

Jean-Christophe Deslarzes, CHRO, ABB Ltd., Capital Markets Day, September 9, 2015

Next Level Stage 2

Accelerating transformation – White Collar Productivity

Important notices

Presentations given during the Capital Markets Day 2015 include 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.

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 with the volatile global economic environment and political conditions
- costs associated with compliance activities
- raw materials availability and prices
- 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.

The presentations also contain 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 “Capital Markets Day 2015” on our website at <http://new.abb.com/investorrelations/>

\$1 bn White Collar Productivity 1'000 day program

Lean for growth

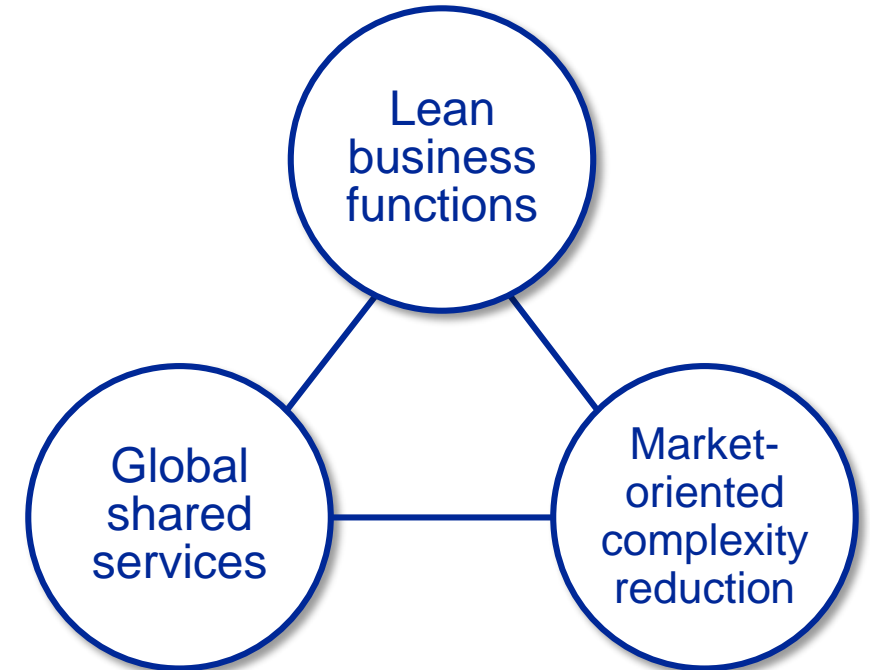
Stage 1 –
delivered

6 consecutive years \$1 bn in cost savings
Focused on Supply Chain costs and operational excellence

Stage 2

Adding White Collar Productivity program

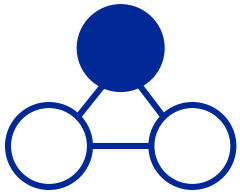
- ~100k white collar employees
- ~70% of workforce
- Systematic identification of opportunities
- Defined roadmaps
- Close information/consultation with stakeholders



White Collar Productivity program transforming ABB

Lean business functions

Marketing & Sales



Today

2017

Commercial organization

Fragmented



Consolidated sales back offices

Processes and tools

Sales force not spending enough time with customers



Sales force to spend >60% of time with customers by leveraging common sales technology platforms

Sales model

Predominantly face-to-face sales



Complemented with alternate channels (digital, distributors)

Expected impact

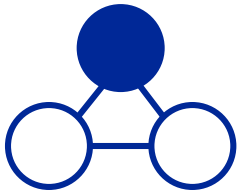
Significant commercial productivity improvement

All customers served by optimized mix of direct / indirect / digital channels

Streamlined commercial organization

Lean business functions

Example: Marketing & Sales processes and tools



Delivering the change

Standardize and automate external and internal trade

Deploy global platform for quotation and order management

90 countries on **salesforce.com** by 2016

Extend self-service platform for customers, including ordering and fulfillment tracking

Example of progress

6 pilots implemented

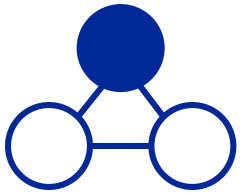
**30 countries on salesforce.com
by end of 2015**

**New cross-selling opportunities across
businesses**

Shared sales leads increased by >100%

Lean business functions

Research & Development



Today

2017

Footprint

260 R&D locations



Consolidate more resources into 20 large centers

Lean R&D

Early successes



Systematic, ABB-wide adoption

Portfolio

Individual / silo allocation of funds



Stronger portfolio approach to fund most attractive opportunities

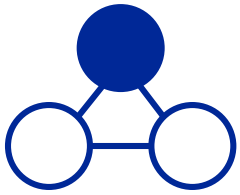
**Expected
impact**

20% more productive R&D

More than 500 additional scientists and engineers in higher growth markets (US and Asia)

Lean business functions

Example: Research & Development footprint



Delivering the change

Transfer, recruit and train 1,700 scientists and engineers in new centers

Review more than 100 subscale units and optimize skills, people and technology

Increase software development in Bangalore and Krakow

New R&D location in Silicon Valley

Address overlaps in R&D efforts across different sites

Example of progress

Created Indian R&D Center

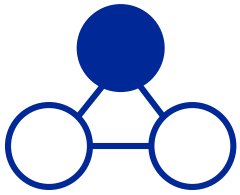
Today >850 software developers

Increased cost-efficiency by over 20%

Stronger skills in target areas

Lean business functions

Supply Chain Management



Today

2017

Logistics centers

1 center serving China as a pilot



10 regional centers serving all major ABB countries around the globe

Transactional activities in SSC¹

<5%



>80%

Category spend managed globally

Managed mainly on business unit or local level



>50% of spend managed across divisions

Expected impact

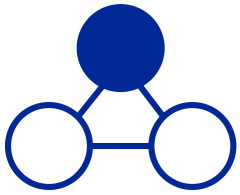
>20% more efficient SCM organization

>30% reduction in transactional logistics resources

Better leverage with fewer suppliers

Lean business functions

Example: Supply Chain Management logistics centers



Delivering the change

Establish 10 transport and logistic centers covering ABB's global needs

Consolidate and train more than 700 SCM professionals

Launch 21st century transportation management systems to optimize routes and deliveries

Example of progress

Established transport and logistics hub in China

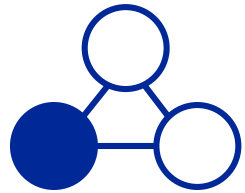
>30% improvement in resource efficiency

>40% freight cost reduction through pooling and efficient freight booking

Significantly improved on-time delivery and service quality

Global shared services

Support functions optimization

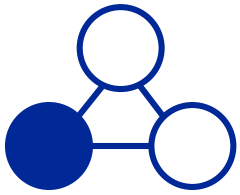


| | Today | | 2017 |
|-----------------------------|----------------------------------|---|--|
| Shared service centers | 68 country-based shared services | ➤ | 2 global and 4 regional business service centers |
| Process standardization | ~20% | ➤ | >50% in next 24 months |
| Leverage low-cost countries | <20% | ➤ | >80% |
| Scope | Accounting, IS, HR | ➤ | Finance, HR, IS, transactional SCM |

| | |
|------------------------|--|
| Expected impact | Global delivery of shared services at 30% lower cost |
| | Improved service quality and responsiveness, higher accuracy |
| | Simplified internal controls landscape |

Global shared services

Example: Global Business Services set-up



Delivering the change

“Lift and shift” from 68 centers to 2 global and 4 regional centers

Transfer, recruit and train 4,000 employees and incorporate into a Global Business Services organization

Develop and implement world-class shared services management practices

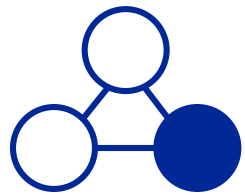
Example of progress

>700 IT employees located in Krakow developing and supporting group-wide applications

50% more efficient

Solid quality results

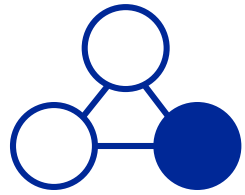
Market-oriented and simpler organization



| | Today | | 2017 |
|-------------------------------|---|---|--|
| Organization units and layers | Organization units: 5 divisions, 23 business units, 125 product groups Spans of control too narrow, up to 12 management layers | ➤ | 20% complexity reduction in all dimensions For example maximum of 8 layers within divisions |
| HQ | Mixture between classic HQ, business line and transactional activities Multiple functions located within HQ | ➤ | Business line management in key markets Transactional activities in SSCs Leaner HQ focused on strategy, governance & control |
| Expected impact | Business leaders closer to customers and markets Significant near-term savings Streamlined and simplified HQ | | |

Market-oriented and simpler organization

Example: organizational unit simplification



Delivering the change

Detail senior leadership roles and responsibilities

Realign division and business unit roles to streamline accountabilities

Create ABB sales organization in 46 smaller countries

Detail organization and ensure management appointments in next 90 days

Launch kick-off of staged HQ transformation

Example of progress

Clarified undiluted business line accountability

From 8 regions and our global markets head to 3 regions

Refocus countries on customers and fiduciary duties

Reduction of one management layer

Selection of top 1,000 positions in line with new set-up

Living the new performance culture

Execution discipline

Build on experience in successful SCM and Opex programs

Pay for performance

Use new compensation scheme with balanced institutional and individual objectives

Clear accountabilities

Executive Committee members own individual targets that amount to \$1 bn

Reporting to Executive Committee and Board

Disciplined, regular reporting of all detailed action plans, linked to compensation

All elements integrated in our implementation approach

Accelerating transformation

1'000 day White Collar Productivity program – summary

Illustrative

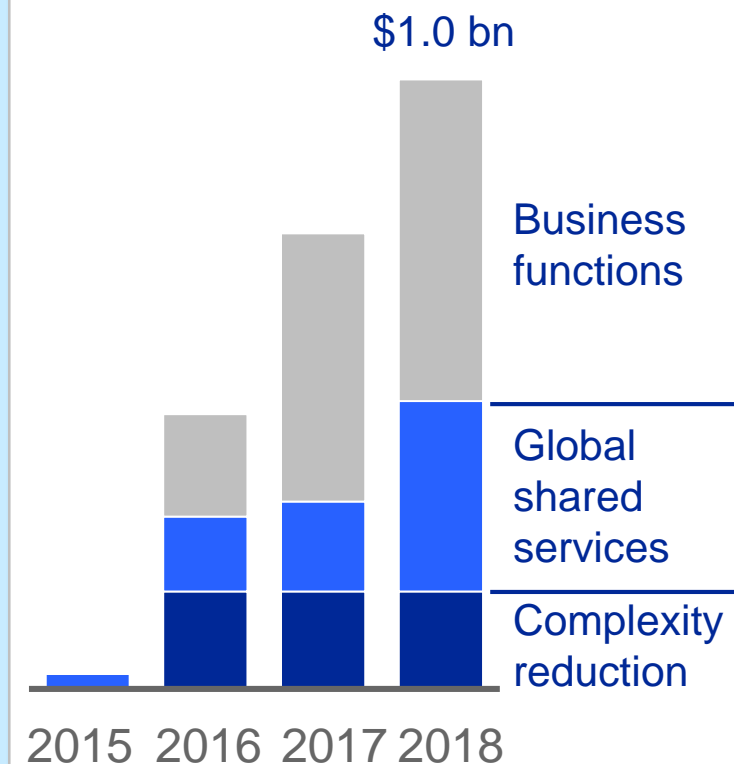
Next Level Stage 1: Strong track record of continuous cost reductions in Opex and Supply Chain Management

Next Level Stage 2: Change program focusing on the productivity of 100,000 "white collar" employees

More customer-focused, simpler and more agile organization

Moving into consultation and implementation phase

Cost reduction per annum



Power and productivity
for a better world™

