



TARAK MEHTA, PRESIDENT | BERND KRAINICK, CFO

Investor Day 2022

ABB Motion



MAY 17, 2022

ABB Motion Capital Markets Day

Helsinki, Finland

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”, “ambition” 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 or anticipated transactions.

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
- General market conditions, and
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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. Reconciliations can be found on our website under “Motion Capital Markets Day 2022”.

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Meet the Motion Team

Our global team with deep domain expertise

Business Area



Tarak Mehta
President, Motion
Business Area

Divisions and markets



Edgar Keller
Division President,
Traction



Chris Poynter
Division President,
System Drives



Jesse Henson
Division President,
NEMA Motors



Adrian Guggisberg
Division President,
Motion Services



Heikki Vepsalainen
Division President,
Large Motors and
Generators



Stefan Floeck
Division President,
IEC LV Motors



Tuomo Höysniemi
Division President,
Local Business
Area Manager USA,
Drive Products



Luping Qi
Local Business
Area Manager
China

Functions



Bernd Krainick
CFO



Erich Labuda
Strategy, BD &
Marketing



Panu Virolainen
CTO



Cherry Sheng
HR



Thomas Hogfors
Legal



Sebastian Linko
Communications

Motion drives sustainable shareholder value creation

**Global #1
in an attractive market**



**Key enabler
of a low carbon future**



**Strong profitability
and value creation**



The world is going electric



Electric motion plays a significant role



Carbon reduction



Energy efficiency



Digitalization



Energy efficiency is a must

~23% of the world's electric motors are controlled by drives

Demand for electric motion to double by 2040¹

1. Additional electricity consumption by electric motors till 2040

Source: WEO IEA 2018, "Future is electric", including industrial applications, room cooling and electric cars, IEA China electricity consumption 2016

Our physical world depends on motors and drives

We are the #1 in a ~\$55 bn market



45%
of the world's
electricity is
converted into
Motion by
electric motors

Customers and society demand decisive action!



Customers

97% invest into energy efficiency¹

52% plan to achieve Net Zero **within 5 years**¹



Regulatory and Standards

EU² 55% initiative
Ecodesign³ minimum efficiency

89% of our customers¹ expect to **invest more** in **energy efficiency** over the next 5 years



Service & Digital

Connected solutions help customers reduce emissions and cost

Energy efficiency is win-win for our customers

1. Based on a customer survey amongst 2294 industrial decision makers with a turnover of more than \$100m a year / or more than 500 employees, conducted by Sapio research
2. Europa.eu Revising the Energy Efficiency Directive: fit for 55 package
3. Directive 2009/125/EC and Regulation (EU) 2017/1369

Our divisions deliver the most comprehensive product offering in its industry

Unique scaling from lowest to highest **power**

Differentiated by application specific **software**

Perfect match of motors and drives



From millions of standard units to few engineered-to-order

From <1kW to 10,000's of kW

A perfect match: SynRM motor and drives packages

An IE5 motor drive package costs only 2000€ more than IE3

IE5 vs **IE3**

package

~13,500 €

package

~11,500 €



-2,200 €

Cost savings in electricity consumption / year



CO₂

7,651 kg (Germany)

CO₂ savings / year



11 Months

ROI



Calculation based on a 110kW motor application, 8760h running time at 75% power, energy cost assumed 0,1€/kWh, IE3 package assumed at 11,500€ vs IE5 package at 13,500€

Motion – #1 in motors and drives

7 Focused divisions

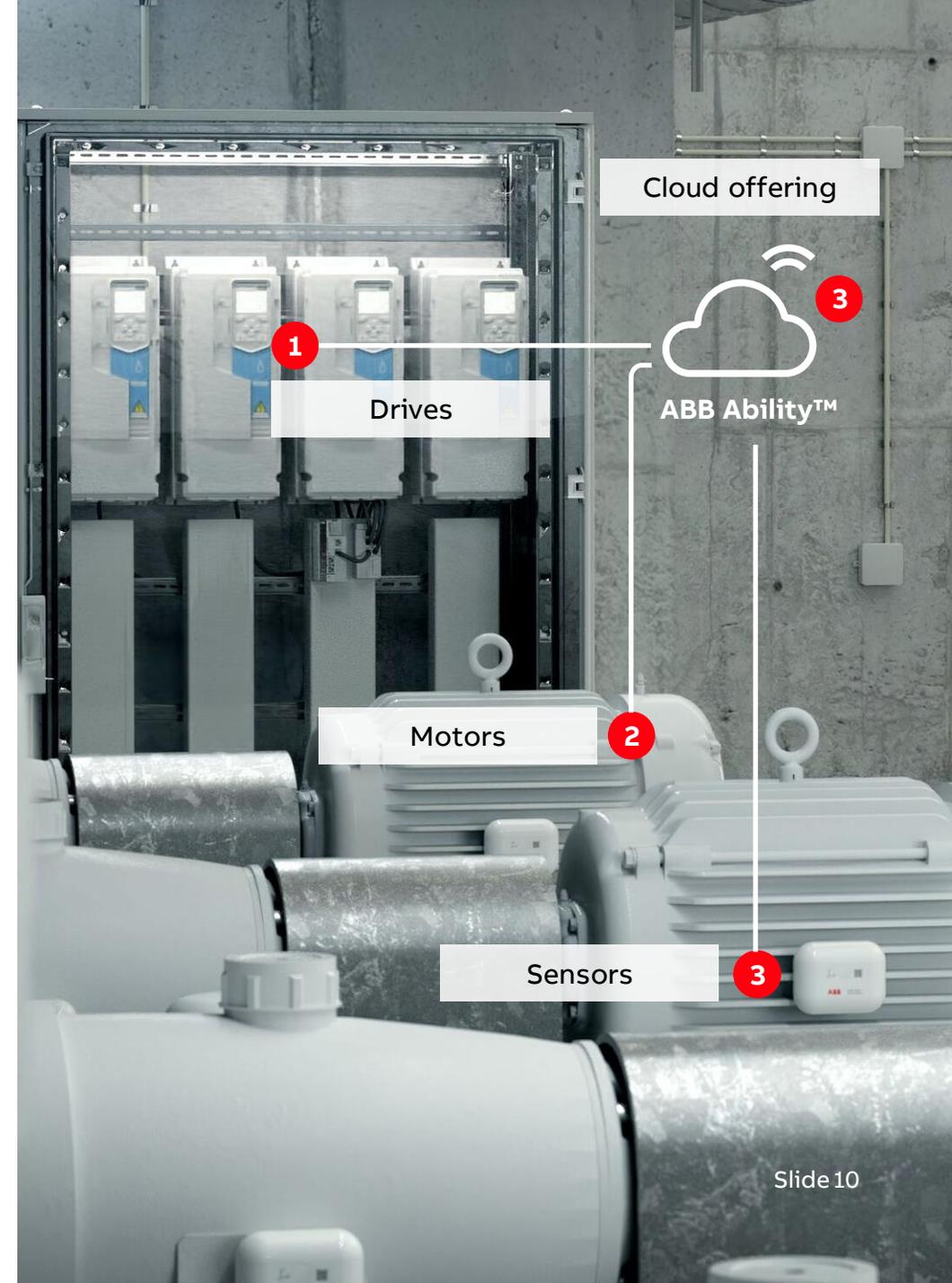
~20 k Employees worldwide

~\$55 bn 2021 market size

\$6.4 bn 2021 revenues

16.6% 2021 Op. EBITA

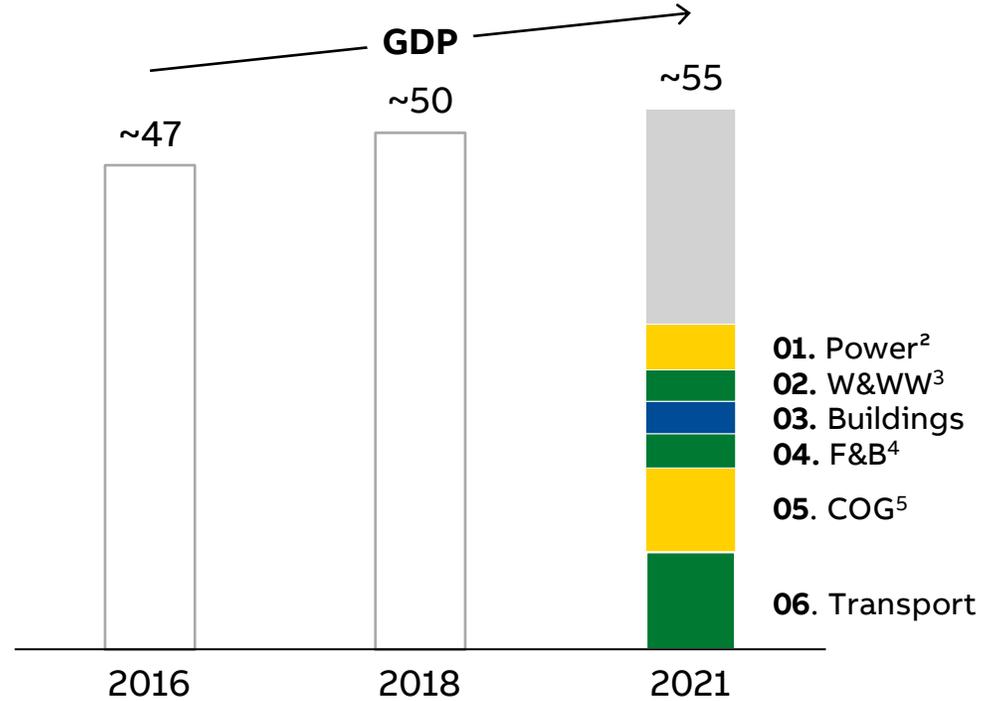
Note: All numbers as of FY 2021 excluding Motion's Power Transmission business (Dodge)



We will continue to outperform our markets by 1.5x

Attractive and diversified market

Market size in \$bn¹, % growth rate

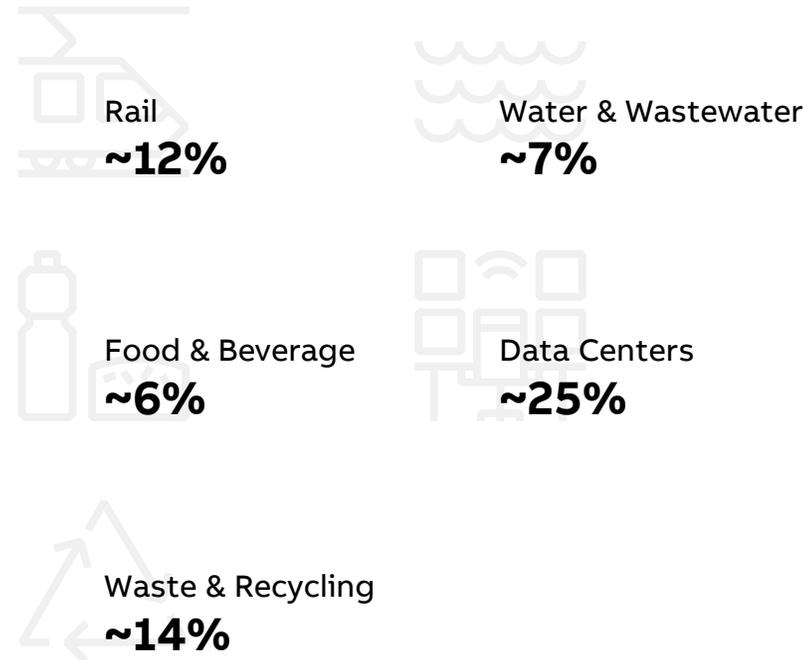


■ Below GDP
 ■ GDP
 ■ Above GDP

- 1. Excludes MPT market (~\$16bn)
- 2. Conventional Power
- 3. Water & Wastewater
- 4. Food & Beverage
- 5. Chemical, Oil & Gas

We have outperformed our markets by ~1.5x via our granular market approach

Motion revenues CAGR 2018-2021 in selected market segments

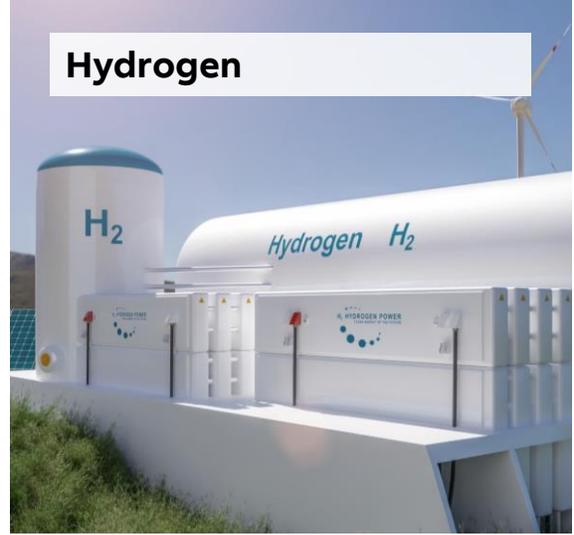




↓ **CO₂**
~100mt¹
saved by our installed
base of motors and
drives already today

Today

1. ABB internal calculations



Hydrogen



Transport electrification



Food processing



Heavy electric vehicles



District heating



Buildings HVAC

Future | Future segments of growth

Industry leading R&D scaled to constantly add and improve our segment specific offering

The most efficient integrated motor-drive package for industry



EC Titanium for fan and pump applications

Setting the benchmark in efficiency and reliability



ACQ580 ultra low harmonic drive for Water and Wastewater

Revolutionizing traction propulsion by adding Energy Storage Systems

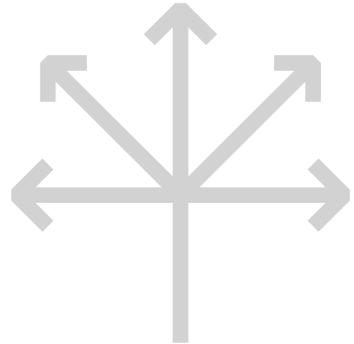


BORDLINE® Energy Storage Systems for Transport

The Motion way of value creation

Direction

Our divisions are fully empowered to drive performance along their strategic mandate



Investment

We decide where to invest in R&D and Capex to optimize our portfolio for growth and profit



People

We develop capability, competency and digital skills for the future

Our diverse team is the foundation of our success





Direction – Clear mandates for every division



Drive Products

Comprehensive product portfolio of low voltage AC drives



System Drives

Low and medium voltage AC drives and module system, wind converters



NEMA Motors

Comprehensive product portfolio of low voltage electric motors



Traction

System solutions along converters, motors and battery energy storage

Strategic mandate

Profitable growth

Profitable growth

Profitable growth

Profitable growth

Market position

Global #1

Global #1

Global #1

Global #2

Priorities

Machinery OEM growth
Digital user experience

Green economy business
Integrator Development

Integrated motor drives
eCommerce

Grow rail and retrofit
Develop e-Mobility & ESS

R&D investment

+

+

=

++

Capital intensity

Stay low

Stay low

Remains stable

Stay low

M&A

Yes

Yes

Yes

Yes



Direction – Clear mandates for every division



IEC LV Motors

Comprehensive portfolio of low voltage motors for all industries & applications



Large Motors & Generators

Comprehensive product portfolio of large AC motors and generators



Service

Base services and spare parts, upgrades & smart solutions

Strategic mandate

Improve profit

Improve profit

Profitable growth

Market position

Global #2

Global #2

Global #1

Priorities

Simplify portfolio
Mix

Simplify portfolio
Factory utilization

Recurring revenue models
Partnered solutions

R&D investment

=

-

++

Capital intensity

Remains stable

To be reduced

Stay low

M&A

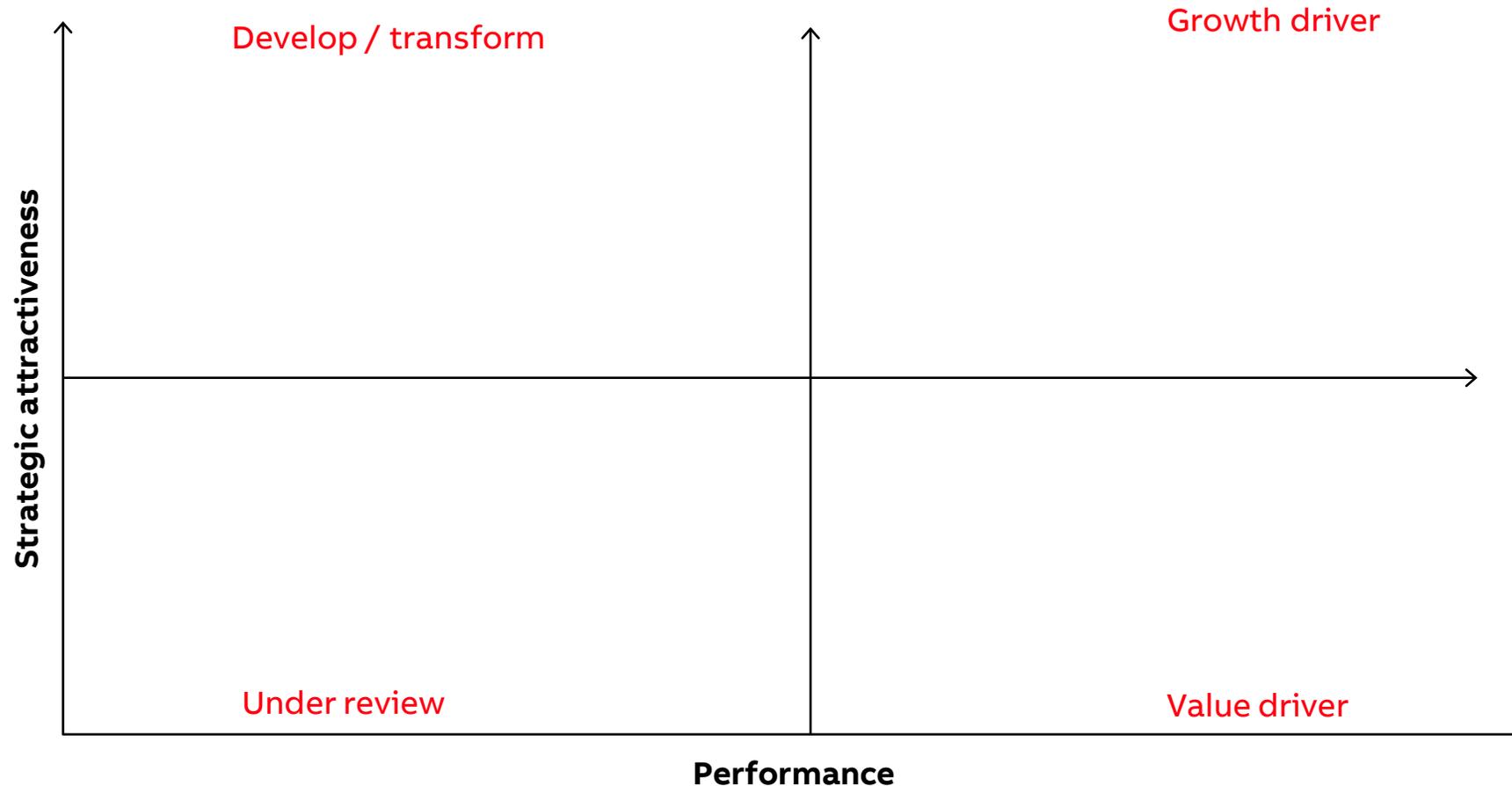
No

No

Yes



Investment – Systematic portfolio management



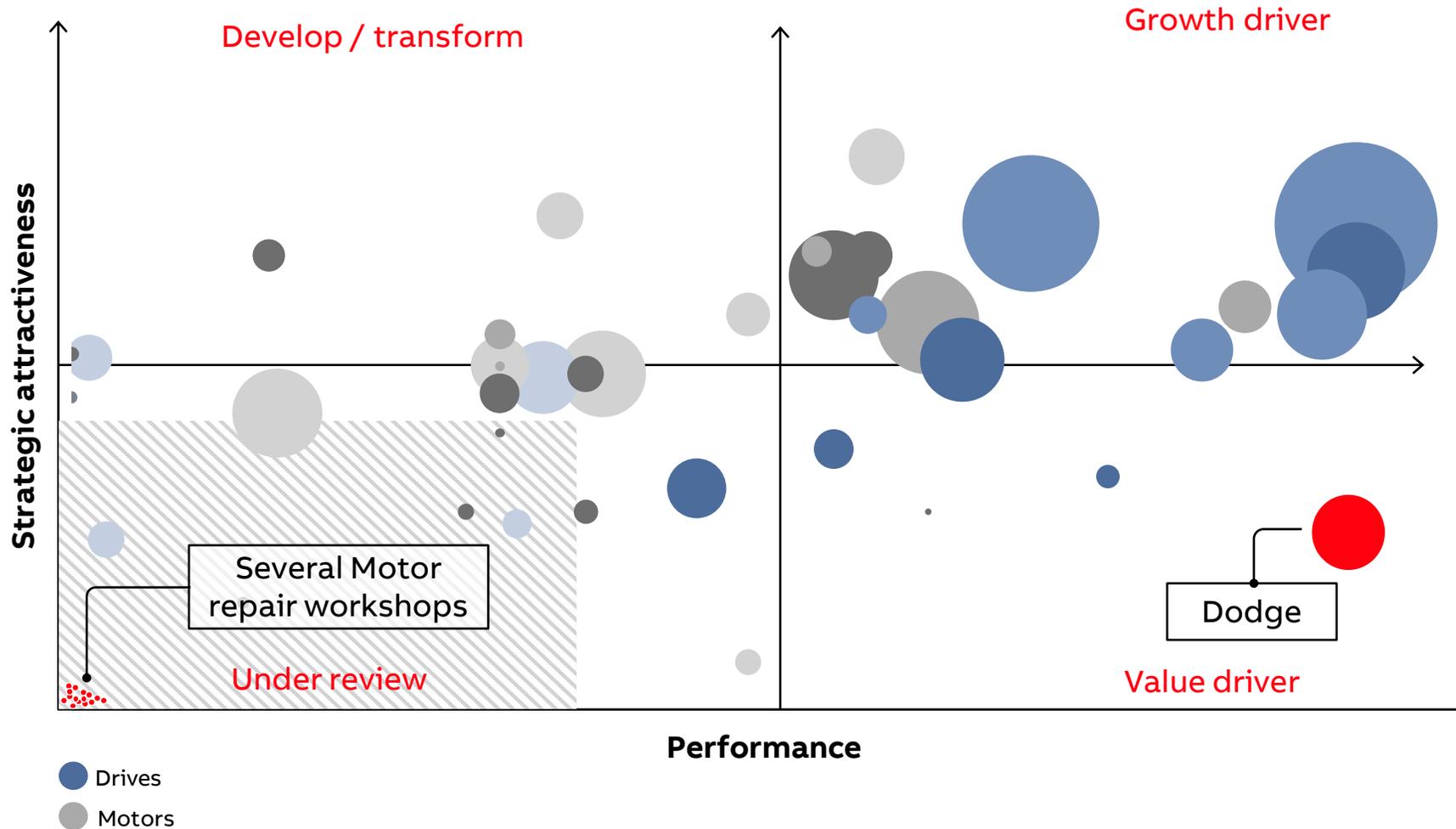
Granular assessment down to the product line level for

- Performance
- Future value creation
- Fit



Similar thinking for inorganic opportunities

Investment – Systematic portfolio management



Granular assessment down to the product line level for

- Performance
- Future value creation
- Fit



Similar thinking for inorganic opportunities

People are the backbone of our success

We are the #1 experts in Motion



3,500+ ABB Motion experts helping customers every day
~400 digital champions drive already today the growth of the future

Always close to our local customers



1,000+ own sales people
6,000+ channel partners

We shift gears for the digital future

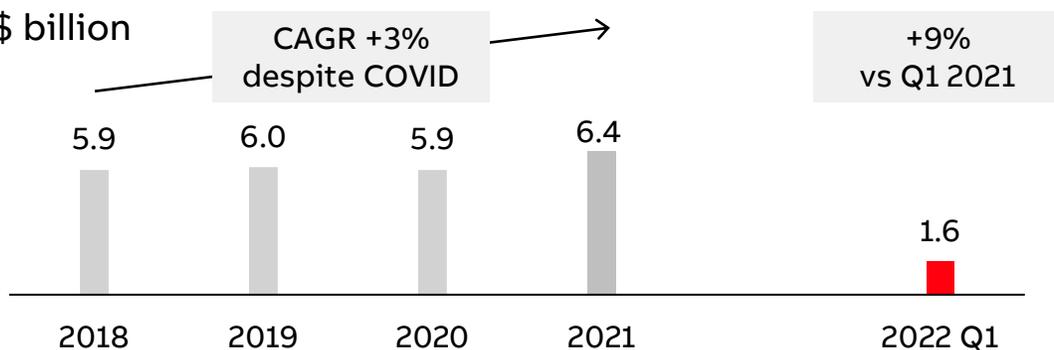


1,200 R&D experts
300 of them work in software development

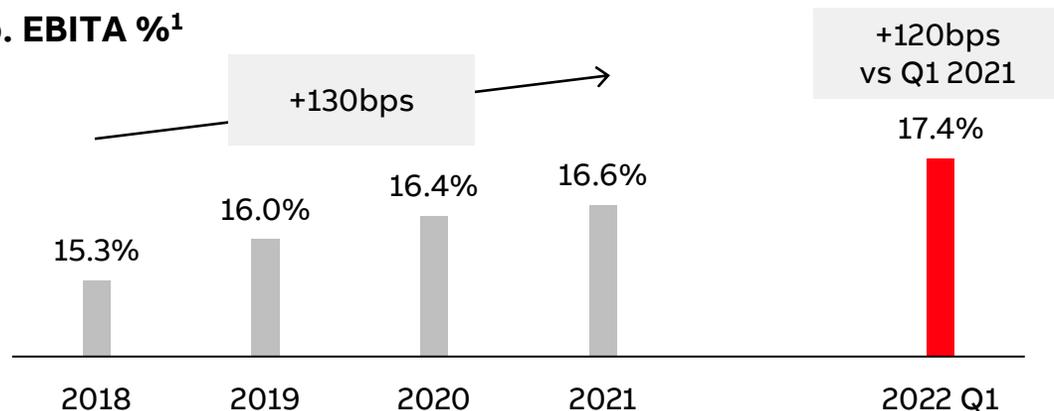
Value creation through the cycle

Revenues¹

In \$ billion



Op. EBITA %¹



going forward...

Growth to be our main driver for value creation

- Continuous growth in focus segments, strong need for decarbonization and energy efficiency
- Investments in high value and high growth markets
- Portfolio management and focus on bolt on acquisitions

Productivity and cost consciousness are the foundation of our profitability journey

- Productivity in operations and sales, combined with the right pricing approach will offset commodities and inflation
- Cost and investment consciousness based on our division specific mandates

1. All numbers excluding MOPT (Dodge) business

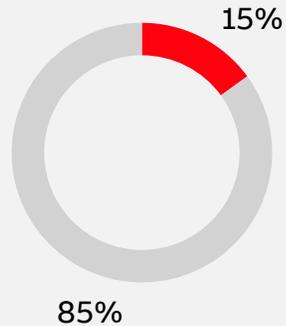
Examples of profitable growth...

...in attractive markets

Selected example based on **Drives Products** division

Global #1 in an attractive market¹

AC Drives market in \$bn



We target to increase share to 16%+ through segment focus

1. AC Drives Market <200kW, source based on ARC 2021

However, still many opportunities to grow

Selected global growth opportunities



Food & Beverage
#3

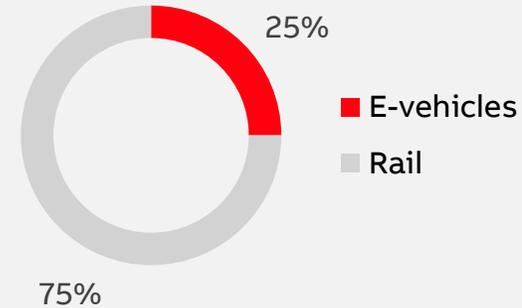


Machinery OEMs
#7

...in eMobility: from rail to wheels

Selected example based on **Traction** division

Midterm business share ambition



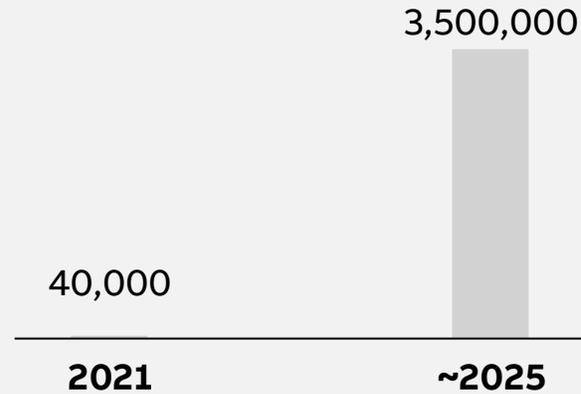
Our ambition to increase e-vehicles share to 25% of total traction division business

Growth investments into high value add businesses

By complementing our portfolio with outcome-based business models

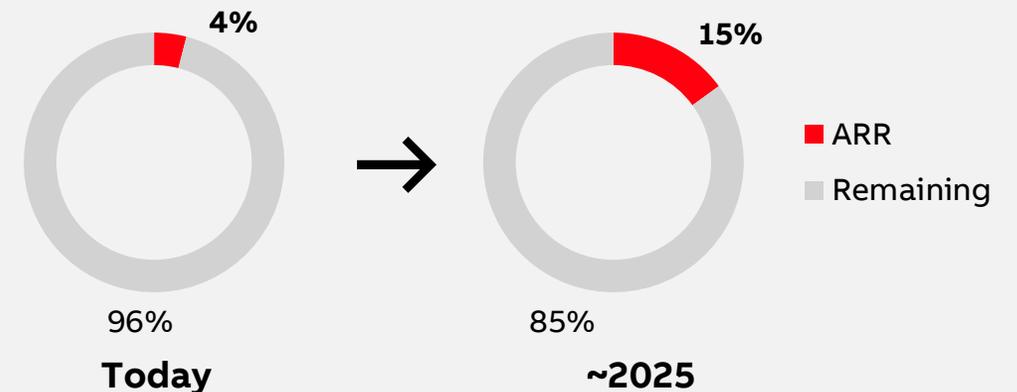
Selected example based on **Service** division

connected devices



We will grow our ARR¹ in Service business significantly

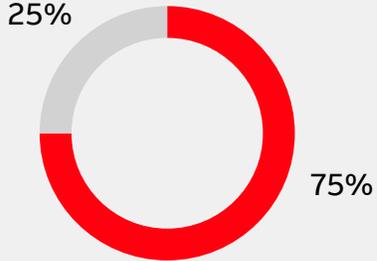
Share of ARR as a total of Service division



Enabling recurring revenue and other forms of subscription models

We drive profit up while investing our future

Improving our gross margins...

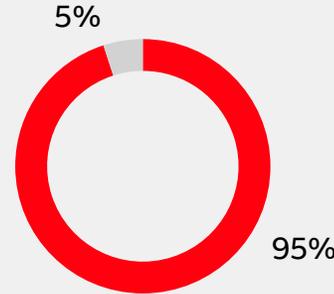


■ Growth mandate ■ Profit mandate

Additional gross profit

Portfolio management
Productivity
Pricing power

...increasing our R&D \$ investments...



■ Growth mandate ■ Profit mandate

Additional R&D investment allocation

Software enabled drives and motors
Battery storage solutions
Common platform developments

...whilst keeping our costs under control



50%

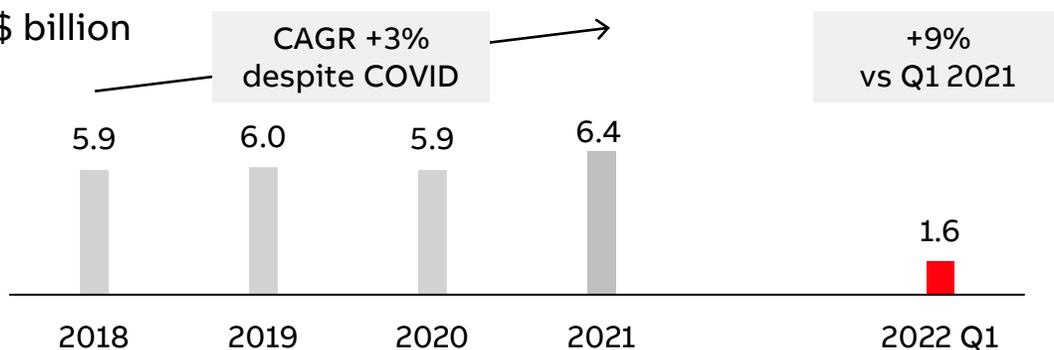
% of SG&A growth vs. % Revenue growth

Strict cost measures & target setting
Digital sales
Channel partner approach

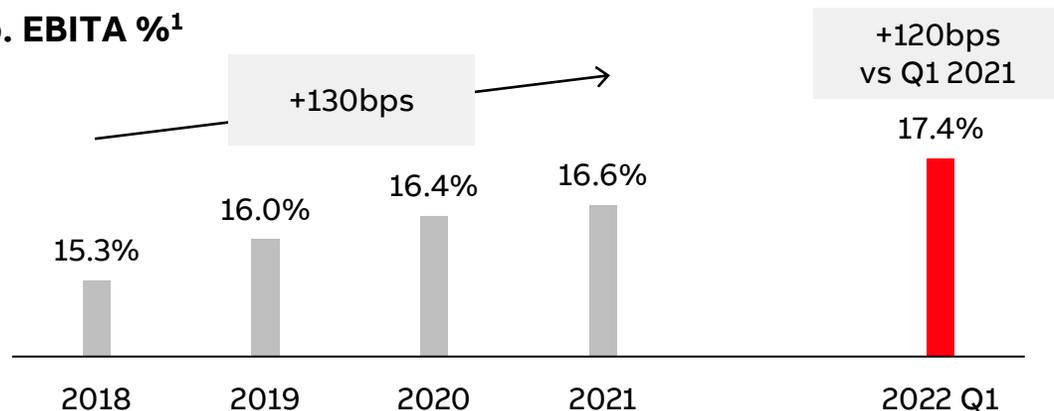
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Motion drives sustainable shareholder value creation

**Global #1
in an attractive market**



**Key enabler
of a low carbon future**



**Strong profitability
and value creation**



ABB