
ANNUAL GENERAL MEETING, MARCH 25, 2021

CEO Annual General meeting speech

Dear shareholders, ladies and gentlemen, a warm welcome also from my side.

Although I wish that we could have greeted each other in person, I am very pleased to be able to connect with you like this today.

I have now been with ABB for over a year, and what an eventful year – dominated by the pandemic, but also one in which we transformed ABB towards improved performance.

Coming in as the new CEO just as the COVID-19 pandemic was taking off, I was extremely impressed by how well our organization adapted to the changing circumstances.

Across the world, our people came together in true ABB spirit to take care of each other and support our customers and the communities in which we operate.

Thanks to our great people, established crisis management and technological expertise, we were able to keep most of our operations up and running. This was crucial because we are a critical supplier for power and other essential services.

Our Board of Directors, Executive Committee and many of our senior leaders showed their sympathy and donated part of their compensation to help affected employees around the world. ABB and many of our employees also donated a significant amount of money to support the world's most vulnerable people through the International Committee of the Red Cross and the World Childhood Foundation.

Despite our best efforts, however, tragically 25 of our ABB colleagues have lost their lives as a result of COVID-19-related complications. We will continue to do everything possible to protect our people from COVID-19 and all other health and safety risks.

On the financial side, we delivered a solid performance in what was an extremely challenging year.

As expected, our markets were impacted by the pandemic: For the full-year of 2020, orders declined by 6 percent to \$26.5 billion and revenues were down by 5 percent compared with 2019. Despite the lower volumes, we managed to deliver an operating margin in line with the previous year.

However, we saw a healthy improvement in orders and revenues in the fourth quarter, led by our second-largest market China, and we delivered a strong margin improvement for the quarter.

This is a result of the dedication and hard work by our employees and business leaders, who stayed focused and motivated during these challenging times.

We are optimistic about our business performance in 2021.

Despite the COVID-19 challenges, we introduced a new operating model – the ABB Way – moving the accountability down to our operating divisions.

We completed the carve-out and divestment of our Power Grids business to Hitachi and introduced our new company Purpose.

With our Purpose, everyone at ABB has a clear and common understanding of “why” we are in business and what impact we want to make as a company on businesses and society.

With our ABB Way operating model, we have dismantled the matrix organization. Our operating divisions are empowered with full accountability for their strategies, resources and performance.

Our divisions, governed by our business areas, now have the mandate to improve profitability and to grow, in that order. The aim is to achieve a number 1 or 2 position in all our markets and segments because market leaders have the privilege of driving technology development and financial performance.

Our shared Purpose and operating framework provide the “glue” that keeps our decentralized company together.

Our priority in 2020 was to build a strong foundation and draw up the direction for the next three years – with a strong priority towards improving financial performance and driving growth.

We have conducted a thorough portfolio review, which led to the already announced planned exit of three divisions. We firmly believe that Turbocharging, Mechanical Power Transmission and Power Conversion will have a better prospect to create value outside ABB.

Our future growth will be driven by the divisions both organically and through acquisitions. We expect to make 5-10 small to medium-sized bolt-on acquisitions per year as a group.

ABB’s greatest strengths have always been its technologies and its people.

The future development of ABB lies in the performance of our divisions, which are organized into our four business areas.

Our largest business area is **Electrification**, which is a global provider of products and solutions for safe and efficient distribution and protection of medium- and low-voltage electricity. During 2020, the Electrification team was focused on integrating the acquisition of GE Industrial Solutions by optimizing its footprint and product portfolio and thereby improving financial performance. The integration has been well executed and gone faster than planned. As a result, we see an improvement in customer satisfaction and financial performance.

Another business area focused on electrifying the world is **Motion**. We are the world's largest supplier of energy-efficient electric motors, generators, variable speed drives and integrated digital powertrain solutions. Thanks to its leading technology, strong global market position and leadership, Motion continues to show strong financial performance.

Our **Robotics and Discrete Automation** business area is a global leader in value-added solutions in robotics and machine and factory automation. The market for robotics has been challenging over the last year, primarily driven by a weaker automotive segment. But we see many new and promising end-markets emerging, such as in logistics and electronics and general industries. The business area has been refocusing towards these new and higher-growth segments, as well as strengthening its portfolio. We recently launched two new families of collaborative robots, positioning ourselves as a frontrunner in this – for the future – important area.

The **Process Automation** business area is a leading supplier of automation, electrification and digital solutions and services for process and hybrid industries. Several of the divisions in Process Automation have been affected negatively by the pandemic. It has been especially difficult to execute services due to the restrictions in the movement of people, as well as certain end-markets that have been heavily affected by the pandemic. These disruptions had an adverse impact on both volumes and margins.

It is through our leading technologies that we are enabling our customers to adapt their business models, as well as to become more efficient, productive and sustainable.

As an example, our robots and automation solutions, increasingly driven by artificial intelligence, are enabling manufacturers to meet customers' demand for more customized and individualized products.

They are also helping industries in addressing the increasing shortage of qualified labor.

At the same time, our electrification, automation and motion solutions help our customers in industry, buildings and transportation become more energy efficient and thereby reduce their emissions. This is part of our contribution to addressing climate change

Moving forward, we are stepping up investment in our digital ABB Ability™ solutions offering and platform.

Today, 60 percent of our R&D employees are already focused on digital and software development.

In line with our ABB Way business model, our businesses are in the lead in implementing our digital strategy. Being close to the customer, they understand customers' needs and how to best develop our offering.

To expand our digital solutions offering, we are investing approximately five percent of our global revenues in R&D and digital development.

By expanding our portfolio of software-enabled products and our digital services, we will be able to attract higher-margin business, drive new revenue streams, and sell more of our traditional products by integrating them into our digital solutions.

A key part of ABB's Purpose, which we defined along with our stakeholders in 2020, is to energize the transformation of society and industry to achieve a more productive and sustainable future.

Our 2030 sustainability strategy was launched at our capital markets day in November last year. It focuses on those areas where we, as a global technology leader, can have the biggest impact – enabling a low-carbon society by reducing carbon emissions, preserving resources and promoting social progress.

We will reach carbon neutrality in our own operations by 2030. To preserve resources, we will also increase circularity across our value chain.

Finally, we will lead by example as a corporate citizen, in the way we treat our people, champion human rights and diversity and inclusion. ABB will also continue its heritage of social engagement in the communities where we operate.

Our sustainability governance is underpinned by a comprehensive framework, based on integrity and transparency.

To conclude, let us look at some key priorities for 2021:

Starting with our **operational performance**, I clearly expect us to show steady improvements in financial performance towards our 2023 targets. We expect to grow in line with our end-markets' recovery and will continue to execute on efficiency measures.

We will continue to challenge our businesses and drive **active portfolio management**, and we will work towards the exit of the previously announced three divisions. That said, value creation for our shareholders is the most important and we will not go in for fire sales. As our ambition is to grow ABB, we will have a strong focus on strengthening our businesses also by making add-on acquisitions.

Finally, looking at **capital allocation**, we expect a meaningful uplift in cash generation in 2021 and our capital allocation priorities remain unchanged. We will continue to focus on our investments – including R&D – to drive organic growth, pay our shareholders a rising sustainable dividend per share, execute value-creating acquisitions and return additional cash back to our shareholders, for instance through share buybacks.

ABB is a leading technology company, now and in the future. We have the global R&D capabilities, digital solutions and innovative focus to support our customers.

The COVID-19 pandemic may still weigh on the near-term outlook, but the long-term market trends of electrification, automation, digitalization and energy efficiency remain intact.

On behalf of everyone at ABB, I would like to thank you for your trust.

I am pleased and proud to be the CEO of such a great company with a bright future.

Thank you.