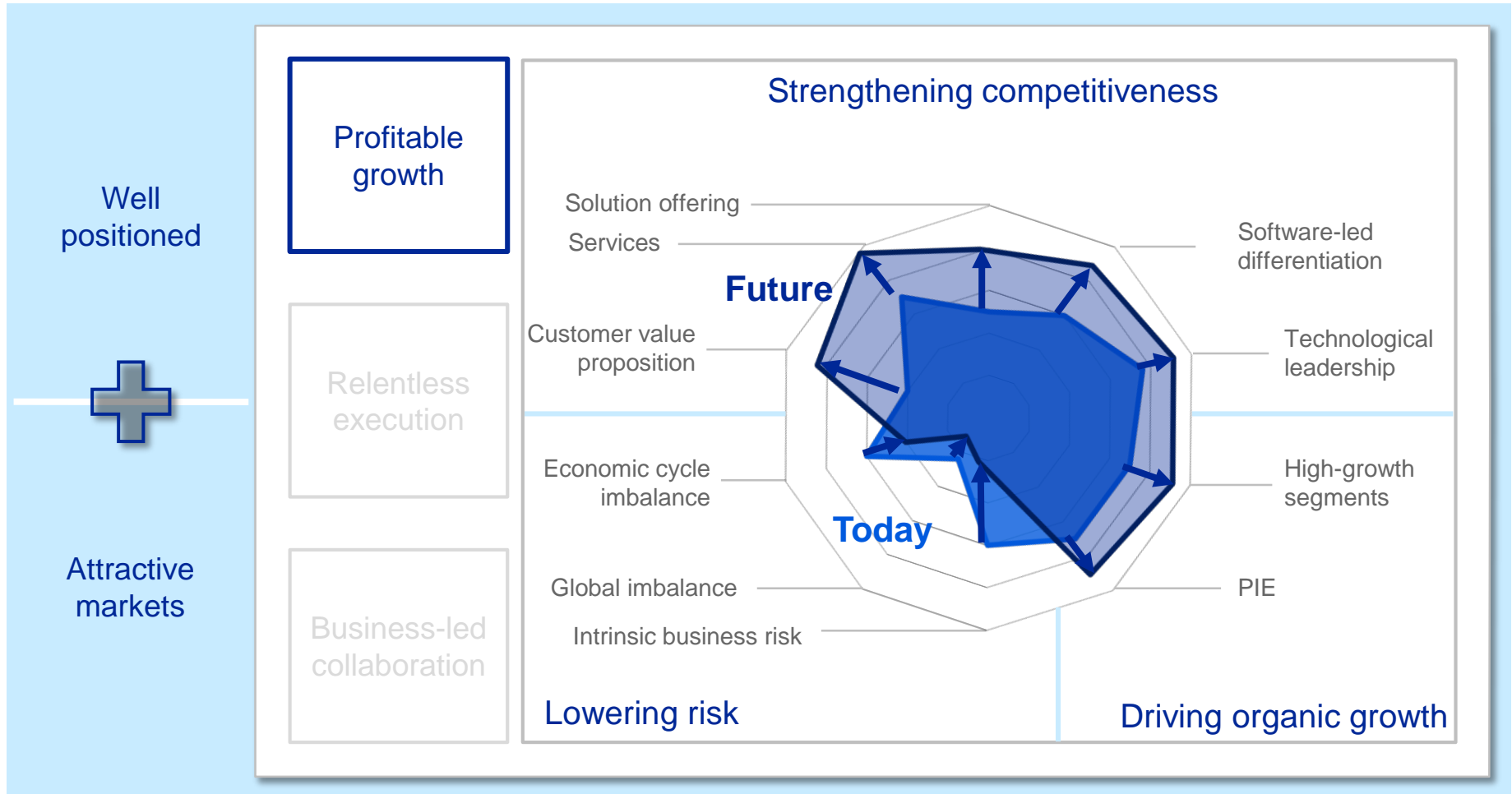




# Profitable growth

## Shifting the center of gravity

Example



# Profitable growth

## Partnerships and lowering risks

Example

Well positioned

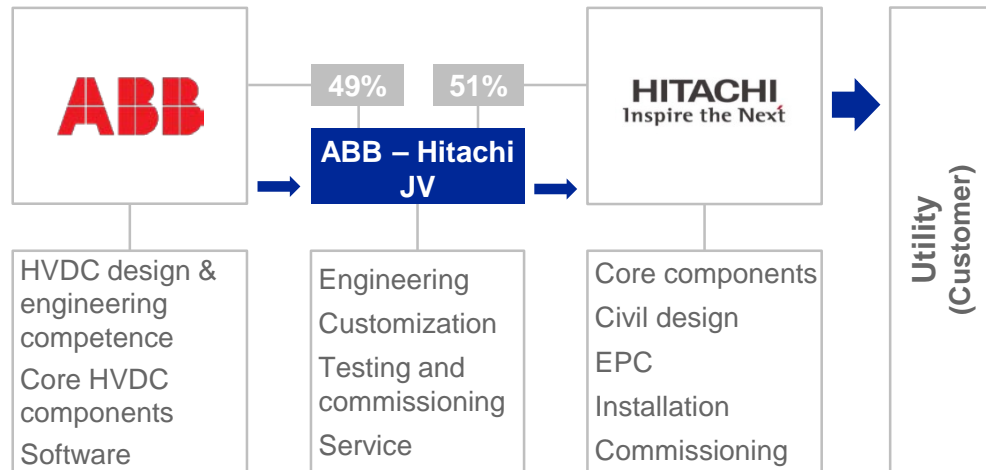


Attractive markets

Profitable growth

Relentless execution

Business-led collaboration



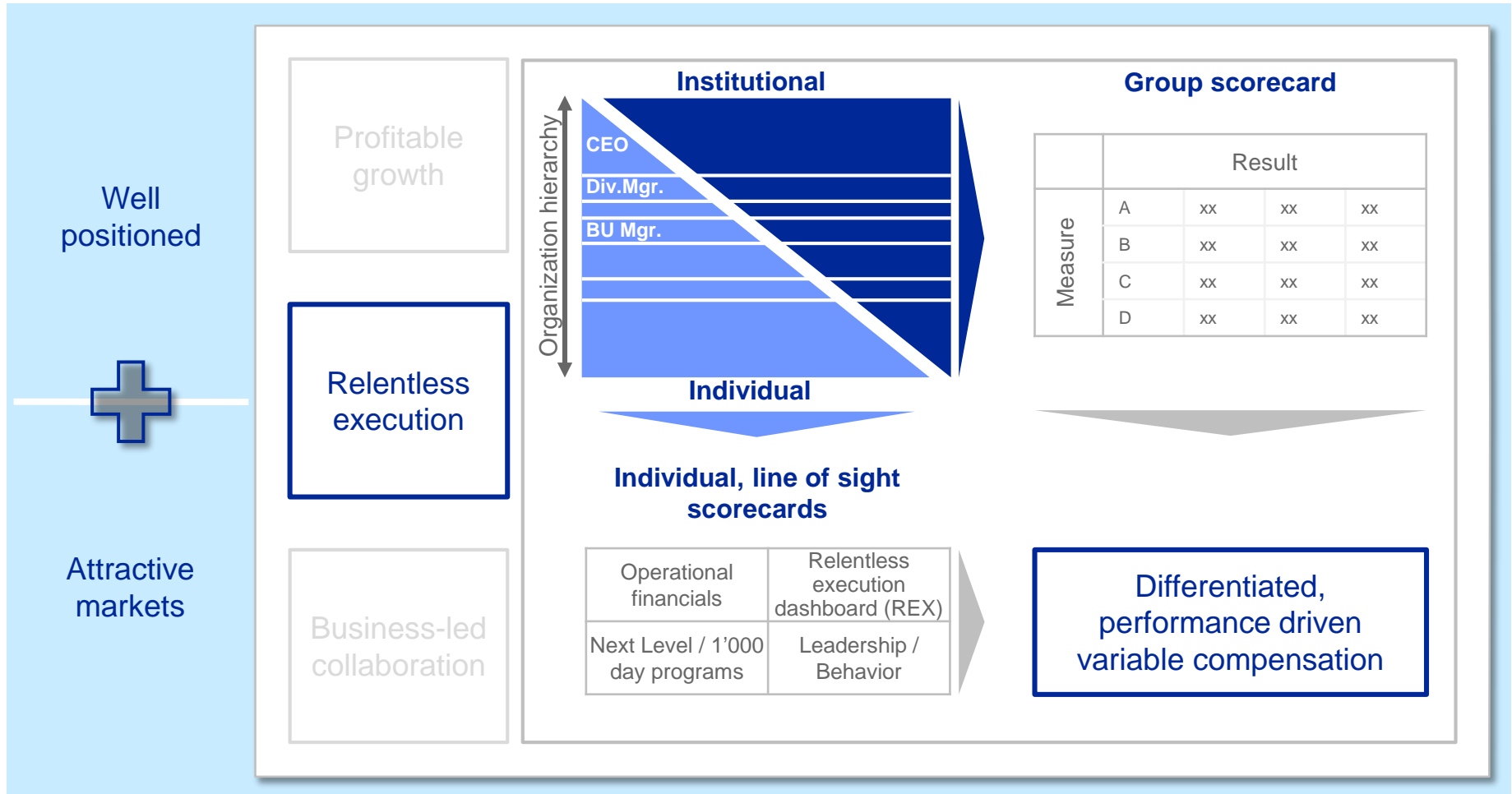
Renewables grid integration in Japan  
Innovative HVDC technology for Japanese customers  
Two players with highly complementary strengths  
De-risked business model



# Relentless execution

## Performance-oriented compensation model

Example



# Business-led collaboration

## Simplifying how we work together

Example

Well  
positioned



Attractive  
markets

Profitable  
growth

Relentless  
execution

**Business-led  
collaboration**



Undiluted business line  
responsibility

Simplified market oriented  
organization fully implemented

From 8 to 3 regions, focused  
on customer collaboration  
and shared services

Top 1,000 appointments  
finalized

Faster, more cost-efficient  
organization

Portfolio pruning and productivity  
measures result in +8,000  
workforce reduction in 2014

# Delivering attractive shareholder returns

## Group financial targets 2015-2020



<sup>1</sup>Average annual revenue growth on a like-for-like basis over 6 years, base year 2014; <sup>2</sup>Target is on a full-year basis; <sup>3</sup>CAGR = Compound annual growth rate, base year is 2014 and assuming constant exchange rates; <sup>4</sup>Temporary reduction possible in the event of larger acquisitions

# Priorities for 2015

## Summary

### Profitable growth

- Maintain / accelerate organic growth momentum
- More value from combined \$6 bn R&D and sales investment p.a. through PIE
- Drive shift in center of gravity
- Realize benefits from new partnerships

### Relentless execution

- Deliver 3-5% of COS cost reduction, expand focus on white collar productivity
- Complete PS “step change”
- Continue and accelerate working capital efforts
- Drive change through our 1'000 day programs for growth and competitiveness

### Business-led collaboration

- Energize new organization and aligned team
- Tap growth and cost opportunities together
- Ramp up shared services

**Accelerate sustainable value creation, deliver double digit EPS growth**

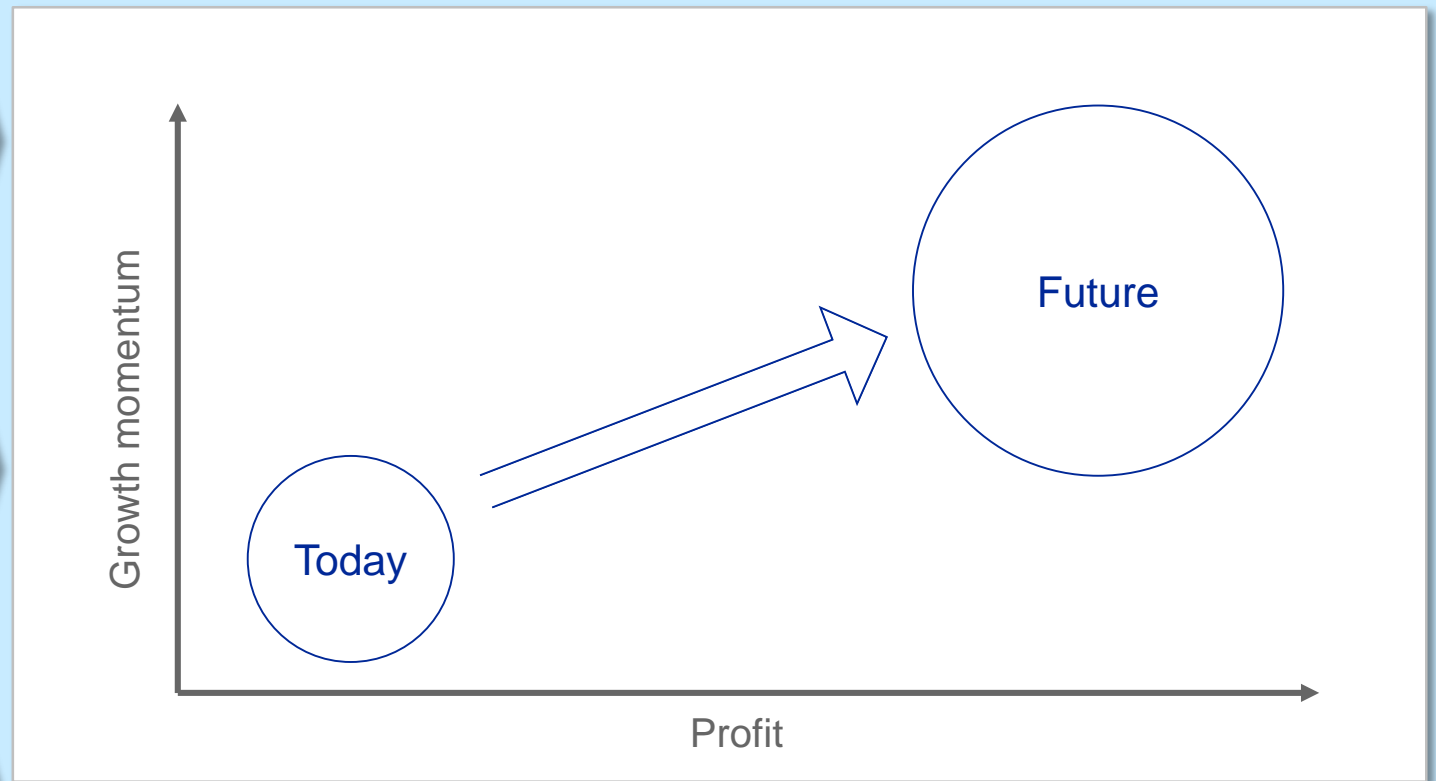
# ABB – Next Level

## Accelerating sustainable value creation

Profitable  
growth

Relentless  
execution

Business-led  
collaboration



**Focus on EPS and CROI**

Power and productivity  
for a better world™







# Key figures Q4 and FY 2014

	Q4 14	Q4 13	Change			FY 14	FY 13	Change		
<i>\$ mn unless otherwise indicated</i>			\$	Local currency	Like-for-like			\$	Local currency	Like-for-like
Orders	9'365	10'003	-6%	-1%	+1%	41'515	38'896	+7%	+9%	+10%
Order backlog (end December)	24'900	26'046	-4%	+5%		24'900	26'046	-4%	+5%	
Revenues	10'346	11'373	-9%	-3%	-1%	39'830	41'848	-5%	-2%	-2%
Income from operations	1'049	823	27%			4'178	4'387	-5%		
as % of revenues	10.1%	7.2%				10.5%	10.5%			
Operational EBITDA	1'380	1'418	-3%			5'400	6'075	-11%		
as % of operational revenues	13.3%	12.5%				13.5%	14.5%			
Net income	680	525	+30%			2'594	2'787	-7%		
Basic earnings per share (\$)	0.30	0.23				1.13	1.21			
Cash from operating activities	1'833	2'092	-12%			3'845	3'653	+5%		



# Full-year performance by division

## Key figures

<i>\$ mn unless otherwise stated</i>	<b>Orders</b>	 Like-for-like	<b>Revenues</b>	 Like-for-like	<b>Operational EBITDA%</b>		<b>Cash flow from operations</b>	
Discrete Automation and Motion	10'559	+8%	10'142	+2%	17.4%	-0.6 pts	1'564	+74
Low Voltage Products	7'550	+3%	7'532	+3%	18.9%	-0.1 pts	997	-154
Process Automation	8'577	+13%	7'948	-1%	12.9%	0 pts	945	+184
Power Products	10'764	+5%	10'333	-4%	14.7%	-0.1 pts	1'091	-175
Power Systems	6'871	+20%	7'020	-13%	0.1%	-4.9 pts	(138)	+69
Corp. and consolidation	(2'806)		(3'145)				(614)	+194
<b>ABB Group</b>	<b>41'515</b>	<b>+10%</b>	<b>39'830</b>	<b>-2%</b>	<b>13.5%</b>	<b>-1.0 pts</b>	<b>3'845</b>	<b>+192</b>

# Overview of 2015-2020 targets

## Group targets and divisional operational EBITA margin targets

Group		Divisions	
Revenue growth <sup>1</sup>	4-7%	Discrete Automation and Motion	14-19%
Operational EBITA % <sup>2</sup>	11-16%	Low Voltage Products	15-19%
Operational EPS growth CAGR <sup>3</sup>	10-15%	Process Automation	11-15%
		Power Products	12-16%
FCF conversion to net income	>90%	Power Systems	7-11% <sup>5</sup>
CROI % <sup>4</sup>	Mid-teens		

<sup>1</sup>Average annual revenue growth on a like-for-like basis over 6 years, base year 2014; <sup>2</sup>Target is on a full-year basis; <sup>3</sup>CAGR = Compound annual growth rate, base year is 2014 and assuming constant exchange rates; <sup>4</sup>Temporary reduction possible in the event of larger acquisitions; <sup>5</sup>The margin target for Power Systems will be in effect as of January 1, 2016 after concluding the "step change" program

# ABB well positioned to manage forex volatility

## Foreign exchange exposures – overview

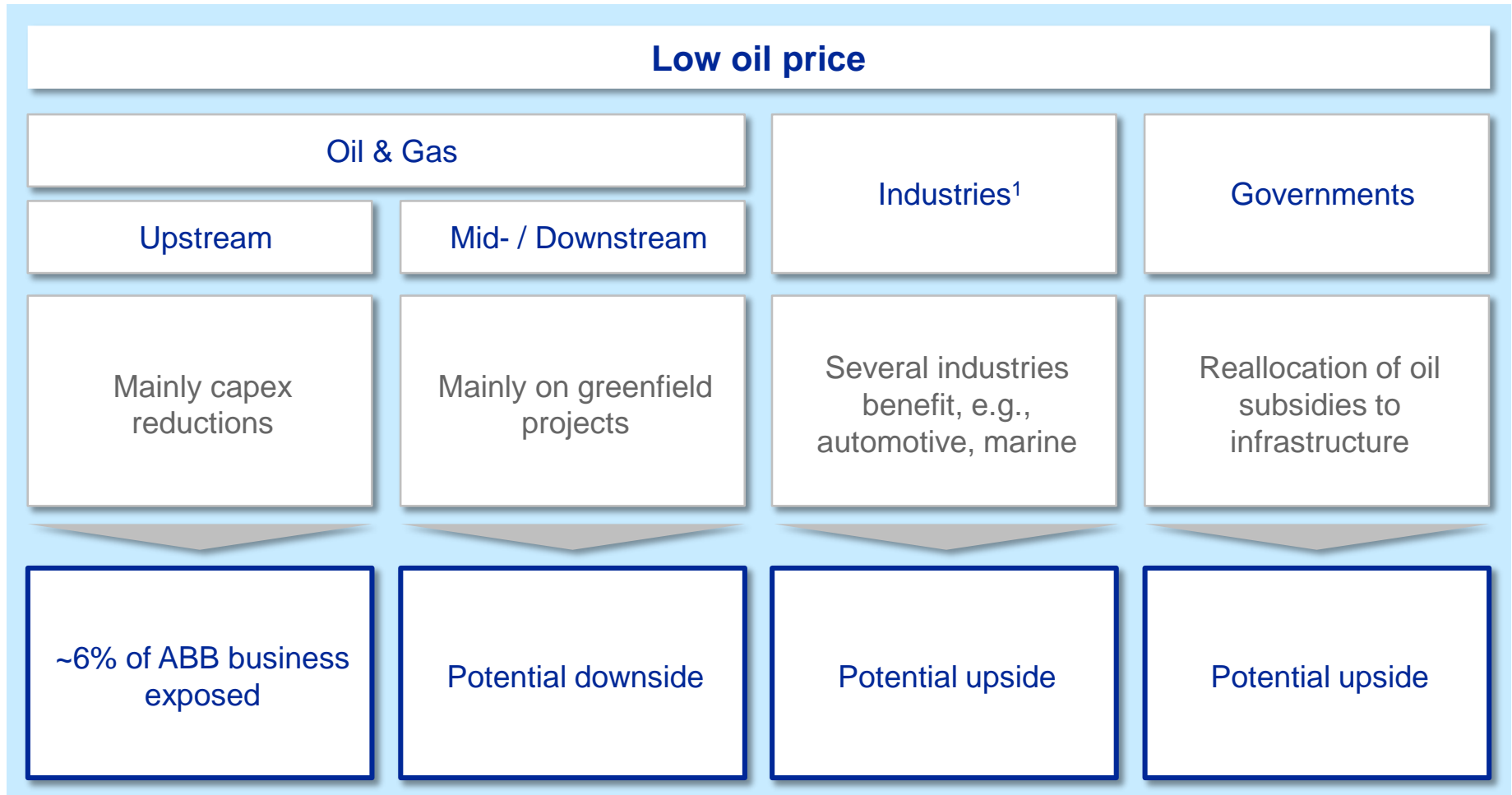
Example: 15% appreciation of USD  
15% appreciation of CHF vs EUR

	Timing	Estimated impact	Actions / Drivers
Structural effect <i>USD appreciation</i>	Medium-term	Inc. from op. ↑ ~\$200-400 mn Inc. from op.% ↑ ~0.5-1% point	Net exporter from EUR-zone to \$-zone
Structural effect <i>CHF appreciation</i>	Medium-term	Inc. from op. ↓ \$100-200 mn Inc. from op.% ↓ ~0.25-0.5% point	Mitigated by sourcing and cost optimization
Transaction	Immediate	Minor ~ fully hedged, but some valuation timing differences	Policy to hedge all exposures
Translation to USD	Immediate	Inc. from op./orders/revenues ↓ ~9%	> 50% of revenues from non-\$ zones

**Limited economic impact due to footprint and proactive actions**

# Key topic: oil price

Low oil price impacts global spending in different ways

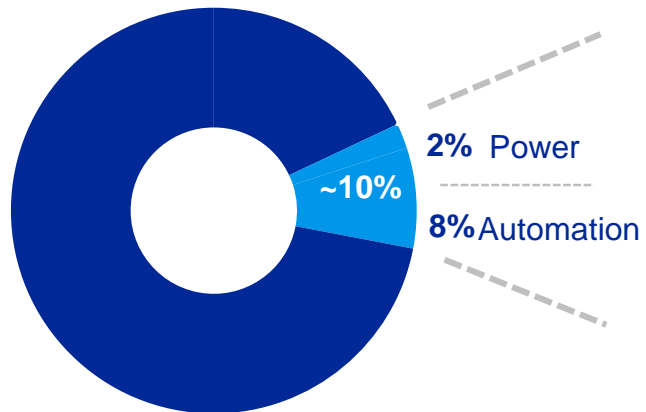


# Key topic: oil price

## ABB in oil, gas, and chemicals

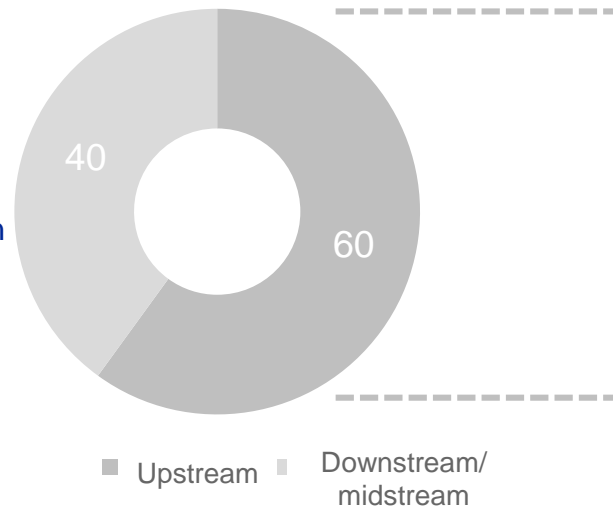
### Share of revenues

% of 2014 total sales from OGC<sup>1</sup>



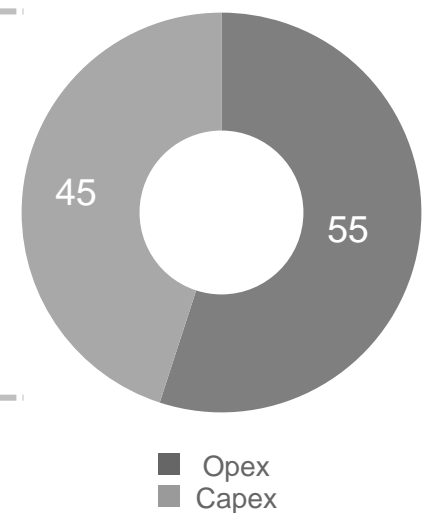
### Split of sales

Approximate



### Type of customer spend

Approximate



**~5% of ABB's sales are exposed to oil and gas capex**

# 2015 – continued volatility and uncertainty

## Economic outlook

### Positives

China remains world's biggest growth engine  
North America continues strong  
Good momentum in India and South East Asia

### Concerns

Eurozone, Japan, South America, Russia  
Return of the financial crisis  
Global “energy battle”, impact of oil price  
Unstable geopolitical situation

**Stable outlook with downside risk**

### Sustain organic growth momentum

Proven PIE approach  
Agility and speed to address new  
market opportunities

### Drive operational resilience

Business model adaptation  
Continued focus on cost and cash

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