Next Level Stage 2
Accelerating transformation
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,” “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.

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 http://new.abb.com/investorrelations/
Agenda

Next Level Stage 1 – delivered

Next Level Stage 2 – accelerating transformation

Our ambition – attractive value creation
### ABB in simple terms

<table>
<thead>
<tr>
<th>What (Offering)</th>
<th>Power &amp; Automation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power ~ 40% of revenue</td>
<td>Automation ~ 60% of revenue</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For whom (Customers)</th>
<th>Utilities</th>
<th>Industry</th>
<th>Transport &amp; Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>~35% of revenue</td>
<td>~45% of revenue</td>
<td>~20% of revenue</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Where (Geographies)</th>
<th>Globally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia, Middle East, Africa 37%</td>
<td>Americas 29%</td>
</tr>
</tbody>
</table>

| ~$40 bn revenue | ~100 countries | ~140,000 employees | Single “A” credit rating | HQ Zurich |
Well positioned in attractive markets
Long-term market growth drivers intact

Our aspiration: #1 or #2 in all businesses
Next Level Stage 1
Innovation and customer highlights

- YuMi®
- 525 kV HVDC cable
- 1,200 kV AC circuit breaker, transformer
- Remote MotorCare¹
- Azipod D
- Hybrid ship
- Self-powered sensor
- Eco-efficient GIS²
- Free@Home

¹Incl. low cost sensing, communication; ²With SF₆ gas alternative
Next Level Stage 1
Delivered

Profitable Growth

Next Level Strategy

- 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

Relentless Execution

Stage 1 – delivered

- Systematic framework delivering momentum
  - Returned to revenue growth +3%¹ in H1 2015
  - +$1 bn portfolio pruning
  - Six new partnerships

- Cost savings on target
  - Power Systems “step change” on track
  - 1’000 day programs in action
  - New performance mgmt. and compensation model

Business-led Collaboration

- New organization implemented
  - Collaborative tools rolled out (e.g., salesforce.com)
  - New regional shared service centers

¹On a like-for-like basis
### Next Level Stage 1
Performance against targets

<table>
<thead>
<tr>
<th>2015 – 2020 targets</th>
<th>H1 2015</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth(^1)</td>
<td>4-7%</td>
<td>3%</td>
</tr>
<tr>
<td>Operational EBITA %(^2)</td>
<td>11-16%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Operational EPS CAGR(^3)</td>
<td>10-15%</td>
<td>8%</td>
</tr>
<tr>
<td>FCF conversion to net income</td>
<td>&gt;90%</td>
<td>107%</td>
</tr>
<tr>
<td>CROI %(^4)</td>
<td>Mid-teens</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

\(^1\)Average annual revenue growth on a like-for-like basis over 6 years, base year 2014; \(^2\)Target is on a full-year basis; \(^3\)CAGR = Compound annual growth rate, base year is 2014 and assuming constant exchange rates; \(^4\)Temporary reduction possible in the event of larger acquisitions; \(^5\)Through share buy-back and dividend

$3.5\text{ bn returned to shareholders}^5$ in Next Level Stage 1
Facing a slower world economy

Global outlook

<table>
<thead>
<tr>
<th>Forecast at CMD 2014 for 2015-20</th>
<th>Current 2015-20 outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>3-3.5%</td>
</tr>
<tr>
<td>Oil price</td>
<td>$100</td>
</tr>
<tr>
<td>Utility</td>
<td>2-4%</td>
</tr>
<tr>
<td>Industry</td>
<td>3-4.5%</td>
</tr>
<tr>
<td>Transport &amp; Infrastructure</td>
<td>4-6%</td>
</tr>
<tr>
<td>Emerging markets growth</td>
<td>~6%</td>
</tr>
<tr>
<td>China growth</td>
<td>~7%</td>
</tr>
</tbody>
</table>

A new reality – proactively addressed in Next Level Stage 2
Agenda

Next Level Stage 1 – delivered

Next Level Stage 2 – accelerating transformation

Our ambition – attractive value creation
Next Level Stage 2
Accelerating transformation

**Profitable Growth**

- Shifting the Center of Gravity
  - Divisional realignment along markets
  - Accelerating organic growth

- Ready for inorganic moves
- Value from partnerships

**Relentless Execution**

- 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

**Business-led Collaboration**

- Further simplifying our organization
- Driving collaboration in regions and countries
- Continuing leadership development
Next Level Stage 2
Accelerating transformation

Profitable Growth

Relentless Execution

Business-led Collaboration

Stage 2

Shifting the Center of Gravity
- Divisional realignment along markets
- Accelerating organic growth

Ready for inorganic moves

Value from partnerships
Shifting the Center of Gravity
Continuing Next Level transformation in Stage 2

- Lowering risk
- Strengthening competitiveness
- Driving organic growth

Future

- Solution offering
- Services
- Customer value proposition
- Economic cycle imbalance
- Global imbalance
- Intrinsic business risk

Starting point

- Software-led differentiation
- Technological leadership
- High-growth segments
- Penetration, Innovation, Expansion

Driving organic growth
Shifting the Center of Gravity – divisional realignment

Our customer value chain

[Diagram showing the customer value chain with divisions for Power & Automation, Utilities, Industry, and Transport & Infrastructure]
Shifting the Center of Gravity – divisional realignment

Two distinct customer patterns – better served in the future
Shifting the Center of Gravity – divisional realignment
Leading Power & Automation offering (selected examples)

Power & Automation

Utilities
- Transformers
- HV products
- Substations
- Service

Substation automation
- Grid / network mgmt.
- Smart asset mgmt.
- Service

Power & Automation “for the grid”

Industry
- LV and MV electrification
- Power quality
- Service
- Renewable integration

Industrial motion
- Robotics
- Process automation

Power & Automation “for the site”

Transport & Infrastructure
- EV charging
- Nanogrid
- Service
- Building automation

Application software
- Data center control
- Rail, e-mobility, marine

© ABB
September 9, 2015 | Slide 16
Shifting the Center of Gravity – divisional realignment
From 5 to 4 divisions – better fit with customer patterns

<table>
<thead>
<tr>
<th>Utilities</th>
<th>Industry</th>
<th>Transport &amp; Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power &amp; Automation “for the grid”</strong></td>
<td><strong>Electrification Products (new)</strong>&lt;br&gt;A leading player for LV and MV electrification</td>
<td><strong>Power &amp; Automation “for the site”</strong></td>
</tr>
<tr>
<td><strong>Power Grids (new)</strong>&lt;br&gt;#1 T&amp;D offering&lt;br&gt;Market and technology leader&lt;br&gt;Global reach&lt;br&gt;Largest installed base</td>
<td><strong>Discrete Automation and Motion</strong>&lt;br&gt;#1 in industrial motion, a leading robotics player</td>
<td></td>
</tr>
</tbody>
</table>
Shifting the Center of Gravity – divisional realignment

From 5 to 4 divisions

- Power Grids
- Electrification Products
- Discrete Automation and Motion
- Process Automation

- Power Systems
- Power Products
- Low Voltage Products
- Discrete Automation and Motion
- Process Automation

- DCS
- High Voltage, Transformers
- Medium Voltage
- PLC
- High Voltage, Transformers
- Medium Voltage
- PLC
Shifting the Center of Gravity – divisional realignment

From 5 to 4 divisions
### Shifting the Center of Gravity – divisional realignment

**Key data**

<table>
<thead>
<tr>
<th>Division</th>
<th>Market size ($ bn)</th>
<th>Major competitors</th>
<th>Revenues ($ bn)</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Grids</td>
<td>~160</td>
<td>Alstom/GE, Siemens, Toshiba</td>
<td>12.6</td>
<td>~39,000</td>
</tr>
<tr>
<td>Electrification Products</td>
<td>~160</td>
<td>Chint, Eaton, Legrand, Schneider</td>
<td>10.6</td>
<td>~42,000</td>
</tr>
<tr>
<td>Discrete Automation and Motion</td>
<td>~150</td>
<td>Fanuc, Rockwell, Schneider, Siemens, WEG</td>
<td>10.1</td>
<td>~31,000</td>
</tr>
<tr>
<td>Process Automation</td>
<td>~130</td>
<td>Emerson, Honeywell, Siemens, Yokogawa</td>
<td>8.6</td>
<td>~26,000</td>
</tr>
</tbody>
</table>
Shifting the Center of Gravity – divisional realignment

Our aspiration: #1 or #2 in all businesses

Drive market and technology leadership, strategic portfolio review

Power & Automation “for the grid”

Drive for market and technology leadership, focus of inorganic activities

Power & Automation “for the site”
Shifting the Center of Gravity – strengthening competitiveness
High-efficiency, environmentally friendly technology solutions

Examples

1,200 kV AC circuit breaker, transformer

Eco-efficient Gas Insulated Switchgear
Shifting the Center of Gravity – strengthening competitiveness
Driving uptime, speed and yield through “digital mine”
#1 EAM and workforce solution provider in:

### Power generation

<table>
<thead>
<tr>
<th>Company</th>
<th>Segment share</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>29.6%</td>
</tr>
<tr>
<td>IBM MAXIMO</td>
<td>23.4%</td>
</tr>
<tr>
<td>IFS</td>
<td>9.4%</td>
</tr>
<tr>
<td>SAP</td>
<td>6.5%</td>
</tr>
<tr>
<td>Oracle</td>
<td>5.8%</td>
</tr>
<tr>
<td>Infor</td>
<td>3.2%</td>
</tr>
<tr>
<td>BlueCielo</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

### T&D

<table>
<thead>
<tr>
<th>Company</th>
<th>Segment share</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>31.2%</td>
</tr>
<tr>
<td>ClickSoftware</td>
<td>14.8%</td>
</tr>
<tr>
<td>IBM MAXIMO</td>
<td>13.1%</td>
</tr>
<tr>
<td>SAP</td>
<td>8.0%</td>
</tr>
<tr>
<td>IFS</td>
<td>4.6%</td>
</tr>
<tr>
<td>TOA Technologies</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

### Mining

<table>
<thead>
<tr>
<th>Company</th>
<th>Segment share</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB</td>
<td>36.7%</td>
</tr>
<tr>
<td>Oracle</td>
<td>12.2%</td>
</tr>
<tr>
<td>SAP</td>
<td>11.0%</td>
</tr>
<tr>
<td>IBM MAXIMO</td>
<td>7.7%</td>
</tr>
<tr>
<td>Infor</td>
<td>5.4%</td>
</tr>
<tr>
<td>BlueCielo</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Shifting the Center of Gravity – strengthening competitiveness
Uptime, asset lifetime and operational cost improvement through cloud-based services

Internet of Things, Services and People (ITSP)

Example: connected services

Large installed base, sensing and communicating

Leading service product offering, enabled by common cloud-based platform

~25,000 global service team, fully informed, fully connected, smartly deployed
Shifting the Center of Gravity – strengthening competitiveness
Pioneering disruptive technologies with agile partners through ABB Technology Ventures

Examples

Artificial intelligence

[Image of artificial intelligence and ABB logos]

3D printing & robots

[Image of 3D printing and ABB logos]
Shifting the Center of Gravity – driving organic growth
1’000 day programs for high-growth segments

Food & Beverage
Become leading Power & Automation player

Microgrids
Market maker with integrated solutions

Africa
Tapping the huge resource and population base

Examples
Shifting the Center of Gravity
Transforming industry through robotization – ITSP\(^1\) in action

Technology leadership

Customer value proposition

Services

Intrinsic business risk

High-growth segments

Solutions offering

\(^1\)ITSP: Internet of Things, Services and People
Ready for inorganic moves
Value-creating acquisitions – selective and disciplined
## Value from partnerships
### Accelerated expansion at low risk

<table>
<thead>
<tr>
<th>Market</th>
<th>Partner</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy storage, e-mobility</td>
<td>BYD</td>
<td>Grid technology, EV charger (ABB)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Battery technology (BYD)</td>
</tr>
<tr>
<td>Grid integration, Japan</td>
<td>HITACHI</td>
<td>HVDC technology (ABB)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Local access, EPC (Hitachi)</td>
</tr>
<tr>
<td>Microgrids</td>
<td>SAMSUNG</td>
<td>Grid technology, global footprint (ABB)</td>
</tr>
<tr>
<td></td>
<td>SDI</td>
<td>Battery technology (Samsung)</td>
</tr>
<tr>
<td>Building automation</td>
<td>PHILIPS</td>
<td>Building automation (ABB)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LED lighting (Philips)</td>
</tr>
<tr>
<td>Smart homes</td>
<td>BOSCH</td>
<td>Building automation and software (ABB, Bosch &amp; Cisco)</td>
</tr>
<tr>
<td>Data centers</td>
<td>ERICSSON</td>
<td>Data center management systems (ABB)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cloud infrastructure (Ericsson)</td>
</tr>
</tbody>
</table>
Next Level Stage 2
Accelerating transformation

- Profitable Growth
- Relentless Execution
- Business-led Collaboration

Stage 2
- 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
Advancing leading operating model
Targeting benchmark performance

Foundation laid

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Promoter Score (%)</th>
<th>Savings ($ bn p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>16</td>
<td>1.5</td>
</tr>
<tr>
<td>2011</td>
<td>22</td>
<td>1.1</td>
</tr>
<tr>
<td>2012</td>
<td>29</td>
<td>1.1</td>
</tr>
<tr>
<td>2013</td>
<td>35</td>
<td>1.2</td>
</tr>
<tr>
<td>2014</td>
<td>44</td>
<td>1.1</td>
</tr>
<tr>
<td>2015 H1</td>
<td>51</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Peer benchmark

<table>
<thead>
<tr>
<th>Year</th>
<th>Share price performance (indexed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Company A: 500</td>
</tr>
<tr>
<td>2010</td>
<td>Company B: 1000</td>
</tr>
<tr>
<td>2011</td>
<td>S&amp;PI: 1500</td>
</tr>
<tr>
<td>2012</td>
<td>2000</td>
</tr>
<tr>
<td>2013</td>
<td>2500</td>
</tr>
<tr>
<td>2014</td>
<td>3000</td>
</tr>
<tr>
<td>2015 H1</td>
<td>3000</td>
</tr>
</tbody>
</table>

Leading operating model

Lead: Tarak Mehta, EC LP

PERFORMANCE SYSTEM

PROCESS SYSTEMS

PEOPLE SYSTEM

¹Run-rate; ²S&PI: Standard & Poors 500 Industrials index
$1 bn White Collar Productivity 1’000 day program
Lean for growth

Objectives

Customer-focused, simpler ABB
Leveraging our scale
Freeing up $1 bn from our cost structure

Company-wide white collar transformation – lead: Jean-Christophe Deslarzes, CHRO
$2 bn Working Capital 1’000 day program
Cash for growth

Objectives

- Increased speed, flexibility for better customer service
- Simplified processes
- Freeing up $2 bn cash

Company-wide transformational program – lead: Eric Elzvik, CFO
Living the new performance culture
Benefit from new performance management and compensation system

Driver of variable compensation

- CEO
- Div. Mgr.
- BU Mgr.

Individual, line of sight scorecards

- Operational financials
- Relentless execution dashboard (REX)
- Next Level / 1’000 day programs
- Leadership / Behavior

Group scorecard

<table>
<thead>
<tr>
<th>Measure</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>xx</td>
</tr>
<tr>
<td>B</td>
<td>xx</td>
</tr>
<tr>
<td>C</td>
<td>xx</td>
</tr>
<tr>
<td>D</td>
<td>xx</td>
</tr>
</tbody>
</table>

Differentiated, performance driven variable compensation

Covers 70,000 employees with individual performance targets in 2015 already
Next Level Stage 2
Accelerating transformation

- Profitable Growth
- Relentless Execution
- Business-led Collaboration

- Further simplifying our organization
- Driving collaboration in regions and countries
- Continuing leadership development
Further simplifying our organization
Example: top management business line and regional structure

<table>
<thead>
<tr>
<th>From…</th>
<th>To…</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 divisions</td>
<td>4 divisions</td>
</tr>
<tr>
<td>1 Head of Global Markets</td>
<td>Eliminated one layer</td>
</tr>
<tr>
<td>8 regions</td>
<td>3 regions</td>
</tr>
<tr>
<td>14</td>
<td>7</td>
</tr>
</tbody>
</table>
Next Level Stage 2 leadership structure
Executive Committee as of January 1, 2016

Ulrich Spiesshofer
CEO

Tarak Mehta
Electrification Products

Pekka Tiitinen
Discrete Automation and Motion

Peter Terwiesch
Process Automation

Claudio Facchin
Power Grids

Eric Elzvik
CFO

Jean-Christophe Deslarzes
Human Resources

Diane de Saint Victor
Legal & Integrity

Frank Duggan
AMEA

Greg Scheu
Americas

Bernhard Jucker
Europe

Regional Leaders

Corporate Officers

Division Leaders
Continuing leadership development
Bazmi Husain appointed new Chief Technology Officer

Thought leader in Power & Automation, proven business leader

Until 2002: managed several local businesses in India and Singapore

2002: Head of Corporate Research Center (CRC) in India

2005-09: Director of ABB’s CRC in Västeras, Sweden; lead global automation technology research

2009-11: Head of ABB’s Smart Grid initiative

2011-today: Managing Director of ABB India Ltd.

Based in Bangalore, India, with an office in Switzerland, effective Jan. 1, 2016
Agenda

Next Level Stage 1 – delivered

Next Level Stage 2 – accelerating transformation

Our ambition – attractive value creation
### Group financial targets 2015 – 2020

<table>
<thead>
<tr>
<th>Revenue growth¹</th>
<th>CMD 2014</th>
<th>Updated</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4-7%</td>
<td>3-6%</td>
<td>Reduced market outlook Retained ambition</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational EBITA %²</th>
<th>CMD 2014</th>
<th>Updated</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-16%</td>
<td></td>
<td></td>
<td>$1 bn White Collar Productivity program</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational EPS CAGR³</th>
<th>CMD 2014</th>
<th>Updated</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-15%</td>
<td></td>
<td></td>
<td>$2 bn Working Capital program</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FCF conversion to net income</th>
<th>CMD 2014</th>
<th>Updated</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;90%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CROI %⁴</th>
<th>CMD 2014</th>
<th>Updated</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-teens</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

¹Average annual revenue growth on a like-for-like basis over 6 years, base year 2014; ²Target is on a full-year basis; ³CAGR: Compound annual growth rate, base year is 2014 and assuming constant exchange rates; ⁴Temporary reduction possible in the event of larger acquisitions.
Next Level Stage 2
Summary

Profitable growth
- Shifting the Center of Gravity
  - Divisional realignment along markets
  - Accelerating organic growth
- Ready for inorganic moves
- Value from partnerships

Relentless execution
- 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

Business-led collaboration
- Further simplifying our organization
- Driving collaboration in regions and countries
- Continuing leadership development

Accelerating sustainable value creation

Well positioned

Attractive markets

Delivering attractive shareholder returns
2014-2016 share buy-back
Next Level Strategy: accelerating sustainable value creation

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
Power and productivity for a better world™