Committed to unlocking value

Ulrich Spiesshofer, CEO
# ABB: the pioneering technology leader

<table>
<thead>
<tr>
<th>What (Offering)</th>
<th>Pioneering technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products 59%</td>
<td>Systems 24%</td>
</tr>
<tr>
<td></td>
<td>Services &amp; software 17%</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></td>
<td>~35% of revenue</td>
<td>~40% of revenue</td>
<td>~25% of revenue</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 30%</td>
</tr>
<tr>
<td>Europe 33%</td>
<td></td>
</tr>
</tbody>
</table>

- ~$35 bn revenue
- ~100 countries
- ~135,000 employees
Attractive markets: Energy and Fourth Industrial Revolutions

The Energy Revolution

The Fourth Industrial Revolution

Utilities

Industry

Transport & Infrastructure
## Attractive customer dynamics

<table>
<thead>
<tr>
<th>Utilities</th>
<th>Industry</th>
<th>Transport &amp; Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>~$7 trillion renewables investment next 25 years</td>
<td>26 bn things connected by 2020</td>
<td>&gt;63% urban population by 2050</td>
</tr>
<tr>
<td>300 HVDC projects planned</td>
<td>18% p.a. growth machine-to-machine industry 2020</td>
<td>Smart home market to triple to ~$36 bn in 2020</td>
</tr>
<tr>
<td>$5 bn microgrid market 2025</td>
<td>2.6 mn industrial robots by 2019 from 1.2 mn today</td>
<td>Energy management market to more than double to $44 bn by 2020</td>
</tr>
<tr>
<td>~50% CAGR stationary energy storage (GWh)</td>
<td>~30% CAGR cloud computing infrastructure and platforms</td>
<td>&gt;50% of cars sold in 2030 will be electric</td>
</tr>
</tbody>
</table>

Source: Industry reports, ABB
ABB uniquely positioned to benefit from these dynamics

Our pioneering technology leadership places us at the heart of the Energy and Fourth Industrial Revolutions

The opportunity is now – and we are ready
Agenda

Introduction

Next Level Stage 1 and 2 – delivered

Next Level Stage 3 – committed to unlocking value

Conclusion
## Addressing our key challenges

### Profitable Growth

<table>
<thead>
<tr>
<th>2013</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of organic growth focus</td>
<td>New growth mindset gaining traction (PIE(^1) approach)</td>
</tr>
<tr>
<td>Underperforming units</td>
<td>All four divisions in margin corridor</td>
</tr>
<tr>
<td>Fat and inefficient white collar</td>
<td>Well on track to $1 bn White Collar</td>
</tr>
<tr>
<td>organization</td>
<td>Productivity savings</td>
</tr>
<tr>
<td>Inadequate cash culture</td>
<td>Significantly reduced net working capital</td>
</tr>
<tr>
<td>Static, lack of accountability</td>
<td>&gt;70k people on new performance / compensation system</td>
</tr>
<tr>
<td>Complex organizational setup</td>
<td>Simpler, customer-focused organization</td>
</tr>
</tbody>
</table>

### Relentless Execution

- Underperforming units
- Fat and inefficient white collar organization
- Inadequate cash culture
- Static, lack of accountability

### Business-led Collaboration

- Complex organizational setup

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1. PIE: Penetration, Innovation, Expansion
Business transformation delivering

Building momentum

7 consecutive quarters of margin improvement

Op. EBITA margin, year-on-year (in average 70 bps)

Returned $8.7 bn\(^1\) of cash to shareholders over the last three years

\(^1\)Includes cash return to shareholders as dividends and under the share buyback program
Our key challenge
Combine margin improvement with growth to drive EPS

Operational EBITA margin, 4Q rolling, %

Operational earnings per share, quarterly, $

Revenue, quarterly, $ bn
Agenda

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Next Level Stage 1 and 2 – delivered
Next Level Stage 3 – committed to unlocking value
Conclusion
# Next Level Stage 3 – committed to unlocking value

## Four actions

<table>
<thead>
<tr>
<th>Profitable Growth</th>
<th>1</th>
<th>Driving growth in four market-leading entrepreneurial divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
<td>Quantum leap in digital</td>
</tr>
<tr>
<td>Relentless Execution</td>
<td>3</td>
<td>Accelerating momentum in operational excellence</td>
</tr>
<tr>
<td>Business-led Collaboration</td>
<td>4</td>
<td>Strengthening the global ABB brand</td>
</tr>
</tbody>
</table>

| Delivering attractive shareholder returns |

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Next Level Stage 3 – committed to unlocking value

Four actions

1. Driving growth in four market-leading entrepreneurial divisions
2. Quantum leap in digital
3. Accelerating momentum in operational excellence
4. Strengthening the global ABB brand

Delivering attractive shareholder returns
Four market-leading entrepreneurial divisions

All businesses in #1 or 2 positions

<table>
<thead>
<tr>
<th>Partner of choice for...</th>
<th>Market size¹ and growth</th>
<th>Position</th>
<th>Revenues²</th>
<th>Top 3 competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrification Products</td>
<td>...electrification of all consumption points</td>
<td>~$140 bn 2 – 4%</td>
<td>#2 in electrification</td>
<td>$10.2 bn</td>
</tr>
<tr>
<td>Robotics and Motion</td>
<td>...robotics and intelligent motion solutions</td>
<td>~$110 bn 3 – 8%³</td>
<td>#1 in motion #2 in robotics</td>
<td>$8.3 bn</td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>...industrial automation</td>
<td>~$120 bn 1 – 3%</td>
<td>#1 in process control</td>
<td>$7.4 bn</td>
</tr>
<tr>
<td>Power Grids</td>
<td>...a stronger, smarter and greener grid</td>
<td>~$110 bn ³ 3 – &gt;10%⁵</td>
<td>#1 in T&amp;D</td>
<td>$11.6 bn</td>
</tr>
</tbody>
</table>

¹Unconsolidated 2015; ²2015 revenues in new structure as of January 2017; ³8% for robotics market; ⁴Consolidated, $140 bn unconsolidated; ⁵In certain segments
Focusing four market-leading entrepreneurial divisions

<table>
<thead>
<tr>
<th>Division</th>
<th>Main changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrification Products</td>
<td>Bringing together all electrification components within ABB</td>
</tr>
<tr>
<td></td>
<td>Investment in growth platforms (renewables, EV charging, power quality)</td>
</tr>
<tr>
<td>Robotics and Motion</td>
<td>Simplify and focus portfolio</td>
</tr>
<tr>
<td></td>
<td>Aim to #1 position in fast growth robotics segment from current #2</td>
</tr>
<tr>
<td></td>
<td>Shape #1 position in industrial motors, drives</td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>Drive digitalization across industry-sectors</td>
</tr>
<tr>
<td></td>
<td>Build on #1 position in process control</td>
</tr>
<tr>
<td>Power Grids</td>
<td>Focus on high growth, digitalization as part of “Power Up” program</td>
</tr>
<tr>
<td></td>
<td>Prune niche non-core, e.g. cables</td>
</tr>
<tr>
<td></td>
<td>Grow with de-risked business model: partnerships, e.g. in EPC</td>
</tr>
</tbody>
</table>

1 Including UPS, power conditioning
Next Stage of performance management and compensation

“Entrepreneurial spirit” as basis for operating model

Guiding spirit
- Division Presidents fully responsible and accountable entrepreneurs
- Live our values: “ownership and performance”

Performance management
- Market share, growth, earnings, CROI as key drivers
- Stronger emphasis on individual / business performance
- Simplified, streamlined management processes

Compensation
- Bonus of business units 100% tied to individual / division performance
- “One level up” – team component instead of group scorecard
- Group reward via existing equity elements
## Power Grids – strategic portfolio review

Decision: continued transformation under ABB’s ownership

<table>
<thead>
<tr>
<th>Market attractiveness?</th>
<th>Offering?</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Highly attractive”</td>
<td>“Leading business with large potential for differentiation and digital”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business model?</th>
<th>Ownership?</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Transformation to capture growth potential and reduce risk”</td>
<td>“Significant value upside for ABB shareholders”</td>
</tr>
</tbody>
</table>
Power Grids – ownership review

All options evaluated to determine maximum value creation potential for ABB shareholders

- Status quo: Not considered
- Transform
- Joint venture
- Spin
- IPO
- Sale

Transformation highest value creation potential

External advisors:
- McKinsey, Goldman Sachs, Credit Suisse
Power Grids – market attractiveness

30% of market is in high growth segments

Big shift towards the digital grid

Attractive market of $110 bn

Building on market leadership

1 Consolidated 2015
Power Grids – transformation

Offering mix change

Illustrative

Consultancy, services, software
Double % of revenues from software and services to >30%

Digital products, systems & automation
Fully digitalized product portfolio

Conventional products & systems
#1 in grid planning

Capture growth potential, reduce risk

Today

Future

#1 in grid automation & software

#1 in renewables & storage integration

#1 for quality, delivery, operations, NWC
Power Grids – shaping the business model

Partnering to grow & de-risk

- EPC¹ large substation global partnership with Fluor
  - FLUOR + ABB
- Offshore Wind Grid Connections partnership with Aibel
  - Aibel + ABB

Portfolio pruning

- HV Cable divestment to NKT Cables²
  - NKT Cables
- Long term strategic partnership

¹EPC: Engineering, Procurement, and Construction; ²Subject to regulatory approval
Power Grids – “Power Up” transformation program launched

Our commitment to significant value creation

Increasing operational EBITA target margin corridor to 10 – 14% effective 2018
Next Level Stage 3 – committed to unlocking value

Four actions

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Delivering attractive shareholder returns
What does it take to win in digital?
Mastering the control room

From physical to digital differentiation
Today: ABB – a “hidden” digital champion

Large, global software and digital offering

- 50 cloud-based services and advanced analytics
- >6,000 solutions installed
- >70,000 systems installed
- >70,000,000 digitally enabled devices connected

>55% of ABB’s sales from software and digitally enabled devices
ABB Ability™

For our customers

Uptime, speed and yield

For our four divisions

Time-to-market, scale
Quantum leap in digital: ABB Ability™

Creating one common offering for digital end-to-end solutions

Digital ABB offering across businesses: integrate, penetrate, replicate

Build on customer trust, domain expertise, deep process knowledge

Open access, intelligent cloud

New end-to-end digital solutions

Closing the loop with connected devices
Far-reaching partnership with Microsoft
Developing next-generation digital solutions

Customer benefits

- Integrated digital platform – from device to system to cloud
- Combined strength – each partner leading in its respective area

Together building the world’s largest industrial cloud platform
Significant digital opportunities for ABB

ABB’s end-markets are at the beginning of digitalization

Level of digitalization

Digital S-Curve

>$20 bn

annual business opportunity to be captured

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Note: relative size of industry for advanced economies
Source: ABB analysis

ABB end-market
Other industries
Next Level Stage 3 – committed to unlocking value

Four actions

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2. Quantum leap in digital

3. Accelerating momentum in operational excellence

4. Strengthening the global ABB brand

Delivering attractive shareholder returns
Accelerating momentum in operational excellence

**SCM: leveraging scale**

*Example: Share of SCM spend categories by division*

<table>
<thead>
<tr>
<th></th>
<th>EP</th>
<th>RM</th>
<th>IA</th>
<th>PG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics</td>
<td>30%</td>
<td>27%</td>
<td>9%</td>
<td>35%</td>
</tr>
<tr>
<td>Indirect Spend</td>
<td>27%</td>
<td>24%</td>
<td>16%</td>
<td>34%</td>
</tr>
<tr>
<td>Copper and Aluminum</td>
<td>25%</td>
<td>34%</td>
<td>1%</td>
<td>40%</td>
</tr>
<tr>
<td>Carbon Steel</td>
<td>20%</td>
<td>24%</td>
<td>3%</td>
<td>53%</td>
</tr>
<tr>
<td>Electronics</td>
<td>34%</td>
<td>29%</td>
<td>14%</td>
<td>23%</td>
</tr>
</tbody>
</table>

**Opex and SCM savings, $ bn p.a.**

- 2010: 1.5
- 2011: 1.1
- 2012: 1.1
- 2013: 1.2
- 2014: 1.1
- 2015: 1.2
- 2016 H1: 1.11

> All cost programs on or ahead of plan

1 Run rate
Accelerating momentum in operational excellence
White Collar Productivity raising target to $1.3 bn

Run rate savings in $ mn – illustrative

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Actual</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 17</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Target raised to $1.3 bn – timeline and costs unchanged
Operational momentum increasing
Operational targets of existing programs

Opex and supply chain management savings programs – 3 – 5% of COS\(^1\) per year

White Collar Productivity target increased by 30% to $1.3 bn\(^2\) – timeline and costs unchanged

Net Working Capital program confirmed – $2 bn reduction by 2017

From initiative-driven optimization to Leading Operating Model

Contributing to 10 – 15% operational earnings per share growth target

\(^1\)COS: Cost Of Sales; \(^2\)Run-rate cost savings end of 2017
Next Level Stage 3 – committed to unlocking value

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Delivering attractive shareholder returns
Strengthening global ABB brand
Consolidation of 1,000+ brands under one roof

Prerequisite for value creation of digital offering
Let’s write the future. Together.
Agenda

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Next Level Stage 1 and 2 – delivered
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## Confirming Group targets 2015 – 2020

<table>
<thead>
<tr>
<th>Group</th>
<th>Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth(^1)</td>
<td>Electrification Products</td>
</tr>
<tr>
<td>3 - 6%</td>
<td>15 – 19%</td>
</tr>
<tr>
<td>Operational EBITA %(^2)</td>
<td>Robotics and Motion</td>
</tr>
<tr>
<td>11 – 16%</td>
<td>14 – 19%</td>
</tr>
<tr>
<td>Operational EPS CAGR(^3)</td>
<td>Industrial Automation</td>
</tr>
<tr>
<td>10 – 15%</td>
<td>11 – 15%</td>
</tr>
<tr>
<td>FCF conversion to net income</td>
<td>Power Grids</td>
</tr>
<tr>
<td>&gt;90%</td>
<td>New: 10 – 14%(^5)</td>
</tr>
<tr>
<td>CROI %(^4)</td>
<td></td>
</tr>
<tr>
<td>Mid-teens</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\)Average annual revenue growth on a comparable 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;  
\(^5\)Margin target of Power Grids will be in effect as of January 1, 2018; previous target 8 – 12%
Committed to attractive shareholder returns
Second share buyback program of $3 bn planned for 2017 – 2019

Capital allocation priorities remain unchanged

- Fund organic growth, R&D, capex at attractive CROI
- Steadily rising sustainable dividend
- Value-creating acquisitions
- Returning additional cash to shareholders

- Stronger portfolio perspective in investment and capital allocation
- Core of our value proposition to shareholders in difficult times
- Balance attractiveness, availability and internal readiness
- Initiate $3 bn three-year share buyback
Our four market-leading businesses, led by empowered entrepreneurs, drive sustainable value creation...

...supported by regions and Group ‘oxygen’