



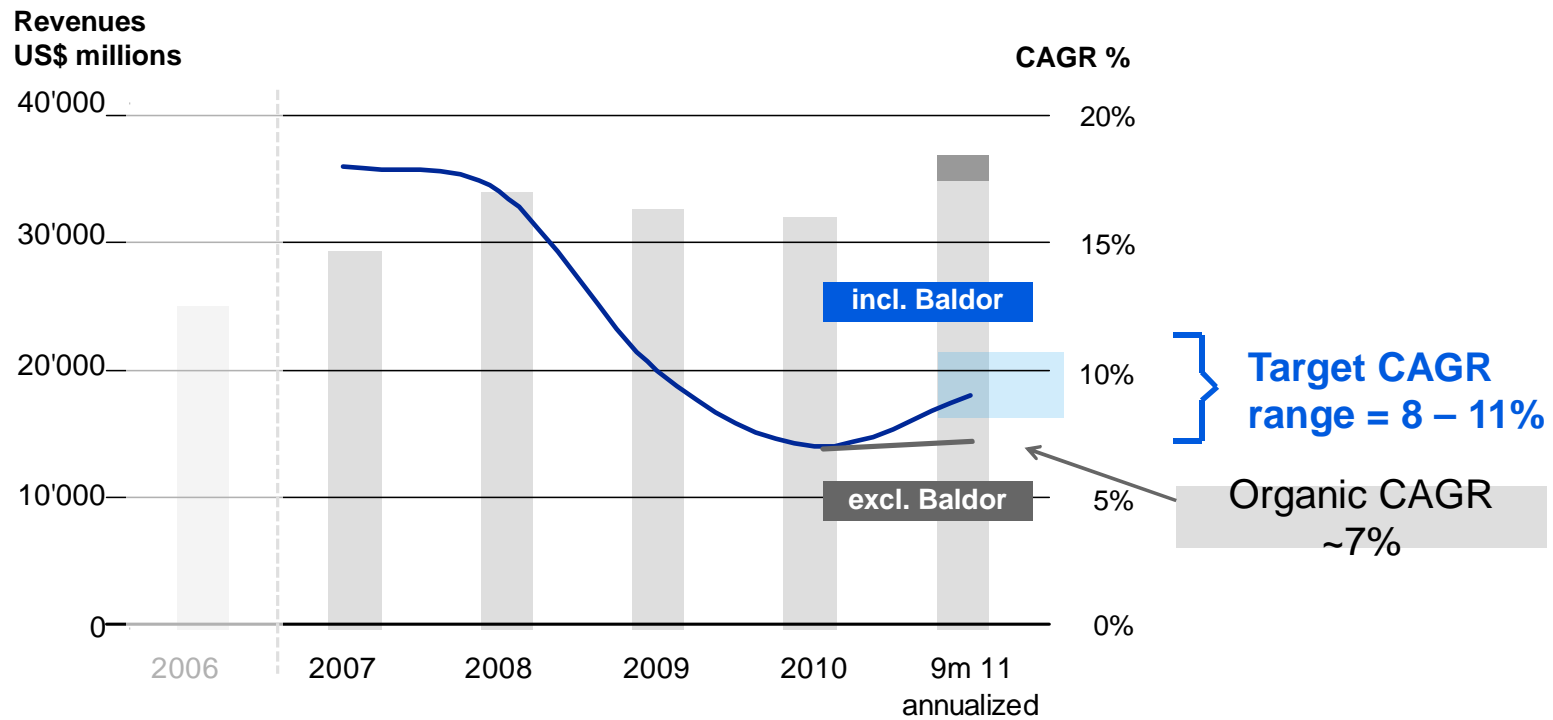
Michel Demaré

The financial targets explained

Performance against our 2007 – 2011 targets

Revenues: Close despite historic downturn

Revenues and revenue CAGR 2007 – 2011¹
 % change year-on-year in local currencies



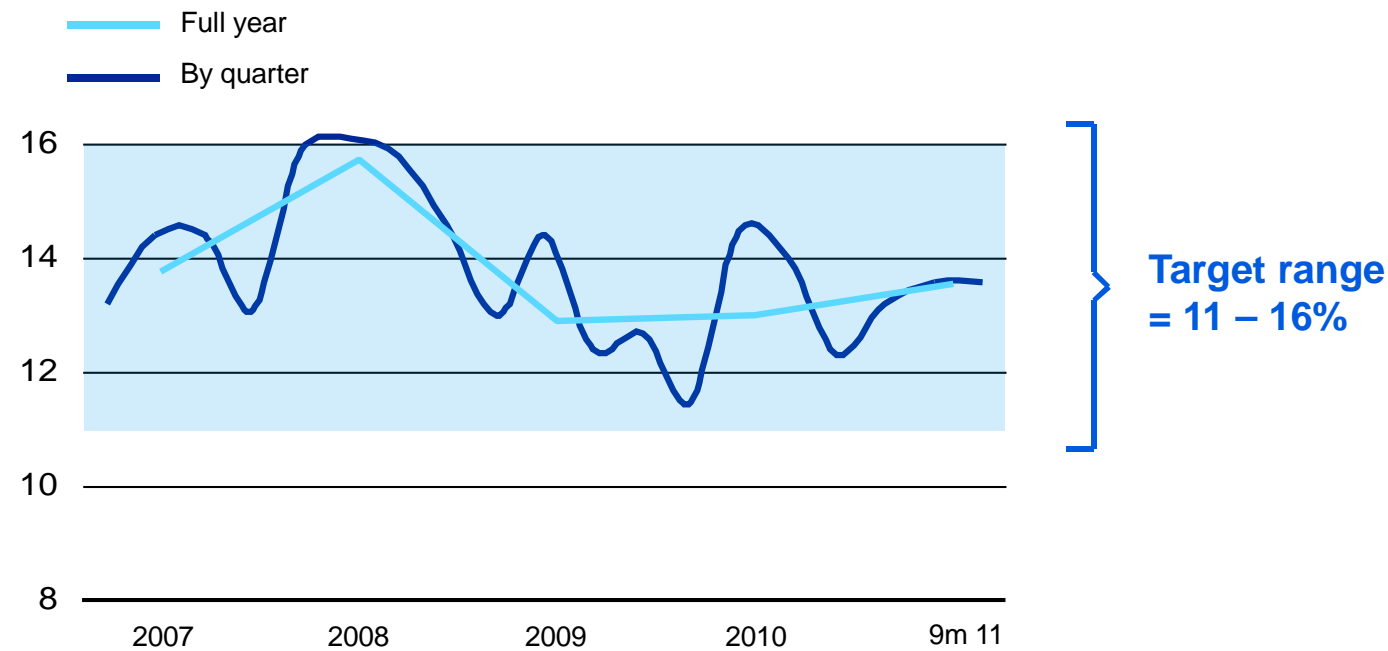
¹ 2011 annualized using 9-months to Sept 2011

Chart 2

Performance against our 2007 – 2011 targets

EBIT margin: Within or above the range every quarter over the cycle

EBIT margin¹ full year and by quarter 2007 – 9 months 2011
 % revenues



- Reliable earnings delivery
- High-margin business units maintained solid performance
- Fast and effective cost take-out
- Successful crisis management

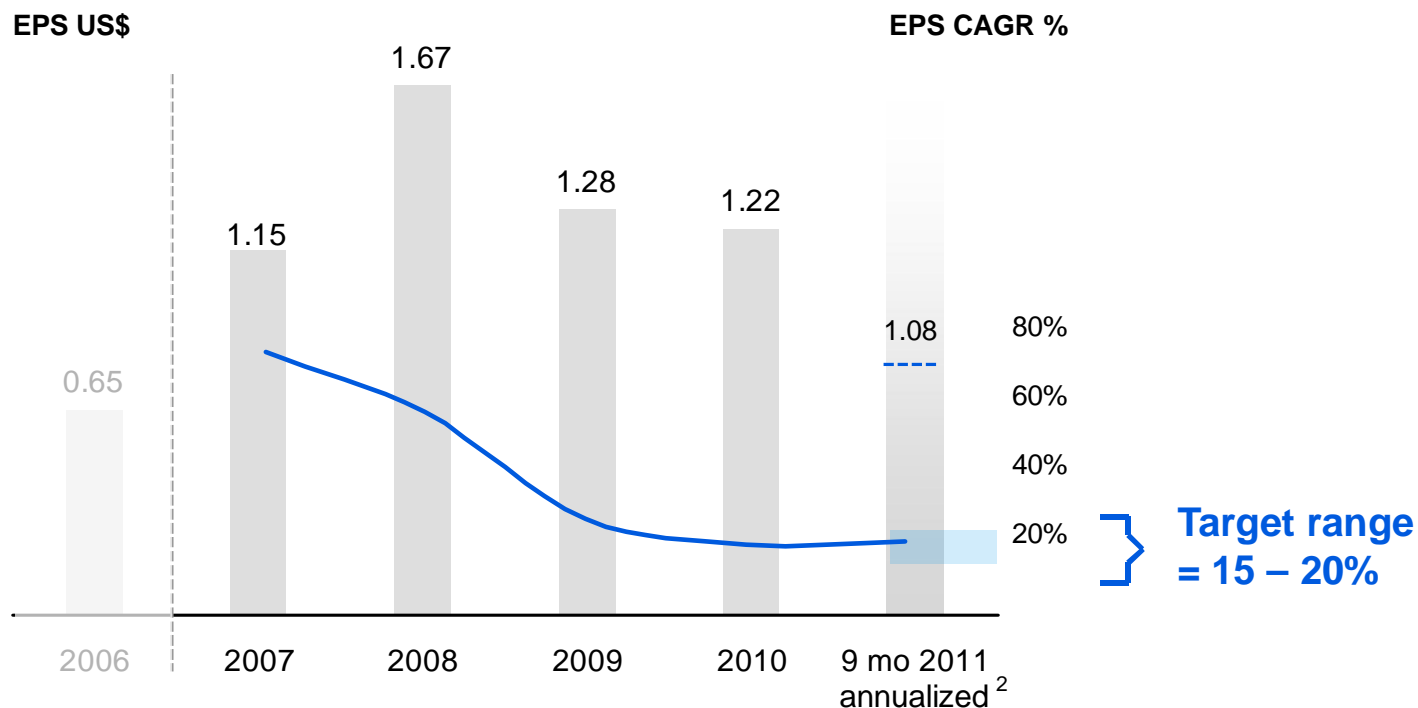
¹ 2007-08 EBIT adj. for transformer restructuring; 2008-10 adj. for cost take-out restructuring program; 2008-09 adjusted for compliance and other provisions; 2009-11 = operational EBIT -- See Appendix for definitions of non-GAAP measures

Chart 3

Performance against our 2007 – 2011 targets

EPS CAGR growth: Stable revenues and improved margins

Normalized¹ basic earnings per share (undiluted) 2006 – 9 months 2011
 EPS in US\$, based on weighted average number of shares



¹ 2007 excl. gain on sale of ABB Lummus, recognition of deferred tax assets (DTA); 2008-2009 excl. impact of compliance provisions; 2008-2010 adj. for cost take-out program; 2009-2011 adj. for mark-to-market treatment of hedging transactions and unrealized FX movements on receivables/payables; 2011 adj. for Baldor acquisition costs, and restructuring and restructuring-related costs.

² Annualized at 9-month 2011 growth rates.

Chart 4

Performance against our 2007 – 2011 targets

Cash flow conversion: Excellent quality of earnings

Cash conversion and cumulative average 2007 – 2010

Free cash flow (FCF) as % net income¹

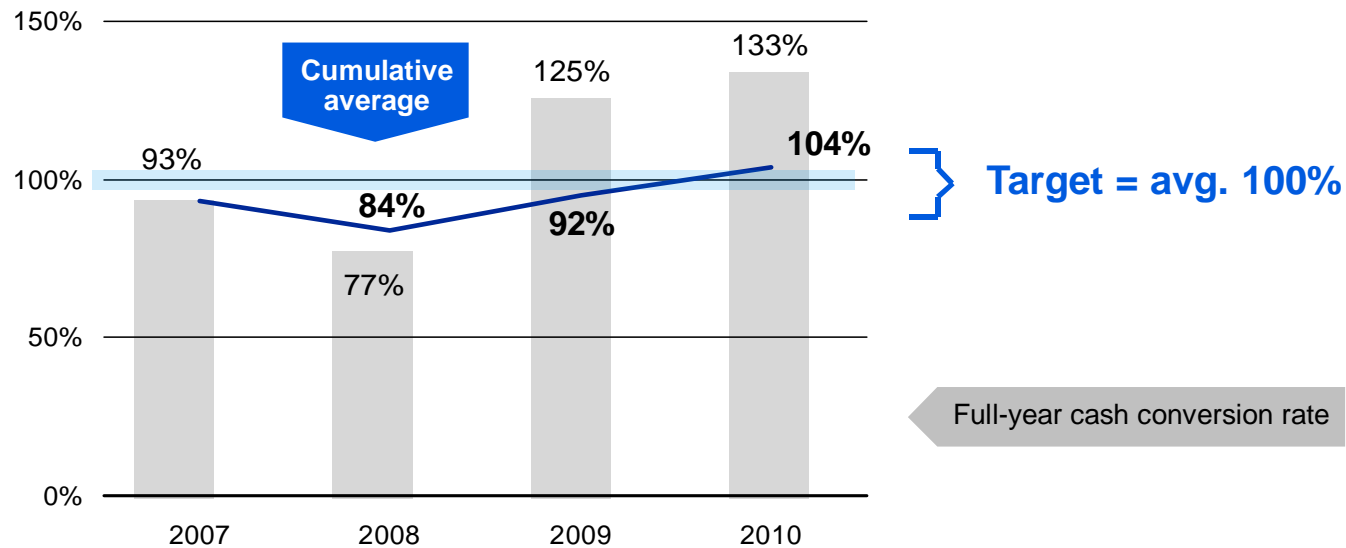


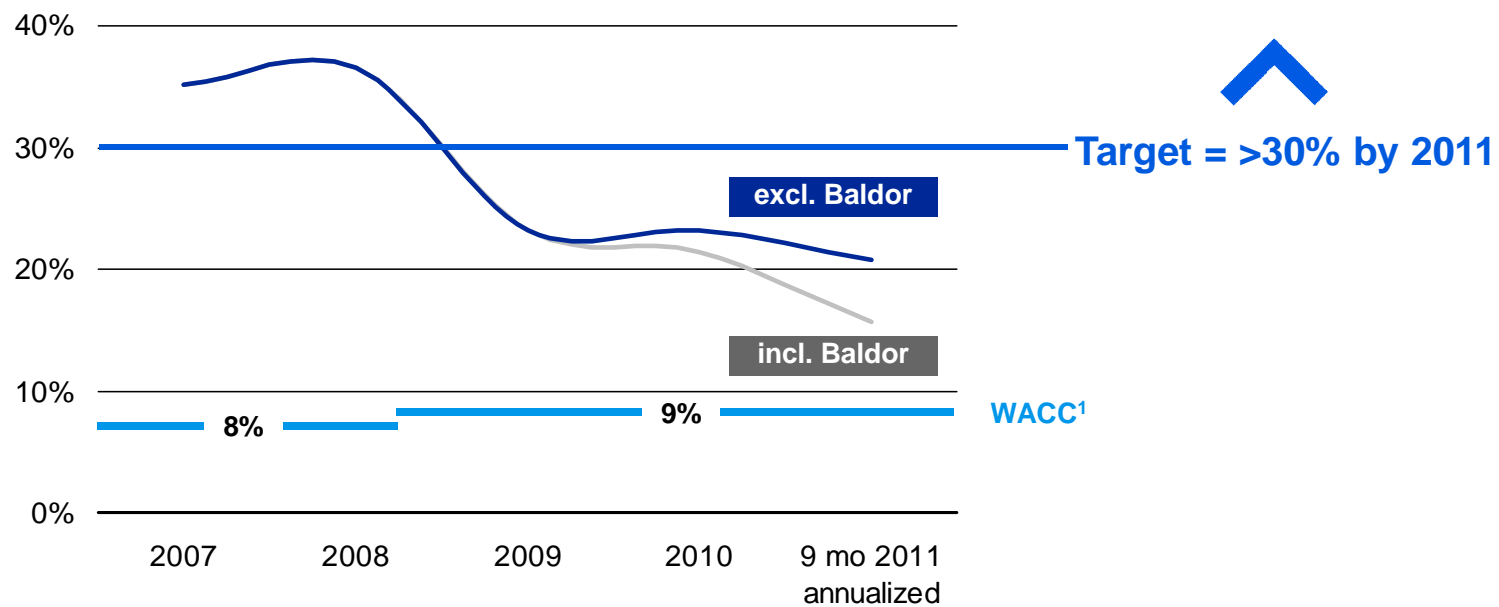
Chart 5

¹ 2007 net income excl. gain on sale of ABB Lummus and recognition of DTA; 2008 and 2009 net income excl. impact of compliance provisions

Performance against our 2007 – 2011 targets

Return on capital employed: Returns well above WACC¹

Return on capital employed 2007 to Q3 2011
%, after tax



¹ Weighted average cost of capital

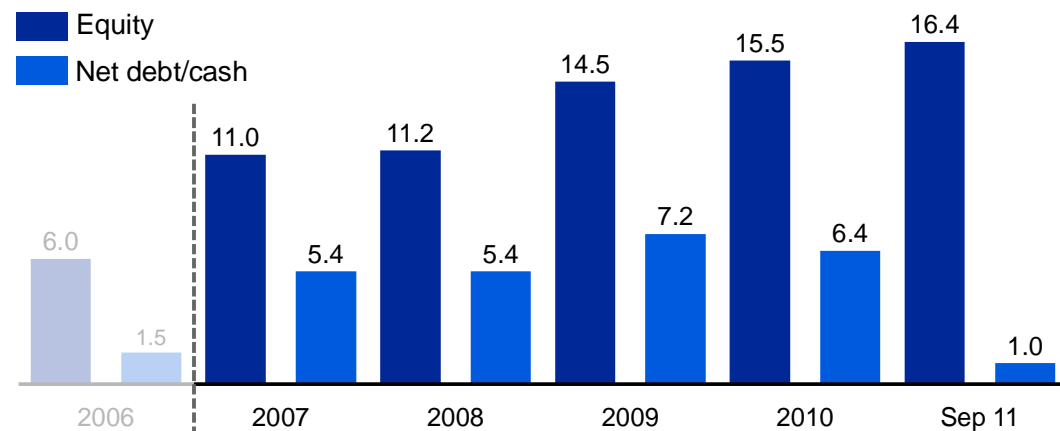
Chart 6

An unprecedented financial crisis

ABB emerges with the strongest balance sheet ever

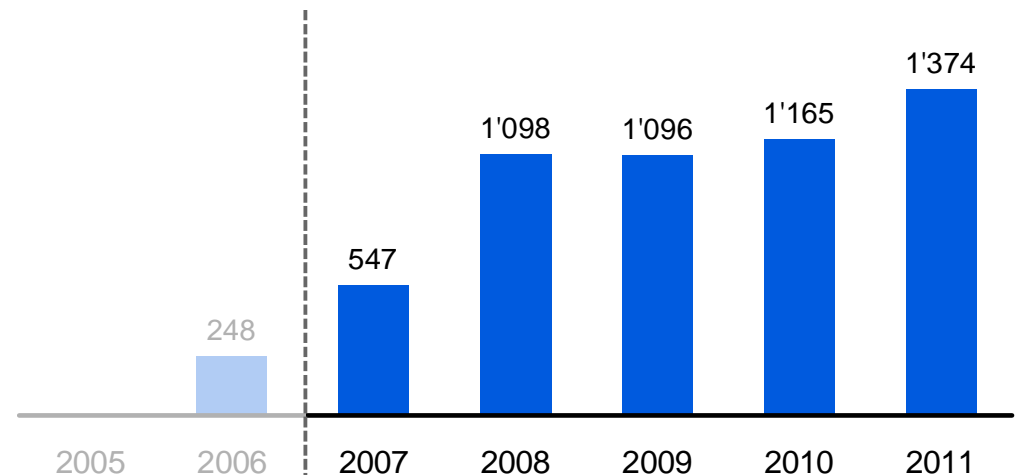
Total stockholders' equity and net debt/cash
2006 – Sep 30, 2011

US\$ billions



M&A: \$7 bn spent since 2007
Dividends: CHF 5.3 bn paid

Dividends paid 2005 – 2011
Swiss francs



Dividend policy
To pay a steadily rising, sustainable dividend over time

Chart 7

1 Chart shows amount of dividends in the year paid

ABB returned to bond markets with \$2.2 bn of new issues

Extended average bond maturity from 1 to 4 years

New issues in 2011 – Oversubscribed

144a/RegS US bond issues (June)

- \$600 million 5-year at 2.50%
- \$650 million 10-year at 4.00%

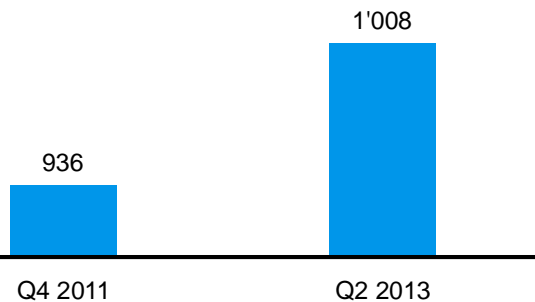
Swiss bond issues (launched Sept)

- CHF 500 million 5-year at 1.25%
- CHF 350 million 10-year at 2.25%

Average bond maturities end May 2011

US\$ millions

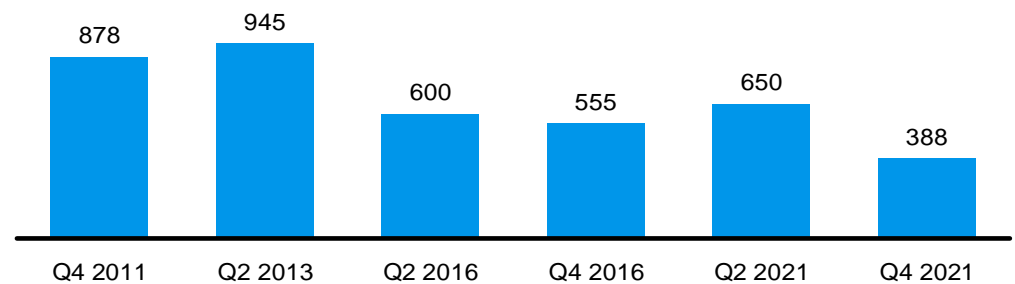
From 1.3 years pre issuance ...



Average bond maturities beginning Oct 2011

US\$ millions

... to 4.4 years post issuance



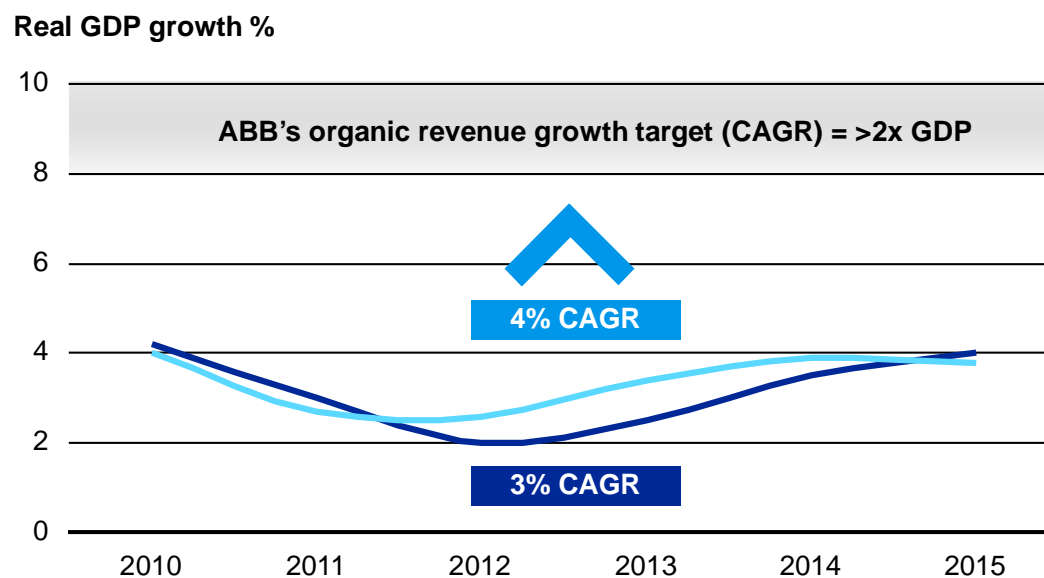
Since 2007, two rating upgrades and a return to solid Single A investment grade

2011 – 2015 plan assumptions

We expect to outgrow global GDP by more than 2x

- Assumptions based on a slowdown in next 18 months, not a deep recession
- World GDP to grow 3 – 4%¹ p.a., emerging market (EM) growth >2x developed markets
- Global industrial capex to grow 5 – 6% p.a., EM capex share growing to 65% from <60%
- ABB's markets assumed to grow 6% CAGR over the period

World GDP growth assumptions²



¹ Compound annual growth rate, base year 2010; ² Source: Global Insight

Chart 9

2011 – 2015 plan assumptions

Execution to balance cost AND growth to remain key management focus

Market assumptions

- Emerging markets keep commodity prices high – good for business, challenge for input costs
- Plan assumes stable forex, changes compensated by hedging policy and balanced footprint
- Price pressure and emerging market competition are a fact of life – continuous cost savings required to incrementally improve gross margin

Strategic parameters

- Portfolio remains focused on Power and Automation – no divestments planned
- M&A capacity to potentially increase top line CAGR¹ by 3-4% (not included in targets)

¹ Compound annual growth rate, base year 2010

Overview of new targets 2011 – 2015

Group targets		Potential M&A impact
Organic revenue growth (CAGR¹)	7 – 10%	+3% to 4%
Operational EBITDA margin corridor	13 – 19%	Within the same corridor
Organic EPS growth (CAGR¹)	10 – 15%	+3%
Free cash flow conversion	Annual average >90%	Same conversion rate
Cash flow return on invested capital	>20% by 2015	Depends on acquisition timing, steady over the long term

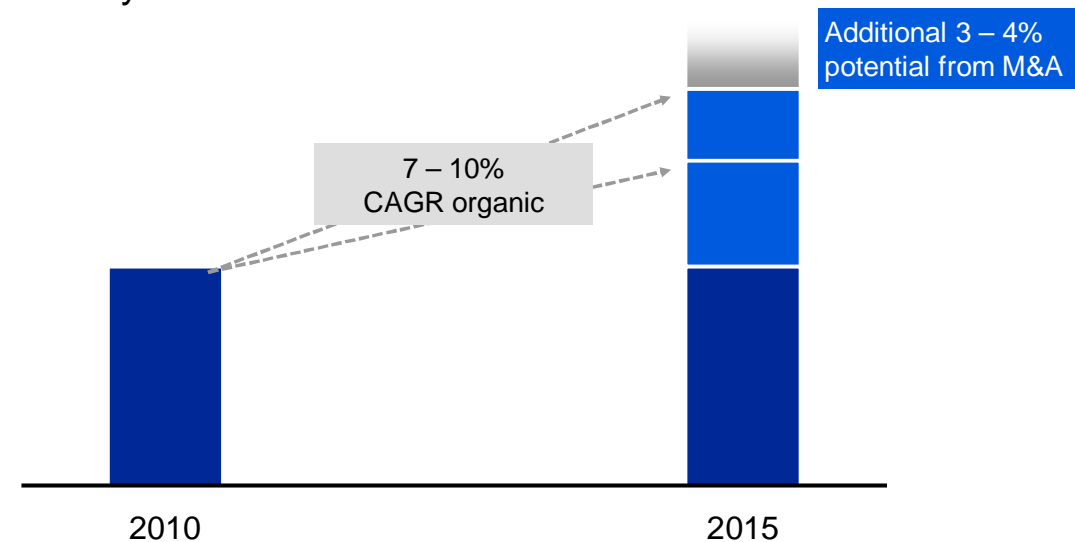
¹ Organic incl acquisitions closed as of end-Oct. 2011; CAGR = Compound annual growth rate, base year 2010

Group Target #1

Organic revenue growth 7% to 10% a year CAGR

Revenue growth CAGR¹ 2011 – 2015

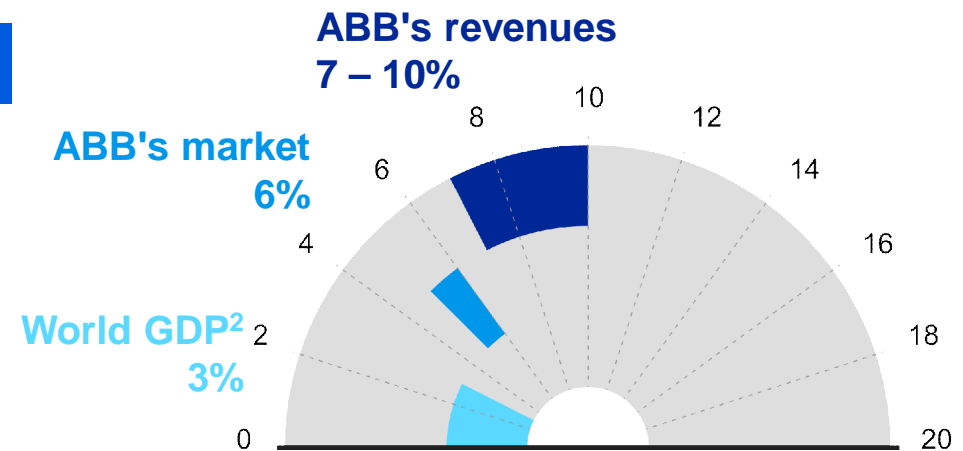
Base year = 2010



- Baldor, Ventyx and Mincom account for ~1.5% of 7 – 10% organic growth – they’re in the portfolio today
- “Pure” organic growth is 5.5% to 8.5% CAGR

¹ Compound annual growth rate, base year 2010

Base scenario



- Emerging market strategy: “In country, for country”
- Mature economies focus: gain shares in local markets
- Further focus on energy efficiency, grids, renewables
- Service and software growth in high teens, to reach >20% total sales

² Source: Global Insight

Group Target #2

Operational EBITDA margin corridor 13% to 19%

Drivers

Supportive

- Growth in service and software expected to lift Group margins from current levels
- Value-based pricing, packaged solutions
- Cost savings to protect gross margins – primarily sourcing, operational excellence and footprint
- Steady G&A to absorb more volume

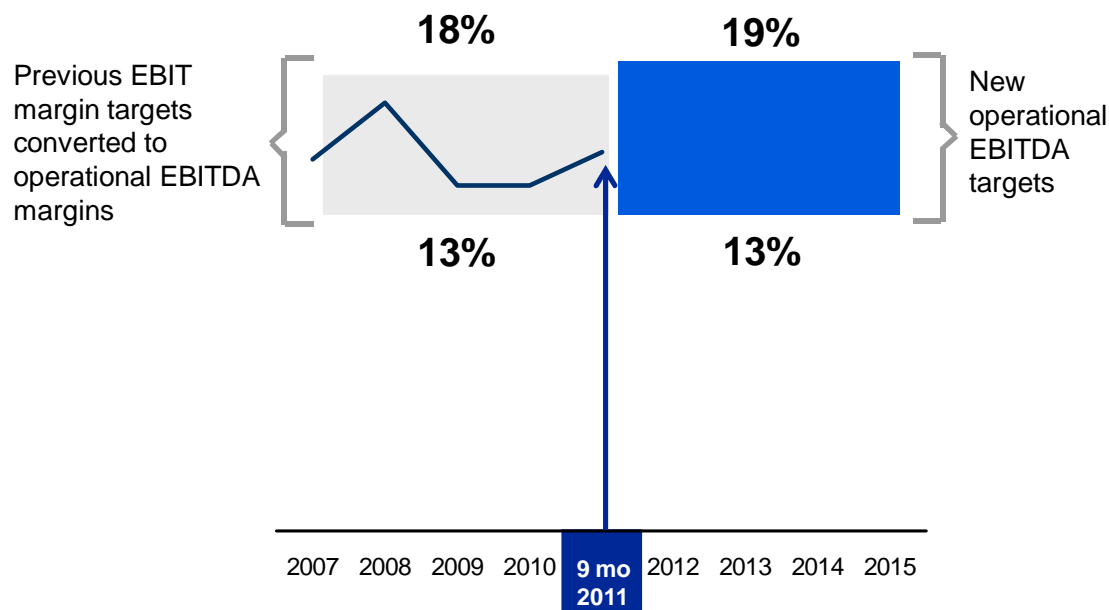
Dilutive

- Continuous price pressure – emerging competitors, overcapacity in some segments
- Investments into R&D and selling to accelerate top line growth

Potential M&A initiatives expected to deliver operational EBITDA margins within the target range

Operational EBITDA margins¹ and targets 2007 – 2015

% operational revenues



¹ See Appendix for definition of non-GAAP measures

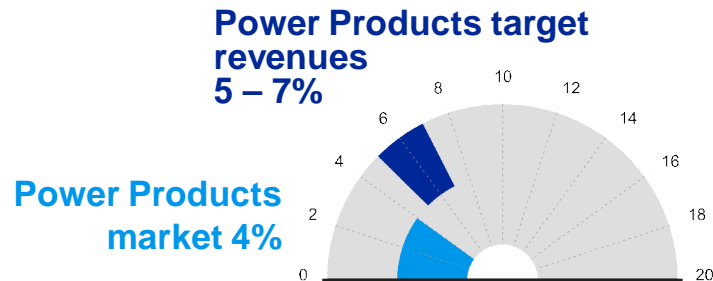
Chart 13

Power Products

Secure market leadership, stay cost competitive

Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies

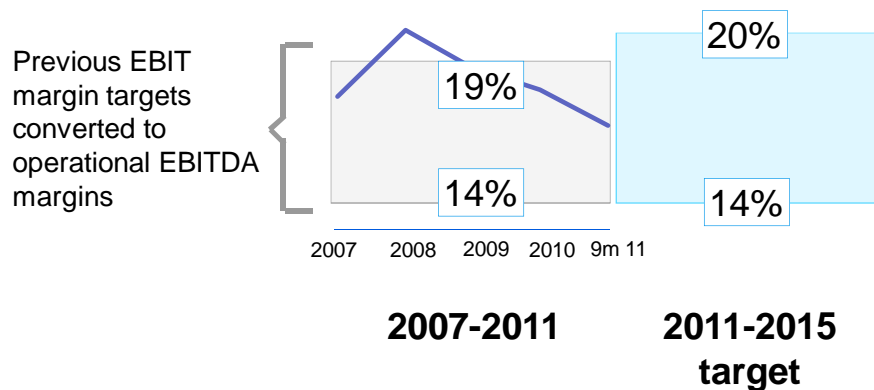


Execution plan for top-line growth

- Expand market coverage in key markets
- Strengthen channels to increase market penetration
- Enhance product portfolio to realize growth from megatrends
- Lead technological innovation
- Grow service business faster than core business

Op. EBITDA margin target corridors 2007-15

% operational revenues



Execution plan for profitability

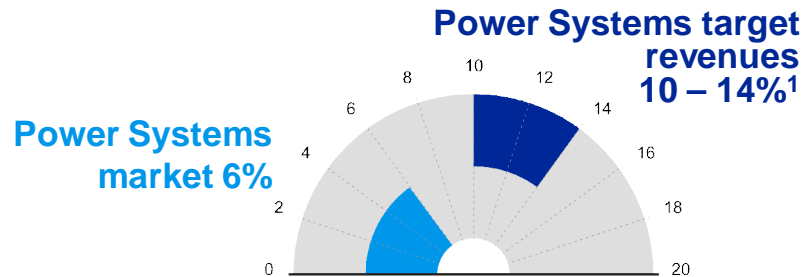
- Implement product cost reduction programs
- Further optimize global footprint
- Drive flawless operations & increase customer loyalty
- Focus on continuous productivity improvements
- Enhance application-specific offering for industries

Power Systems

Huge market opportunities, build on technology leadership

Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies

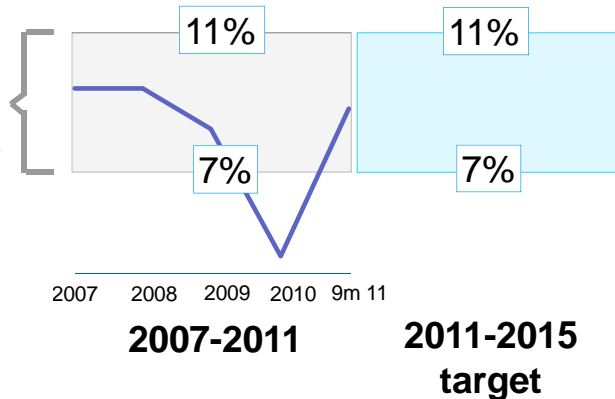


¹ Excl. Ventyx and Mincom, CAGR 9-13%

Op. EBITDA margin target corridors 2007-15

% operational revenues

Previous EBIT margin targets converted to operational EBITDA margins



Execution plan for top-line growth

- Tap opportunities in large-scale renewables: hydro, wind, solar
- Build grid business around capacity, reinforcement and reliability
- Leverage business opportunities in automation, network control
- Expand software solutions business (OT/IT convergence)
- Drive service and consulting growth above division average

Execution plan for profitability

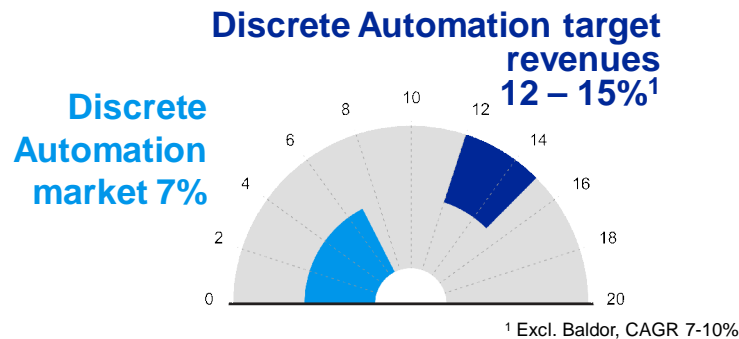
- Further strengthen contract and risk management
- Drive operational excellence
- Sharper focus on supply management and footprint for cost competitiveness
- Differentiate on technology and innovation leadership

Discrete Automation and Motion

Expand product and application offering

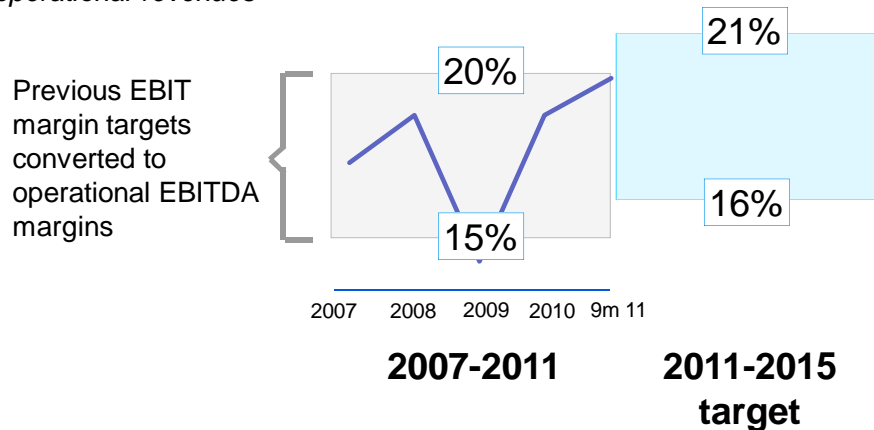
Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies



Op. EBITDA margin target corridors 2007-15

% operational revenues



Execution plan for top-line growth

- Expand discrete automation offering
- Industrial motion: Further expand presence & portfolio
- Drive renewables component & package growth
- Power electronics strength for new applications
- Continue growth in traction, early-mover EV infrastructure
- Further tap large installed base with advanced service concepts
- Grow application business based on broad portfolio

Execution plan on op EBITDA margin

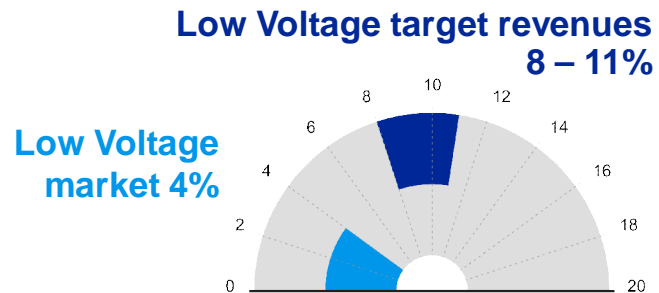
- Drive pricing excellence
- Aim for world-class operations supporting growth and profitability
- Enhance target costing/design-to-cost
- Continue successful footprint and sourcing optimization

Low Voltage Products

Expand market access, broaden product scope

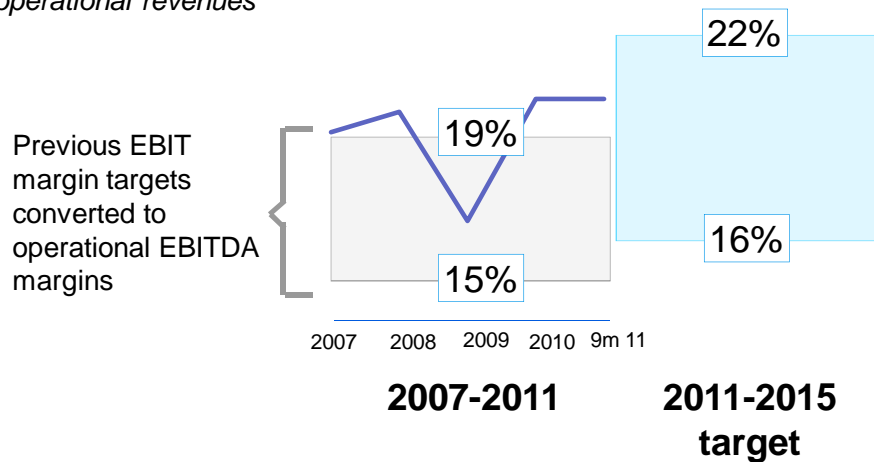
Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies



Op. EBITDA margin target corridors 2007-15

% operational revenues



Execution plan on revenues

- Market access in key geographies (N America and BRIC)
- Application focus (e.g., buildings, renewables, data centers)
- Broaden product scope (e.g., security, lifestyle, energy efficiency)
- Develop additional channels to market (South Asia, Middle East & South America)
- Expand service offering

Execution plan on op EBITDA margin

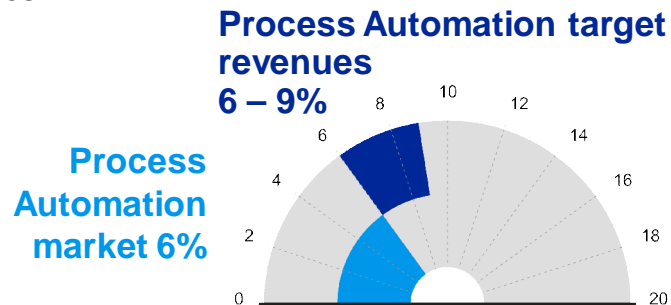
- Operations and logistics excellence
- Products tailored for emerging markets (e.g., mid segment)
- Technology leadership in switching, current interruption and power distribution
- Price management

Process Automation

Enhance offering mix, increase relevance in oil and gas

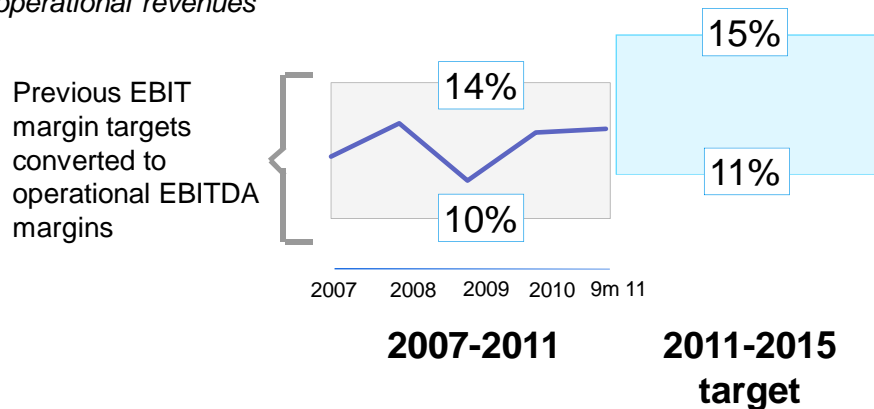
Target revenue growth vs market growth 2011-15

Compound annual growth rate, base year 2010, % change in local currencies



Op. EBITDA margin target corridors 2007-15

% operational revenues



Execution plan on revenues

- Consolidate lead in process control, #1 in all focus industries
- Broaden portfolio and increase relevance to customers in oil & gas
- Increase market share in measurement and control products
- Tap service in large and growing installed base
- Expand domain-specific products to differentiate ABB's offering
- Capture new business by offering solutions based on energy audits

Execution plan on op EBITDA margin

- Focus on cost-competitive products, improve LCC footprint
- Improve business models (e.g. mid-segment, software pricing)
- Flawless project execution
- Continue cost-out program

Group Target #3

Organic EPS growth CAGR 10% to 15%

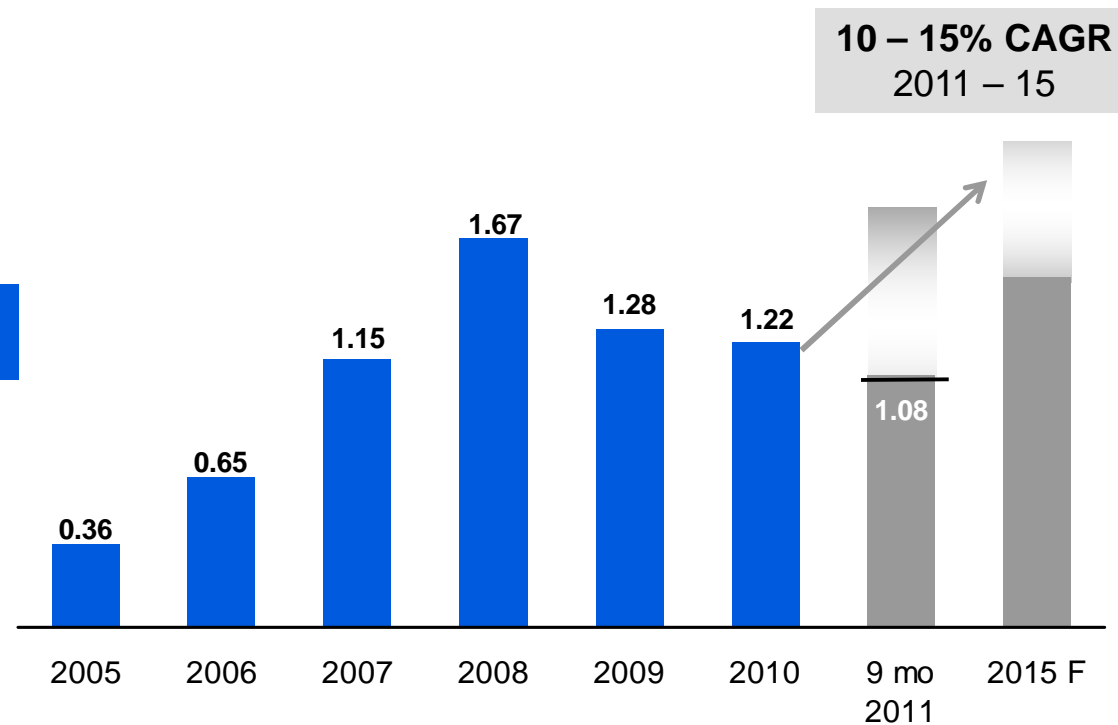
Key assumptions

- Unchanged number of shares over the period
- Sustainable low tax rate ~27%
- Immaterial impact from finance net

Potential M&A initiatives could raise EPS CAGR by 3%

Normalized¹ earnings per share and growth 2005 – 2015F

US\$



¹ 2007 excl. gain on sale of ABB Lummus, recognition of deferred tax assets (DTA); 2008-2009 excl. impact of compliance provisions; 2008-2010 adj. for cost take-out program; 2009-2011 adj. for mark-to-market treatment of hedging transactions and unrealized FX movements on receivables/payables; 2011 adj. for Baldor acquisition costs, and restructuring and restructuring-related costs.

Chart 19

Group target #4

Average Free Cash Flow conversion to Net Income >90%

- Ambition to stay at the top of the league for cash generation
- Capital expenditure expected to continue above depreciation
- Higher capex partly offset by net working capital discipline (11 – 14% of revenues over the cycle)
- Target annual average conversion >90% across the plan period (also including potential M&A)

Free cash flow, and as % revenues 2000 – 2010

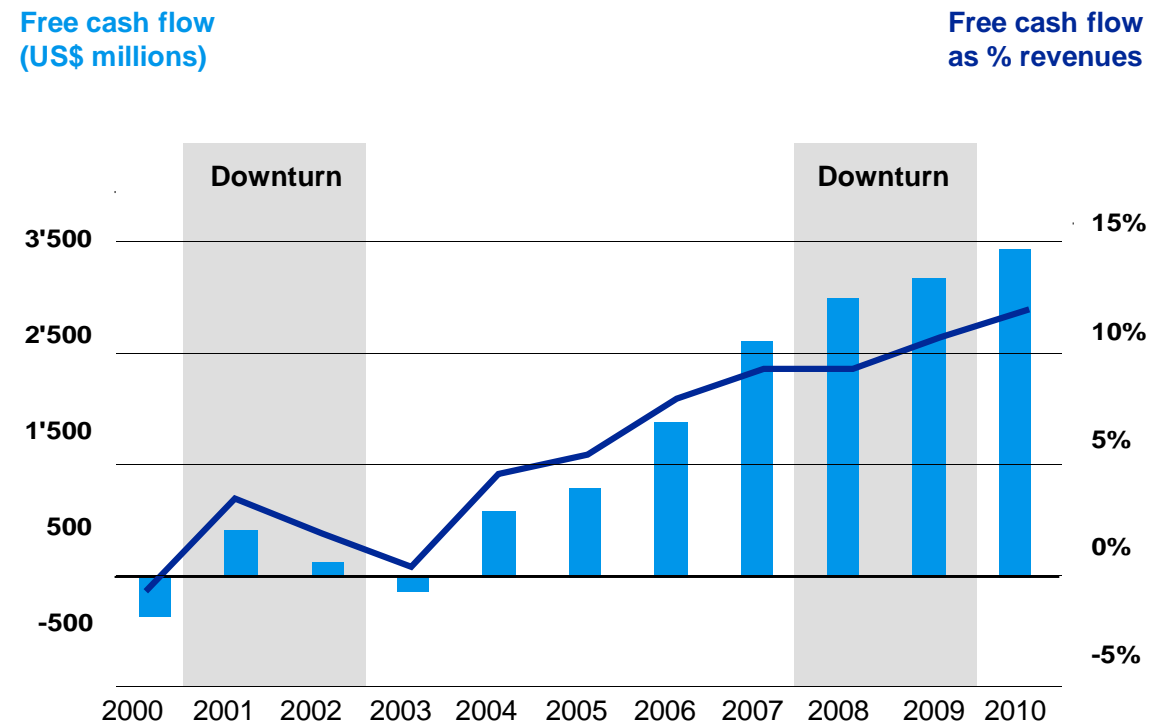


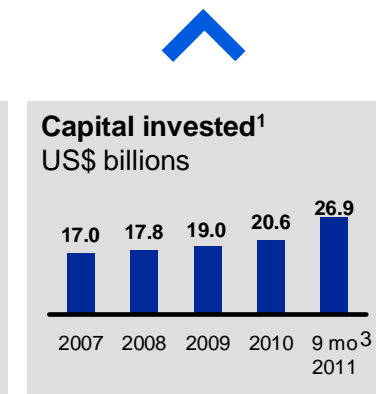
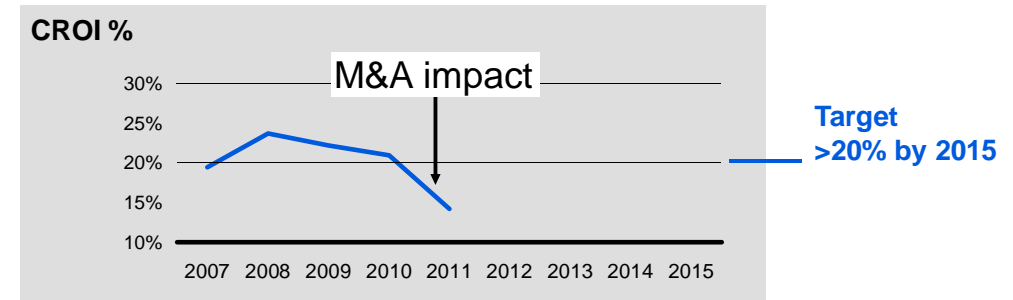
Chart 20

Group Target #5

Cash return on invested capital >20% by 2015

Cash Return on Invested Capital (CROI)

- Excludes accounting distortions
 - Focuses on Cash from operations (adjusted for interest paid)
 - Capital invested = Capital employed + accumulated depreciation/amortization
-
- Ambitious sustainable target to exceed 20% cash return by 2015 from a high capital basis
 - Better aligned with shareholder interest in cash returns



¹ See Appendix for definitions, ² Rolling 12 months; ³ adj. as Baldor part of ABB from Feb-Sept 2011

Conservative financial strategy

Solid single A rating remains our standard

- Net debt/EBITDA ratio ~1.5x, gearing <40%
- Debt maturities repaid out of free cash flow
- Customer financing without loading ABB balance sheet
- Centralized financial risk management and execution
- Strict hedging policy – forex, interest rates, commodities
- Acquisition financing always in line with balance sheet targets
- Steadily rising, sustainable annual dividend policy
- Additional distributions (special dividend, share buyback) only if/when M&A doesn't require full availability of cash

Investment priorities

- 1 Organic growth, R&D, and capex
- 2 Value-creating acquisitions
- 3 Paying annual dividend in line with policy
- 4 Returning additional cash to shareholders

M&A investment criteria

- 1 Cash return >WACC within 3 years
- 2 IRR > WACC + specific hurdles
- 3 Financing designed to retain investment grade

Current environment: Some near-term slowing expected But long-term drivers remain positive

Near-term outlook

- Economic and political uncertainty make forecasts challenging
- Slower early-cycle growth in Q3 reflects GDP slowdown
- Expect early-cycle order growth to remain near Q3 levels until macroeconomic confidence improves



Positioned for both cost ...

- Adapt our proven cost-out approach
 - 1 Sourcing: Pass price pressure through value chain; EM sourcing; global purchasing
 - 2 Operational excellence: Further reduce Cost of Poor Quality
 - 3 Global footprint: Greenfield capex in EMs, “Europe for Europe”
 - 4 G&A: Strong leverage to drive margins



... and growth

Near-term drivers:

- China, India, rest of Asia markets still growing fast
- Strong demand in e.g., service, MV & distribution equipment, network management, power generation solutions, oil & gas, U.S. motors, power electronics, robotics, breakers & switches
- Order backlog remains a solid buffer: ~70% of 2011 backlog expected in 2012 revenues
- Large tender backlog, e.g., in HVDC, oil & gas

Temporary employees 2007-Q3 2011
% of total

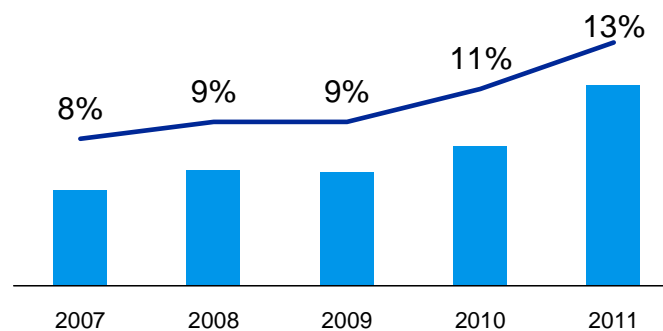
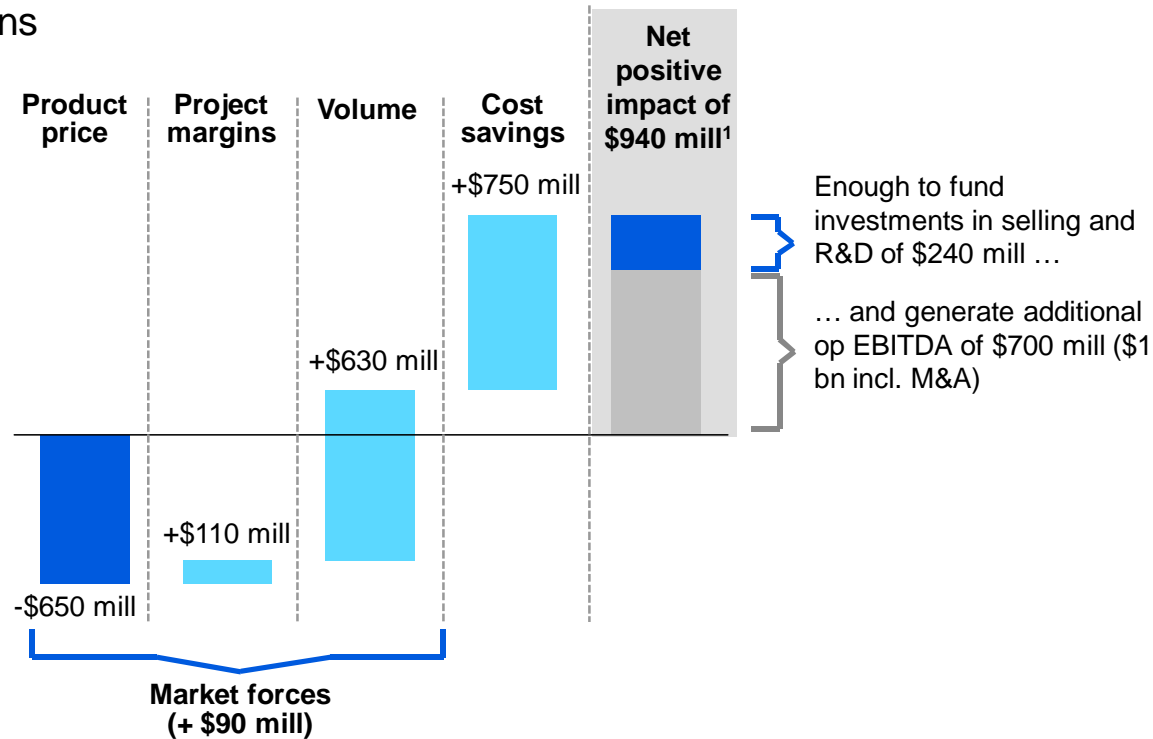


Chart 23

Current environment: We are prepared Growth AND cost is now part of ABB's DNA

Operational EBITDA impacts 9-months 2011

US\$ millions



¹ Incl. forex, mix and commodity impacts

~\$1 bn cost savings expected in 2012

Chart 24

Summary: Combining ambition with execution focus

- New targets combine ambition with solid execution plan
- Current uncertainty may slow near-term growth ...
- ... but we expect market to return to full potential in 2013
- Management focus is on the balance between growth AND cost
- Updated metrics: Further shift focus to cash instead of accounting earnings
- Financial strategy to maintain M&A discipline, conservative balance sheet
- Proven record of agility and discipline

Ready for growth, prepared to be resilient

Appendix: Definitions of non-GAAP measures

Appendix: Definitions of non-GAAP measures 1

- Organic: includes acquisitions closed by October 31, 2011
- Operational EBIT: Earnings before interest and taxes (EBIT) adjusted for i) unrealized gains and losses on derivatives (FX, commodities, embedded derivatives), ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, iii) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities), iv) restructuring and restructuring-related expenses, and v) charges related to significant acquisitions.
- Operational EBITDA: Operational EBIT adjusted for depreciation and amortization
- Operational revenues: Revenues adjusted for i) unrealized gains and losses on derivatives, ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and iii) unrealized foreign exchange movements on receivables (and related assets).
- Operational EBIT margin: Operational EBIT as a percentage of operational revenues
- Operational EBITDA margin: Operational EBITDA as a percentage of operational revenues

Appendix: Definitions of non-GAAP measures 2

- ROCE: Return on capital employed, calculated as 12 months EBIT x (1-tax rate) divided by capital employed
- Capital employed: the sum of fixed assets and net working capital
- Fixed assets: the sum of property, plant and equipment (net), goodwill, other intangible assets (net) and investments in equity method companies
- Net working capital (NWC): the sum of i) receivables, net, ii) inventories, net, and iii) prepaid expenses; less iv) accounts payable, trade, v) billings in excess of sales, vi) employee and other payables, vii) advances from customers, and viii) accrued expenses
- Normalized earnings per share: Reported basic earnings per share (undiluted) adjusted in the relevant periods for i) the gain on the sale of ABB Lummus Global, ii) the recognition of certain deferred tax assets (DTA), iii) the impact of compliance provisions, iv) costs associated with the cost take-out program and/or restructuring and restructuring-related costs, v) the mark-to-market treatment of hedging transactions and unrealized FX movements on receivables/payables, and vi) Baldor acquisition costs

Appendix: Definitions of non-GAAP measures 3

- Gross gearing: Total debt divided by total debt plus total stockholders' equity (including noncontrolling interests)
- Total debt: the sum of short-term debt (including current maturities of long-term debt) and long-term debt
- Net cash/Net debt: Cash and equivalents plus marketable securities and short-term investments, less total debt
- Free cash flow (FCF): Net cash provided by operating activities adjusted for i) changes in financing and other non-current receivables; ii) purchases of property, plant and equipment and intangible assets; and iii) proceeds from sales of property, plant and equipment
- Cash conversion: Free cash flow as a percentage of net income
- CROI: Cash return on capital invested, calculated as i) cash provided by operating activities plus interest paid, divided by ii) capital employed plus accumulated amortization and depreciation