CEO: First perspectives
Björn Rosengren, CEO, Timo Ihamuotila, CFO
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

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>14:00</td>
<td>Presentation – CEO, CFO</td>
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<tr>
<td></td>
<td>First perspectives</td>
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<tr>
<td>14:45</td>
<td>Fireside chat – CEO, CFO</td>
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<tr>
<td>15:15</td>
<td>Q&amp;A</td>
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<tr>
<td>15:45</td>
<td>Event ends</td>
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</tbody>
</table>
### Immediate priorities
- #1, Health & Safety
- Challenging quarters ahead
- Mitigation efforts intensified
- PG sale targeted to close end Q2, 2020

### ABB today
- Good foundation to build on
- Financial performance has lagged

### 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)

- **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

Source: IHS Markit, to end May 2020
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
ABB has a good foundation to build on...

Electrification of transport
• Increased sustainable productivity
• Automated manufacturing
• Digital solutions and services
• Smart factories
...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**

<table>
<thead>
<tr>
<th>Financial performance (op. EBITA, ROCE, growth, productivity)</th>
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<tbody>
<tr>
<td>Portfolio management</td>
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<tr>
<td>Market leadership</td>
</tr>
<tr>
<td>Technology &amp; digital</td>
</tr>
<tr>
<td>Sustainability</td>
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</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Divisions</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>PG</td>
<td>IA</td>
</tr>
<tr>
<td>EP</td>
<td>RM</td>
</tr>
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</table>

Elimination of matrix

<table>
<thead>
<tr>
<th>Regions</th>
<th>Group functions</th>
</tr>
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<tbody>
<tr>
<td>Region</td>
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</table>

ABB’s current operating model

<table>
<thead>
<tr>
<th>Customers</th>
</tr>
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<tbody>
<tr>
<td>EL</td>
</tr>
<tr>
<td>IA</td>
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<tr>
<td>MO</td>
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<td>RA</td>
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Decentralized operating model

<table>
<thead>
<tr>
<th>Customers</th>
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<tbody>
<tr>
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<td>IA</td>
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<td>MO</td>
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<td>RA</td>
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</tbody>
</table>

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**

- 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

Op. EBITA Margin (%)

Op. EBITA ($ mn)

13 – 16% Group mid-term target corridor

Size of bubble indicates $ mn revenues
Strong performance management via scorecard system
The key in a decentralized business model

Decentralized business model

- **Divisions**
  - Highest operational level
  - Full accountability for strategy, resources, and performance

Scorecard system

- Improved performance reviews and contingency planning
- KPIs including: orders, revenues, gross margin, Op. EBITA, NWC, capex, ROCE, workforce

Accountability, transparency, speed

ILLUSTRATIVE
Divisions to follow trajectory of stability and profitability before growth

- **Stability**: Fix the structure
- **Profitability**: Improve margin/return
- **Growth**: Higher margin/return

**When stable and profitable → focus on growth**

**Organic**
- Innovation through customer collaboration
- Focused investment in R&D, sales, service
- Continuous improvement
- Go-to-market

**Acquired**
- Selective portfolio bolt-ons
- Add capabilities, know-how
- Increase speed
Continuous improvement
Standardized KPIs for all Divisions

<table>
<thead>
<tr>
<th>Productivity</th>
<th>Net working capital</th>
<th>Capex</th>
</tr>
</thead>
<tbody>
<tr>
<td>(sales/FTE)</td>
<td>(% revs.)</td>
<td>(% revs.)</td>
</tr>
<tr>
<td>15</td>
<td>-40%</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>-30%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>-20%</td>
<td>2%</td>
</tr>
<tr>
<td>0</td>
<td>-10%</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>0%</td>
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</tr>
<tr>
<td>15</td>
<td>10%</td>
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<td>20</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>40%</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>ABB Ability™ platform</th>
<th>Business Areas and Divisions</th>
<th>Key technology partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standards</td>
<td>Domain, process expertise</td>
<td>Including joint go-to-market approach, e.g.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Microsoft Partner</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gold Application Development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gold Cloud Platform</td>
</tr>
<tr>
<td>Software enhancements</td>
<td>Software</td>
<td>Hewlett Packard Enterprise</td>
</tr>
<tr>
<td>e.g. cyber-security</td>
<td>e.g. ABB Ability™ apps, AI,</td>
<td></td>
</tr>
<tr>
<td>UI/UX design</td>
<td>digital twins</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Smart hardware</td>
<td></td>
</tr>
</tbody>
</table>

$1.3 \text{ bn R&D and digital spend (4.7% revenues)}^1, \sim 7 \text{ k dedicated employees}$

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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 $1.2 \text{ bn non-order related R&D spend}$

Slide 19
Active portfolio management

Is ABB the best owner?

**STRATEGIC ATTRACTIONS**
- How attractive is this Division on its own?

**VALUE CREATION POTENTIAL**
- What is the value of this Division?
- What is its full value creation potential to ABB?

**FIT WITHIN ABB**
- What is the fit of this Division within ABB?
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

<table>
<thead>
<tr>
<th>From: ABB-OS</th>
<th>To: ABB Way</th>
</tr>
</thead>
<tbody>
<tr>
<td>- ABB-OS simplification program ~$500 mn p.a. net savings, full run-rate benefit during 2021</td>
<td>- On track for faster delivery of ~$500 mn p.a. net savings</td>
</tr>
<tr>
<td>- Corporate and Other cost run-rate ~$300 mn mid-term</td>
<td>- ~$300 mn Corporate and Other cost run-rate during 2021</td>
</tr>
<tr>
<td>- Annual budgets replaced by 5Q rolling forecasts</td>
<td>- No cost allocations to Business Areas and Divisions from 2021 onwards</td>
</tr>
<tr>
<td>- Common Business level KPIs</td>
<td>- Division level scorecard system. Comparable time series of standardized KPI’s driving continuous improvement</td>
</tr>
<tr>
<td>- Identified review / transform category of ~$3 bn revenues</td>
<td>- Systematic portfolio evaluation at Division level</td>
</tr>
<tr>
<td></td>
<td>- Corporate defined systematic portfolio management process</td>
</tr>
</tbody>
</table>
## Accelerating toward a lean corporate

<table>
<thead>
<tr>
<th>Pre ABB-OS</th>
<th>ABB-OS</th>
<th>ABB Way</th>
<th>Role of corporate reducing</th>
</tr>
</thead>
</table>
| ~$1,100 mn\(^1\) Corporate and Other operational EBITA | ~$550 mn\(^2\) Of which: ~$300 mn stranded costs \(~$40 mn stranded costs, gross\) | ~$300 mn run-rate during 2021, no allocations | Full services provision for Group  
Country leadership |
| ~$18k\(^3\) employees | ~1.3k\(^3\) | <1k\(^3\) | Global Business Services  
Corporate led R&D, ABB Ability™ platform  
Stranded, non-core business wind-down |

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.
Continuous, systematic portfolio management process

How we do it

Divisional level evaluation

Strategic attractiveness (Market, growth, profitability, market share, right to win)

Performance (ROCE, op. EBITA / EBIT, growth)

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

<table>
<thead>
<tr>
<th>Sources</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from asset sales (incl. PG)</td>
<td>Incl. share buyback</td>
</tr>
<tr>
<td>Operating cash</td>
<td>Dividends</td>
</tr>
<tr>
<td>Additional cash</td>
<td>Capex</td>
</tr>
</tbody>
</table>

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