



Ulrich Spiesshofer, CEO ABB May 19th, 2015 EPG Conference

ABB – Next Level

Shaping a global leader in power & automation
Status and Direction

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 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 for the relevant financial reporting period under “Financial results & presentations” – “Quarterly results & annual reports” on our website at www.abb.com/investorrelations

Agenda

ABB overview

Performance update

Next level implementation

Outlook and priorities

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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

AMEA¹ 37%

Americas 29%

Europe 34%

\$40 bn
revenue

~100
countries

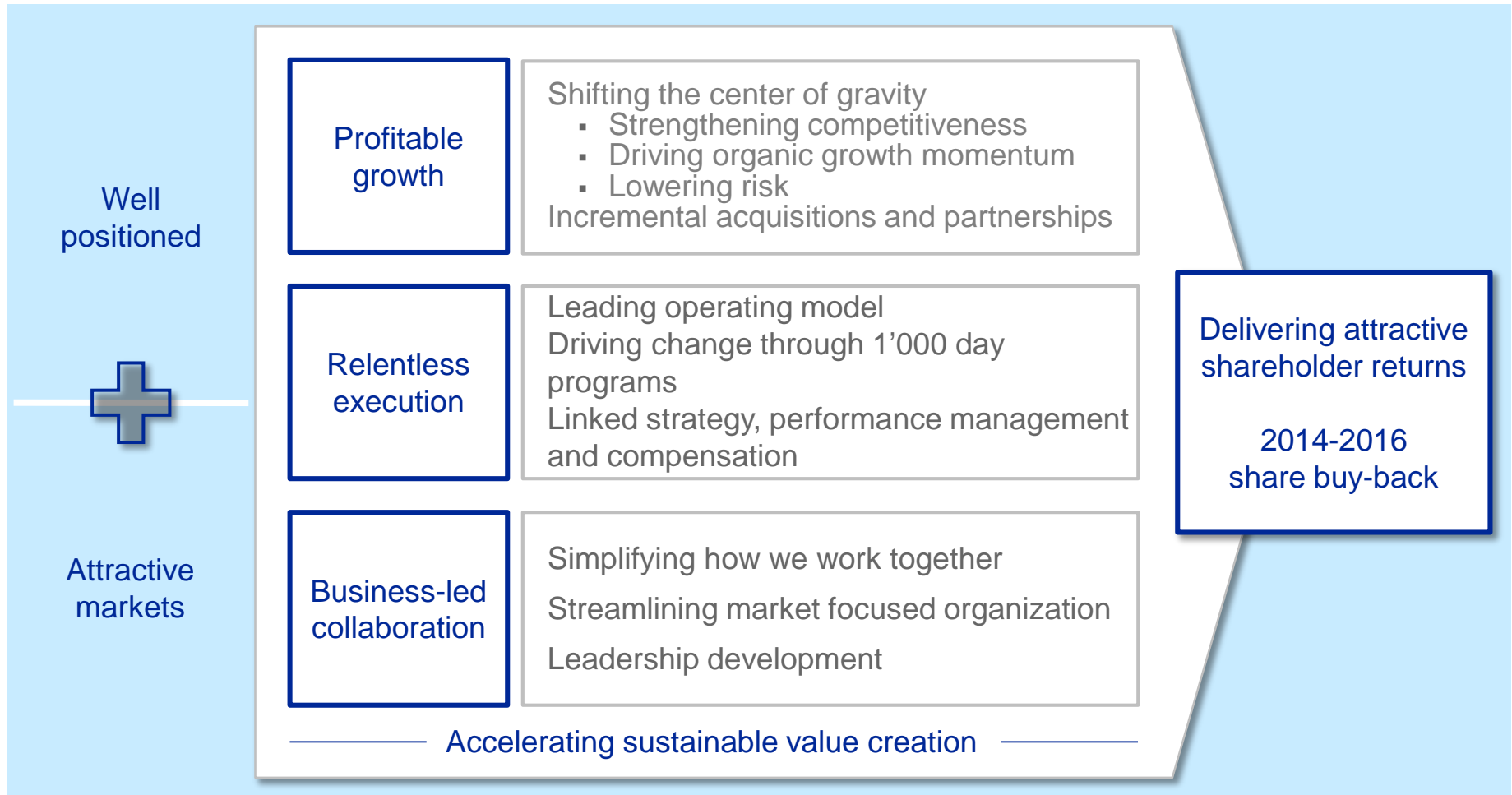
~140,000
employees

Single “A”
credit rating

HQ Zurich

ABB – Next Level

Shaping a global leader in power & automation

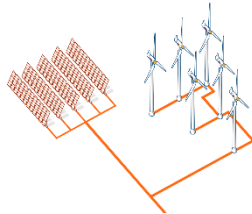


Attractive markets

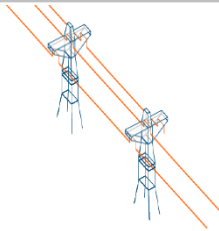
“Big shifts” in power & automation: shaping joint opportunities

“Big shift” in power

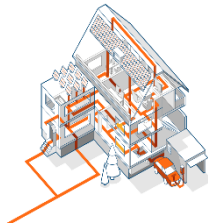
Generation mix



Power transmission and distribution

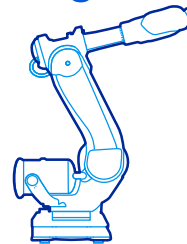


Micro- / Nano-grids

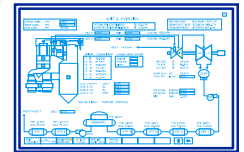


“Big shift” in automation

Things

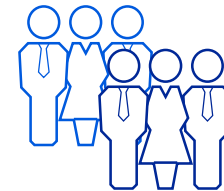


Services



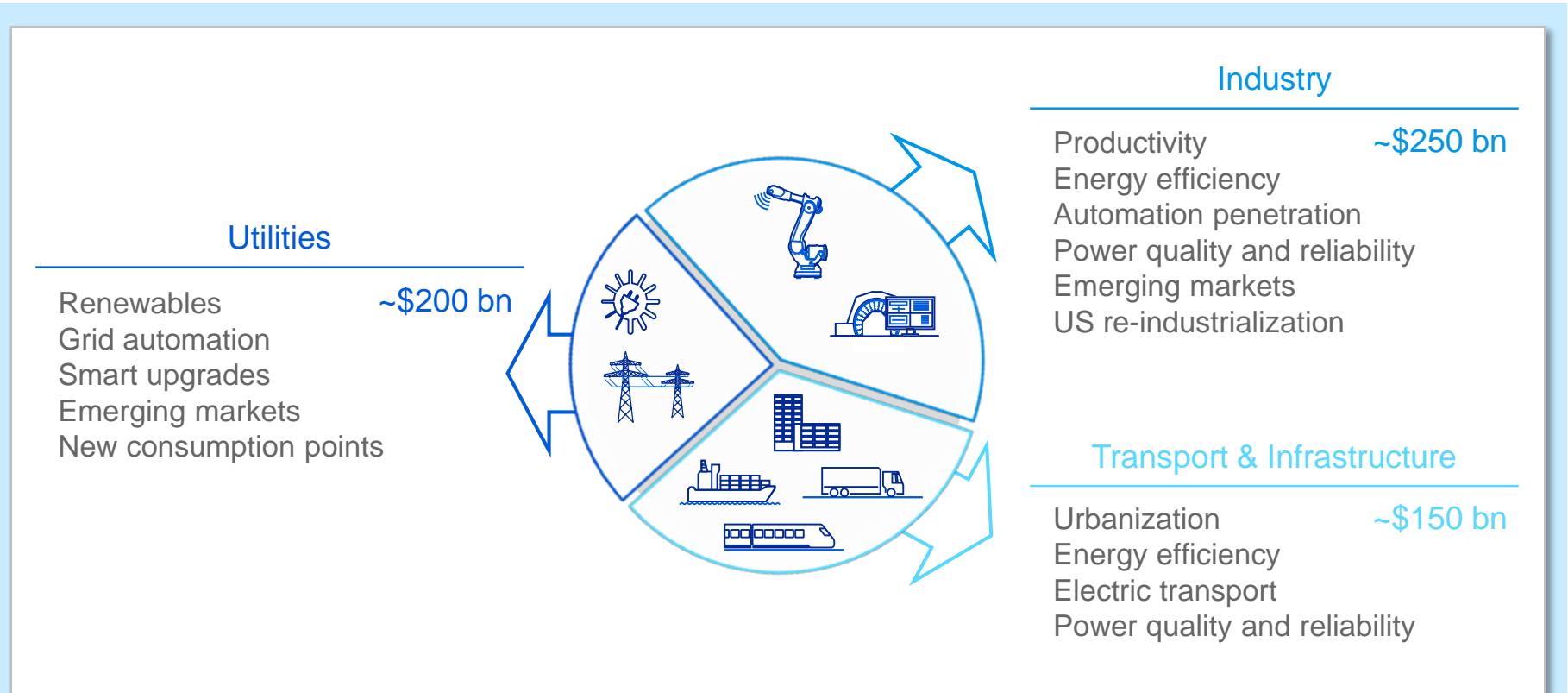
Internet
of

People



Attractive markets

Power & automation demand drivers in three segments

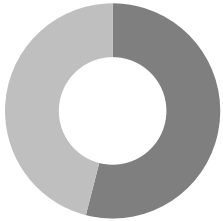


Significant market opportunities – today: ~ \$600 bn, 2020: ~ \$750 bn

Well positioned

A true global player – team, culture, and presence

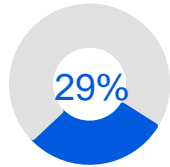
Revenue split 2014



- Mature markets (55%)
- Emerging markets (45%)

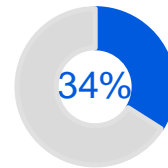
Americas

\$11.5 bn



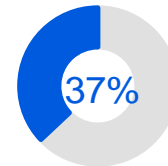
Europe

\$13.7 bn



AMEA

\$14.7 bn



Top 200 managers

>3/4
from outside
Switzerland and
Sweden

27
nationalities from
6 continents

8
nationalities in the
Executive
Committee

We are a unique global team with local presence everywhere

Agenda

ABB overview

Performance update

Next level implementation

Outlook and priorities

2014 – strong foundation, solid momentum

Robust order growth, PS break-even, increased dividend

Delivering along our three focus areas

Profitable growth

+10% orders growth¹, up in all regions and divisions
Base orders +5%¹, large orders +50%¹, book-to-bill 1.04x
Improved customer satisfaction, NPS² index at 44, up by 9 points
Strategic partnerships to expand market presence

Relentless execution

Power Systems full-year break-even³
\$1.1 bn cost savings
Successful portfolio pruning
Free cash flow +9%, conversion rate at 110%
Performance-based compensation model finalized

Business-led collaboration

Market-focused organization implemented





- Undiluted global business line responsibilities established
- Customer-oriented, leaner regional organization

Top 1,000 positions filled

Dividend increase and share buyback show confidence in Next Level strategy

Portfolio management

2014 portfolio – focus continuous portfolio optimization

	T&B HVAC	Power-One power solutions	T&B steel structures	Full-service
<i>Entity divested</i>				
Closed	May 2014	Jun. 2014	Aug. 2014	Dec. 2014
Estimated annual 2014 revenues	~\$160 mn	~\$250 mn	~\$325 mn ¹	~\$300 mn
Approx. proceeds	\$260 mn	\$120 mn	\$600 mn	Not disclosed

Divestments generated more than \$1 bn in pre-tax proceeds

Q1 2015 – solid growth in a mixed market

Delivering along our three focus areas

Profitable growth

Growth initiatives drive solid top line development; PIE is working
Orders up 15%¹, revenues grew 3%
Book to bill 1.2x, >1.0x in every division
Innovation: YuMi[®] robot, intelligent transformer sensors, production mgmt. software

Relentless execution

Progress in Power Systems “step change” program, 2.2% op EBITA margin
Group operational EBITA margin steady at 11.1%, cost reduction on track
5% higher operational EPS on a constant currency basis
New performance linked compensation system rolled out to 60,000 employees

Business-led collaboration

Key project wins driven by combined power and automation offering
Enhanced customer focus yields order momentum, speed and agility
Engagement with +7,000 customers at ABB Automation & Power World in Houston, TX

Next Level starts to create impact

Negative double digit translation impacts in Q1

Foreign exchange exposures – overview

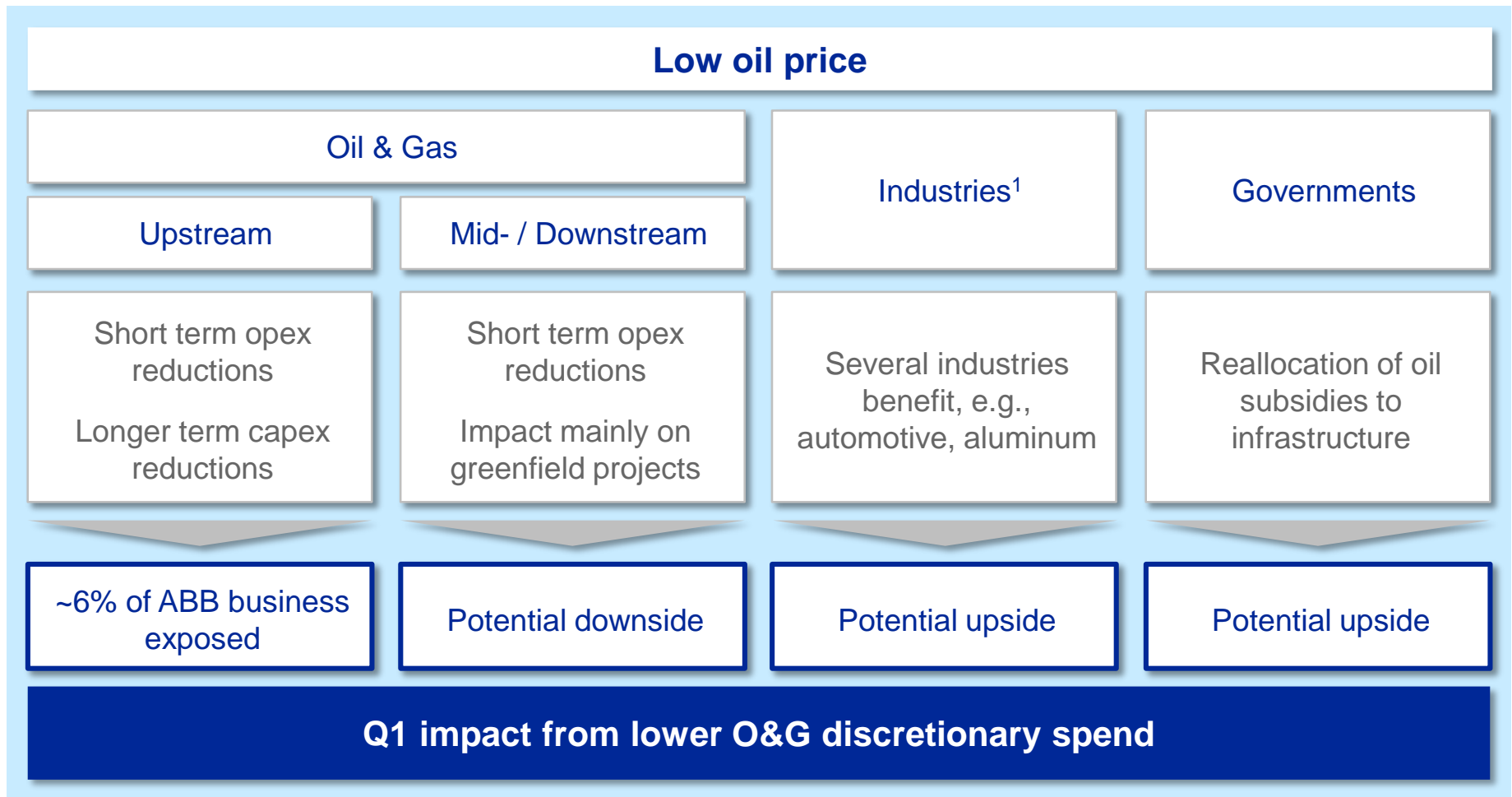
Example:

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

Translation impacts from strong USD will continue

Impact of low oil price starting in Q1

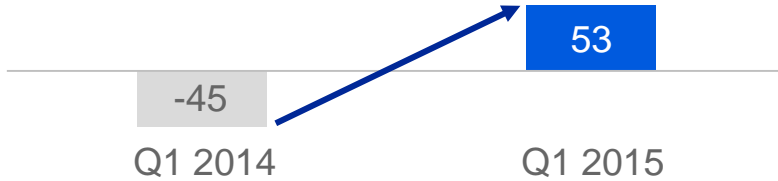


Stringent capital management

Freeing up cash for growth and value creation in Q1

A solid, more balanced, cash generator

Cash from operations, \$ mn



2015 Total cash distribution

Dividend from capital contribution to be paid early May (0.55CHF/ share)

Dividend distribution from nominal reduction to be paid late July/ early August (0.17CHF/share)

Actions in place

Net working capital focused efforts:

- Stronger operational execution on lead times, on-time delivery, payables/receivables
- Focus on driving inventory turns

NWC¹ at 15% of revenues; aim long term 11-13%

Status of share buyback

Q1 purchased 21.5 mn shares with a buyback value of ~\$450 million

In total: 54 mn shares purchase with an approx. value of \$1.2 billion

Continued focus on driving sustainable value creation

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ABB – Next Level

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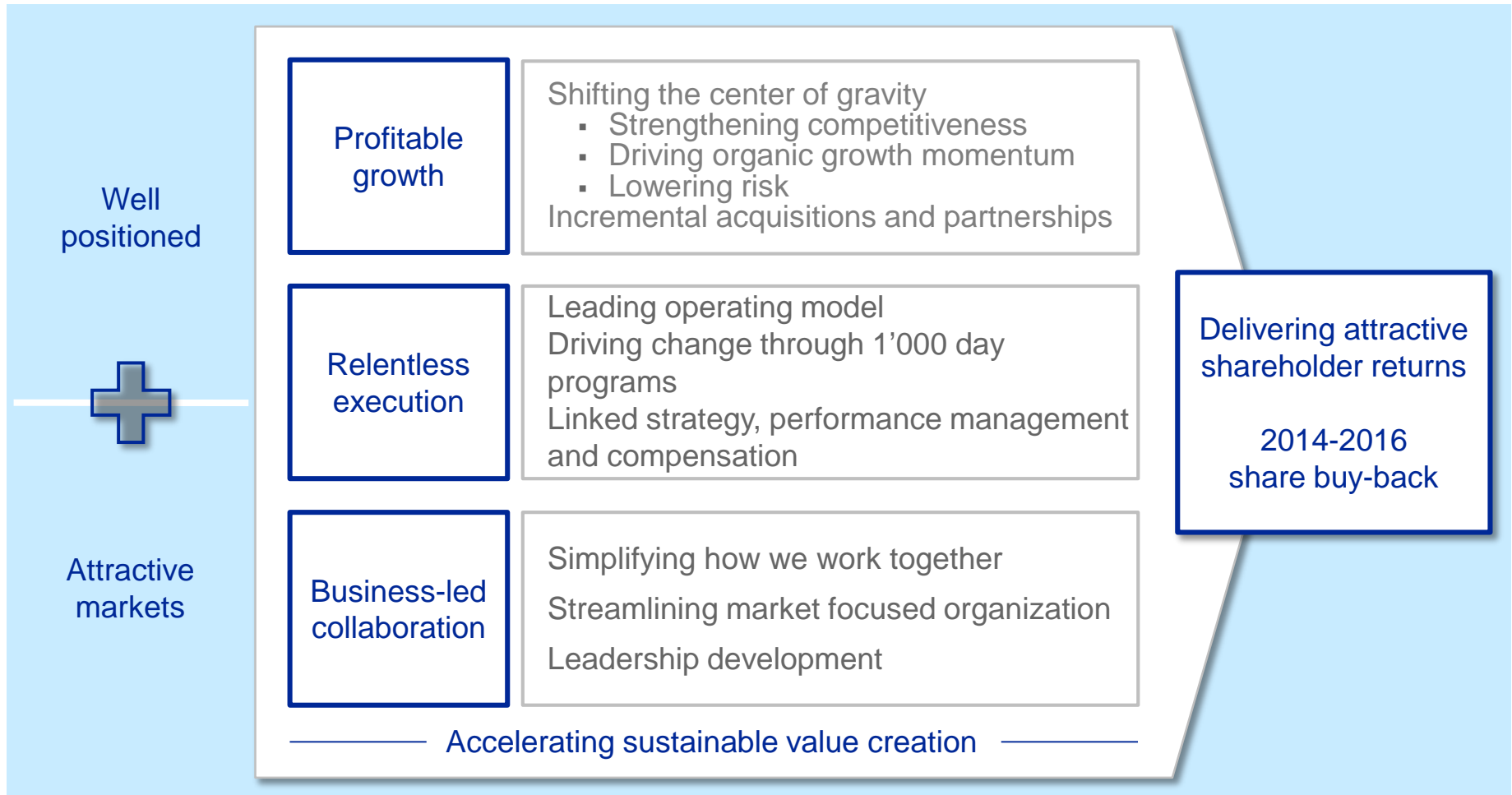
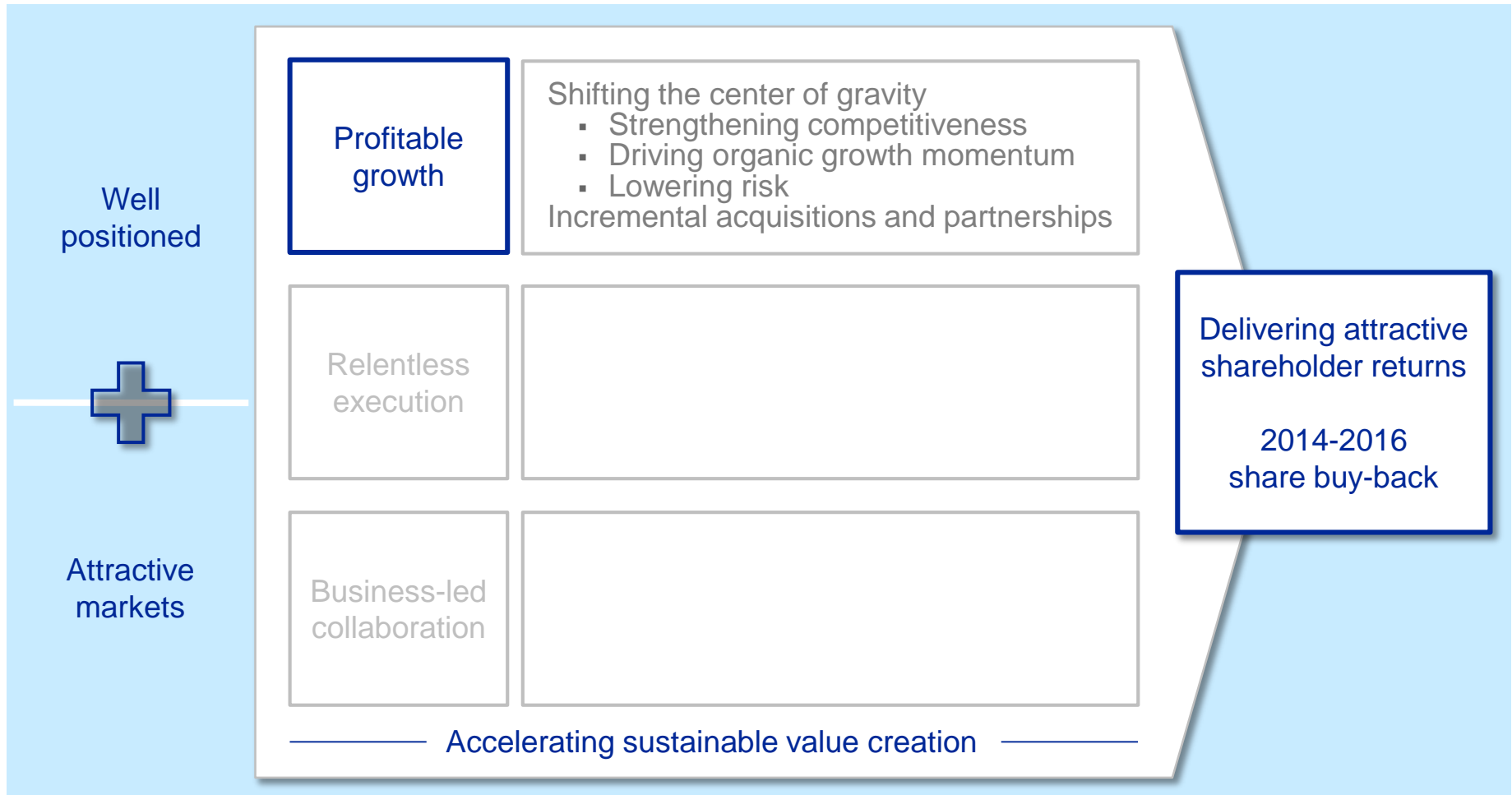


ABB – Next Level

Profitable growth



Profitable growth

Shifting the center of gravity



Strengthening competitiveness

Future

Today

Solution offering

Services

Customer value proposition

Economic cycle imbalance

Global imbalance

Intrinsic business risk

Software-led differentiation

Technological leadership

High-growth segments

PIE

Lowering risk

Driving organic growth

Shifting the center of gravity – competitiveness

Technological leadership: expanding robotics portfolio



Collaboration
without barriers



YuMi®

Soft and light,
collaborative small
parts assembly

Collaboration with
some separation



gomtec

Higher payload
and speed,
collaborative
manufacturing

Flexible and compact
production



IRB 120

ABB's smallest
multipurpose
industrial robot,
ideal for 3C

Handles short cycles
& harsh environments



IRB 4600

The sharpest
accuracy on the
market, 60 kg with
high reachability

A power robot for
heavy applications



IRB 7600

Payloads up to
500 kg, with high
torque and
acceleration

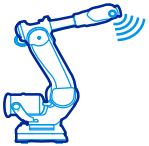
Innovation is taking the speed, precision and power of ABB robots to new places

Shifting the center of gravity – competitiveness

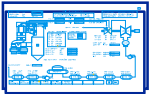
YuMi®: man – machine collaboration



Things



Services



People



Dual-arm small parts assembly robot

- Flexible hands
- Parts feeding systems
- Camera-based part location
- State-of-the-art robot control

Cage-less, safe operation

Addressing the needs of small parts assembly

Especially in the consumer electronics sector

YuMi® – ‘you and me,’ working together



YuMi® – designed for a new era of human friendly automation

Shifting the center of gravity – competitiveness

Services example – robotics remote service



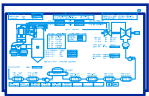
Things



Clients can access actionable information from smartphones and tablets

The information is available at any place, any time

Services



Central service unit remotely monitoring robots to support clients 24/7

Provides analytics to optimize robot usage and predict maintenance needs

People



Intelligent and connected robots

Sending data to cloud servers for back-up, reporting, diagnostics, and benchmarking



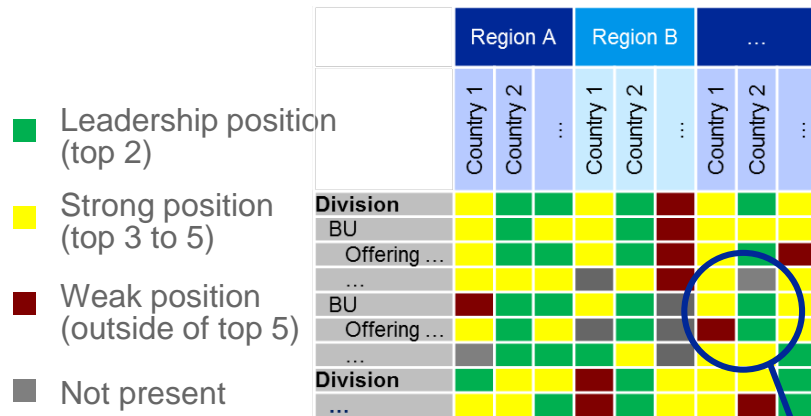
Industry 4.0 in action

Shifting the center of gravity – driving organic growth

Driving organic growth momentum through PIE



Navigation check: heat maps



Growth levers: “PIE”

Penetration: Selling more of our existing offering to accessible customers e.g. Japan

Innovation: New offerings / value propositions – focused resource allocation e.g. Yumi

Expansion: Move into high-growth segments e.g. Samsung partnership

Clear action plans:

Country	Initiative	Description	Sponsor	...
xxx	Xxx	xxx	xxx	...
...

Operationalizing growth in an engineering culture

Shifting the center of gravity – driving organic growth

Focus on high-growth segments – energy storage competence

Residential PV storage



4.6kW/2kWh Li-ion
(up to 6kWh)

Marble Bar micro grid



500kW/5kWh PowerStore

EKZ, Switzerland



Turn-key, 1MW/500kWh Li-ion

Ausnet microgrid Australia



Hybrid power storage- diesel generation &
grid stabilization system 1 MW/1 MWh

Warsaw Metro



ENVILINE, 3.3MW/12s (S-cap)

Hydro storage PHS, Grimsel 2



100MVA PCS8000 frequency converter

Profitable growth

Partnerships to expand into growth markets



Smart home
technology



Grid energy storage
and EV charging



Cloud – datacenter
technology



HVDC technology for
Japan



Building automation



Global microgrids and
energy storage

Focused growth initiatives result in 10% order increase

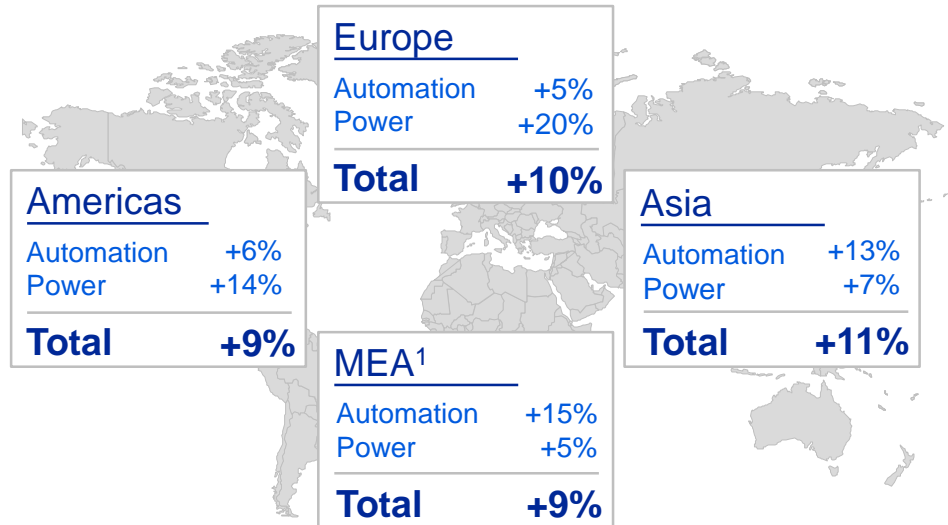
All divisions and regions grew



2014 total orders

Change on a like-for-like basis

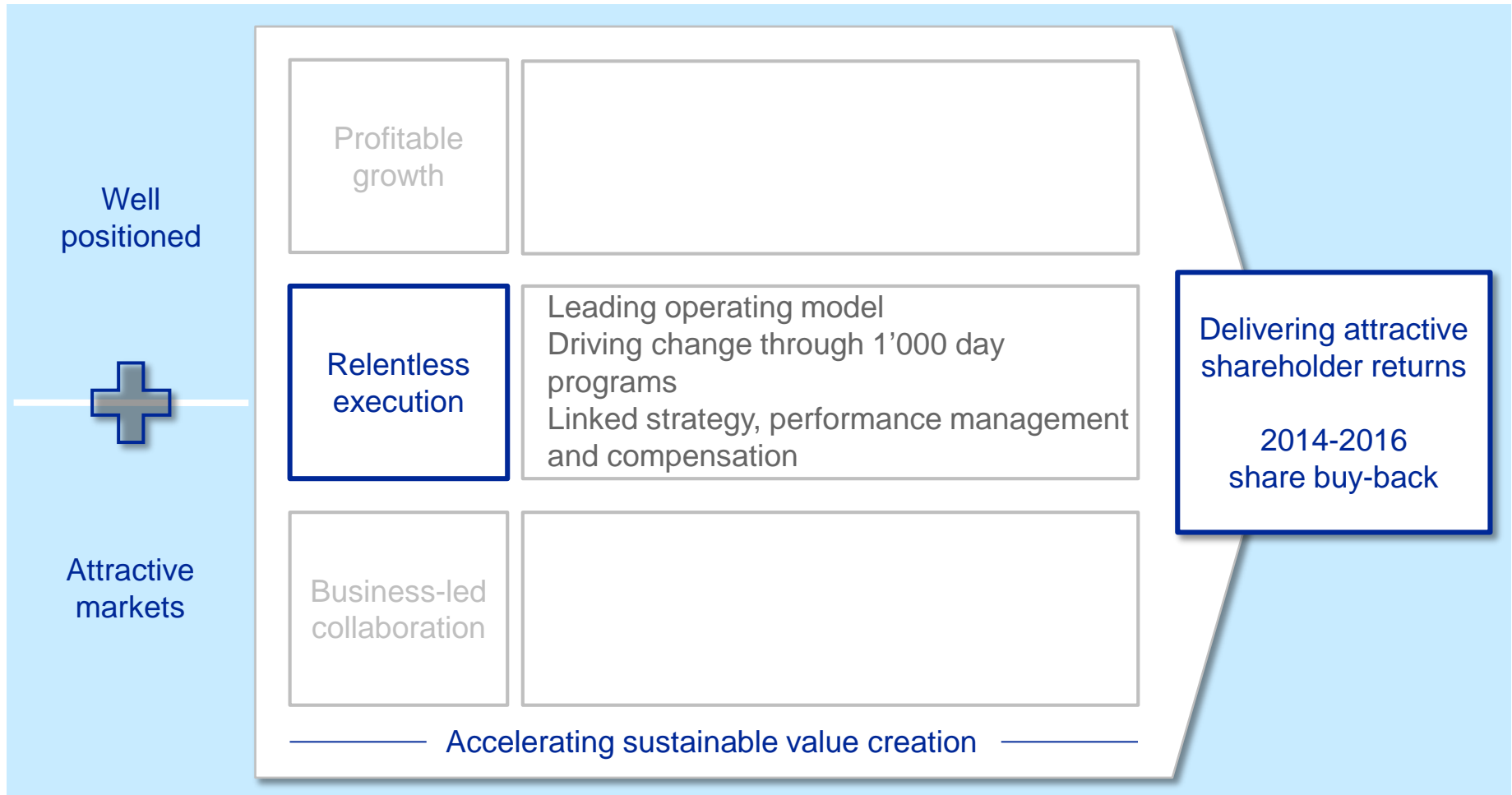
\$ mn	Orders	△
Discrete Automation and Motion	10'559	+8%
Low Voltage Products	7'550	+3%
Process Automation	8'577	+13%
Power Products	10'764	+5%
Power Systems	6'871	+20%
Corp. and consolidation	(2'806)	
ABB Group	41'515	+10%



PIE showing results

ABB – Next Level

Relentless execution



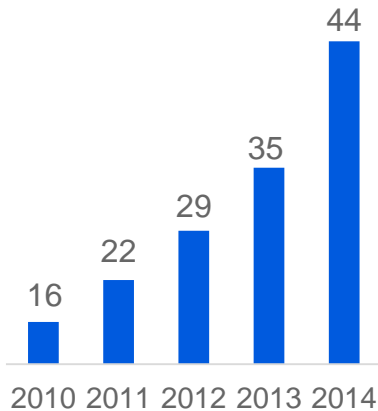
Relentless execution: leading operating model

Broadening success in customer satisfaction and cost / SCM



Customers

Customer satisfaction
– NPS¹ in %



Focus

Keep momentum in NPS and cost Δ
Drive white collar productivity, shared services

- Enhance customer service
- Free up resources for growth
- Speed, quality, service, cost

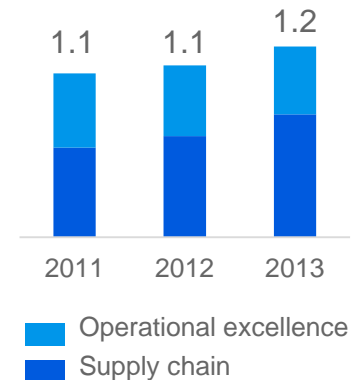
Push capital efficiency

- Disciplined investments
- Inventory reduction

Reflected in performance management and compensation

Cost

Cost savings
\$ billions p.a.



We deliver sustainable momentum

Relentless execution: PS “step change”

Delivering on commitment and ambition



What we said

Progress on profitability in 2015

Strengthen leadership team

Complete off-shore wind projects

Exit solar EPC

New partnerships

Grow base business

De-risk business model, improved risk mgmt.

What we did

3rd consecutive profitable quarter

Division line & project mgmt. strengthened

Milestone progress on track

On track for completion

HVDC partnership with Hitachi for Japan

Steady base orders and service

Reflected in order bookings

Solid “step change” progress, key wins reflect new business model

Relentless execution: 1'000 day programs

Focus, phased actions, clear ownership and accountability



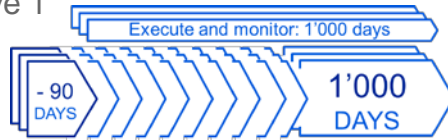
Objective: “say-do”

- Focus on high-impact strategic priorities
- Align whole organization behind these priorities
- Develop and execute clear plans
- Dedicate appropriate management resources

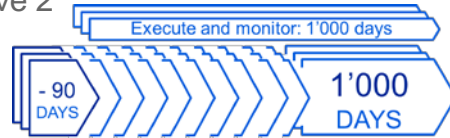
Approach: focused waves

- Exec. sponsor, business owner, focused teams
- Coordinated by project office reporting to CEO
- High quality implementation plans
- Progress tracking linked to performance management and compensation

Wave 1



Wave 2



Jill Lee appointed Head of Next Level program, reporting to CEO

Relentless execution: link performance & compensation

New compensation model rolled out



Compensation further aligned to performance targets

- Rolled out to more than 60,000 employees in Q1
- Institutional and individual targets

Better link between performance and compensation

What we said in Q4 2014

Rolled out globally

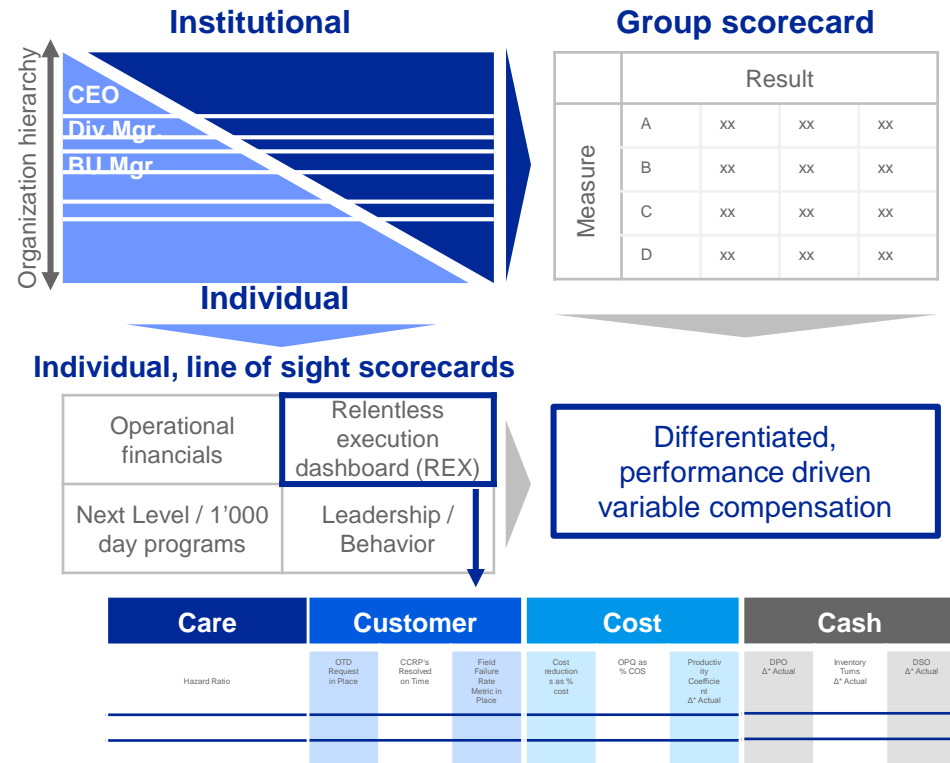
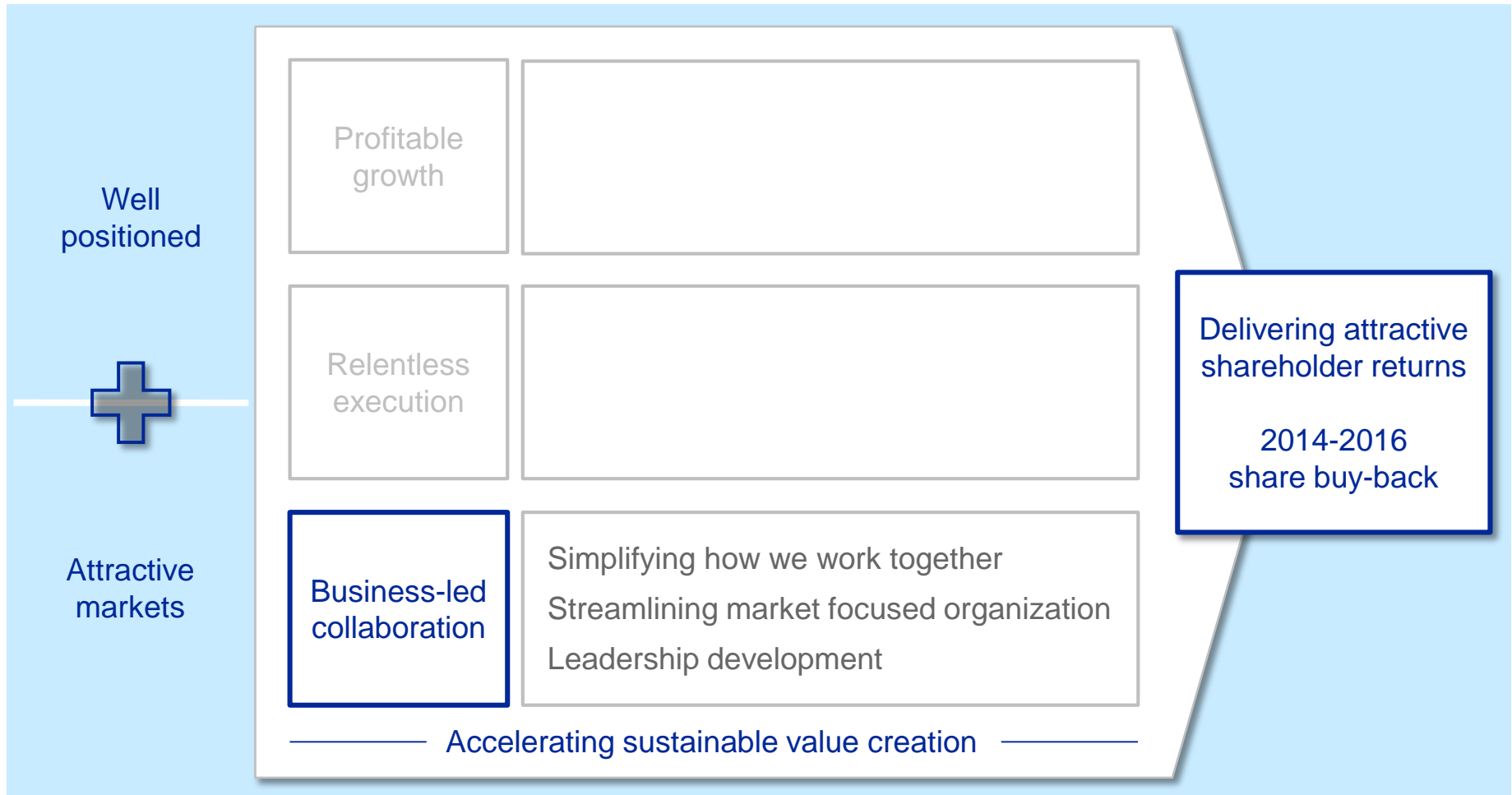


ABB – Next Level

Business-led collaboration



Business-led collaboration

Profitable growth from combined power & automation offering



Utilities

Eskom, South Africa

~\$170 mn

- Power plant control, software, instrumentation



Industry

Statoil, Norway

~\$120 mn

- 200-km subsea power link – ABB expertise in HVDC plus offshore O&G



Transportation & Infrastructure

Stadler rail

~\$60 mn combined

- Integrate power & automation to increase efficiency, lower environmental impact



Cross-division collaboration delivers greater customer value in Q1

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Outlook

Continued volatility and uncertainty

Short-term

Mixed short-term picture, uncertainty remains

Continued market growth in US; slowing growth in China; modest growth in Europe

Oil price & forex translation effects to continue

Long-term

Long-term demand outlook remains positive – growth drivers in place for utility, industry, transportation & infrastructure

Priorities for 2015

Summary

Profitable growth

- Maintain / accelerate organic growth momentum relative to market
- 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

Power and productivity
for a better world™



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