



February 13, 2014

# ABB FY and Q4 Presentation

## Driving solid results in challenging times

# 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” or similar expressions.

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- raw materials availability and prices
- market acceptance of new products and services
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- 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.

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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 “Supplemental Financial Information” under “Reports and Presentations” – “Quarterly Financial Releases” on our website at [www.abb.com/investorrelations](http://www.abb.com/investorrelations)

# Welcome on behalf of the ABB Executive Committee



Ulrich Spiesshofer  
CEO



Bernhard Jucker  
Power  
Products



Claudio Facchin  
Power  
Systems



Pekka Tiitinen  
Discrete Automation  
and Motion



Tarak Mehta  
Low Voltage  
Products



Veli-Matti Reinikkala  
Process  
Automation



Eric Elzvik  
CFO



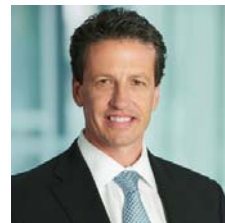
Jean-Christophe  
Deslarzes  
Human  
Resources



Diane  
de Saint Victor  
General Counsel



Frank Duggan  
Global Markets



Greg Scheu  
Business Integration  
and North America

# Agenda: Investor and Analyst meeting

Content	Speaker
FY and Q4 results presentation	Ulrich Spiesshofer, Eric Elzvik
Outlook and targets	Ulrich Spiesshofer
Focus areas	
Focus areas in action: profitable growth in Low Voltage Products	Tarak Mehta
Focus areas in action: business-led collaboration in services and integration	Greg Scheu
Summary	Ulrich Spiesshofer
Q&A	

# Full year 2013 summary

# ABB delivered a solid 2013 performance in a challenging market

## Record revenues, higher earnings, free cash flow and dividend

### Profitable Growth

- Revenues up 7%<sup>1</sup> (5% organic<sup>2</sup>) to a record level of \$42 billion
- Early cycle business trending positively as we head into 2014, lower order backlog to weigh on revenues
- Four of five divisions performed well
- Operational EBITDA up 9%

### Business-led collaboration

- Integration of acquisitions on track, delivering synergies
- Service orders continued to outperform rest of business
- Successful collaboration in key markets and accounts

### Relentless execution

- Steady cost savings ~ \$1.2 bn
- Automation with higher operational EBITDA margin
- Power Products continues to lead the sector in profitability
- Power Systems actions under way to generate more consistent returns
- Free cash flow at \$2.6 bn—94% conversion vs net income

Attractive returns to shareholders via 5<sup>th</sup> consecutive dividend increase<sup>3</sup>

<sup>1</sup> Changes in orders and revenues in local currencies

<sup>2</sup> Excl. Thomas & Betts in H1 2012 and H1 2013

<sup>3</sup> Proposed by Board of Directors

## ABB's vision: Power and productivity for a better world

### Strong external endorsement



Recognition for ABB's efforts in energy efficiency and renewable energy technologies

Underlines our relentless drive for innovation to create new offerings and value for our customers

Reflects ABB's pioneering heritage in technology innovation

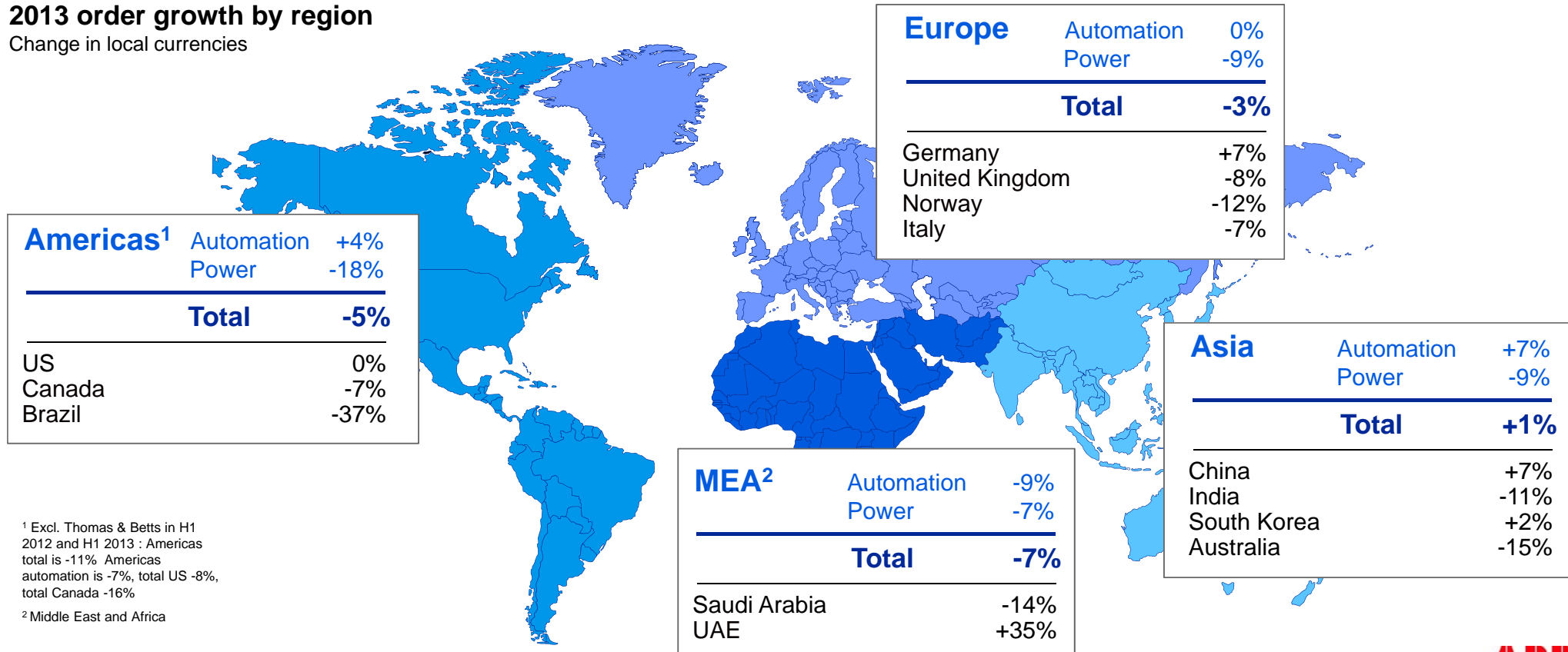
Strengthens our reputation in the Gulf region and in key market segments

# Order intake reflects challenging market

## Automation growth helped mitigate lower large orders

### 2013 order growth by region

Change in local currencies



<sup>1</sup> Excl. Thomas & Betts in H1 2012 and H1 2013 : Americas total is -11% Americas automation is -7%, total US -8%, total Canada -16%

<sup>2</sup> Middle East and Africa

# Divisional highlights 2013



## Discrete Automation and Motion

- Strong year for robotics globally
- Power-One acquisition to build #2 solar inverter position
- Rapid order growth in EV fast charging business

All-time high in cash from operations



## Low Voltage Products

- Strong growth in NAM via T&B synergies
- Breakthrough Emax power manager
- ELBI wiring accessories, Newron building automation software acquisitions

Record revenues and operational EBITDA



## Process Automation

- No. 1 position in global DCS market confirmed
- \$260-mill 9-year offshore O&G service order
- Los Gatos analytical instruments acquisition

Highest-ever operational EBITDA and margin



## Power Products

- Higher revenues and strong cash flow
- Good growth in service business
- Continued market and technology leadership with new product launches

Maintained sector-leading profitability



## Power Systems

- Key project successes, despite offshore wind setbacks
- New leadership to drive strategic repositioning
- Technology position in HVDC strengthened

Project management improvements under way

# Key figures by division full year 2013

US\$ millions	Orders	△ <sup>1</sup>	Revenues	△ <sup>1</sup>	Operational EBITDA	△	Operational EBITDA %	△
Discrete Automation and Motion	9,771	+2%	9,915	+5%	1,783	+3%	18.0%	-0.4 pts
Low Voltage Products (organic) <sup>2</sup>	7,696	+14% (+1%)	7,729	+16% (+2%)	1,468	+20%	19.0%	+0.6 pts
Process Automation	8,000	-8%	8,497	+5%	1,096	+9%	12.9%	+0.6 pts
Power Products	10,459	-5%	11,032	+3%	1,637	+3%	14.8%	0 pts
Power Systems	5,949	-25%	8,375	+8%	419	+44%	5.0%	+1.3 pts
Corporate	(2,979)		(3,700)		(328)			
<b>ABB Group (organic)<sup>2</sup></b>	<b>38,896</b>	<b>-3% (-5%)</b>	<b>41,848</b>	<b>+7% (+5%)</b>	<b>6,075</b>	<b>+9%</b>	<b>14.5%</b>	<b>+0.3 pts</b>

<sup>1</sup> Change in local currencies

<sup>2</sup> excl. Thomas & Betts in H1 2012 and H1 2013

# Actions under way to return PS to higher, more consistent returns

## New leadership driving the realignment

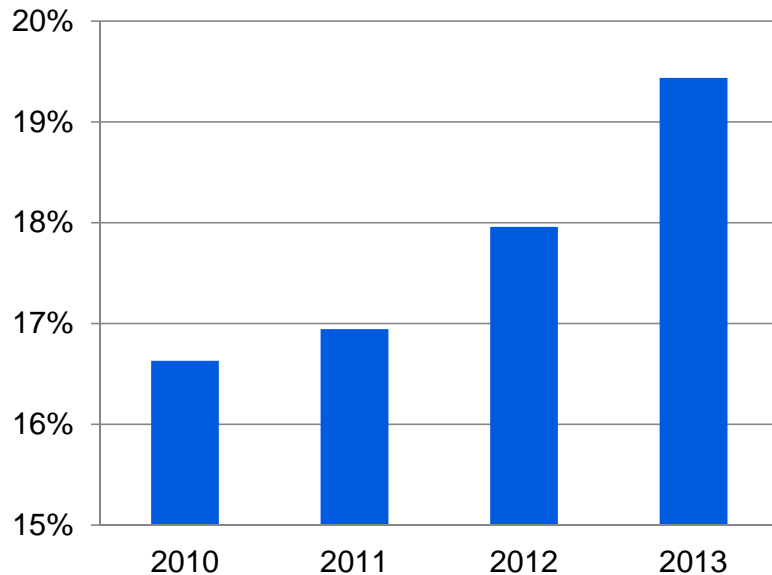


- Fix current project issues:
  - Significantly increased experienced and qualified resources
  - Leverage local and global technical and functional expertise (internal and external)
  - Benefit from learnings and focus on proven and repeatable technology and project design
- Continue to improve quality of orders portfolio:
  - Drive market penetration in key sectors with balanced risk reward profile
  - Pricing models that better reflect technical and commercial risk profile
  - Revise commercial terms to rebalance technical and cash risks (e.g., timing of milestones, contract duration)
  - Continue selectivity on large projects with new technology
  - New risk mitigation models (e.g., alliances, insurance)

# Service momentum is key building block for profitable growth

## Increasing share of recurring revenues

Service order share<sup>1</sup>



<sup>1</sup> excl. Baldor and Thomas & Betts

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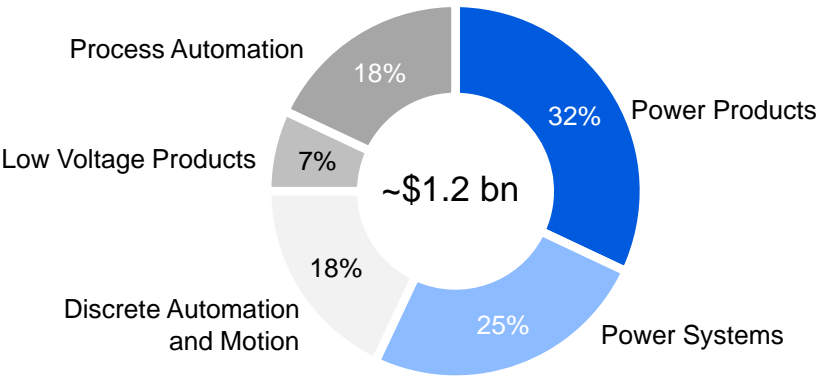
Drivers of service growth:

- Grow installed base
- Increase penetration of installed base
- Expand services product portfolio
- Broaden geographic coverage, strengthen local capabilities
- Invest in service workforce
- Focus on execution: Implement “how-to-win” initiatives
- Use common tools and processes

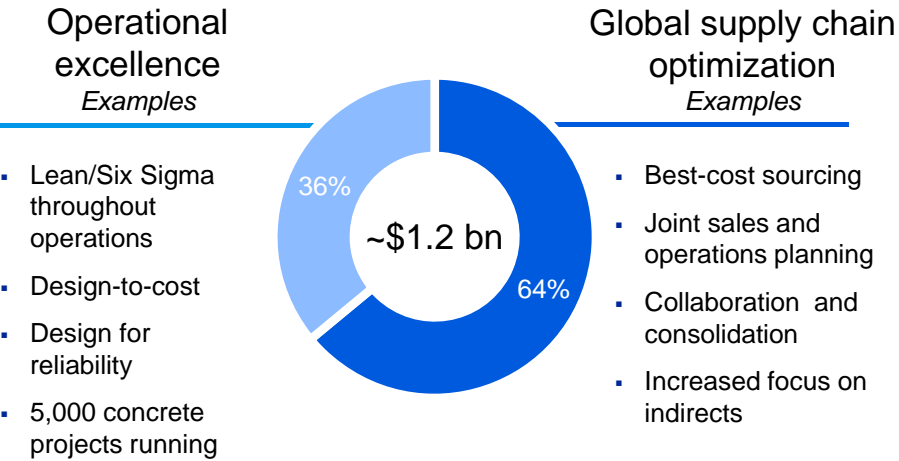
# ABB continues to save 3-5% of COS per year

## Steady momentum going forward

Share of 2013 cost savings by division  
*Percent*



Share of 2013 cost savings by type  
*Percent*



Proactive cost saving measures to secure sustainable profitability

# Integration update on ABB's two largest transactions

## Solid “say-do”

### Baldor

North American leader in electrical motors



- 3-year CROI target exceeded
- Accelerated global growth
- Cost synergies ahead of plan
- Further automation of motor manufacturing (improved lead times, service)
- Expanded penetration of ABB LV drives into US market
- Divested gensets business

### Thomas & Betts

Major player in North American low-voltage market



- T&B operational EBITDA on plan
- Integration well under way, with retention of all key management
- T&B management leading North American LP business with combined sales force
- Focused launch of T&B products for Europe and Asia markets

# Portfolio expansion through strategic acquisitions

## 2013 deals drive expansion, improve access to attractive markets

### Power-One

Global No. 2 in most attractive element of the solar PV value chain



### Newron

Software for growing building automation market



### ELBI Elektrik

Expands low-voltage business in Turkey and eastern Europe



### Los Gatos

Strengthens offering in measurement products



### Dynamotive

Expands service offering for drives and motors



# Strengthened competitive position



## Innovation

- Steady flow of product innovations across the divisions
- Higher R&D investments through the cycle
- R&D investment 2013 > \$1.5 billion
- MIT names ABB among Top 50 innovators

## Customer focus

- Net Promoter Score continues to improve
- Industry Sector Initiatives accelerated

## People focus

- ABB named Germany's Top Employer in our industry
- High retention on attractive employee value proposition

## Geographic scope

- Further progress in localizing production in key markets
- Increased share of capex in emerging markets—positioned for megatrends
- Enhanced penetration of MINT (Mexico, Indonesia, Nigeria and Turkey)

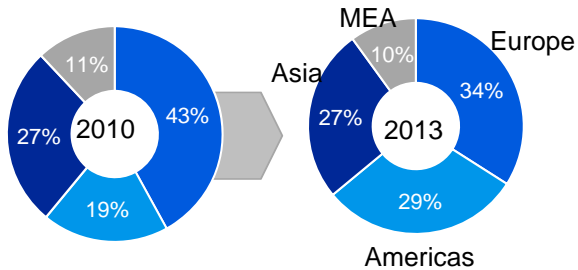
## Smooth leadership transitions

# Resilient shareholder returns through the cycle

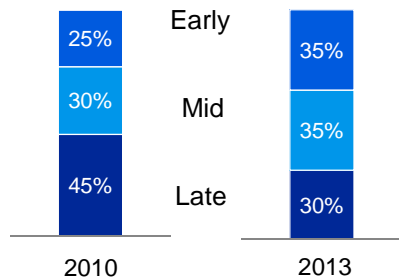
## Improved portfolio balance and business execution

### Better balance

**Share of orders by region**  
Percent of total orders

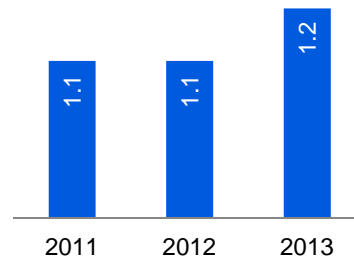


**Share of orders by cycle exposure**  
Percent of total orders, approximate

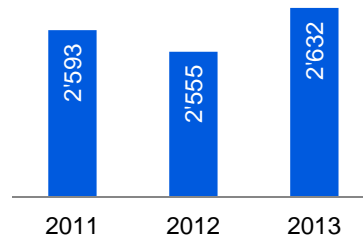


### Better execution

**Cost savings**  
US\$ billions

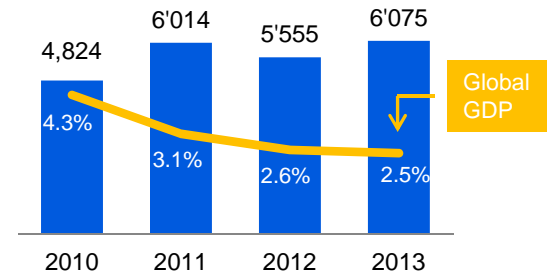


**Free cash flow**  
US\$ millions

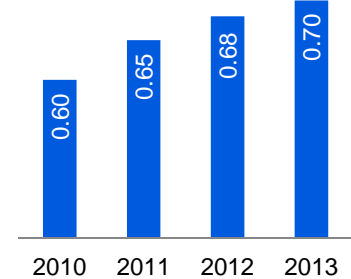


### Better returns

**Operational EBITDA vs global GDP growth**  
US\$ millions, real growth in %



**Dividend**  
CHF per share



# Q4 2013 Summary

# Q4 early-cycle orders continue positive trend

## Steady revenue growth supported by backlog and service sales

### Profitable Growth

- Base orders up 4%<sup>1</sup>, positive early-cycle trend continues, large orders still weak
- Revenues steady to higher in all divisions
- Op EBITDA higher in all divisions—Power Systems adversely impacted Group margin

### Business-led collaboration

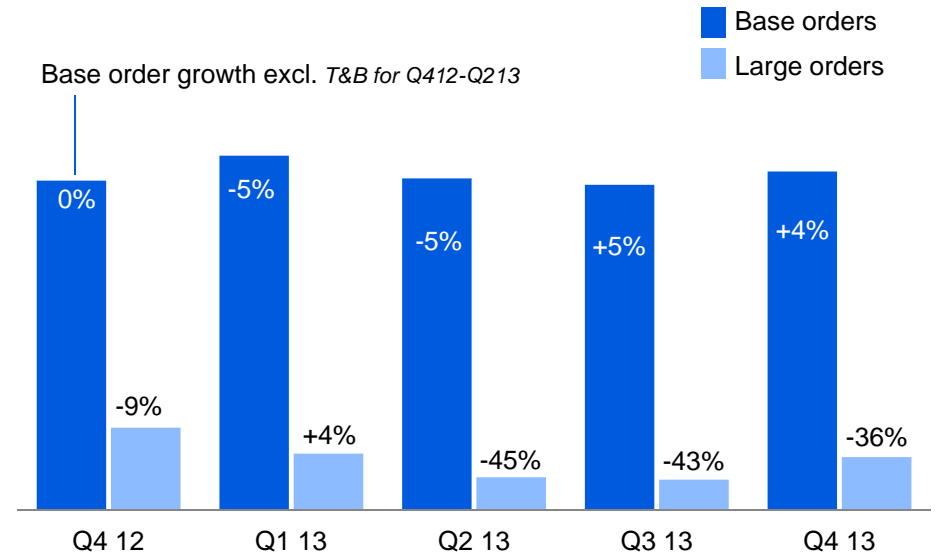
- Service orders up 15%, service revenues up 4%

### Relentless execution

- \$350 mill cost savings via global supply chain and operational excellence
- Strong divisional cash flows on NWC measures

#### Base vs large orders Q4 2012-Q4 2013

US\$ millions, % change vs year-earlier period in local currencies



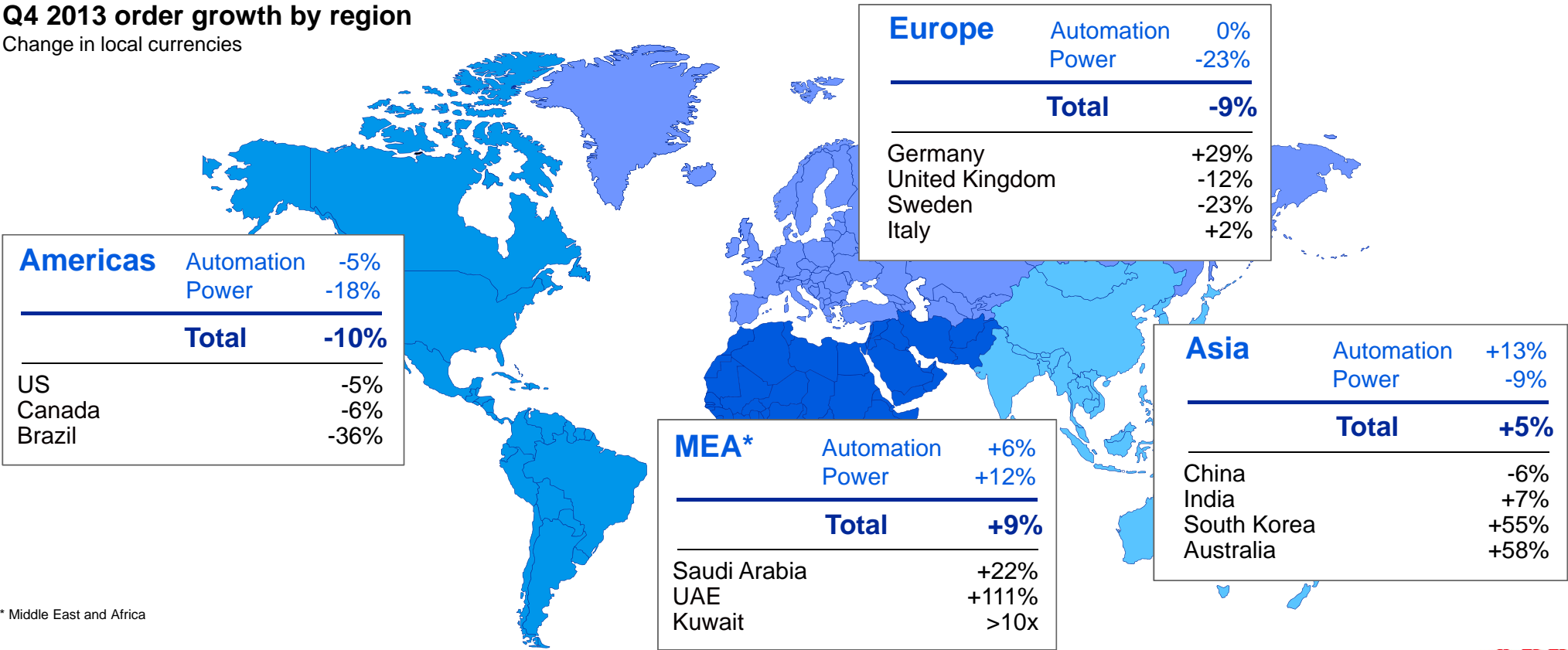
<sup>1</sup> Change in local currencies

# Solid base order growth offset by lower large orders in Americas

## Australia and South Korea supported Asia growth

### Q4 2013 order growth by region

Change in local currencies



\* Middle East and Africa

# Key figures ABB and by division fourth quarter 2013

<i>US\$ millions unless otherwise stated</i>	<b>Orders</b>	$\triangle^1$	<b>Revenues</b>	$\triangle^1$	<b>Operational EBITDA</b>	$\triangle$	<b>Operational EBITDA %</b>	$\triangle$
Discrete Automation and Motion	2'484	+10%	2'687	+8%	463	+6%	17.2%	-0.3 pts
Low Voltage Products	1'844	-2%	2'022	+2%	386	+4%	19.1%	+0.3 pts
Process Automation	2'024	-7%	2'261	+3%	296	+14%	13.1%	+1.5 pts
Power Products	2'554	-6%	3'070	+1%	467	+1%	15.2%	+0.1 pts
Power Systems	1'789	-23%	2'300	+4%	(50)	+9%	-2.2%	+0.2 pts
Corporate	(692)		(967)		(144)			
<b>ABB Group</b>	<b>10'003</b>	<b>-4%</b>	<b>11'373</b>	<b>+4%</b>	<b>1'418</b>	<b>+3%</b>	<b>12.5%</b>	<b>0 pts</b>

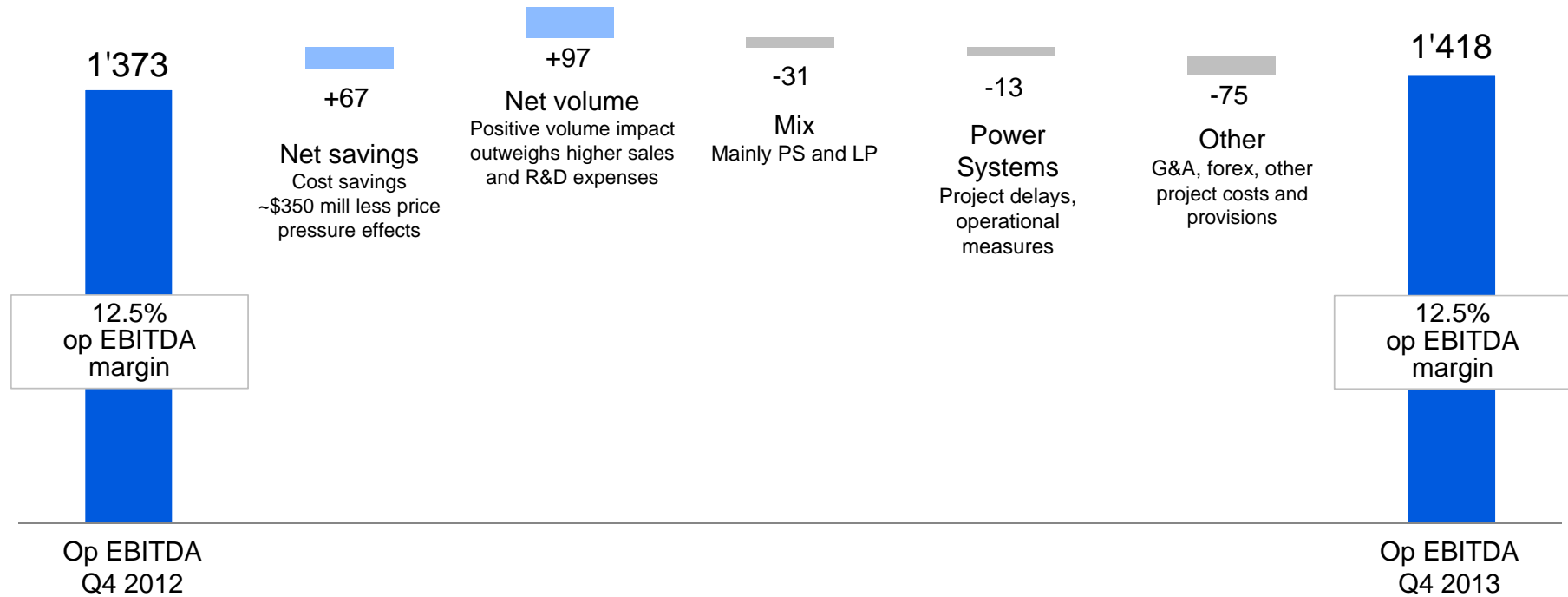
<sup>1</sup> Change in local currencies

# Net savings and volume effects drive higher operational EBITDA

## Increased profit despite PS charges

### Factors affecting operational EBITDA Q4 2013 vs Q4 2012

US\$ millions



# Balanced footprint provides a natural hedge

## Small FX translation effects in 2013

### FX movements in major countries 2013 FY and Q4

average exchange rates vs. USD

	FY 2013	Q4 2013
Sweden (SEK)	+3.8%	+2.1%
Switzerland (CHF)	+1.0%	+3.0%
Eurozone (EUR)	+3.2%	+4.7%

	FY 2013	Q4 2013
China (CNY)	+2.5%	+2.5%
India (INR)	-9.6%	-14.5%
Russia (RUB)	-2.6%	-4.7%
Brazil (BRL)	-10.5%	-10.6%
South Africa (ZAR)	-17.5%	-16.9%
Turkey (TRY)	-5.9%	-12.9%

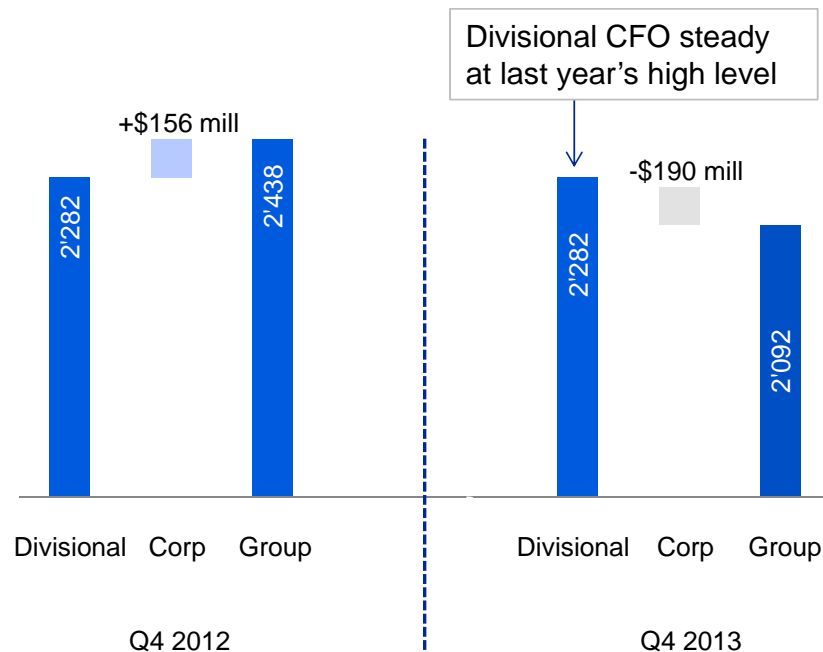
Aggregate translation impact on revenues for FY 2013 and Q4 13 was -1%

Source Bloomberg

# Divisions maintain Q4 cash flows at previous year's high levels

## NWC management improvements remain a key priority

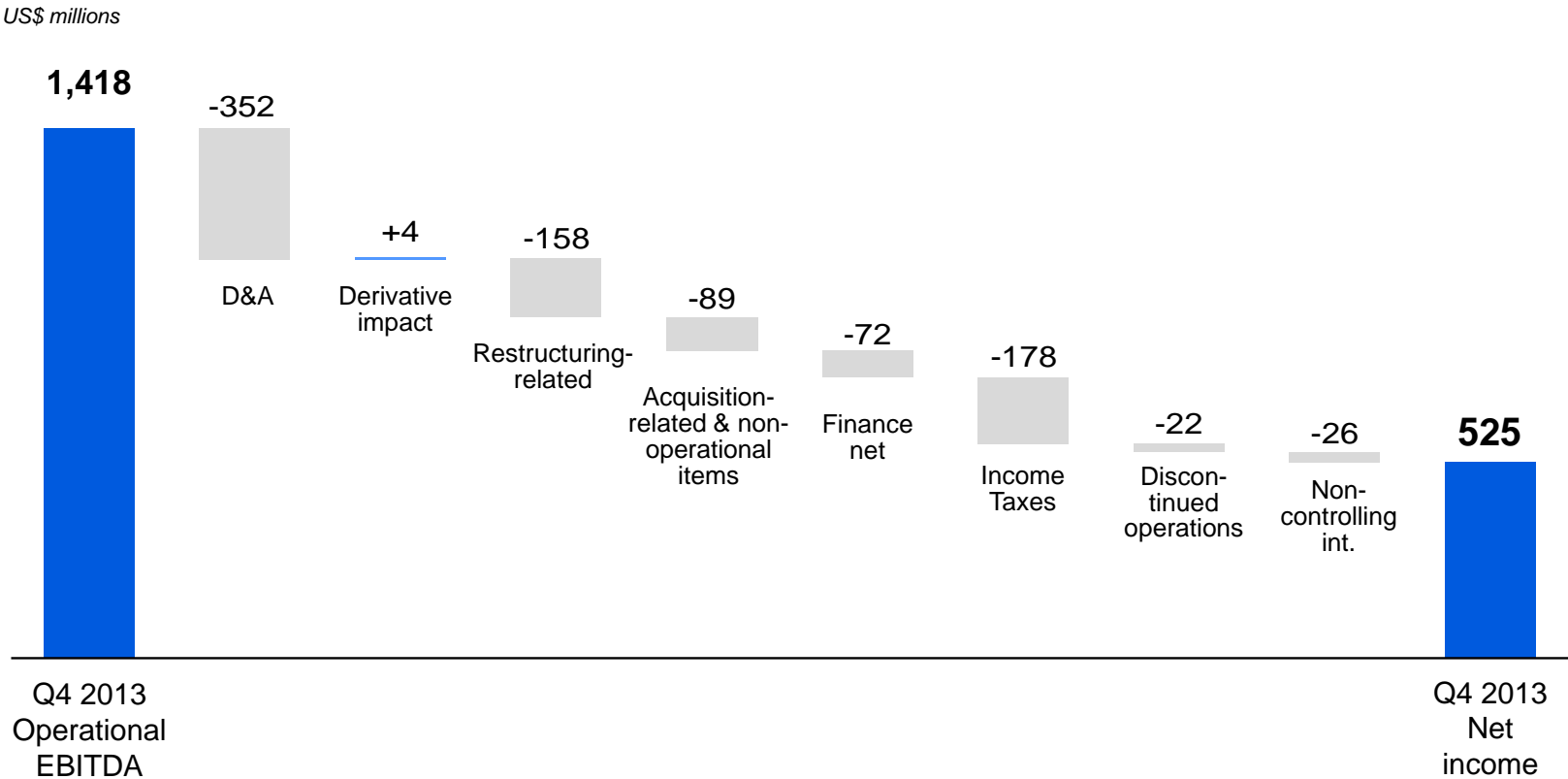
**Cash from operations Q4 2013 vs Q4 2012**  
*US\$ millions*



- Divisional cash flows steady, despite weak Power Systems performance
- Change in Q4 2013 corporate cash flow reflects higher tax payments, and changes in derivative settlements
- FY 2013 divisional cash improved by ~\$150 million
- Driving improvements to NWC management remains a high priority
  - Integrating NWC into operational excellence
- Higher free cash flow due mainly to lower capital expenditure (\$1.1bn vs \$1.3bn in 2012)

<sup>1</sup> Cash from operating activities

# Operational EBITDA to net income reconciliation



# Operational EPS analysis

	Q4 13		Q4 12			FY 13		FY 12		
<i>US\$ millions, except per share data in US\$</i>	EPS		EPS		$\Delta^2$	EPS		EPS		$\Delta^2$
<b>Net income (attributable to ABB)</b>	<b>525</b>	<b>0.23</b>	<b>604</b>	<b>0.26</b>	<b>-13%</b>	<b>2,787</b>	<b>1.21</b>	<b>2,704</b>	<b>1.18</b>	<b>3%</b>
Restructuring and restructuring- related expenses <sup>1</sup>	121		94			182		132		
Acquisition-related expenses and certain non-operational items <sup>1</sup>	68		60			131		146		
FX/commodity timing differences in Income from operations <sup>1</sup>	-3		-26			-46		-47		
Amortization rel. to acquisitions <sup>1</sup>	79		81			282		263		
<b>Operational net income</b>	<b>790</b>	<b>0.34</b>	<b>813</b>	<b>0.35</b>	<b>-3%</b>	<b>3,336</b>	<b>1.45</b>	<b>3,198</b>	<b>1.39</b>	<b>4%</b>

<sup>1</sup> Net of tax at Group-effective  
tax rate

<sup>2</sup> Calculated on basic  
earnings per share before  
rounding

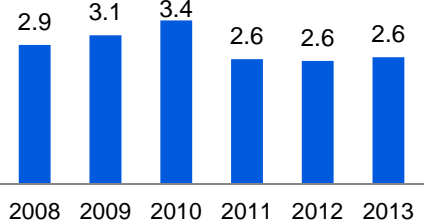
# Business underpinned by strong balance sheet

## Excellent cash generation potential

### A solid cash generator

#### Free cash flow

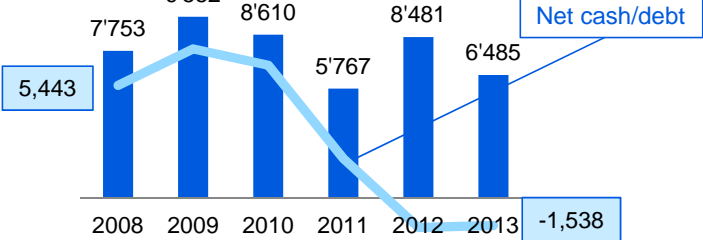
US\$ billions



### Efficient balance sheet

#### Cash and marketable securities and net cash/debt

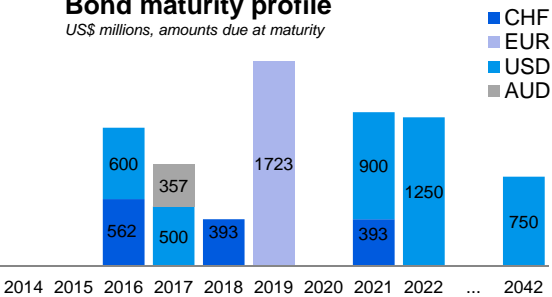
US\$ millions



### Long-term debt at attractive rates

#### Bond maturity profile

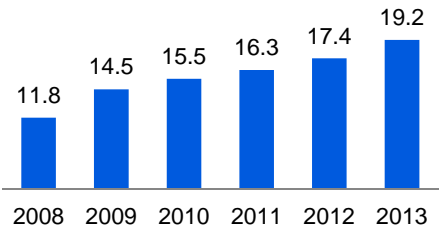
US\$ millions, amounts due at maturity




### Strong and flexible balance sheet

#### Total stockholders' equity

US\$ billions



## Priorities for capital allocation

- 
1. Organic growth for highest return on investment
  2. Steadily rising sustainable dividend
  3. Value-creating acquisitions
  4. Returning additional cash to shareholders

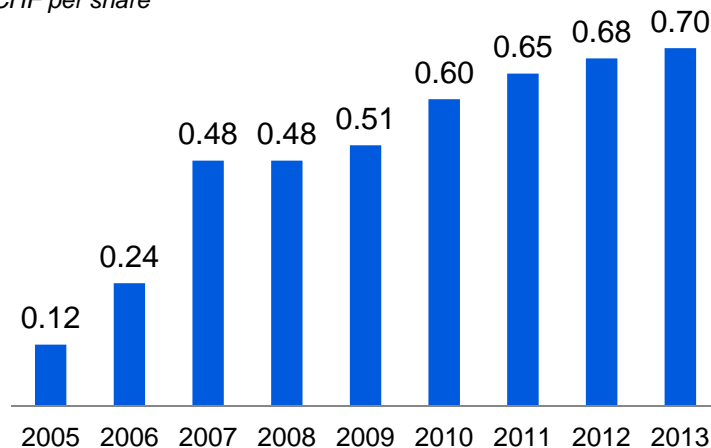
# Board of Directors proposes 5<sup>th</sup> dividend increase in a row CHF 0.70 per share for a 3% yield<sup>1</sup>

## Dividend policy

A steadily rising, sustainable annual dividend over time

## Dividend payout 2005-2013

CHF per share



- Increase in line with net income
- Payment from capital contribution reserve retains Swiss tax benefits
- Subject to AGM approval; dividend payment early May

Consistent and reliable cash generation for our shareholders

<sup>1</sup> Based on ABB share price at year-end 2013

# Summary: A solid year – great collaboration

## Heading into 2014 in good shape



### **Profitable Growth**

- Positive early-cycle trend, while large order delays continued
- Lower order backlog to weigh on 2014 revenues
- Good growth in service business
- Record full-year revenues, higher operational EBITDA

### **Relentless Execution**

- ~\$1.2 billion cost savings
- Power Products continues to deliver sector-leading profitability
- Rigorous improvements under way in Power Systems
- EPS increased 3% for the year, strong cash performance, more to come in 2014
- Balance sheet provides great flexibility to support profitable growth

# Outlook and targets

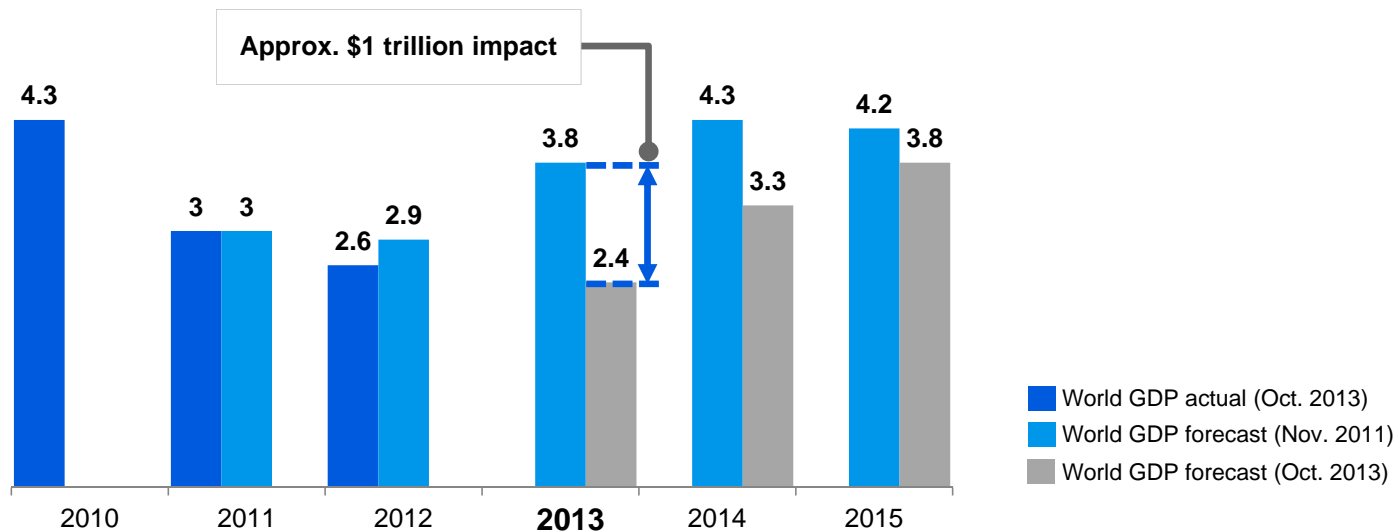
# Development of world economies

## 2011-15 plan assumptions: GDP forecasts vs actuals

- Global economic growth slower than originally assumed, widest gap in 2013
- Actual 2013 industrial capex growth almost 50% below original expectations
- ABB market growth currently 40% below assumptions

### World GDP growth assumptions from Nov. 2011

Real yoy GDP growth %



Source: Global Insight

# Performance against 2011-2015 targets

## Group perspective

	Group Targets	Status	Comments
Organic <sup>1</sup> revenue growth (CAGR <sup>2</sup> )	5.5-8.5% <sup>3</sup>	5.3%	Like-for-like comparison Slower economic recovery
Op EBITDA margin corridor	13-19%	14.5%	2011: 15.8% 2012: 14.2%
EPS <sup>4</sup> growth (CAGR <sup>1</sup> )	10-15%	3%	Operational EPS: 6% CAGR
Free cash flow conversion	Annual avg. >90%	90%	2011: 82% 2012: 94% 2013: 94%
Cash return on invested capital	>20% by 2015	11.6% <sup>5</sup>	Reflects acquisition pattern

<sup>1</sup> Organic excludes all acquisitions greater than \$50 million revenues closed after 2011 as well as Baldor, Ventyx and Mincom

<sup>2</sup> CAGR = Compound annual growth rate, base year 2010.

<sup>3</sup> If Baldor, Ventyx and Mincom are included then CAGR is 7-10%

<sup>4</sup> Basic EPS

<sup>5</sup> Estimated to account for Power One annualized cash flow

# Performance against 2011-2015 targets

## Divisional perspective

	Organic <sup>1</sup> revenue growth (CAGR) <sup>2</sup>		Operational EBITDA margin	
	Target	Status	Target	Status
Discrete Automation and Motion	7-10% <sup>3</sup>	11%	16-21%	18.0%
Low Voltage Products	8-11%	5%	16-22%	19.0%
Process Automation	6-9%	5%	11-15%	12.9%
Power Products	5-7%	2%	14-20%	14.8%
Power Systems	6-10% <sup>4</sup>	7%	9-12%	5.0%
<b>ABB</b>	<b>5.5-8.5%<sup>5</sup></b>	<b>5.3%</b>	<b>13-19%</b>	<b>14.5%</b>

<sup>1</sup> Organic excludes all acquisitions greater than \$50 million revenues closed after 2011 as well as Baldor, Ventyx and Mincom

<sup>2</sup> CAGR = Compound annual growth rate, base year 2010.

<sup>3</sup> If Baldor is included 12-15% CAGR

<sup>4</sup> If Ventyx and Mincom are included then CAGR is 7-10%

<sup>5</sup> If Baldor, Ventyx and Mincom are included 7-10% CAGR

# Market outlook

## Long-term outlook positive

- Increasing need for efficient, reliable electricity transmission and distribution
- Growing automation demand, focus on productivity, efficiency, quality, safety
- ABB well positioned to tap these opportunities

## Short-term outlook mixed

- Macroeconomic indicators show some positive early-cycle signs: US shows growing strength, Europe bottoming
- Near-term market uncertainty, e.g., quantitative easing, emerging markets and China growth, strength of economic recovery in key markets

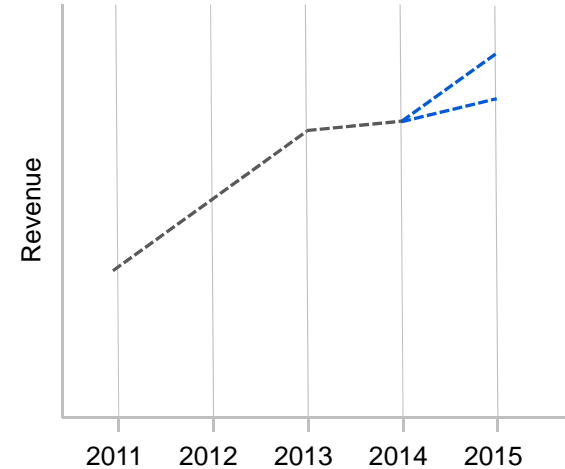
# 2011-15 plan: Revenue trend

## 2013/14 changes the expected growth trajectory

- Slower macroeconomic development
- Lower end-2013 order backlog
- Delays in large project awards
- Power Systems reset and selectivity

*Drive growth through PIE<sup>1</sup> approach*  
*Back to growth trajectory in 2015*

**Continue the growth trajectory in 2015**  
*Schematic*



<sup>1</sup> Penetration, Innovation and Expansion

# Our expectations moving forward

Group 2011-2015 Targets		Expectation
Organic <sup>1</sup> revenue growth (CAGR <sup>2</sup> )	5.5-8.5% <sup>3</sup>	2014 a challenging year; continue growth trajectory in 2015, CAGR <sup>2</sup> 4-5% over current planning cycle due to slower economic recovery and PS
Op EBITDA margin corridor	13-19%	Continue to deliver within the range Power Systems to move towards target corridor
EPS <sup>4</sup> growth (CAGR <sup>2</sup> )	10-15%	Drive towards 10% CAGR <sup>2</sup>
Free cash flow conversion	Annual avg. >90%	Sustain within the target range
Cash return on invested capital	>20% by 2015	Aim for mid-teens CROI by 2015

<sup>1</sup> Organic excludes all acquisitions greater than \$50 million revenues closed after 2011 as well as Baldor, Ventyx and Mincom

<sup>2</sup> CAGR = Compound annual growth rate, base year 2010.

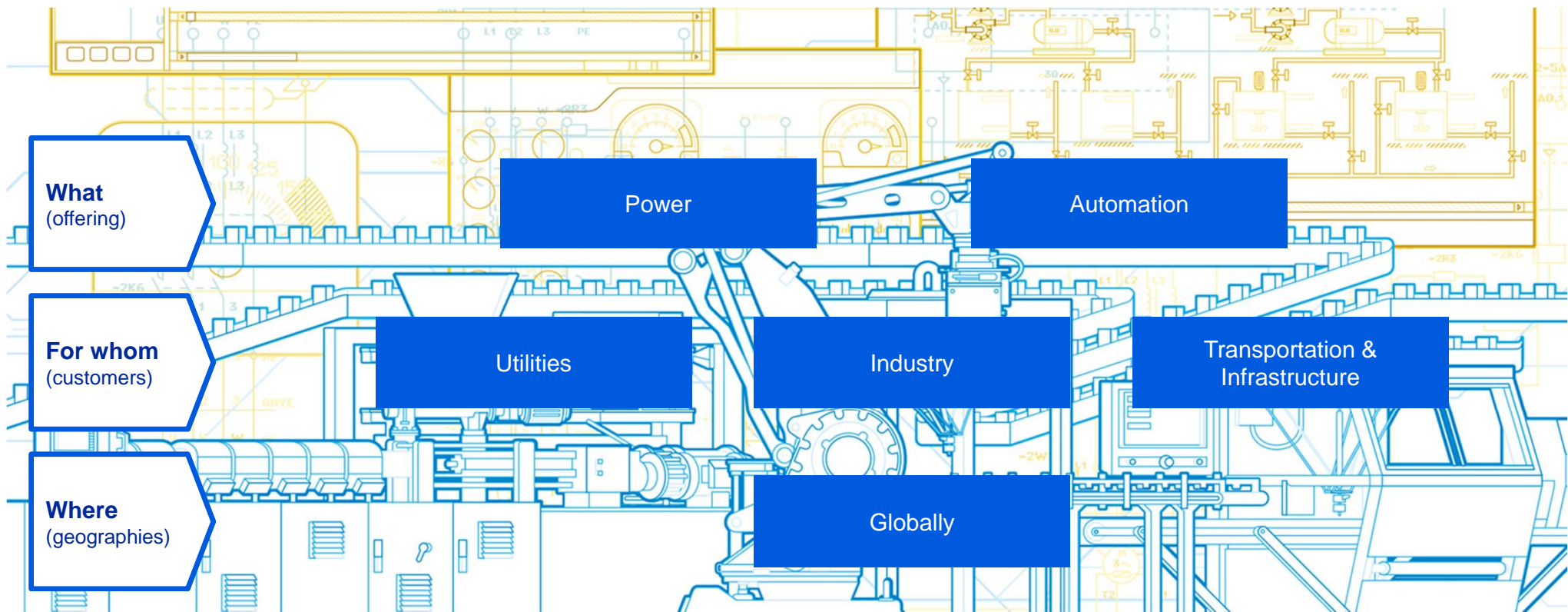
<sup>3</sup> If Baldor, Ventyx and Mincom are included then CAGR is 7-10%

<sup>4</sup> Basic EPS

Delivering through a systematic and robust approach along three focus areas

# Focus areas

# ABB – in simple terms



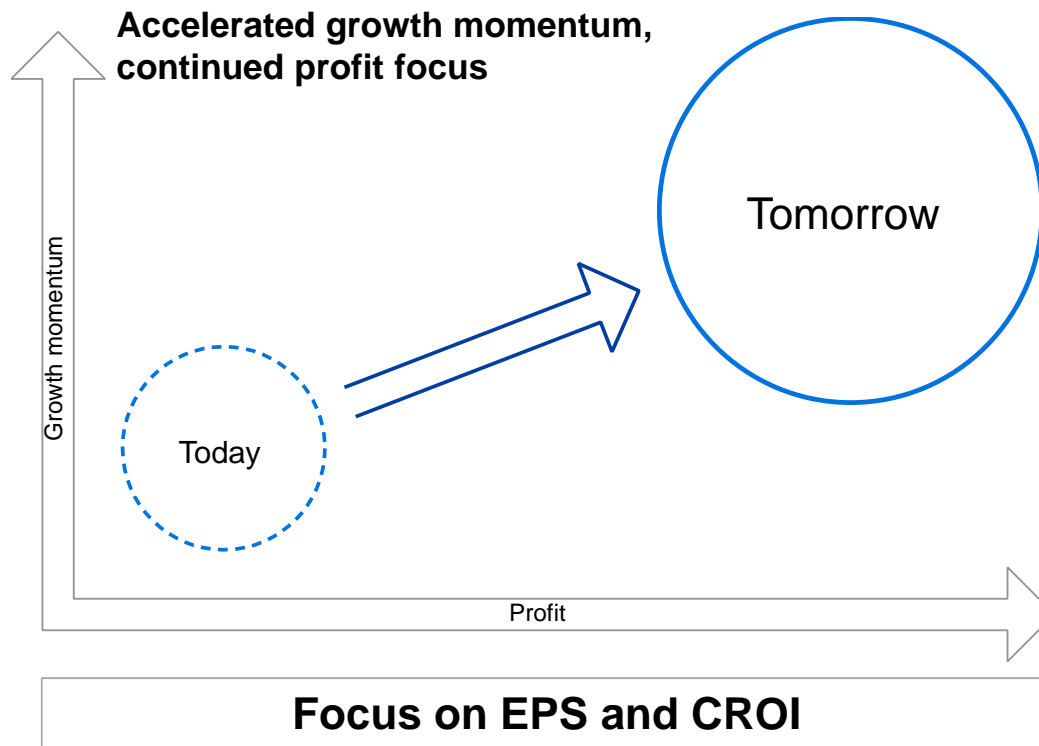
# Three focus areas define the way forward

## A systematic and robust approach for value creation

**Profitable  
growth**

**Business-led  
collaboration**

**Relentless  
execution**



# The way forward

## Driving for the next level of organic and inorganic growth through PIE

**Profitable  
growth**

**Penetration**

Selling more of our **existing offering**  
to **accessible customers**



**Business-led  
collaboration**

**Innovation**

**New offerings/value propositions –**  
focused resource allocation



**Relentless  
execution**

**Expansion**

**Expansion into new segments**



# Rigorous navigation check as basis for priority setting and resource allocation

## Systematic assessment of current position and segment opportunity

### By customer sector

	Sector A			Sector B			Sector C		
	Sub-sector 1	Sub-sector 2	...	Sub-sector 1	Sub-sector 2	...	Sub-sector 1	Sub-sector 2	...
<b>Division</b>									
BU									
Offering ...									
...									
BU									
Offering ...									
...									
<b>Division</b>									
...									

### By geography

	Region A			Region B			...		
	Country 1	Country 2	...	Country 1	Country 2	...	Country 1	Country 2	...
<b>Division</b>									
BU									
Offering ...									
...									
BU									
Offering ...									
...									
<b>Division</b>									
...									

■ Leadership position (top 2)
 ■ Strong position (top 3 to 5)
 ■ Weak position (Outside of top 5)
 ■ Not present

- Transparency on key strategic segments
- Prioritization on penetration, expansion and innovation
- Ambition to be #1 or #2 in selected segments
- Solid base for collaboration
- Basis for portfolio pruning

# Significant opportunities for profitable growth

## Examples

	Penetration	Innovation	Expansion
What (offering)	Localization of Power Products offering Service coverage	Power electronics DC technology	EV charging Home automation
For whom (customers)	Industry-specific packages Industrial power	Sub-sea Segment specific software	Robot applications for new industries New channel partners
Where (geographies)	European power grid Synergies from US acquisitions	Solar applications for remote areas Microgrids for islands	Power infrastructure in Africa South East Asia

# Significant opportunities for profitable growth

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# Localization to better penetrate regional markets

## New factories for switchgear and transformers in emerging markets

Localization of  
Power Products  
offering

Switchgear factory



- ~7600 sqm
- Export base for south Asia and Middle East

Transformer factory



- ~7800 sqm
- In-country, for-country design

For latest product generation  
State of the art manufacturing and testing facilities  
To meet local needs and serve as export

# Significant opportunities for profitable growth

## Examples

	Penetration	Innovation	Expansion
What (offering)	Localization of Power Products offering Service coverage	DC technology	EV charging Home automation
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# Bringing advantages of DC electricity to marine customers

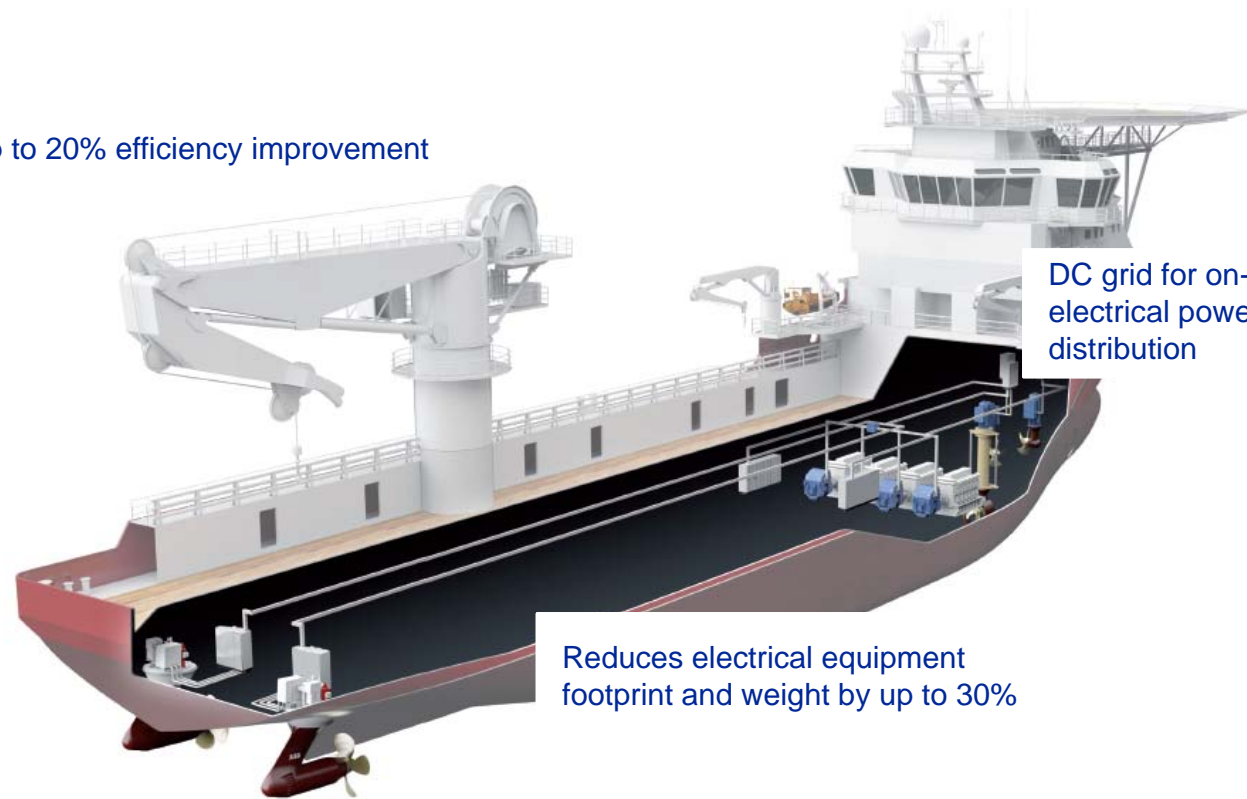
## Vessel electrification

DC technology

Up to 20% efficiency improvement

DC grid for on-board  
electrical power  
distribution

Reduces electrical equipment  
footprint and weight by up to 30%



# Significant opportunities for profitable growth

## Examples

	Penetration	Innovation	Expansion
What (offering)	Localization of Power Products offering Service coverage	Power electronics DC technology	EV charging
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# Enabling electro-mobility

## Electric vehicle fast charging in highly urbanized Netherlands

### EV charging

- More than 200 electric vehicle fast-charging stations
- EV fast charger within 50 kms of all 17 million inhabitants
- Capable of charging electric vehicles in 15-30 minutes
- Solar-powered to reduce load on the grid
- Cloud-connected payment, remote management and maintenance



# Significant opportunities for profitable growth

## Examples

	Penetration	Innovation	Expansion
What (offering)	Localization of Power Products offering Service coverage	Power electronics DC technology	EV charging Home automation
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# ABB and Statoil: enabling subsea factories of the future

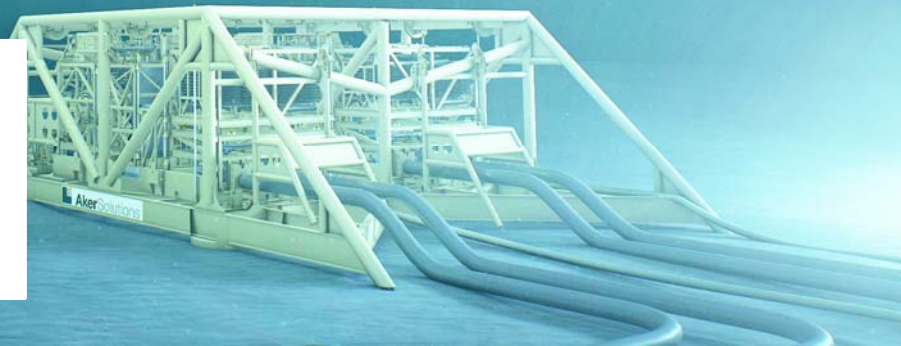
## Developing deep-water subsea power and control technologies

### Sub-sea

- 5-yr \$100-million joint industry project with Statoil
- Power and control for large-scale subsea pumping and gas compression

- Power transmission up to 100 MW over a distance of 600 km and depths up to 3000 m
- Statoil expects capex savings of \$500 million

- Higher recovery rates, lower costs for deep-water production
- Business-led collaboration among four divisions and corporate research



# Significant opportunities for profitable growth

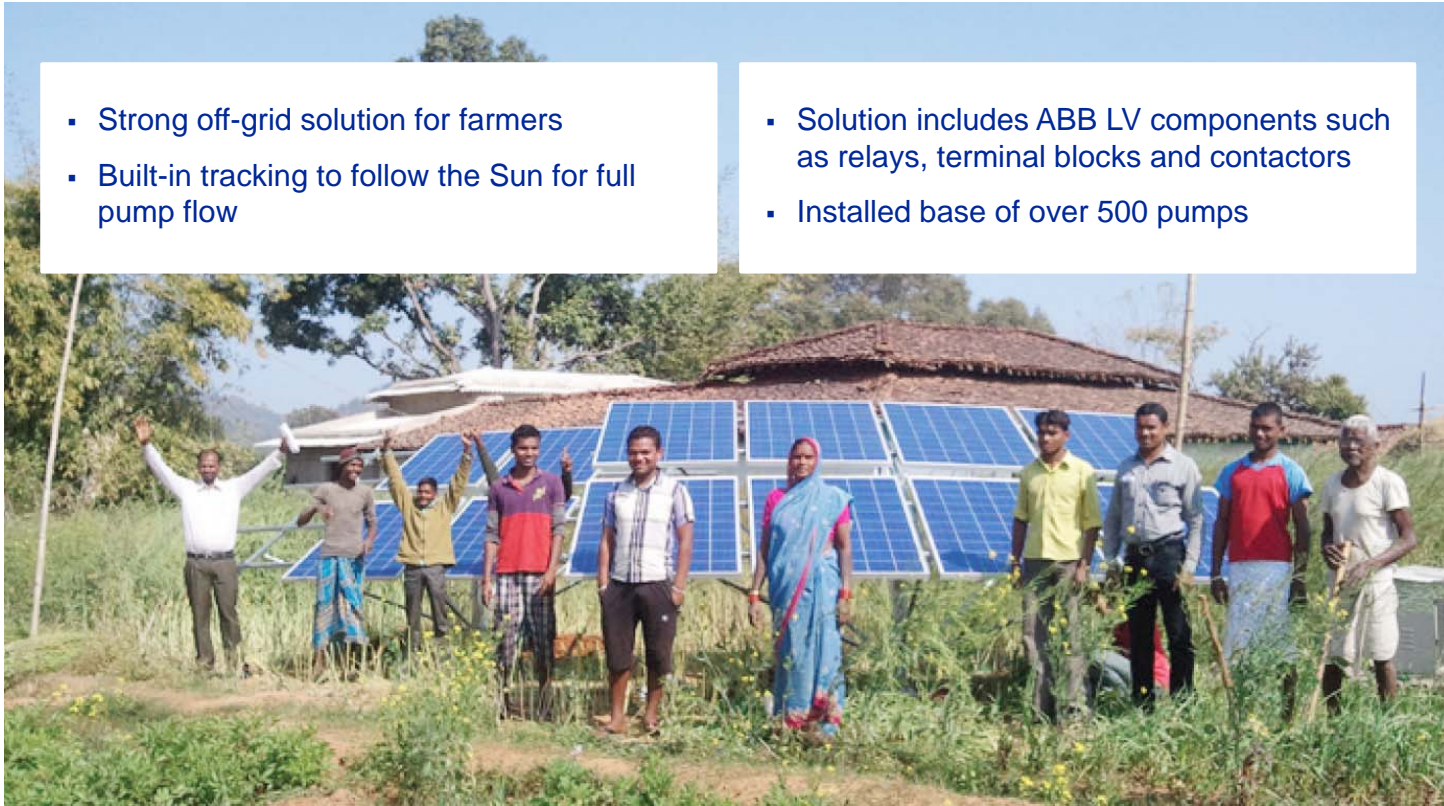
## Examples

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# Combined inverters and drives for solar-powered pumps in emerging markets

## Solar applications for remote areas

- Strong off-grid solution for farmers
- Built-in tracking to follow the Sun for full pump flow
- Solution includes ABB LV components such as relays, terminal blocks and contactors
- Installed base of over 500 pumps



# Significant opportunities for profitable growth

## Examples

	Penetration	Innovation	Expansion
What (offering)	Localization of Power Products offering Service coverage	Power electronics DC technology	EV charging Home automation
For whom (customers)	Industry-specific packages Industrial power	Sub-sea Segment specific software	Robot applications for new industries New channel partners
Where (geographies)	European power grid Synergies from US acquisitions	Solar applications for remote areas Microgrids for islands	Power infrastructure in Africa

# Powering Africa's biggest copper mine in Zambia

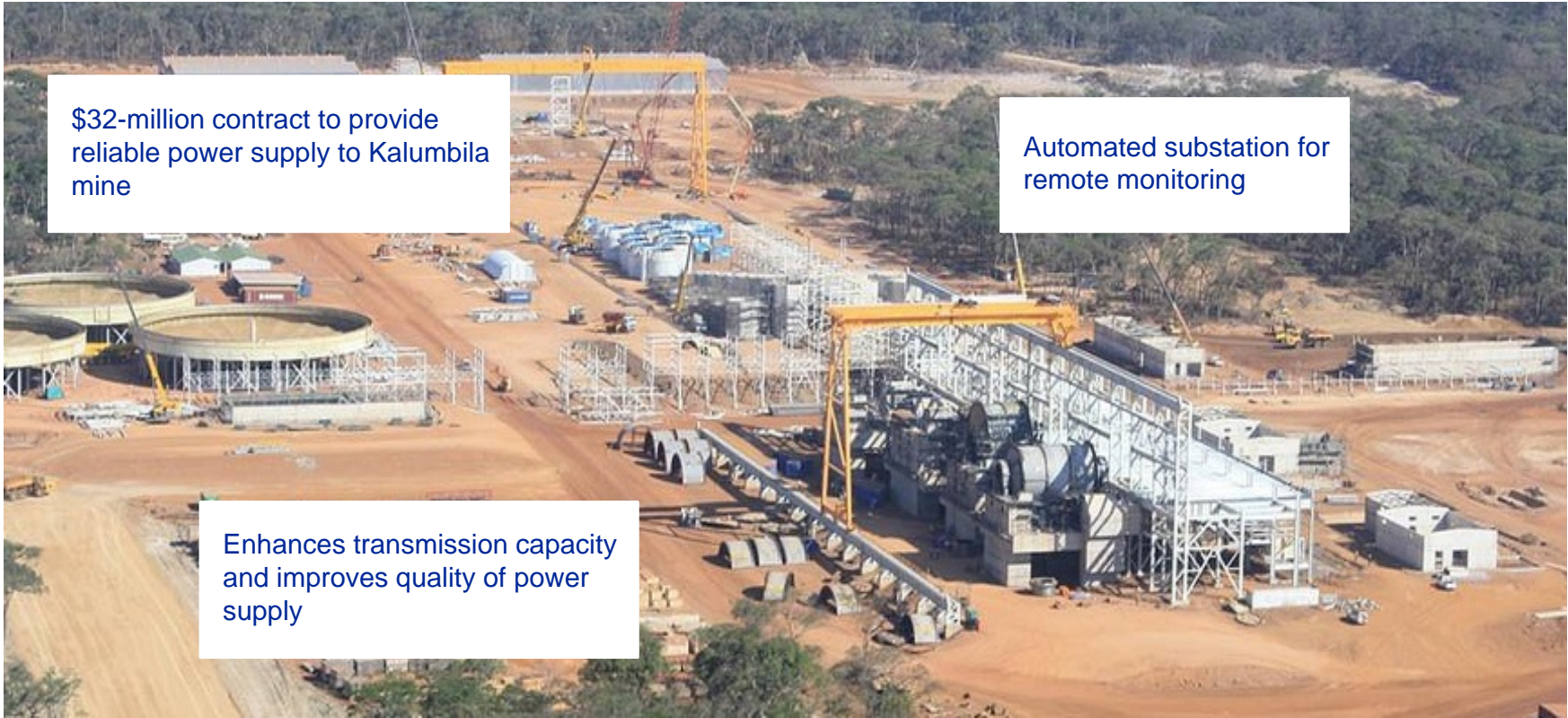
## Substations to improve reliability and quality of power supply

Power  
infrastructure in  
Africa

\$32-million contract to provide  
reliable power supply to Kalumbila  
mine

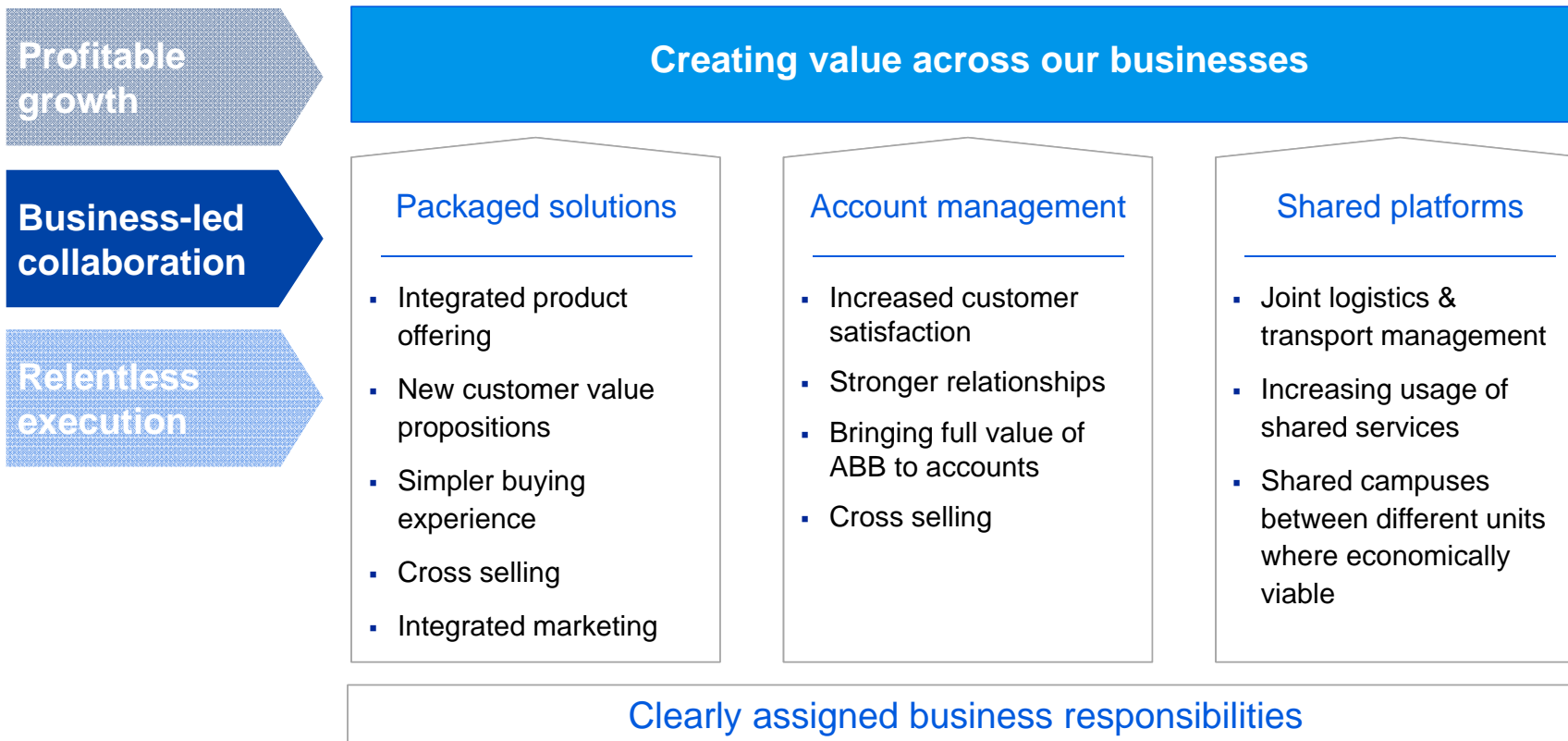
Automated substation for  
remote monitoring

Enhances transmission capacity  
and improves quality of power  
supply



# Business-led collaboration: Creating value for our customers and ABB

## Examples



# Business-led collaboration: Creating value for our customers and ABB

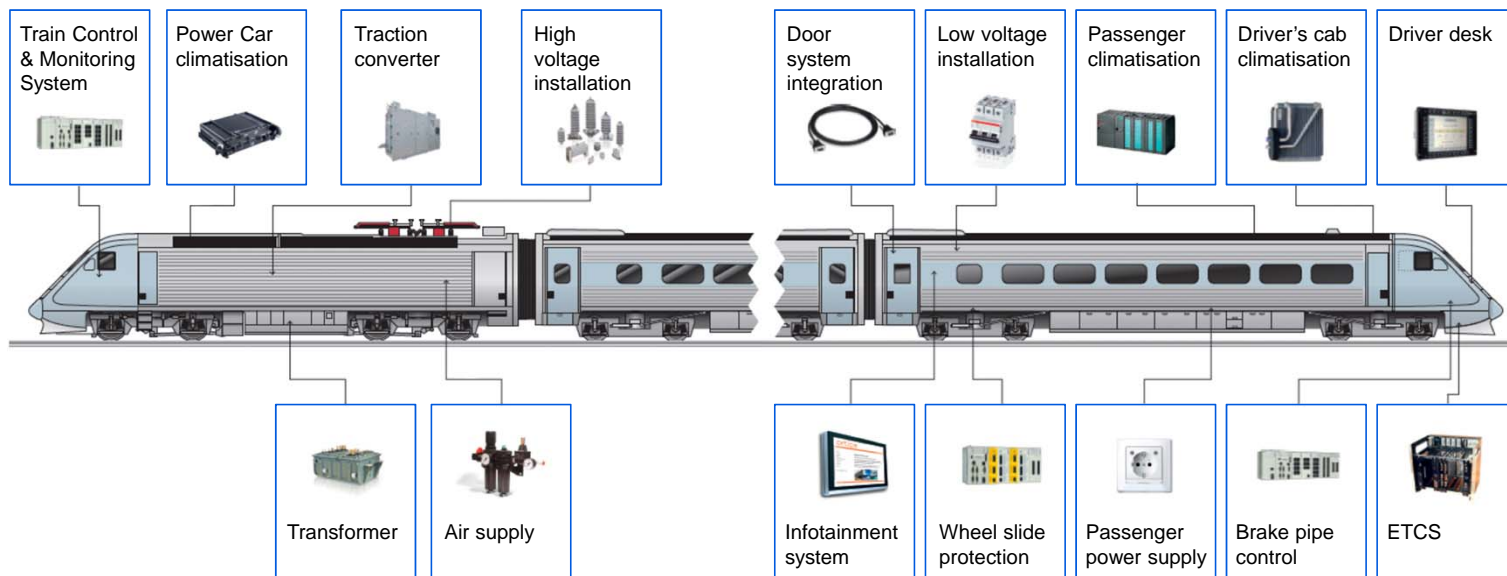
## Examples



# Translating business-led collaboration into business

## \$200-million order for integrated offering in Swedish high-speed train

### Packaged solutions



# Business-led collaboration: Creating value for our customers and ABB

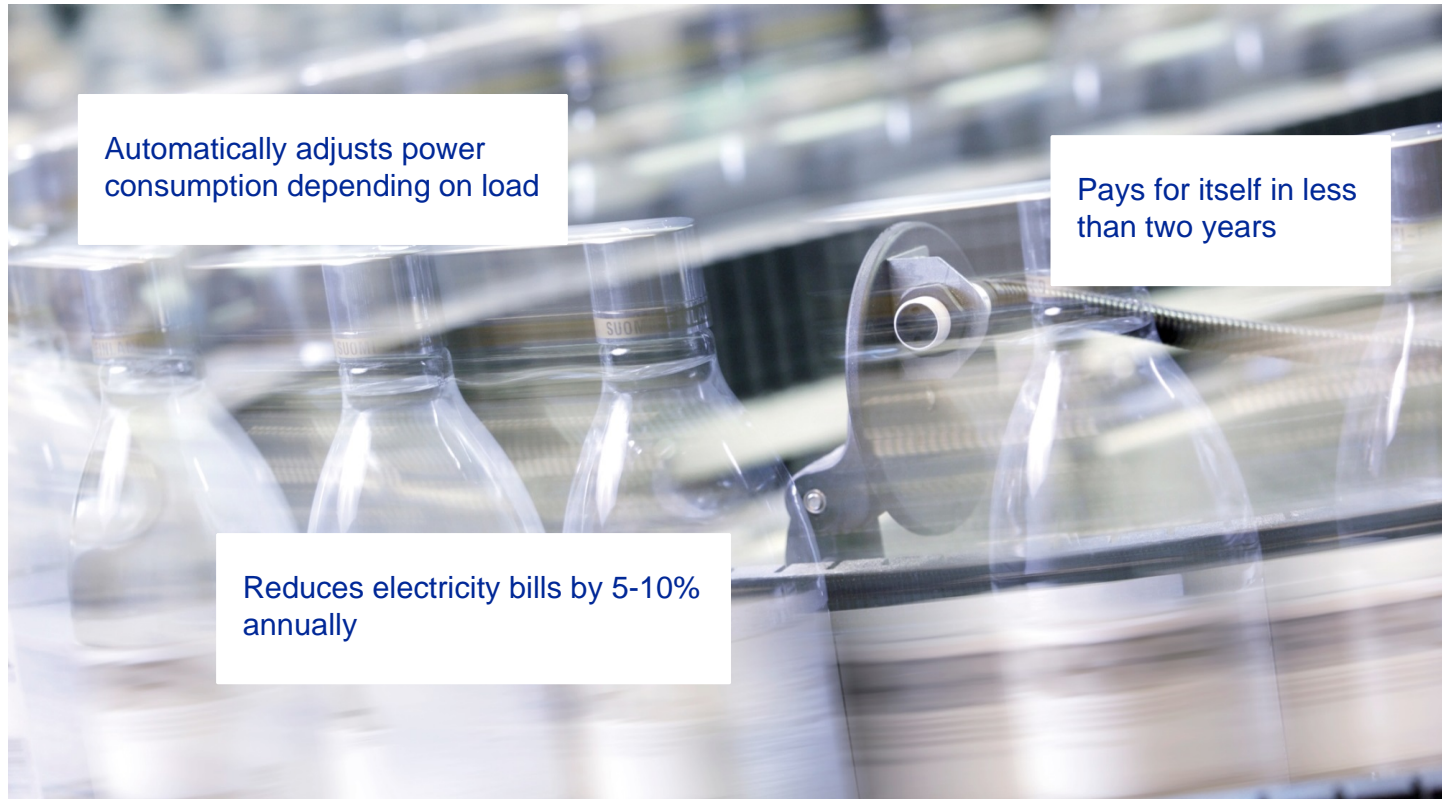
## Examples



# Growing in industrial power – Pepsi bottling plant

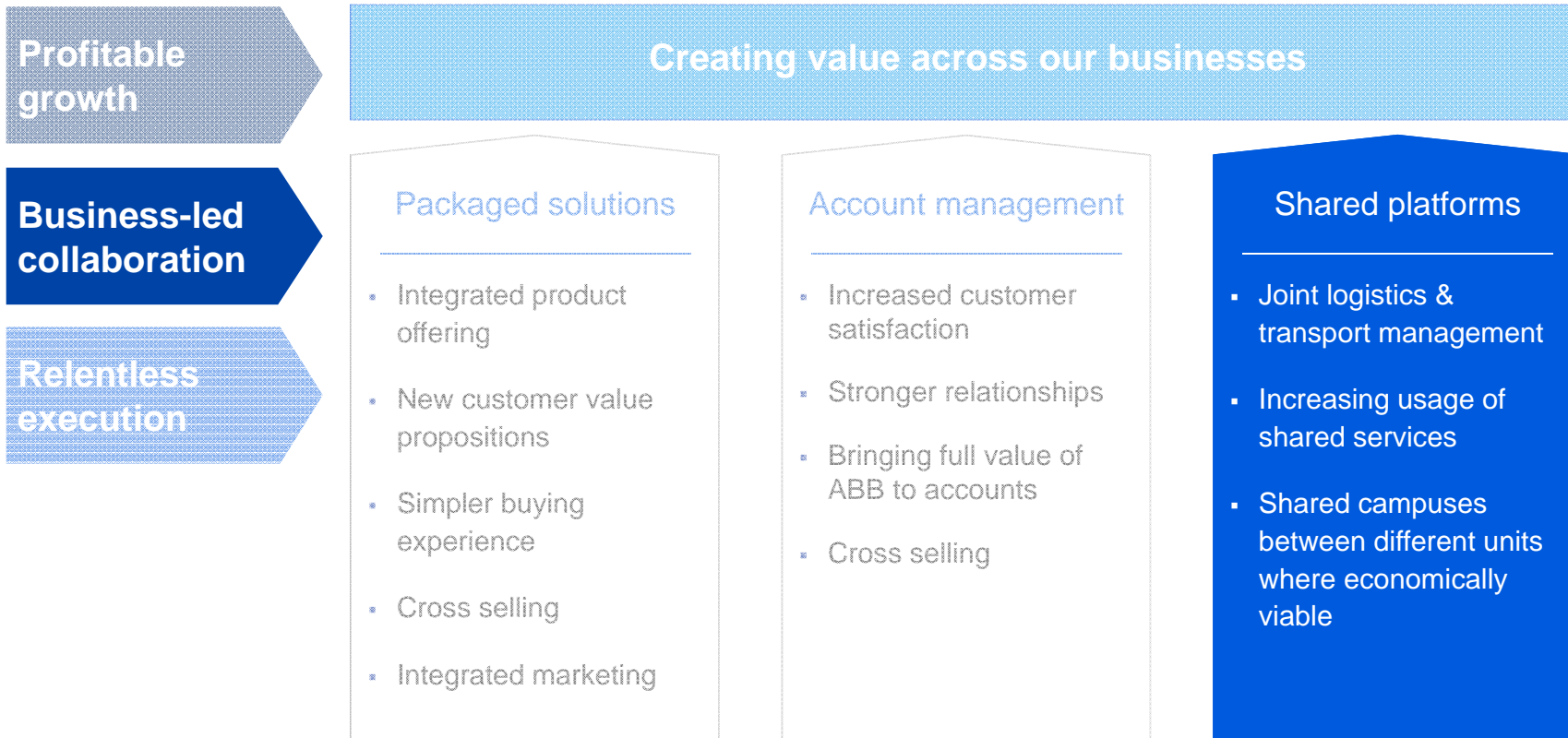
## Power quality solution yields significant energy savings

Account  
management



# Business-led collaboration: Creating value for our customers and ABB

## Examples



# ABB Longmeadows integrated business park

## Production, logistics, engineering and headquarters

Shared  
platforms



- ~\$55-million investment near Johannesburg to support growth in southern Africa
- Integrated head office, manufacturing, assembly, logistics and project and administration office block
- More than 1,000 employees

# Relentless execution

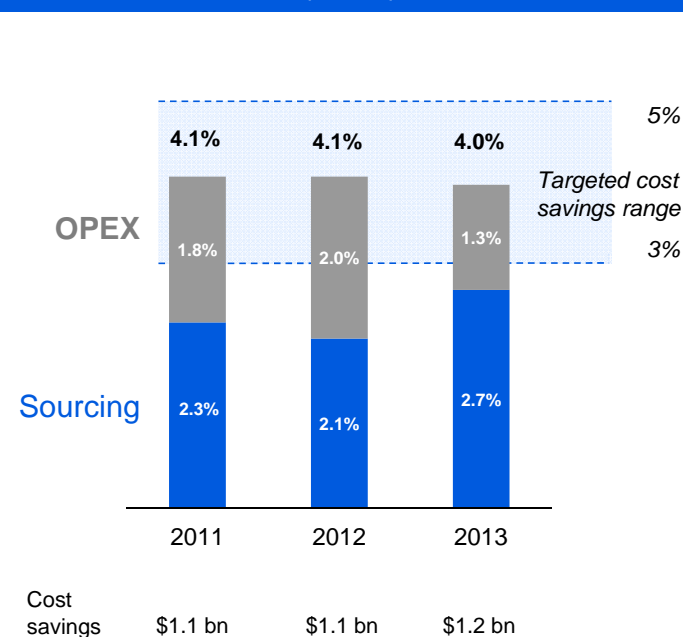
## Successful track record on cost savings

Profitable  
growth

Business-led  
collaboration

Relentless  
execution

### Cost savings 2011-2013 % of cost of sales (COS)



### Operational excellence

- Lean/Six Sigma throughout operations
- Design-to-cost
- Design for reliability
- 5,000 concrete projects running

### Supply chain management

- Best-cost sourcing
- Joint sales and operations planning
- Collaboration and consolidation
- Increased focus on indirects

# Relentless execution

## Further levers we activate to achieve the next level



# White collar productivity: ABB Robot Care

## Designed for fast sales success on the shop floor



- Tablet platform for speed, portability and interactivity in sales process, even in areas of poor network coverage
- Customizable service agreements based on standardized menu
- Simple workflow to let sales team focus on customer
  - Understand needs and translate to service offer
  - e-mail quotation sent within minutes
- Over 30 countries using Robot Care; in 2013 ABB used for > 5,000 quotes

## Three focus areas – systematic value creation for our shareholders

**Profitable  
growth**

**Business-led  
collaboration**

**Relentless  
execution**

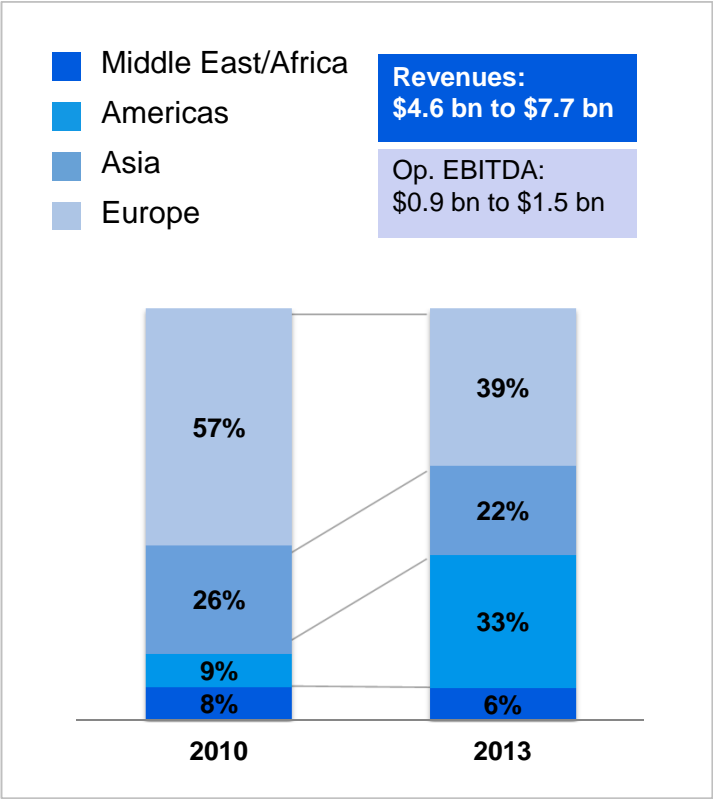
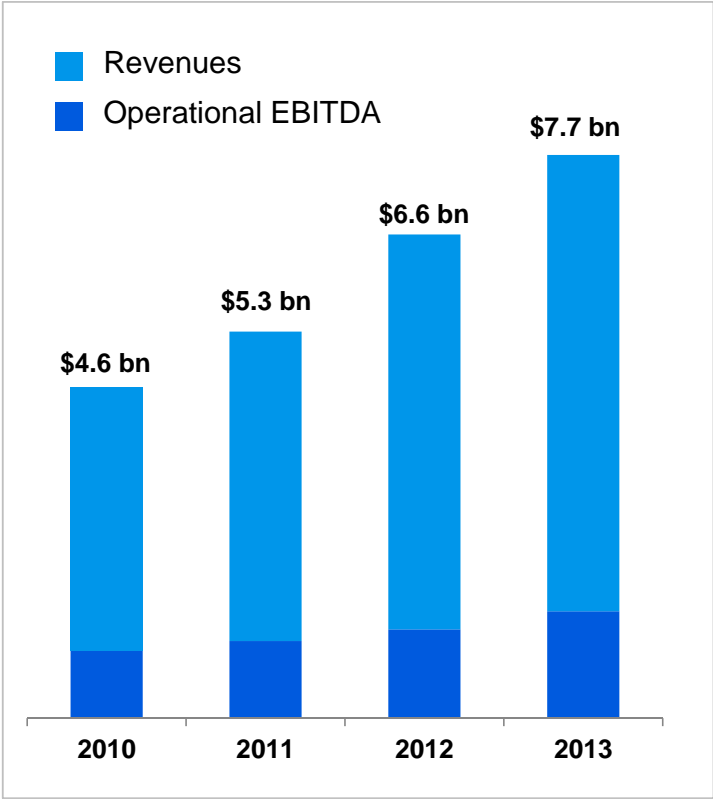
- Navigation check completed
- Systematic and robust approach implemented
- Focused activities defined and started
- Performance management established

**Global team mobilized and ready to deliver**

Focus areas in action:  
Profitable growth in low voltage products

# Low Voltage Products

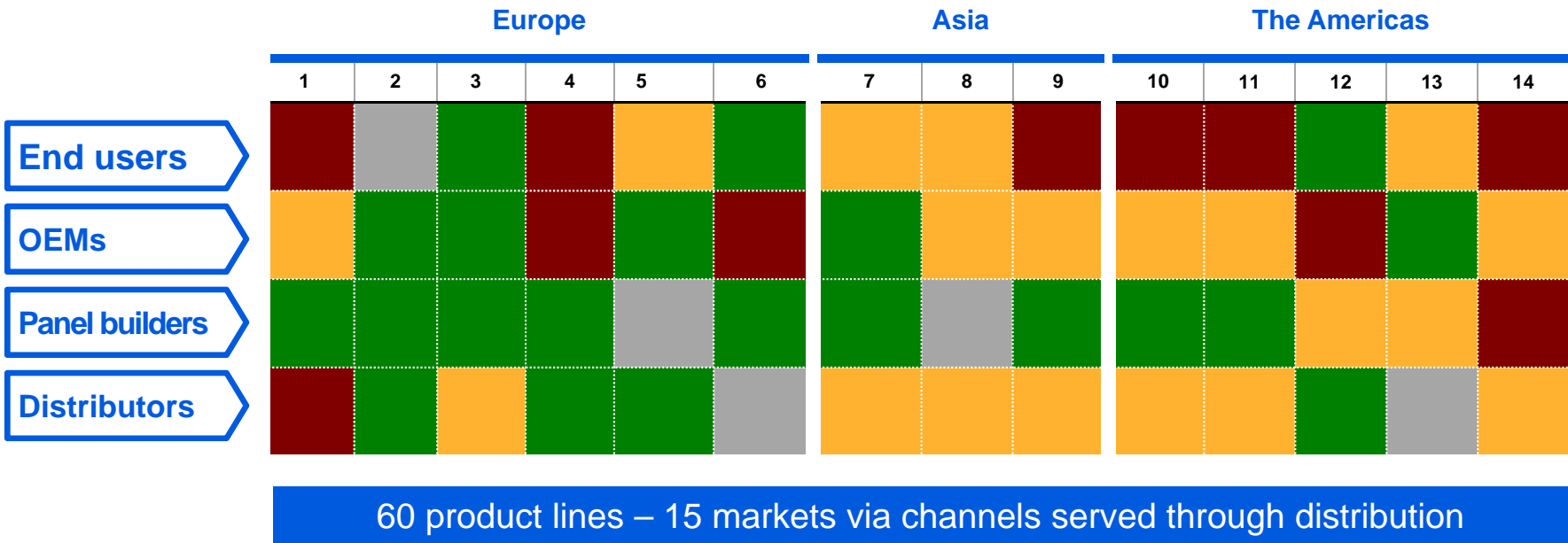
## Delivering profitable growth



# Market penetration

## A systematic and robust approach

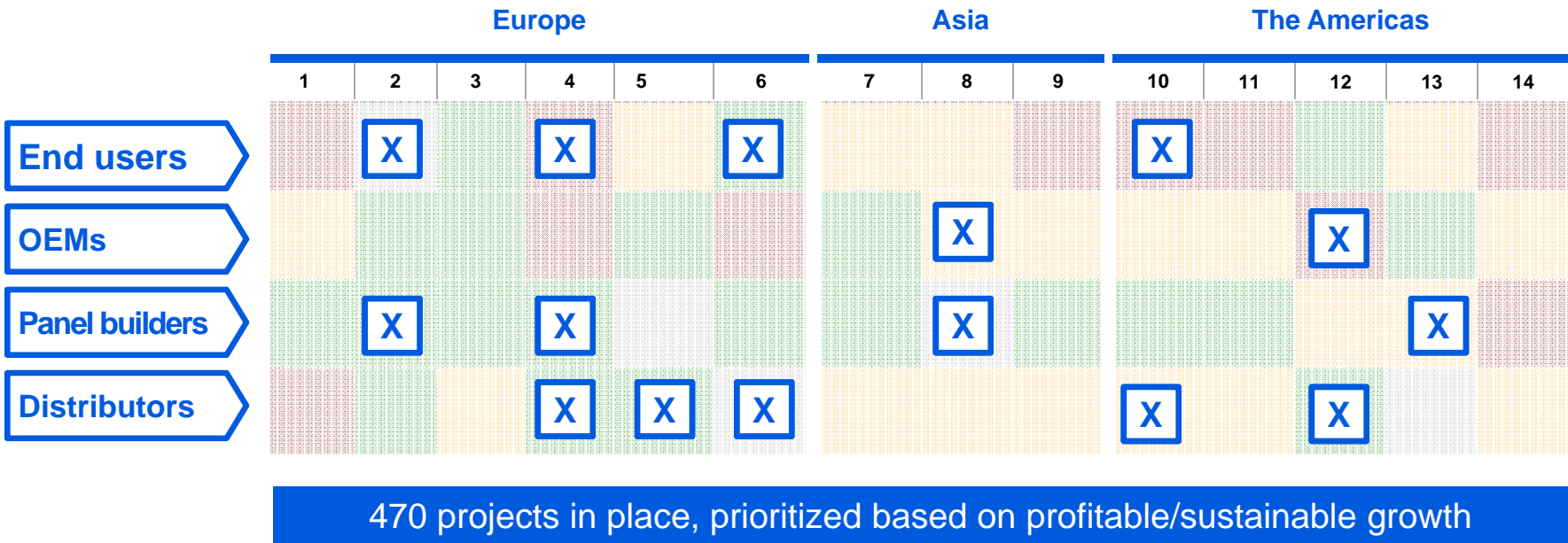
### Geography



# Market penetration

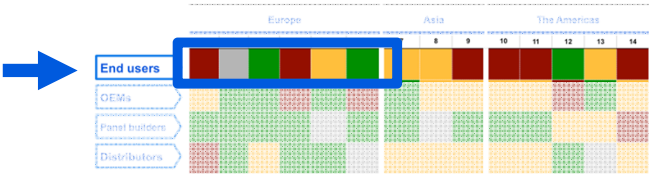
## A systematic and robust approach

### Geography



# Market penetration

## Product focus



Germany & US



Installers



China

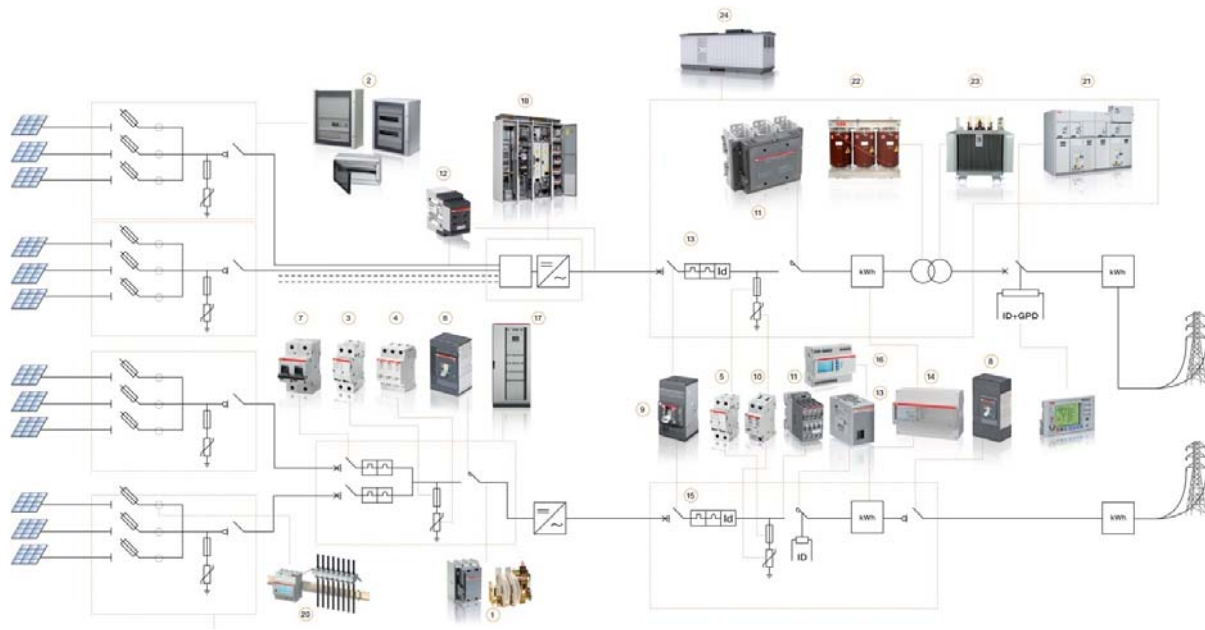
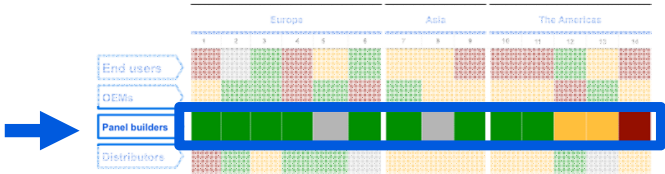


Critical power

Product development to meet specific market needs

# Market penetration

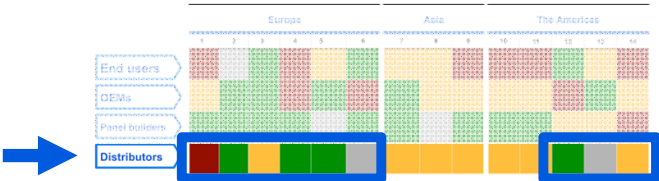
## Solution focus: Solar



Solar: Commercial offering sold through OEMs

# Market penetration

## Distributors



Generating demand to be fulfilled via distribution

### Strengthen position

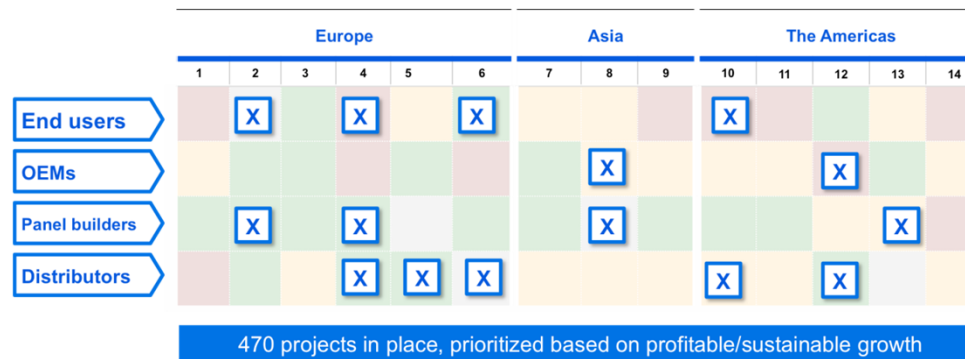
- ABB products in NAM
- T&B products via ABB channels

### Emerging markets

- + 400 sales
- 10 focus countries
- 30 product lines
- Invest in demand creation

# Market penetration

## Summary for LP division



- Poised for accelerated organic growth
- A clear action plan in place to drive penetration in
  - Products
  - Solutions
  - Distributors

Focus areas in action:  
Business-led collaboration in services and  
integration

# Business-led collaboration

## Spirit

1. Bring full value of ABB offering to address customers' needs
2. "One ABB" as customer experience
3. Working naturally together as part of our enhanced DNA

## Objectives

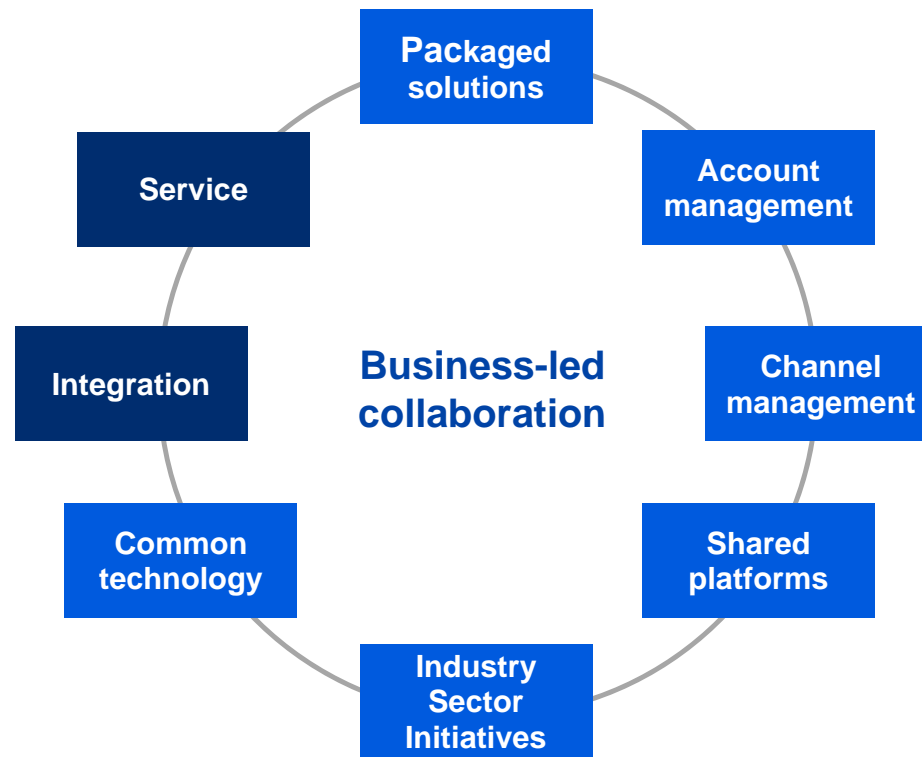
4. Increase share of wallet and ABB's value proposition to our customers
5. Simplify cross-business unit customer interface
6. Senior management leading the way with expanded roles
7. Accelerate profitable growth

## Cornerstones

8. Each collaboration opportunity under lead responsibility of one business leader
9. Corporate service functions (SCM, OPEX, Integration, HR, etc.) support with liberating rigor
10. Simplified, standardized collaboration processes

# Business-led collaboration impacts many areas

## Focus today on service and integration

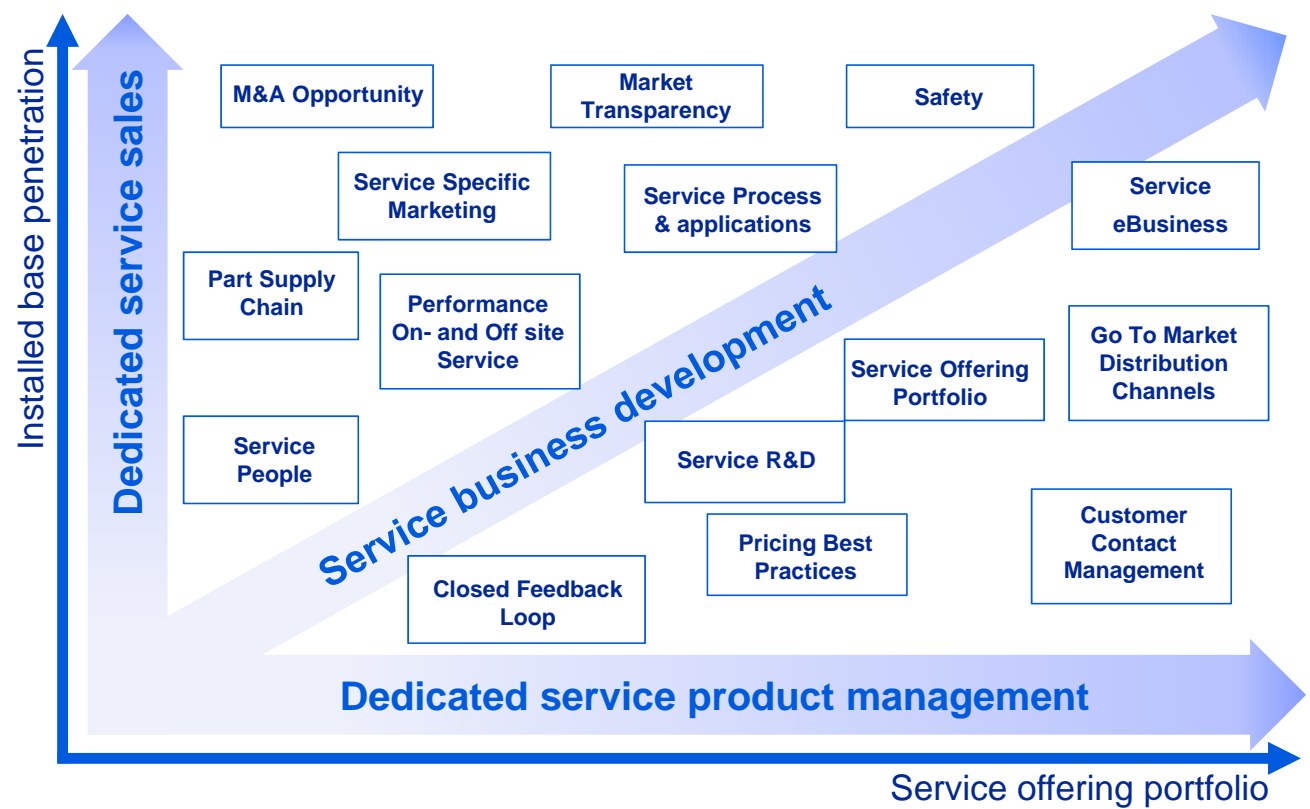


## Service: Growth actions

- Drive installed base
- Increasing market penetration
  - From 25% of installed base today to 40%
- Expanding the service product portfolio
  - Industrializing and globally leveraging 400+ service products
  - Developing new service products (R&D), expanding existing offerings
- Broadening geographic coverage and strengthening local capabilities
  - Identifying and closing geographic White Spots
  - Setting up new service centers (e.g. China, India, Australia)
  - Leveraging our strengths in application know-how
- Continuing to invest in service workforce – sales and field engineers
- Focusing on execution: implementing “how to win” initiatives
  - Driving service excellence standards reinforced for consistent performance
  - Across 5 divisions and +100 countries
- Common tools and processes



# Service: Implementation of “how-to-win” initiatives



# Acquisition integration to drive value creation

<b>Align</b>	<ul style="list-style-type: none"><li>▪ Acquired business with ABB business portfolio, starting at due diligence</li><li>▪ Clear roles, metrics and accountabilities</li></ul>
<b>Retain</b>	<ul style="list-style-type: none"><li>▪ Key management</li><li>▪ Best practices – “best of both worlds”</li><li>▪ Cultural attributes</li></ul>
<b>Support</b>	<ul style="list-style-type: none"><li>▪ Acquired business team</li><li>▪ “Better together” approach with integration teams</li></ul>
<b>Enhance</b>	<ul style="list-style-type: none"><li>▪ Package complementary offerings for more customer value</li><li>▪ Drive cost synergies (SCM, overhead/G&amp;A, best practices)</li></ul>
<b>Grow</b>	<ul style="list-style-type: none"><li>▪ Build on each other for additional growth (regions, sectors)</li><li>▪ Expand market reach (sales, channels, product management)</li></ul>
<b>Implement</b>	<ul style="list-style-type: none"><li>▪ Concrete actions and clear targets</li><li>▪ Rigorous follow-up and EC-level tracking</li></ul>

# Summary

# Looking forward – what you can expect

## Today

- Year end and Q4 results
- Expectations towards 2011/2015 targets
- Three focus areas “in action”

## September Capital Markets Day: Comprehensive strategic perspective

- “Next level” strategy
  - For our customers
  - For our businesses
- Key levers for our three focus areas
  - Profitable growth
  - Business-led collaboration
  - Relentless execution
- New long-term targets to drive EPS and CROI

# Summary

Today	Looking forward
<ul style="list-style-type: none"><li>▪ Solid 2013 performance despite a challenging market and PS setback</li><li>▪ Record revenues and higher operational EBITDA</li><li>▪ \$1.2 billion cost savings</li><li>▪ Increased free cash flow</li><li>▪ Higher dividend for 5<sup>th</sup> year in a row</li><li>▪ Smooth leadership transition</li></ul>	<ul style="list-style-type: none"><li>▪ Early-cycle businesses trending positively as we head into an uncertain 2014</li><li>▪ Lower large orders in 2013 will weigh on 2014 revenues</li><li>▪ Balance sheet provides great flexibility to support profitable growth</li><li>▪ Systematic and robust approach in place to create shareholder value</li></ul>
<div><b>Priorities this year</b><ul style="list-style-type: none"><li>▪ Profitable organic growth (penetration, innovation, expansion)</li><li>▪ Business-led collaboration (packaged solutions, cross-selling, service)</li><li>▪ Relentless execution (cost, cash, PS realignment, integration)</li></ul></div>	

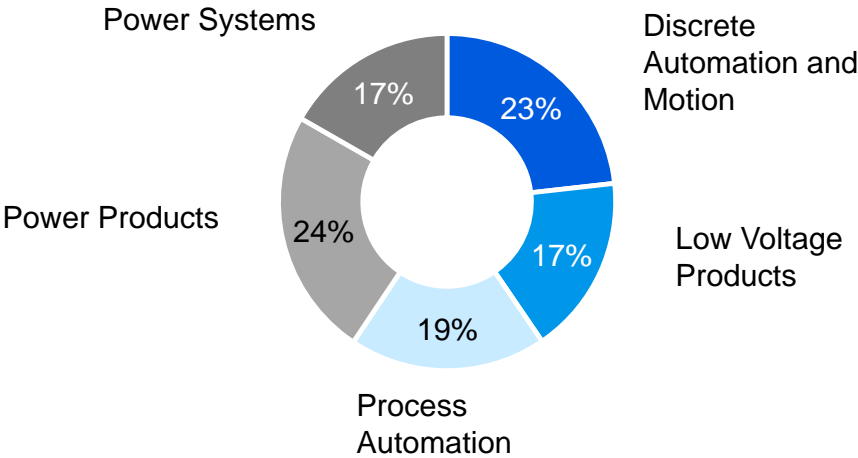
Power and productivity  
for a better world™



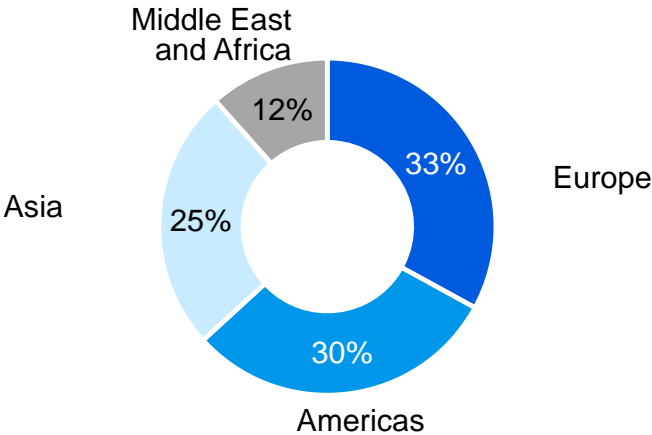
# Balanced business and geographic portfolio

Orders by division Q4 2013

*Non-consolidated*

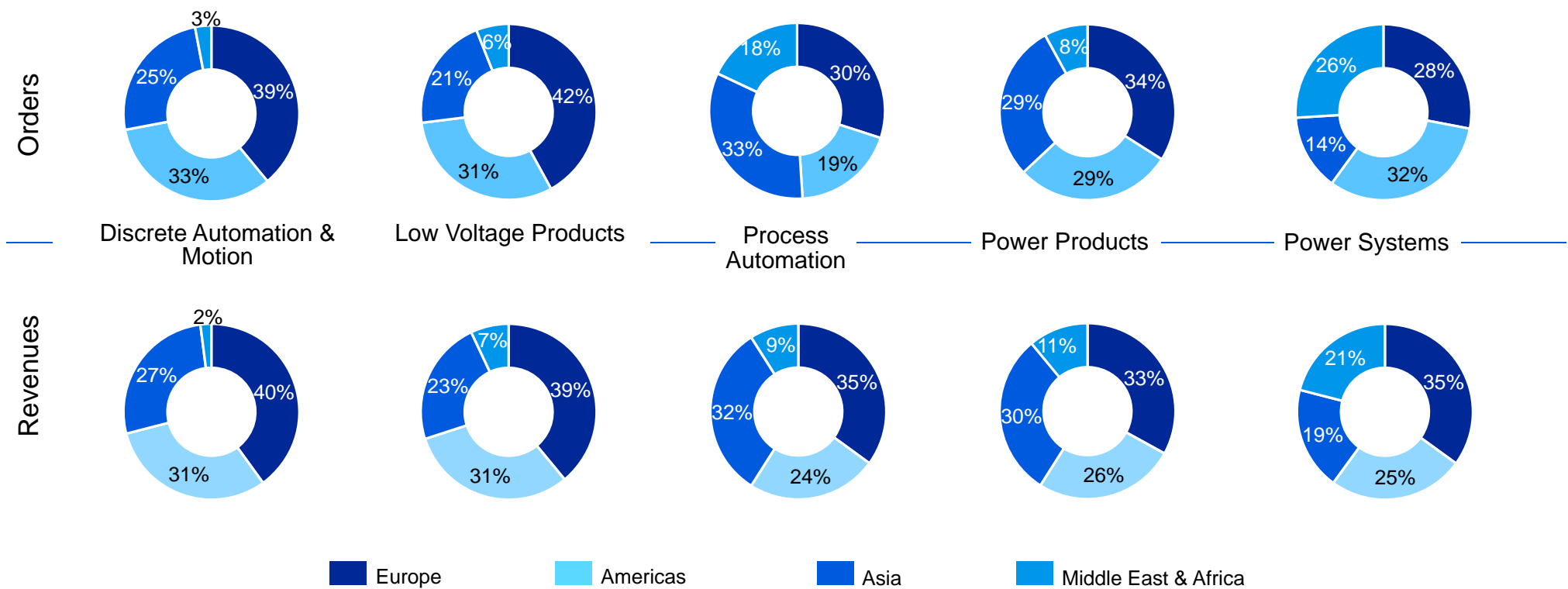


Orders by region Q4 2013



# Orders and revenues by region and division Q4 2013

Regional share of total orders and revenues by division



## Order backlog by division

Order backlog (end December) <i>US\$ millions</i>	Q4 2013	Q4 2012	Change %	
			<i>US\$</i>	<i>Local currencies</i>
Discrete Automation and Motion	4,351	4,426	-2%	-1%
Low Voltage Products	1,057	1,117	-5%	-4%
Process Automation	5,772	6,416	-10%	-8%
Power Products	7,946	8,493	-6%	-5%
Power Systems	9,435	12,107	-22%	-21%
Consolidation and Other (incl. Inter-division eliminations)	-2,515	-3,261		
<b>Total Group</b>	<b>26,046</b>	<b>29,298</b>	<b>-11%</b>	<b>-10%</b>

For more information, call ABB Investor Relations  
Or visit our website at [www.abb.com/investorcenter](http://www.abb.com/investorcenter)

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