DECEMBER 7, 2021
Capital Markets Day 2021
Sustainable transport
Björn Rosengren, CEO
Timo Ihmuotila, CFO
Theodor Swedjemark, Chief Communications & Sustainability Officer
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- 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
- general market conditions, and
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Global leader in resource efficiency by excelling in electrification & automation.
Value creation through core competencies and ABB Purpose

- Decades long domain expertise
- Ability to scale operations and distribution
- Cutting edge technology and innovation

Global No. 1 in
- Electrification
- Automation

Creating success
- Addressing the world’s energy challenges
- Transforming industries
- Embedding sustainability
- Leading with technology
Comprehensive, modular offering creating superior customer value

Digital offering with superior software as a key differentiator

Software & digital services

Software-enabled products & systems

Traditional offering

~$500\textsuperscript{1} mn in orders and growing at a double-digit rate

1. Management estimates
Technology leadership

NeoGear™ LV switchgear
Safest switchgear ever made. 25% footprint reduction, dissipates 20% less heat, 30% operational cost reduction

EC Titanium integrated motor & drive package
World’s most energy efficient integrated motor & drive package

Terra 360
World’s fastest electric charger

ABB IRB 6700 with SafeMove
In partnership with Zume, robotic automation helps replace single-use plastic with sustainable plant-based biodegradable packaging

ACOPOS 6D magnetic levitation
ACOPOS 6D makes it possible to move products with six degrees of freedom, offering up to four times the shuttle density of other systems on the market

ABB Ability™ Genix
Applies the combined power of industrial analytics and artificial intelligence of assets and plants - improving their safety, productivity and sustainability.

ACH580 ultra-low harmonics drives
Ultra-low harmonic drives minimizing disturbances for the grid, optimizing energy efficiency and saving space in buildings

Azipod® propulsion
Azipod® units can rotate 360 degrees, increasing maneuverability and operating efficiency of vessels, while cutting fuel consumption by up to 20% compared to conventional shaft line systems

Total of >$7 bn R&D spend since 2016 excluding PG

Slide 6 | ABB Capital Markets Day 2021
Energy efficiency is no longer an option – it’s a must

45\%^1 of the world’s electricity is used to power electric motors

~300 million\(^1\) motors in the field, most do not meet the latest energy efficiency standards

4 out of 5 motors are not controlled by a drive, hence running at full throttle 24/7

10\%^1 of the world’s electricity consumption could be reduced if the ~300 million currently operating industrial electric motor-driven systems were replaced with optimized high-efficiency equipment

1. Source: Waide and Brunner
ABB powers ferries towards sustainable transport era

Every year 2.1\textsuperscript{1} billion passengers are transported by ferries, excl. China

ABB’s technologies are at the forefront making ferries operating close to shore more efficient and sustainable – improving living conditions by reducing emissions and noise in cities all over the world.

Our technologies will cut carbon emissions by 40% per return trip across the English Channel for P&O Ferries’ two new vessels.

1. Source: Ferry Industry Facts – Interferry
ABB and Zume to accelerate transition from single-use plastics

Agreement to create 100% compostable packaging

ABB robots and software will automate production, enabling scale and speed to make compostable packaging a cost-effective alternative to single-use plastics.
Future-proof position

Well aligned to sustainable global megatrends

**ELECTRIFICATION**

*Energy transition* with electricity demand growing 2x faster than other energy sources, and with electricity grids becoming more complex.

*Energy efficiency* drives >40% of the reduction in energy-related greenhouse gas emissions over the next 20 years.

**AUTOMATION**

Automation supports the *manufacturing transition* to more open and adaptive manufacturing space. Shift to batch size one production.

Strive for more *automation* to manage labor shortages, cost and resource efficiency.

**UN Sustainable Development Goals**

1. IEA, World Energy Outlook report. 2. IEA sustainable development scenario
Increasing growth rates

**1.** Resource efficiency through electrification & automation

**2.** New ways of working
Divisions accountable for growth with decision-making closer to the market

**3.** Accelerating ESG drivers for energy efficiency and automation

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**REVENUE GROWTH, CONSTANT CURRENCY**

- **4% - 7%**
  Growth target, through economic cycle, constant currency

- **3.0%**
  Average reported 5Y\(^1\)
  comparable growth, constant currency

- **3% - 5%**

**COMPARABLE REVENUE GROWTH**

- **3% - 5%**
  Target comparable growth, through economic cycle

- **1.5%**
  Average reported 5Y\(^1\)
  comparable growth

- **2% - 3%**

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1. Weighted average for 2017 – 9M 2021
Cementing performance culture
On route to cemented performance culture

Additional actions to complete decentralized way of working

All divisions to fully align to performance culture of accountability, transparency & speed

Focus area in 2022

Transparency and accountability within all divisions

- x20 divisions
- x4 business areas
- ABB corporate
Good progress towards ≥15% margin target in FY23
some costs still to rebalance from pandemic levels

Op. EBITA margin 13.9%
Q3 2021, LTM

Comparable order growth
Comparable revenue growth

Sales expenses, % of revenues
Travel expenses, % of revenues

High demand level
Part of cost base unsustainably slimmed to pandemic level
Some rebalancing to be expected
The ABB Way – the “glue” that unites our Group
Each division should benefit from being part of the Group

Performance culture
Share best practices
Benchmarking through transparent performance reviews
Smart leaders cooperate
Transition through priorities of stability and profitability before growth

~60% of revenues derived from divisions on a growth mandate

Group margin ambition of ≥15% is the sum of the parts

Divisions evaluated on performance vs:
- long-term value-add
- industry
- peers

- **Stability**
  - Set structure

- **Profitability**
  - Main focus on improving profitability
  - M&A limited to fill gaps

- **Growth**
  - Main focus on growth, organic and M&A including market consolidation
  - Continuous improvements in profitability

In 2020: divisions announced to be exited
Divestment completed 1 November 2021
Sustainability embedded in everything we do

Theodor Swedjemark, Chief Communications & Sustainability Officer
Ambitious 2030 sustainability targets launched at 2020 CMD

We enable a low-carbon society
- **Carbon neutrality** in own operations
- Support our customers in reducing annual CO₂ emissions by >100 Mt
- Supply chain emission reduction

We preserve resources
- 80% of ABB products & solutions covered by circularity approach
- **Zero waste** to landfill
- Supplier Sustainability Framework

We promote social progress
- **Zero harm** to our people and contractors
- Comprehensive D&I framework; 25% women among ABB leaders
- Top-tier employee engagement score in our industry
- Impactful support for community-building initiatives

INTEGRITY AND TRANSPARENCY ACROSS OUR VALUE CHAIN

1. Savings in the year 2030 from solutions provided to customers 2021-30
2. Wherever local conditions allow
3. Diversity & Inclusion framework
Moving from strategy to implementation across our businesses

**Examples**

**Governance**
Embed sustainability in all decisions
Linked to senior management incentives

**Accountability**
Targets being integrated into performance process
Accountability and transparency by division

**Science Based Targets**
Driving ambitious corporate climate action

**Climate Group**
EV100 RE100 EP100

**25%**
Reduction in own CO₂ emissions¹

**15% (↗)**
Women in senior management²

**-12%**
Y-o-y reduction LTIFR³

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1. Emission scopes 1 and 2, compared to 2019
2. As of Q3 2021
3. Lost time injury frequency rate, compared to 2020
Company-wide ambition to drive industry leadership in circularity
By 2030, 80% of ABB products & solutions will be covered by common approach

**WHAT WE ENABLE**
Circular customer solutions

**WHAT WE DO**
ABB circular operations

- Zero waste to landfill (Operations)

Measurability through KPIs by lever and scoring system will drive continuous improvement
Active portfolio management
## Progress in portfolio management

### Mechanical Power Transmission (Dodge, MO)
Divestment completed on 1 Nov

### Turbocharging (PA)
Dual track process
Spin-off or divestment. Final decision based on value-creation.
- Internal separation ongoing
- Timing dependent on market conditions being favorable

**Preliminary timeline**
- Summer 2022
  - Divestment or spin-off

### E-Mobility (EL)
Working towards an IPO
- Internal separation ongoing
- Timing dependent on market conditions being favorable
- Listing venue Switzerland
  - ABB to maintain a majority ownership

**Preliminary timeline**
- During Q1 2022
  - 1H 2022
    - Legal separation
    - Separate listing completed

### Power Conversion (EL)
Plan to divest
- Performance improvement ongoing

**Preliminary timeline**
- 2H 2022
  - Divestment

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### Portfolio focused on electrification & automation

- Improve performance in remaining portfolio to meet margin target

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### End Q3, LTM

<table>
<thead>
<tr>
<th></th>
<th>ABB as reported</th>
<th>ABB excluding MPT and Turbo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders, $bn</td>
<td>30.6</td>
<td>29.2</td>
</tr>
<tr>
<td>Revenues, $bn</td>
<td>28.6</td>
<td>27.2</td>
</tr>
<tr>
<td>Op. EBITA, $bn</td>
<td>4.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Op. EBITA margin</td>
<td>13.9%</td>
<td>13.4%</td>
</tr>
</tbody>
</table>
Cementing performance culture
Timo Ihamuotila, CFO
Systematic operating model
ABB Way

- Zero cost allocations from corporate to the divisions
- Clear roles and responsibilities
- Lean corporate headcount now approximately 800

- Focus on electrification and automation markets
- Same approach throughout the group
- Reviews in divisions part of continuous improvement

- Shaping the Group through focused capital allocation
- Divisions competing for capital
- Growing in the right areas
Long-term shift of Group to more attractive markets
Improving quality of revenues

Quality of revenues equals
1. Better gross margins
2. Less tail risks
3. Lower volatility on earnings

~33%¹
Revenues generated through distributors in 2020, +10%-points since 2016²

~50%¹
Short-cycle business³ increased in 2020, +20%-points since 2016²

Energizing the transformation of society and industry
% share of Group revenues, management estimates

<table>
<thead>
<tr>
<th>Utilities</th>
<th>Industry</th>
<th>T&amp;I</th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>41</td>
<td>50</td>
</tr>
<tr>
<td>15</td>
<td>-17%p</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>41</td>
<td>50</td>
</tr>
<tr>
<td>27</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>35</td>
<td></td>
</tr>
</tbody>
</table>

1. Management estimates. 2. Includes Power Grids in continued operations. 3. Orders (excl. service) converting to revenues within three to six months.
Strong progress towards 2023 ambition

ABB Group
10.7% to 13.9%
+320 bps

<table>
<thead>
<tr>
<th>Division</th>
<th>Change</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL</td>
<td>+290 bps</td>
<td>11.7%</td>
</tr>
<tr>
<td>MO</td>
<td>+80 bps</td>
<td>11.2%</td>
</tr>
<tr>
<td>PA</td>
<td>+170 bps</td>
<td>10.9%</td>
</tr>
<tr>
<td>RA</td>
<td>+150 bps</td>
<td>11.1%</td>
</tr>
<tr>
<td>CO</td>
<td>$280 mn</td>
<td>13.9%</td>
</tr>
</tbody>
</table>

Continuous improvements

• 5 out of 18 divisions with a strategic profitability mandate
• Improving mix as divisions with growth mandate drive profitable growth
• Productivity +3% p.a.\(^1\)
• Strategic pricing actions
• Further operational efficiencies incl. digitalization
• Footprint optimization
• Exit non-core

Driving positive mix through divisional strategic mandates

Divisional\(^1\) revenue growth vs. pre-COVID
Q3 21 LTM vs. 2019

Marine & Ports, heavily impacted by COVID pandemic

Delta
Revenue growth vs. pre-COVID
Q3 21 LTM vs. 2019

“Low Voltage” (Smart Power, Smart Buildings) vs. “Medium Voltage” (Distribution Solutions)

“Drives” (Drive Products, System Drives) vs. “Motors” (IEC Motors, Large Motors and Generators, NEMA Motors)

“Non-Auto” (Electronics, General Industry, Consumer Segment & Service Robotics) vs. “Auto” (Auto OEM, Auto Tier 1)

Combined Op. EBITA margin: ~11%
Q3 21 LTM

Combined Op. EBITA margin: ~17%
Q3 21 LTM

1. Excludes divisions that have been announced to be exited. Robotics division split into Automotive (Auto OEM and Tier 1) and Non-Automotive (Electronics, General Industry, Consumer Segment & Service Robotics). EL: Electrification. MO: Motion. PA: Process Automation. RA: Robotics & Discrete Automation

Slide 27 | ABB Capital Markets Day 2021
Investing for future growth – organic
Funding organic growth at attractive returns

Right-sized investments according to need

9M 2021 as % of revenues, per division¹

Accelerating R&D² in focus areas

E-mobility
~+100%
Digital service offering

Drive Products
~+15%
Connected products, digital customer experience

Robotics
~+50%
Portfolio expansion (e.g., cobots, hygienic robots) and digital

1. Excludes divisions that have been announced to be exited. 2. Management estimates. Operational non-order related R&D expenses on a comparable basis Q3 2021 LTM vs. FY 2019.
## Investing for future growth – inorganic

Divisions accountable to drive acquisition strategy

<table>
<thead>
<tr>
<th></th>
<th>PRODUCT WHITESPACE</th>
<th>NEW SEGMENTS</th>
<th>MARKET ACCESS</th>
<th>ECONOMIES OF SCALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Filling a technology gap</td>
<td>Complement offering for high growth segments</td>
<td>New geographic market opportunities</td>
<td>Market consolidation</td>
</tr>
</tbody>
</table>

**Develop target longlist**
Part of divisional management’s 2021 incentive plans

**Prioritize shortlist and availability check**
Review on a continuous basis

**Acquisition projects**
Clear acquisition criteria

- **ABB Technology Ventures (ATV) new investments in 2021**
  - ASTI Mobile Robotics
  - AFC Energy
  - Sevensense
  - BrainBox AI
  - Go To-U

- **5+ small to mid-size (bolt-on) acquisitions p.a. going forward**
Progress towards a lean corporate transparency

01. Lean corporate

Ongoing corporate costs to ~$300 mn from 2022

Corporate and other Op. EBITA ($ mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Corporate</th>
<th>Non-core</th>
<th>Stranded</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1086</td>
<td>498</td>
<td>418</td>
</tr>
<tr>
<td>2019</td>
<td>788</td>
<td>418</td>
<td>372</td>
</tr>
<tr>
<td>2020</td>
<td>545</td>
<td>372</td>
<td>309</td>
</tr>
<tr>
<td>Q3 2021 LTM</td>
<td>374</td>
<td>~300</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>309</td>
<td>~300</td>
<td></td>
</tr>
</tbody>
</table>

02. Non-core

Systematic non-core ramp down as soon as practicable

- 2 main operational exposures ongoing, below ~$300 mn
- Only 5 projects operational today
- Timing of exits depends on legal proceedings; will be later than original plan for end 2021
- Further non-operational charges possible

03. Separation costs

Progress in portfolio management

- Mechanical Power Transmission: Divestment completed on November 1, 2021
- Turbocharging: Dual track process for spin-off or divestment
- E-mobility: Working towards IPO
- Power Conversion: Plan to divest

Costs relating to the announced exits and the potential E-mobility listing

- 2021E: ~$130 mn
- 2022E: ~$150 mn

1. Assumes current Memorandum of Understandings executed
Dodge and Turbocharging exits have immediate adverse margin impact

### Motion

<table>
<thead>
<tr>
<th></th>
<th>Q3 21 LTM reported</th>
<th>Dodge impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>7,325</td>
<td>~660</td>
</tr>
<tr>
<td>Revenues</td>
<td>6,895</td>
<td>~630</td>
</tr>
<tr>
<td>Op. EBITA %</td>
<td>17.2%</td>
<td>~60 bps</td>
</tr>
</tbody>
</table>

### Process Automation

<table>
<thead>
<tr>
<th></th>
<th>Q3 21 LTM reported</th>
<th>Turbocharging impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>6,799</td>
<td>~780</td>
</tr>
<tr>
<td>Revenues</td>
<td>5,999</td>
<td>~740</td>
</tr>
<tr>
<td>Op. EBITA %</td>
<td>11.0%</td>
<td>~180 bps</td>
</tr>
</tbody>
</table>

Combined adverse Operational EBITA margin impact of ~50 bps for ABB Group

Ambition for Op. EBITA margin of ≥15% in 2023
Improved cash generation
Cash flow from operating activities, continuing operations

Historic development in cash flow from operating activities

- Cash flow from operating activities, continuing operations
- Transformation impacts (e.g., restructuring, GEIS integration, separation costs 2021E)
- Kusile
- Pension impacts
- 2021: 9M
- 2020: 9M, Q4
- 2019: 9M, Q4
- 2018: 9M, Q4

1. Excludes cash flow from operating activities in discontinued operations.

Improved profitability from businesses with PROFITABILITY mandate
Profitable growth from businesses with GROWTH mandate
Strong focus on cash conversion
Fewer non-recurring items
Steady capex

Expect continued FCF improvement through to 2023
**Capital allocation**

Priorities reiterated

01. Fund organic growth, R&D, capex at attractive returns

02. Rising sustainable dividend per share over time

03. Value-creating acquisitions

04. Returning additional cash to shareholders

**But weights expected to change**

<table>
<thead>
<tr>
<th>Cash in¹</th>
<th>Uses of cash</th>
<th>Historic weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021 – 2023 illustrative</td>
<td>2016 – 2020</td>
<td></td>
</tr>
<tr>
<td>20% Buybacks</td>
<td>23% Acquisitions</td>
<td></td>
</tr>
<tr>
<td>40% Dividends</td>
<td>17% Capex</td>
<td></td>
</tr>
<tr>
<td>Remaining Power Grids proceeds</td>
<td>Remaining Power Grids buyback</td>
<td></td>
</tr>
<tr>
<td>Dodge net cash proceeds</td>
<td>Additional cash for acquisitions and potential buybacks</td>
<td></td>
</tr>
<tr>
<td>Operating cash</td>
<td>Dividends</td>
<td></td>
</tr>
<tr>
<td>Capex</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional financial flexibility from changing long-term target credit rating from single A to strong investment grade

¹. Does not include potential additional cash inflows from announced exits of Turbocharging and Power Conversion divisions, potential listing of E-mobility and potential exercise of pre-defined option to exit the retained 19.9 percent shareholding in Hitachi Energy three years after closing of the Power Grids divestment.
Financial target framework

- **Revenue growth**: 4-7% (from 3-5%), annual average through economic cycle\(^1\)
  - 3-5% comparable, 1-2% inorganic
    - (from ~2/3 comparable, ~1/3 inorganic)

- **Operational EBITA margin**: \(\geq 15\%\)
  - as from 2023
    - (from upper half of 13-16% range, target ranges removed)

- **ROCE**: 15-20%
  - steady improvement

- **FCF conversion to net income**: \(~100\%\)
  - maintain solid track record

- **Basic EPS growth**: > revenue growth
  - effective tax rate
    - \(~25\%\) as from 2023
  - EPS rising strongly due to capital structure optimization program

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1. Calculated to exclude FX impacts and transformational acquisition and divestments, includes bolt-on acquisitions and divestments within divisions
2022 in focus
2022 in focus

we anticipate a positive market momentum in 2022
manage interruptions in supply chain
continuous improvements
strong focus on performance culture

Cement performance culture
• All divisions to take ownership of performance
  – Accountability, transparency & speed
  – Transparent reviews
  – Exposure to EC & Board
• Good leaders cooperate

Focus on growth
• Focused R&D spend driven by divisions
• Efficient growth through increasing channel sales
• Building M&A pipeline
• Grow software and embedded digital sales

Improve profitability
• Improve underperforming divisions
• Focus on quality of revenues
  – Better gross margin
  – Less tail risks
  – Reduced earnings volatility
• Continuous improvements

Portfolio management
• Progress with already announced exits and IPO
• Inside divisions: review of product group portfolio
• Work towards increased pace of acquisitions
• Increased headroom in credit rating support acquisitions

Reward shareholders
• Value creation through improved performance
• Create value by adding know-how/exposure through acquisitions
• Rising sustainable dividend per share over time
• Ongoing share buyback program

Slide 36 | ABB Capital Markets Day 2021
Deep dive: Sustainable transport
People & Goods
Electricity, Hybrid & Hydrogen
Leading through technology

EMERGING
- alternative fuels
- eMine charging
- EV charging
- eCar manufacturing
- battery factories
- electric ships
- eBus
- shore-to-ship

COMMERCIAL TAKE-OFF
- hybrid ships

MATURE
- rail
- skilifts
- various levels of commercial maturity

S-curve visual is illustrative
Sustainable transport is part of our business

Orders of ~$3.2 bn USD, ~10% of ABB order intake
Outgrowing a strong market
All business areas contribute

Sustainable drivers

01 Regulation
- Decarbonization and greenhouse gas reductions in industries
- Incentivize EV adoption

02 Technology
- Increased energy efficiency
- Fast charging
- Battery investments and maturity
- New fuels – hydrogen, fuel cells

03 Changing consumer patterns
- Increasing EV penetration
- Preference for sustainable offerings
- Emission regulations
- New mobility patterns - shared and autonomous

Sustainable transport market anticipated to grow at a double-digit rate, mid-term

We expect to continue to outgrow the market