

ABB LTD, DECEMBER 17, 2018

ABB: shaping a leader focused in digital industries

Ulrich Spiesshofer, CEO and Timo Ihamuotila, CFO



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

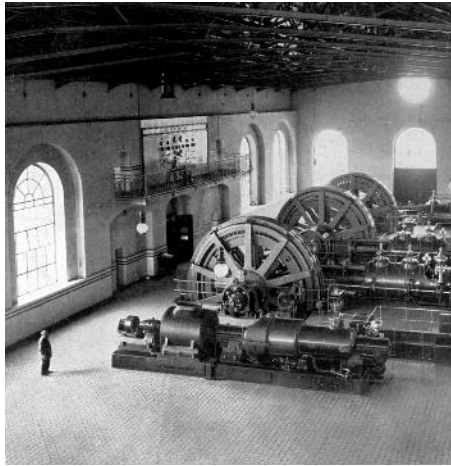
Our journey to date

Our way forward

Our financials

Our investment proposition

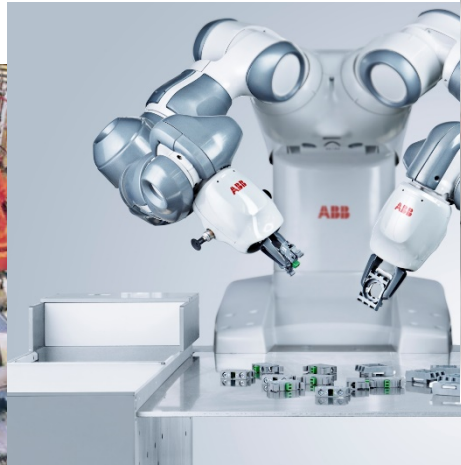
We have always been writing the future of industries...



19th century

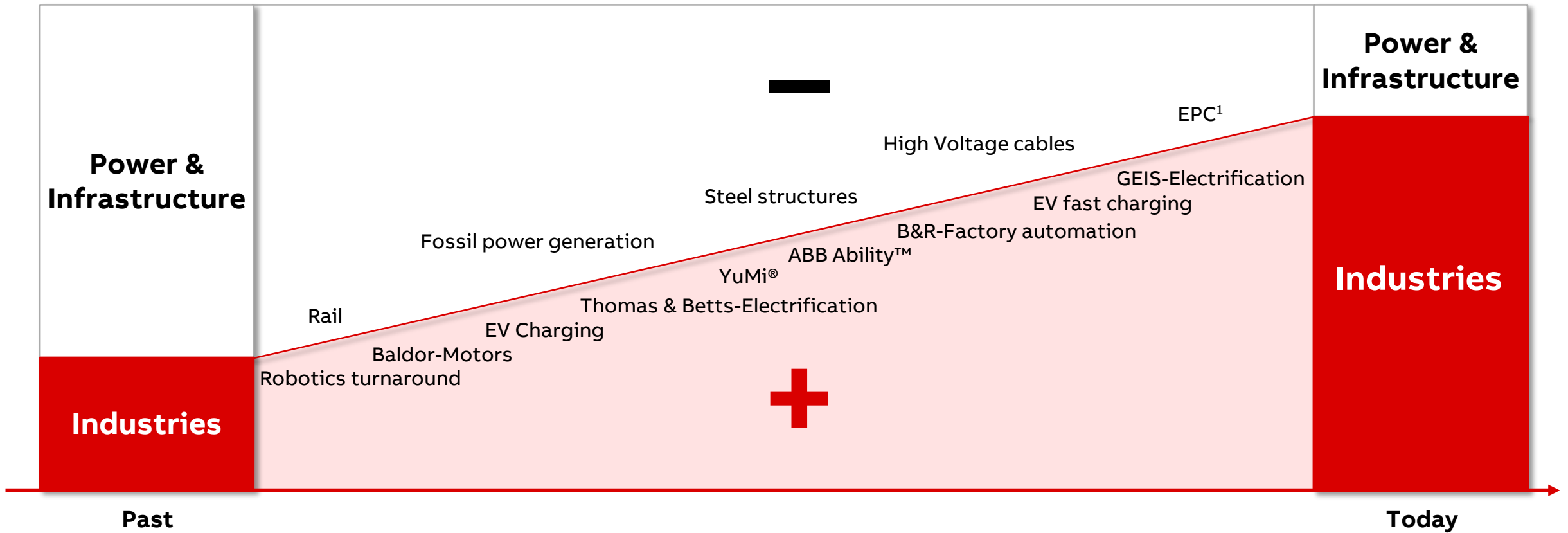


20th century



21st century

...by shifting the center of gravity of our portfolio



We delivered on our ambition and built four market-leading divisions

Power Grids



#1

Electrification Products



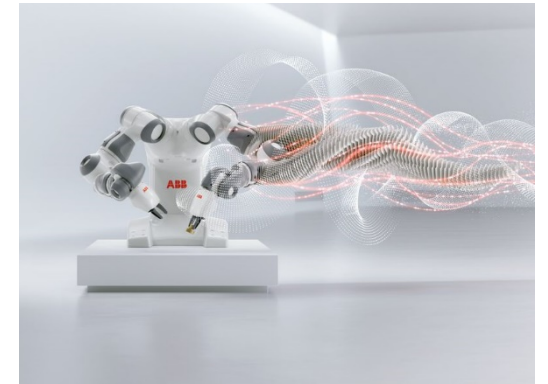
#2

Industrial Automation



#2

Robotics and Motion



#2 & #1

Global
position
today

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

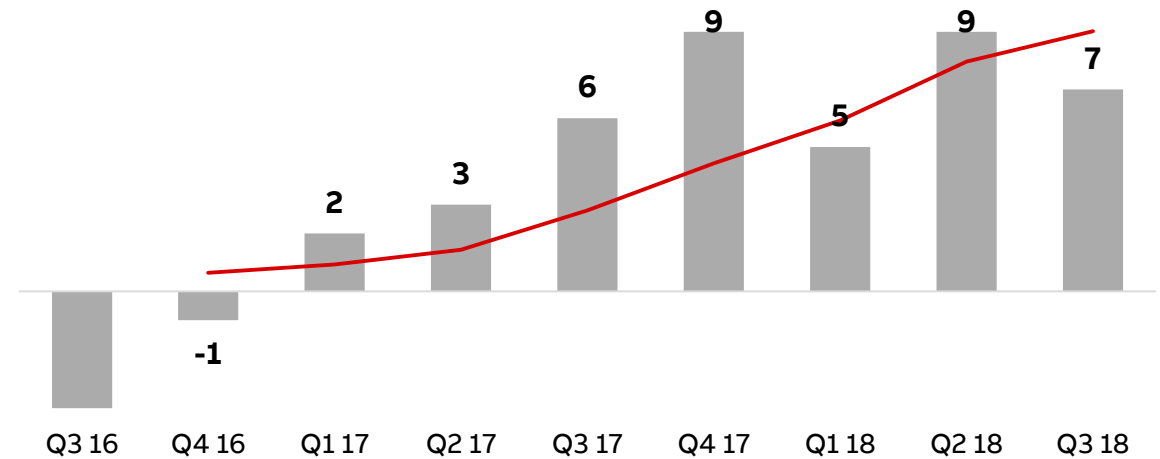
1,000 day programs
 Power Grids transformation
 Linked performance and compensation

Business-led Collaboration

Market focused and leaner organization
 Global ABB master brand

Attractive total cash returns of \$12.1 bn¹

Enhanced momentum



Key

■ Comparable base order development yoy (%)

— Comparable base order development, rolling 12 month basis (\$mn)

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



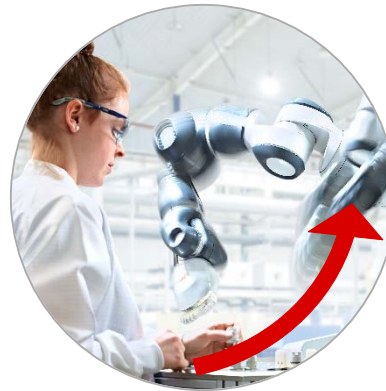
>\$4 tn of renewable investment

...produce



+300% industrial IoT¹ devices installed

...work



+300% robot sales

...live



+1 bn people in cities

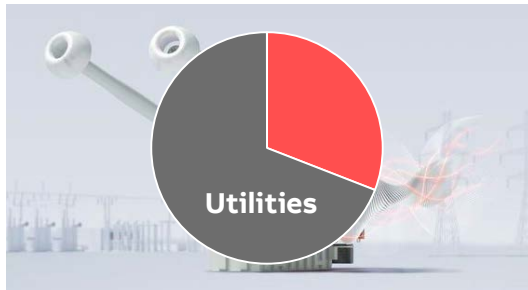
...move



~30% CAGR² for EV³ sales

Our customer patterns are diverging

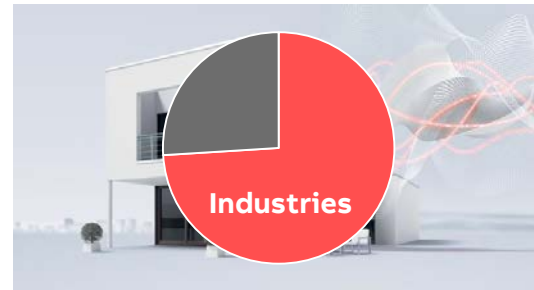
Power Grids



Large orders, higher volatility



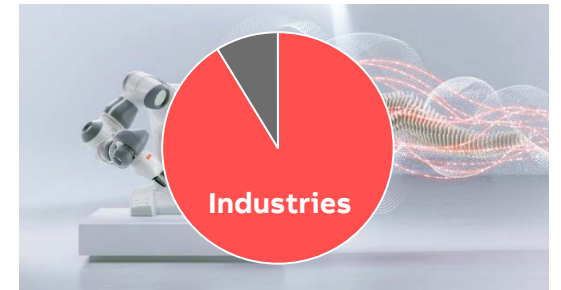
Electrification Products



Industrial Automation



Robotics and Motion



Stable growth

Reconvergence between generation,
transmission & distribution

Consolidated customer base
(>1,000)

Project financing needs

Public bidding

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

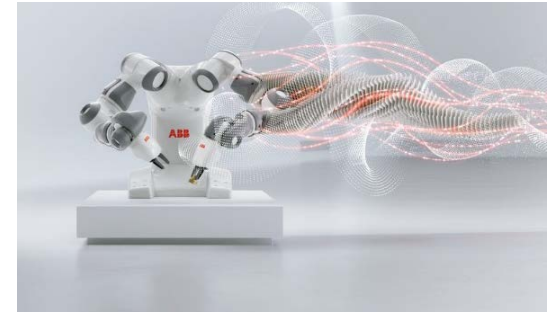
Our way forward

- **Focus**
- **Simplify**
- **Lead**

Our financials

Our investment proposition

We focus ABB on digital industries and divest Power Grids

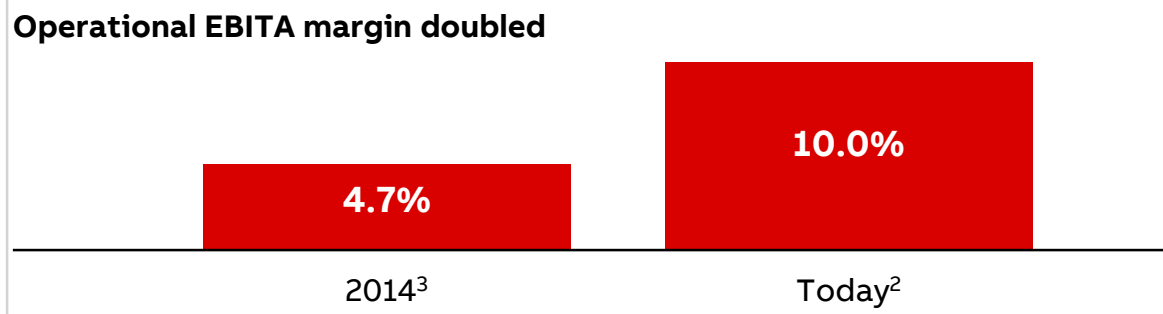
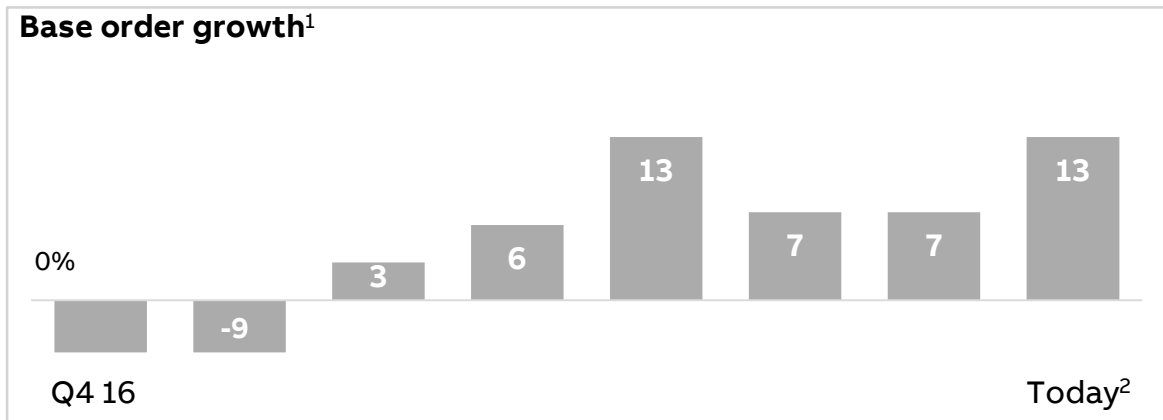


**Divesting Power Grids
to Hitachi**

“new ABB” – focusing in digital industries

Power Grids now well positioned for the future – transformation milestone achieved

Top and bottom line improvement



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

Hitachi and Power Grids: attractive step at the right time...

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

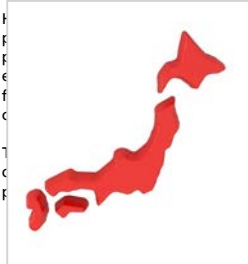
Press Release

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.



Compelling combination of complementary strengths

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 multiple¹
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 2020²

Shareholders to participate

Intention to return 100% of estimated net cash proceeds of \$7.6-7.8 bn³ 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

ABB: shaping a leader focused in digital industries

Our journey to date

Our way forward

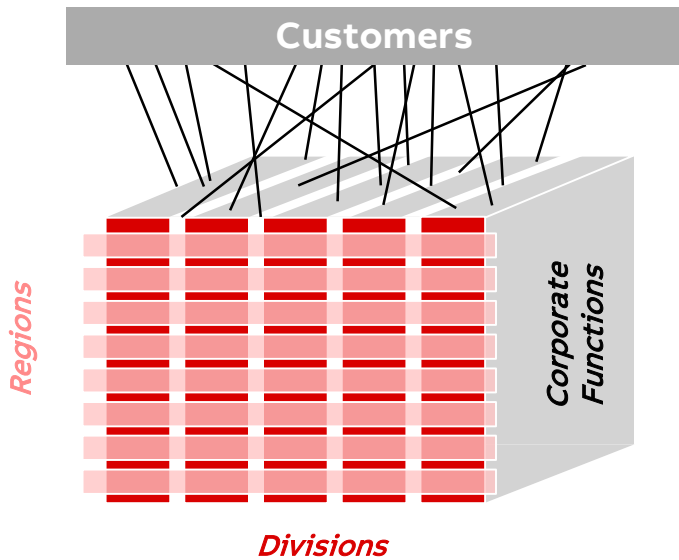
- Focus
- **Simplify**
- Lead

Our financials

Our investment proposition

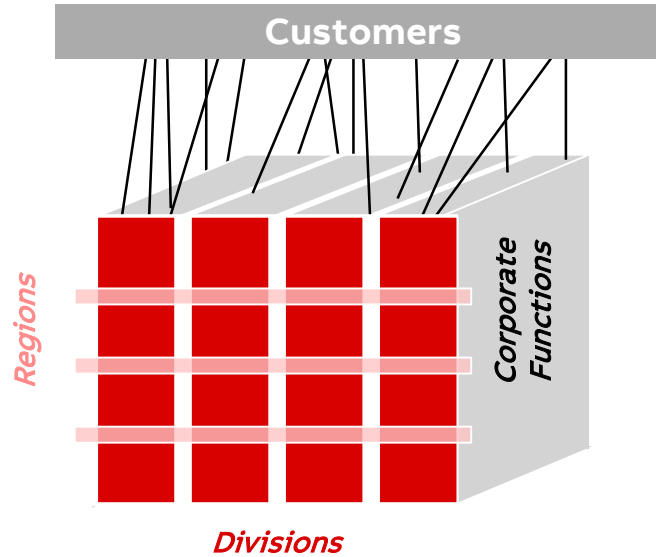
Full empowerment of businesses through continued simplification...

Before 2014



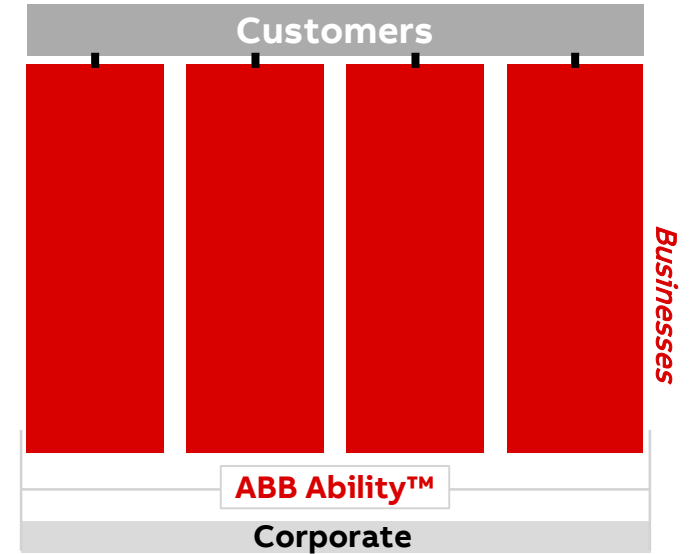
We moved to a single P&L on division level

Today



Discontinuation of the matrix

Future



...enabling customer focus and agile decision-making

Implementation planned to start April 1, 2019

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

Our way forward

- Focus
- Simplify
- **Lead**

Our financials

Our investment proposition

The new ABB



Pioneering technology leader in digital industries

~\$410 bn market

~\$29 bn revenues

34%
Asia, Middle East and Africa

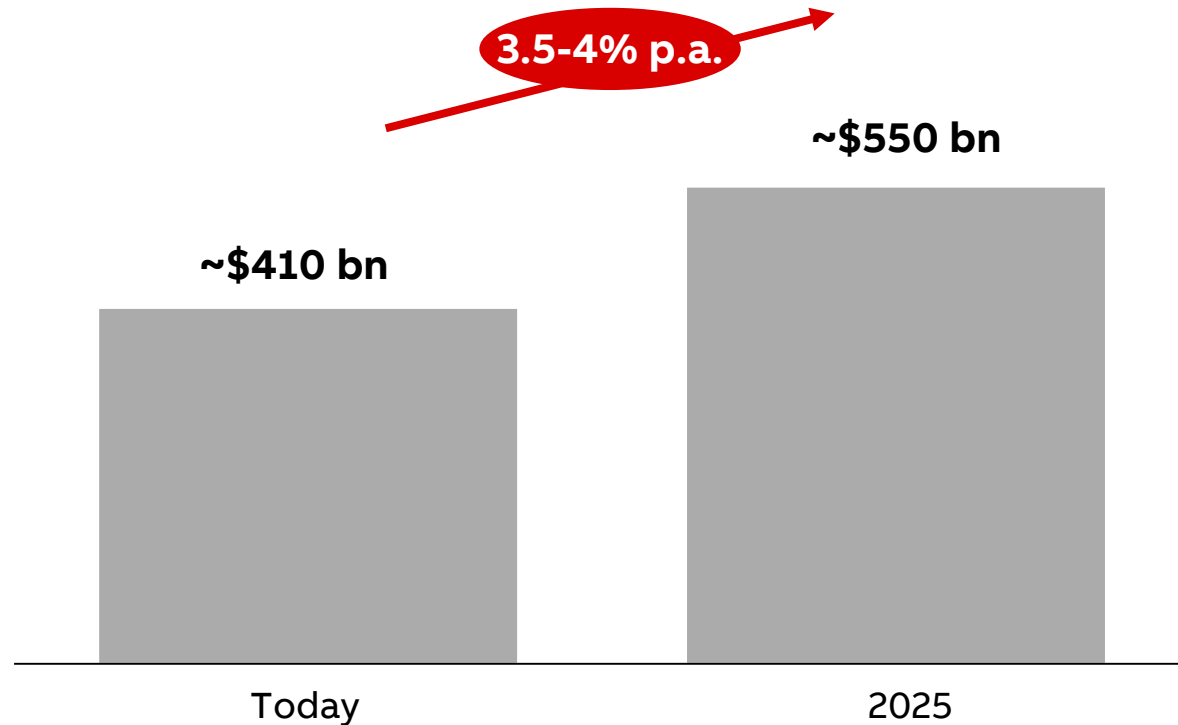
31%
Americas

35%
Europe

~110,000 employees

The new ABB: operating in attractive markets...

Large market...



...with attractive dynamics

8%+	Software & digital solutions Electric mobility
5%+	Robotics / flexible manufacturing Data centers Machine and factory automation Renewables
4-5%	Food & beverage Commercial buildings
Up to 4%	Oil & gas Residential buildings Motion

...with a unique offering

ABB	Electrification		Automation				Digitalization		
	Low/Medium Voltage	Buildings & infrastructure	Measurement & analytics	Process control (DCS ¹)	Machine & factory	Robotics	Motors & generators	Drives	ABB Ability™
ABB	█	█	█	█	█	█	█	█	█
Siemens	█	█	█	█	█		█	█	█
Schneider Electric	█	█	█	█	█		█	█	█
Eaton	█	█	█		█		█	█	
Rockwell Automation	█		█	█	█		█	█	█
Emerson	█		█	█					█
Honeywell		█	█	█					█
Yaskawa					█	█	█	█	
Fanuc					█	█	█	█	
Yokogawa			█	█					

Shaping four focused leading businesses...

Effective April 1, 2019¹



Electrification

#2



Industrial Automation

#2



**Robotics &
Discrete Automation**

#2



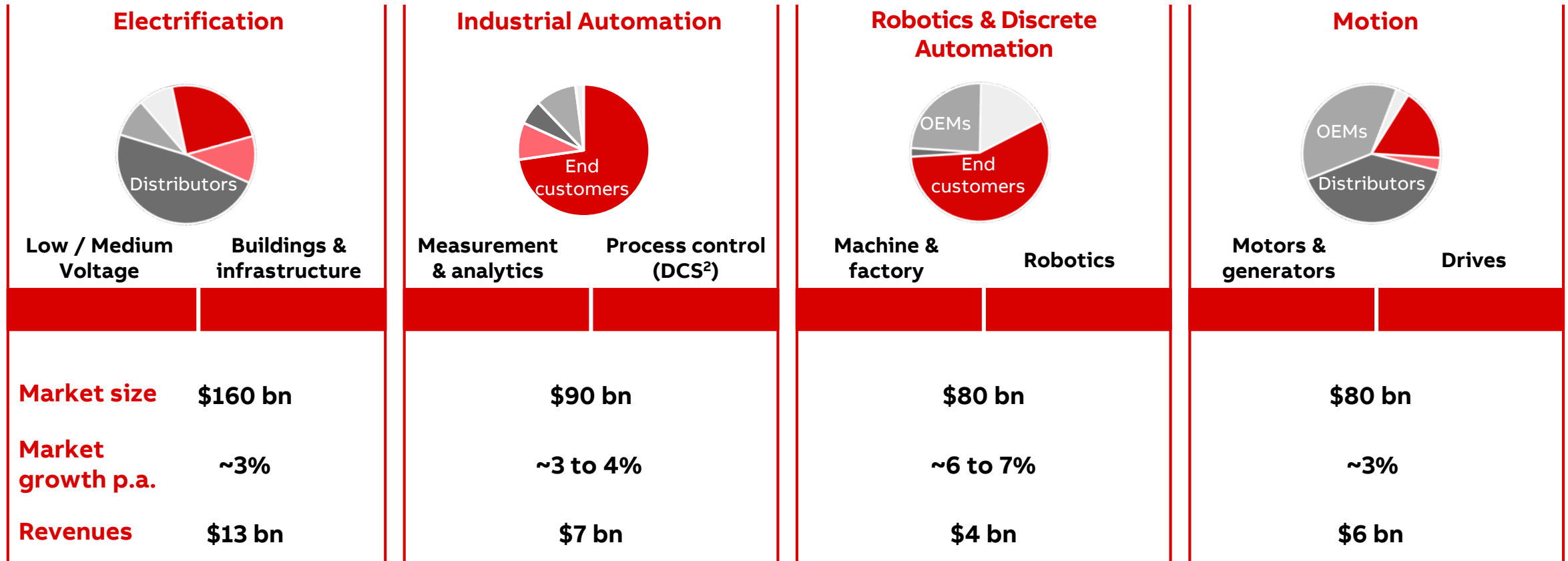
Motion

#1

ABB Ability™

...aligned with customer patterns in attractive markets

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
- EPCs¹

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



Peter Terwiesch

Our business

Global #2
\$7 bn revenues

Offering

- Integrated industry-specific solutions
- Process control (DCS¹)
- Measurement & analytics

Typical customers

- End customers
- EPCs²

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.



Robotics & Discrete Automation

Writing the future of flexible manufacturing and smart machines



Sami Atiya

Our business

Global #2

\$4 bn revenues

#1 Robotics player in China

Offering

- Machine & factory automation
- Robotics

Typical customers

- End customers
- Machinery OEMs¹
- System integrators

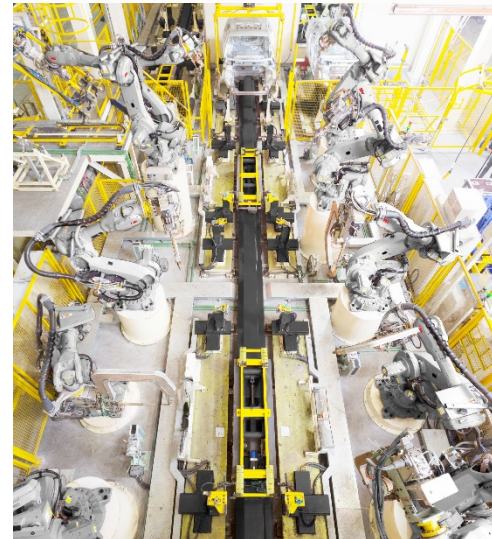
Market: \$80 bn; ~6 to 7% p.a.

Selected customer segments

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



**Robotics / flexible
manufacturing**
~7% p.a.



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



Motion

Writing the future of smart motion



Our business

Global #1
\$6 bn revenues

Offering

- Motors & generators
- Drives
- Digital powertrain solutions

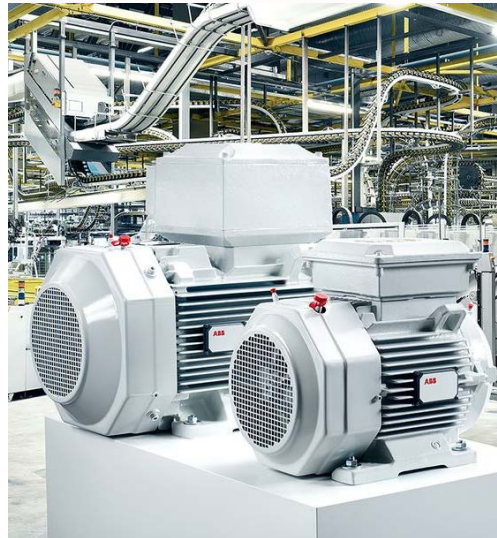
Typical customers

- Distributors
- OEMs¹
- 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.



ABB Ability™: tailored digital customer solutions based on common platform...

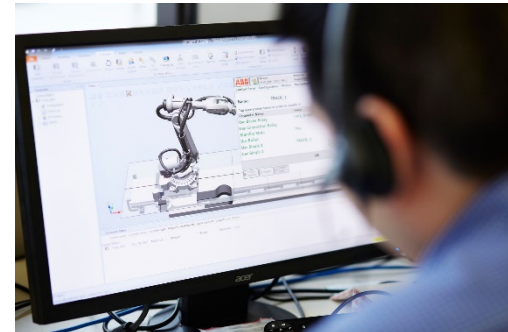
Customer value



**ABB Ability™
Electrification
solutions**



**ABB Ability™
Industrial Automation
solutions**



**ABB Ability™
Robotics & Discrete
Automation solutions**



**ABB Ability™
Motion
solutions**

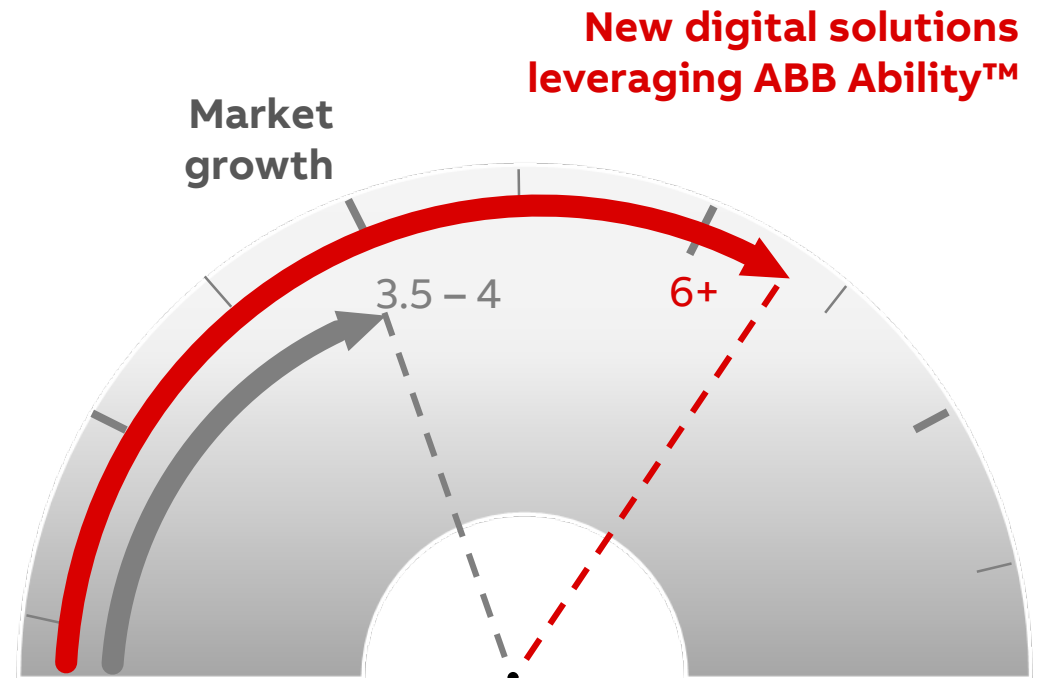
ABB Ability™ digital platform

...driving accelerated profitable growth

Enhanced customer value...



...drives accelerated growth through ABB Ability™



Writing the future with pioneering innovation

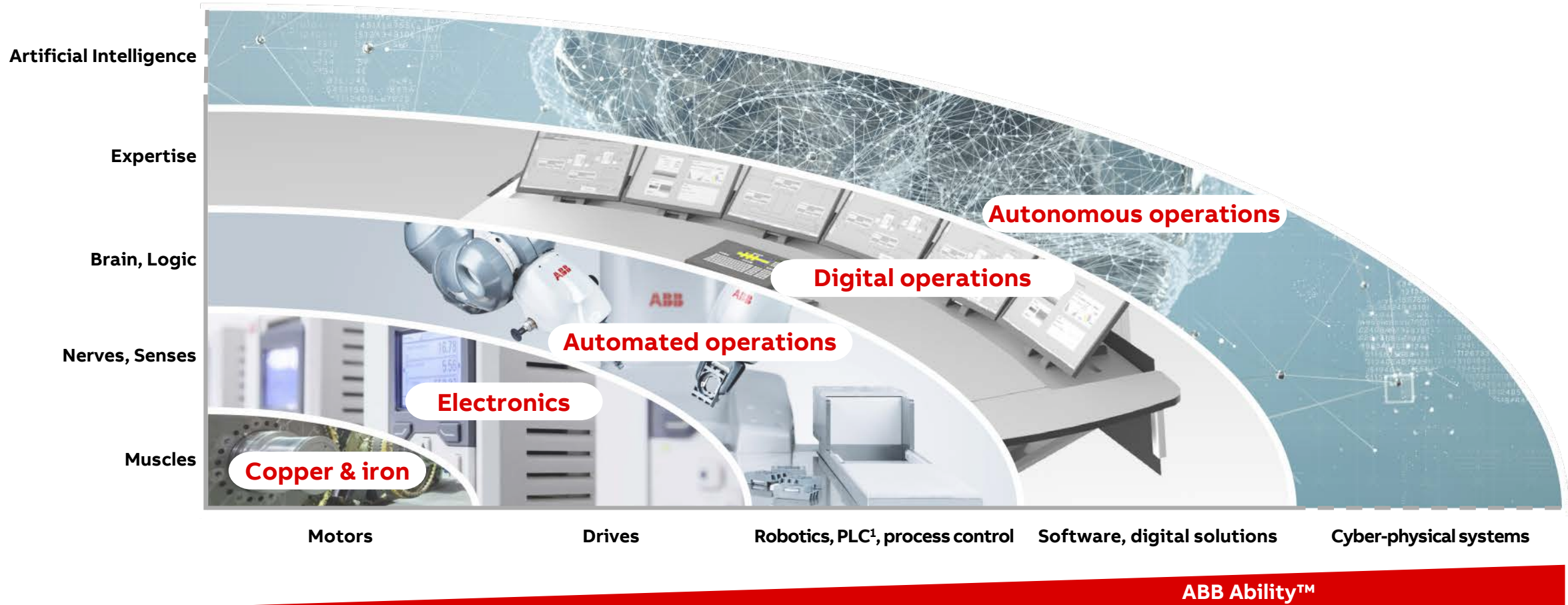


ABB: shaping a leader focused in digital industries

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	Operational EBITA margin ²	ROCE % ³	FCF conversion to net income	Basic EPS growth
3 – 6%	13 – 16 %	15 – 20%	~100%	> revenue growth

Previous

Comparable revenue growth average ⁴	Operational EBITA margin	CROI %	FCF conversion to net income	Operational EPS CAGR ⁵
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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 bn¹ in an expeditious and efficient manner through share buyback or similar mechanism

...following Power Grids majority stake sale

Estimated financial impact: Power Grids divestment

Compelling value crystallization

Net cash proceeds of \$7.6 – 7.8 bn¹

Intention to return 100% to shareholders in an expeditious and efficient manner through share buyback or similar mechanism

Operational EBITA

\$350-400 mn stranded and other carve-out related costs; vast majority to be eliminated by deal close
~\$200 mn non-core business charges, primarily related to legacy EPC substation business

Non-operational items

\$500-600 mn one-time transaction and separation related costs

Tax

\$800-900 mn related cash tax impact

Estimated financial impact: simplification of business model and structure

Sustainable efficiency gains

Operational EBITA

- \$500 mn p.a. run-rate medium-term cost reductions across the Group
- Business level savings to reflect in improved operating margins
- Sustainably reduced corporate costs

Non- operational items

~\$500 mn incremental group restructuring charges over the coming two years

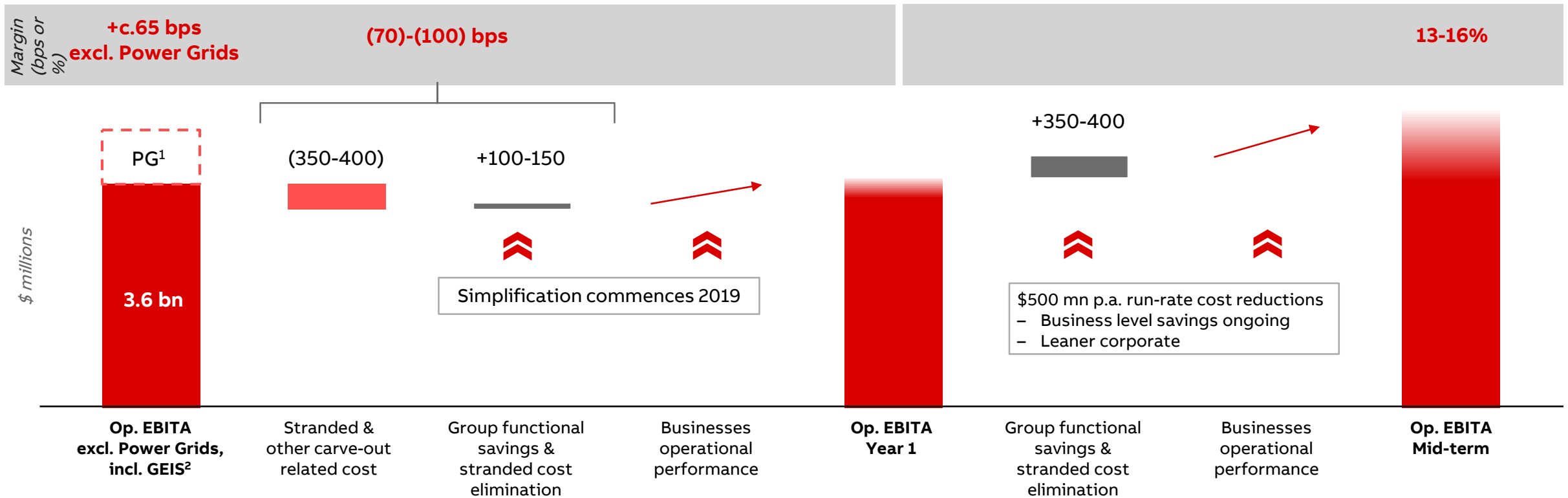
Tax

Underlying effective tax rate 27%

The new ABB group operational EBITA bridge

Illustrative, year 1

Medium-term



Estimated financial impact: Q4 2018 and FY18 – new guidance

Power Grids moved to discontinued operations

Group revenues

Group operational EBITA

Q4 2018

Excludes Power Grids 3rd party revenues¹

Excludes Power Grids operational EBITA

Corporate & Other costs of ~\$425 mn to include:

- Stranded costs² ~\$75 mn
- Additional ~\$200 mn non-core business charges, primarily related to legacy EPC substation business

FY 2018

Restated to exclude Power Grids 3rd party revenues¹

Restated to exclude Power Grids operational EBITA

Corporate & Other costs restated to include:

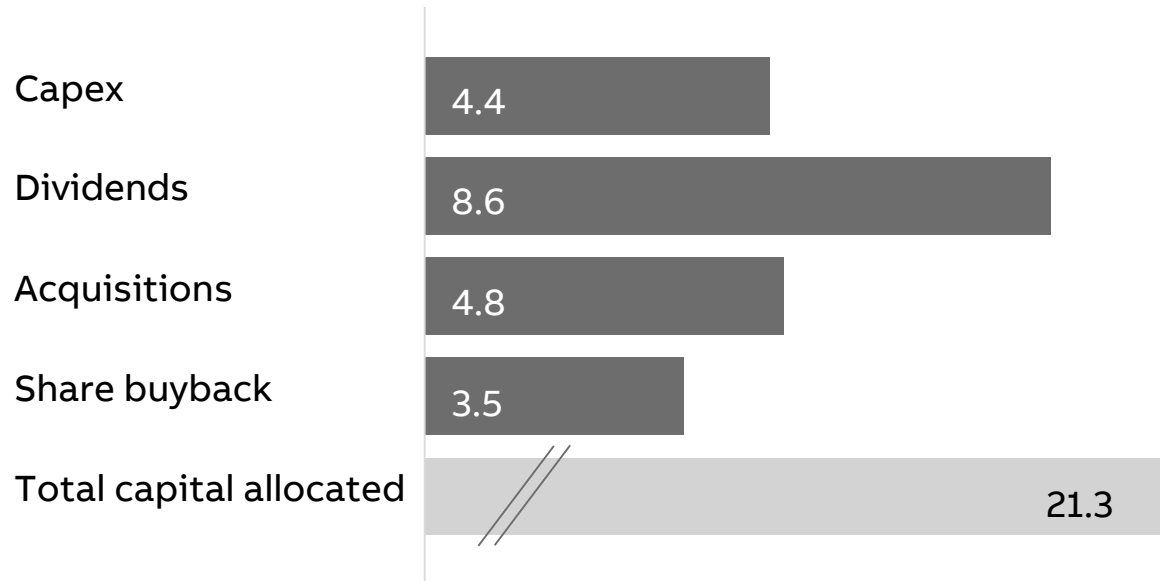
- Stranded costs² ~\$300 mn

ABB financial reporting post announcement

Q4/FY 2018 Power Grids in discontinued operations	Electrification Products	Industrial Automation	Robotics & Motion	Corporate & Other	Power Grids	Group	
Income from continuing operations							
Income from discontinued operations							
Income from equity accounted entities							
Net income							
April 1, 2019 until closing New business structure	Electrification	Industrial Automation	Robotics & Discrete Automation	Motion	Corporate & Other	Power Grids	Group
Income from continuing operations							
Income from discontinued operations							
Income from equity accounted entities							
Net income							
Post-close	Electrification	Industrial Automation	Robotics & Discrete Automation	Motion	Corporate & Other	New JV	Group
Income from continuing operations							
Income from discontinued operations							
Income from equity accounted entities							
Net income							

Capital allocation

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



Sustained capital allocation priorities¹

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

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The new ABB investment proposition

Pioneering technology leader in digital industries

		Medium-term financial framework
Attractive growth	Uniquely positioned portfolio focused on digital industries	3 – 6% p.a. comparable revenue growth¹
	Four entrepreneurial businesses in attractive growth markets	
	Value creation through ABB Ability™, innovation	
Stronger margins	Enhanced efficiency through simplification	13 – 16% operational EBITA margin
	\$500 mn p.a. run-rate medium-term cost reductions across the Group	
Optimized capital allocation	Organic investment in R&D, digital, brand	15 – 20% ROCE ~100% cash conversion EPS growth > revenue growth
	Active portfolio management	
	Attractive shareholder returns	

The new ABB: pioneering technology leader in digital industries

Writing the future. Together.



19th century

20th century

21st century

ABB

Executive Committee evolution

	Today	Effective April 1, 2019	Post closing
Corporate Officers	CEO CFO CHRO General Counsel	CEO CFO CHRO General Counsel	CEO CFO CHRO General Counsel
Business leaders	Power Grids Electrification Products Industrial Automation Robotics & Motion	Power Grids Electrification Industrial Automation Robotics & Discrete Automation Motion	Electrification Industrial Automation Robotics & Discrete Automation Motion
Regional leaders	AMEA Americas Europe	AMEA Americas Europe	

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.

