



Tarak Mehta, Greg Scheu, and Jill Lee, Capital Markets Day, London, September 9, 2014

ABB – Next Level

Relentless execution

Agenda

Taking performance to the Next Level

Value creation through successful integration

1'000 day programs, best-in-class change execution

Low Voltage Products

Connects, protects, and controls to improve productivity

Key facts

2013 revenues of \$7.7 billion, 19% operating margin
Electrical protection, connection and control
Delivering >4 million products / day
250,000 products

Operations

Increasing expectations for customer service
Demand for 3-5-day delivery
Support in more than 100 countries



Relentless execution is an important differentiator

Relentless execution

Run globally, executed locally

		Customer			Cost			Cash						Total points	2013 baseline points
KPI		OTD Request in Place	CCRP's Resolved on Time	Field Failure Rate Metric in Place	Cost reductions as % cost	OPQ as % COS	Productivity Coefficient	DPO		Inventory Turns		DSO			
	Details						Δ* Actual	Δ*	Actual	Δ*	Actual	Δ*	Actual		
ABB	Points Actual														
	2014-06														
PS	Points Actual														
	2014-06														
PP	Points Actual	Customer			Cost			Cash							
	2014-06														
LP	Points Actual														
	2014-06														
DM	Points Actual														
	2014-06														
PA	Points Actual														
	2014-06														
	2013-12														

Δ*: Delta improvement from prior year end

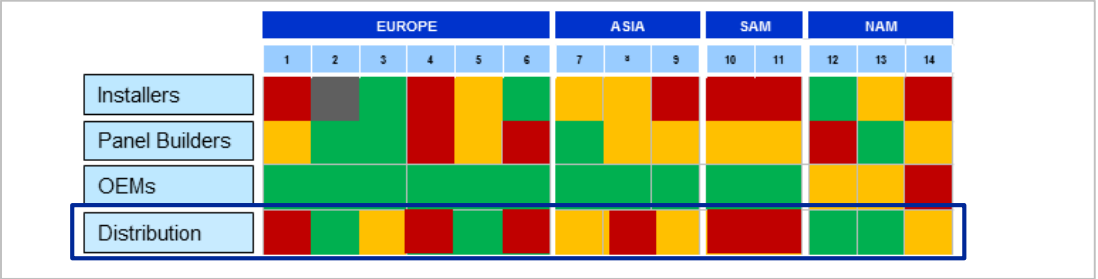
Δ*: Delta improvement from prior year end

Driving performance in a structured way globally and locally



Relentless execution

Customer – heatmaps for penetration



From

Individual market focus on the distribution channel
Distribution partner growth 2% 2013

To

Global approach – focused action plans, executed with distributors locally
Distribution partner growth 9% YTD

Achieving growth and improving customer service; improved NPS by 9% in 12 months

Relentless execution

Cost – global manufacturing approach – Miniature Circuit Breakers



From

Independent plants, different processes

- Individual product design

To

Automated plants, shared processes

- Global engineering platform
- Consistent product design and quality
- 100% improvement in productivity

Automation delivers \$20 million in annual savings in a single plant

Relentless execution

Cash – Regional Distribution Center Singapore logistics model



From

Transport as a challenge:

- 14 separate locations
- 5,000 parts in stock
- 5-25 day delivery

To

Service as a differentiator:

- One regional distribution center
- 20,000 parts in stock
- 3-5 day delivery (80% improvement)

Reducing NWC by 300 basis points across the division

Relentless execution

Leading operating model – broadening success

RelEx - Relentless Execution

Overview		LP, ABB, 1404									
		Customer			Cost			Cash			
KPI		ROTD	CCRP's Resolved On Time	FFR	Cost Reductions as %COGS	OPQ as %COS	Productivity Coefficient	DPO	Inventory Turns	DSO	Total Points
Details											2013 Baseline
LP	Points Actual										
	1404										
	1312										
LPBS	Points Actual										
	1404										
	1312										
LPCP	Points Actual										
	1404										
	1312										
LPED	Points Actual										
	1404										
	1312										
LPLS	Points Actual										
	1404										
	1312										
LPWA	Points Actual										
	1404										
	1312										
LPCW	Points Actual										
	1404										
	1312										
LPSU	Points Actual										
	1404										
	1312										

Low Voltage Product division is institutionalizing ABB's leading operating model

Building on successes and applying them globally

Simple, powerful performance management

Ready to take relentless execution to the next level

Low Voltage Products: well positioned for profitable growth and relentless execution

Agenda

Taking performance to the Next Level

Value creation through successful integration

1'000 day programs, best-in-class change execution

Successful integrations Begins with strategy and M&A discipline

Grounded in strategy

Group strategy

Division

- Technology / product fit
- Geographic coverage
- Sector focus

Systematic origination / screening

Disciplined M&A

Thorough due diligence

Early integration preparation

Align cadence, synergies,
management reporting

Robust financial criteria

Rigorous integration

Management continuity

Dedicated integration teams

Strong governance

Thorough measurement and
follow-up

Aligned common scorecard

Institutionalizing acquisition and integration excellence

Portfolio development through disciplined M&A

M&A grounded in the strategy

Gaps closed since 2011

Examples

Geographic

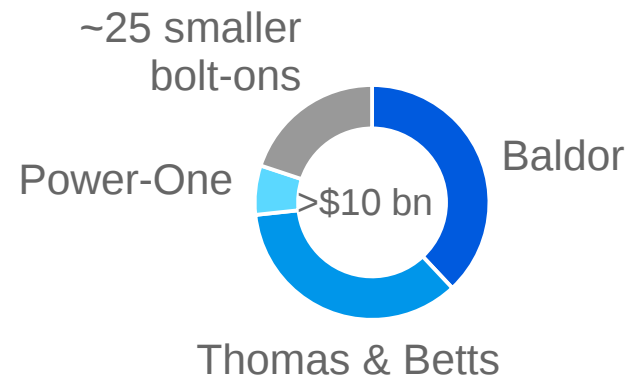
- North America automation
- Emerging markets: China, Turkey

Offering

- NEMA motors
- Low-voltage portfolio
- Asset management software
- Instrumentation
- Solar inverters

Acquisitions since 2011

Total investment in \$ billions¹



Financial criteria

Cash return > WACC by end of year 3

EPS accretive

IRR above WACC plus hurdles

Retain “A” rating

Transactions with strategic fit that create value

Value creation

Scorecard on recent transactions

	 A MEMBER OF THE ABB GROUP	 A Member of the ABB Group	 A MEMBER OF THE ABB GROUP
Financial	Delivered CROI above target	CROI on schedule	Integration ramping up
Customers / partners	Shell global frame agreement #1 in motors, #2 in drives in US	Successful integration of sales channels	Marketing complete Brand migration to ABB completed
Operational excellence	Cost synergies above plan	Cost synergies above plan	Cost synergies in line with plan
Employees	Successful management retention	Successful management retention	Successful management retention
Integration summary	Complete	Complete in North America, well advanced globally	First year in line with expectations

Pruning non-core assets

Successful execution and value creation

Entity acquired	 A MEMBER OF THE ABB GROUP	 A Member of the ABB Group	 A MEMBER OF THE ABB GROUP
Price paid ¹	\$4'200 mn	\$3'900 mn	\$750 mn
Entity divested	Gensets	HVAC Steel structures	Power Solutions
Approx. proceeds	Not disclosed	Σ\$860 mn	\$120 mn
Date closed	November 2013	May 2014 August 2014	June 2014
Total divestitures in the last 12 months result in ~\$1 bn in pre-tax cash proceeds			

Solid execution on M&A so far

Opportunities to integrate lessons learned for even greater value

Robust M&A process

- Integration principles agreed upfront
- Strict discipline on financial returns
- Senior management retention key
- High focus on business continuity and partner relationships
- Rigorous performance tracking

Working well ...

- “Say-do” ratio
- Realization of cost synergy achievement
- Alignment through common integration scorecard

Even better if ...

- Even more communication
- Even more dedicated resources

Sound track record of delivering value from acquisitions

Agenda

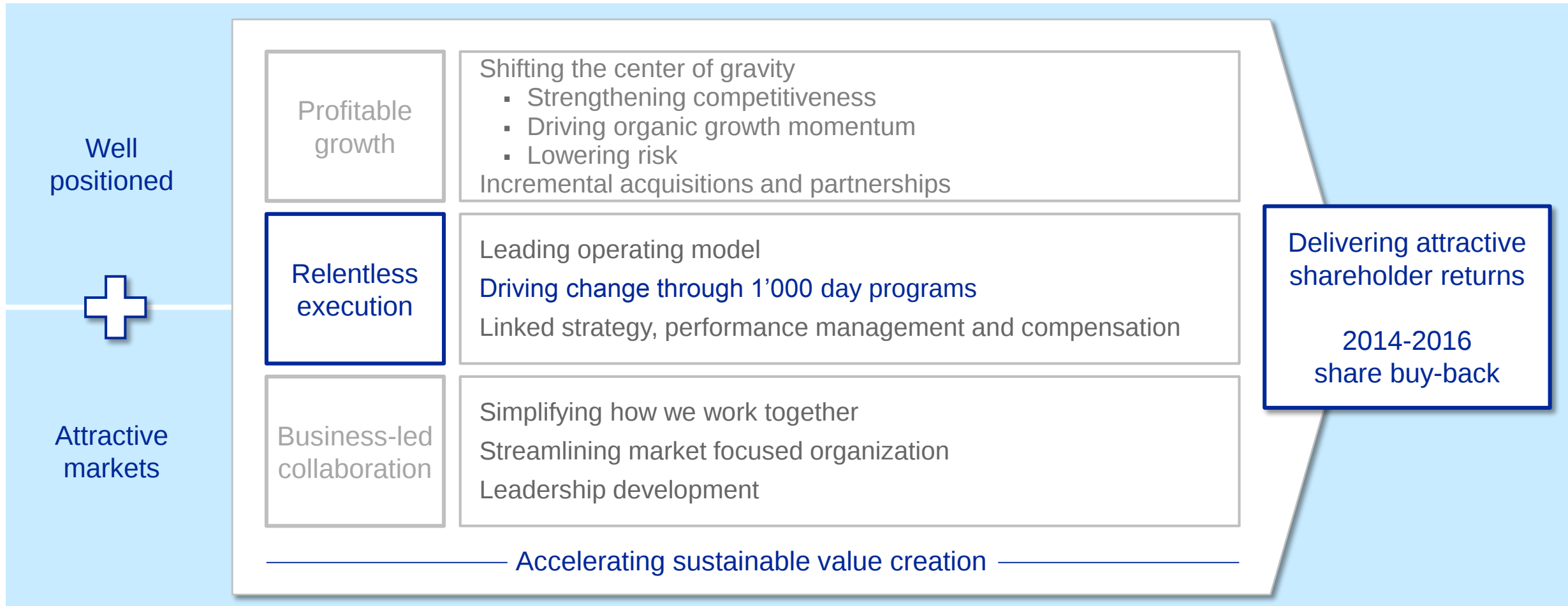
Taking performance to the Next Level

Value creation through successful integration

1'000 day programs, best-in-class change execution

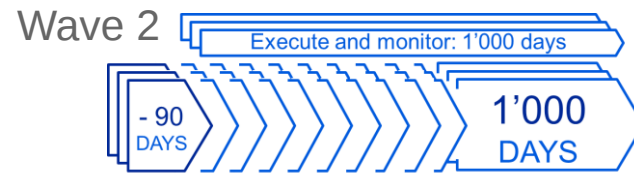
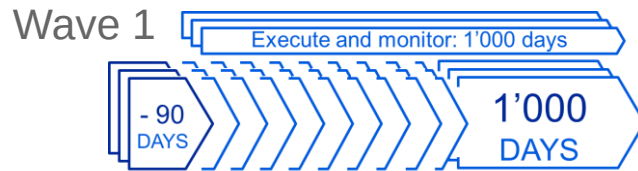
ABB – Next Level

Shaping a global leader in power & automation



Driving change through 1'000 day programs

Clearly defined objectives, milestones, accountabilities



Examples

Geographies: e.g., Africa

Operations: e.g., Net Working Capital

Objective: “say-do”

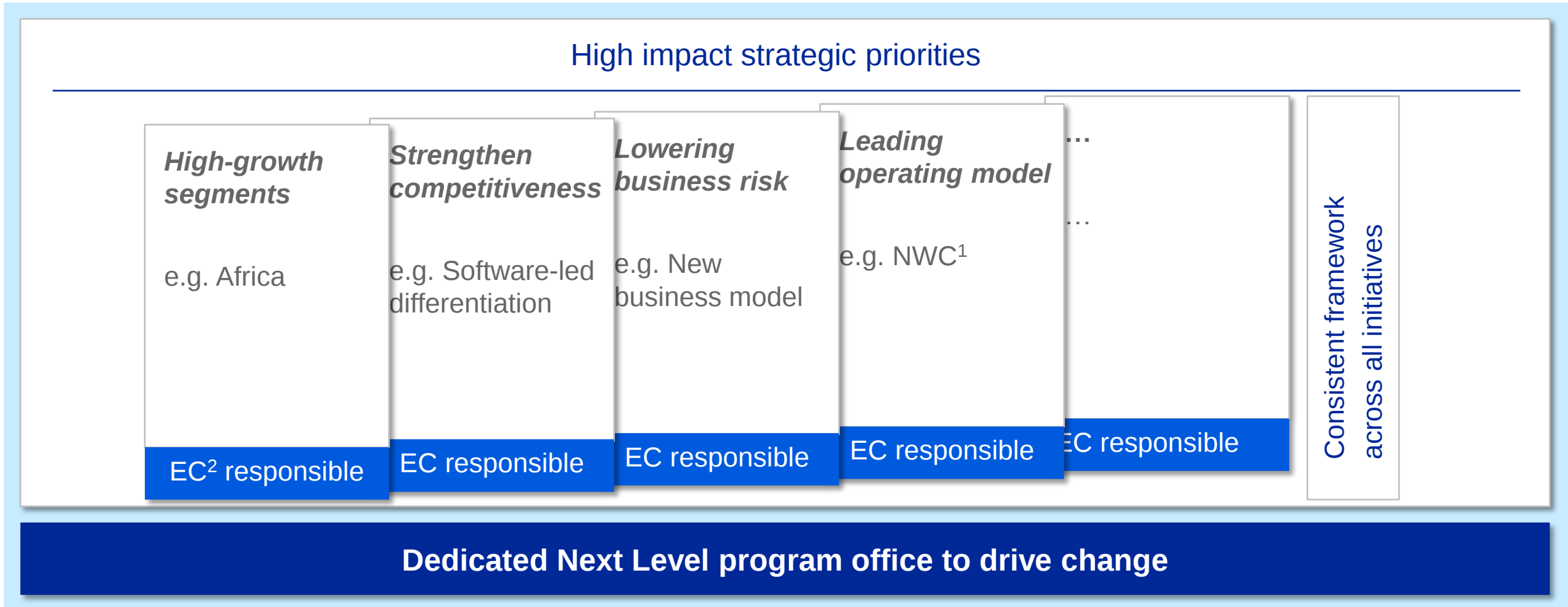
- Focus on high-impact strategic priorities
- Align whole organization behind these priorities
- Develop and execute clear plans towards success
- Dedicate appropriate management resources

Approach: focused waves

- Focused implementation in waves
- Executive sponsor, business owner, allocated teams
- Coordinated by project office reporting to CEO
- High quality implementation plans
- Progress tracking on Executive Committee level, linked to performance management and compensation

Consistent framework with dedicated organization

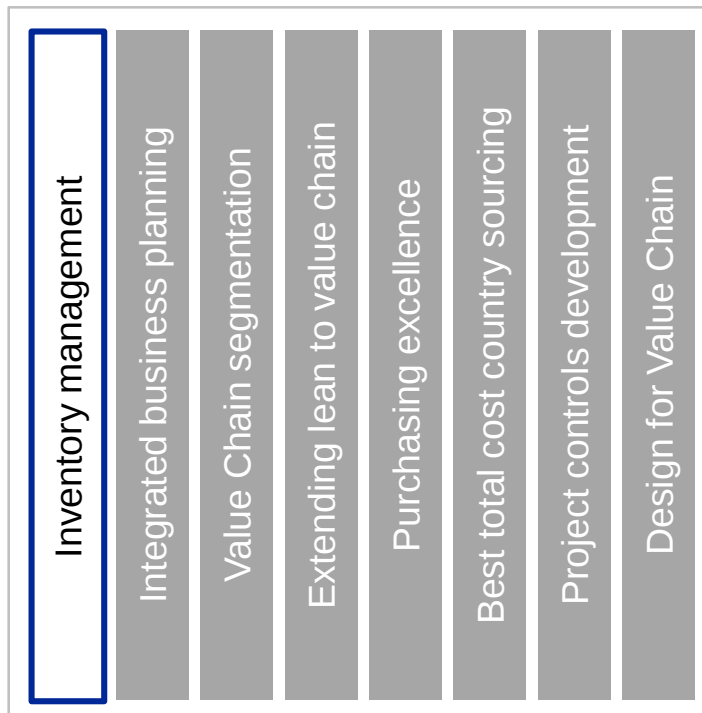
Driving focused high-impact change projects



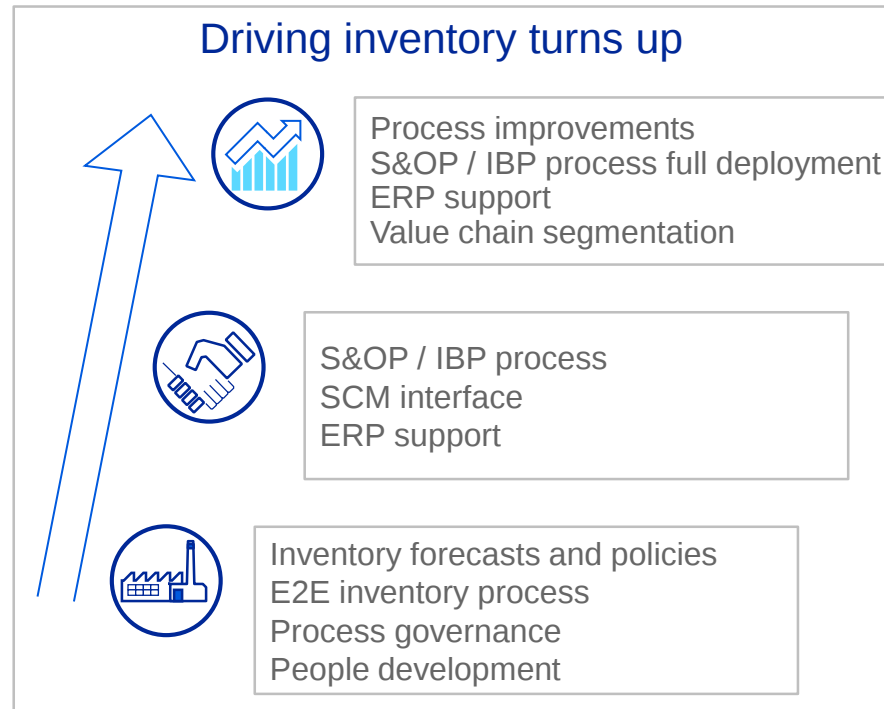
Sustainable NWC optimization

Change initiatives to drive holistic value chain excellence

Value chain initiatives



Inventory management



KPIs

Customer satisfaction

- NPS
- OTD and lead time

NWC efficiency

- Inventory turns
- DSO and DPO

Planning

- Demand planning
- Supply planning

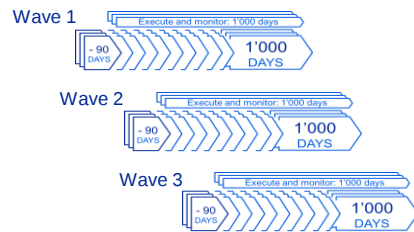
How we will succeed

Focus, phased actions, clear ownership and accountability!

1'000 day programs

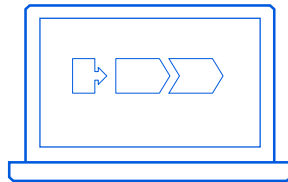
Focused implementation in waves

- High impact change without organizational overload



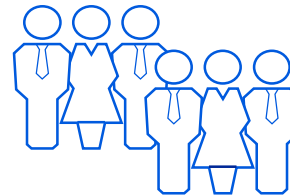
Concrete action plans and rigorous follow-up

- Clear targets, transparent progress



Dedicated organization

- Right people to ensure success



Linked to performance management

- Align personal incentives and business targets

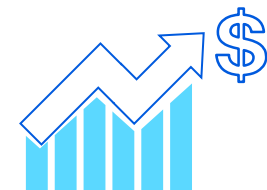
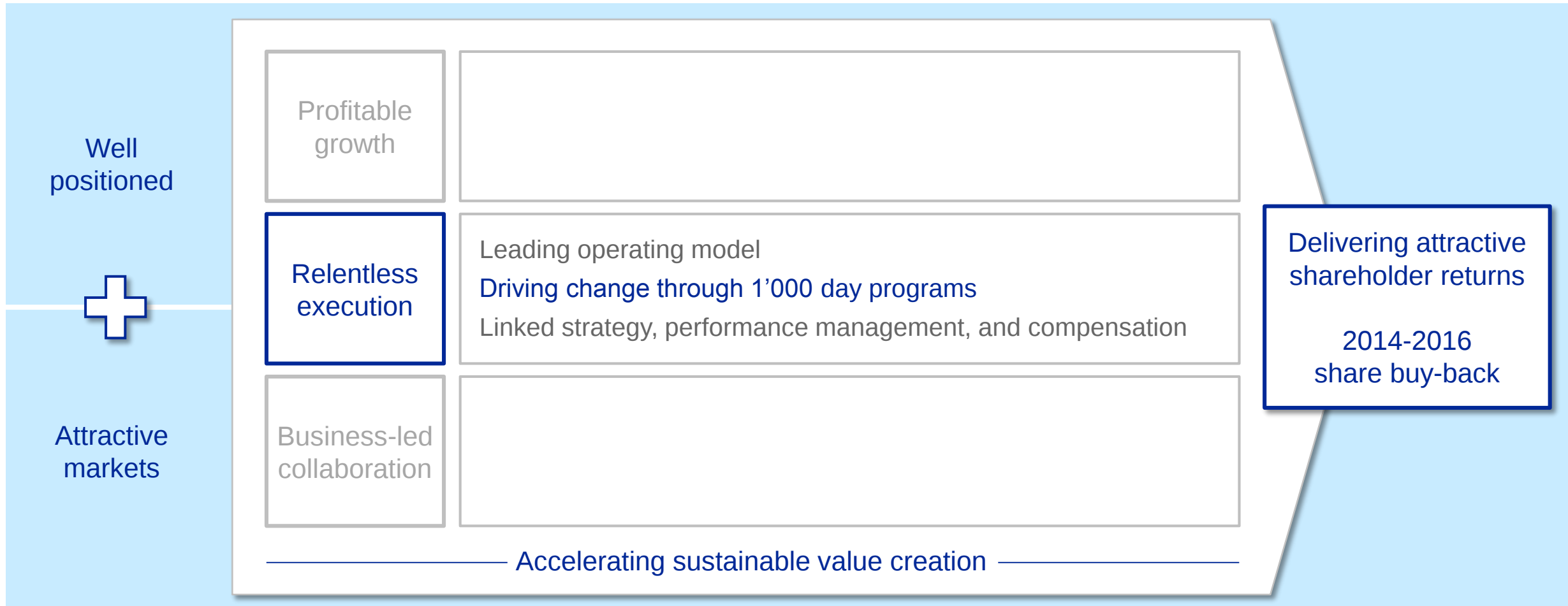


ABB – Next Level

Relentless execution



Power and productivity
for a better world™

