

Ulrich Spiesshofer, CEO, ABB Ltd., Capital Markets Day, September 9, 2015

Next Level Stage 2

Accelerating transformation

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,” “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 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/>

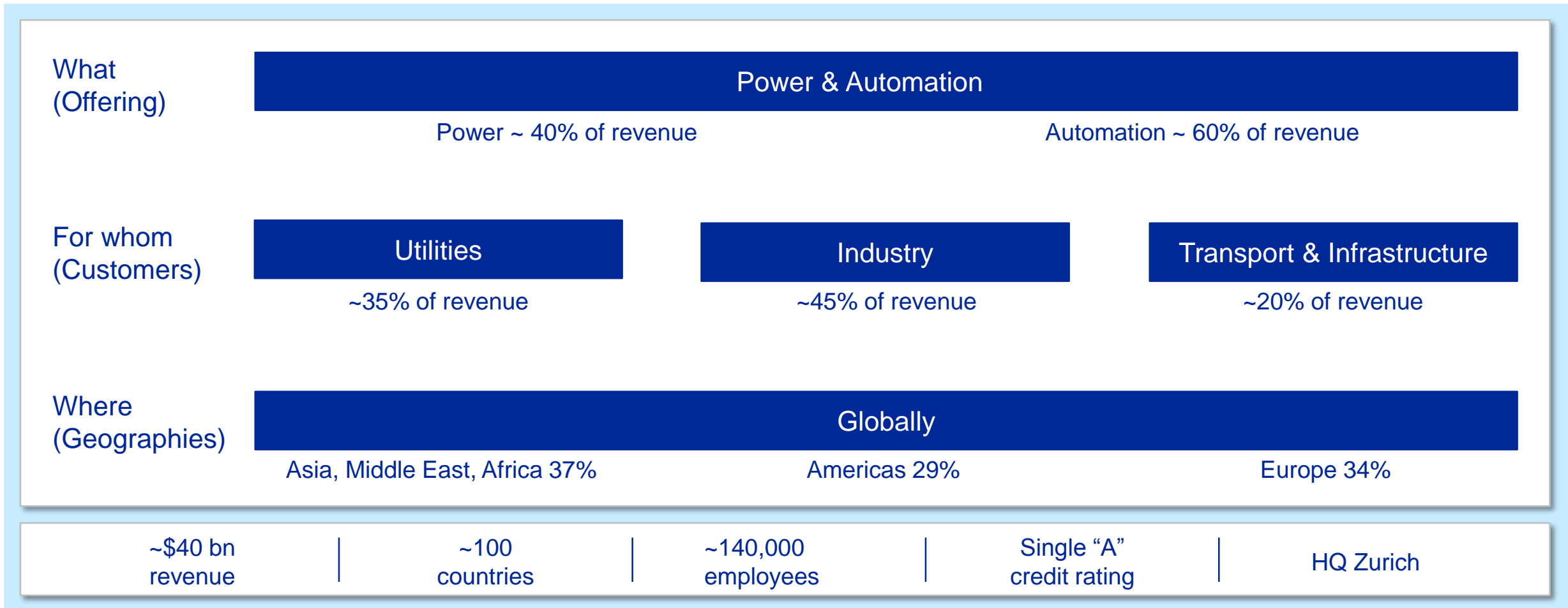
Agenda

Next Level Stage 1 – delivered

Next Level Stage 2 – accelerating transformation

Our ambition – attractive value creation

ABB in simple terms

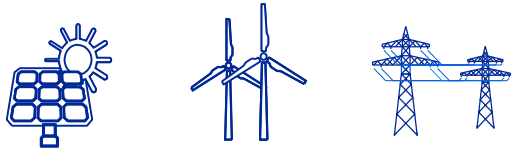


Well positioned in attractive markets

Long-term market growth drivers intact

Power & Automation

Utilities



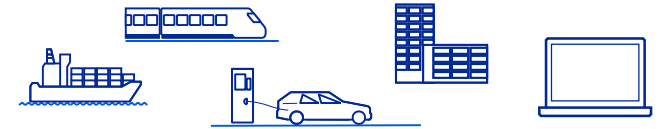
Renewables
Grid automation / digitalization
Microgrids
Smart upgrades
Electrification penetration
Energy storage

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

Innovation and customer highlights

YuMi®

525 kV HVDC cable

1,200 kV AC circuit breaker, transformer

Remote MotorCare¹

Azipod D

NORD.LINK

MAERSK LINE

CHANGAN

Ford

SASOL
reaching new frontiers

Shell

STADLER

STATE GRID
CORPORATION OF CHINA

Royal Caribbean INTERNATIONAL

LAFARGE
Holcim

HYUNDAI
HEAVY INDUSTRIES CO.,LTD.

PETROAMAZONAS

TATA STEEL

PETRONAS

VALE

Eskom

INTECH™
PROCESS AUTOMATION

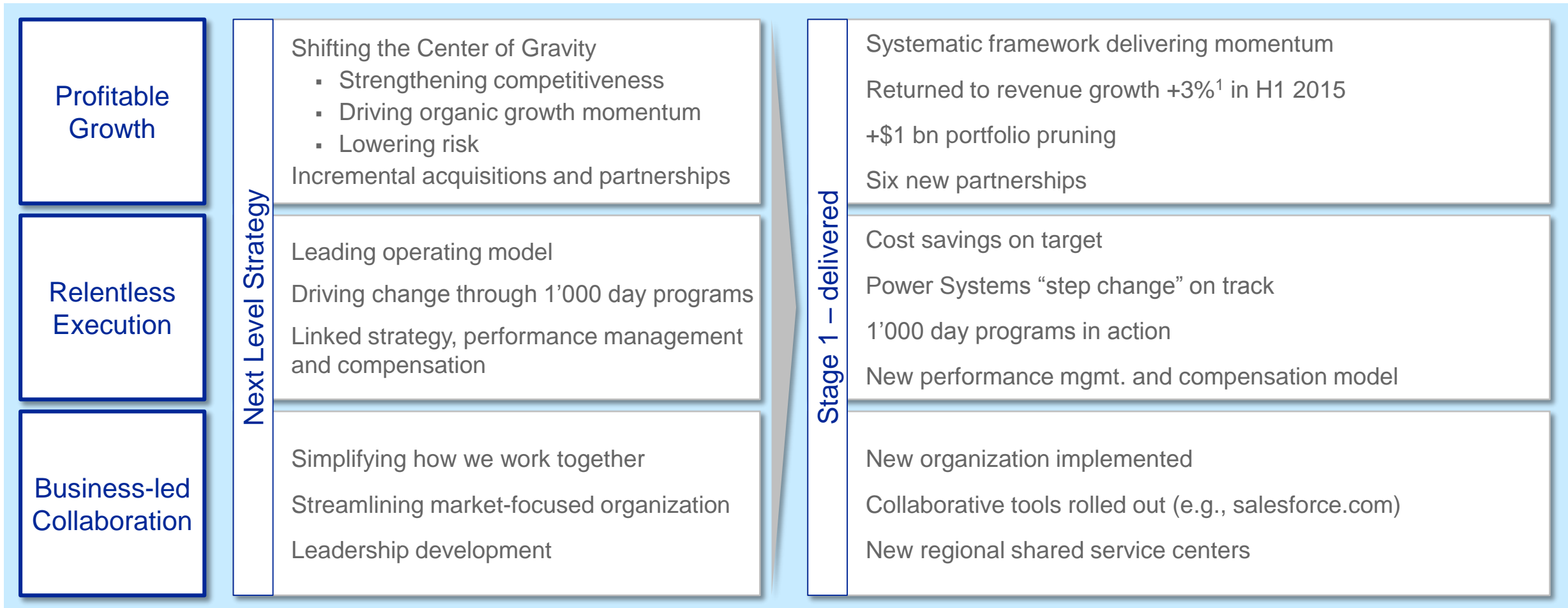
Hybrid ship

Self-powered sensor

Eco-efficient GIS²

Free@Home

Next Level Stage 1 Delivered



Next Level Strategy

Stage 1 – delivered

Next Level Stage 1

Performance against targets

	2015 – 2020 targets	H1 2015	Comments
Revenue growth ¹	4-7%	3%	Returned to growth in H1 2015
Operational EBITA % ²	11-16%	11.4%	Improved in first 6 months by 60 bps
Operational EPS CAGR ³	10-15%	8%	Returned to growth in H1 2015
FCF conversion to net income	>90%	107%	Strong cash conversion
CROI % ⁴	Mid-teens	12.1%	Steady

\$3.5 bn returned to shareholders⁵ in Next Level Stage 1

Facing a slower world economy

Global outlook

Forecast at CMD 2014 for 2015-20

Current 2015-20 outlook

GDP growth	3-3.5%	2.5-3%
Oil price	\$100	Uncertain
Utility	2-4%	2-3.5%
Industry	3-4.5%	2-4%
Transport & Infrastructure	4-6%	3.5-5.5%
Emerging markets growth	~6%	4-5%
China growth	~7%	5-6%

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

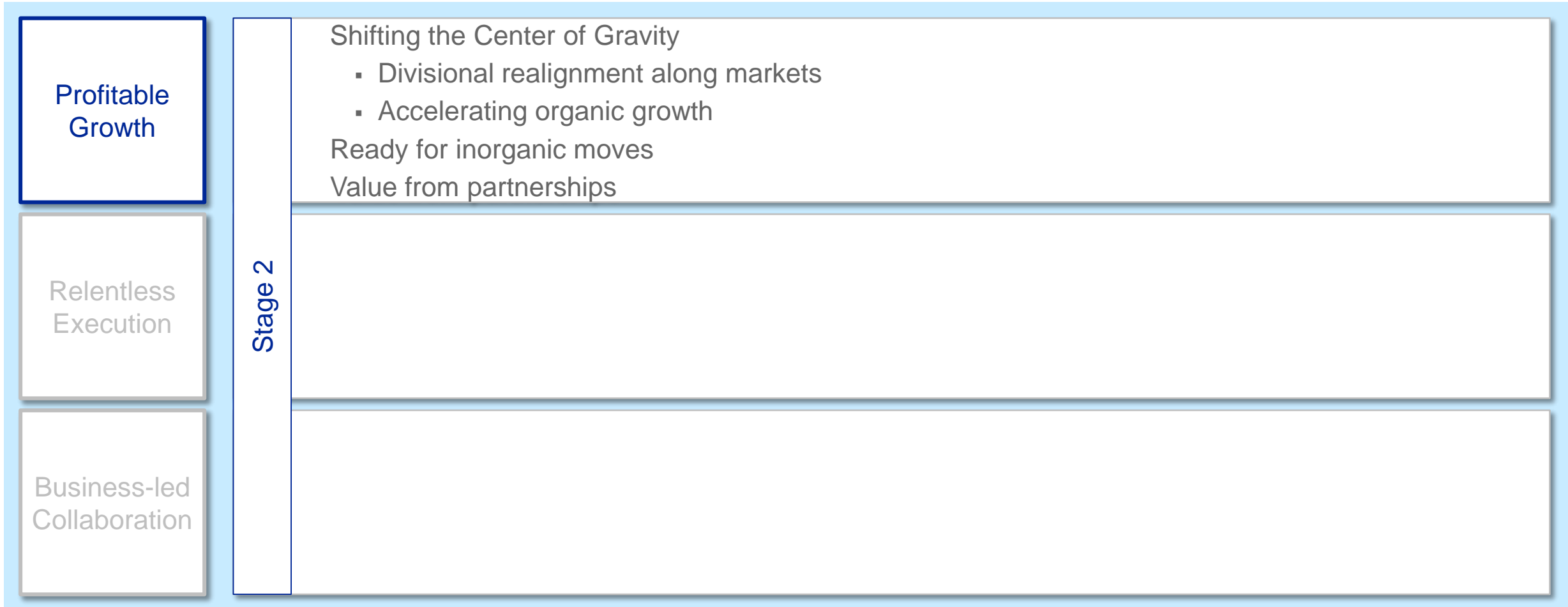
Next Level Stage 2

Accelerating transformation



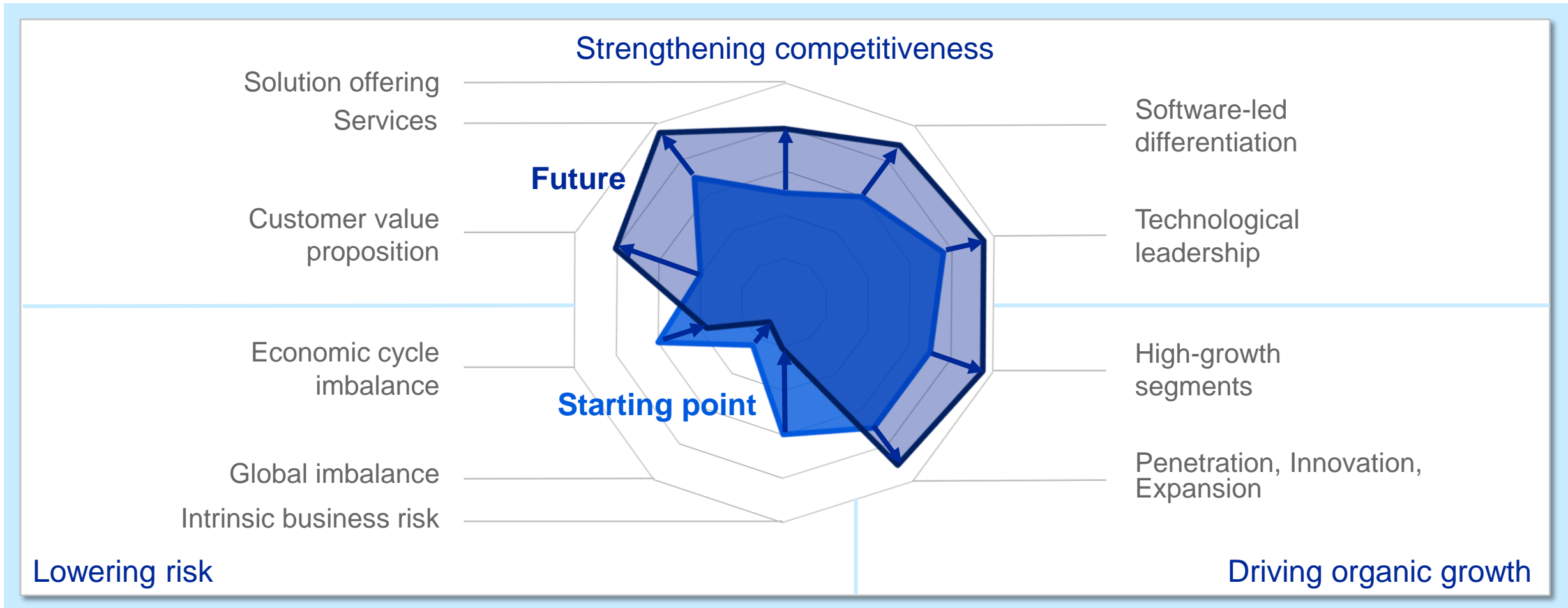
Next Level Stage 2

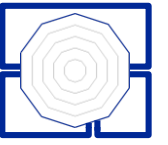
Accelerating transformation



Shifting the Center of Gravity

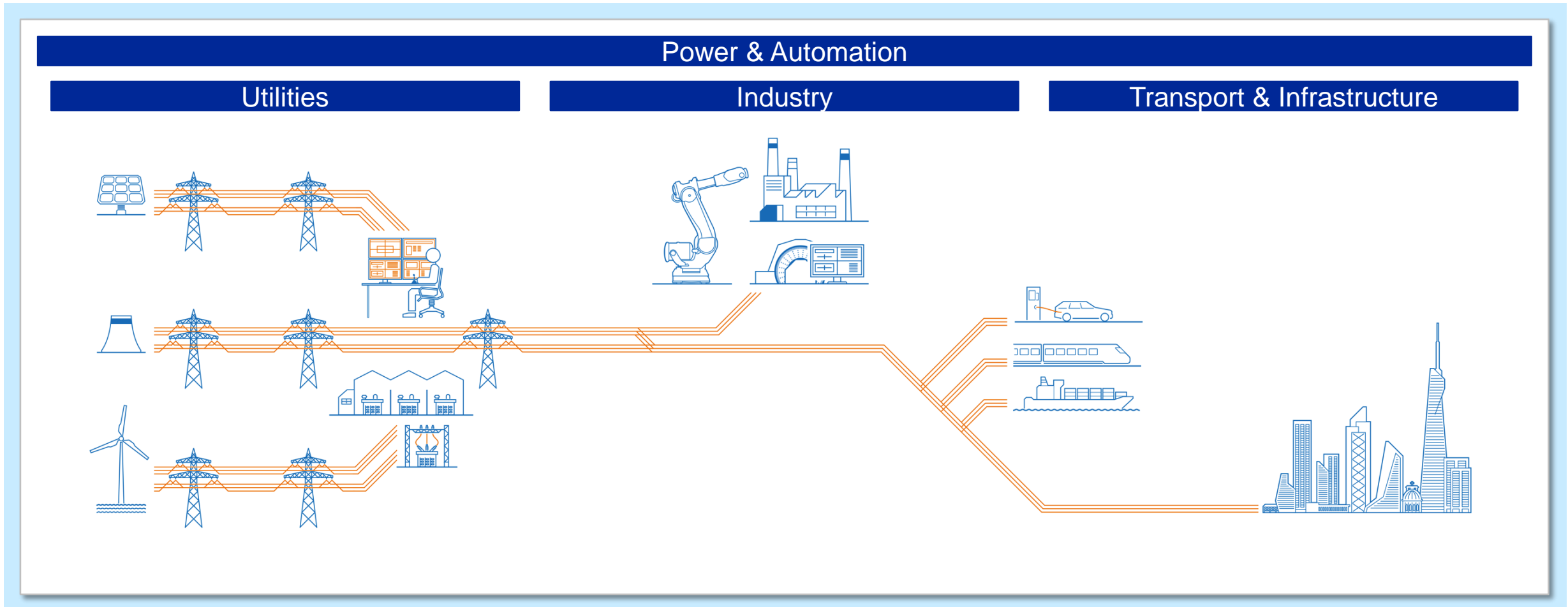
Continuing Next Level transformation in Stage 2

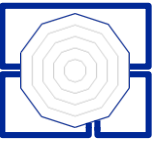




Shifting the Center of Gravity – divisional realignment

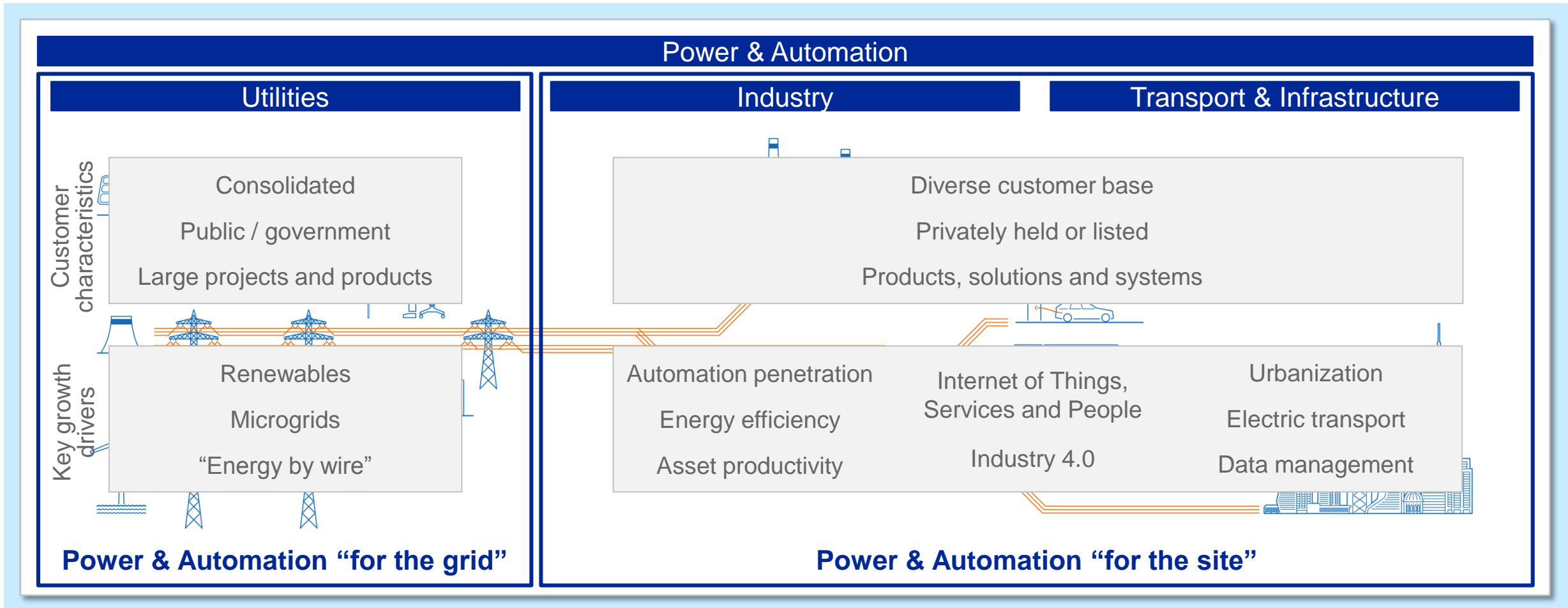
Our customer value chain

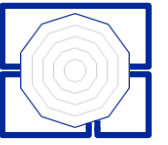




Shifting the Center of Gravity – divisional realignment

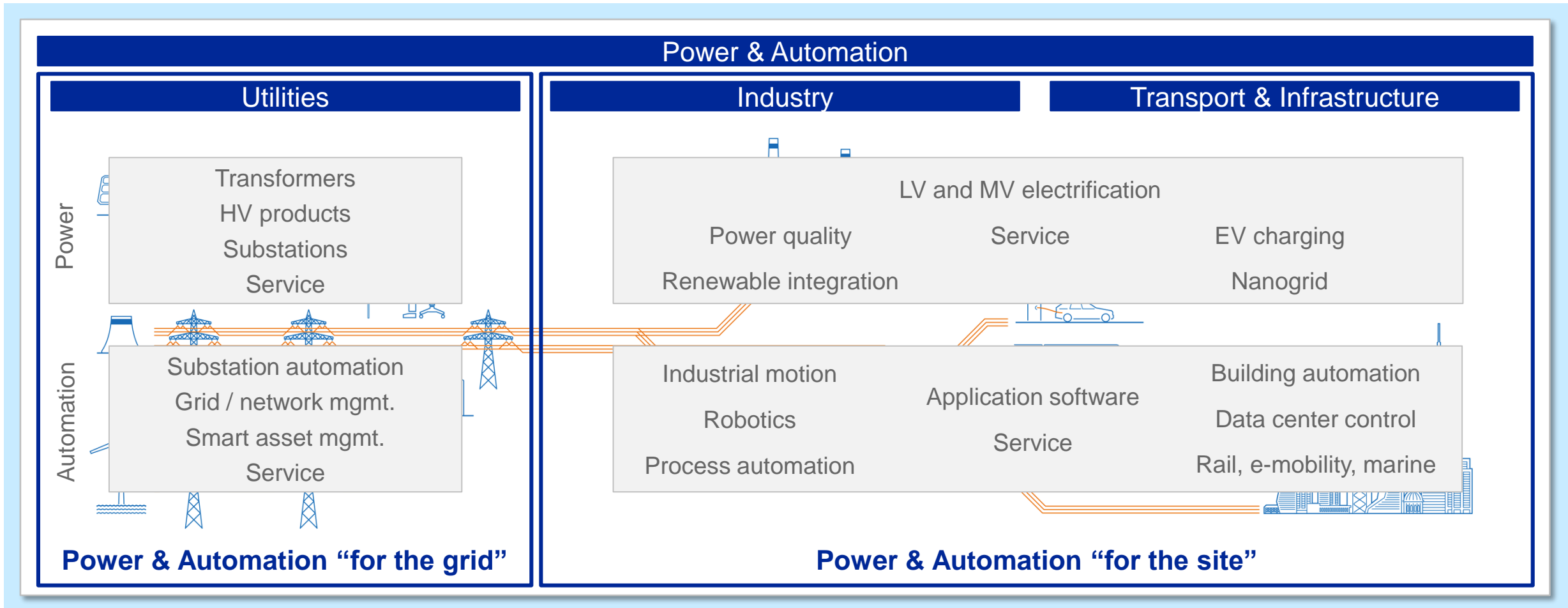
Two distinct customer patterns – better served in the future

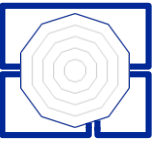




Shifting the Center of Gravity – divisional realignment

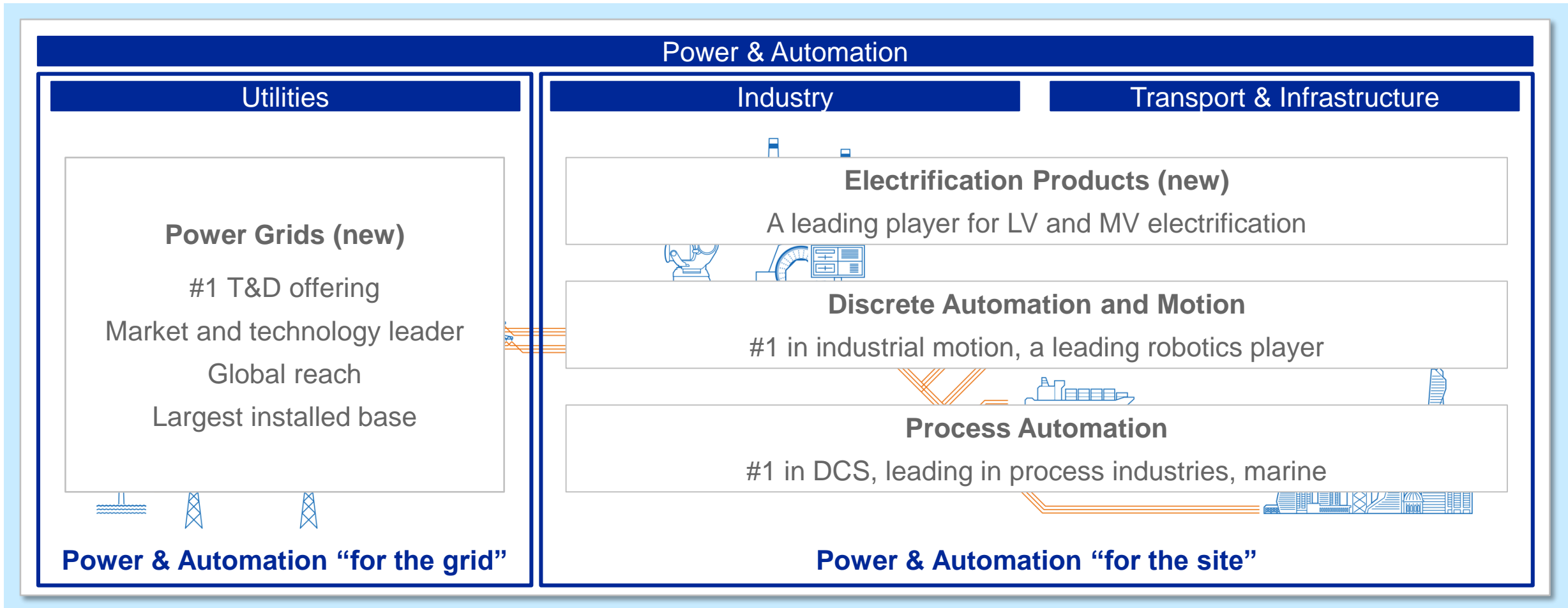
Leading Power & Automation offering (selected examples)

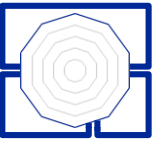




Shifting the Center of Gravity – divisional realignment

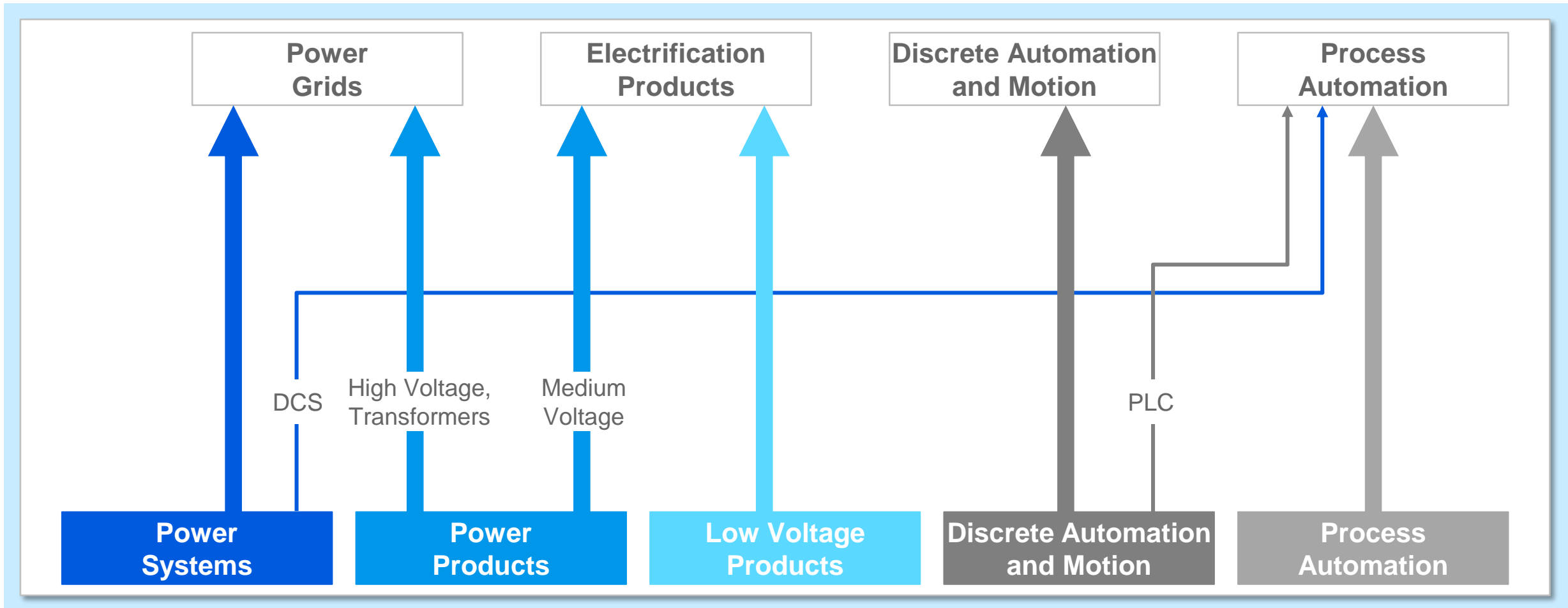
From 5 to 4 divisions – better fit with customer patterns

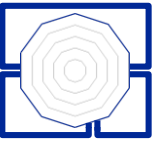




Shifting the Center of Gravity – divisional realignment

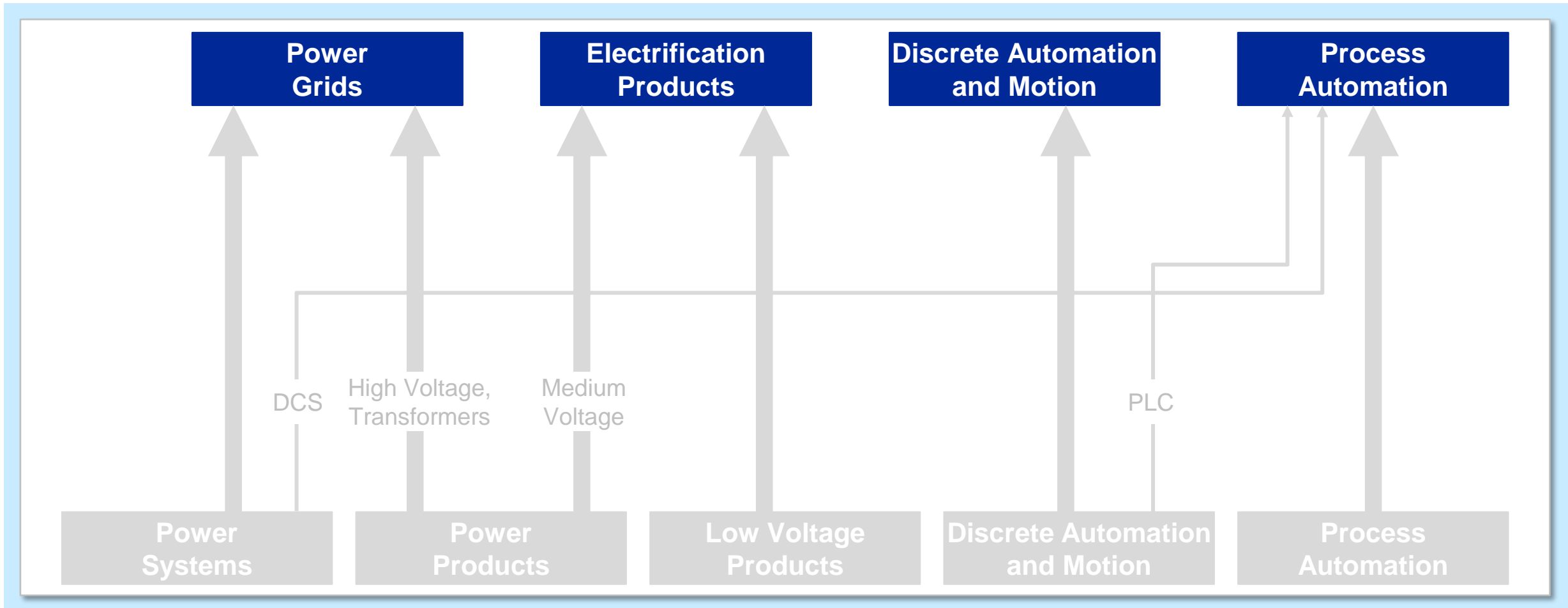
From 5 to 4 divisions

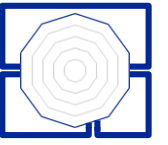




Shifting the Center of Gravity – divisional realignment

From 5 to 4 divisions

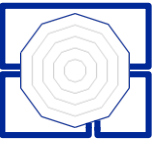




Shifting the Center of Gravity – divisional realignment

Key data

	Power Grids	Electrification Products	Discrete Automation and Motion	Process Automation
Market size (\$ bn)	~160	~160	~150	~130
Major competitors	Alstom/GE, Siemens, Toshiba	Chint, Eaton, Legrand, Schneider	Fanuc, Rockwell, Schneider, Siemens, WEG	Emerson, Honeywell, Siemens, Yokogawa
Revenues (\$ bn)	12.6	10.6	10.1	8.6
Employees	~39,000	~42,000	~31,000	~26,000



Shifting the Center of Gravity – divisional realignment

Our aspiration: #1 or #2 in all businesses

**Power
Grids**

Drive market and technology leadership, strategic portfolio review

Power & Automation “for the grid”

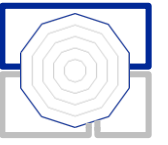
**Electrification
Products**

**Discrete Automation
and Motion**

**Process
Automation**

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

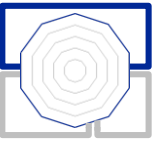
Examples

1,200 kV AC circuit breaker, transformer



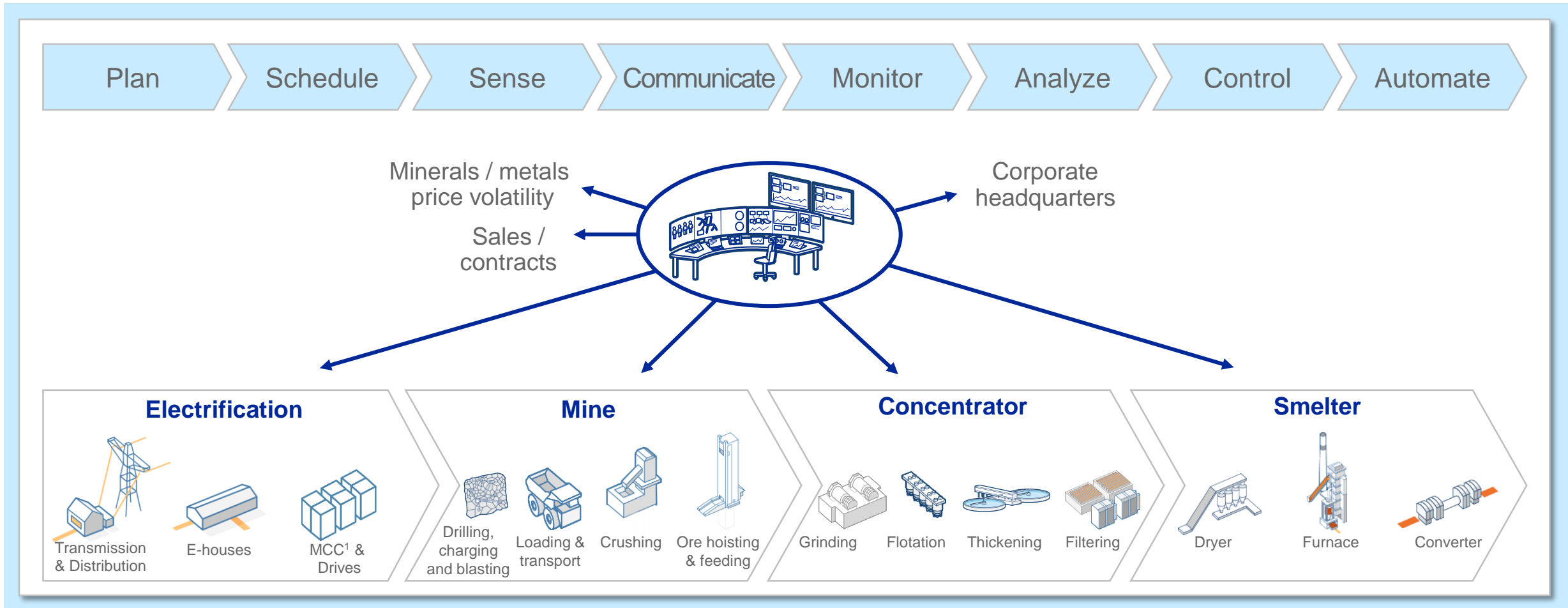
Eco-efficient Gas Insulated Switchgear

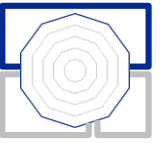




Shifting the Center of Gravity – strengthening competitiveness

Driving uptime, speed and yield through “digital mine”





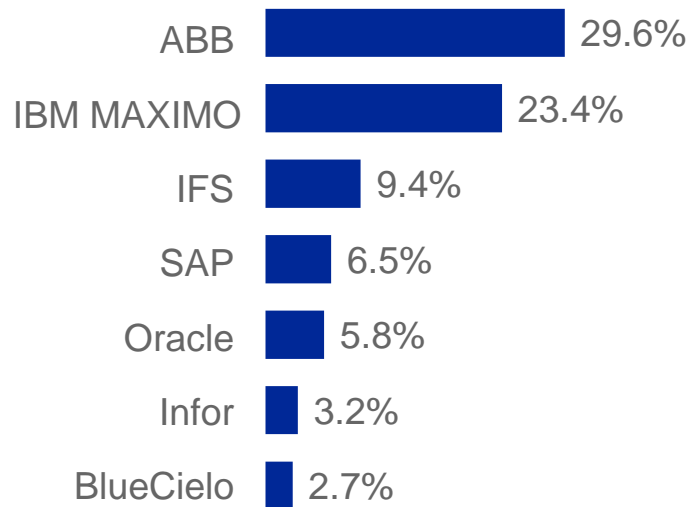
Shifting the Center of Gravity – strengthening competitiveness

Operational efficiency through Enterprise Asset Management software

#1 EAM and workforce solution provider in:

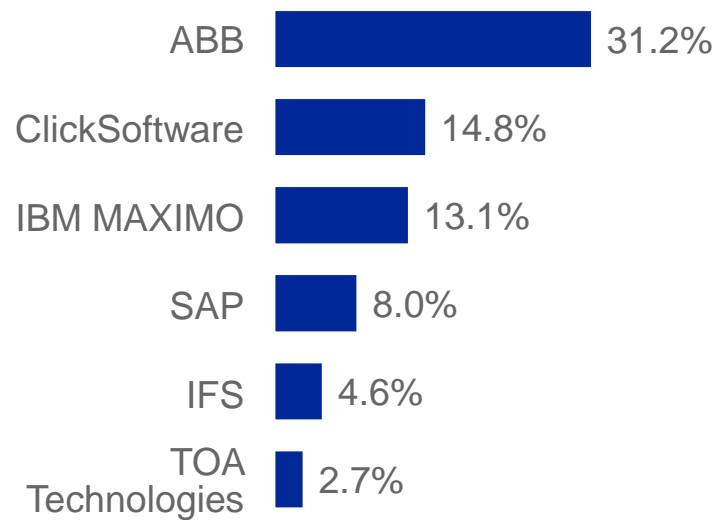
Power generation

Segment shares in %



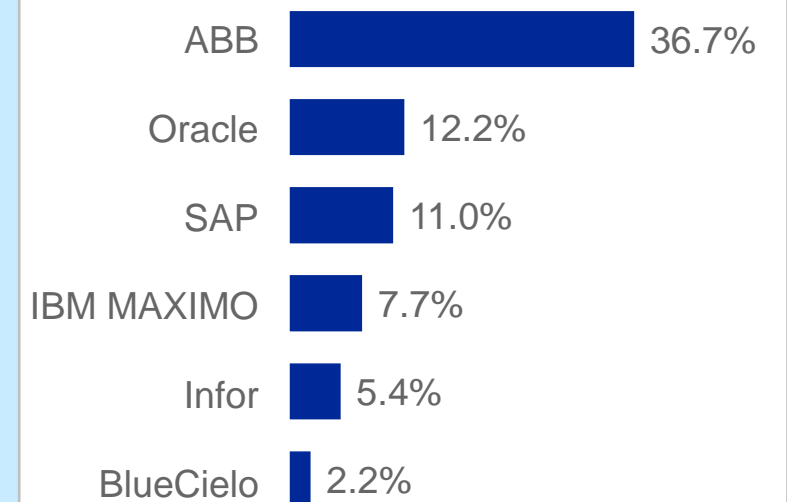
T&D

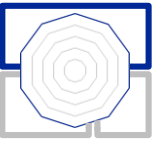
Segment shares in %



Mining

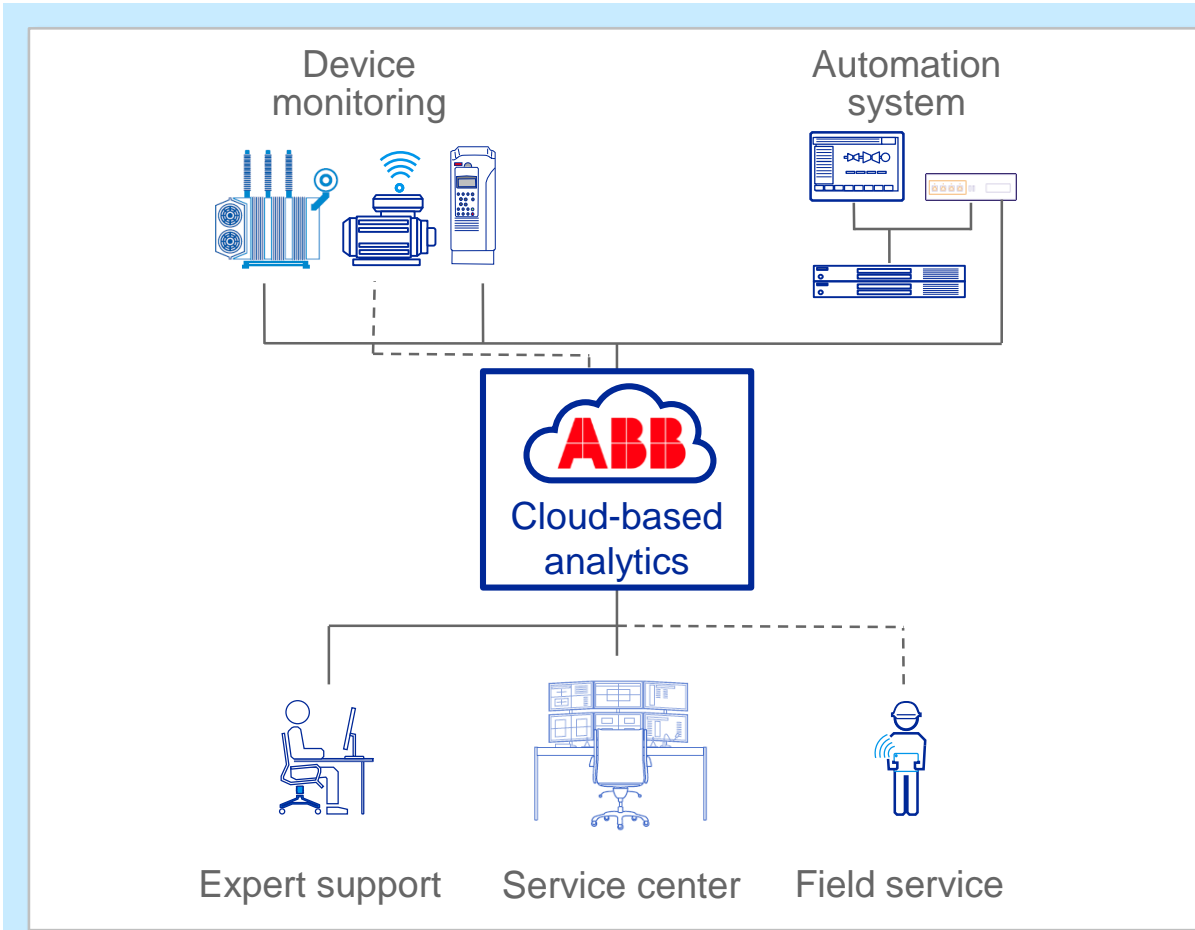
Segment shares in %





Shifting the Center of Gravity – strengthening competitiveness

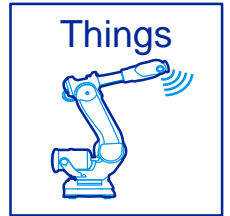
Uptime, asset lifetime and operational cost improvement through cloud-based services



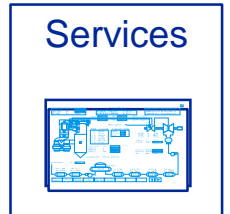
Internet of Things, Services and People (ITSP)

Example: connected services

Large installed base, sensing and communicating

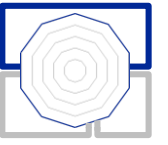


Leading service product offering, enabled by common cloud-based platform



~25,000 global service team, fully informed, fully connected, smartly deployed





Shifting the Center of Gravity – strengthening competitiveness

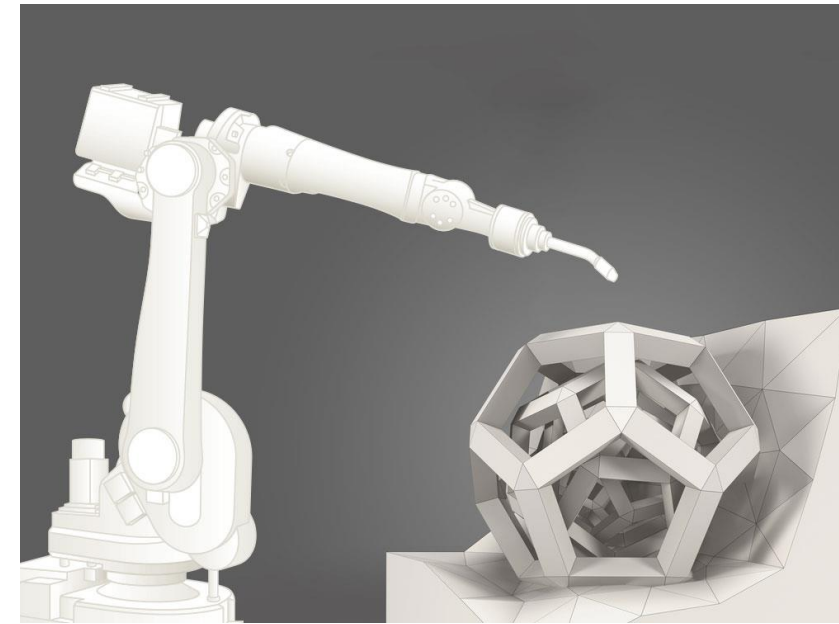
Pioneering disruptive technologies with agile partners through ABB Technology Ventures

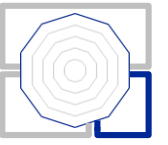
Examples

Artificial intelligence



3D printing & robots



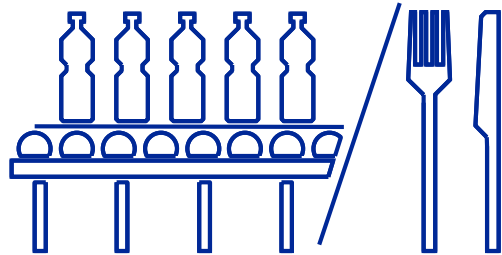


Shifting the Center of Gravity – driving organic growth

1'000 day programs for high-growth segments

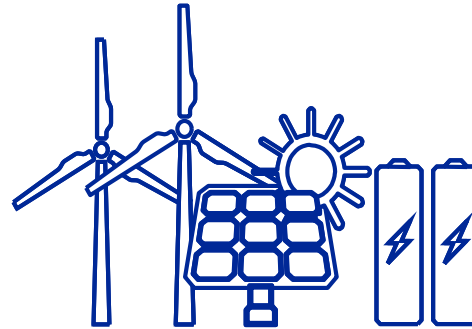
Examples

Food & Beverage



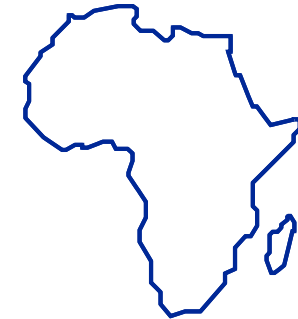
Become leading
Power & Automation player

Microgrids

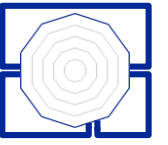


Market maker with
integrated solutions

Africa

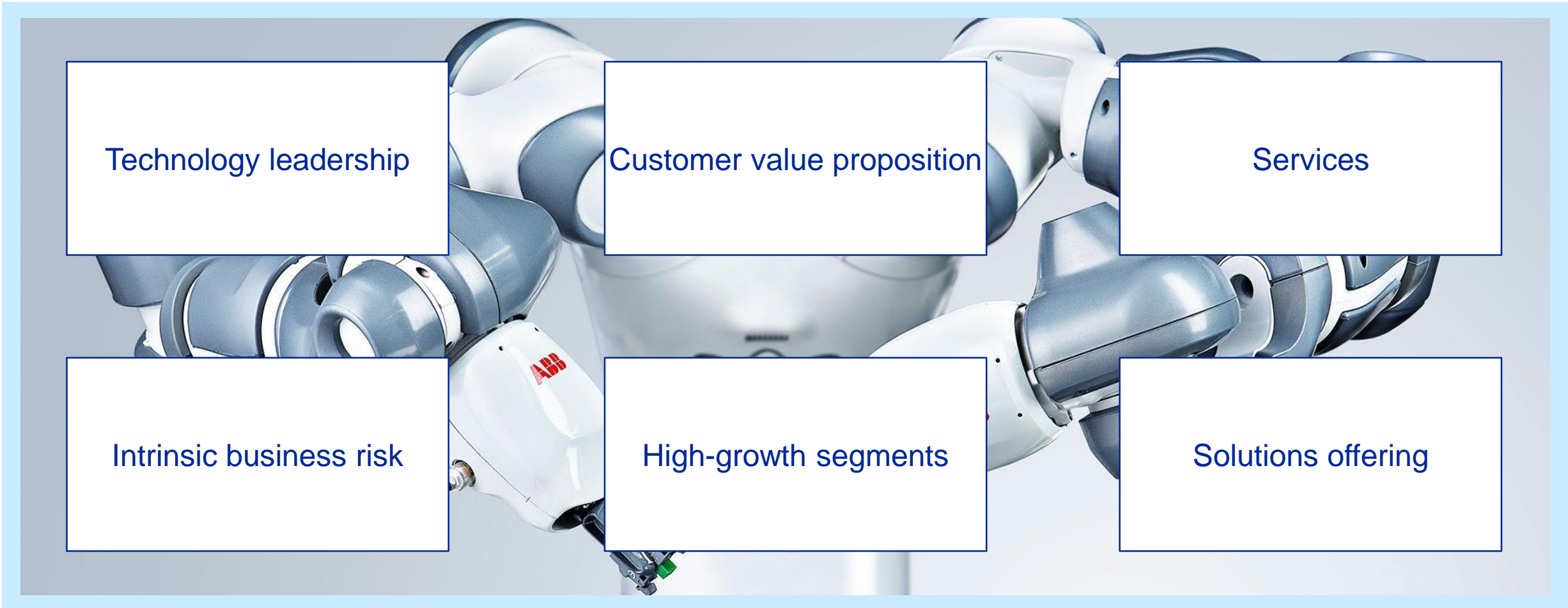


Tapping the huge resource
and population base



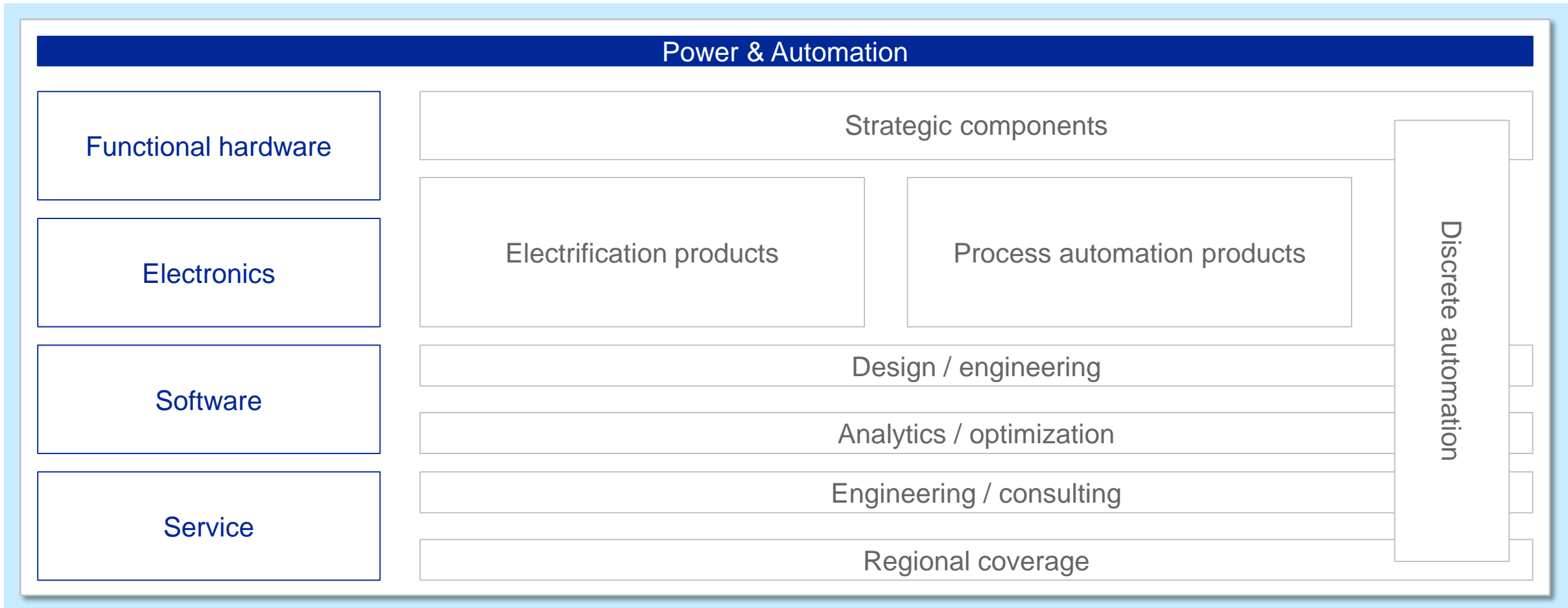
Shifting the Center of Gravity

Transforming industry through robotization – ITSP¹ in action









Ready for inorganic moves

Value-creating acquisitions – selective and disciplined



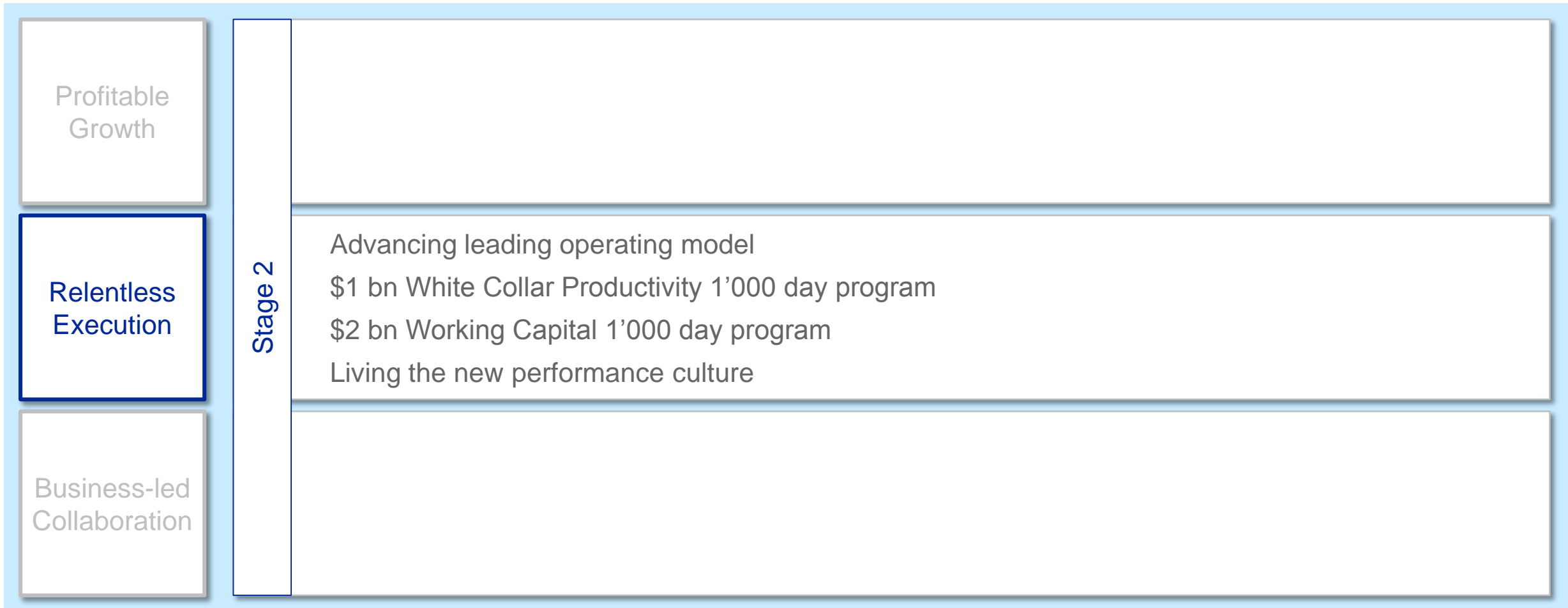
Value from partnerships

Accelerated expansion at low risk

Market	Partner	Contribution
Energy storage, e-mobility		Grid technology, EV charger (ABB) Battery technology (BYD)
Grid integration, Japan		HVDC technology (ABB) Local access, EPC (Hitachi)
Microgrids		Grid technology, global footprint (ABB) Battery technology (Samsung)
Building automation		Building automation (ABB) LED lighting (Philips)
Smart homes		Building automation and software (ABB, Bosch & Cisco)
Data centers		Data center management systems (ABB) Cloud infrastructure (Ericsson)

Next Level Stage 2

Accelerating transformation

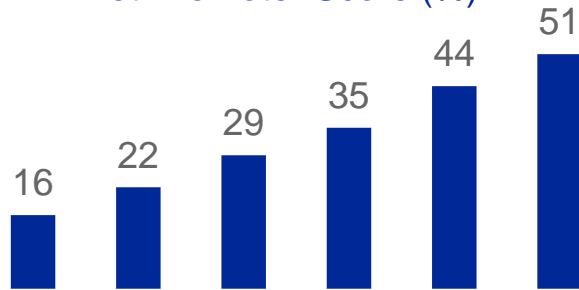


Advancing leading operating model

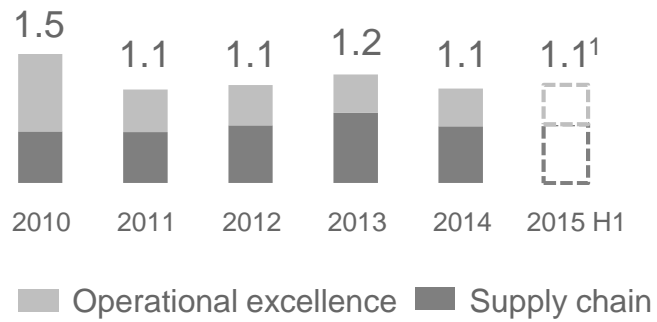
Targeting benchmark performance

Foundation laid

Net Promoter Score (%)

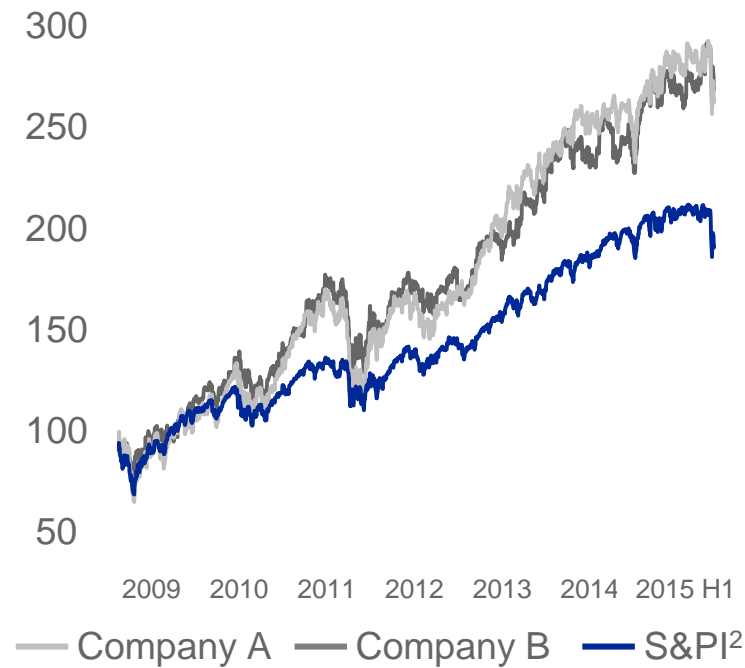


Savings (\$ bn p.a.)

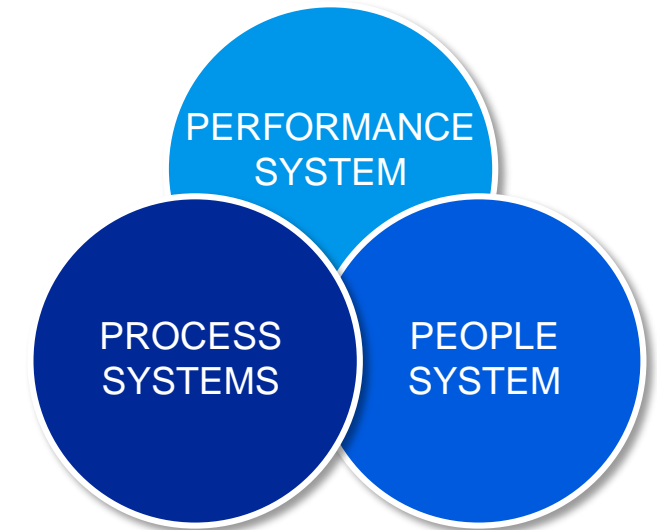


Peer benchmark

Share price performance (indexed)



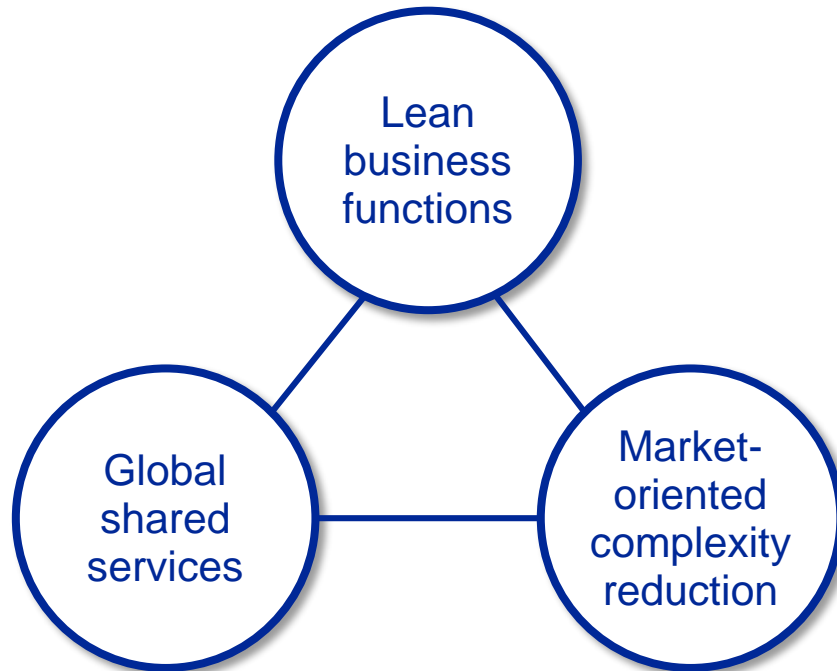
Leading operating model



Lead: Tarak Mehta, EC LP

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

Lean for growth



Objectives

Customer-focused, simpler ABB

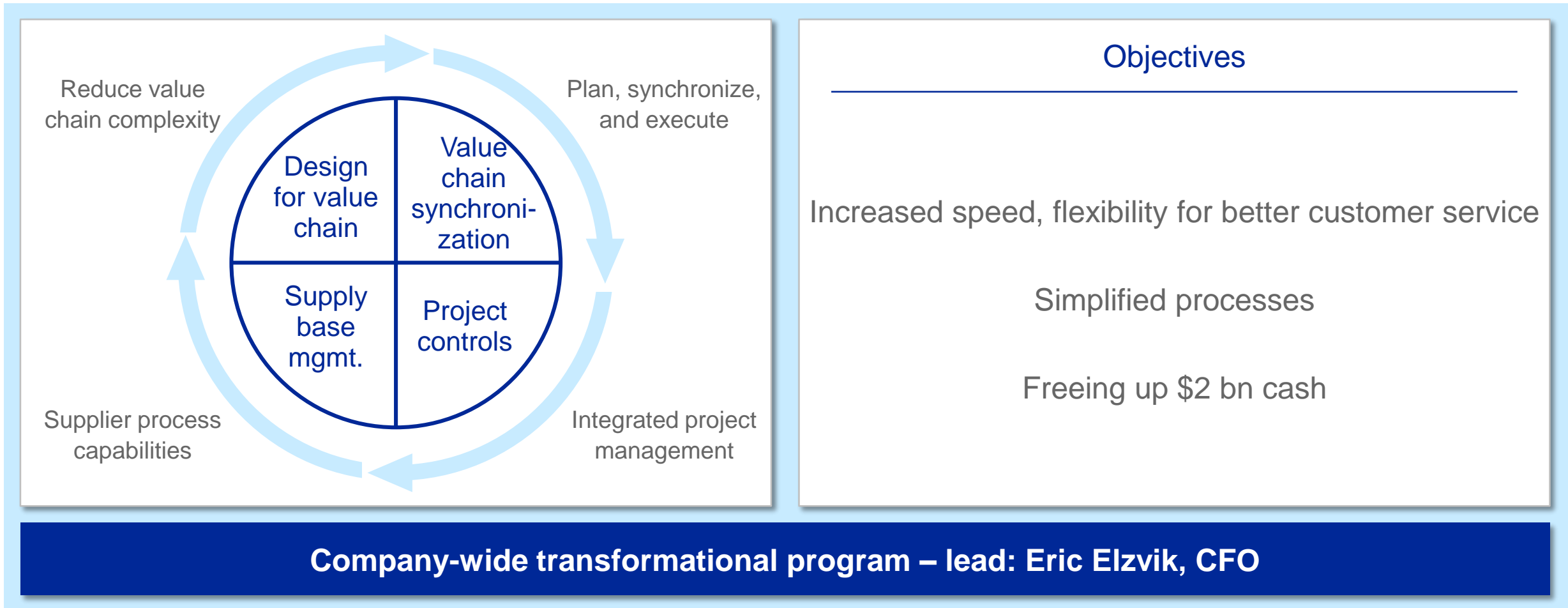
Leveraging our scale

Freeing up \$1 bn from our cost structure

Company-wide white collar transformation – lead: Jean-Christophe Deslarzes, CHRO

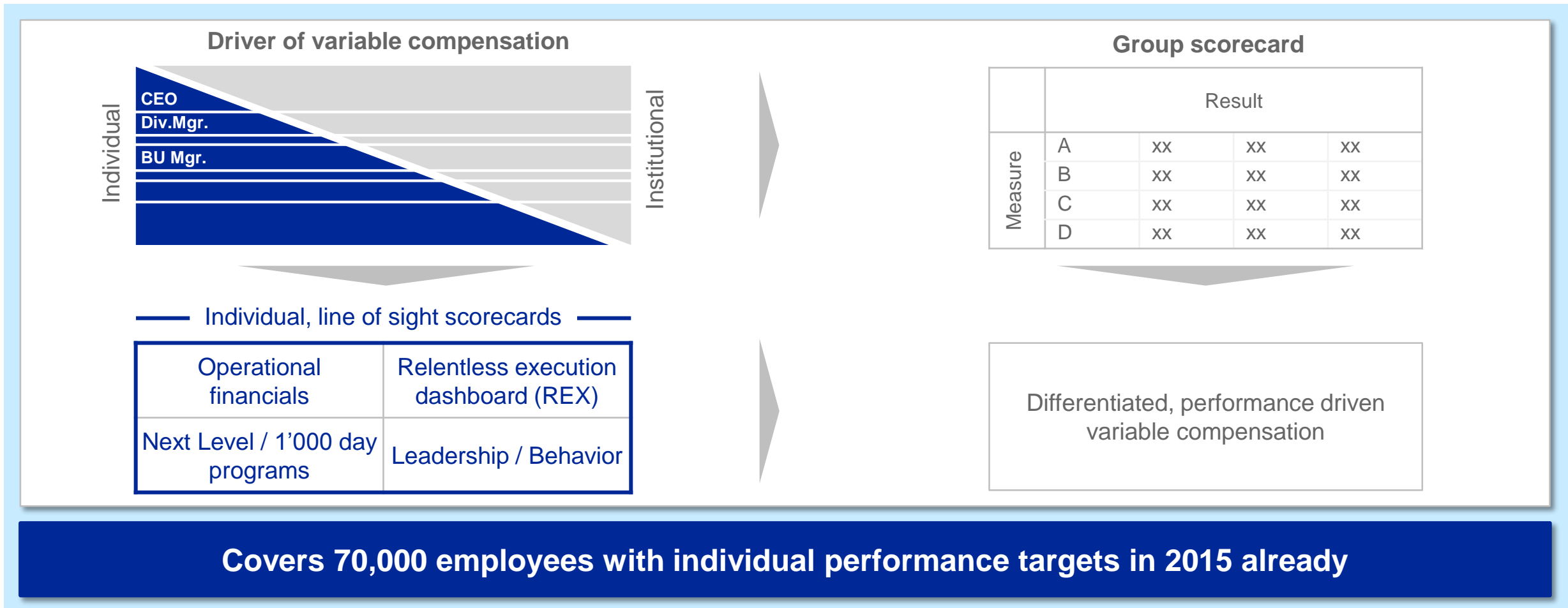
\$2 bn Working Capital 1'000 day program

Cash for growth



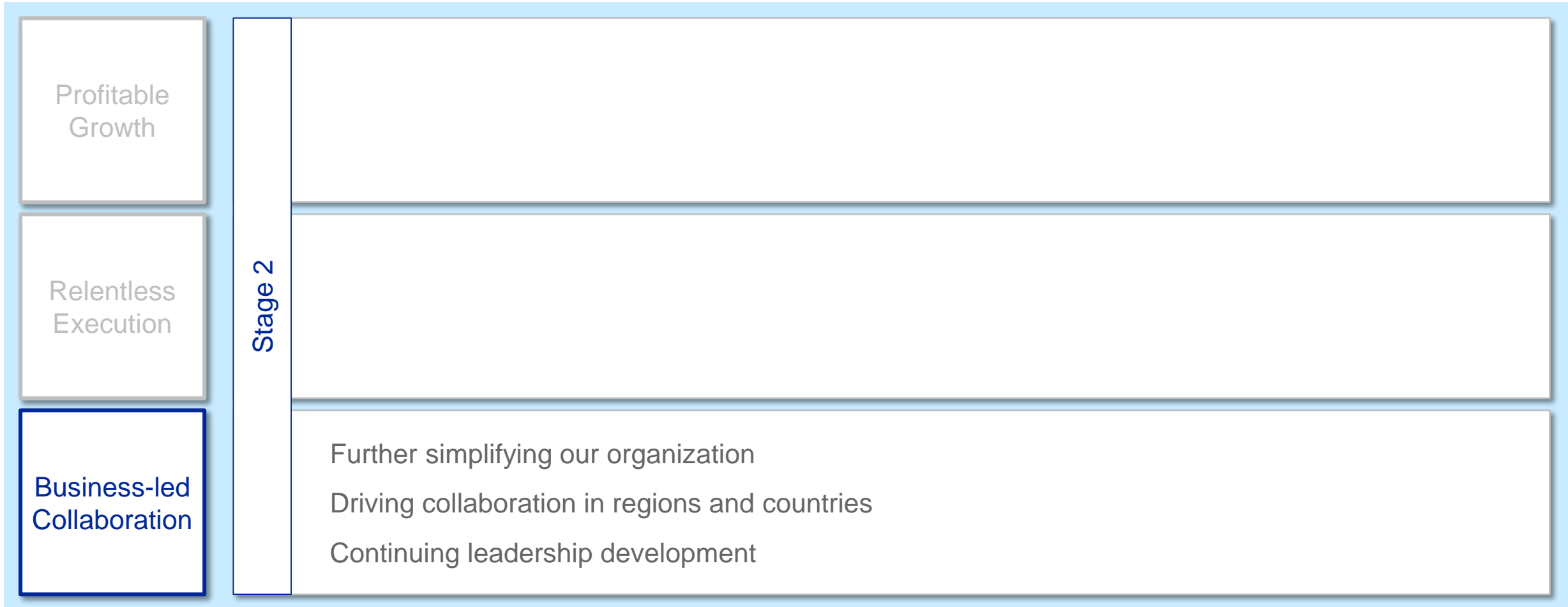
Living the new performance culture

Benefit from new performance management and compensation system



Next Level Stage 2

Accelerating transformation



Further simplifying our organization

Example: top management business line and regional structure



Next Level Stage 2 leadership structure

Executive Committee as of January 1, 2016



Ulrich Spiesshofer
CEO



Tarak Mehta
Electrification
Products

Division Leaders



Pekka Tiitinen
Discrete Automation
and Motion



Peter Terwiesch
Process
Automation



Claudio Facchin
Power
Grids



Eric Elzvik
CFO

Corporate Officers



Jean-Christophe
Deslarzes
Human Resources



Diane
de Saint Victor
Legal & Integrity



Frank Duggan
AMEA

Regional Leaders



Greg Scheu
Americas



Bernhard Jucker
Europe

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 Västerås, 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

	CMD 2014	Updated	Rationale
Revenue growth ¹	4-7%	3-6%	Reduced market outlook Retained ambition
Operational EBITA % ²	11-16%		\$1 bn White Collar Productivity program
Operational EPS CAGR ³	10-15%	←	
FCF conversion to net income	>90%		\$2 bn Working Capital program
CROI % ⁴	Mid-teens	←	

Next Level Stage 2 Summary

Well
positioned



Attractive
markets

**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

**Delivering attractive
shareholder returns**

**2014-2016
share buy-back**

Accelerating sustainable value creation

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

Power and productivity
for a better world™

