ABB: shaping a leader focused in digital industries
Strategy update and implementation roadmap
Ulrich Spiesshofer, CEO and Timo Ihmuotila, 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”, “2019 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
## Agenda today

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<tr>
<th>Time</th>
<th>Topic</th>
<th>Presenter</th>
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<td>12:00 – 12:10</td>
<td>Our journey to date</td>
<td>CEO</td>
</tr>
<tr>
<td>12:10 – 12:25</td>
<td>Full year and Q4 2018 results</td>
<td>CFO</td>
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<tr>
<td>12:25 – 13:30</td>
<td>Shaping a leader focused in digital industries</td>
<td>CEO</td>
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<tr>
<td></td>
<td>- Focus on digital industries through divestment of Power Grids</td>
<td>CEO</td>
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<td></td>
<td>- Simplify our business model and structure</td>
<td>CFO</td>
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<td></td>
<td>- Shape four leading businesses</td>
<td>CEO</td>
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<td></td>
<td>Value creation in the new ABB</td>
<td>CFO</td>
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<td>CEO priorities 2019</td>
<td>CEO</td>
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<td></td>
<td>Q&amp;A</td>
<td></td>
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<td>13:45 – 17:00</td>
<td>Our four leading businesses</td>
<td>Business presidents</td>
</tr>
<tr>
<td>17:10 – 17:30</td>
<td>Summary and Q&amp;A</td>
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</table>
Our journey to date
Ulrich Spiesshofer, CEO
ABB: writing the future of industries in a changing world

2nd industrial revolution
(19th century)

+ Electrification
+ Motion

3rd industrial revolution
(20th century)

+ Industrial automation
+ Robotics

4th industrial revolution
(21st century)

+ Digitalization
+ ABB Ability™
Shaping pioneering technology leadership through active portfolio management

Power & Infrastructure

- Steel structures
- Fossil power generation
- Rail
- EV charging
- Thomas & Betts electrification
- Baldor motors
- Robotics turnaround
- High voltage cables
- EV fast charging
- B&R factory automation
- ABB Ability™
- YuMi®
- GEIS
- EPC

Industries

Past

Today
A portfolio of four market-leading divisions

Power Grids  Electrification Products  Industrial Automation  Robotics and Motion

Global position today

#1  #2  #2  #2 & #1
2018 results: growth momentum built, transformation defined

<table>
<thead>
<tr>
<th>Profitable Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders +8%, revenues +4%, book to bill 1.03x</td>
</tr>
<tr>
<td>Growth in all divisions and regions</td>
</tr>
<tr>
<td>ABB Ability™ recognized as a globally leading offering for Industry 4.0</td>
</tr>
<tr>
<td>Closed acquisition of GEIS, integration of GEIS and B&amp;R well under way</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relentless Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group operational EBITA margin 10.9%, impacted by stranded costs, non-core charges, GEIS dilution</td>
</tr>
<tr>
<td>Strong operating result in RM, steady in IA, EP impacted by GEIS</td>
</tr>
<tr>
<td>PG transformation progressed, transaction announced</td>
</tr>
<tr>
<td>Net working capital improved, cash generation solid</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business-led Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction NPS of 57%, from 16% in 2010</td>
</tr>
<tr>
<td>Global brands strengthened, first year of ABB Formula E</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transformation</th>
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<tbody>
<tr>
<td>Shaping a leader focused in digital industries through three fundamental actions:</td>
</tr>
<tr>
<td>1. Focus of portfolio on digital industries through divestment of Power Grids, crystallizing $11 bn in value for shareholders</td>
</tr>
<tr>
<td>2. Simplify business model and structure</td>
</tr>
<tr>
<td>3. Shape four leading businesses</td>
</tr>
</tbody>
</table>

Proposed dividend per share of CHF 0.80 – 10th consecutive increase underlines confidence in future

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1 On December 17, 2018, ABB announced an agreed sale of its Power Grids division. Consequently, the results of the Power Grids business are presented as discontinued operations. The company’s results for all periods have been adjusted accordingly. Net income, EPS and Cash flow from operating activities include results from continuing and discontinued operations; 2From continuing operations; 3Net Promoter Score 4Estimated net cash proceeds of $7.6-7.8 billion from 80.1% sale
During 2018, ABB’s growth gained momentum

**PIE growth approach is delivering**

**Penetration**
- Customer satisfaction score NPS of 57%, from 16% in 2010
- Growth momentum in all regions and businesses
- Deepening presence in key markets, e.g. China with state-of-the-art robotics factory

**Innovation**
- Major new product launches, e.g.
  - Ability™ Ellipse Connected Asset Life Cycle Management
  - Terra HP high power charger for electric vehicles
  - ABB Ability™ Collaborative Operations
  - Single-arm YuMi® Collaborative Robot
- Increased R&D and digital spend, from 3.5%¹ to 4.4% of revenue

**Expansion**
- GEIS acquisition expanding further in North America
- Add-on acquisitions in Robotics
- Continuous expansion of ABB Ability™ solutions portfolio

**Enhanced revenue growth momentum**

Rolling 12 months comparable revenue growth (%)

<table>
<thead>
<tr>
<th></th>
<th>Q4 17</th>
<th>Q1 18</th>
<th>Q2 18</th>
<th>Q3 18</th>
<th>Q4 18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.4</td>
<td>1.5</td>
<td>2.4</td>
<td>3.4</td>
<td>4.4</td>
</tr>
</tbody>
</table>

¹In 2013 Note: growth momentum for ABB excluding Power Grids
Summary of 2018: ready for the new ABB

- Completed Next Level implementation
- Delivered top-line growth momentum
- Continued attention on operational performance
- Defined the new ABB: a leader focused in digital industries
- Crystallizing value from the transformation of Power Grids through divestment to Hitachi
- Clear implementation roadmap for 2019
Full year and Q4 2018 results
Timo Ihamuotila, CFO
## Results summary

<table>
<thead>
<tr>
<th>FY 2018</th>
<th>Orders</th>
<th>Revenues</th>
<th>Operational EBITA margin</th>
<th>Operational EPS</th>
<th>Cash flow from operating activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>$28.6 bn</td>
<td>$27.7 bn</td>
<td>10.9%²</td>
<td>$1.33</td>
<td>$2,924 mn⁵</td>
<td></td>
</tr>
<tr>
<td>+8%¹</td>
<td>+4%¹</td>
<td>-30 bps</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q4 2018</th>
<th>Orders</th>
<th>Revenues</th>
<th>Operational EBITA margin</th>
<th>Cash flow from operating activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7.0 bn</td>
<td>$7.4 bn</td>
<td>7.9%³</td>
<td>$1,867 mn⁵</td>
<td></td>
</tr>
<tr>
<td>+7%¹</td>
<td>+5%¹</td>
<td>-180 bps</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹On a comparable basis, yoy; ²FY 2018 margin impacted by a combined 250 basis points due to stranded cost, legacy non-core business charges and GEIS dilution; ³Q4 18 margin impacted by a combined 400 basis points due to stranded cost, legacy non-core business charges and GEIS dilution; ⁴Operational EPS growth in constant currency terms (2014 foreign exchange rates), continuing and discontinued operations; ⁵Cash flow from operating activities, continuing and discontinued operations
Full-year and Q4 2018 orders
Order growth in all regions

FY 2018 total orders +8% yoy¹
Growth by region and key country markets in $ terms¹

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>+7%</td>
</tr>
<tr>
<td>Canada</td>
<td>-7%</td>
</tr>
<tr>
<td>Brazil</td>
<td>+34%</td>
</tr>
<tr>
<td>AMERICAS</td>
<td>+7%</td>
</tr>
<tr>
<td>EUROPE</td>
<td>+10%</td>
</tr>
<tr>
<td>Germany</td>
<td>+9%</td>
</tr>
<tr>
<td>Italy</td>
<td>+24%</td>
</tr>
<tr>
<td>Sweden</td>
<td>+2%</td>
</tr>
</tbody>
</table>

Q4 2018 total orders +7% yoy¹
Growth by region and key country markets in $ terms¹

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>+8%</td>
</tr>
<tr>
<td>Canada</td>
<td>+1%</td>
</tr>
<tr>
<td>Brazil</td>
<td>+52%</td>
</tr>
<tr>
<td>AMERICAS</td>
<td>+12%</td>
</tr>
<tr>
<td>EUROPE</td>
<td>+4%</td>
</tr>
<tr>
<td>Germany</td>
<td>-8%</td>
</tr>
<tr>
<td>Italy</td>
<td>+16%</td>
</tr>
<tr>
<td>Sweden</td>
<td>+8%</td>
</tr>
</tbody>
</table>

¹yoy comparable; ²AMEA: Asia, Middle East and Africa
## Full-year 2018 divisional results

Orders and revenues up in all divisions

<table>
<thead>
<tr>
<th></th>
<th>Electrification Products</th>
<th>Industrial Automation</th>
<th>Robotics and Motion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Orders</strong></td>
<td>11,867</td>
<td>7,631</td>
<td>9,570</td>
</tr>
<tr>
<td>Comparable</td>
<td>+4%</td>
<td>+8%</td>
<td>+12%</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>11,686</td>
<td>7,394</td>
<td>9,147</td>
</tr>
<tr>
<td>Comparable</td>
<td>+3%</td>
<td>+1%</td>
<td>+8%</td>
</tr>
<tr>
<td><strong>Operational EBITA</strong></td>
<td>1,626</td>
<td>1,019</td>
<td>1,447</td>
</tr>
<tr>
<td></td>
<td>+8%</td>
<td>+7%</td>
<td>+15%</td>
</tr>
<tr>
<td><strong>Operational EBITA margin</strong></td>
<td>**13.9%**¹</td>
<td><strong>13.8%</strong></td>
<td><strong>15.8%</strong></td>
</tr>
<tr>
<td></td>
<td>(110) bps</td>
<td>(10) bps</td>
<td>+80 bps</td>
</tr>
</tbody>
</table>

¹Electrification Products operational EBITA margin includes GEIS contribution for the H2 period, which impacted the full-year divisional result by 140 basis points.
Q4 2018 Electrification Products

GEIS in line with expectations

Orders $3,139 mn
Third-party base orders +3% yoy\(^2\)
Strong growth in products, e.g. data centers, process industries; construction robust
Tough comparable

Revenues $3,320 mn
Order backlog end Q3 +8%, end Q4 +7% yoy

Operational EBITA $388 mn
Margin yoy -300 bps
GEIS dilution -210 bps
Positive mix, cost savings and pricing actions offset by contractual charges (~90 bps)

---

\(^1\)Large orders includes large orders (defined as orders above $15 mn) and internal Group orders; \(^2\)On a comparable basis; \(^3\)Expected impact of GEIS integration in H2 2018 ~260 basis points dilutive on 15-19% target margin corridor range. Guidance issued at Q2 2018 results
Q4 2018 Industrial Automation

Good order growth

Orders $1,866 mn

Third-party base orders +4% yoy\(^2\)

Broad based growth: strength in pulp & paper, mining, marine; O&G robust

B&R good

Revenues $1,938 mn

Strong backlog execution

Order backlog end Q3 -2%, end Q4 +2% yoy

Operational EBITA $251 mn

Margin yoy -200 bps

One-time customer payment default (~80 bps)

Tough comparable

\(^1\)Large orders includes large orders (defined as orders above $15 mn) and internal Group orders; \(^2\)On a comparable basis
Q4 2018 Robotics and Motion

Strong growth and execution

Orders $2,175 mn

Third-party base orders +6% yoy\(^2\)

Large orders from automotive, rail

Continued demand in process industries

Revenues $2,341 mn

Good backlog execution, book-and-bill

Order backlog end Q3 +10%, end Q4 +10% yoy

Operational EBITA $349 mn

Margin yoy +120 bps

Positive volumes, continued cost management

---

\(^1\)Large orders includes large orders (defined as orders above $15 mn) and internal Group orders; \(^2\)On a comparable basis
### Group operational EBITA impacts

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>Q4 2017</th>
<th>Q4 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational EBITA margin</td>
<td>11.2%</td>
<td>10.9%</td>
<td>9.7%</td>
<td>7.9%</td>
</tr>
<tr>
<td>PG related stranded costs</td>
<td>-110 bps</td>
<td>-110 bps</td>
<td>-110 bps</td>
<td>-100 bps</td>
</tr>
<tr>
<td>Non-core charges</td>
<td>-70 bps</td>
<td>-100 bps</td>
<td>-200 bps</td>
<td>-260 bps</td>
</tr>
<tr>
<td>GEIS dilution</td>
<td>n.a.</td>
<td>-40 bps</td>
<td>n.a.</td>
<td>-40 bps</td>
</tr>
<tr>
<td></td>
<td>-180 bps</td>
<td>-250 bps</td>
<td>-310 bps</td>
<td>-400 bps</td>
</tr>
</tbody>
</table>
## Q4 2018 operational EBITA

**Operational EBITA bridge Q4 2017 to Q4 2018 ($ mn)**

<table>
<thead>
<tr>
<th></th>
<th>9.7% op. EBITA margin</th>
<th>7.9% op. EBITA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Op. EBITA Q4 2017</strong></td>
<td>664</td>
<td>584</td>
</tr>
<tr>
<td><strong>Net savings</strong></td>
<td>+31</td>
<td>+24</td>
</tr>
<tr>
<td><strong>Commodities</strong></td>
<td>-15</td>
<td>-16</td>
</tr>
<tr>
<td><strong>Net volume</strong></td>
<td>+110</td>
<td></td>
</tr>
<tr>
<td><strong>Invest growth, incl. digital</strong></td>
<td>-29</td>
<td></td>
</tr>
<tr>
<td><strong>Mix</strong></td>
<td>-23</td>
<td></td>
</tr>
<tr>
<td><strong>Non-core</strong></td>
<td>-70</td>
<td></td>
</tr>
<tr>
<td><strong>Other¹</strong></td>
<td>-92</td>
<td></td>
</tr>
<tr>
<td><strong>Acq./Div.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Forex</strong></td>
<td></td>
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</tr>
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</table>

¹Including impacts from contractual charges in EP division and one-time customer payment default in IA division.
## Q4 2018 net income drivers

### Operational EBITA to net income walk Q4 2018 ($ mn)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount ($ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 18 Op. EBITA</td>
<td>584</td>
</tr>
<tr>
<td>PPA-related amortization</td>
<td>75</td>
</tr>
<tr>
<td>Restructuring related</td>
<td>129</td>
</tr>
<tr>
<td>Other non-operational items¹</td>
<td>49</td>
</tr>
<tr>
<td>Acquisition / separation costs²</td>
<td>56</td>
</tr>
<tr>
<td>Q4 18 Reported EBIT</td>
<td>275</td>
</tr>
<tr>
<td>Finance expense, taxes, other</td>
<td>65</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>135</td>
</tr>
<tr>
<td>Minorities</td>
<td>28</td>
</tr>
<tr>
<td>Q4 18 Net income</td>
<td>317</td>
</tr>
</tbody>
</table>

### Key non-operating items

- **Restructuring** including ~$65 mn accelerated delivery of ABB-OS™ simplification plans
- **Power Grids related transaction and separation costs** ~$25 mn
- **Discontinued operations (Power Grids)**
  - Net income ~$135 mn, reflects restructuring, ongoing Power Up program

¹Other non-operational items plus changes in obligations related to divested businesses, changes in pre-acquisition estimates, gains and losses from sale of businesses and foreign exchange/commodity timing differences; ²Acquisition / separation costs contains acquisition and acquisition related costs, integration costs and separation and transaction related costs
Shaping the new ABB as a leader in digital industries

1. Focus on digital industries through divestment of Power Grids
2. Simplify our business model and structure
3. Shape four leading businesses

Creating value in the new ABB
The new ABB

Pioneering technology leader in digital industries

$410 bn market, growing at 3.5 – 4% p.a.

<table>
<thead>
<tr>
<th>Electrification</th>
<th>Industrial Automation</th>
<th>Motion</th>
<th>Robotics &amp; Discrete Automation</th>
</tr>
</thead>
<tbody>
<tr>
<td>33% Asia, Middle East and Africa</td>
<td>31% Americas</td>
<td></td>
<td>36% Europe</td>
</tr>
</tbody>
</table>

$29 bn revenues, 110,000 employees

Note: revenues include annualized contribution from GEIS based on H2 2018
Shaping the new ABB as a leader in digital industries

1. Focus on digital industries through divestment of Power Grids

2. Simplify our business model and structure

3. Shape four leading businesses

Creating value in the new ABB
ABB will focus in digital industries and divest Power Grids

Divesting Power Grids to Hitachi

The new ABB – focusing in digital industries

- Electrification
- Industrial Automation
- Motion
- Robotics & Discrete Automation

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February 28, 2019 | Slide 25
PG divestment unlocks $11 bn of value and is a catalyst for transforming ABB

Crystallizing the value created in Power Grids

- Attractive step at the right time, with the right partner
  - PG transformation milestones achieved through Power Up program
  - Building on our long term partnership with Hitachi and our complementary strengths
  - Attractive valuation at $11 bn EV, estimated $7.6 – 7.8 bn\(^1\) cash to be returned to shareholders from the 80.1% sale
  - Clear exit path, transaction certainty, mutual supply partnership

Closing expected by first half of 2020

Catalyst for the new ABB

- The new ABB focused in digital industries
  - Increased focus on industrial B2B customers
  - Simplified business model and structure
  - PG divestment as a catalyst for business model reset

The new ABB: more growth, better margins, lower risk, less volatile

\(^1\)Intention to return 100% of estimated net cash proceeds of $7.6-7.8 bn. 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
## Power Grids: clear roadmap, well under way and progressing to plan

<table>
<thead>
<tr>
<th>Power Grids separation</th>
<th>Power Grids operations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transaction</strong></td>
<td><strong>Carve-out &amp; JV creation</strong></td>
</tr>
<tr>
<td>Implement execution roadmap</td>
<td>Project design complete and implementation under way</td>
</tr>
<tr>
<td>Finalize mutual supply partnership</td>
<td>commenced legal and operational carve-out</td>
</tr>
<tr>
<td>Manage regulatory process</td>
<td>Countries and functions mobilized</td>
</tr>
<tr>
<td>Transaction governance established</td>
<td>Blue print of stand-alone entity designed</td>
</tr>
<tr>
<td></td>
<td>Agreed roadmap to closing</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th><strong>Running the business</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain focus on our customers</td>
</tr>
<tr>
<td>Minimize disruption from separation</td>
</tr>
<tr>
<td>Continue Power Up transformation</td>
</tr>
<tr>
<td>Further strengthen leadership position</td>
</tr>
</tbody>
</table>
Shaping the new ABB as a leader in digital industries

1. Focus on digital industries through divestment of Power Grids
2. Simplify our business model and structure
3. Shape four leading businesses

Creating value in the new ABB
Customer focus and agile decision-making through reset of our business model

Today: matrix

- Customers
- Regions
- Corporate functions
- Divisions

Future: ABB-OS™ with four entrepreneurial businesses

- Businesses run the business
- Lean corporate center, incl. common ABB Ability™ platform and core technologies
- Country / regional structures to be discontinued after closing of PG transaction

Customer focus, agility, ~$500 million p.a. net savings medium-term
Full empowerment of businesses

From: ABB in 2018

- Power Grids
- Electrification Products
- Industrial Automation
- Robotics & Motion

Centrally managed functions
- Business functions
- Support functions
- Country organizations

Corporate (incl. ABB Ability™)

To: the new ABB with ABB-OS™, from April 1, 2019

Electrification
- Business functions
- Support functions
- Country presence

Industrial Automation
- Business functions
- Support functions
- Country presence

Motion
- Business functions
- Support functions
- Country presence

Robotics & Discrete Automation
- Business functions
- Support functions
- Country presence

Common Global Business Services

Lean Corporate (incl. ABB Ability™ and core technologies)
The transformation to ABB-OS™ is well under way

Actions of business model reset

<table>
<thead>
<tr>
<th>Businesses</th>
<th>Establish full scope of business and support functions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Streamline management structures and business model, e.g. significantly fewer P&amp;Ls</td>
</tr>
<tr>
<td></td>
<td>Strengthen team by transfer of experienced country management resources</td>
</tr>
<tr>
<td></td>
<td>Take over responsibility for business-led collaboration on e.g. account management and Global Business Services</td>
</tr>
<tr>
<td>Business &amp; support functions</td>
<td>Transfer &gt;15,000 FTEs in centrally managed functions (R&amp;D, Sales, QO, Finance, IS, HR, Legal) to businesses through pull-down approach, to lean corporate or into job pool</td>
</tr>
<tr>
<td>Country organizations</td>
<td>Manage discontinuation of country and regional structures towards closing of PG transaction</td>
</tr>
<tr>
<td>ABB Ability™ &amp; core technologies</td>
<td>Strengthen common ABB Ability™ team and AI-focused R&amp;D at group level</td>
</tr>
<tr>
<td>Corporate</td>
<td>Focus and streamline corporate and headquarter</td>
</tr>
</tbody>
</table>

Customer focus, agility, ~$500 million p.a. net savings medium-term
## Clear transformation milestones towards ABB-OS™

### Key milestones

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>December</td>
<td>Transformation announced</td>
</tr>
<tr>
<td></td>
<td>January</td>
<td>ABB-OS™ and carve-out teams set up</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>Global Business Services board established</td>
</tr>
<tr>
<td>2019</td>
<td>April</td>
<td>New businesses operational</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>Function transfer shaped</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>Stand-alone PG established</td>
</tr>
<tr>
<td>2020</td>
<td>Mid-year</td>
<td>Transaction closed and joint venture operational</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Majority of stranded costs eliminated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Country and regional structures discontinued</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>ABB-OS™ simplification reaches full run-rate</td>
</tr>
</tbody>
</table>
Shaping the new ABB as a leader in digital industries

1. Focus on digital industries through divestment of Power Grids

2. Simplify our business model and structure

3. Shape four leading businesses

Creating value in the new ABB
The new ABB: operating in attractive, growing markets

Large market...

3.5-4% p.a. increase from $410 bn today to $550 bn in 2025...

...with several attractive dynamics

<table>
<thead>
<tr>
<th>Growth Rate</th>
<th>Market Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%+</td>
<td>Software &amp; digital solutions, Electric mobility</td>
</tr>
<tr>
<td>5%+</td>
<td>Robotics / flexible manufacturing, Data centers, Machine and factory automation, Renewables</td>
</tr>
<tr>
<td>4-5%</td>
<td>Food &amp; beverage, Commercial buildings</td>
</tr>
<tr>
<td>Up to 4%</td>
<td>Residential buildings, Motion</td>
</tr>
</tbody>
</table>
The new ABB

Pioneering technology leader in digital industries

Influencing the future of how we…

...power  ...produce  ...work  ...live  ...move
Three key pillars of our competitive differentiation

Unique and leading portfolio in digital industries

Solution-oriented business model

Pioneering innovation leadership
A unique, well positioned portfolio for customers in industry 4.0

<table>
<thead>
<tr>
<th>Electrification</th>
<th>Automation</th>
<th>Robotization</th>
<th>Digitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low/Medium Voltage</td>
<td>Measurement &amp; analytics</td>
<td>Motors &amp; generators</td>
<td>ABB Ability™</td>
</tr>
<tr>
<td>Buildings &amp; infrastructure</td>
<td>Process control (DCS(^1))</td>
<td>Drives</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Machine &amp; factory</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Robotics</td>
<td></td>
</tr>
<tr>
<td>Siemens</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schneider Electric</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legrand</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eaton</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rockwell Automation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honeywell</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yaskawa</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fanuc</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yokogawa</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\)Distributed Control System
The new ABB operates through four focused, leading businesses

- **Electrification**
  - Low/Medium Voltage
  - Buildings & infrastructure

- **Automation**
  - Measurement & analytics
  - Process control (DCS)
  - Motors & generators
  - Drives

- **Robotization**
  - Machine & factory
  - Robotics

---

Electrification

Industrial Automation

Motion

Robotics & Discrete Automation

---

Digitalization: ABB Ability™
Clear customer focus and attractive market dynamics in all businesses

<table>
<thead>
<tr>
<th>Industry</th>
<th>Market size</th>
<th>Medium-term market growth p.a.</th>
<th>Typical customers</th>
<th>2018 revenues</th>
<th>2018 op. EBITA %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrification</td>
<td>$160 bn</td>
<td>3%</td>
<td>Distributors</td>
<td>$13.0 bn³</td>
<td>13%³</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Panel-builders</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>EPCs¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>$90 bn</td>
<td>3%</td>
<td>End customers</td>
<td>$6.5 bn</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>EPCs¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motion</td>
<td>$80 bn</td>
<td>3%</td>
<td>End customers</td>
<td>$6.5 bn</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>OEMs²</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Distributors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robotics &amp; Discrete Automation</td>
<td>$80 bn</td>
<td>6%</td>
<td>End customers</td>
<td>$3.6 bn</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>OEMs²</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹Engineering, Procurement and Construction; ²Original Equipment Manufacturer; ³Electrification result adjusted to include GEIS on an annualized basis, based on H2 2018 contribution

February 28, 2019
The new ABB: focused portfolio, increased commercial attractiveness

Operational EBITA margin of Power Grids division over last 8 quarters, Q4 2016 to Q3 2018 inclusive, revenue contribution for past 12 month to end Q3 2018;

Electrification result adjusted to include GEIS on an annualized basis, based on H2 2018 contribution; Note: bubble size reflects FY18 revenues, unless otherwise stated

The new ABB: more growth, better margins, lower risk, less volatile
The new ABB: leading in digital industries with ABB Ability™

Customer value

ABB Ability™ digital platform
ABB Ability™ with unique common platform

ABB Ability™ digital platform

Common cloud, edge, & device technologies
MS Azure + ABB innovations in cybersecurity, digital twin, app marketplace, intercloud
**Differentiation through ABB Ability™ digital solutions in the businesses**

### Electrification
- Remote services for asset performance & energy efficiency
- Software-configured hardware (via apps)

### Industrial Automation
- Software and SW-services
- Remote services and optimization
- Analytics and AI
- 800xA DCS
- Collaborative operations
- Cybersecurity services

### Motion
- Software-configured hardware (apps)
- Plug & play connectivity
- Performance optimization and predictive maintenance
- Connected powertrain
- Smart sensing
- Remote condition monitoring

### Robotics & Discrete Automation
- SW-configured solutions (apps)
- Simulation and digital twins
- Remote optimization
- Analytics & AI
- Connected Services
- RobotStudio™
- Mapps
- Asset performance monitor

<table>
<thead>
<tr>
<th>Differentiation through ABB Ability™</th>
<th>Examples</th>
<th>Number of ABB Ability™ solutions¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrification</td>
<td>Electrical distr. control system</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Asset health &amp; condition monitoring</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EV² charging digital services</td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>800xA DCS</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>Collaborative operations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cybersecurity services</td>
<td></td>
</tr>
<tr>
<td>Motion</td>
<td>Connected powertrain</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Smart sensing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remote condition monitoring</td>
<td></td>
</tr>
<tr>
<td>Robotics &amp; Discrete Automation</td>
<td>SW-configured solutions (apps)</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Simulation and digital twins</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remote optimization</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Analytics &amp; AI</td>
<td></td>
</tr>
</tbody>
</table>

¹Commercially available
²Electric Vehicle
ABB Ability™ with proven track record of creating customer value

ABB’s markets on digital S-curve

Level of digitalization

- Agriculture
- Buildings
- Marine
- Oil & Gas
- Rail & Road logistics
- Chemicals
- Automotive / Discrete
- Healthcare
- Utility
- Retail
- Finance & Insurance
- ICT
- Media

ABB Ability™ customer success examples

**Offshore upstream, North Sea**
- ABB Ability™ integrated automation, ABB Ability™ Collaborative Operations
- >99% uptime, best-in-class

**Automotive supply, Germany**
- ABB Ability™ Connected Services
- Up to 25% fewer incidents and 60% faster recovery

**Pump manufacturer, Switzerland**
- ABB Ability™ remote condition monitoring
- Enables predictive maintenance services

**Hospital, China**
- ABB Ability™ Electrical Distribution Control System
- 30% lower operations costs, 7% lower energy consumption
ABB Ability™ drives accelerated profitable growth

Accelerate growth through ABB Ability™

- New solutions with ABB Ability™

ABB Ability™ commercial impact and sales momentum

- 180 ABB Ability™ solutions in the new ABB
- ~45% of the new ABB orders from digitally-enabled offering

Digital and ABB Ability™ solution sales pipeline

- Since April 2018: double the customer contacts
- Since October 2018: >20% increase in ABB Ability™ order pipeline

1Includes ABB Ability™ solutions, software and related services, digitally enabled products; 2Systematically tracked with SFDC since 2018
ABB and Dassault Systèmes enter global software partnership for digital industries

Pioneering technology leader in digital industries

Global leader in digital experience platform for business and industrial innovation

Benefits from our unique combination

Value proposition
- End-to-end open digital solutions
- Supports customers’ operations through plan / design, build and operate phases
- Accelerated shift from mass production to mass customization

Focus segments
- Smart factories and robotics
- Smart buildings
- Process industries
Partnership enabling end-to-end solutions along customer life-cycle

Design
- Product Design
- Factory Design

Build
- Factory Build up

Operate
- Factory Operations
- Product Usage

3DEXPERIENCE digital twin / Product lifecycle management & collaboration
- Modeling and simulation (CAD/CAE)
- ABB Ability™ platform and solutions
- Machine simulation and automation (incl. PLC, HMI)
- Robotics simulation (RobotStudio®)

Supply chain & Logistics
- Manufacturing Operations Management

Collaborating from Design through Build and Operate to maximize customer value
Long-term committed to driving pioneering innovation

Artificial Intelligence
Expertise
Brain, Logic
Nerves, Senses
Muscles

Copper & iron
Electronics

Motors

Digital operations

Automated operations

Autonomous operations

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

ABB Ability™

©ABB
February 28, 2019 | Slide 48
\(^1\)Programmable Logic Controllers
Shaping the new ABB as a leader in digital industries

1. Focus on digital industries through divestment of Power Grids

2. Simplify our business model and structure

3. Shape four leading businesses

Creating value in the new ABB
Creating value in the new ABB

High quality of the new ABB businesses

**Growth:** strong secular drivers in faster growing market segments, expanding our leadership positions

**Innovation:** ABB Ability™ solutions for enhanced customer value

**Stability:** less large order volatility

**Recurring revenue:** digital solutions, software and services, leveraging our large installed base

Compelling shareholder value creation from Power Grids transaction

**$11 bn value crystallized through Power Grids transaction**

**100% of estimated net cash proceeds of $7.6 – 7.8 bn**\(^1\) from Power Grids staged divestment returned to shareholders

**Rising, sustaining dividend policy** maintained post close

---

\(^1\)Intention to return 100% of estimated net cash proceeds of $7.6-7.8 bn. 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.
A new financial target framework for the Group and our businesses

Medium-term

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable revenue growth p.a.¹</td>
<td>3 – 6%</td>
</tr>
<tr>
<td>Operational EBITA margin²</td>
<td>13 – 16%</td>
</tr>
<tr>
<td>ROCE %³</td>
<td>15 – 20%</td>
</tr>
<tr>
<td>FCF conversion to net income</td>
<td>~100%</td>
</tr>
<tr>
<td>Basic EPS growth</td>
<td>&gt; revenue growth</td>
</tr>
</tbody>
</table>

Business Op. EBITA margin²

- **Electrification**: 15 – 19%
- **Industrial Automation**: 12 – 16%
- **Motion**: 14 – 18%
- **Robotics & Discrete Automation**: 13 – 17%

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

¹Based on current economic outlook; ²Target is on a full-year basis; ³Calculated using post-tax operational EBITA / average capital employed
The new ABB investment proposition
Pioneering technology leader in digital industries

<table>
<thead>
<tr>
<th>Attractive growth</th>
<th>Medium-term financial framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniquely positioned portfolio focused on digital industries</td>
<td>3 – 6% p.a. comparable revenue growth(^1)</td>
</tr>
<tr>
<td>Four leading entrepreneurial businesses in attractive growth markets</td>
<td></td>
</tr>
<tr>
<td>Value creation through ABB Ability™, innovation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stronger margins</th>
<th>13 – 16% operational EBITA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced efficiency through simplification, ABB-OS™</td>
<td></td>
</tr>
<tr>
<td>$500 million p.a. net savings medium-term across the Group</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Optimized capital allocation</th>
<th>15 – 20% ROCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic investment in R&amp;D, digital, brand</td>
<td>~100% cash conversion</td>
</tr>
<tr>
<td>Active portfolio management</td>
<td>EPS growth &gt; revenue growth</td>
</tr>
<tr>
<td>Attractive shareholder returns, rising sustainable dividend policy</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\)Based on current economic outlook
Value creation in the new ABB

Timo Ihamuotila, CFO
Driving value creation

A “common” framework... ...clear management processes... ...leading to a balanced approach

ABB Operating System

How we drive growth
How we execute
How we manage our portfolio
How we allocate capital

Attractive growth
Stronger margins
Optimized capital

Attractive shareholder returns
How ABB will drive growth

Orders and revenues development

<table>
<thead>
<tr>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders, $ bn</td>
<td>Revenue growth</td>
</tr>
<tr>
<td>25.0</td>
<td>+6%</td>
</tr>
<tr>
<td>28.6</td>
<td>+8%</td>
</tr>
</tbody>
</table>

+0% +4%

1.03x book-to-bill ratio in FY 2018

Targeted combination of growth levers

**Organic growth**  
Penetration, Innovation, Expansion actions, services growth, ABB Ability™

**Active portfolio management**

**Strategic alliances, partnerships**

**ABB Technology Ventures, collaborations**

Examples

1. In comparable terms, the new ABB
Enabled through disciplined organic growth investment

R&D and digital investment

<table>
<thead>
<tr>
<th>% of revenues and $ mn</th>
<th>FY 2013</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>Medium-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5%</td>
<td>4.2%</td>
<td>4.4%</td>
<td>≥4%</td>
<td></td>
</tr>
</tbody>
</table>

Ongoing excellence and leadership

- Continuous, disciplined R&D
- ABB Ability™
- Collaboration with >100 universities

Sales investment

Sales versus G&A investments, % yoy comparable

- High growth focus areas
- Salesforce.com led pipeline
- Cross-selling development

Footnotes:
1 Non-order related R&D expenses plus digital investments including ABB Ability™;
2 For the new ABB (excluding Power Grids)
Sustainable cost reduction

ABB Group cost base, illustrative (\$ mn)

- **1.** Total cost of sales plus SG&A plus non-order related R&D expenses;
- **2.** Stranded and other carve-out related costs incurred due to agreed sale of Power Grids;
- **3.** Cost base excluding stranded costs and non-core charges and costs;
- **4.** Supply Chain Management

### Clear road map

1. Vast majority of stranded costs eliminated by deal close
2. Accelerated exit from non-core business
3. Continuous Opex and SCM\(^4\) savings
4. ABB-OS\(^{TM}\) simplification: ~\$500 mn p.a. net savings medium-term
5. Disciplined organic growth investment

\(^1\) Total cost of sales plus SG&A plus non-order related R&D expenses; \(^2\) Stranded and other carve-out related costs incurred due to agreed sale of Power Grids; \(^3\) Cost base excluding stranded costs and non-core charges and costs; \(^4\) Supply Chain Management
Managing gross margin and cost of sales

Continuous Opex and supply chain savings

Opex and supply chain management savings (gross), $ bn and as % of COGS

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opex</td>
<td>0.7</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>SCM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>as % of COGS</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Key levers

Business led pricing strategies

Raw material and component cost management

Driving performance and productivity through Lean Six Sigma
- Reduction in lead-time to customers
- Improvement in Quality
- Supply chain efficiencies

Ongoing savings equivalent to 3 – 5% of COGS p.a.
### ABB-OS™ simplification: ~$500 mn net savings

Clear actions to deliver cost reductions

#### Medium-term net savings

<table>
<thead>
<tr>
<th>Level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business level</td>
<td>~$300 mn</td>
</tr>
<tr>
<td>Group functions &amp;</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>~$200 mn</td>
</tr>
<tr>
<td>Corporate</td>
<td>~$500 mn</td>
</tr>
</tbody>
</table>

#### Simplification levers and financial impacts

<table>
<thead>
<tr>
<th>Level</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business level</td>
<td>Reduced P&amp;L and management layers</td>
</tr>
<tr>
<td></td>
<td>Simplified internal trade</td>
</tr>
<tr>
<td></td>
<td>Global footprint optimization</td>
</tr>
<tr>
<td>Group functions &amp;</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>Elimination of matrix:</td>
</tr>
<tr>
<td></td>
<td>– Group functions and country structure rationalized through</td>
</tr>
<tr>
<td></td>
<td>“pull-down” by businesses</td>
</tr>
<tr>
<td></td>
<td>– Optimization of R&amp;D, IS, real estate and GBS</td>
</tr>
<tr>
<td></td>
<td>– Leaner, right-sized corporate</td>
</tr>
<tr>
<td>Non-operational</td>
<td>~$350 mn restructuring charges</td>
</tr>
<tr>
<td>impact ~$500 mn</td>
<td>~$150 mn implementation costs</td>
</tr>
</tbody>
</table>

IS = Information systems; GBS = Global Business Services
ABB-OS™ simplification timeline

Road map

<table>
<thead>
<tr>
<th>Year</th>
<th>Impact</th>
<th>Run-rate Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>~$500 mn</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td>$150 – 200 mn</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>~$500 mn</td>
</tr>
</tbody>
</table>

Implementation phases and impacts

- **2019**
  - Establish new Corporate structure
  - Elimination of matrix:
    - Rationalized group functions move to businesses
  - Commence streamlining of countries into businesses
  - Business level scoping of programs, quick wins
  - ~$400 mn non-operating restructuring and implementation costs

- **2020 – 2021**
  - Execution of business level programs
  - Complete integration of countries into businesses
  - ~$50 mn non-operating restructuring and implementation costs

Full run-rate benefit expected during 2021
ABB-OS™ simplification: leaner corporate

Corporate and other operational EBITA bridge, FY 2018 to medium-term

- **Corporate and other cost FY 2018**: $1.1 bn
- **Stranded cost elimination**:
- **Non-core charges**:
- **Re-allocation to businesses**:
- **Corporate savings**: contributesto ~$500 mn net savings
- **Corporate and other cost medium-term**: ~$300 mn

Role of new corporate

- Group strategy
- Portfolio and performance management
- Capital allocation
- Core technologies (AI)
- ABB Ability™ platform

---

1Stranded and other carve-out related costs incurred due to agreed sale of Power Grids, including Power Grids' fair share of corporate costs
The new ABB operational EBITA margin, medium-term

<table>
<thead>
<tr>
<th>Business operational EBITA margin corridors</th>
<th>15 – 19 %</th>
<th>Corporate and other cost</th>
<th>Leaner corporate ~$300 mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrification</td>
<td>15 – 19 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Automation</td>
<td>12 – 16 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motion</td>
<td>14 – 18 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robotics &amp; Discrete Automation</td>
<td>13 – 17 %</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ABB Group target corridor

Operational EBITA margin

13 – 16 %
The new ABB operational EBITA bridge

Operational EBITA bridge FY 2018 to medium-term

10.9% op. EBITA margin

Op. EBITA FY 2018 Excl. charges\(^1\)

Op. EBITA FY 2018

Stranded cost\(^2\) elimination
Non-core exit
Acq./Div.
Group functions & Corporate savings
Business savings
Operating performance

Op. EBITA Medium-term

$3.0 bn

ABB-OS™ simplification
~$500 mn net savings

10.9% op. EBITA margin → 13.0 – 16.0% op. EBITA margin

\(^1\)Operational EBITA FY2018 excluding stranded costs and non-core charges and costs; \(^2\)Stranded and other carve-out related costs incurred due to agreed sale of Power Grids
How ABB manages its portfolio
Continuing systematic portfolio management

Strategic attractiveness
Market dynamics, ability to win

Performance
Growth, profitability, ROCE

Transform
Growth leader

Review
Value generator

HV cables

Illustrative
Value-adding acquisitions and divestments

Principles for acquisitions

- Strategic fit
- Cultural alignment
- Defined decision framework
- Integration capacity and rigorous follow through

Clear financial criteria

- Return > WACC after year 3
- EPS accretive after year 1
- Safeguard long-term credit rating

Milestones and learnings from previous transactions

- Power Grids (D): right time, right partner
- GEIS (A): expanded access to North America, performance improvement on track
- B&R (A): strong portfolio fit and cultural alignment
- HV Cables (D): well-timed pruning
- Thomas & Betts (A): slow progress of integration
- Ventyx (A): failed “no touch” integration
Rigorous cash and capital efficiency

**Disciplined capital expenditure**

Capital expenditure, $ mn

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2013</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>Medium-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>old ABB</td>
<td>1106</td>
<td>949</td>
<td>752</td>
<td>772</td>
</tr>
<tr>
<td>The new ABB</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Investment in
- Robotics factory, China
- R&D campus, Austria
- Information systems

**Reduced net working capital**

NWC as % of revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2013</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>Medium-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>old ABB</td>
<td>14.9</td>
<td>11.3</td>
<td>9.8</td>
<td>9.0</td>
</tr>
<tr>
<td>The new ABB</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continued focus on
- Asset light business models
- Reduced inventory turns
- Receivable rotation days
Cash returns and capital allocation

Strong returns to shareholders\(^1\)

- ~$23.5 bn
- ~40% invest in business
- ~60% return to shareholders

Sustained capital allocation priorities\(^2\)

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

2014-18

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

\(^1\)Includes dividends distributed within year plus proposed 2018 DPS; \(^2\)As defined in 2014
CEO priorities 2019
Ulrich Spiesshofer, CEO
CEO priorities for 2019

Running the company
- PIE to drive profitable growth
  - Launch innovations to market, boosted by ABB Ability™ and AI
  - Continue expansion into high growth segments, such as E-mobility, data centers, F&B
- Deliver value from investments: R&D, sales, acquisitions
- Relentless execution
  - Electrification – integrating GEIS
  - Power Grids – continue Power Up program
  - Ongoing cost reductions
- Business-led collaboration
  - Cross-business account management, joint shared services

Managing the transformation
- Separate Power Grids
- Implement the new ABB
  - Launch entrepreneurial businesses, new business set-up to go live on April 1
  - Implement ABB-OST™: lean corporate and business model
  - Zero-distance to customers, agile decision making
  - Drive ABB-OST™ savings and address stranded costs
The new ABB investment proposition
Pioneering technology leader in digital industries

Attractive growth
- Uniquely positioned portfolio focused on digital industries
- Four leading entrepreneurial businesses in attractive growth markets
- Value creation through ABB Ability™, innovation

Stronger margins
- Enhanced efficiency through simplification, ABB-OS™
- ~$500 million p.a. net savings medium-term across the Group

Optimized capital allocation
- Organic investment in R&D, digital, brand
- Active portfolio management
- Attractive shareholder returns, rising sustainable dividend policy

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

1Based on current economic outlook