ABB: shaping a leader focused in digital industries
Ulrich Spiesshofer, CEO
Important notices

This presentation includes 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”, “on track”, “2018 framework” 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
- 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.

Some of the planned changes might be subject to any relevant I&C processes with the Employee Council Europe and / or local employee representatives / employees. This presentation contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the ‘Supplemental reconciliations and definitions’ section of “Financial Information” under “Quarterly results and annual reports” on our website at www.abb.com/investorrelations
ABB: shaping a leader focused in digital industries

Our journey to date

Our way forward

Our financials

Our investment proposition
We have always been writing the future of industries...
...by shifting the center of gravity of our portfolio
We delivered on our ambition and built four market-leading divisions

Power Grids
Electrification Products
Industrial Automation
Robotics and Motion

Global position today

#1
#2
#2
#2 & #1
Next Level strategy strengthened ABB

Strengthened business

Profitable Growth
- Growth momentum
- Customer satisfaction doubled
- ABB Ability™; quantum leap in digital
- Center of gravity shifted, driving competitiveness, growth, lower risk

Relentless Execution
- 1,000 day programs
- Power Grids transformation
- Linked performance and compensation

Business-led Collaboration
- Market focused and leaner organization
- Global ABB master brand

Enhanced momentum

Attractive total cash returns of $12.1 bn\(^1\)

Key
- Comparable base order development yoy (%)
- Comparable base order development, rolling 12 month basis ($mn)

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\(^1\)$8.6 bn distributed dividends and $3.5 bn share buyback 2014 – 9 months, 2018
The world is changing…

The Energy Revolution

The Fourth Industrial Revolution

Influencing the future of how we…

...power  ...produce  ...work  ...live  ...move
…at unprecedented speed

Influencing the future of how we...

...power

>$4 tn of renewable investment

...produce

+300% industrial IoT\(^1\) devices installed

...work

+300% robot sales

...live

+1 bn people in cities

...move

~30% CAGR\(^2\) for EV\(^3\) sales


\(^1\)Internet of Things; \(^2\)Compound annual growth rate; \(^3\)Electric Vehicles

Note: trends development 2018 – 2030; installed IoT devices 2018 – 2025
Our customer patterns are diverging

- **Power Grids**
  - Large orders, higher volatility
  - Reconvergence between generation, transmission & distribution
  - Consolidated customer base (>1,000)
  - Project financing needs
  - Public bidding

- **Electrification Products**
  - Industries

- **Industrial Automation**
  - Industries

- **Robotics and Motion**
  - Industries

**Stable growth**

- Shift from physical products to digital solutions
- Rapidly growing, increasingly diverse customer base (>1,000,000)
- Growing solution and service needs
- Predominantly B2B sales
ABB: shaping a leader focused in digital industries

Our journey to date

Our way forward
- Focus
- Simplify
- Lead

Our financials

Our investment proposition
We focus ABB on digital industries and divest Power Grids to Hitachi

“new ABB” – focusing in digital industries
Power Grids now well positioned for the future – transformation milestone achieved

Top and bottom line improvement

<table>
<thead>
<tr>
<th>Base order growth¹</th>
<th>Q4 16</th>
<th>0%</th>
<th>3</th>
<th>6</th>
<th>13</th>
<th>7</th>
<th>7</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Today²</td>
<td></td>
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</tbody>
</table>

Operational EBITA margin doubled

<table>
<thead>
<tr>
<th>2014³</th>
<th>Today²</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.7%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Key transformation markers since 2014

- Bring business back to growth
- Reach 10% profitability
- Enhance leadership in digital grid
- Drive software and services
- Prune portfolio
- De-risk business model

¹Third-party base order growth, comparable (% yoy); ²Q3 2018; ³Operational EBITA margin for the previously reported Power Grids business under old structure as of December 31, 2016
Shaping a global leader in power...

...at the right time

Customers call for...
A partner to reconverge generation, transmission & distribution
Large project financing

We are ready...
Global #1 for a stronger, smarter and greener grid
Industry benchmark for profitability
...building on our partnership established in 2014

2014: local Joint Venture for HVDC

Press Release
Dec 2014

ABB and Hitachi to form strategic power grid partnership for HVDC in Japan

New Joint Venture to build on Hitachi’s strong local market presence and ABB’s High Voltage Direct Current (HVDC) technology leadership to address Japan’s new energy focus.

Tokyo and Zurich, Dec 16, 2014 – ABB and Hitachi announced today an agreement to form a joint venture for high voltage direct current (HVDC) system solutions in Japan. The new entity, to be based in Tokyo, will be responsible for the design, engineering, supply and after-sales services related to the DC system of HVDC projects bringing ABB’s latest technologies to the Japanese market where Hitachi will be the prime contractor.

Hitachi
- Energy infrastructure core
- Large project financing
- Global reach with strength in Japan

Power Grids
- Global #1 for a stronger, smarter and greener grid
- Digitalization leader
- Industry benchmark for profitability
Key transaction parameters «Hitachi-ABB Power Grid Ltd»

Attractive valuation
- Enterprise Value (EV) of $11 bn for 100% of Power Grids, equivalent 11.2x EV/op. EBITA multiple
- Hitachi to acquire 80.1% of Power Grids, ABB to retain 19.9% in carved out Power Grids initially

Clear exit path
- Predefined exit option for 19.9% equity share in new JV:
  - ABB put option at fair market value with floor price at 90% of agreed EV, exercisable 3 years after closing
  - Hitachi call option at fair market value with floor of 100% of agreed EV

Seamless transition
- Agreed JV governance
  - Management team retained, HQ of Hitachi-ABB Power Grid Ltd to be in Switzerland
  - Closing expected by first half of 2020

Shareholders to participate
- Intention to return 100% of estimated net cash proceeds of $7.6-7.8 bn to shareholders in an expeditious and efficient manner through share buyback or similar mechanism

We are realizing the value we have built in Power Grids

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1EV/operational EBITA multiple calculated using operational EBITA for Power Grids over twelve month period to end Q3 2018, before share of corporate cost; 2Subject to regulatory approvals and fulfillment of closing conditions; 3After estimated one-time transaction and separation related costs of $500-600 million and cash tax leakage of $800-900 million. Total enterprise value adjustments of ~$3.0 billion, including ~$2.7 billion of net leverage (intercompany loan net of cash transferred) and ~$0.3 billion after-tax unfunded pensions and other liabilities
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Our journey to date

Our way forward
- Focus
- Simplify
- Lead

Our financials

Our investment proposition
Full empowerment of businesses through continued simplification…

Before 2014

We moved to a single P&L on division level

Today

Discontinuation of the matrix

Future

Customers

Regions

Corporate Functions

Divisions

ABB Ability™

Corporate

Businesses
Future businesses...

...live zero distance to customers, single interface through business
...own full scope of functions
...strengthened by transfer of experienced country management resources
...combine country manager role with local business leadership role
...govern Global Business Services (GBS)

Country / regional structures including related Executive Committee roles to be discontinued after closing of transaction

Future “corporate” focused and streamlined

$500 million p.a. run-rate medium-term cost reductions across the Group
ABB: shaping a leader focused in digital industries

Our journey to date

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- Focus
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- Lead

Our financials

Our investment proposition
The new ABB

Pioneering technology leader in digital industries

<table>
<thead>
<tr>
<th>~$410 bn market</th>
</tr>
</thead>
<tbody>
<tr>
<td>~$29 bn revenues</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>34% Asia, Middle East and Africa</th>
<th>31% Americas</th>
<th>35% Europe</th>
</tr>
</thead>
</table>

~110,000 employees
The new ABB: operating in attractive markets...

Large market...

3.5-4% p.a.

~$410 bn

~$550 bn

...with attractive dynamics

8%+

Software & digital solutions

Electric mobility

Robotics / flexible manufacturing

Data centers

5%+

Machine and factory automation

Renewables

4-5%

Food & beverage

Commercial buildings

Up to 4%

Oil & gas

Residential buildings

Motion
...with a unique offering

<table>
<thead>
<tr>
<th>Electrification</th>
<th>Automation</th>
<th>Digitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low/Medium Voltage</td>
<td>Measurement &amp; analytics</td>
<td>Machine &amp; factory</td>
</tr>
<tr>
<td>Buildings &amp; infrastructure</td>
<td>Process control (DCS¹)</td>
<td>Robotics</td>
</tr>
<tr>
<td>Siemens</td>
<td></td>
<td>Motors &amp; generators</td>
</tr>
<tr>
<td>Schneider Electric</td>
<td></td>
<td>Drives</td>
</tr>
<tr>
<td>Eaton</td>
<td></td>
<td>ABB Ability™</td>
</tr>
<tr>
<td>Rockwell Automation</td>
<td></td>
<td></td>
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<tr>
<td>Emerson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honeywell</td>
<td></td>
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<tr>
<td>Yaskawa</td>
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<tr>
<td>Fanuc</td>
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<tr>
<td>Yokogawa</td>
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</tbody>
</table>

¹Distributed Control System
Shaping four focused leading businesses...

- Electrification
  - #2
- Industrial Automation
  - #2
- Robotics & Discrete Automation
  - #2
- Motion
  - #1

ABB Ability™

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¹Note: Power Grids moved to discontinued operations starting in Q4 2018 until closing
...aligned with customer patterns in attractive markets

### Electrification
- **Low / Medium Voltage**
  - Market size: $160 bn
  - Market growth p.a.: ~3%
  - Revenues: $13 bn

### Industrial Automation
- **Buildings & infrastructure**
  - Measurement & analytics
  - Process control (DCS²)
  - Market size: $90 bn
  - Market growth p.a.: ~3 to 4%
  - Revenues: $7 bn

### Robotics & Discrete Automation
- **Machine & factory**
  - Robotics
  - Market size: $80 bn
  - Market growth p.a.: ~6 to 7%
  - Revenues: $4 bn

### Motion
- **Motors & generators**
  - Drives
  - Market size: $80 bn
  - Market growth p.a.: ~3%
  - Revenues: $6 bn

---

1. Note: Power Grids moved to discontinued operations starting in Q4 2018 until closing
2. Distributed Control System
3. Engineering, Procurement and Construction
4. Original Equipment Manufacturer

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Source: Internal ABB analysis

Effective April 1, 2019¹
Electrification
Writing the future of safe, smart and sustainable electrification

Our business

- Global #2
- $13 bn revenues

Offering
- Low & medium voltage
- Buildings & infrastructure

Typical customers
- Electrical distributors
- Panel-builders
- EPCs

Market: $160 bn; ~3% p.a.

Selected customer segments

- Commercial buildings 4%+ p.a.
- Data centers 6%+ p.a.
- EV Charging 8%+ p.a.
## Industrial Automation

Writing the future of safe and smart operations

### Our business

**Global #2**

$7 bn revenues

**Offering**

- Integrated industry-specific solutions
- Process control (DCS\(^1\))
- Measurement & analytics

**Typical customers**

- End customers
- EPCs\(^2\)

### Market: $90 bn; ~3 to 4% p.a.

**Selected customer segments**

- **Process control / DCS**
  ~3% p.a.

- **Industry-specific solutions**
  ~3-6% p.a.

- **Digital solutions & software**
  up to 10% p.a.

---

\(^1\)Global #1 for DCS (Distributed Control Systems); \(^2\)Engineering, Procurement and Construction

Note: market growth rate represents estimated CAGR 2018-25
Robotics & Discrete Automation
Writing the future of flexible manufacturing and smart machines

Our business

Global #2
$4 bn revenues

#1 Robotics player in China

Offering
- Machine & factory automation
- Robotics

Typical customers
- End customers
- Machinery OEMs
- System integrators

Market: $80 bn; ~6 to 7% p.a.

Selected customer segments

Machine & factory automation solutions
5%+ p.a.

Robotics / flexible manufacturing
~7% p.a.

Digital solutions & software
up to 10% p.a.

Source: internal ABB analysis

Note: market growth rate represents estimated CAGR 2018-25
**Motion**

Writing the future of smart motion

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**Our business**

- **Global #1**
  - $6 bn revenues

**Offering**

- Motors & generators
- Drives
- Digital powertrain solutions

**Typical customers**

- Distributors
- OEMs
- End customers

---

**Market: $80 bn; ~3% p.a.**

**Selected customer segments**

- **Motors**
  - ~2-3% p.a.
- **Drives**
  - ~4% p.a.
- **Digital powertrain**
  - ~8-10% p.a.

---

Source: internal ABB analysis

Note: market growth rate represents estimated CAGR 2018-25
ABB Ability™: tailored digital customer solutions based on common platform...

Customer value

ABB Ability™
Electrification
solutions

ABB Ability™
Industrial Automation
solutions

ABB Ability™
Robotics & Discrete
Automation solutions

ABB Ability™
Motion
solutions

ABB Ability™ digital platform
...driving accelerated profitable growth

Enhanced customer value...

- Plan / design
- Build
- Operate

Robot Studio
“Intelligent” robot cells with “App-store”
Connected Services

ABB Ability™
solutions

Market growth

New digital solutions leveraging ABB Ability™

Lifecycle cost reduction

15 – 20%

3.5 – 4
6+

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1 Compared to a non-standardized Arc welding cell
Writing the future with pioneering innovation

Artificial Intelligence
Expertise
Brain, Logic
Nerves, Senses
Muscles

Copper & iron

Automated operations
Digital operations
Autonomous operations

Motors
Drives
Robotics, PLC\(^1\), process control
Software, digital solutions
Cyber-physical systems

ABB Ability™
ABB: shaping a leader focused in digital industries

Our journey to date

Our way forward

- Focus
- Simplify
- Lead

Our financials

Our investment proposition
Improved quality of business

More growth: strong secular drivers in faster growing market segments

More digital solutions: attractive economics, less standard “copper and iron”

More stability: less large order volatility

More recurring revenue: digital solutions, software and services, leveraging large installed base
Medium-term financial Group target framework

New, medium-term

- Comparable revenue growth p.a. \(^1\): 3 – 6%
- Operational EBITA margin\(^2\): 13 – 16%
- ROCE %\(^3\): 15 – 20%
- FCF conversion to net income: ~100%
- Basic EPS growth: > revenue growth

Previous

- Comparable revenue growth average\(^4\)
- Operational EBITA margin
- CROI %
- FCF conversion to net income
- Operational EPS CAGR\(^5\)

\(^1\) Based on current economic outlook; \(^2\) Target is on a full-year basis; \(^3\) Calculated using post-tax operational EBITA / Average capital employed; \(^4\) Average annual revenue growth on a comparable basis over 6 years, base year 2014; \(^5\) Compound annual growth rate, base year 2014 and assuming constant exchange rates
Compelling value creation for shareholders

We intend to:

- Maintain the **level of dividend per share** post close

- **Return 100% of the estimated net cash proceeds** of $7.6-7.8 bn\(^1\) in an expeditious and efficient manner through share buyback or similar mechanism

...following Power Grids majority stake sale

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\(^1\)After estimated one-time transaction and separation related costs of $500-600 million and cash tax leakage of $800-900 million. Total enterprise value adjustments of ~$3.0 billion, including ~$2.7 billion of net leverage (intercompany loan net of cash transferred) and ~$0.3 billion after-tax unfunded pensions and other liabilities
The new ABB group operational EBITA bridge

Illustrative, year 1

<table>
<thead>
<tr>
<th>Margin (bps or %)</th>
<th>+c.65 bps excl. Power Grids</th>
<th>(70)-(100) bps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses operational performance</td>
<td>(350-400)</td>
<td>+100-150</td>
</tr>
<tr>
<td>Stranded &amp; other carve-out related cost</td>
<td>PG¹</td>
<td></td>
</tr>
<tr>
<td>Group functional savings &amp; stranded cost elimination</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Businesses operational performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Op. EBITA Year 1</td>
<td></td>
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</tbody>
</table>

Medium-term

<table>
<thead>
<tr>
<th>Group functional savings &amp; stranded cost elimination</th>
<th>+350-400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses operational performance</td>
<td></td>
</tr>
<tr>
<td>Op. EBITA Mid-term</td>
<td></td>
</tr>
</tbody>
</table>

Simplification commences 2019

$500 mn p.a. run-rate cost reductions
- Business level savings ongoing
- Leaner corporate

1Power Grids operational EBITA contribution adjusted for fair share of corporate costs; ²Based on twelve months to end Q3 2018, including estimated full year GEIS contribution
## Capital allocation

### Strong track record 2014 – 9M 2018 ($bn)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex</td>
<td>4.4</td>
</tr>
<tr>
<td>Dividends</td>
<td>8.6</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>4.8</td>
</tr>
<tr>
<td>Share buyback</td>
<td>3.5</td>
</tr>
<tr>
<td>Total capital allocated</td>
<td>21.3</td>
</tr>
</tbody>
</table>

### Sustained capital allocation priorities\(^1\)

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

---

Target to manage ABB long-term with an efficient balance sheet to retain “single A” credit rating
Our journey to date

Our way forward
- Focus
- Simplify
- Lead

Our financials

Our investment proposition
The new ABB investment proposition
Pioneering technology leader in digital industries

<table>
<thead>
<tr>
<th>Attractive growth</th>
<th>Stronger margins</th>
<th>Optimized capital allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniquely positioned portfolio focused on digital industries</td>
<td>Enhanced efficiency through simplification</td>
<td>Organic investment in R&amp;D, digital, brand</td>
</tr>
<tr>
<td>Four entrepreneurial businesses in attractive growth markets</td>
<td>$500 mn p.a. run-rate medium-term cost reductions across the Group</td>
<td>Active portfolio management</td>
</tr>
<tr>
<td>Value creation through ABB Ability™, innovation</td>
<td></td>
<td>Attractive shareholder returns</td>
</tr>
</tbody>
</table>

Medium-term financial framework

- 3 – 6% p.a. comparable revenue growth
- 13 – 16% operational EBITA margin
- 15 – 20% ROCE
- ~100% cash conversion
- EPS growth > revenue growth

Based on current economic outlook
The new ABB: pioneering technology leader in digital industries
Writing the future. Together.
## Executive Committee evolution

<table>
<thead>
<tr>
<th>Today</th>
<th>Effective April 1, 2019</th>
<th>Post closing</th>
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<tbody>
<tr>
<td><strong>Corporate Officers</strong></td>
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<tr>
<td>CEO</td>
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<tr>
<td>CFO</td>
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<tr>
<td>CHRO</td>
<td>CHRO</td>
<td>CHRO</td>
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<tr>
<td>General Counsel</td>
<td>General Counsel</td>
<td>General Counsel</td>
</tr>
<tr>
<td><strong>Business leaders</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Grids</td>
<td>Power Grids</td>
<td>Electrification</td>
</tr>
<tr>
<td>Electrification Products</td>
<td>Electrification</td>
<td>Industrial Automation</td>
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<tr>
<td>Industrial Automation</td>
<td>Industrial Automation</td>
<td>Robotics &amp; Discrete Automation</td>
</tr>
<tr>
<td>Robotics &amp; Motion</td>
<td>Robotics &amp; Discrete Automation</td>
<td>Motion</td>
</tr>
<tr>
<td><strong>Regional leaders</strong></td>
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<tr>
<td>AMEA</td>
<td>AMEA</td>
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<td>Americas</td>
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<tr>
<td>Europe</td>
<td>Europe</td>
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</table>
Power Grids
Writing the future of a stronger, smarter and greener grid

Our business

Global #1
~$10 bn revenues

Offering
- High-voltage products
- Grid Integration
- Grid Automation and digitalization
- Transformers

Typical customers
- Utilities
- Large energy consumers & producers

Market: $90 bn; ~3% p.a.

Selected customer segments

Renewable integration
~4-6% p.a.

Grid automation
~4-5% p.a.

HVDC
~6-7%+ p.a.