ABB – a technology leader in electrification and automation
Our equity story
We enable a more sustainable and resource-efficient future with our technology leadership in electrification and automation.
ABB well positioned in a changing world

More electricity
Electricity demand growing >2x faster than other energy sources, resulting in ~50% higher average annual investment into distribution networks over next 10 years¹

Higher energy-efficiency
~45% of the world’s electricity is converted into motion by electric motors yet only ~23% of the world’s electric motors are optimized through the control of drives

New energy sources
Share of low-carbon sources in global energy mix to increase +30% – points from ~20% today to ~50% in 2050¹

Shrinking labor force
Global number of working age people (25 to 64 years) per retiree (65 years or over) to fall by ~20% over next 10 years²

1. IEA World Energy Outlook 2021, Announced Pledges Scenario
2. United Nations World Population Prospects 2019

Our purpose
We enable a more sustainable and resource-efficient future with its technology leadership in electrification and automation

Our offering
supports customers to

→ reduce waste and increase circularity
→ reduce carbon intensity
→ increase labor productivity
→ increase energy efficiency
→ increase flexibility
→ reduce footprint
→ reduce downtime
→ increase safety and improve working environment
01. Market leader with world class technology
02. ABB Way – accountability, transparency and speed
03. Increasing growth rates
04. Improving performance
05. Rewarding shareholders
Market leader with world class technology

- Cutting edge technology
- Ability to scale
- Decades long domain expertise
Core competencies

Our market leading position is based on core competencies which have created high barriers to entry.

01. Market leader with world class technology

- Cutting edge technology
- Ability to scale
- Decades long domain expertise

Global No. 1-2 in Electrification & Automation
Deliver more value with less input through a sustainable use of resources by utilization of technology

Remain relevant and trusted

Annual R&D investments of 4–5% of revenues

>$7 bn

Total R&D spend since 2016 excluding PG

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

ACOPOS 6D magnetic levitation
ACOPOS 6D drives flexible production by facilitating moving 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
01. Market leader with world class technology

- Cutting edge technology
- Ability to scale
- Decades long domain expertise

~7,000 employees in R&D of which about 60% are focused on digital technology

Digital offering with superior software as a key differentiator

Traditional offering

Software-enabled products & systems

Software & digital services

Superior customer value

~$500\text{m}^1\text{n in orders and growing at a double-digit rate

1. Management estimates.
01. Market leader with world class technology

- Cutting edge technology
- Ability to scale
- Decades long domain expertise

Global reach through local presence allows us to quickly scale innovations
Well balanced across regions, with local production

Global No. 1 or 2 positions

Electrification
Global No. 2

Motion
Global No. 1

Process Automation
Global No. 2

Robotics & Discrete Automation
Global No. 2

Global coverage

% of FY21 revenues

- Europe 36%
- USA 17%
- Rest of Americas 17%
- China 8%
- Rest of AMEA 22%

Business in 100+ countries
Factory footprint in 65 countries
Service presence in 100+ countries
6,000+ channel partners globally

Market leadership resulting in strong economies of scale
With a history of more than 130 years ABB is a technology pioneer. Decades-long presence in our end markets drive innovation in relevant areas. Large installed base

Deep understanding of customer needs

Select highlights of our history of innovation

- The first electric standard-gauge locomotive in Europe was powered by two BBC motors, beginning a new era in railway electrification. 1899
- ASEA launches the world’s first commercially available, all-electric, microprocessor-controlled industrial robot. 1974
- ABB launches the world’s first fully integrated industrial automation system, 800xA. 2004
- ABB Ability™ Smart Sensor converts traditional motors into smart, wirelessly connected devices for first time. 2016

Decades long domain expertise

- 1969 BBC develops the first gearless cement drive in the world, improving safety, reliability and efficiency.
- 1990 Azipod® is conceived, improving maneuverability and efficiency in vessels from cruisers to ferries and ice breakers.
- 2015 Introduction of YuMi®, world’s first truly collaborative dual-arm robot.
- 2021 ABB launches Terra 360, the world’s fastest electric vehicle charger.

Innovations fit for a broad industrial sales exposure

- Renewables ~3%
- Conv. Generation ~6%
- Distribution ~6%
- O&G, Chemicals ~10%
- Mining & Metals ~9%
- Automotive ~5%
- Food & Beverages ~5%
- Other industry ~20%
- Buildings ~19%
- Other T&I ~6%

1. % of FY21 revenues, management estimates.
ABB Way - accountability, transparency and speed

- Implementation of decentralized operating model
- Select common processes in ABB Way
- Improved performance management system
Decentralized operating model...

Before 2019

2019–2020

2020–

Operating decisions transferred closer to customers

Implementation of decentralized operating model
Select common processes in ABB Way
Improved performance management system

Accountability, transparency and speed

Transparency and accountability within all divisions
~20 divisions
4 business areas
ABB Corporate
02.

Accountability, transparency and speed

Implementation of decentralized operating model

Select common processes in ABB Way

Improved performance management system

~20 divisions which all have full operational mandate and cost ownership for their respective businesses

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...with ~20 divisions

<table>
<thead>
<tr>
<th>Electrification</th>
<th>Motion</th>
<th>Process Automation</th>
<th>Robotics &amp; Discrete Automation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution Solutions</td>
<td>Drive Products</td>
<td>Energy Industries</td>
<td>Robotics</td>
</tr>
<tr>
<td>Smart Power</td>
<td>System Drives</td>
<td>Process Industries</td>
<td>Machine Automation</td>
</tr>
<tr>
<td>Smart Buildings</td>
<td>Service</td>
<td>Marine &amp; Ports</td>
<td></td>
</tr>
<tr>
<td>Installation Products</td>
<td>Traction</td>
<td>Measurement &amp; Analytics</td>
<td></td>
</tr>
<tr>
<td>Power Conversion</td>
<td>IEC LV Motors</td>
<td>Accelleron (Turbocharging)</td>
<td></td>
</tr>
<tr>
<td>E-mobility</td>
<td>Large Motors &amp; Generators</td>
<td></td>
<td></td>
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<tr>
<td>Service</td>
<td>NEMA Motors</td>
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The ABB Way – the “glue” that unites our Group

Each business should benefit from being part of the ABB Group

Business leaders are encouraged to cooperate and find synergies where it makes sense and implies a competitive advantage for them

Remuneration system supports cooperation

Implementation of decentralized operating model

Select common processes in ABB Way

Improved performance management system

Each business should benefit from being part of the ABB Group

Business leaders are encouraged to cooperate and find synergies where it makes sense and implies a competitive advantage for them

Remuneration system supports cooperation

Performance culture

Share best practices

Benchmarking through transparent performance reviews

Smart leaders cooperate
02. Accountability, transparency and speed

- Implementation of decentralized operating model
- Select common processes in ABB Way
- Improved performance management system

Increased transparency
Scorecard system common for all divisions and business areas
Clarity on performance accountability

Improved performance management system

Monthly standardized scorecard system

Divisional strategic mandates

Systematic review of business portfolio
Increasing growth rates

Focused portfolio

New ways of working

Accelerating ESG drivers
Increasing revenue growth supported by three drivers

Focused portfolio
- New ways of working
- Accelerating ESG drivers

Global No. 1 – 2 positions in sustainable growth segments; electrification and automation

Organic growth investments driven by divisional needs
Divisions accountable for growth – both organic and acquired

Increasing growth rates

Accelerating ESG drivers for electrification and automation

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

Focused portfolio
Around sustainability and resource efficiency through electrification and automation

3.2%
Average reported 5Y\(^1\) revenue growth, constant currency

4–7%
Raised revenue growth target; through economic cycle, constant currency

3–5%
Raised revenue growth target; through economic cycle, comparable

1.8%
Average reported 5Y\(^1\) revenue growth, comparable

1. Average for 2017 – 2021
Focus on sustainability and resource efficiency

- Electrification (Global No. 2)
  - Increase labor productivity
  - Reduce carbon intensity

- Process Automation (Global No. 2)
  - Reduce downtime
  - Increase flexibility

- Motion (Global No. 1)
  - Increase energy efficiency
  - Reduce waste and increase circularity

- Robotics & Discrete Automation (Global No. 2)
  - Increase safety and improve working environment
  - Reduce footprint

Deliver more value with less input through a sustainable use of resources by utilization of technology.

Accelerating ESG drivers

Focused portfolio

New ways of working
## Improving quality of revenues

% share of Group revenues, management estimates

<table>
<thead>
<tr>
<th></th>
<th>2016(^2)</th>
<th>2021</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>32</td>
<td>15</td>
<td>-17%</td>
</tr>
<tr>
<td>Industry</td>
<td>41</td>
<td>49</td>
<td>+8%</td>
</tr>
<tr>
<td>Transport &amp; Infrastructure</td>
<td>27</td>
<td>36</td>
<td>+9%</td>
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</tbody>
</table>

### Key points:
- **Focused portfolio**
  - Significant actions to align business portfolio to more attractive growth markets
  - ABB businesses aligned with our purpose of electrification and automation
  - Reduce exposure to project business

### Notes:
1. Management estimates.
2. Includes Power Grids which is now excluded from continuing operations.
3. Orders (excl. service) converting to revenues within three to six months.
Mandate and accountability for driving growth has been shifted from central corporate into the ~20 divisions - closer to the market and customers - to increase focus and accuracy in growth activities going forward.
03. Increasing growth rates

Higher pace of acquisitions to an annual ≥5 small to mid-size bolt-ons
M&A target pipeline in divisions, from earlier central corporate
All divisions acquire to fill gaps in technology, geography or high-growth segments but only divisions with growth mandate consolidate the market

Divisions accountable for acquisition strategy

<table>
<thead>
<tr>
<th>PRODUCT WHITE SPACE</th>
<th>NEW SEGMENTS</th>
<th>MARKET ACCESS</th>
<th>ECONOMIES OF SCALE</th>
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<tr>
<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>
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</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
Acquired growth is part of some divisional management’s 2022 incentive plans

ambition is a run-rate of ≥5 small to mid-size bolt-ons per year
Well aligned to global megatrends

**More electricity**
Electricity demand growing \(>2\times\) faster than other energy sources, resulting in \(~50\%\) higher average annual investment into distribution networks over next 10 years\(^1\)

**Higher energy-efficiency**
\(~45\%\) of the world’s electricity is converted into motion by electric motors yet only \(~23\%\) of the world’s electric motors are optimized through the control of drives

**New energy sources**
Share of low-carbon sources in global energy mix to increase \(+30\%-points\) from \(~20\%\) today to \(~50\%\) in 2050\(^1\)

**Shrinking labor force**
Global number of working age people (25 to 64 years) per retiree (65 years or over) to fall by \(~20\%\) over next 10 years\(^2\)

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**ABB enables**

**ABB contributes**
Improving performance

- Financial targets
- Increasing margin
- Rising ROCE
- Strong cash flow
- Strong balance sheet
- Sustainability targets and performance
Financial target framework

- **4-7%** Revenue growth
  - annual average through economic cycle
  - 3-5% comparable, 1-2% inorganic

- **≥15%** Operational EBITA margin as from 2023

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

- **~100%** FCF conversion to net income
  - maintain solid track record

- **Basic EPS growth > revenue growth**
  - effective tax rate ~25% as from 2023

1. Calculated to exclude FX impacts and transformational acquisition and divestments, includes bolt-on acquisitions and divestments within divisions.
**Strong progress towards 2023 ambition of ≥15% Op. EBITA margin**

including announced exits of high margin divisions

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**Op. EBITA margin**

- 2017: 11.2%
- 2018: 10.9%
- 2019: 11.1%
- 2020: 11.1%
- 2021: 14.2%
- 2023E: 14.2%

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**Continuous improvements**

- 5 out of 19 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

---

**Revenues, $ mn**

- 2017: 25,196
- 2018: 27,662
- 2019: 27,978
- 2020: 26,134
- 2021: 28,945
- 2023E: ≥15%
04. Improving performance

Financial targets
Increasing margin
Rising ROCE
Strong cash flow
Strong balance sheet
Sustainability targets and performance

2021 improvement driven by higher Operational EBITA and lower adjusted group effective tax rate

Rising ROCE

Financial targets
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2021 improvement driven by higher Operational EBITA and lower adjusted group effective tax rate
Improved cash generation

Strong cash flow driven by improved operational performance

Financial targets
Increasing margin
Rising ROCE
Strong cash flow
Strong balance sheet
Sustainability targets and performance

Cash flow from operating activities in continuing operations ($ bn)

Free cash flow conversion to net income

Strong 2021 cash generation of $3.3 bn, representing an annual improvement of +$1.5 bn

Target ~100%

1. Amount represents total for both continuing and discontinued operations.
04. Improving performance

Strong balance sheet

- Net debt ($ bn)
- Net debt/EBITDA ratio

Capital allocation priorities:

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

Strengthened balance sheet on the back of improved performance and active portfolio management, including the divestment of Power Grids and Dodge creates headroom for increasing pace of acquisitions.

Long-term target credit rating of at least **strong investment grade**
Current rating of **A-/A3**
04.

Improving performance

We enable a low-carbon society
- Carbon neutrality in own operations
- Support our customers in reducing annual CO₂ emissions by >100 Mt¹
- Supply chain emission reduction

We preserve resources
- 80% of ABB products & solutions covered by circularity approach
- Zero waste to landfill²
- Supplier Sustainability Framework

We promote social progress
- Zero harm to our people and contractors
- Comprehensive D&I framework³; 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.
04. Improving performance

Financial targets
Increasing margin
Rising ROCE
Strong cash flow
Strong balance sheet
Sustainability targets and performance

International initiatives and pledges supported to acknowledge our commitment with external stakeholders

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2021 sustainability outcome: selected highlights

Enabling a low-carbon society
Estimated reduction of customer emissions in 2022

11.5 MEGATONS OF CO₂e

2030 target
>100 MEGATONS OF CO₂e/YEAR¹

Preserving resources
Zero waste to landfill

40% of our sites send zero waste to landfill

2030 target
100%

Promoting social progress
Women in senior management positions

16.3% in 2021

2030 target
25%

Integrity & transparency
ESG in 2022 EC compensation

2+ ESG KPIs in the personal component

Annual Incentive Plan

Long-Term Incentive Plan

20% weight for scope 1&2 CO₂e reduction

---

1. Savings in the year 2030 from solutions provided to customers 2021-30.
Rewarding shareholders
05. 
Rewarding shareholders

Strong balance sheet allows for solid cash distribution as well as organic and acquired growth

Significant part of Executive Committee remuneration linked to long-term results with measures aligned with shareholders, incl. relative total shareholder return and wealth at risk/share ownership requirements

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Dividends and share buybacks

- DPS (CHF)
- Dividend yield

>25bn cash returned to shareholders over last 10 years

Excess cash returned to shareholders through share buybacks

Ongoing buyback program of up to $3 billion, including having returned the remaining $1.2 billion of cash proceeds from the Power Grids divestment

1. Calculated based on the share price at December 31.

Committed to a rising sustainable dividend per share over time

- $17 bn Dividend
- $8 bn Buybacks

2012 – 2021

Rewarding shareholders

- Dividends and share buybacks
- DPS (CHF)
- Dividend yield

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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 US 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.

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