



ZÜRICH, JUNE 10, 2020

CEO: First perspectives

Björn Rosengren, CEO, 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,” “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.

On December 17, 2018, ABB announced an agreed sale of its Power Grids (“PG”) business. 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.**

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

14:00

Presentation – CEO, CFO
First perspectives

14:45

Fireside chat – CEO, CFO

15:15

Q&A

15:45

Event ends



ABB

CEO

First 101 days

1

Immediate priorities

- #1, Health & Safety
- Challenging quarters ahead
- Mitigation efforts intensified
- PG sale targeted to close end Q2, 2020

2

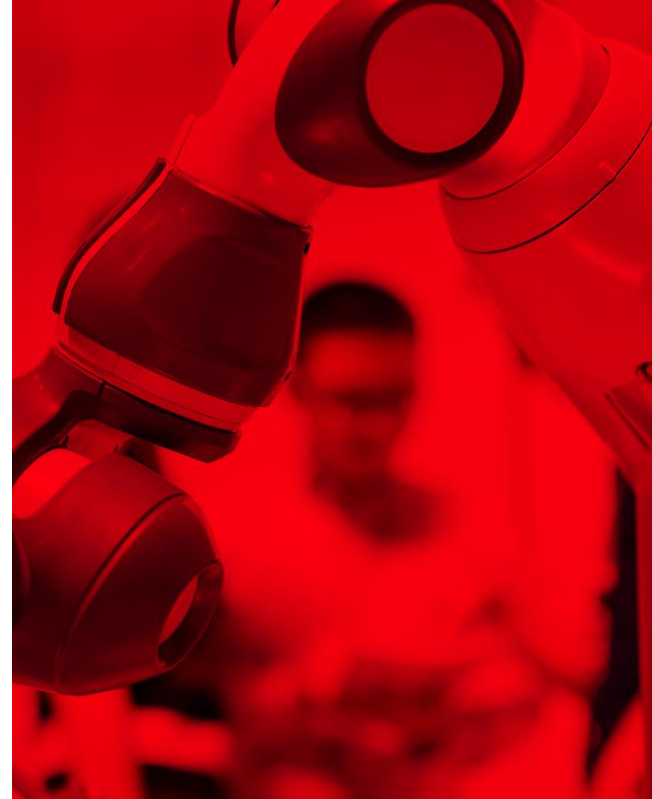
ABB today

- Good foundation to build on
- Financial performance has lagged

3

ABB's way forward

- Value creation for customers, employees and shareholders
- Accelerating decentralization
- Clear profitability focus before growth
- Active portfolio management

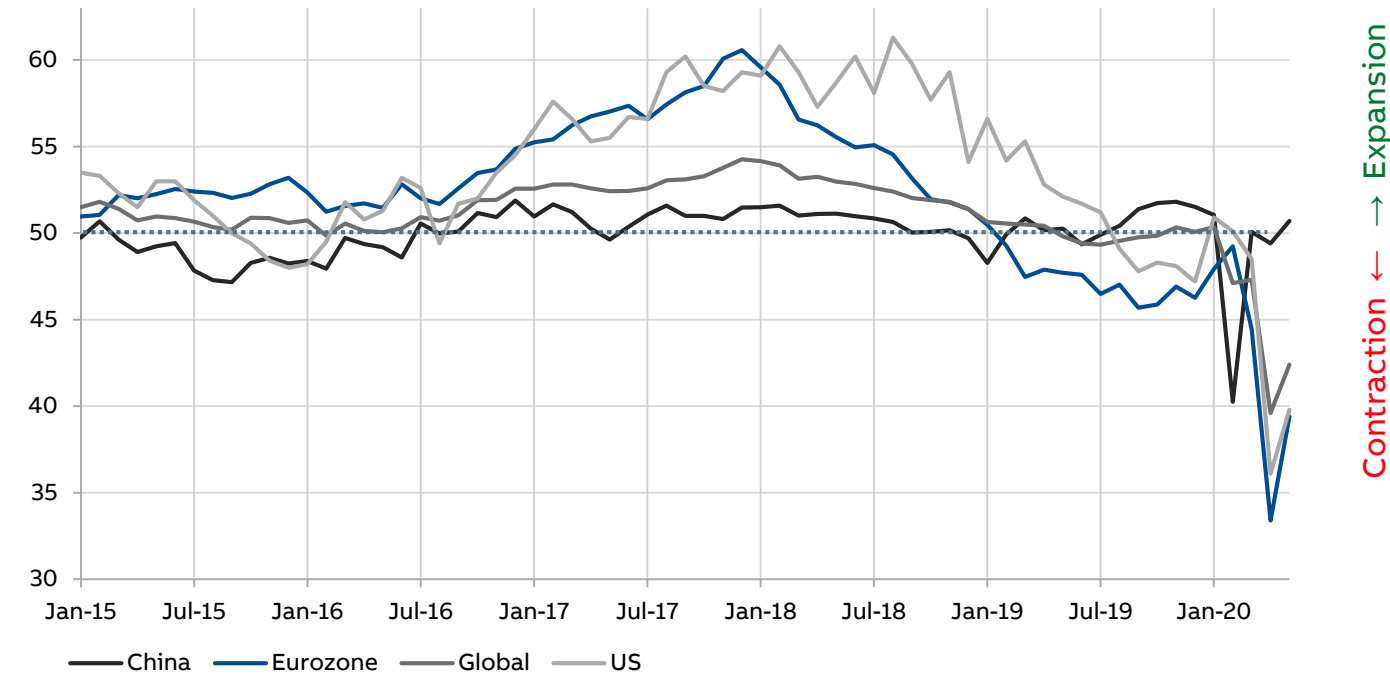


Challenging quarters ahead

COVID-19 pandemic and oil price drop

Economic downturn

Manufacturing PMI (% yoy)



Source: IHS Markit, to end May 2020

Demand impacts

- High impact on short-cycle demand, e.g. automotive, general industry
- Oil & Gas, power generation in sharp decline
- Relative resilience in transport, distribution utilities, Food & Beverage, data centers
- China rebound through March-April; Europe, North America, India recording significant declines

Supply impacts

- Production capacity lower to ensure social distancing
- Supply chain, logistics costs higher
- Travel and site restrictions continue to curtail services and project installations

Managing through COVID-19

Mitigation efforts intensified

#1 priority, Health & Safety

Focus on serving customers

- Extensive use of virtual visits, tech talks etc.
- Strong backlog execution in factories
- Prioritizing digital growth

Businesses have mandate to act

- New ways of working
- Further reductions in SG&A
- Adjusting capacity to demand
- Cash, NWC management

Some changes will be permanent



A new normal?

Virtual customer visits dramatically increase

Motion example

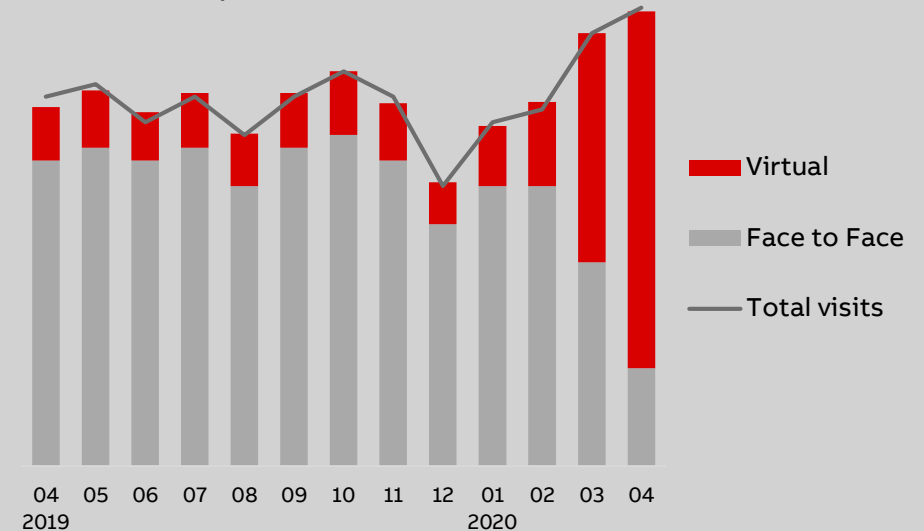


ABB has a good foundation to build on...

Electrification



Motion



Leading technologies

Great team

Strong brand

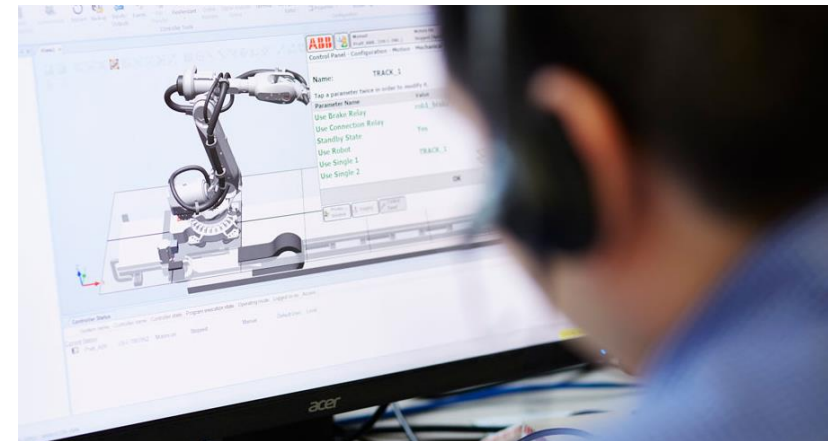
Market trends
and customer needs

- Electrification of transport
- Increased sustainable productivity
- Automated manufacturing
- Digital solutions and services
- Smart factories

Industrial Automation

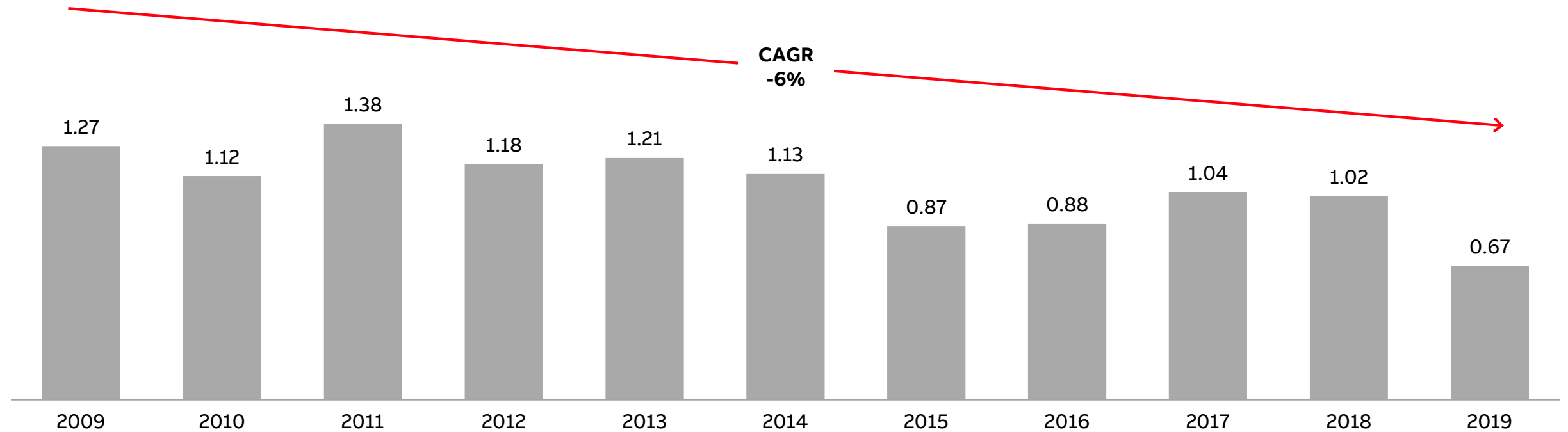


Robotics & Discrete Automation



...but financial performance has lagged

ABB's EPS on downward trajectory for past 10 years



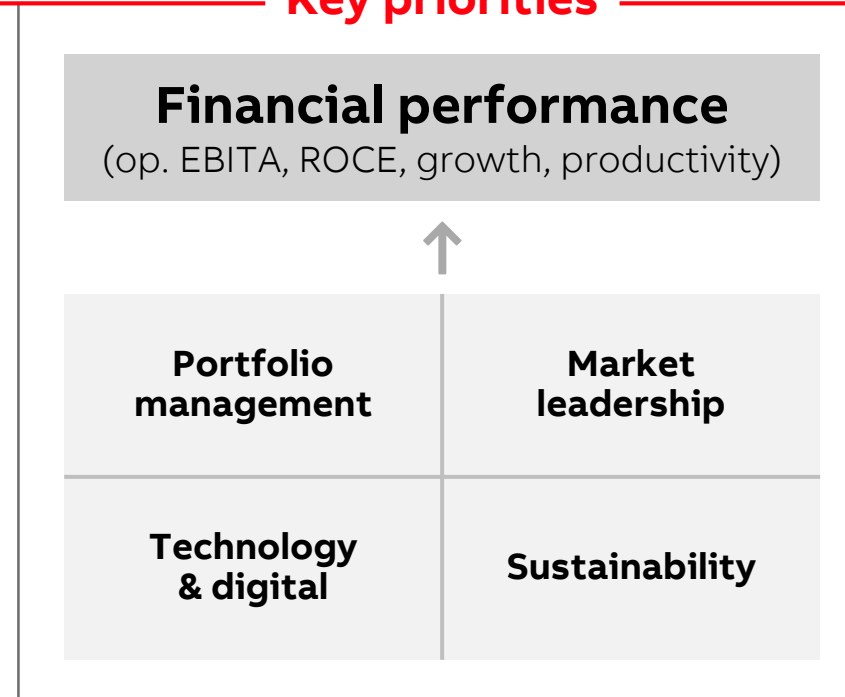
Basic EPS attributable to ABB shareholders
Source: ABB

ABB's way forward: value creation for customers, employees and shareholders

How we do it

- 1 Decentralized business model
- 2 Performance management; continuous improvement
- 3 Stability & profitability before growth
- 4 Market leadership
- 5 Focus on core
- 6 Excellence in people

Key priorities



What we target

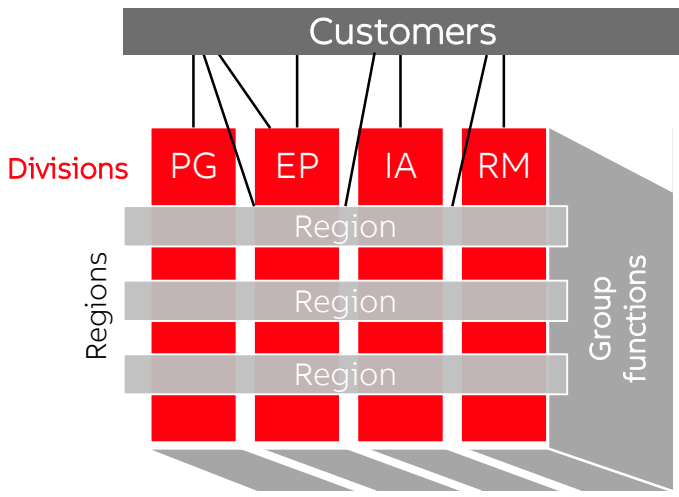
Group mid-term targets

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

Long-term **sustainability targets**

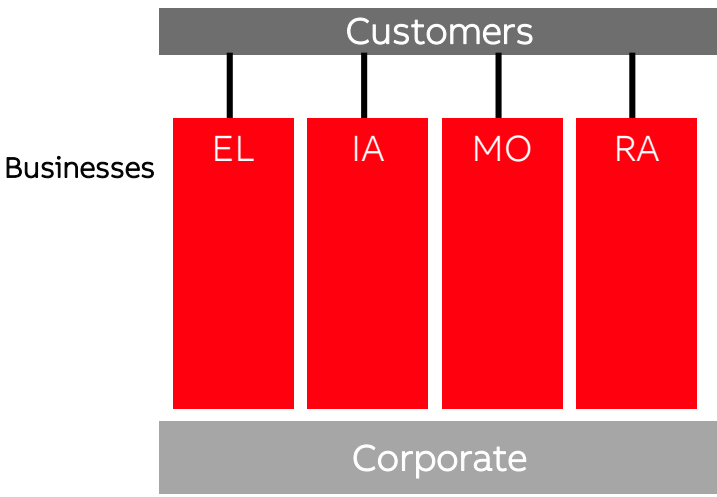
Accelerating the decentralization journey

ABB with “3D matrix” in 2018



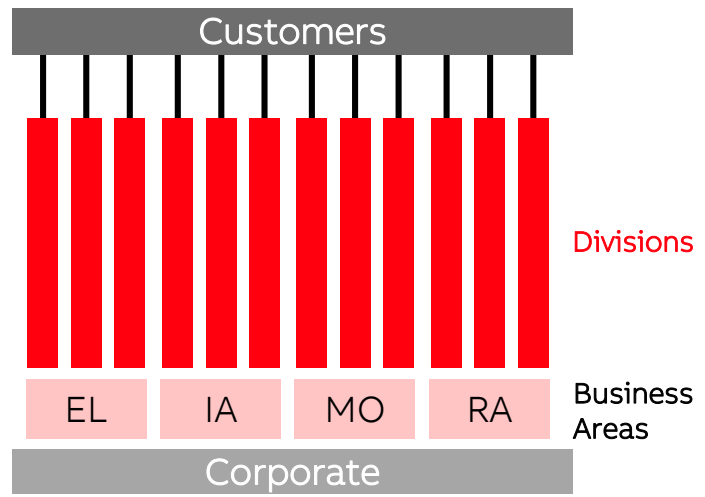
Elimination of matrix

ABB’s current operating model



Decentralization

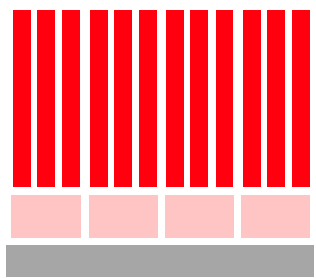
Decentralized operating model



Accountability, transparency, speed



Divisions are fully accountable for their strategy and performance



Division accountability

- Full P&L, operational balance sheet and all resources
- Development and execution of business strategy incl. organic and inorganic growth
- Entrepreneurial, fast decision-making close to customers
- Development of next generation of leaders
- Marketing communications

Business Area accountability

- Governance & steering
- Performance management
- Portfolio management & strategic development
- Management of select, shared resources (e.g. R&D, digital)

Lean corporate

Divisions are highest operational level in ABB

Fully decentralized business model with 18 Divisions

BUSINESS AREAS

DIVISIONS

Electrification



Distribution Solutions

Smart Power

Smart Buildings

Installation Products

Power Conversion

Industrial Automation



Energy Industries

Process Industries

Marine & Ports

Turbocharging

Measurement & Analytics

Motion



Motors & Generators

Drive Products

Systems Drives

Service

Traction

MPT

Robotics & Discrete Automation



Robotics

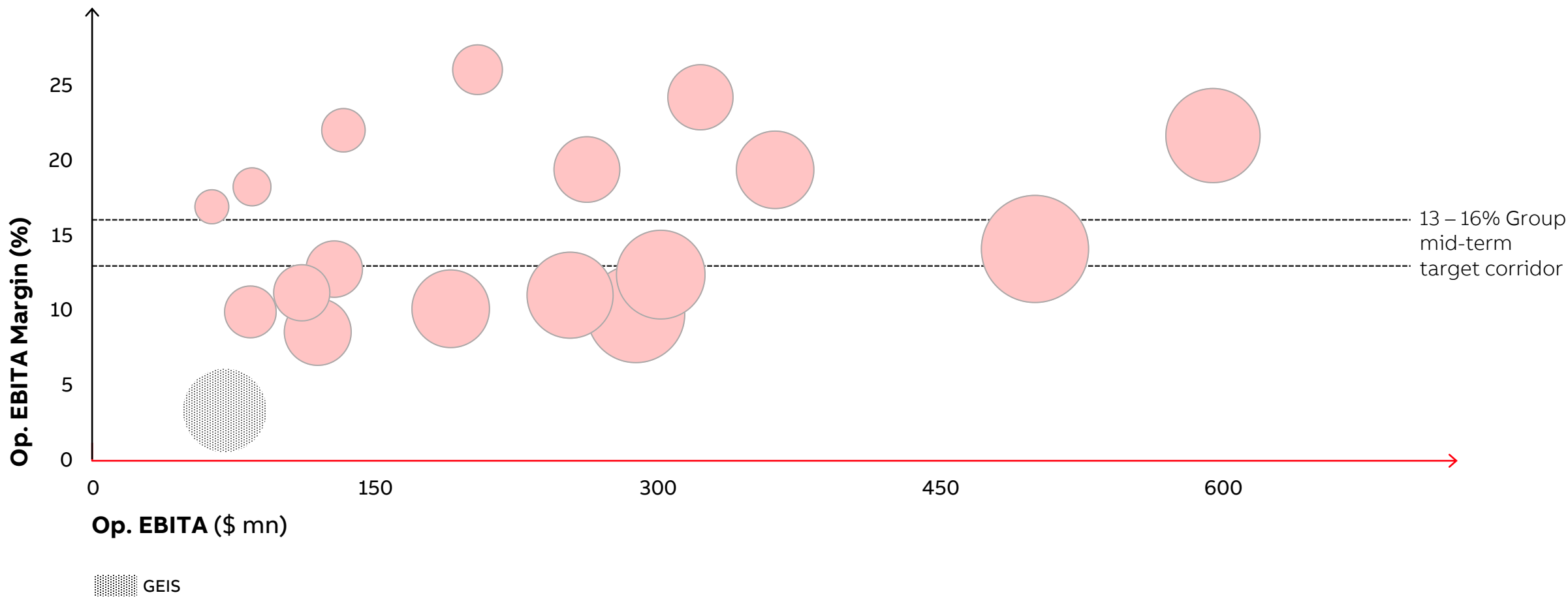
Machine Automation

Power Conversion = formerly known as DC power systems or Energy Systems, acquired as part of GEIS purchase

MPT = Mechanical Power Transmission

ABB's portfolio 2019

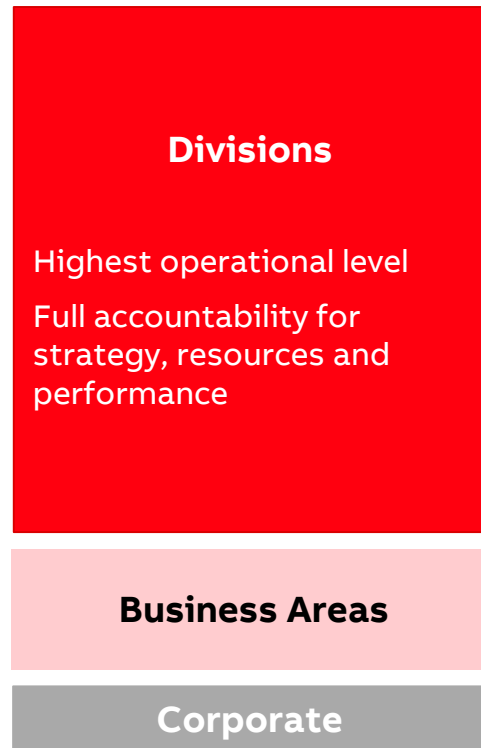
Significant spread in profit generation



Strong performance management via scorecard system

The key in a decentralized business model

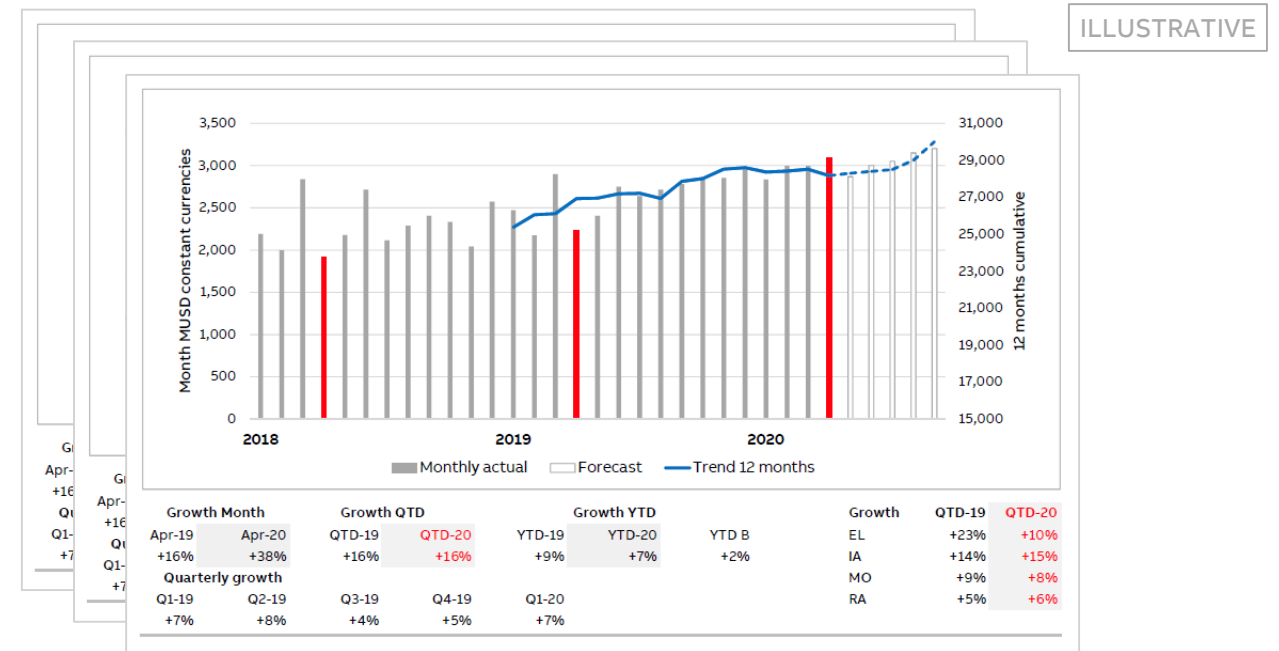
Decentralized business model



Scorecard system

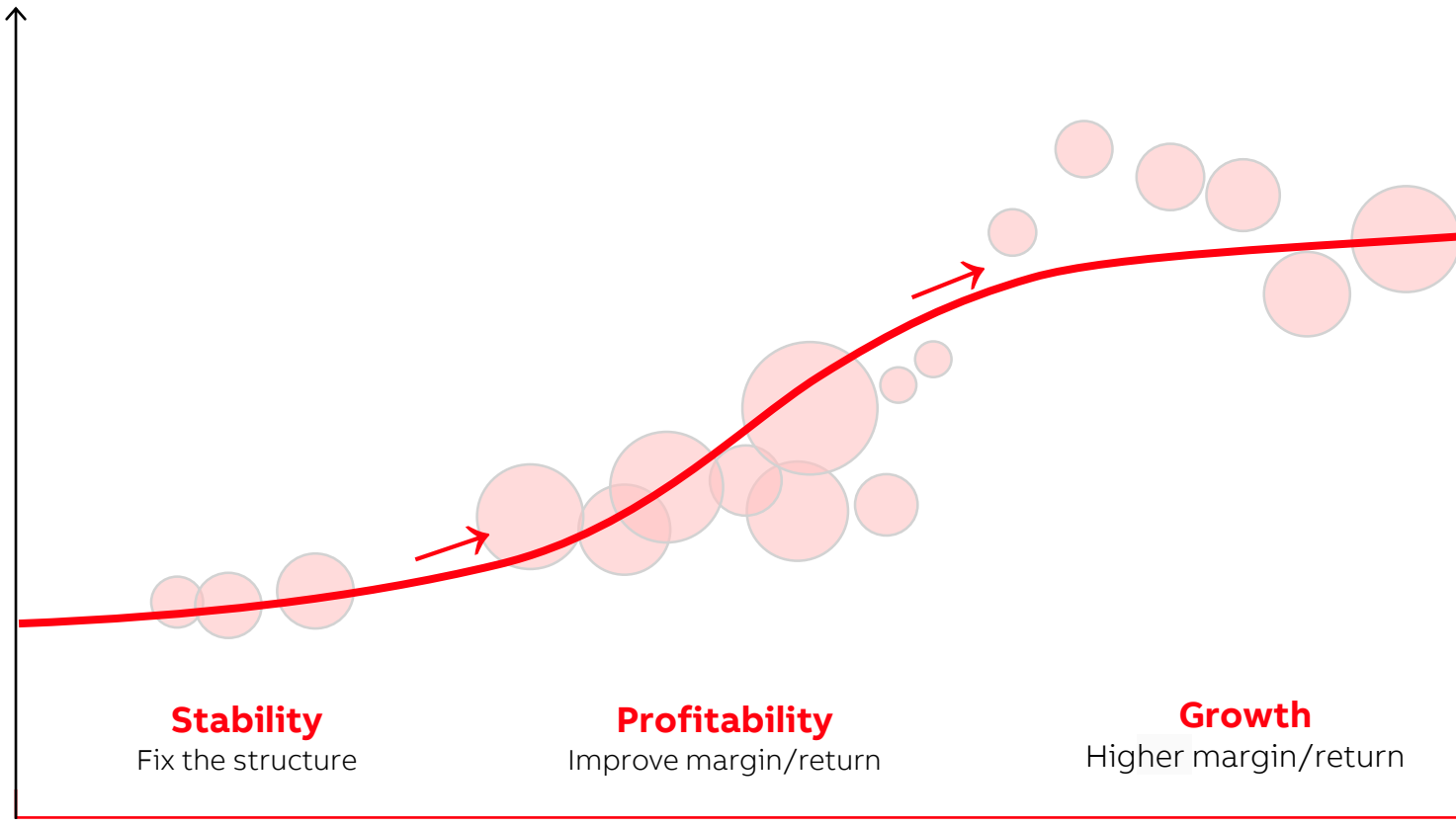
Improved performance reviews and contingency planning

KPIs including: orders, revenues, gross margin, Op. EBITA, NWC, capex, ROCE, workforce



Accountability, transparency, speed

Divisions to follow trajectory of stability and profitability before growth



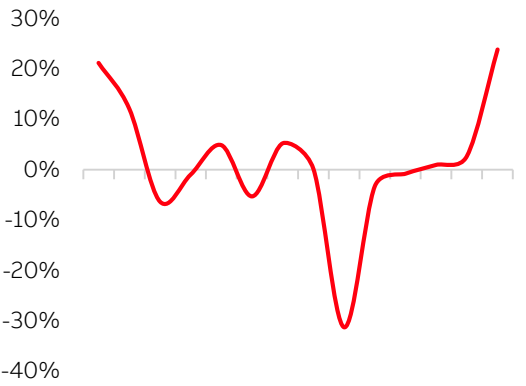
When stable and profitable
→ focus on growth

Organic	+	Acquired
Innovation through customer collaboration		Selective portfolio bolt-ons
Focused investment in R&D, sales, service		Add capabilities, know-how
Continuous improvement		Increase speed
Go-to-market		

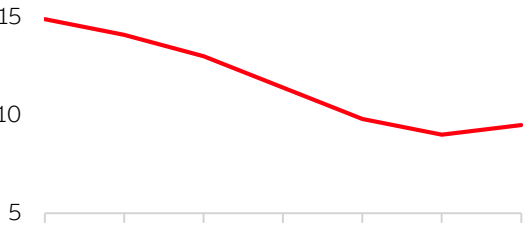
Continuous improvement

Standardized KPIs for all Divisions

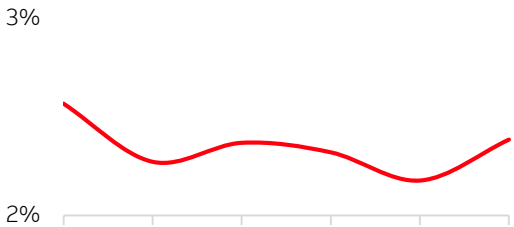
Productivity (sales/FTE)



Net working capital (% revs.)



Capex (% revs.)



Productivity and capital efficiency

Market leadership is key to Division profitability

Maintain or strengthen No. 1 or No. 2 positions

**INVEST IN
R&D**



**PRICE
LEADER**



**BENEFITS
OF SCALE**



PROFITABILITY

Smart leaders collaborate to improve performance

Cross-Division collaboration

Smart leaders collaborate

- To fulfil customer needs; creating and delivering optimal solutions
- In project business, cross-/up-selling (e.g. joint account management)
- To share resources, capabilities and cost

Division Presidents free to decide on collaboration with other Divisions, also beyond their Business Area



Domain led digital leadership

Business Areas and Divisions fully responsible

ABB's differentiated approach

- Divisions exploit domain expertise to embed state-of-art digital applications in customer offering
- Leverage partnerships to provide generic high-tech capabilities e.g. cloud, edge, AI
- Group-wide platform ensures inter-operability, data security; managed by IA Business Area President

ABB Ability™ platform

Standards

Software enhancements
e.g. cyber-security

UI/UX design



Business Areas and Divisions

Domain, process expertise

Software
e.g. ABB Ability™ apps, AI, digital twins

Smart hardware



Key technology partnerships

Including joint go-to-market approach, e.g.



Gold Application Development
Gold Cloud Platform
Gold Data Analytics



\$1.3 bn R&D and digital spend (4.7% revenues)¹, ~7 k dedicated employees

UI = user interface design, the graphical layout of the application, UX = user experience design, how the user interface operates to make it feel seamless and intuitive

1. FY 2019, of which \$1.2 bn non-order related R&D spend

Active portfolio management

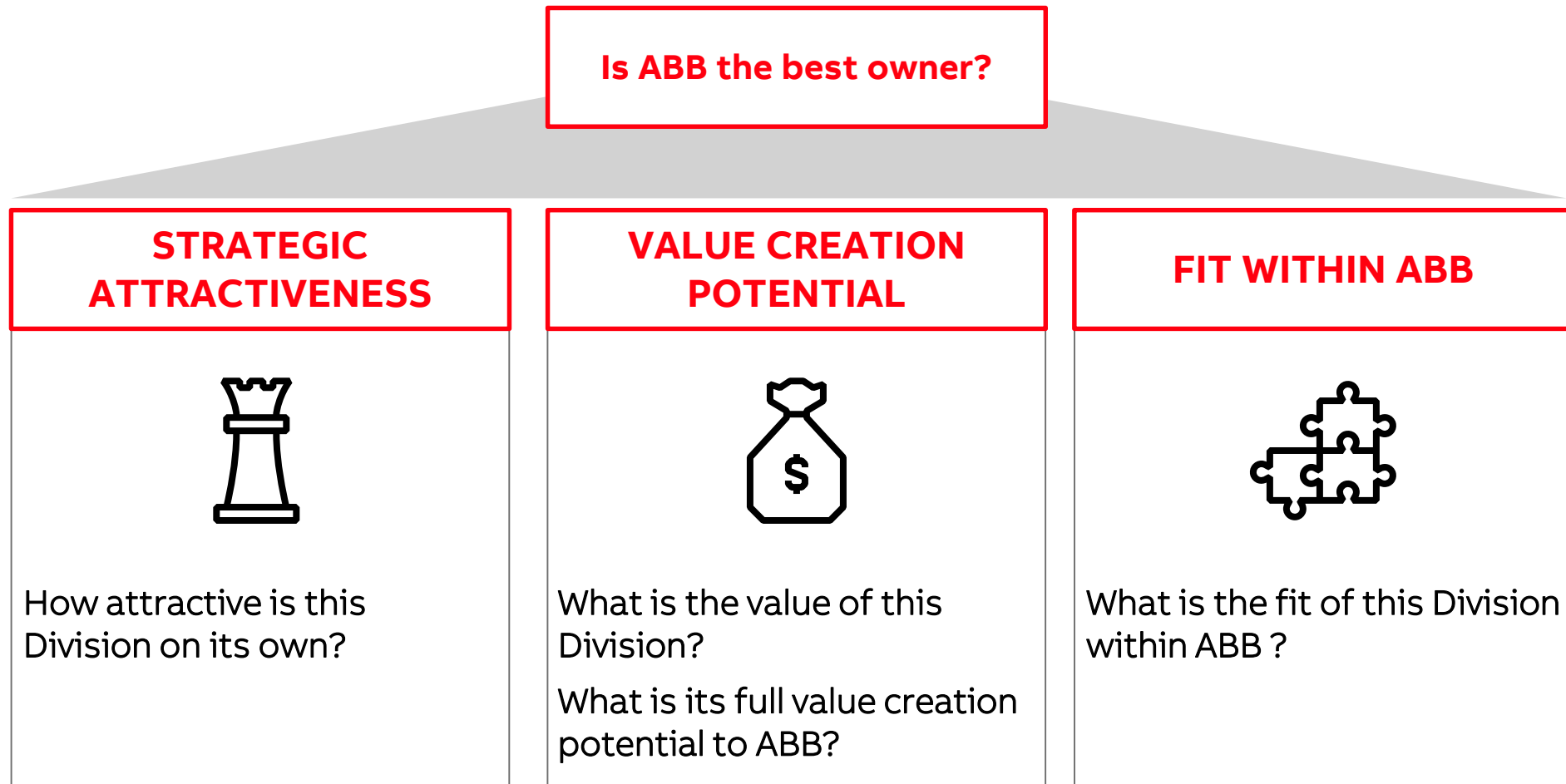
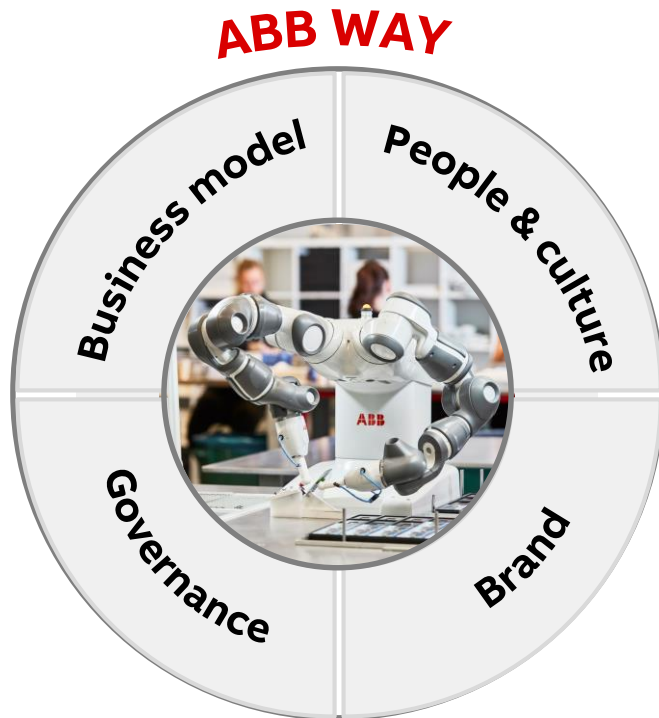


ABB-OS becomes the ABB Way

The glue that connects the Group



The way we operate

- Common ABB purpose, brand, values
- Standardized policies, processes and systems, including:
 - portfolio management
 - performance management
 - risk management
 - internal control & compliance
- Decentralized business model – full Division accountability

Accountability, transparency, speed



CFO

Driving value creation

1

ABB-OS becomes the ABB Way

- Cost savings accelerating
- More rigorous performance management
- Systematic portfolio management

2

Capital allocation

- Balancing sources and uses of cash
- Attractive returns to shareholders

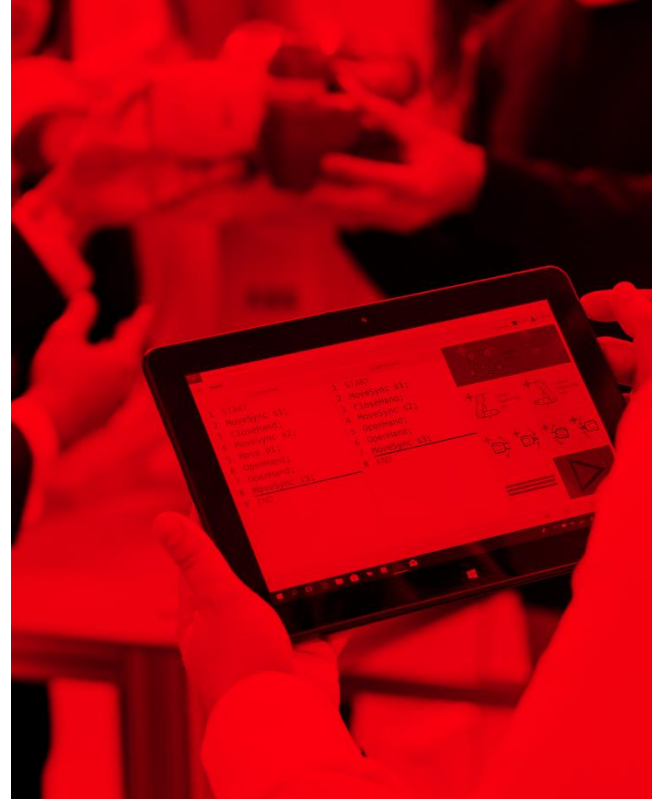



ABB-OS becomes the ABB Way

The frame in which Business Areas and Divisions operate

	From: ABB-OS	To: ABB Way
	<ul style="list-style-type: none">– ABB-OS simplification program ~\$500 mn p.a. net savings, full run-rate benefit during 2021– Corporate and Other cost run-rate ~\$300 mn mid-term	<ul style="list-style-type: none">– On track for faster delivery of ~\$500 mn p.a. net savings– ~\$300 mn Corporate and Other cost run-rate during 2021– No cost allocations to Business Areas and Divisions from 2021 onwards
	<ul style="list-style-type: none">– Annual budgets replaced by 5Q rolling forecasts– Common Business level KPIs	<ul style="list-style-type: none">– Division level scorecard system. Comparable time series of standardized KPI's driving continuous improvement
	<ul style="list-style-type: none">– Identified review / transform category of ~\$3 bn revenues	<ul style="list-style-type: none">– Systematic portfolio evaluation at Division level– Corporate defined systematic portfolio management process

Accelerating toward a lean corporate

Pre ABB-OS

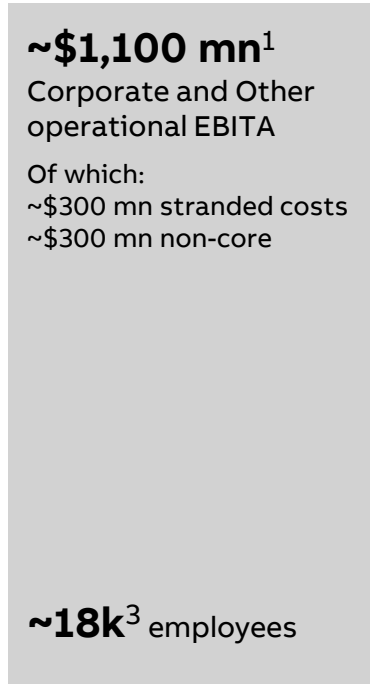


ABB-OS



ABB Way



Role of corporate reducing

Full services provision for Group

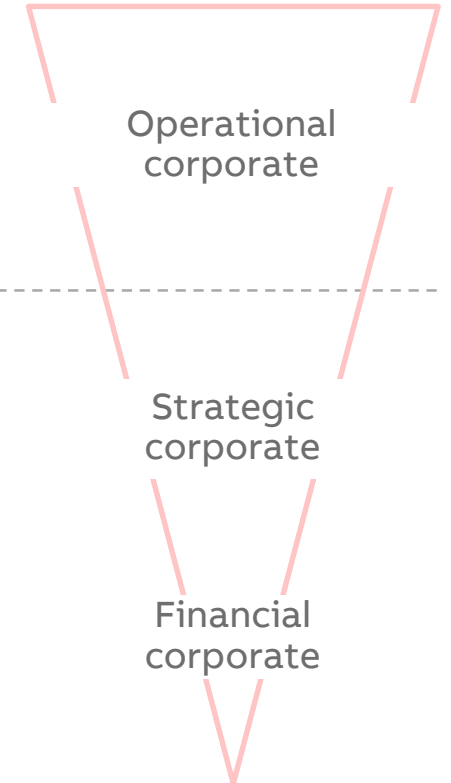
Country leadership
Global Business Services
Corporate led R&D, ABB Ability™ platform
Stranded, non-core business wind-down

Strategic and financial activities

Capital allocation
Portfolio and performance management
Cash, tax and brand are corporate assets

Governance activities

Regulations, policies, procedures



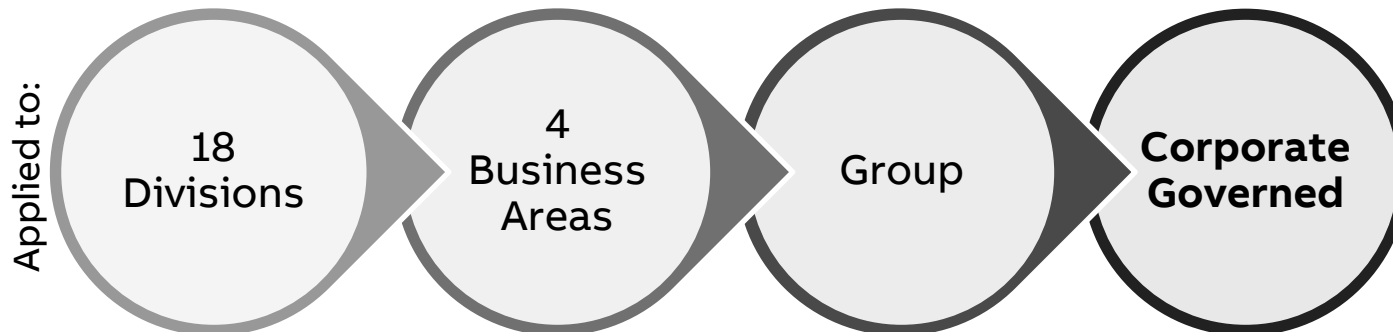
1. Corporate and Other operational EBITA including intersegment eliminations, stranded corporate costs and non-core business activities (including charges) as reported in FY18; 2. FY20 guidance for Corporate and Other operational EBITA, as provided at Q1 2020 results; 3. Group-wide Corporate functional headcount (pre-allocations)

More rigorous performance management tool

Driving transparency, accountability, speed

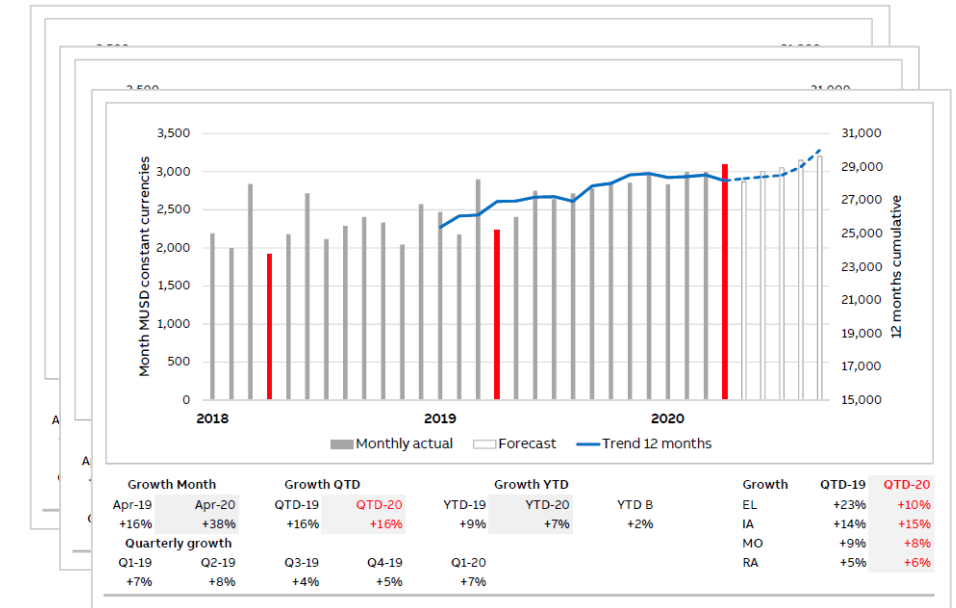
New scorecard system

- Introduction of standardized performance scorecards, operational from Q3 2020 onwards
- Fully transparent and comparable time series of KPIs, driving accountability and performance
- Budgets replaced by 5Q rolling forecasts
- Systematic follow-up
- Differentiated incentive plans based on Division financial performance



Performance scorecard KPIs

Orders, revenues, gross margin, Op. EBITA, NWC, capex, ROCE, workforce, etc.

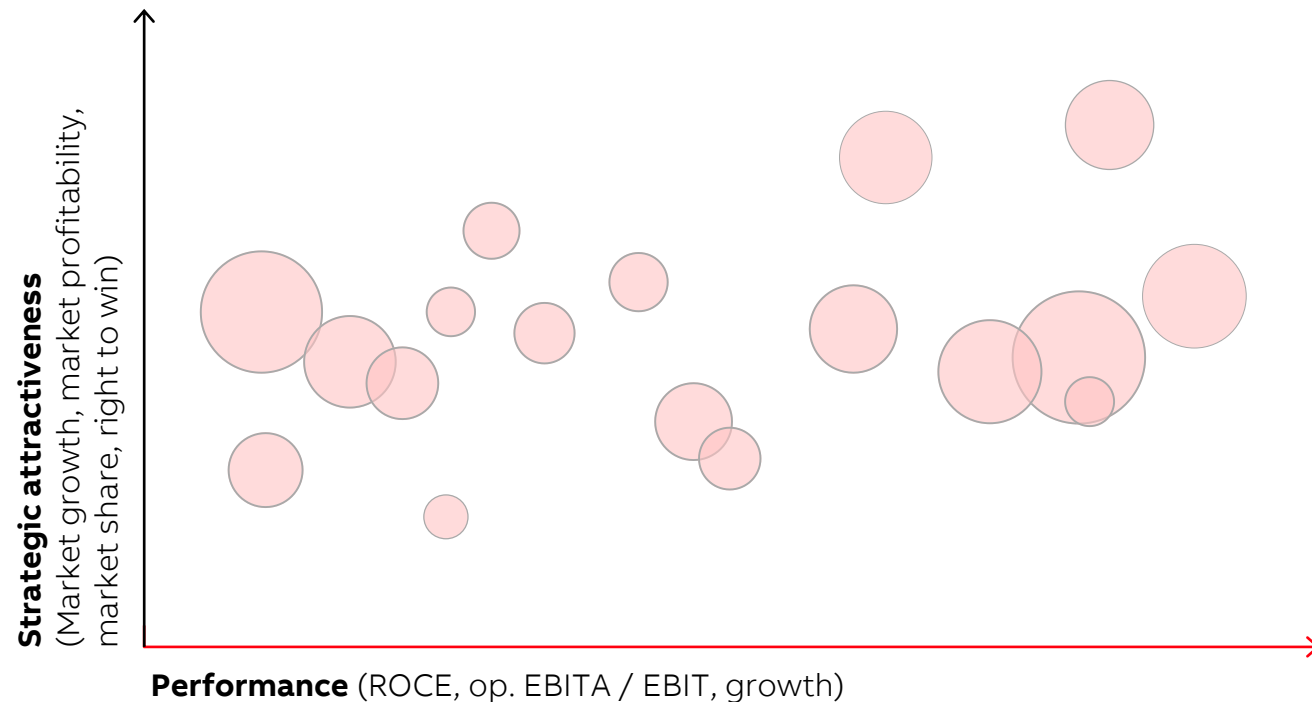


ILLUSTRATIVE

Continuous, systematic portfolio management process

How we do it

Divisional level evaluation



Question marks

Underperformance or bad market?



Fix or exit?

Gaps?



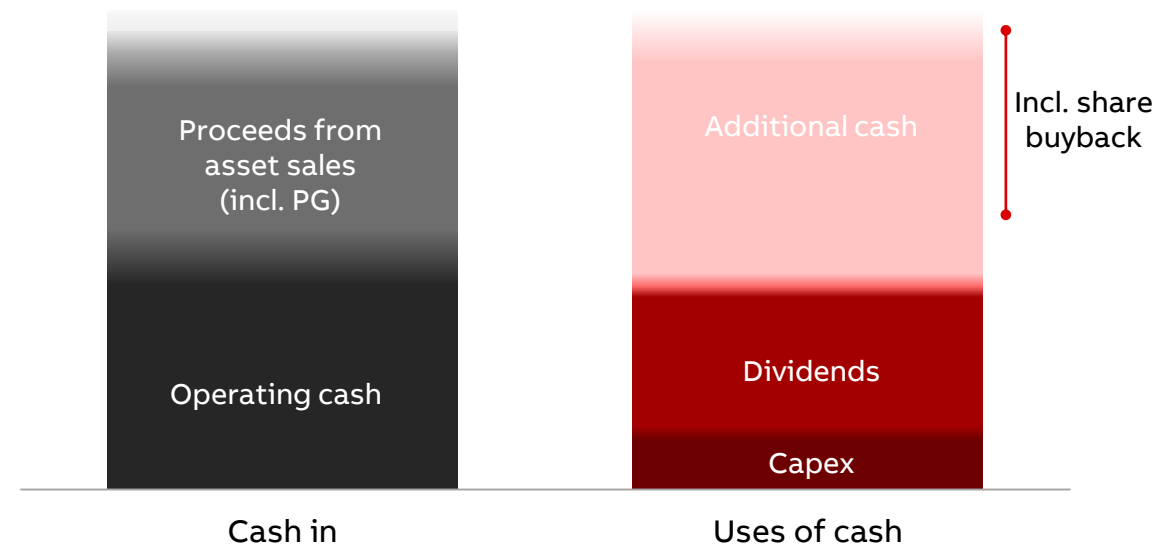
Selective bolt-on M&A?

Sustained capital allocation priorities

Cash is a corporate asset

Balancing sources and uses of cash medium-term

2020–22 illustrative



Attractive returns to shareholders

Capital allocation priorities unchanged

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

PG sale to strengthen near-term financial flexibility

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

CEO

Creating superior value

1

**Excellence
in people**

2

**Sustainability in
everything we do**

3

**Commitment to financial
performance**





**GOOD
LEADERSHIP**



**OPEN INTERNAL
JOB MARKET**



**LEARNING
& PERSONAL
DEVELOPMENT**



**CAREER
OPPORTUNITIES**



**DIVERSITY
& INCLUSION**



**HEALTHY
& INSPIRING
WORKPLACES**



EXCELLENCE IN PEOPLE

Embedding **sustainability** in everything we do, every day

Next steps: 2030 targets to be set, short-term actions to form part of performance management



Commitment to financial performance with **margin as priority**

First priorities

- Managing through COVID-19
- Fast transition to decentralized operating model
- Clear profitability focus for underperforming Divisions
- Decide on portfolio evolution and potential exit strategies
- Capital allocation priorities unchanged
- No major acquisitions mid-term
- Increased transparency



Mid-term financial targets

3 - 6% comparable revenue growth, p.a.

13 - 16% operational EBITA margin

15 - 20% ROCE

~100% cash conversion

EPS growth > revenue growth

Long-term **sustainability targets**
in development

Capital Markets Day – November 2020

ABB