



Eric Elzvik, CFO, Bernstein Conference, London, September 18, 2014

# ABB – Next Level

Shaping a global leader in power & automation

# Important notices

Presentations 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 these presentations 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:

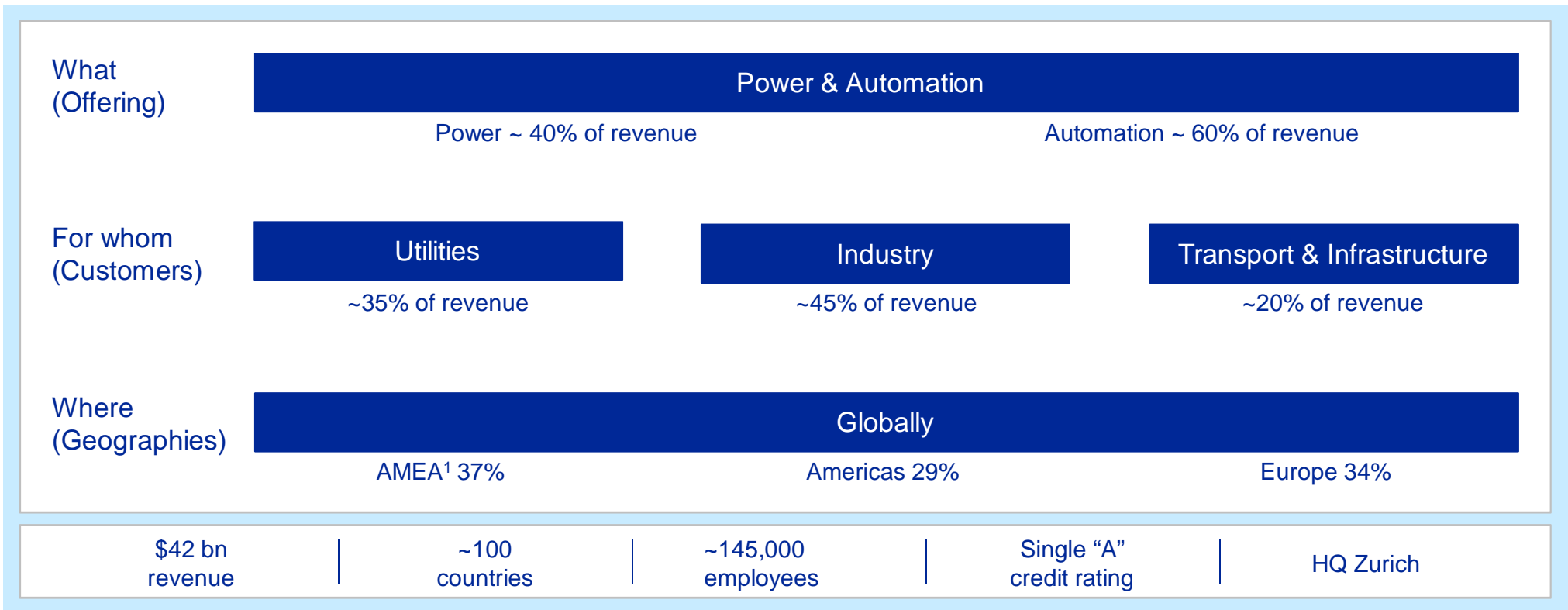
- business risks associated with the with the volatile global economic environment and political conditions
- costs associated with compliance activities
- raw materials availability and prices
- market acceptance of new products and services
- changes in governmental regulations and currency exchange 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.

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 2014” – “More information” on our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

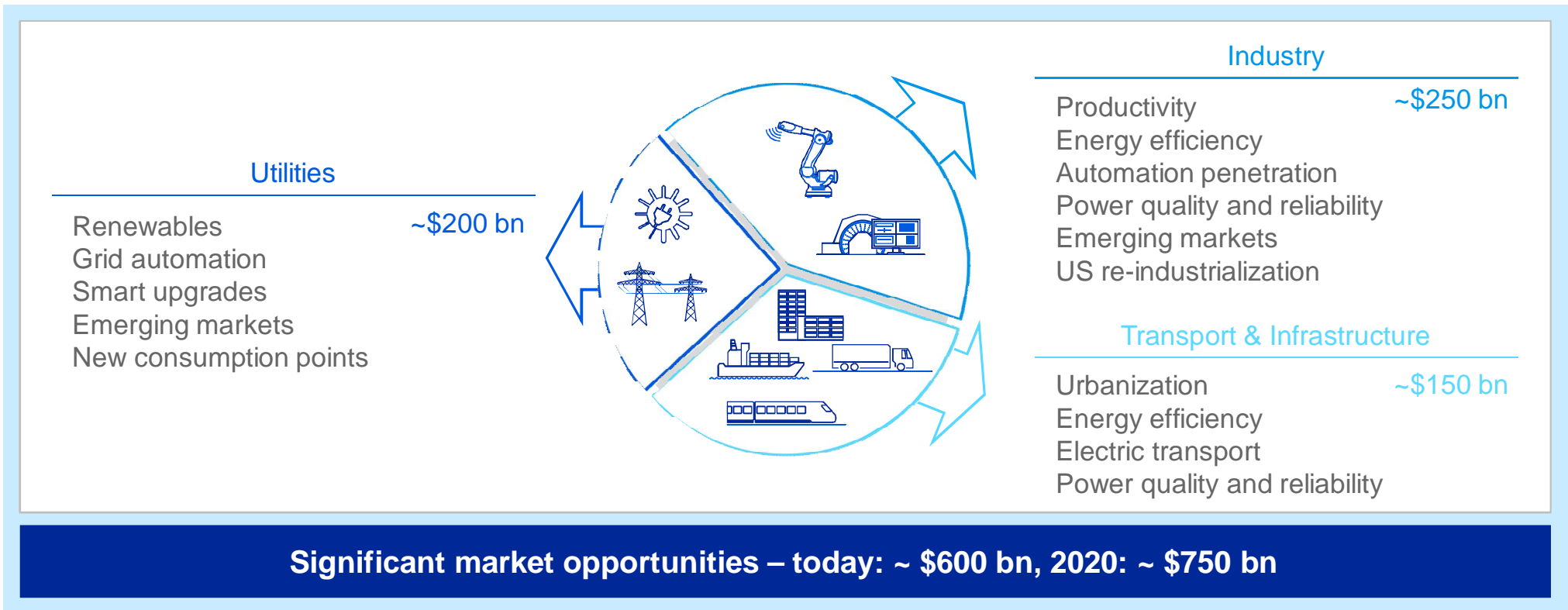
# Well positioned in attractive markets

## ABB today



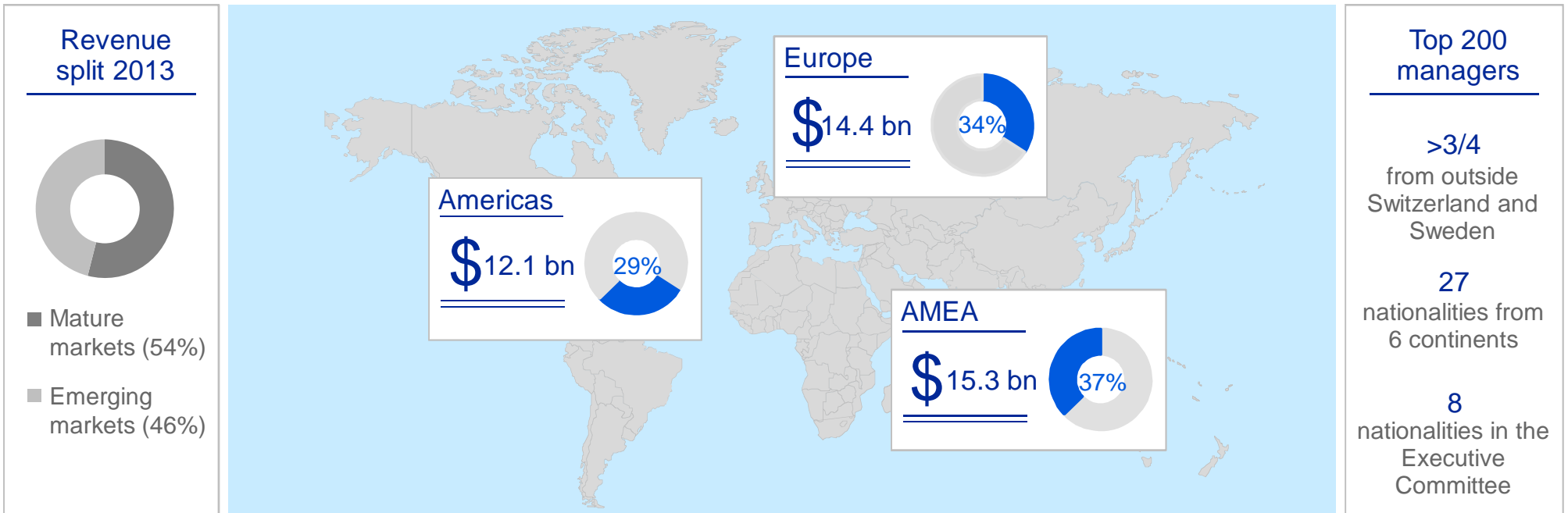
# Well positioned in attractive markets

## Power & automation demand drivers in three customer segments



# Well positioned in attractive markets

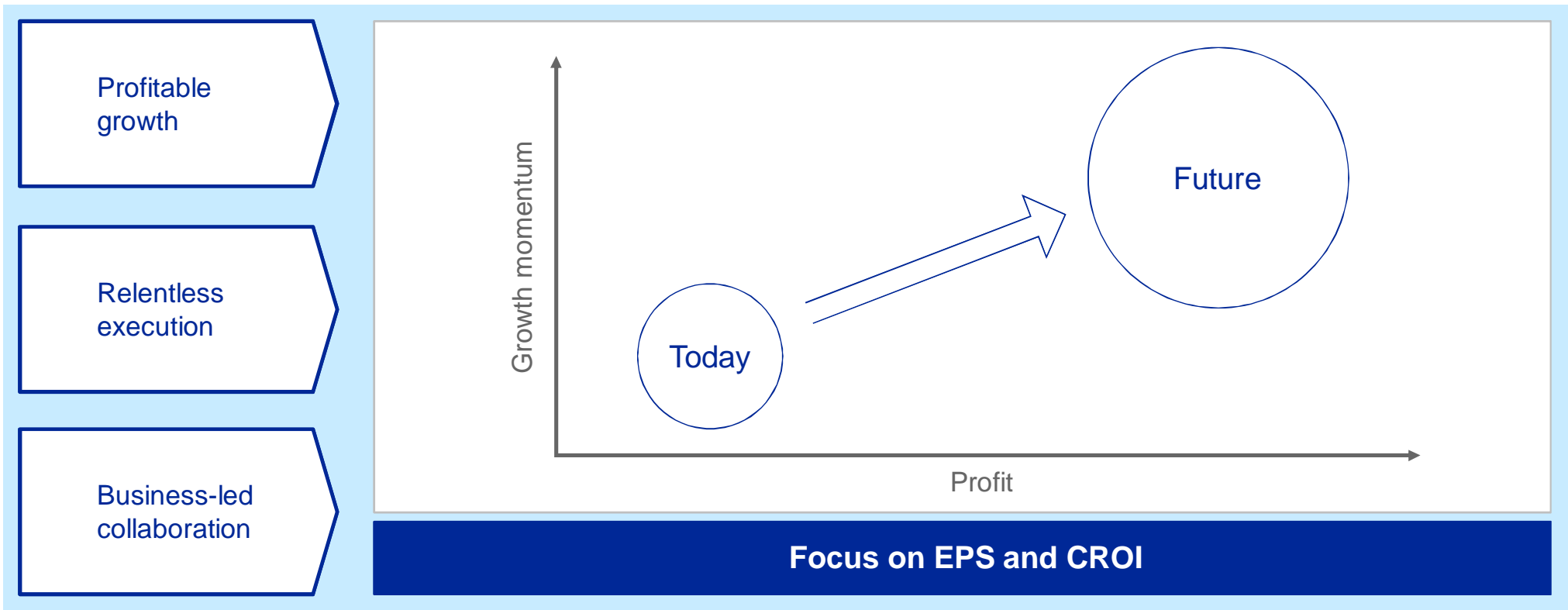
## A true global player – team, culture, and presence



We are a unique global team with local presence everywhere

# ABB – Next Level

## Accelerating sustainable value creation



# Delivering attractive shareholder returns

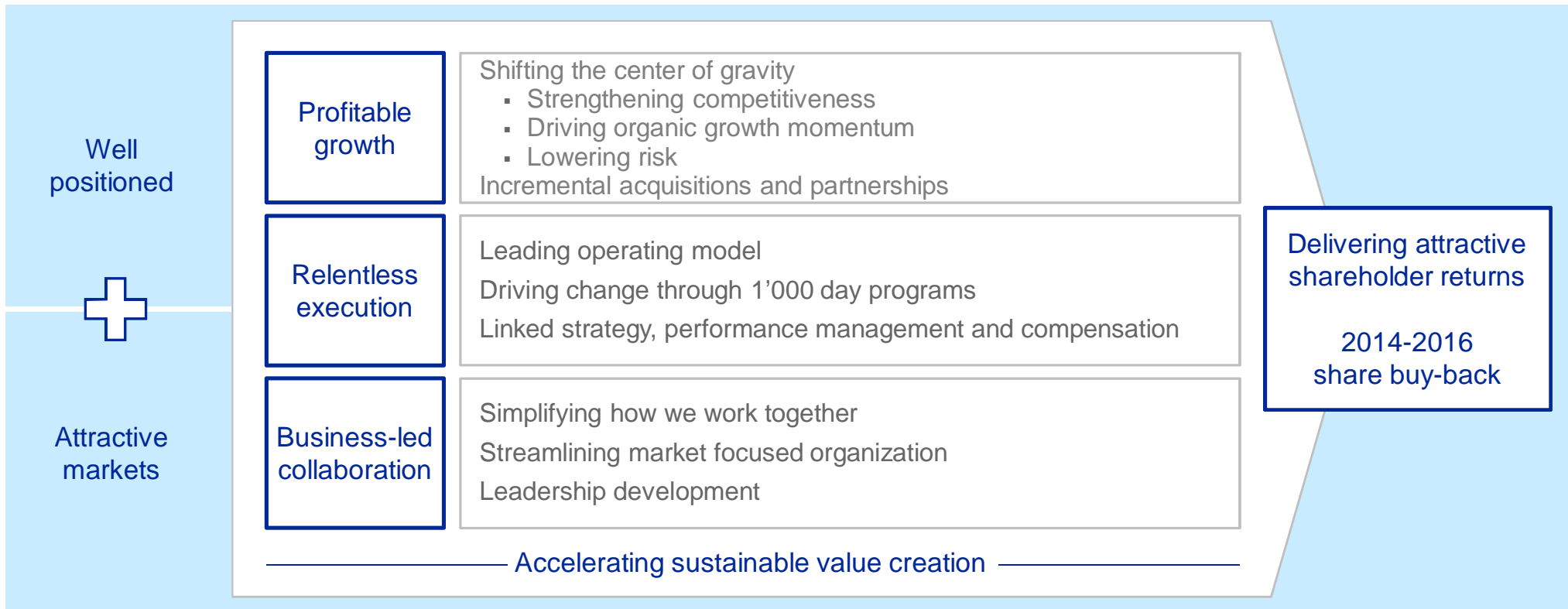
## Group financial targets 2015-2020

Revenue growth <sup>1</sup>	4-7%
Operational EBITA % <sup>2</sup>	11-16%
Operational EPS growth CAGR <sup>3</sup>	10-15%
FCF conversion to net income	>90%
CROI % <sup>4</sup>	Mid-teens

**Shareholders participate in strong cash generation through \$4 bn share buy-back**

# ABB – Next Level

## Shaping a global leader in power & automation





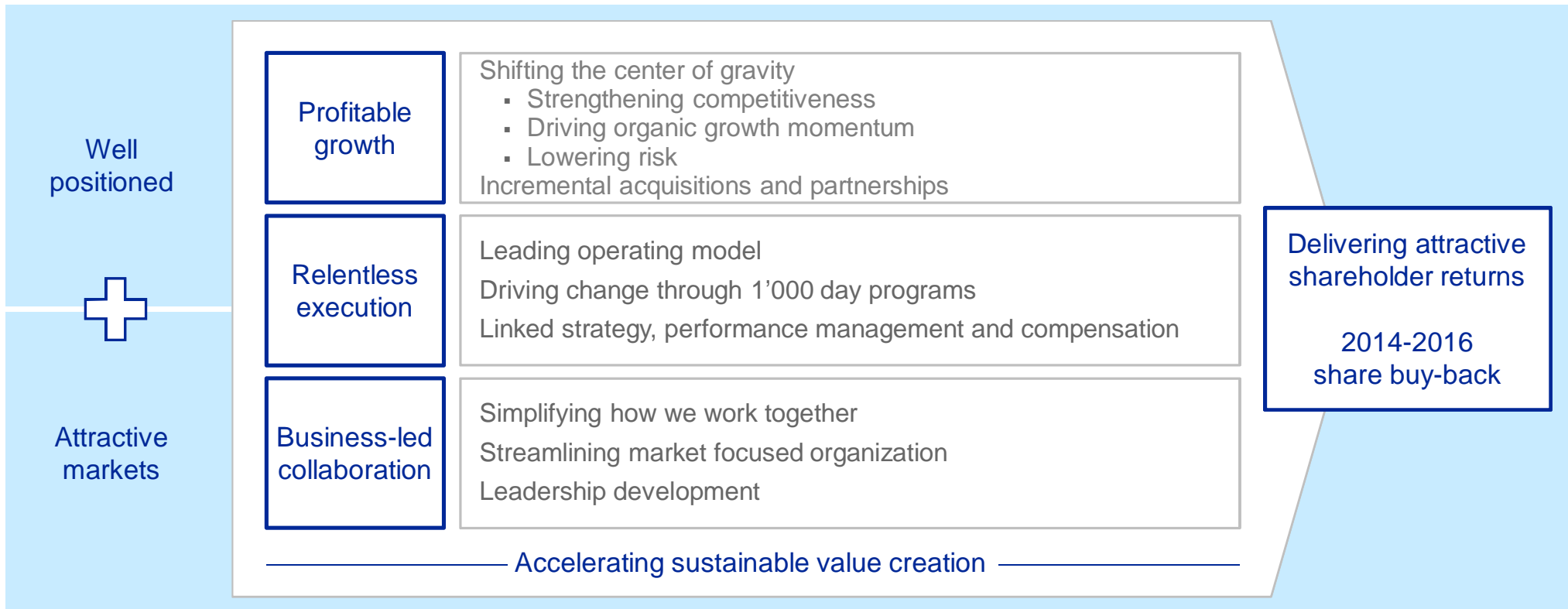
Ulrich Spiesshofer, CEO, Capital Markets Day, London, September 9, 2014

# ABB – Next Level

Shaping a global leader in power & automation

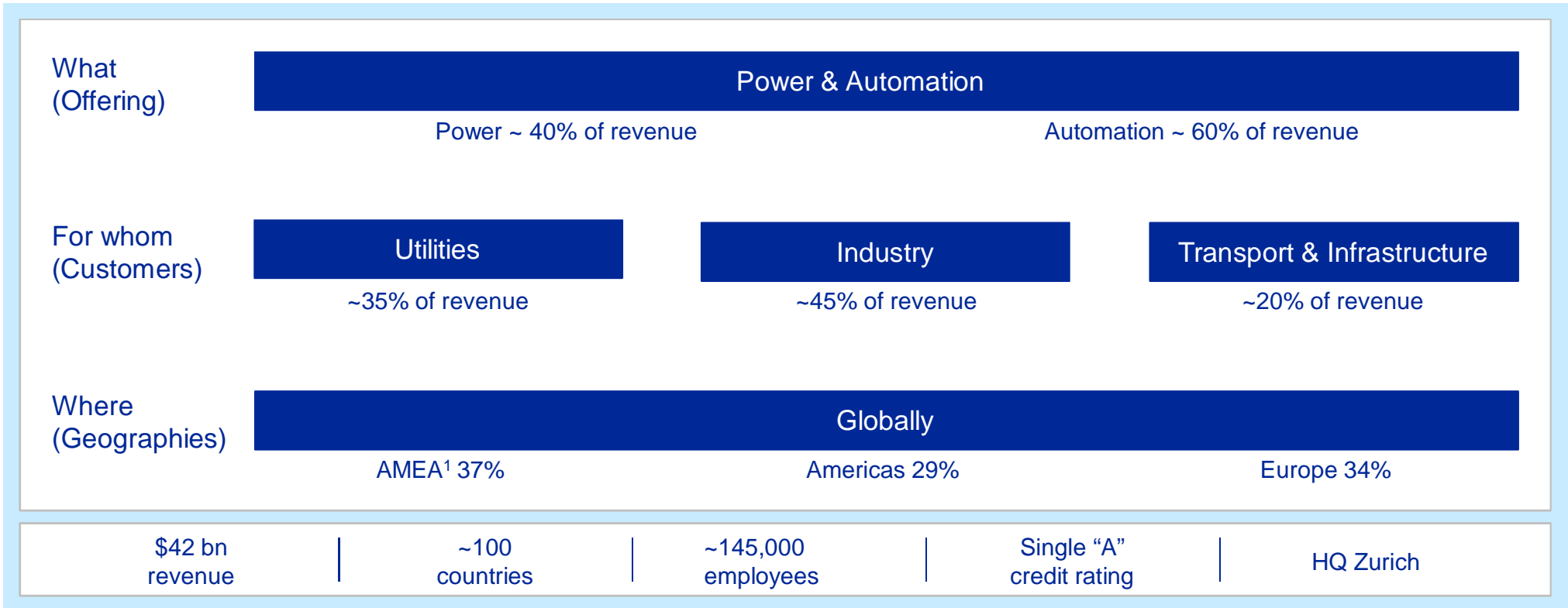
# ABB – Next Level

## Shaping a global leader in power & automation



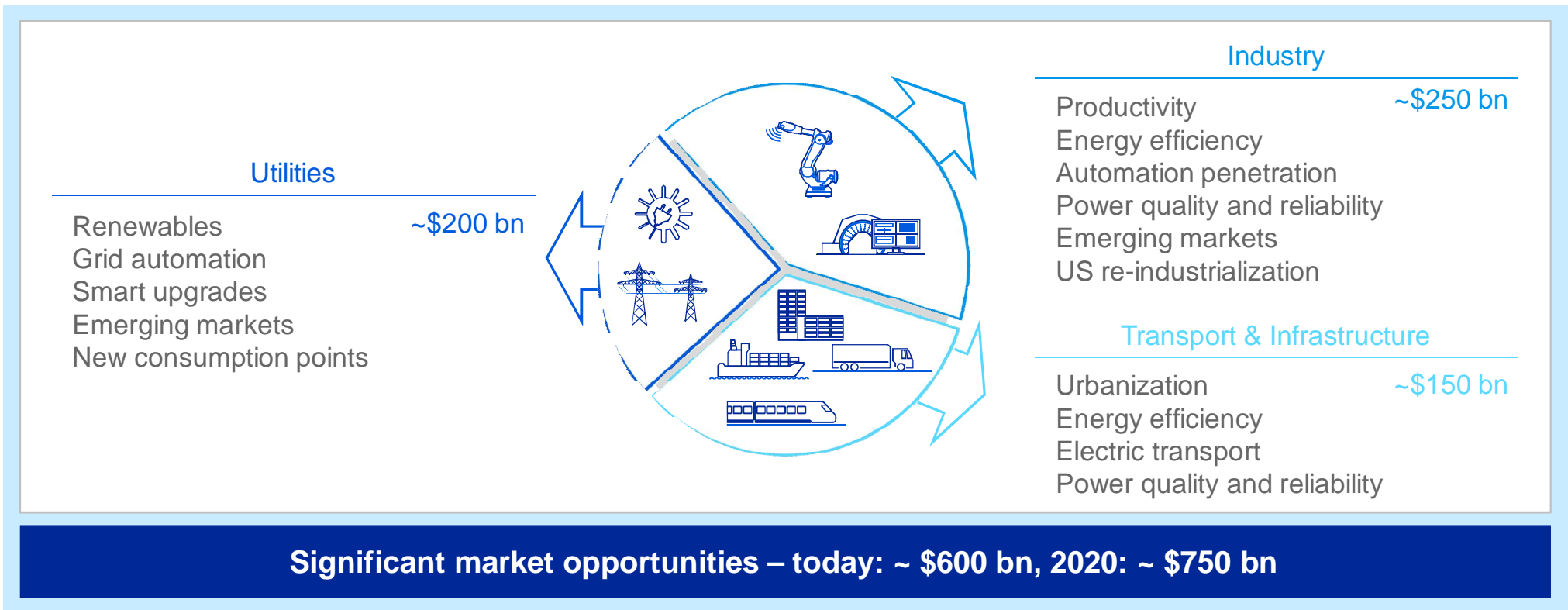
# Well positioned in attractive markets

## ABB today






# Well positioned in attractive markets

## Power & automation demand drivers in three customer segments




































# Well positioned in attractive markets

## A leader in power & automation in all our segments – examples

Power & Automation		
<p>Utilities</p> 	<p>#1 in transmission and distribution            Technology pioneer (FACTS<sup>1</sup>, HVDC<sup>2</sup> breaker, etc.)            Deepest and broadest portfolio of offering footprint</p>	<p>Largest installed T&amp;D<sup>3</sup> base            Leading service capabilities            #2 in solar inverters            Strong innovative software portfolio</p>
<p>Industry</p> 	<p>#1 in Distributed Control Systems            #1 in gearless mill drives for mining            #1 in industrial motion (motors and drives)</p>	<p>A leading robotics player            Strong innovative software portfolio            Leading service capabilities</p>
<p>Transport &amp; Infrastructure</p> 	<p>A leading player in infrastructure / building electrification            #1 in electric propulsion for ships            #1 in terminal automation for ports            #1 for large industrial turbochargers</p>	<p>A leading player in electric train traction systems            A leading player in high-speed train retrofits and wayside power systems            A market and technology leader in EV<sup>4</sup> charging</p>
<p><b>Our aspiration: #1 or #2 in all segments</b></p>		

# Well positioned in attractive markets

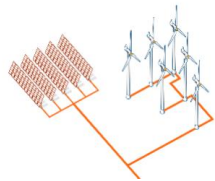
## Power & automation offering across all customer segments

Power & Automation					
<b>Utilities</b> 	<b>P</b> Generators for wind power applications  <b>A</b> Automatic voltage regulators and static excitation systems 	Turbocharging for diesel power plants  Measurement Products 	Low-voltage power distribution equipment  Fieldbus controls for utility applications 	Gas Insulated Switchgear  Remote transformer monitoring 	Gas Insulated Switchgear  Power plant automation (S+) 
<b>Industry</b> 	<b>P</b> High power rectifiers for industrial power quality  <b>A</b> Robot for consumer goods packaging 	Subsea electrification  800xA DCS 	Low-voltage power distribution systems  Intelligent switches for industrial control 	Smart grid enabled MV switchgear  MV Distribution Relays 	Industrial substation  Software solutions (Ventyx) 
<b>Transport &amp; Infrastructure</b> 	<b>P</b> EV charging infrastructure  <b>A</b> ACS drives for marine applications 	Electric propulsion Azipod  Crane Control 	Open-source, intelligent LV switches  Building automation products and solutions 	Traction transformers (rail)  Intelligent MV switchgear (marine) 	Railway Substation  Substation automation 
<b>Divisions</b>	<b>Discrete Automation and Motion</b>	<b>Process Automation</b>	<b>Low Voltage Products</b>	<b>Power Products</b>	<b>Power Systems</b>

# Well positioned in attractive markets

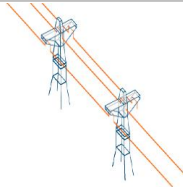
## Global trends – big shift in the electrical value chain

### Generation mix



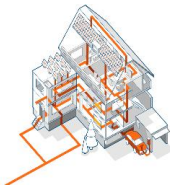
Renewable share: ~40% of capacity by 2035  
Greater volatility, less predictability  
More feed-in nodes

### Power transmission and distribution



Increasing complexity  
Control / information flow is key value driver  
Transmission: longer distances, higher voltages

### Micro- / Nano-grids



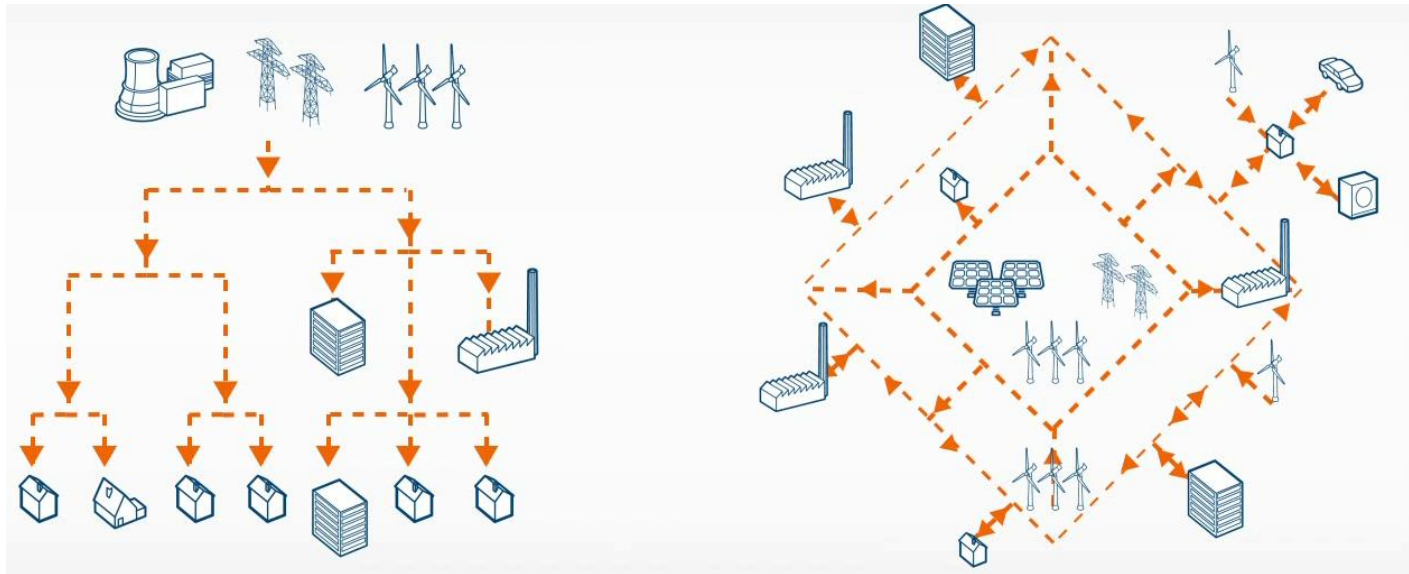
On- and off-grid  
Control / automation on “local” level  
Energy storage is key

**We are at the forefront of the change**

# Well positioned in attractive markets

## Global trends – big shift in the electrical value chain

Traditional grid



New grid

**We are leading the transition to the digital grid**

## Well positioned in attractive markets

### Breaking News – \$800 million Scottish HVDC Light order

#### Caithness-Moray subsea power link, Scotland



Customer:  
Scottish Hydro Electric (SHE) Transmission  
Commissioning: 2018

Largest investment in North Scotland's electricity network since the hydro development era of the 1950s

Renewable integration in strengthened power networks

HVDC Light (VSC<sup>1</sup>) transmission link, scope:

- Two 320 kV land-based HVDC Light converter stations
- Submarine and underground cables ~160 km

Up to 1200 MW capacity – enough to serve 2 million Scottish people

**We commissioned 13 of the 14 similar HVDC links in the world**

# Well positioned in attractive markets

## Power: a leading partner in the “big shift”

### Strong portfolio today



Renewable power conversion

Power generation: control and electrification

Market, technology leader in power transmission

Power distribution portfolio

Broad software applications, incl. Ventyx

Early mover in micro- / nano-grids, energy storage

A leader in electric vehicle charging

Marine electrification

### Attractive strategic portfolio growth areas



Interconnections, ultra high voltage

Grid automation

- Control solutions
- Software

New grid topologies

- Micro- / nano-grids
- Energy storage

Power for industry and transport & infrastructure

Advanced services

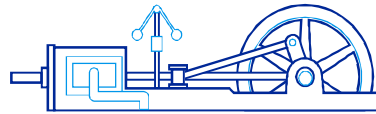
- Engineering / consulting
- Remote monitoring, analytics services

# Well positioned in attractive markets

## Global trends – 4<sup>th</sup> industrial revolution

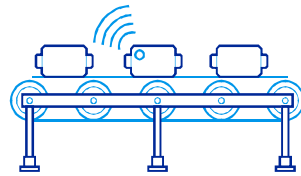
### Industry 1.0 – 1712

First practical steam engine



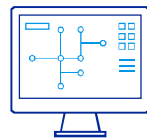
### Industry 2.0 – 1870

First elevated conveyor belts



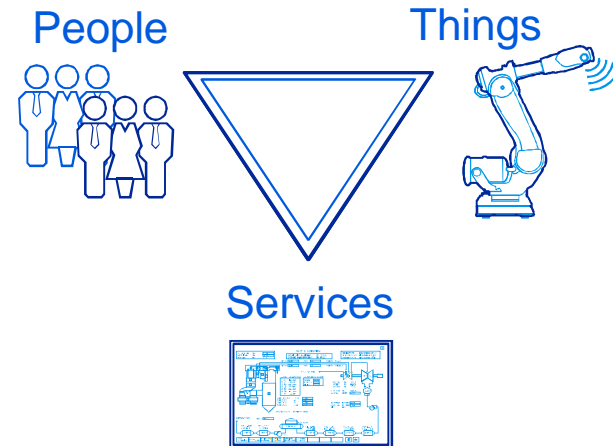
### Industry 3.0 – 1969

Electronics / software based control



### Industry 4.0 – today and tomorrow

Internet of ...



**We lead proactively with new connected offerings**

# Well positioned in attractive markets

## Example – robotics remote service

### People



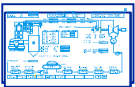
Clients can access actionable information from smartphones and tablets  
The information is available at any place, any time

### Things



Intelligent and connected robots  
Sending data to cloud servers for back-up, reporting, diagnostics, and benchmarking

### Services



Central service unit remotely monitoring robots to support clients 24/7  
Provides analytics to optimize robot usage and predict maintenance needs



**Industry 4.0 in action**

# Well positioned in attractive markets

## Automation: a leading partner in the 4<sup>th</sup> industrial revolution

### Strong portfolio today



#1 in industrial motion motors and drives

#1 in process automation systems

Embedded software and intuitive programming

Application software for focus sectors, e.g.,  
oil & gas, mining

Broad offering and strong presence in key process  
industries

A leading robotics player

Innovative, value-adding services

### Attractive strategic portfolio growth areas



Next level of process automation

- Oil & gas
- Mining

Broader sector presence

- Discrete automation
- Building automation

Industrial motion solutions

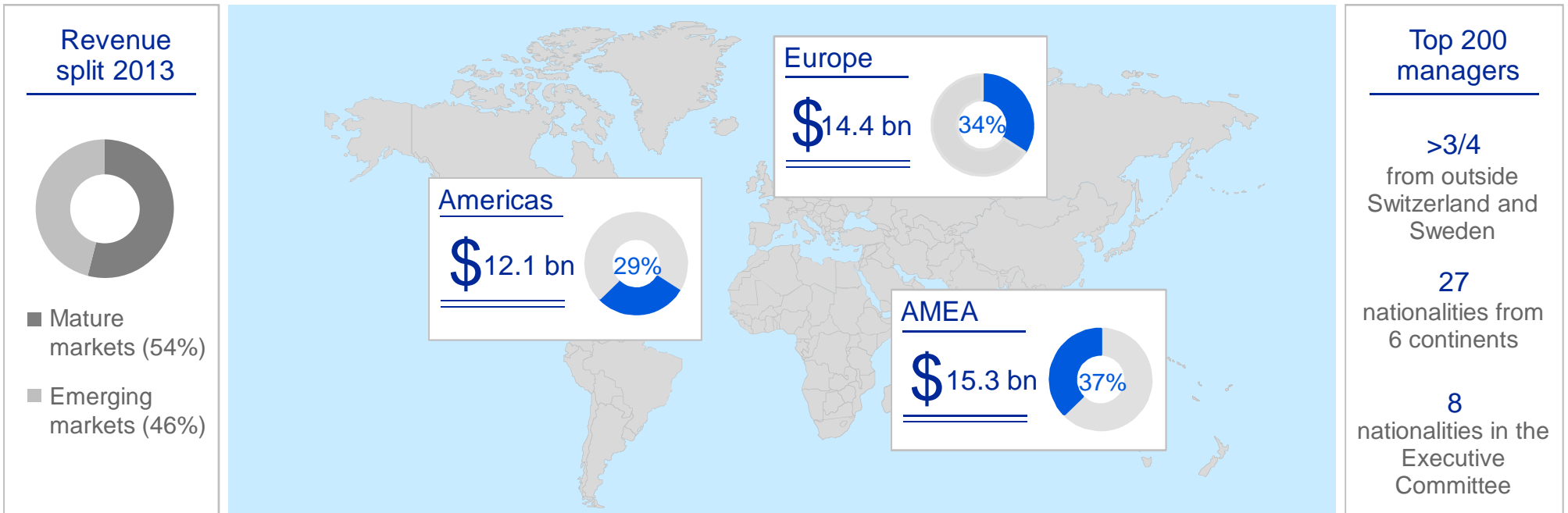
Software

Advanced services

- Consulting / engineering
- Remote monitoring, analytics services

# Well positioned in attractive markets

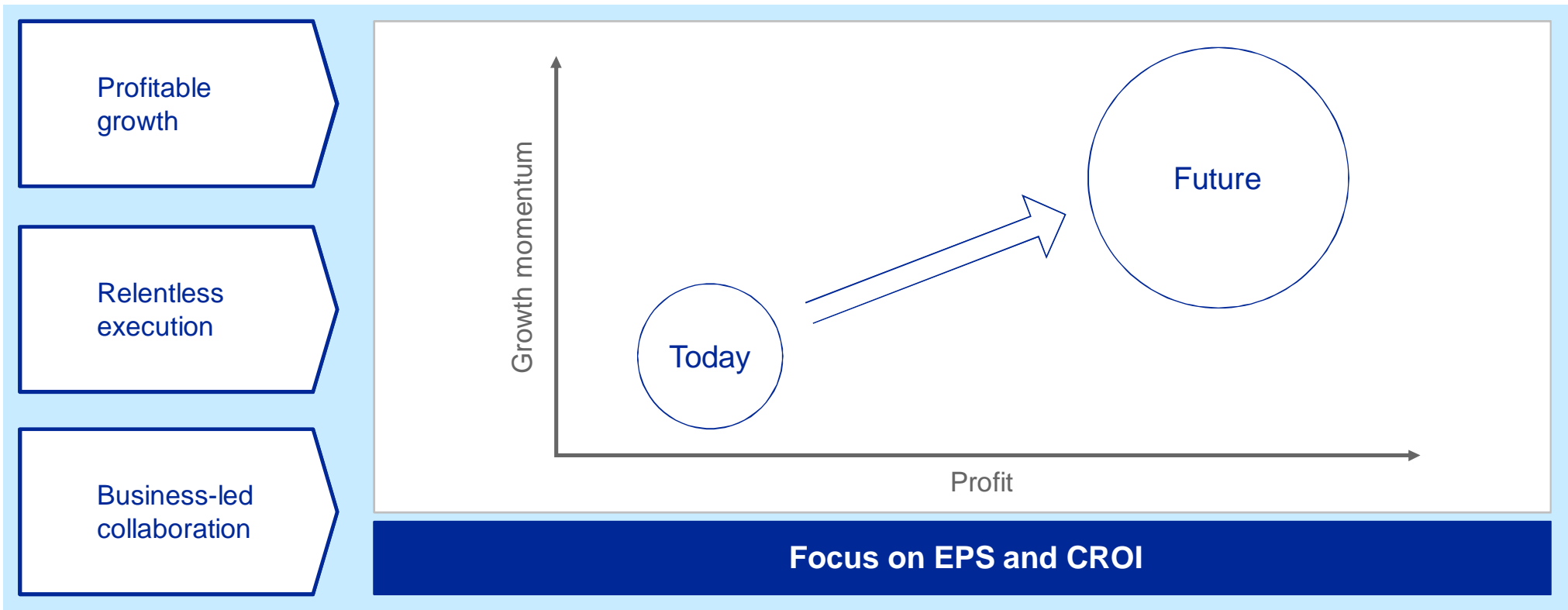
## A true global player – team, culture, and presence



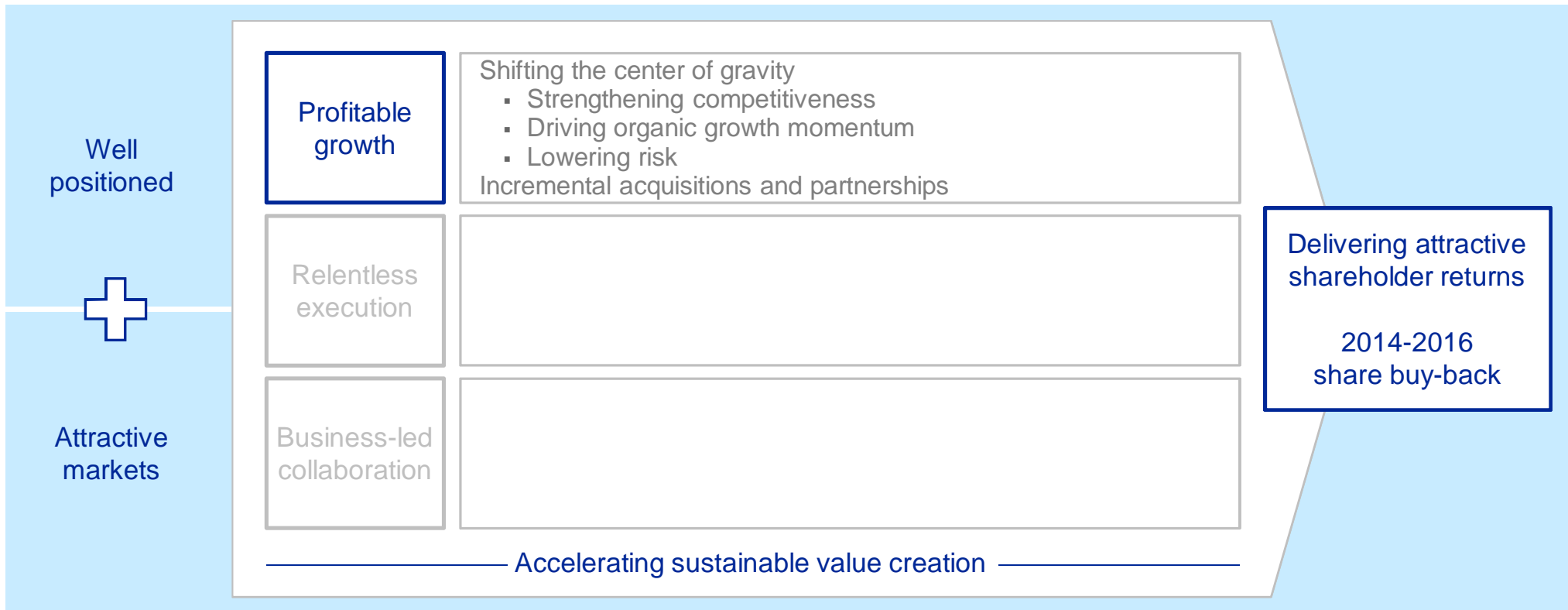
We are a unique global team with local presence everywhere

# ABB – Next Level

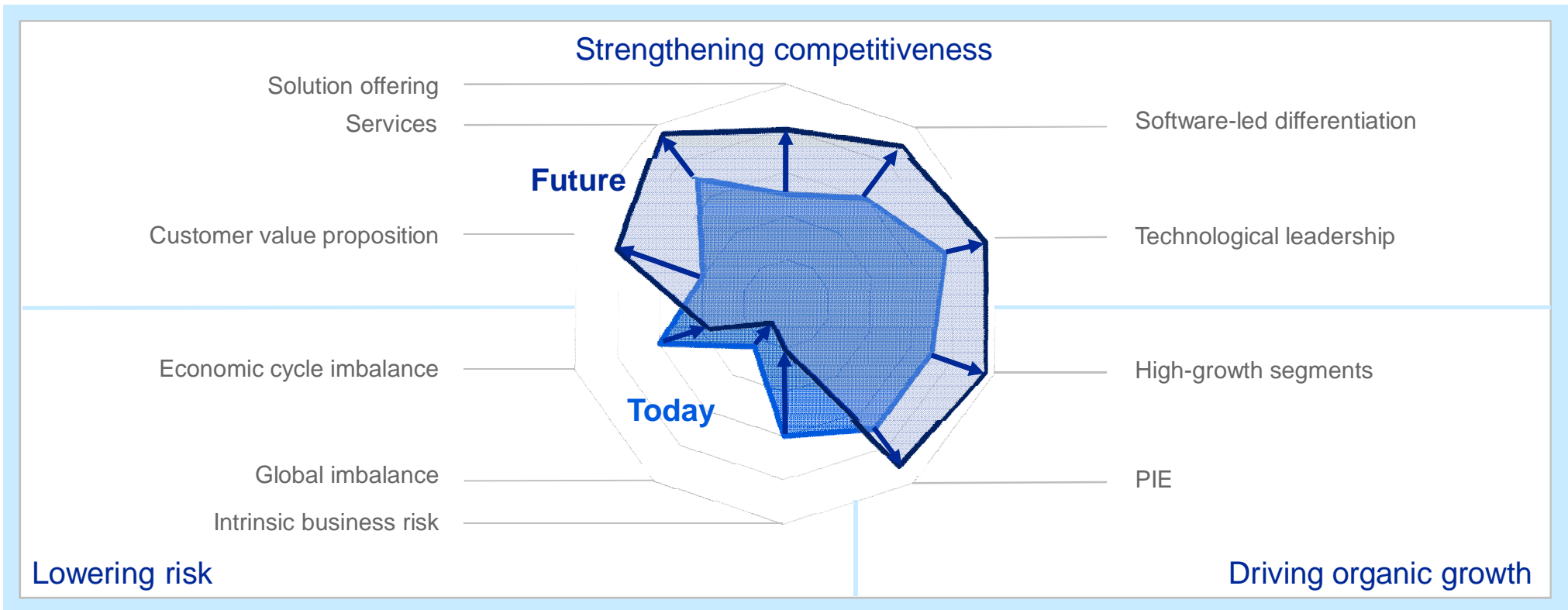
## Accelerating sustainable value creation



# ABB – Next Level Profitable growth

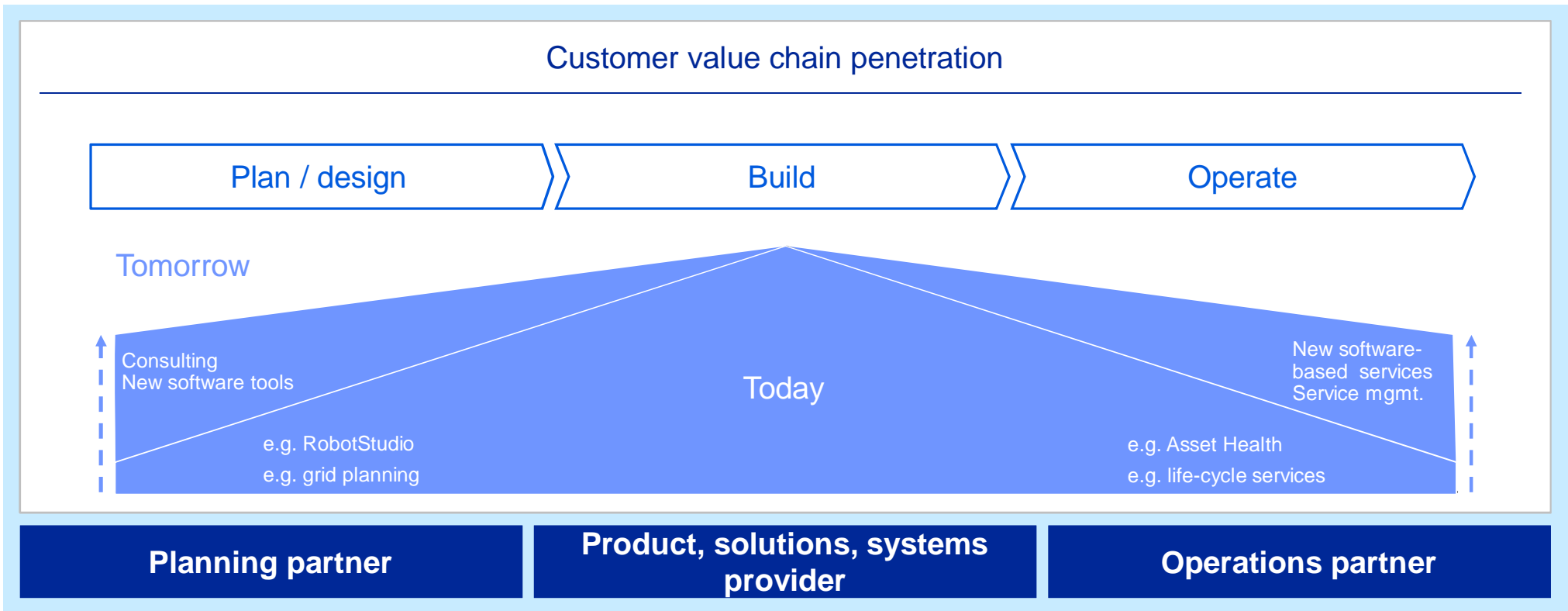


# Shifting the center of gravity



# Shifting the center of gravity

## Expanding customer value proposition and relevance

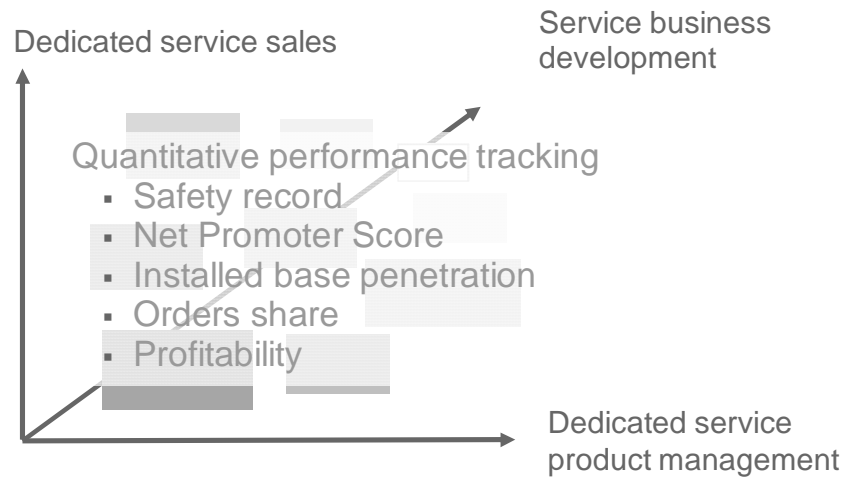


# Shifting the center of gravity

## Continuously increasing services / intensity and share



### Rigorous implementation of existing strategy



### Next level of services growth

#### Today

- Installed base penetration
- Service portfolio expansion

#### Additional levers

- Engineering, consulting expansion for target segments
- Software-based services
  - Remote monitoring
  - Analytics
- Partnerships and acquisitions

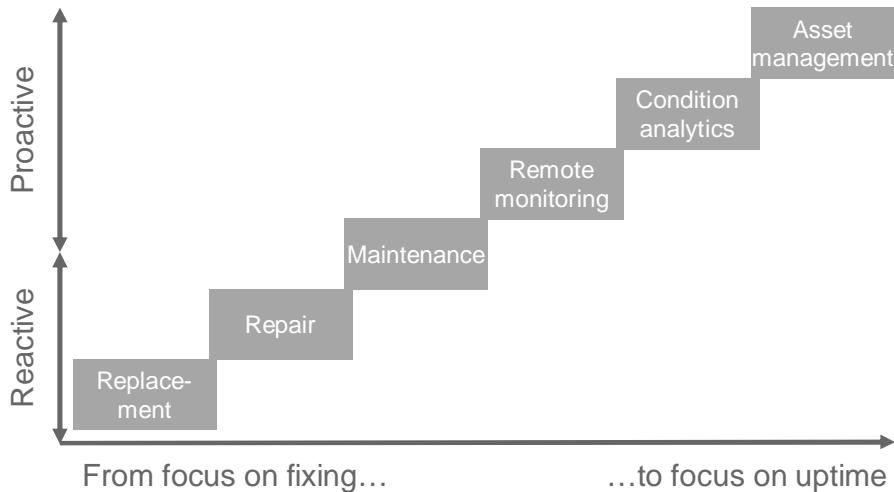
**Increasing service share of revenue by 1%-point annually**

# Shifting the center of gravity

## Continuously increasing services – example: expansion in mining



### Expanded services offering



### Example: remote monitoring for mining



Remote, real time monitoring



Maximization of Overall Equipment Efficiency (OEE), asset optimization

Global mining customers, e.g., Vale, Anglo American

**We constantly expand high value-adding services**

# Shifting the center of gravity

## Majority of offering with software content today



### ABB software business – some facts

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**Embedded software:** core of our electronics offering

**Automation system software:** a leading DCS<sup>1</sup> player

**Application software:** for design, operations, and services

> 50% of offering is software-related

> 2'600 software developers

### Smallest software application

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3-pole contactor

~100 lines of software code

### Large software application

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Network Manager

>5 mn lines of software code

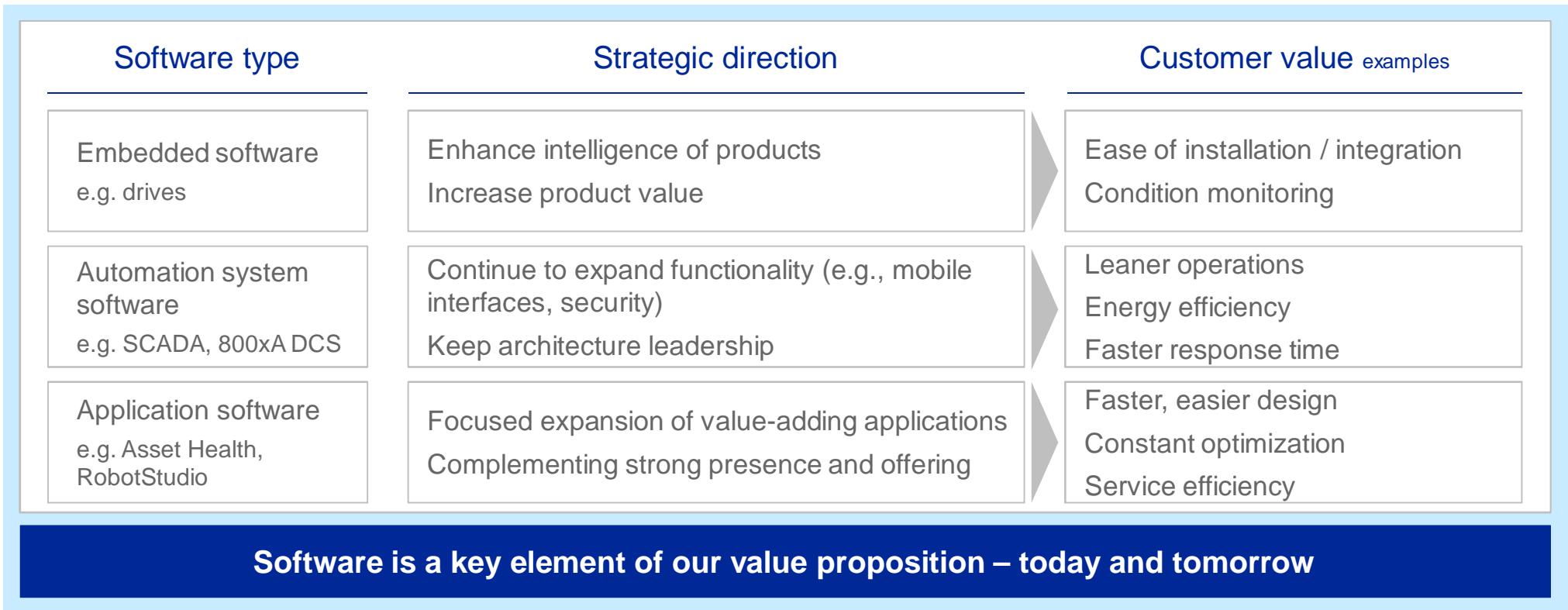
Same size as avionics and control system of Boeing 787

**A leading industrial software player**



# Shifting the center of gravity

## Accelerating software-led differentiation



# Shifting the center of gravity

## Expanding technology leadership – innovations for customer value



### “Big shift” in electrical value chain

#### Solar off-grid application

Solar power solution for rural power pumping



#### Efficient long-distance power transmission

525 kV HVDC cable



### 4<sup>th</sup> industrial revolution

#### Advanced maintenance-free sensor technology

Wireless, energy harvesting temperature, pressure sensors



#### Increased uptime, service efficiency

Remote robotics service






**+\$1.5 bn investment in R&D annually, 8,500 R&D staff in +30 countries**



# Shifting the center of gravity

## Focusing on high-growth segments – examples

<p>Utilities</p> 	<p>Large micro-grids (on- / off-grid) Digital substations Software for grid automation and services Solar</p>	<p>Network control Asset upgrade / retrofit</p>
<p>Industry</p> 	<p>Oil &amp; gas: facility of the future Oil &amp; gas: disruptive subsea offering Mining 2.0</p>	<p>New robotics applications (e.g. electronics) Food &amp; beverage: packaging</p>
<p>Transport &amp; Infrastructure</p> 	<p>Data center electrification Rail retrofit projects and geographic penetration Distribution channel penetration</p>	<p>E-mobility: fast charging Micro- / nano-grids including energy storage Marine automation and electrification</p>

**We are well positioned to access high-growth segments**

# Shifting the center of gravity

## Driving organic growth momentum through PIE



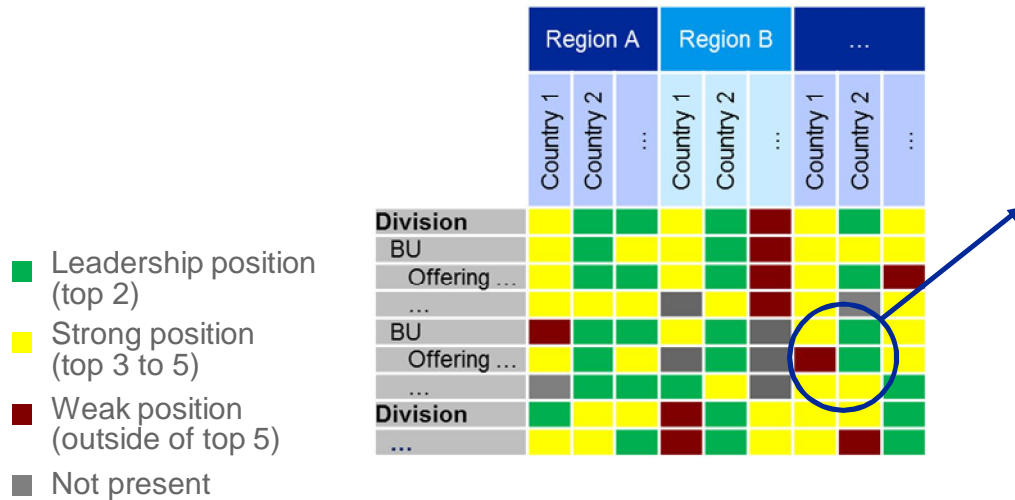
<p>Penetration</p>	<p>Selling more of our existing offering to accessible customers</p>	<p>Distribution channel cooperation between ABB, Thomas &amp; Betts, Baldor</p>	
<p>Innovation</p>	<p>New offerings / value propositions – focused resource allocation</p>	<p>Emax2 – the world’s first smart circuit breaker that saves energy</p>	
<p>Expansion</p>	<p>Expansion into high-growth segments</p>	<p>New robotics packaging solutions hub in Singapore</p>	
<p><b>NPS<sup>1</sup> of 46%<sup>2</sup> (+30%-points since 2010) and order momentum up (+13% in Q2)<sup>3</sup></b></p>			

# Shifting the center of gravity

## Driving organic growth momentum



### Navigation check by geographies, sectors



### Clear action plans

Initiatives	Country	Initiative	Description	Sponsor	...
	xxx	xxx	xxx	xxx	...
	xxx	xxx	xxx	xxx	...
	...	...	...	...	...

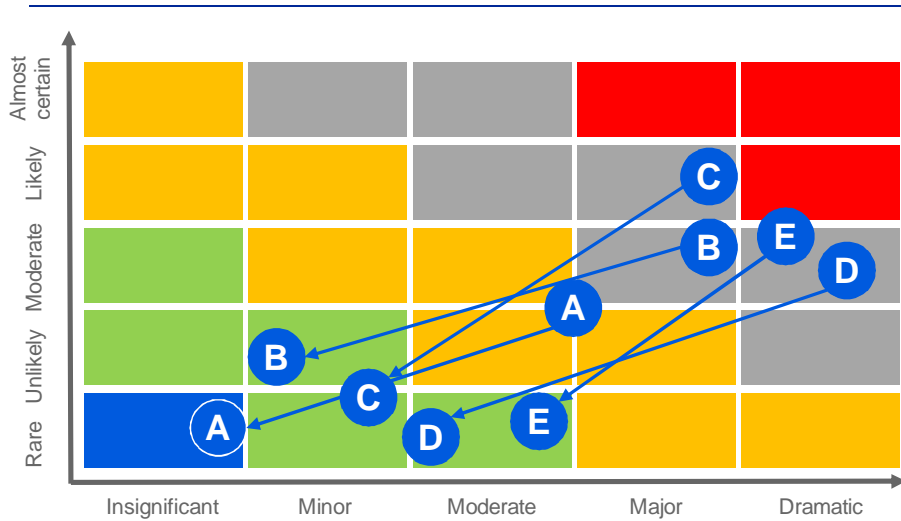
Targets	Region A		Region B		Region C	
	Country A	Country B	Country C	Country D	Country E	Country F
Initiative A	xxx	xxx	xxx	xxx	xxx	xxx
Initiative B	xxx	xxx	xxx	xxx	xxx	xxx
...	...	...	...	...	...	...

**We operationalize growth in an engineering culture**

# Shifting the center of gravity Reducing intrinsic business risk



Identifying relevant risks (illustrative)



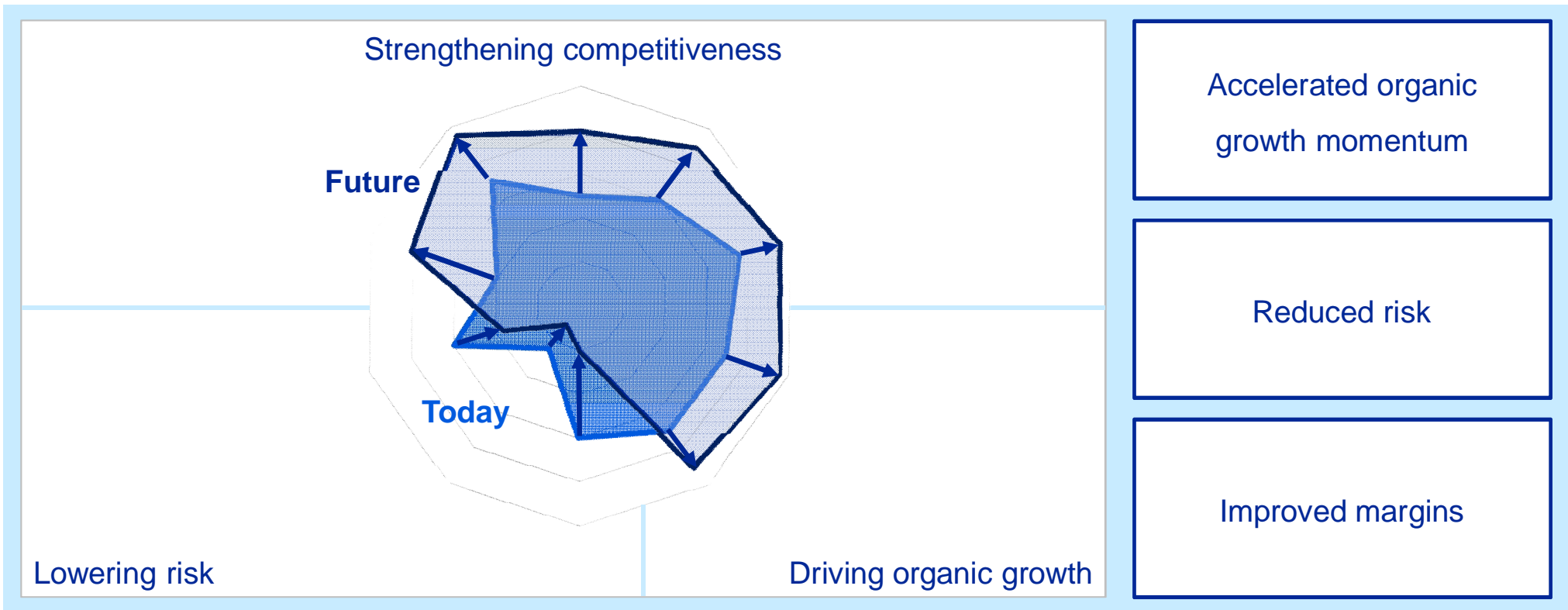
Targeted risk mitigation (examples)

Reduction level	Standardization / modularization	Pooling / best practices	Commercial terms	Partnering
Risk area				
Engineering				
Installation				
Project management				
SCM				
Business model (e.g. EPX)				
Recent examples	Substations	Marine / oil & gas	Offshore wind	Offshore wind

**We will deliver lower volatility, higher predictability, higher margins**

# Shifting the center of gravity

## Summary



# Profitable growth

## Incremental acquisitions



~30 acquisitions since 2010, \$6 bn of revenues<sup>1</sup>

### Expansion

More than doubled presence in largest economy of the world – US  
A leading position in solar

### Value

Solid integration track record  
Delivered synergies  
Maintained strengths and teams  
Live “best of both worlds”

### Discipline

Successful portfolio pruning of non-core assets  
Stopped pursuits in line with our criteria  
Integration score card as basis to link performance with compensation

Most recent transaction: Spirit IT



### ABB

Gas flow computers and measurement control software

### Spirit IT

Liquid flow computers and measurement control software

### Portfolio completion

Enables to capture high-growth unconventional oil & gas exploration opportunities

**Proven track record of value enhancing M&A**

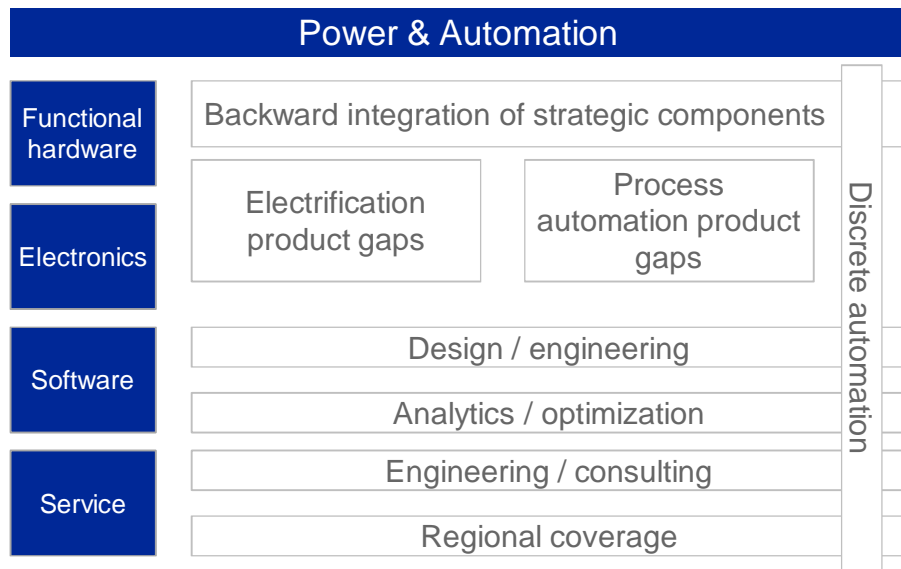




# Profitable growth

## Clear strategic direction, proven criteria for acquisitions

### Strategic direction (examples)



### Criteria

- Accelerating profitable growth
- Impactful and value creating
- Complementary strengths
- Cultural fit
- Integration capabilities available
- Financial criteria
  - Return > WACC by end of year 3
  - IRR > WACC plus specific hurdles
  - Financing designed to retain “A” credit rating
  - EPS-accretive

# Profitable growth

## Partnerships for increased customer value



### Partnership for energy storage

**ABB**

Packaged energy storage solutions and grid connection capabilities  
Global market access



**BYD**

Scale in batteries from automotive and electronics  
Battery integration and mgmt. system knowledge

Leading grid energy storage solutions

### Partnership for commercial building automation

**ABB**

Building automation expertise



**PHILIPS**

LED lighting expertise

Seamless integration of LED lighting systems and building device control

Spirit

Complementing partners

Customer value

Incremental growth

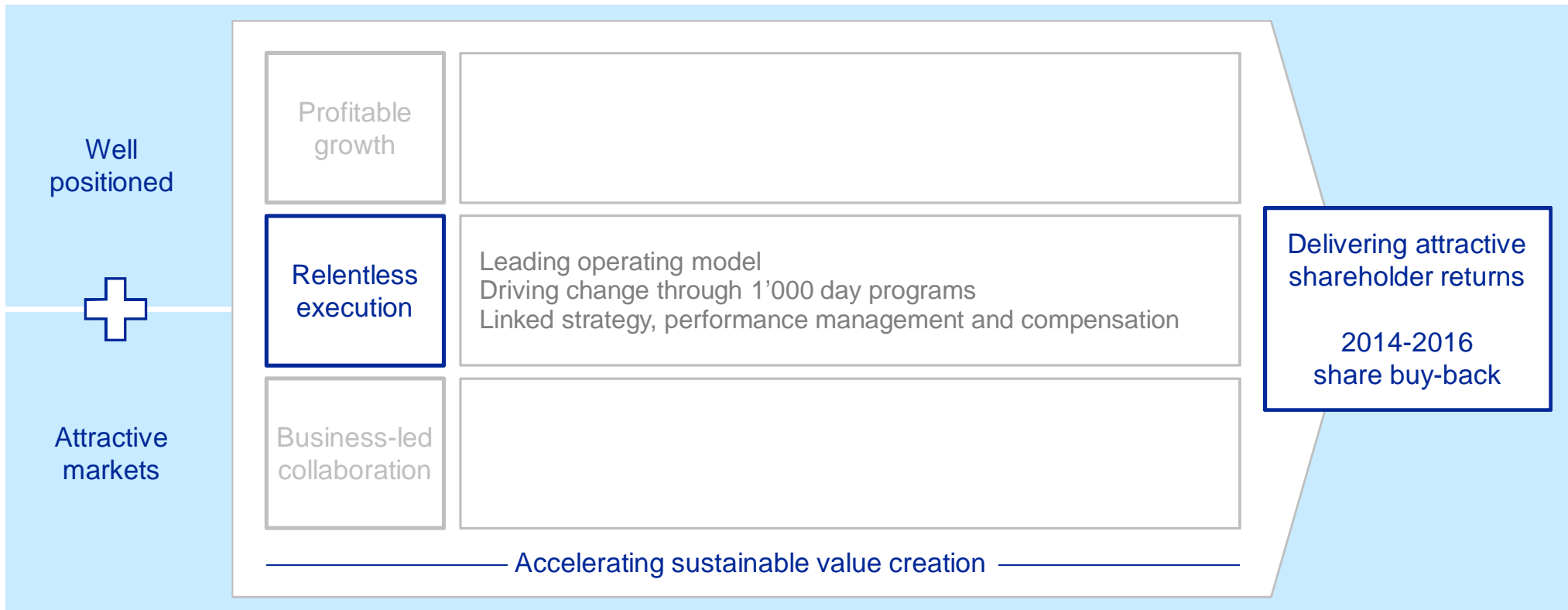
Criteria

Fit of offering and capabilities

Leading players in their fields

Good cultural fit

# ABB – Next Level Relentless execution



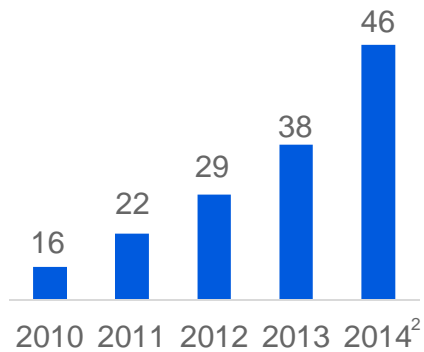
# Leading operating model

## Broadening success in customer satisfaction and cost / SCM



### Results

Customer satisfaction –  
NPS<sup>1</sup> in %



Cost savings  
\$ billions p.a.



### Focus

Keep momentum in NPS and cost  $\Delta$   
Drive white collar productivity, shared services

- Enhance customer service
- Free up resources for growth
- Speed, quality, service, cost

Push capital efficiency

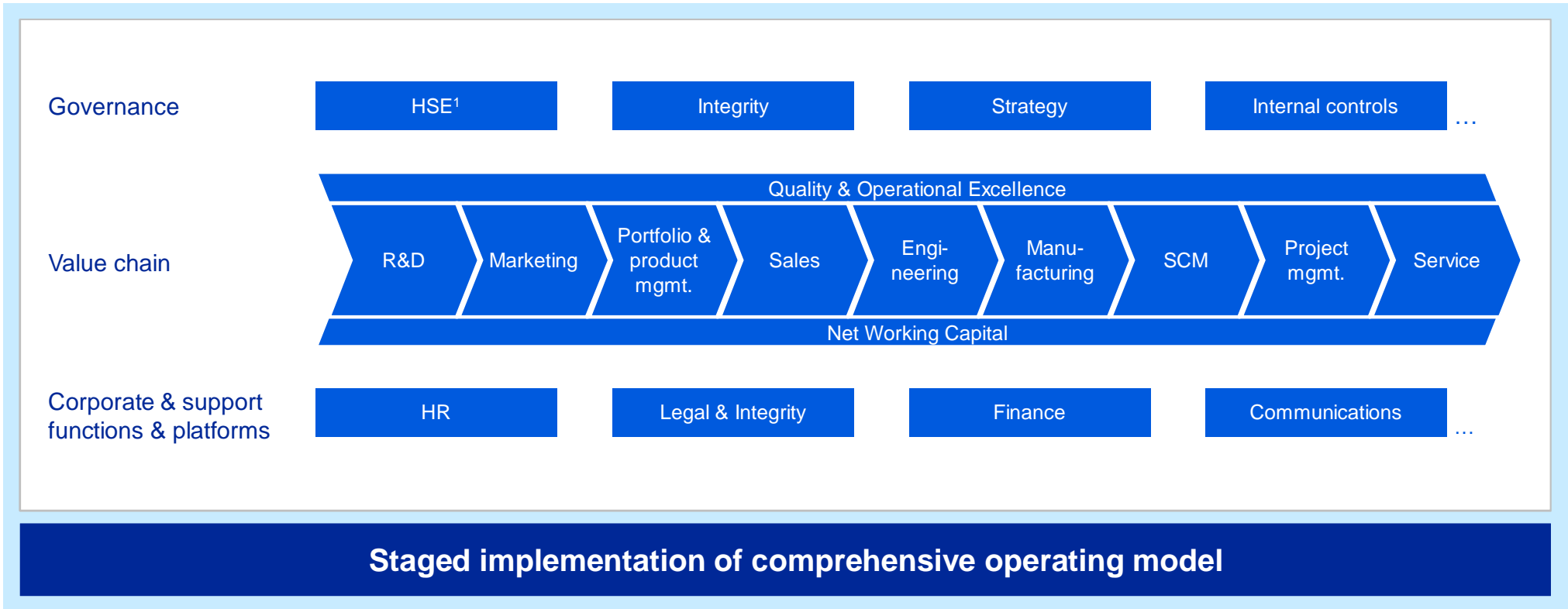
- Disciplined investments
- Inventory reduction

Reflected in performance management and compensation

**We deliver sustainable momentum**

# Leading operating model

## Broadening success: wider scope, Next Level results



# Leading operating model

Relentless execution dashboard – simple, powerful performance mgmt.



KPI	Customer			Cost			Cash						Total points	2013 baseline points
	OTD Request in Place	CCRP's Resolved on Time	Field Failure Rate Metric in Place	Cost reductions as % cost	OPQ as % COS	Productivity Coefficient	DPO		Inventory Turns		DSO			
Details						$\Delta^*$ Actual	$\Delta^*$ Actual	$\Delta^*$ Actual	$\Delta^*$ Actual	$\Delta^*$ Actual	$\Delta^*$ Actual			
<b>ABB</b>	Points Actual													
	2014-06													
	2013-12													
<b>PS</b>	Points Actual													
	2014-06													
	2013-12													
<b>PP</b>	Points Actual													
	2014-06													
	2013-12													
<b>LP</b>	Points Actual													
	2014-06													
	2013-12													
<b>DM</b>	Points Actual													
	2014-06													
	2013-12													
<b>PA</b>	Points Actual													
	2014-06													
	2013-12													

$\Delta^*$ : Delta improvement from prior year end

**Rigorous measurement driving continuous improvement**



# Leading operating model

## Completing Power Systems “step change”



### Situation

Small number of complex project situations with operational issues  
 Low-margin projects in the backlog weigh on profits  
 Need to improve operational and risk management  
 Much better grip on situation compared to beginning of year

### Status

Base business growth on track  
 Leadership strengthened  
 Off-shore wind situation improving
 

- New business model implemented
- Capabilities enhanced
- Key project milestones achieved

 Solar EPC: on track to close 90% by end of 2014  
 Cost out plans on target

### Strategy

Adapt the business model
 

- Derisk EPC, change business model
- Remain turnkey provider with right risk-return profile
- New model: system integrator

 Grow the profitable base business
 

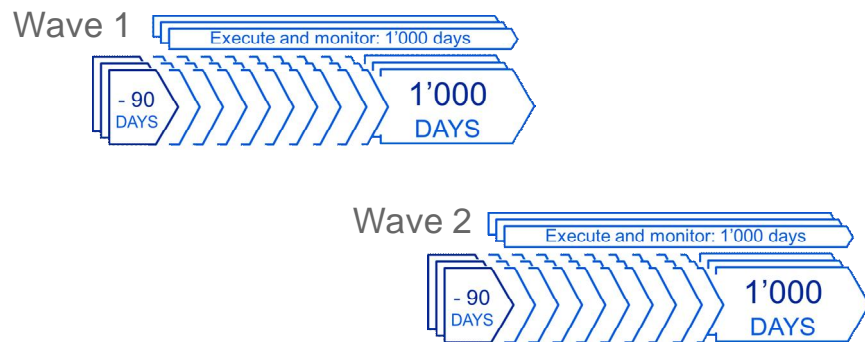
- Leverage market visibility and channels, strong global presence
- Consulting and services
- High-growth opportunities

**Good progress made, solid grip on risks for 2014 / 2015, actions underway**



# Driving change through 1'000 day programs

## Clearly defined objectives, milestones, accountabilities



### Objective: “say-do”

- Focus on high-impact strategic priorities
- Align whole organization behind these priorities
- Develop and execute clear plans towards success
- Dedicate appropriate management resources

### Approach: focused waves

- Focused implementation in waves
- Executive sponsor, business owner, allocated teams
- Coordinated by project office reporting to CEO
- High quality implementation plans
- Progress tracking on Executive Committee level, linked to performance management and compensation

### Examples

Geographies: e.g. Africa

Operations: e.g. Net Working Capital

**Jill Lee newly appointed Head of Next Level program, reporting to CEO**

# Linking strategy, performance management, and compensation

## Balanced scorecard, robust targets



### Financials

Financial KPIs

### Operations

Relentless execution dashboard

### Change

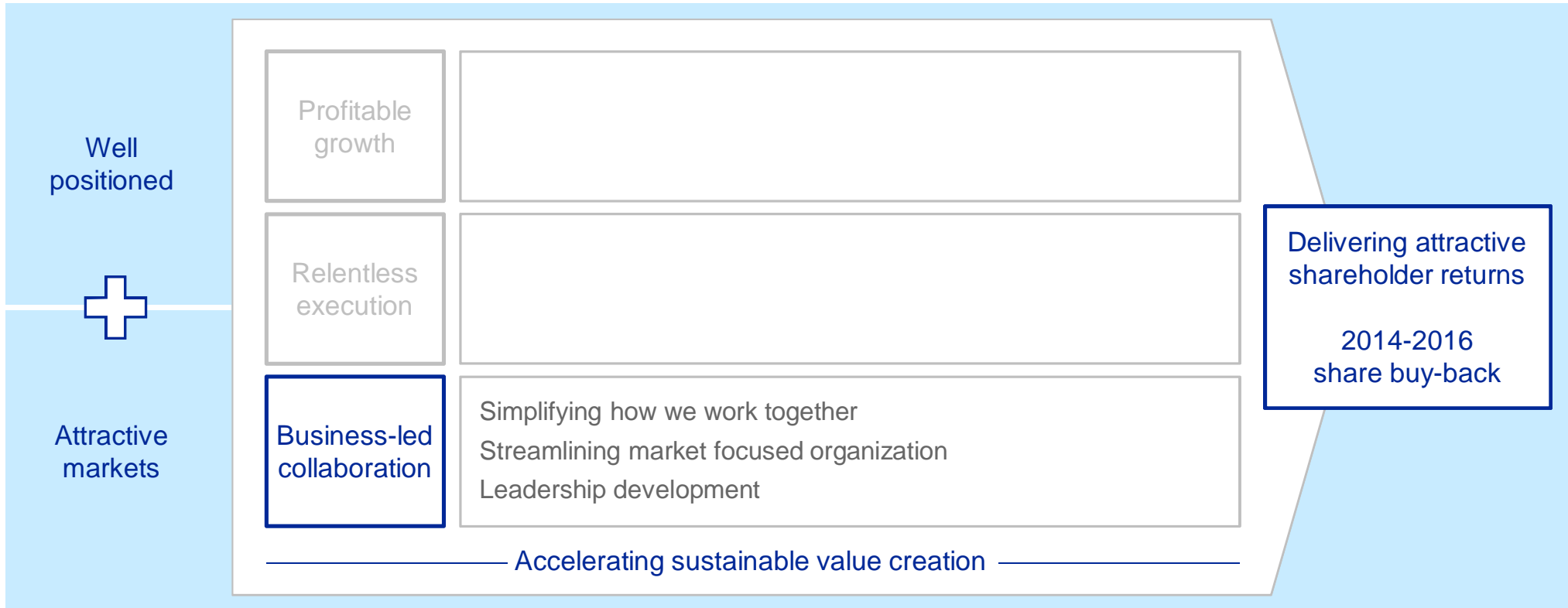
1'000 day programs

### Leadership

Behavioral / leadership targets

**Aligned incentives with institutional and individual performance**

# ABB – Next Level Business-led collaboration



# Simplifying how we work together

## Key principles



### Customer-focused

Next level of external focus in daily operations  
Strengthened cross-business customer collaboration  
Effective empowerment closest to the customer

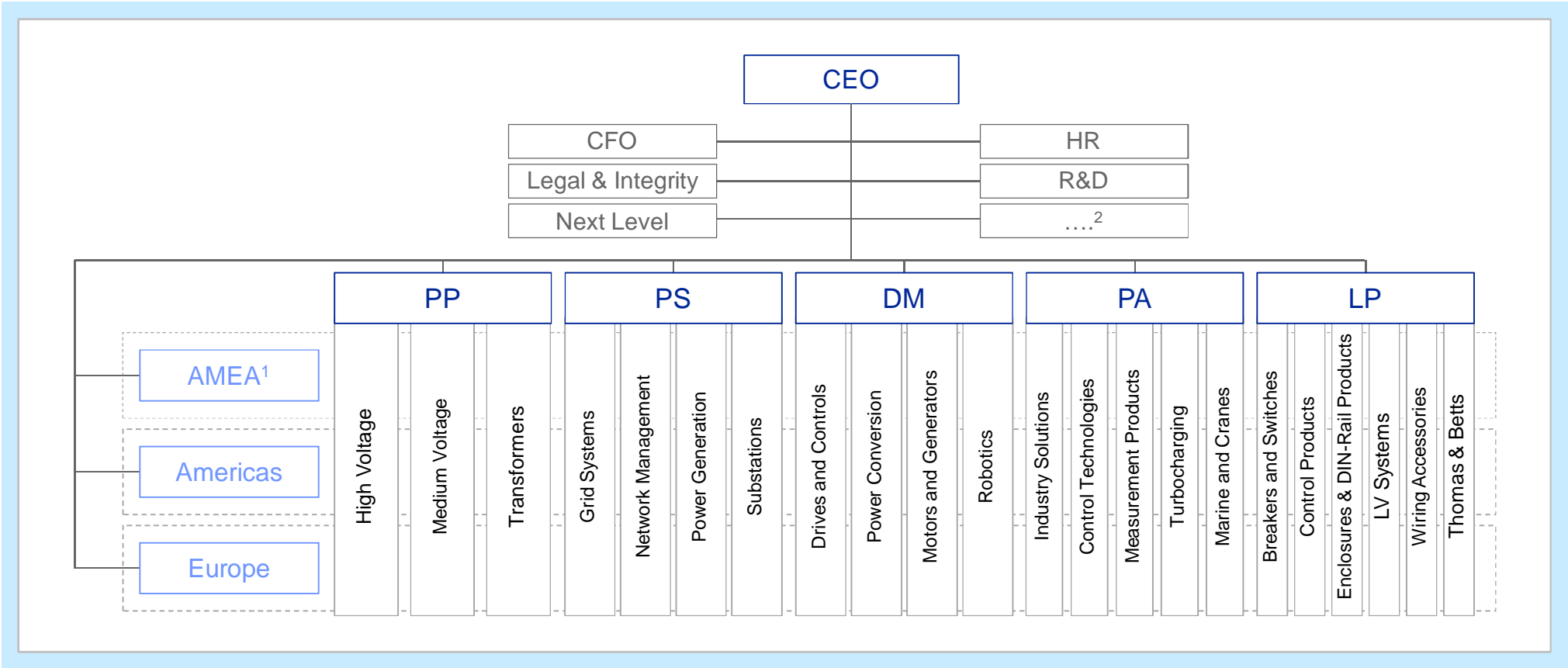
### Business-oriented

Undiluted global business line responsibility as core of ABB  
Efficiency and effectiveness through shared service centers

### Clear, simple, efficient

Simple and fast internal processes  
Clear roles and responsibilities for everyone

# New organization as of January 2015



# Leadership development Executive Committee as of January 2015



Ulrich Spiesshofer  
CEO



Bernhard Jucker  
Power  
Products

Division Leaders



Claudio Facchin  
Power  
Systems



Pekka Tiitinen  
Discrete Automation  
and Motion



Peter Terwiesch  
Process  
Automation

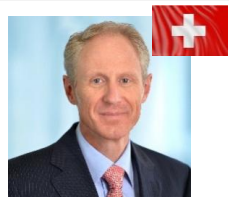


Tarak Mehta  
Low Voltage  
Products

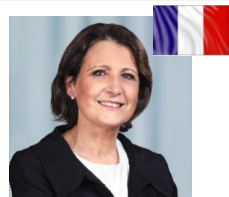


Eric Elzvik  
CFO

Corporate Officers



Jean-Christophe  
Deslarzes  
Human Resources

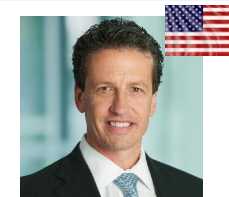


Diane  
de Saint Victor  
Legal & Integrity



Frank Duggan  
AMEA

Regional Leaders



Greg Scheu  
Americas



Veli-Matti Reinikkala  
Europe

# David Constable proposed for election as new member of the Board of Directors



## David Constable



President and CEO of Sasol, a leading integrated energy and chemicals company based in South Africa

Former Group President of Operations of Fluor (29 years in leadership positions)

52 years old

Canadian national

## A wealth of industrial experience

Solid track record in change programs, reset operating models and processes  
Strong experience in EPC and process industries  
First hand world-class project execution experience  
Broad international background (North / South America, Africa)

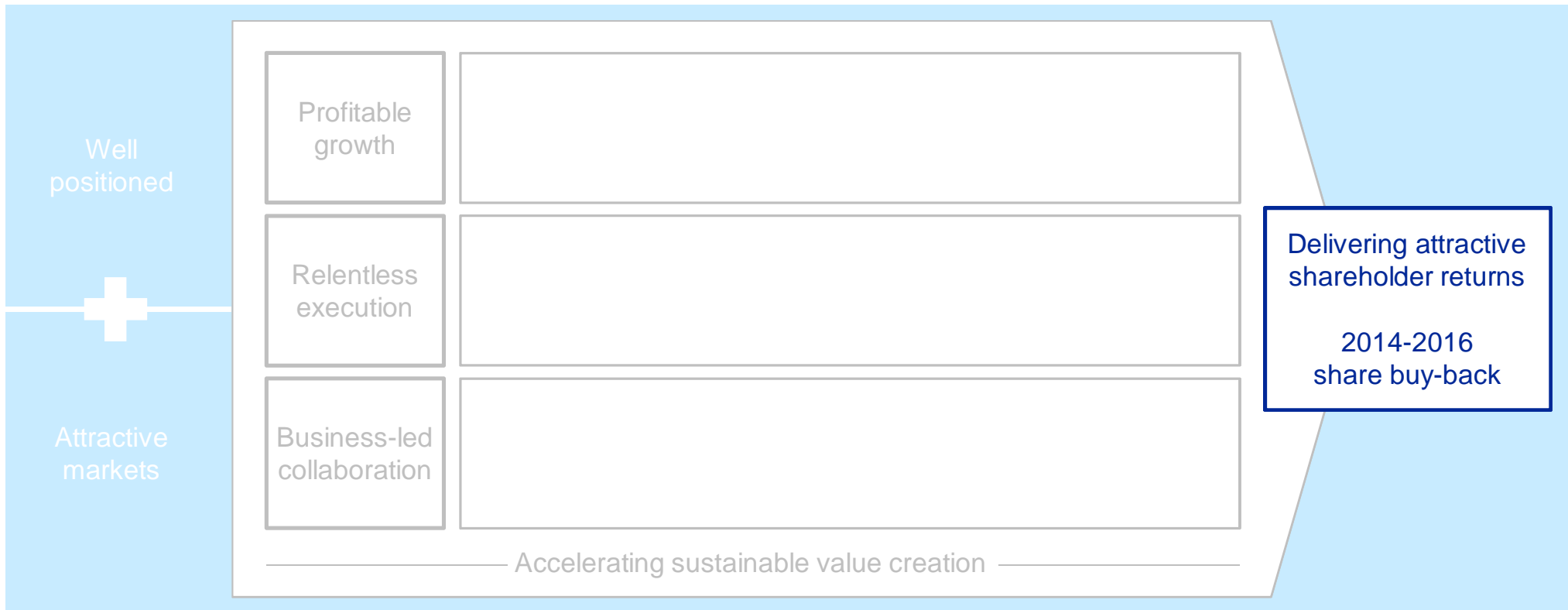
## A strong complementary addition to the Board of Directors

Strengthening Board experience in process industries, EPC and Africa, a growth region for ABB

**ABB shareholders will vote on the nomination of David Constable as new Board member at the April 30, 2015 Annual General Meeting**

# ABB – Next Level

## Shaping a global leader in power & automation



## Delivering attractive shareholder returns Group financial targets 2015-2020

Revenue growth <sup>1</sup>	4-7%
Operational EBITA % <sup>2</sup>	11-16%
Operational EPS growth CAGR <sup>3</sup>	10-15%
FCF conversion to net income	>90%
CROI % <sup>4</sup>	Mid-teens

**Shareholders participate in strong cash generation through \$4 bn share buy-back**

# Shaping a global leader in power & automation

## How we will deliver

### New

- Shifting center of gravity of portfolio
- Comprehensive operating system
- 1'000 day programs
- Performance management stronger linked to strategy
- Simple, customer-focused organization, leadership appointments

### Recently added

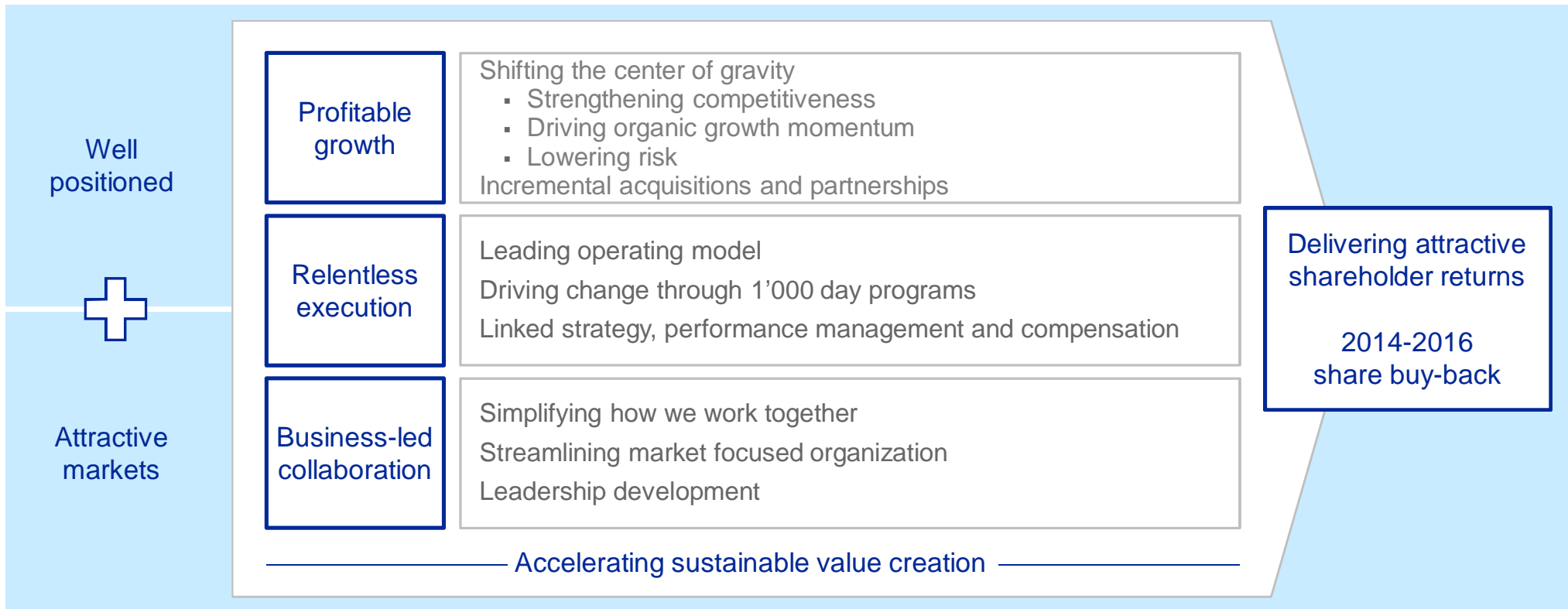
- Accelerated organic growth momentum through PIE
- White collar productivity
- NWC management
- Power Systems “step change”
- Relentless execution dashboard

### What stays

- Health, safety, and environment, integrity first
- Power & automation focus
- Cost take-out discipline
- Focused, incremental M&A
- Unique global team and culture

# ABB – Next Level

## Shaping a global leader in power & automation





Eric Elzvik, CFO, Capital Markets Day, London, September 9, 2014

# ABB – Next Level

## Accelerating sustainable value creation

# Financial targets and capital allocation

## Focused on attractive shareholder returns

### Driving strong operational EPS growth<sup>1</sup>

- Profitable growth and margin accretion as key value drivers
- End markets growing above GDP
- Strong foundation to deliver growth

### Delivering attractive CROI through disciplined investment and focus on cost

- Driving competitiveness to more than offset pricing pressure
- Continued strong cash conversion
- Improve net working capital management – large potential

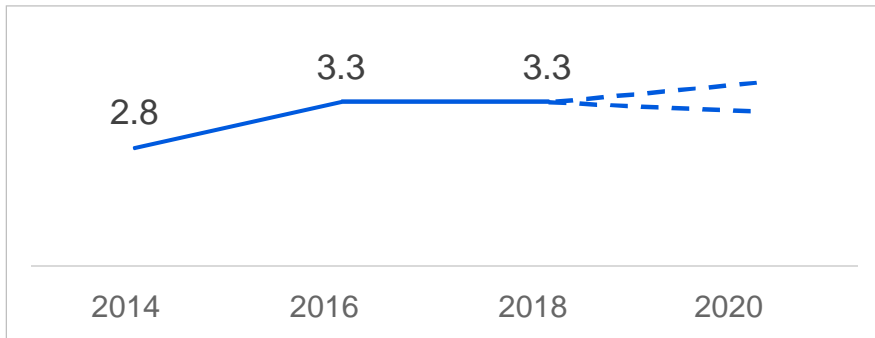
### Capital allocation

- Maintain strong balance sheet to support the strategy
- Strong focus on total shareholder returns
- \$ 4 billion share buyback program

# Assumptions for 2015-2020 Group financial targets

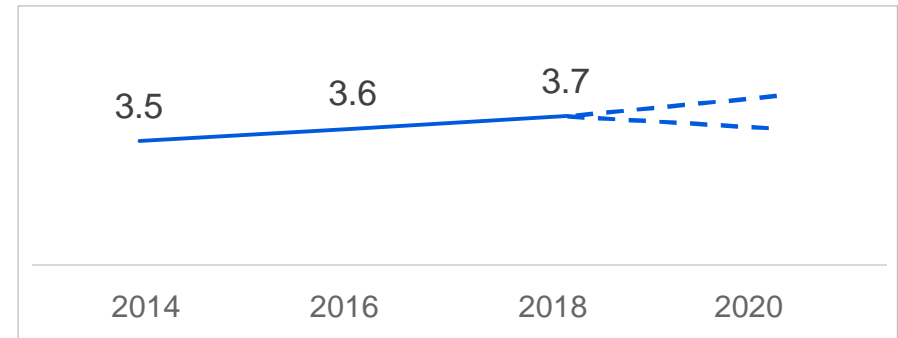
## GDP and industrial capex to grow at ~3-3.5%

### Global GDP growth in %



2/3 from emerging markets (growing ~6%)  
US stronger than Eurozone with modest recovery

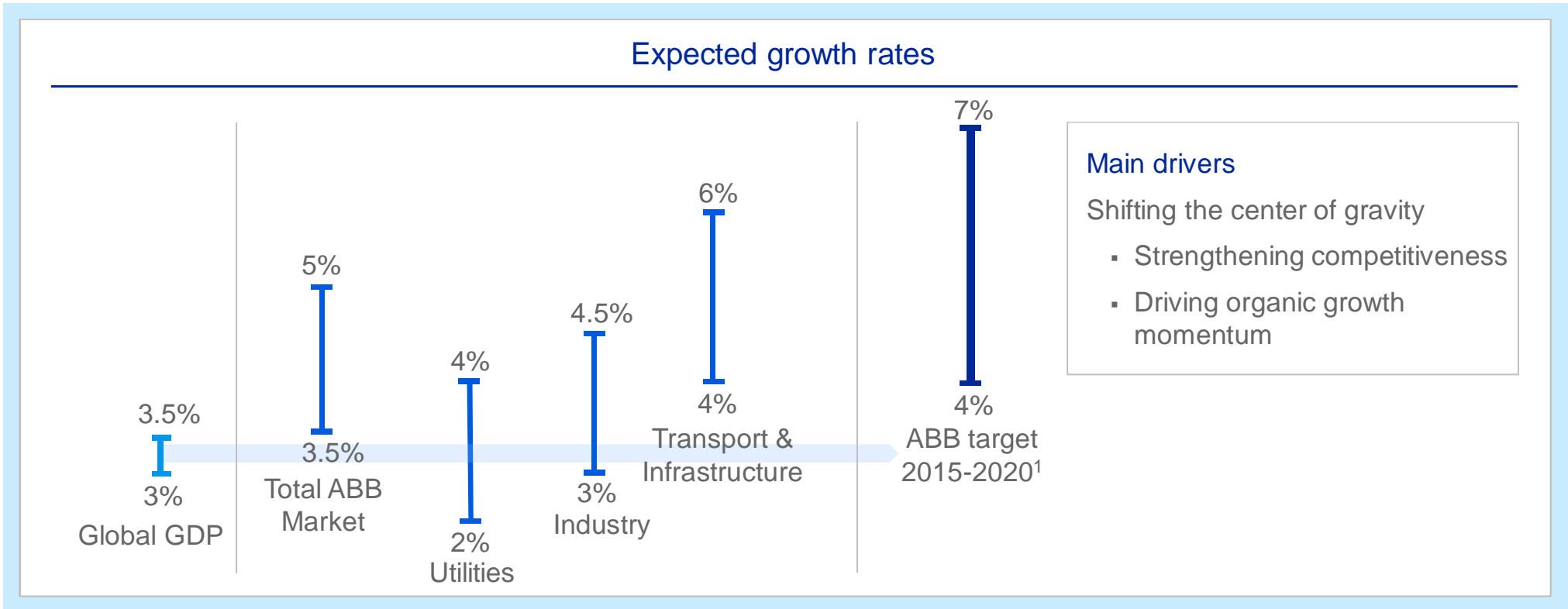
### Industrial production in %



Industrial capex recovery  
Utility capex ~2-3% CAGR  
Oil prices expected to remain >\$100/bbl  
Mining recovery after 2016

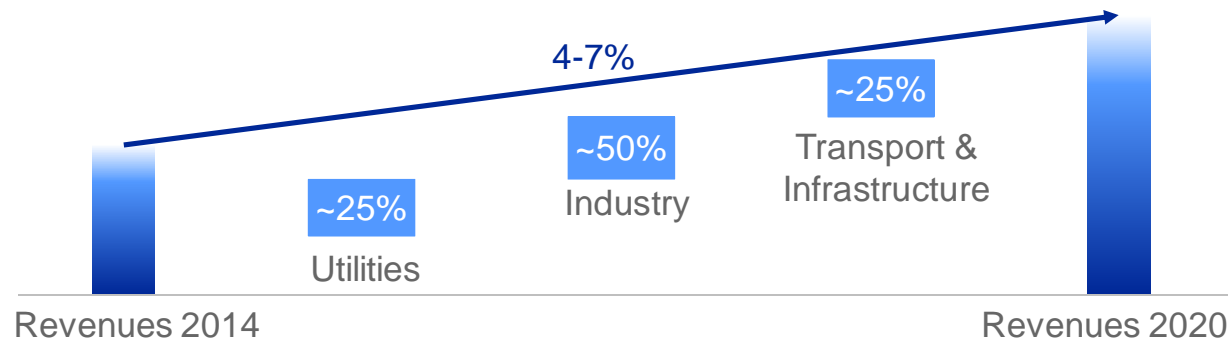
# ABB organic revenue growth target in context

## Targeting above-market growth



# 75% of growth from industry and transport & infrastructure Shifting the center of gravity

Approximate share of incremental revenue by end market

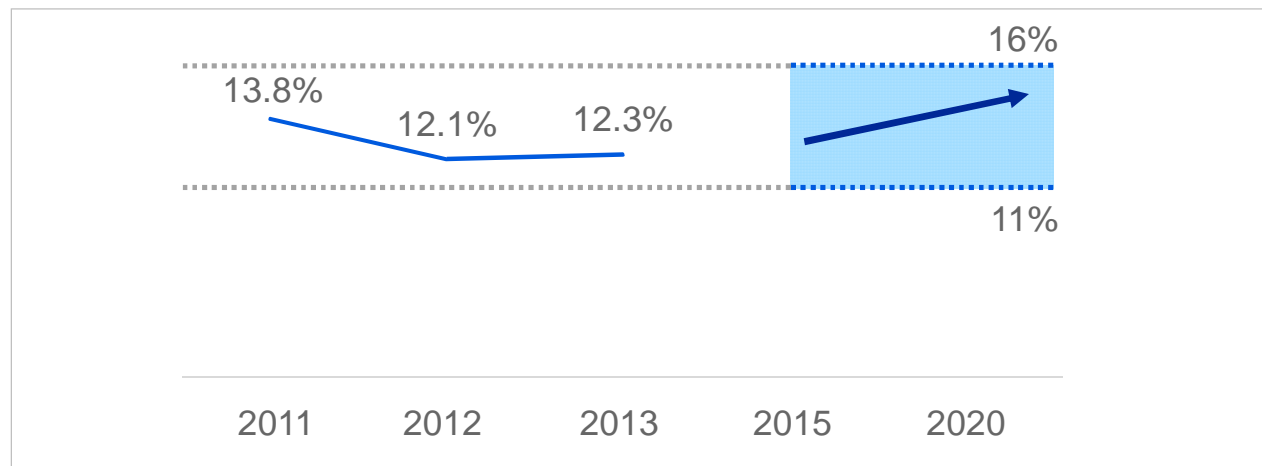


**Focus on high-growth segments in utilities, industry, transport & infrastructure**

# Attractive margin across the cycle

## Target to move steadily higher

Operational EBITA<sup>1</sup> and margin 2011-20 in mn \$, %



### Main drivers

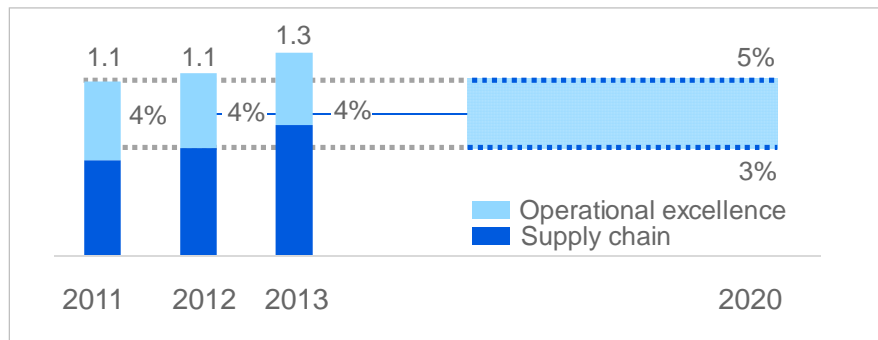
- Leading operating model
- Complete Power Systems “step change”
- Shifting the center of gravity
- Implementation of 1'000 day programs
- Investments in growth momentum and technology

**2014 is the trough year, margin accretion starting in 2015**

# Improved returns through relentless execution

## Driving productivity for competitiveness

### Cost savings in mn \$, % COS



Further supply chain optimization

Relentless execution based on leading operating model

**Continued cost savings of 3-5% COS per year**

### White collar productivity

Drive white collar productivity improvements through standardization, automation, and service platforms

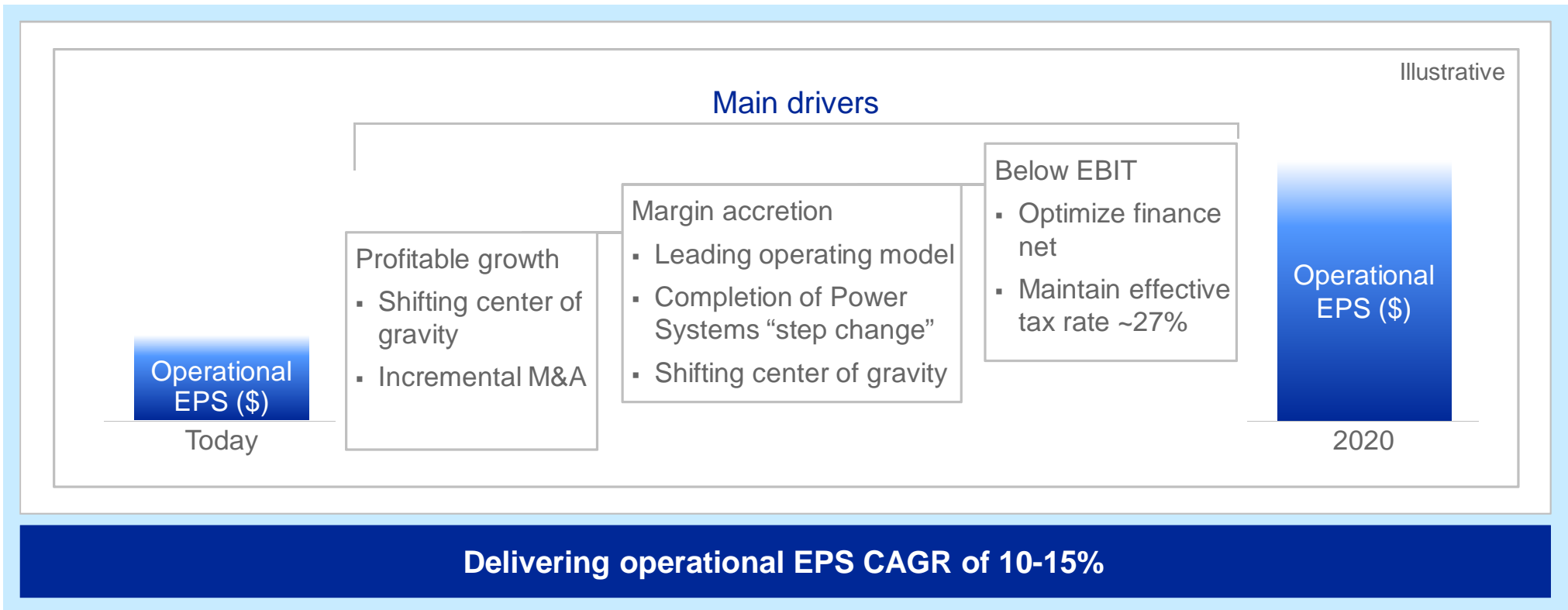
#### Focus areas

- Engineering and design
- Sales and back office
- Administrative activities (e.g. Next Level of shared service centers with expanded scope)

**Expect clear productivity improvement**

# Accelerate sustainable value creation

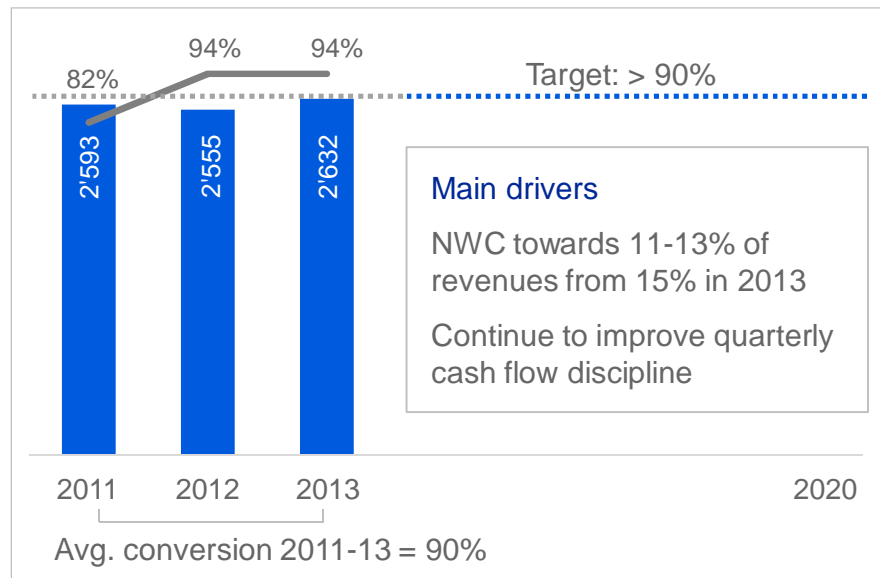
## Multiple drivers for strong EPS growth



# Strong cash generation

## Significant untapped potential in net working capital

Free cash flow and conversion to net income in mn \$, %



### Improvements deep into the value chain

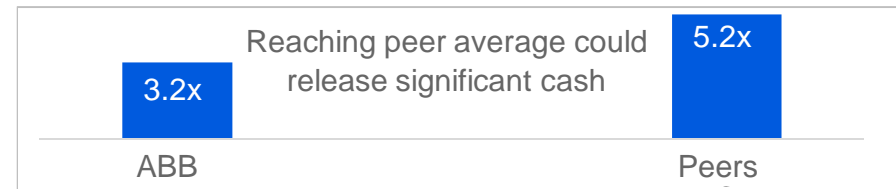
#### For customer

- Shorter lead times
- On-time delivery
- Faster delivery cycles

#### For ABB

- Higher inventory turns
- Earlier payment
- Optimal supplier terms

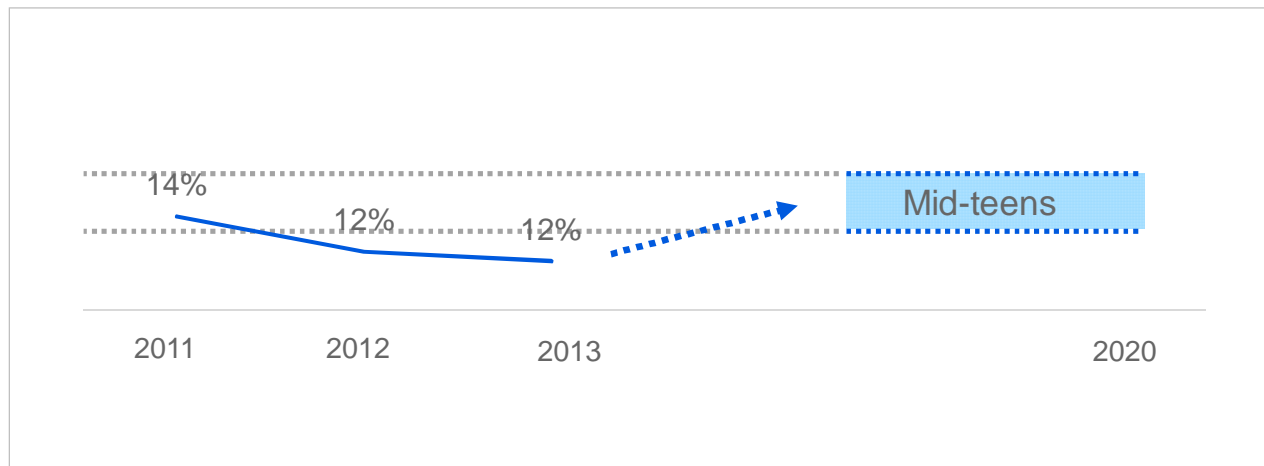
### Inventory<sup>1</sup> turns vs peers<sup>2</sup>



# Cash return on investment (CROI) shows further room for improvement

## Focus on both cash flow and capital

CROI development 2011-2020



### Main drivers

Cash from operations: 10-15% operational EPS growth CAGR

NWC: increase inventory turns

Disciplined capital investments and M&A

**Attractive long-term cash returns**

# Overview of 2015-2020 targets

## Group targets and divisional operational EBITA margin targets

Group		Divisions	
Revenue growth <sup>1</sup>	4-7%	Discrete Automation and Motion	14-19%
Operational EBITA % <sup>2</sup>	11-16%	Low Voltage Products	15-19%
Operational EPS growth CAGR <sup>3</sup>	10-15%	Process Automation	11-15%
FCF conversion to net income	>90%	Power Products	12-16%
CROI % <sup>4</sup>	Mid-teens	Power Systems	7-11% <sup>5</sup>

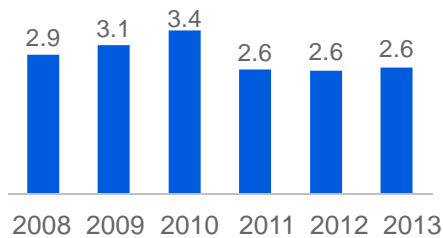
<sup>1</sup>Average annual revenue growth on a like-for-like basis over 6 years, base year 2014; <sup>2</sup>Target is on a full-year basis; <sup>3</sup>CAGR = Compound annual growth rate, base year is 2014 and assuming constant exchange rates; <sup>4</sup>Temporary reduction possible in the event of larger acquisitions; <sup>5</sup>The margin target for Power Systems will be in effect as of January 1, 2016 after concluding the "step change" program

# Strong financial foundation supports execution of the strategy

## Balance sheet strength and financing flexibility

### A consistent cash generator

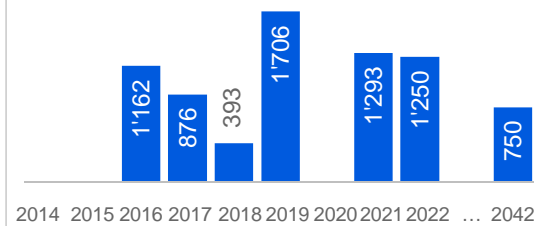
Free cash flow  
US\$ billions



Sufficient cash to fund growth and pay consistent dividends

### Long-term debt at attractive rates

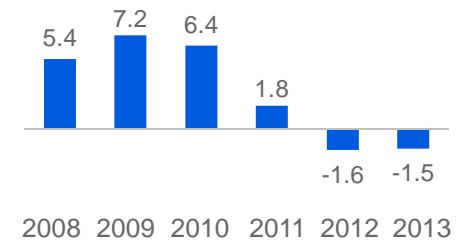
Bond maturity profile<sup>1</sup>  
US\$ millions



Maturities funded from free cash flow

### Solid balance sheet

Net cash/debt  
US\$ billions



Single "A" rating, solid base for funding

**Our solid balance sheet makes us a reliable, long-term "bankable" partner for our customers**

## Priorities for capital allocation

### Balance between investing in future growth and returns to shareholders

Fund organic growth, R&D, and capex at attractive CROI

Steadily rising sustainable dividend

Value-creating acquisitions

Returning additional cash to shareholders

**Attractive shareholder returns supported by 2015/16 share buy-back of \$4 bn**

# ABB launches \$4 billion share buy-back over 24 months

## Driving attractive shareholder returns

Shareholders to participate in ABB's strong cash generation and financial position

Successful portfolio pruning generates > ~\$1 billion pre-tax proceeds

Confidence in cash generation today and in the future

Running ABB with an efficient balance sheet

Approx.  $\frac{3}{4}$  of the buyback program for a reduction of share capital and the remainder to support its employee share plans globally

**Committed to attractive shareholder returns**

# A clear plan to accelerate sustainable value creation

## Delivering attractive shareholder returns

### Attractive growth and profitability targets

- 4-7% revenue growth, above market
- Cost savings will support operational EBITA margin accretion

### Focus on cash and asset efficiency

- Material benefit from net working capital reduction
- Continued strong cash conversion >90%

### Driving shareholder value through EPS and CROI






- Operational EPS growth of 10-15% CAGR and CROI in the mid-teens
- Strong balance sheet supports execution of the strategy

Power and productivity  
for a better world™



# Performance versus previous 2011-2015 targets at the end of 2013

## Status and outlook

	Group targets	Status FY 2013	Expectations for the 2011-15 period
Organic <sup>1</sup> revenue growth (CAGR <sup>2</sup> )	5.5-8.5% <sup>3</sup>	5.3% 	2014 a challenging year; CAGR 4-5% over current planning cycle due to slower economic recovery and PS
Op EBITDA margin corridor	13-19%	14.5% 	Continue to deliver within the range Power Systems to move towards target corridor
EPS <sup>4</sup> growth (CAGR <sup>2</sup> )	10-15%	3% 	Drive towards 10% CAGR <sup>2</sup>
Free cash flow conversion	Annual avg. >90%	90% 	Sustain within the target range
Cash return on invested capital	>20% by 2015	11.6% <sup>5</sup> 	Aim for mid-teens CROI by 2015

<sup>1</sup>Organic excludes all acquisitions greater than \$50 million revenues closed after 2011 as well as Baldor, Ventyx and Mincom

<sup>2</sup>CAGR = Compound annual growth rate, base year 2010; <sup>3</sup>If Baldor, Ventyx and Mincom are included then CAGR is 7-10%;

<sup>4</sup>Basic EPS; <sup>5</sup>Estimated to account for Power-One annualized cash flow

## Comparison new EBITA margin targets vs previous

<b>Operational % (full-year basis)</b>	<b>New target EBITA%</b>	<b>Approx. of previous target in EBITA%</b>	<b>Previous EBITDA% targets</b>
Discrete Automation and Motion	14-19%	14-19%	16-21%
Low Voltage Products	15-19%	14-20%	16-22%
Process Automation	11-15%	10-14%	11-15%
Power Products	12-16%	12-18%	14-20%
Power Systems	7-11%	8-11%	9-12%
ABB	11-16%	11-17%	13-19%