Next Level Stage 2
Accelerating transformation – Status update
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/
ABB in simple terms

What (Offering)
- Power & Automation
  - Power ~ 40% of revenue
  - Automation ~ 60% of revenue

For whom (Customers)
- Utilities
  - ~35% of revenue
- Industry
  - ~45% of revenue
- Transport & Infrastructure
  - ~20% of revenue

Where (Geographies)
- Asia, Middle East, Africa 37%
- Americas 30%
- Europe 33%

- ~$35 bn revenue
- ~100 countries
- ~135,000 employees
- Single “A” credit rating
- HQ Zurich

Note: 2015 data
“Big shifts” in power & automation
Well positioned in a changing market

Power: renewables, electrical transport, storage, prosumers
Automation: data availability, connectivity, growth in processing power
Long-term market growth drivers intact
Well positioned in a changing market

Our aspiration: #1 or #2 in all businesses
Next Level Stage 1
Delivered

**Profitable Growth**
- Shifting the Center of Gravity
  - Strengthening competitiveness
  - Driving organic growth momentum
  - Lowering risk
- Incremental acquisitions and partnerships

**Relentless Execution**
- Leading operating model
- Driving change through 1’000 day programs
- Linked strategy, performance management and compensation

**Business-led Collaboration**
- Simplifying how we work together
- Streamlining market-focused organization
- Leadership development

**Stage 1 – delivered 2014 & 2015**
- PIE\(^1\), showing positive results mitigating market headwinds
- Systematic organic growth framework driving momentum
- Orders & revenues stable\(^2\); order backlog +5%\(^2\)
- Active portfolio management +$1 billion in portfolio pruning
- Six new partnerships

- Operational EBITA margin accretion up 60 basis points to 11.8%
- Successful turnaround of Power Systems; delivers positive results
- Accelerated cost savings & productivity measures
- Free Cash Flow +16%\(^3\); cash return on invested capital up 70 bps. to 13.4%
- New performance mgmt. and compensation model

- Streamlined and simplified organization in place
- Leadership appointed; election of 4 new Board Members
- Collaborative sales platform, salesforce.com, operational globally
- Next Level account management defined and implemented

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\(^1\)PIE Penetration: Innovation Expansion; \(^2\)On a comparable basis; \(^3\)On a constant currency basis

Note: all figures pertain to YE2015
## Next Level Stage 2
### Accelerating transformation

<table>
<thead>
<tr>
<th>Profitable Growth</th>
<th>Relentless Execution</th>
<th>Business-led Collaboration</th>
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<tbody>
<tr>
<td></td>
<td>Shifting the Center of Gravity</td>
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<tr>
<td></td>
<td>• Divisional realignment along markets</td>
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<td></td>
<td>• Accelerating organic growth</td>
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<td></td>
<td>Ready for inorganic moves</td>
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<td></td>
<td>Value from partnerships</td>
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<tr>
<td></td>
<td>Advancing leading operating model</td>
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<tr>
<td></td>
<td>$1 bn White Collar Productivity 1’000 day program</td>
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<td>$2 bn Working Capital 1’000 day program</td>
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<td></td>
<td>Living the new performance culture</td>
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<td></td>
<td>Further simplifying our organization</td>
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<td></td>
<td>Driving collaboration in regions and countries</td>
<td></td>
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<td></td>
<td>Continuing leadership development</td>
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</tbody>
</table>
Profitable Growth
Shifting the Center of Gravity

Strengthening competitiveness

Future

Solution offering
Services

Customer value proposition

Economic cycle imbalance

Global imbalance
Intrinsic business risk

Presented September 9th, 2014
Shifting the Center of Gravity – divisional realignment completed
Aligned with our customer value proposition

Proftable Growth
Relentless Execution
Business-led Collaboration

Power & Automation
Utilities
Industry
Transport & Infrastructure

Power & Automation “for the grid”
Power & Automation “for the site”
Shifting the Center of Gravity – divisional realignment completed
Moved from 5 to 4 divisions – aligned with our customer value proposition

Power & Automation “for the grid”

Utilities

Power Grids (new)
#1 T&D offering
Market and technology leader
Global reach
Largest installed base

Power & Automation “for the site”

Industry

Electrification Products (new)
A leading player for LV and MV electrification

Discrete Automation and Motion
#1 in industrial motion, a leading robotics player

Process Automation
#1 in DCS, leading in process industries, marine

Transport & Infrastructure

Profitable Growth

Relentless Execution

Business-led Collaboration
Strengthening competitiveness
Software-led differentiation – Internet of Things, Services and People - IOTSP

Profitable Growth

Relentless Execution

Business-led Collaboration

Expert support Service center Field service

Analytics
Sec. connect.¹

Equipment monitoring System installation

To software and people, providing advanced, value-added services

Connected via the internet, cloud data storage

“Connected, talking” things: individual equipment or whole process systems
Strengthening competitiveness
Software led differentiation - Examples of IoTSP offerings

Utilities

- Ellipse – enterprise asset management
- CoreTec® (transformer electronic control)

Industry

- Remote monitoring of robots worldwide from Bangalore
- Smart sensor

Transport & Infrastructure

- Partnership with Microsoft on EV charging
- Route optimization software for 140 Maersk ships
**Relentless Execution**

**White Collar Productivity:** >$ 400 mn gross savings – on track for 2016

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lean business functions</strong></td>
<td>Decentralized, subscale</td>
<td>Centers of excellence with critical mass</td>
</tr>
<tr>
<td><strong>Global shares services</strong></td>
<td>68 country based shared services</td>
<td>2 global (India, Poland); 4 regional</td>
</tr>
<tr>
<td><strong>Market-oriented complexity reduction</strong></td>
<td>5 divisions 23 BUs 125 product groups</td>
<td>20 % reduction of global / local units</td>
</tr>
</tbody>
</table>

On track for $1 bn\(^1\) white collar productivity cost savings in 2017

\(^1\)Run-rate at end of 2017
Relentless Execution
Working Capital: freed up $600 mn in cash over last twelve months

On track for freeing up $2 bn\(^1\) of cash in 2017

\(^1\)Run-rate at end of 2017
Relentless Execution
Living the new performance culture - linking strategy, performance and compensation

70,000 employees with individual performance targets in 2015 operational
Capital allocation priorities remain unchanged
Returned +$6 bn\(^1\) of cash to shareholders since Capital Market Day 2014

**Capital allocation priorities**

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

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**Dividend per share (CHF)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share</th>
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<tbody>
<tr>
<td>2010</td>
<td>0.6</td>
</tr>
<tr>
<td>2011</td>
<td>0.65</td>
</tr>
<tr>
<td>2012</td>
<td>0.68</td>
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<tr>
<td>2013</td>
<td>0.70</td>
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<tr>
<td>2014</td>
<td>0.72</td>
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<tr>
<td>2015</td>
<td>0.74</td>
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**Dividend yield\(^2\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend yield</th>
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<tbody>
<tr>
<td>2010</td>
<td>2.9%</td>
</tr>
<tr>
<td>2011</td>
<td>3.7%</td>
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<tr>
<td>2012</td>
<td>3.6%</td>
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<tr>
<td>2013</td>
<td>3.0%</td>
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<tr>
<td>2014</td>
<td>3.4%</td>
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<tr>
<td>2015</td>
<td>4.1%</td>
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</table>

**Share repurchase volume (US$ bn cumulative)**

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<tbody>
<tr>
<td>2014</td>
<td>0.4</td>
<td>0.7</td>
<td>1.2</td>
<td>1.7</td>
<td>1.8</td>
<td>2.2</td>
<td>2.7</td>
<td>4.0</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>2016</td>
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\(^1\)Includes planned 2015 dividends by way of nominal value reduction not yet paid; \(^2\)Dividend divided by year end share price
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™