Claudio Facchin, President, ABB North Asia and China, June 19, 2012

ABB in China
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Agenda

- Introduction to ABB
- Introduction to ABB in China
- China remains one of the most attractive markets for ABB
- ABB’s competitive advantages in China
- Summary and Q&A
ABB: A global leader in power and automation

Power Products: $10.9 billion¹
Power Systems: $8.1 billion¹
Discrete Automation and Motion: $8.8 billion¹
Low Voltage Products: $5.3 billion¹
Process Automation: $8.3 billion¹

- Power transmission & distribution solutions for utilities and industry
- Market leader across most of the portfolio

- Energy efficiency solutions for process industries (e.g., oil & gas), factory automation and building & construction
- Among Top 3 in most markets

135,000 employees in 100 countries
$38 billion in revenue (2011)
Head office in Zurich, Switzerland, traded on stock exchanges in Switzerland, Sweden and the U.S. (NYSE)
Market capitalization ~$45 bn

¹ 2011 revenues non-consolidated
China is ABB’s 2nd largest market
Automation is driving today’s growth

- 35 local companies (+5 in 2011)
- 18,300 people, >80 locations
- 20 years since 1st JV

- Accumulated investment >$1.5 bn
- Exports growing >50%
- Local purchasing >$4.5bn (+27%)
- >85% of sales derived from local production

Complete value chain locally: R&D, engineering, supply management, manufacturing, sales and service
Q1 2012 reflected an economic slow down & challenging comparison with a record quarter last year

- Short cycle business impacted mostly by economy slow down
- Comparison to the record quarter in 2011
- Several areas still show strong growth e.g. robotics, service, high-voltage power product, power electronics, low-voltage systems, oil & gas

350 MUSD HVDC order in Q1 2011 included
Continuous investment in footprint and people
$230 million investment in 2011

**Investment in footprint**
- Added 440ksqm, +85% (2007-2011)
- Azipod® propulsion system factory
- Mine hoist and synchronous motors & generators
- Enhanced PLC and Wind converters
- Transformer localization/testing in CQ
- Expand R&D centers nationwide

**People – our lifeblood**
- Added more than 2,000 employees
- Mobility opportunities for employees in and outside China
- Training records 60,000 persons/times, and investment up 80%
- Keep investing in management trainee program since 2004
- Cooperate with more than 10 universities

**A strong customer base**

**Key projects**
- $350 mill in UHVDC projects (SGCC, CSG)
- $23 mill marine propulsion sys for Bourbon
- $10 mill robot welding for Great Wall Motor
- $8 mill MV drives for water project in Kunming
- Huatai Paper PMC800 multi-drive control
- Metro: 1st propulsion system in Shenzhen
- Multiple projects in Chemical Production Safety Control through Winmation
China economy face a slowdown amid transition, but still the fastest GDP growth country in the world

With a slow start in Q1 2012, the stabilized growth to be the outlook

- Q1 economic growth slowed to 8.1%, the lowest quarter since Q1 of 2009 but still above the 7.5% target set by the Government
- -19% in export growth y-o-y for Q1, -26% in import
- Government set the tone to “stabilize” the economy which indicates moderate pace of economic control etc.
- Power consumption 2012 projected to grow 8-10%

In mid- and long-term, China economy will still grow in a high single digit rate

- Further economic restructuring to reduce excessive reliance on export
- Unsustainably high investment in the past, increased constraints on resources, energy and environment
- Transform into sustainable development mode driven by private consumption, innovation, industry upgrading and energy efficiency
- Wage increase and income tax reform will stimulate private consumption

Data source: China National Statistics Bureau, World Bank, IMF, UBS, EIU, CEC
ABB is prepared to support China’s 12\textsuperscript{th} Five-Year Plan
Focus on high efficiency and low carbon

<table>
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<tr>
<th>“Emerging industries”</th>
<th>Targets and business opportunities</th>
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<tbody>
<tr>
<td>Energy efficiency and environmental protection</td>
<td>Cut energy use by 17% per GDP unit</td>
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<td>High-end equipment manufacturing</td>
<td>Grid investments (~$370, \text{bn})</td>
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<tr>
<td>New energy</td>
<td>New wind capacity 15-20 GW/yr</td>
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<td>e-mobility</td>
<td>500,000 EVs/yr</td>
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<td></td>
<td>Energy efficient equipment, water treatment, etc.</td>
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<td>Ultra high-voltage, railways &amp; metro, etc.</td>
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<td>Smart grids, solar, wind power generation, etc.</td>
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<td></td>
<td>Batteries, drive motors, electronic control areas</td>
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\textbf{Sources}: China National Energy Board, CEC, the State Council, Pike Research, Deutsche Bank
Five components of ABB strategic direction

Strong execution and focus across these key strategic areas

1. **Drive competitiveness** and stay relevant in our current markets

2. **Capitalize on mega trends:**
   Anticipate, participate and lead in key mega-trends

3. **Aggressively expand core business** to secure next level of growth

4. **Disciplined M&A** across products, markets and geographies

5. **Find and exploit disruptive opportunities**
   in relevant markets
The nature of global business is changing
In country for country - China leading the way

In Country for Country
Cost arbitrage

Export driven sales

Export sales force

Stage 1

Stage 2

Stage 3

Stage 4

Local competitor

ABB Group

ABB China

Product Mgmt. (local markets)
Project Mgmt. & System integration
Local R&D (close to markets)
Manufacturing assembly
Local sales force

Manufacturing assembly
Global sourcing
Global R&D
Local Engineering

Export driven sales
Local indigenous products & services
Strong R&D reduces time to market
2,000 R&D and design engineers in China

Since 1992

Technology transfer → Localization → Creation in China

- Continuous growth and investment on R&D team
  - Double the resources in the last two years
  - Full-range R&D capabilities including product development and design for China market

- R&D close to talent pools and business/customers

Examples of new R&D products in China in 2011

- Door Entry System for both local and global markets
- Small-size robot for 3C manufacturing
- Localized 500kV GIS
Localization of high end power technology in China for China

- **HVDC**
  - New JV in China: ABB Sifang Power System Co., Ltd, the company is a major step to localize the HVDC business in China and to serve the Chinese customers even better in future with a strong local presence.

- **Recent Orders:**
  - Gaoling II 750MW HVDC back to back project
  - Jinping-Sunan ±800kV 7,200MW UHVDC transmission
  - Qinghai-Xizang ±400kV 600MW HVDC transmission

- **HV GIS portfolio**
  - Localizing 500kV GIS portfolio since 2009
  - Redesign of HV GIS to new market requirements and reinforce technology leadership
  - Regain market leadership in the last two years due to the successful localization program
Portfolio adaptation for local market needs
Leader in LV Drives, doing more in MV Drives

**Situation today**

- Energy efficiency applications are becoming increasingly important in all process industries.
- ABB is already a key player in China for Motors and LV Drives, with presence in all key process industries.
- New Energy Efficiency standards expected in 2012

**Future direction**

- Become leading player also in general purpose MV Drives with products developed in China for China.
- Build further on strength in special purpose MV Drives with expanded localization and supply base.

**Drives market in China**

Source: Gongkong and ABB estimates, in MRMB

![Drives market in China chart](chart.png)
ABB well positioned to meet the new Government standards for energy efficiency motors

- The new standard for Small and Medium Three-phase Asynchronous Motors will be implemented as of September 1.
- In the new standard, the efficiency values for motors shall be a mandatory clause which will be enforced on the market place.

- As the market leader of low-voltage high efficiency motor, ABB actively responds and supports the new standards.
- Moreover, we regard promoting high efficient motors as the obligatory responsibility of the corporation.
- ABB has full range of higher efficiency motors to meet the new standard.
- Industry research shows that to compare with IE1 motor with the same power, the 0.75kW IE2 motor loss is reduced by 33%.
Leverage local R&D for the world
Leader in articulated robots in China

- Long presence in China
- Full value chain, products, systems & services
- About 33,000 articulated robots installed in China, close to 9,000 from ABB
- R&D center in Shanghai, first robots developed in China launched in 2010

An articulated robot is a robot which is fitted with rotary joints.
Mouse and keyboard assembly at Rapoo, China, a leading manufacturer of wireless peripheral products

- 70 sets of IRB 120 robots
- Stable quality of output
- Uninterrupted production
- Flexible output
- Adjustable product model
- 70 robots equals the output of 280 workers on two-shifts
Majialiang Coal Mine - reduction of downtime by 70%, energy consumption reduced by 28%

- China’s biggest main mine hoist application, covering main unit, motor, control system, drive, etc. Average payload: 1,520 tons per hour.
- ABB solution: two sets of mine hoist systems, which help improve operational efficiency
Sinopec Petrochemical Baling Refinery

- China first integrated process automation and power control system in line with IEC 61850
- Based on ABB’s Extended System 800xA, covering process automation control system, Safety system and electrical power management system (PMS)
- Provide advanced technology and solutions for energy efficiency, improved safety standards and lower life cycle costs
- Typical savings can result in a 20% reduction in CAPEX and OPEX by integrating these two automation infrastructures
The complete low-voltage product portfolio
Covering a wide range of utility and industry customers

LV Systems  Breakers and Switches  Enclosures and DIN-Rail Products  Control Products  Wiring Accessories  Thomas & Betts

Distributors  Panel Builders  OEMs  System Integrators and Contractors  End-users and Utilities

Industry  Buildings and infrastructures  Renewable energy  E-mobility  Building Automation and Energy Efficiency
Strategic partnership & acquisitions in China
Secure better growth and synergies

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Gain leading power grid capability through partnership
SAC and ABB JV - Nanjing SAC Automation Co. Ltd

- Leading player in China
- Headquarter in Nanjing
- 1,400 employees
- 200 R&D engineers
- 400 sales and service
- Integrated manufacturing
- Complete power Automation Portfolio for all market segments
- 30 branches in China
- Global management
Develop service as an important part of business
Addressing new service requirements in China

2011 service achievements
- Strong revenue (+43%)
- Strong service team, added 430 people
- Solid service strategy and strong portfolio
- Reinforced service capabilities and realigned service team
- Set up regional Energy Efficiency Hub

Service business & reference
Product Lifecycle Management Service
- CSPC - CNOOC & Shell Petrochem
- One of the largest projects in China
- Petrochem industry, ethylene

Reliability engineering & consultancy
- Service package including 24x7 support, spare parts, training, regular site audit, root cause analysis, preventative maintenance, upgrades etc.

Performance Service
- April Paper Rizhao factory
- ABB Full Service®, Maintenance Management Scope
  Performance based fixed price including Maintenance Management of labor, material, subcontractors

Service Revenue Development

CAGR (10-15) >20%
ABB well positioned to continue successful track record in China

- ICFC: Complete value chain localized, from R&D to after sales and service
  - The right products for the local market
  - Competitive cost base
  - Faster and more responsive to market
- Strong local partnerships and comprehensive sales channels create a solid platform for growth
- Solid service strategy to grow service revenue twice the ABB China’s overall growth
- Drive our strong position in the high end while building our position in the mid-segment
- ABB’s global brand, technology, expertise in process optimization and service capabilities allow us to differentiate on our value proposition
- Tap ABB global domain expertise to deliver power and automation solutions in discrete manufacturing, oil & gas, mining and other industries
Power and productivity for a better world™