

Ulrich Spiesshofer, CEO, ABB Ltd., Bernstein Strategic Decisions Conference, June 2, 2016, New York

# Next Level Stage 2

Accelerating transformation – Status update



#### Important notices

Presentations given during the Capital Markets Day 2015 include 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," "flanges," "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:

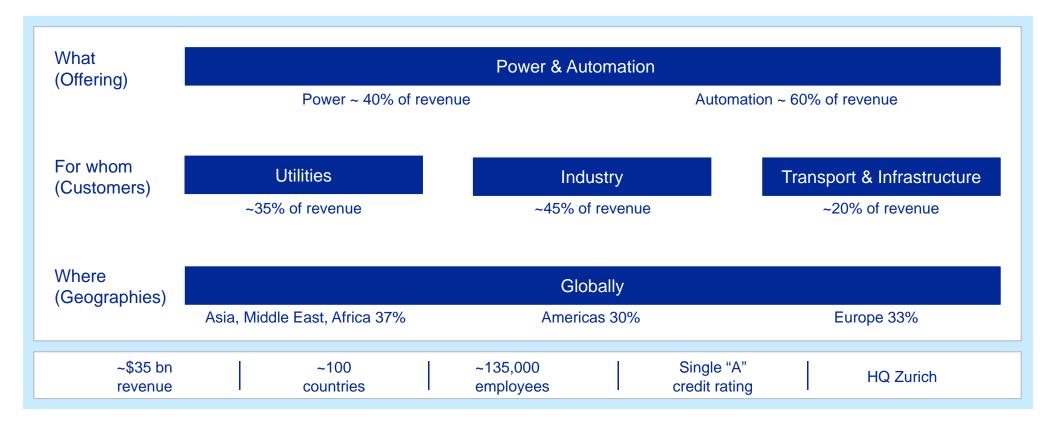
- business risks associated with the with the volatile global economic environment and political conditions
- costs associated with compliance activities
- raw materials availability and prices
- market acceptance of new products and services
- changes in governmental regulations and currency exchange 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.

The presentations also contain 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 "Capital Markets Day 2015" on our website at <a href="http://new.abb.com/investorrelations/">http://new.abb.com/investorrelations/</a>

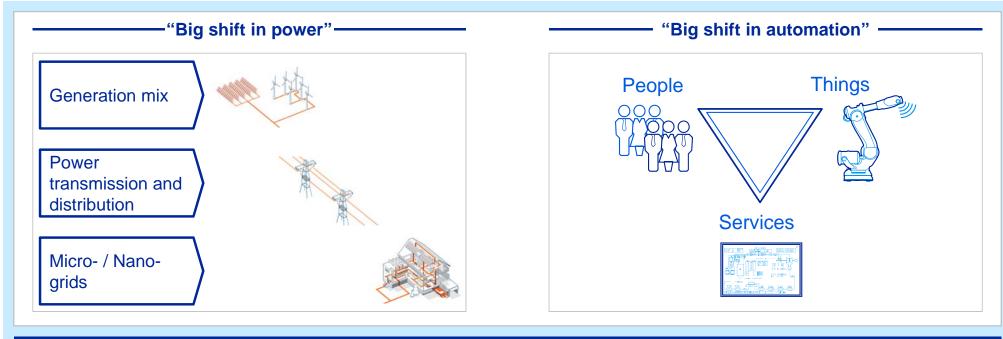


# ABB in simple terms





# "Big shifts" in power & automation Well positioned in a changing market



Power: renewables, electrical transport, storage, prosumers
Automation: data availability, connectivity, growth in processing power



# Long-term market growth drivers intact

### Well positioned in a changing market

#### Power & Automation

#### **Utilities**



Renewables
Grid automation / digitalization
Microgrids
Smart upgrades
Electrification penetration
Energy storage

Industry







Productivity
Energy efficiency
Automation penetration
Internet of Things, Services and People
Power quality / reliability
Emerging markets

Transport & Infrastructure



Urbanization

Data management

Electric transport

Energy efficiency

Power quality / reliability

Decentralized power generation

Our aspiration: #1 or #2 in all businesses



# Next Level Stage 1

Strategy

Next Level

#### **Delivered**

Profitable Growth

Relentless Execution

Business-led Collaboration

Shifting the Center of Gravity

- Strengthening competitiveness
- Driving organic growth momentum
- Lowering risk

Incremental acquisitions and partnerships

Leading operating model

Driving change through 1'000 day programs

Linked strategy, performance management and compensation

Simplifying how we work together

Streamlining market-focused organization

Leadership development

Orders 8
Active po

2

201

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2014

delivered

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Stage

PIE<sup>1</sup>, showing positive results mitigating market headwinds Systematic organic growth framework driving momentum Orders & revenues stable<sup>2</sup>; order backlog +5%<sup>2</sup> Active portfolio management +\$1 billion in portfolio pruning Six new partnerships

Operational EBITA margin accretion up 60 basis points to 11.8% Successful turnaround of Power Systems; delivers positive results Accelerated cost savings & productivity measures Free Cash Flow +16%<sup>3</sup>; cash return on invested capital up 70 bps. to 13.4% New performance mgmt. and compensation model

Streamlined and simplified organization in place
Leadership appointed; election of 4 new Board Members
Collaborative sales platform, salesforce.com, operational globally
Next Level account management defined and implemented

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 $^1\text{PIE}$  Penetration Innovation Expansion;  $^2\text{On}$  a comparable basis;  $^3\text{On}$  a constant currency basis Note: all figures pertain to YE2015



### Next Level Stage 2

#### Accelerating transformation

2

Stage

Profitable Growth

Relentless Execution

Business-led Collaboration

Shifting the Center of Gravity

- Divisional realignment along markets
- Accelerating organic growth

Ready for inorganic moves

Value from partnerships

Advancing leading operating model

\$1 bn White Collar Productivity 1'000 day program

\$2 bn Working Capital 1'000 day program

Living the new performance culture

Further simplifying our organization

Driving collaboration in regions and countries

Continuing leadership development

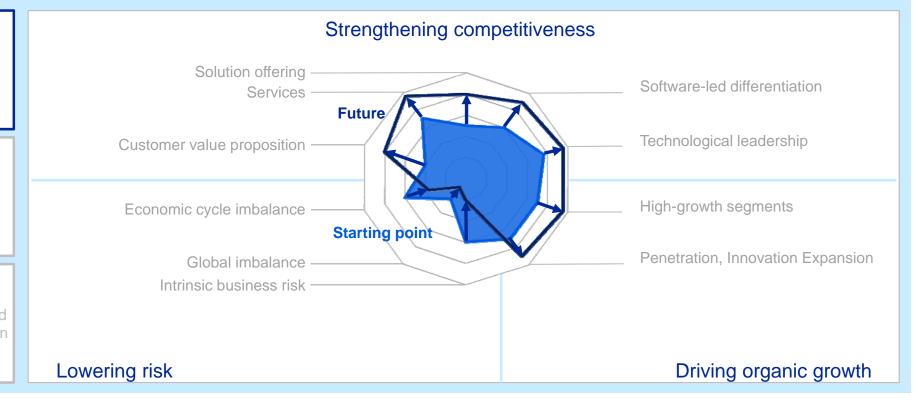
# Profitable Growth Shifting the Center of Gravity

Presented September 9th, 2014

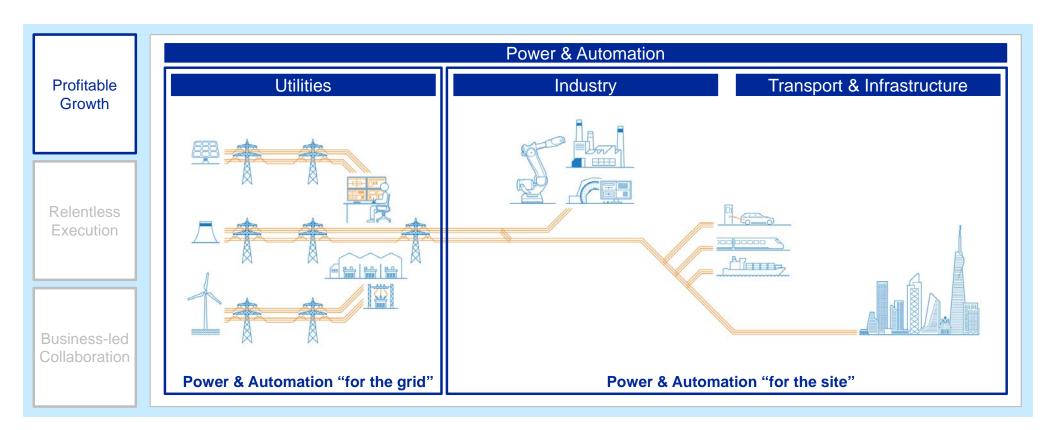
Profitable Growth

Relentless Execution

Business-led Collaboration

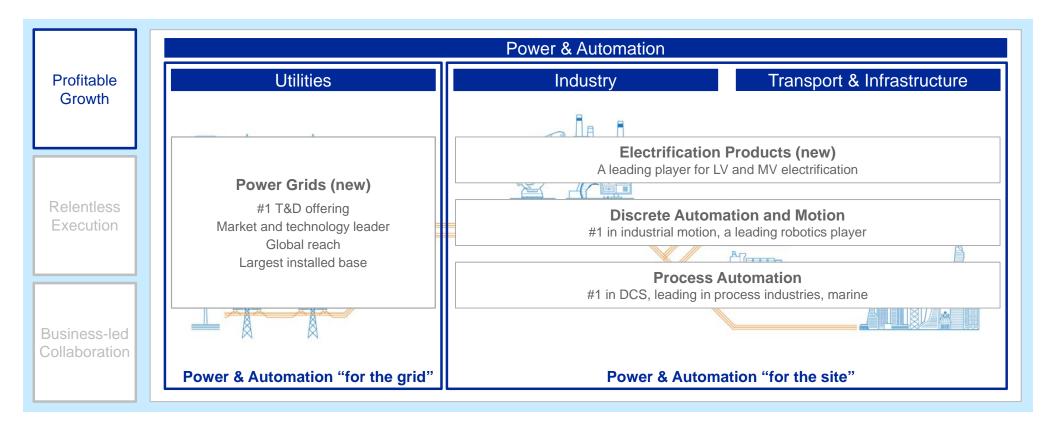


# Shifting the Center of Gravity – divisional realignment completed Aligned with our customer value proposition





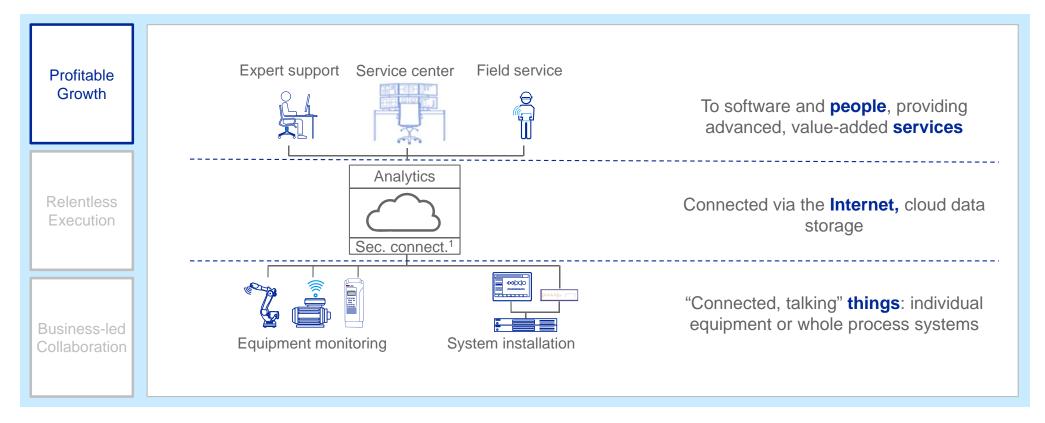
# Shifting the Center of Gravity – divisional realignment completed Moved from 5 to 4 divisions – aligned with our customer value proposition





### Strengthening competitiveness

### Software-led differentiation - Internet of Things, Services and People - IOTSP





# Strengthening competitiveness

#### Software led differentiation - Examples of IoTSP offerings

Profitable Growth

Relentless Execution

Business-led Collaboration

#### **Utilities**



Ellipse – enterprise asset management



CoreTec® (transformer electronic control)

#### Industry



Remote monitoring of robots worldwide from Bangalore



Smart sensor

#### — Transport & Infrastructure —



Partnership with Microsoft on EV charging



Route optimization software for 140 Maersk ships



#### Relentless Execution

#### White Collar Productivity: >\$ 400 mn gross savings – on track for 2016

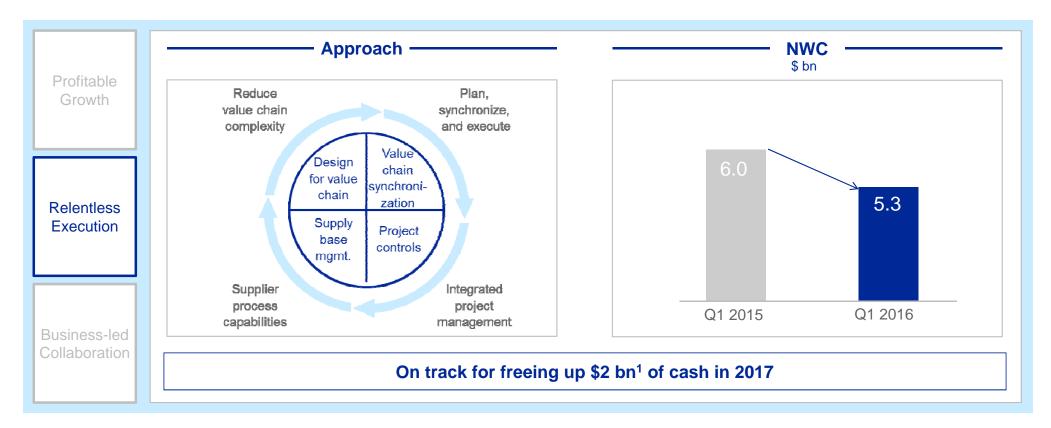
From To **Status** Profitable Finance, HR, SCM Centers of Decentralized. Lean business Growth excellence with and Sales well on subscale **functions** critical mass track business functions 2 global (India, 68 country based Global units in place; Global shares Poland); services shared services transfer initiated Relentless 4 regional Market-Execution Global oriented shared complexity services reduction Market-oriented 5 divisions 20 % reduction of Regional / country complexity 23 BUs global / local delayering completed 125 product groups units 4 divisions operational reduction Business-led Collaboration On track for \$1 bn<sup>1</sup> white collar productivity cost savings in 2017



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#### **Relentless Execution**

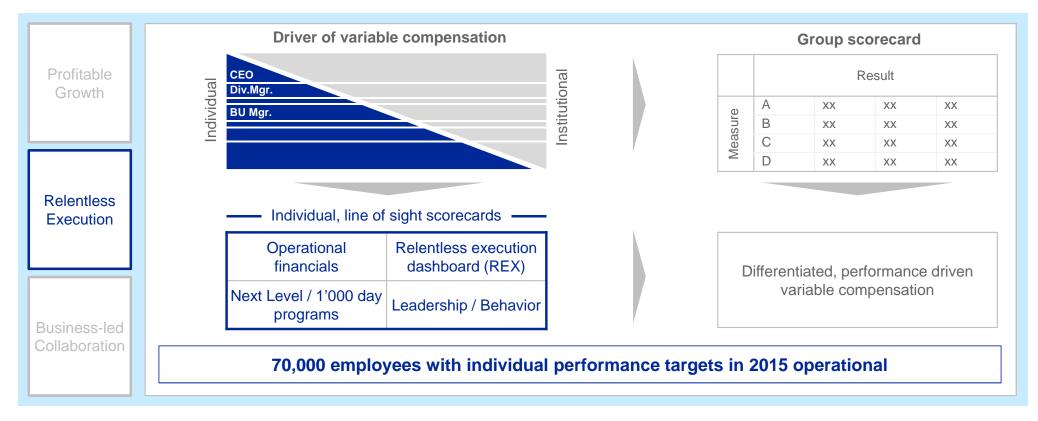
#### Working Capital: freed up \$600 mn in cash over last twelve months





#### Relentless Execution

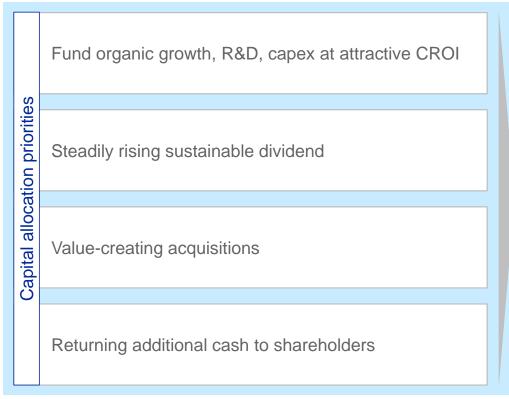
#### Living the new performance culture - linking strategy, performance and compensation

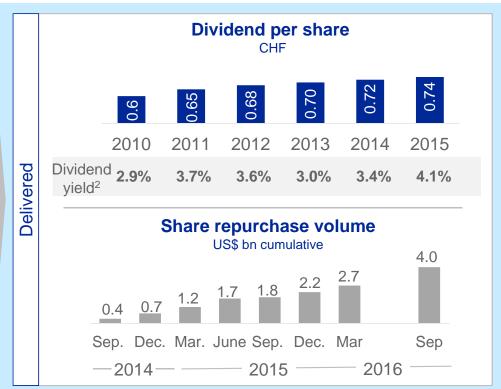




# Capital allocation priorities remain unchanged

Returned +\$6 bn<sup>1</sup> of cash to shareholders since Capital Market Day 2014







#### ABB Next Level – why own ABB

Pioneering technology leader with strong positions in attractive markets

Clear transformation agenda driving EPS and CROI

Strong balance sheet; committed to attractive returns to shareholders

Next Level Strategy: accelerating sustainable value creation



