
ANNUAL GENERAL MEETING OF ABB, MARCH 24, 2022

BJÖRN ROSENGREN

Chief Executive Officer

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

This month marks my second year as CEO of ABB. And once again, I regret that we are not able to host you in person.

It has been two challenging years. The world has been suffering from the pandemic, difficulties in supply chains and more recently the devastating war in Ukraine. On the other hand, it has been two great years for ABB. We have transformed our operations and moved the accountability and decision-making closer to our customers. This has led to improved financial performance and the strengthening of our businesses.

I see this as just the start of an exciting journey for ABB.

First, I would like to acknowledge the generosity and solidarity of our people during the pandemic. Our Board of Directors, Executive Committee and many other senior leaders donated part of their compensation to support COVID-19 relief programs for employees around the world.

The money raised was used for critical medical supplies, such as oxygen tanks, as well as vaccinations and mental health support.

Many of our employees also gave generously to company fundraisers to help vulnerable people and children. We made a big donation to the International Committee of the Red Cross, to provide essential supplies to people living in conflict zones as well as to the World Childhood Foundation.

And of course, the war in Ukraine is absolutely devastating. The human tragedy of seeing families displaced from their homes, millions of citizens seeking safety in neighboring countries and people losing their loved ones, is appalling. This should have no place in our world today. At ABB, our first priority remains the safety and wellbeing of our people and their families. Here as well, we have made a significant donation to the International Committee of the Red Cross. And we are proud that our employees are also supporting this initiative, with ABB matching their contributions one-to-one.

Let us now look at ABB again. In the first year of the pandemic, 2020, we implemented a new operating model – the ABB Way – to decentralize the company and move decision-making closer to the customer.

Our new operating model is the foundation for ABB to drive performance management and the “glue” that helps to keep the group together.

2021 was the year to deliver clear financial improvements, and what a year it was! I am proud of our Divisions and Business Areas which managed to exceed their tough targets, despite big supply-chain challenges like the global shortage of semiconductors and a tight labor market in the United States.

For the full year, 2021, we delivered better than expected results. Thanks to operational efficiency improvements and a recovery in demand, we took a giant leap forward on the way to delivering our 2023 financial targets.

Total orders were up by 20 percent, revenues rose by 11 percent, and we increased our operational EBITA margin by 3.1 percentage points to 14.2 percent.

Supply chain-challenges in the second half of the year meant that orders outpaced revenue growth. But on the plus side, we have a much stronger order backlog of about 17 billion US dollars to support revenues and profits going forward.

Let me now turn to the performance of our individual Business Areas.

All four Business Areas exceeded their challenging targets for the year, delivering higher orders and revenues, as well as improved profits.

Our largest Business Area, Electrification, grew orders and revenues by 21 and 11 percent respectively. The business, which is a leader in products and solutions for medium- and low-voltage applications, also increased its operational EBITA margin by 2 percentage points to 16.1 percent.

Our Motion Business Area is the world's largest supplier of energy-efficient electric motors, drives, generators and integrated digital powertrain solutions. In 2021, orders and revenues grew 16 and 8 percent respectively. Motion also increased its operational EBITA margin slightly to 17.1 percent, despite the divestment of our Dodge business, which had a negative effect on the margin in the fourth quarter.

Our Process Automation Business Area, which had been more negatively affected by the pandemic, recovered well last year, growing orders and revenues by 10 and 8 percent respectively. The business, which supplies automation, electrification and digital solutions for process industries, delivered a strong profitability improvement in the fourth quarter, resulting in a margin increase of 5 percentage points to 12.8 percent for the full year.

Finally, our Robotics and Discrete Automation Business Area came strongly back to growth last year, thanks to a recovery in key segments such as machine builders and automotive, which saw strong orders for electric vehicles. Growth was also driven by strong demand in the general industry and the newly focused logistic segment. Orders were up 34 percent for the year, and revenues grew 13 percent. The business delivered a margin improvement of 2.6 percentage points, to 10.8 percent.

These results show that our decentralized business model is working.

In 2021, we made strong progress in aligning our portfolio with our company purpose, which is to create superior value for our customers and contribute to a more sustainable society.

We divested our Dodge business to RBC Bearings which we believe will be good owners to further develop the business. We got a very good price for this business – almost 3 billion US dollars – probably the highest multiple ever paid for a company in the mechanical sector.

In February, we announced the rebranding of our Turbocharging business, which was given the new name of Accelleron. It is the market leader in turbocharging and fuel-efficient technologies to sectors like marine, energy, rail, and off-highway. This is a great business with a fantastic financial performance.

Peter and I have already talked about the human tragedy caused by the war in the Ukraine. We are witnessing the impact on stock markets across the world. While we still want to exit the Turbocharging business – Accelleron – we will not rush to make the final decision. We aim to do so before the end of Q2. We prefer to spin off Accelleron on the Swiss stock exchange and we would of course seek shareholders' approval for this.

The third business that we intend to exit, Power Conversion, has improved its performance, and we remain committed to our plans to exit this business.

Now let me say a few words about the planned IPO of our E-mobility business.

The strategic rationale behind the potential IPO is not to exit the EV charging market. But to create the right conditions to ensure that the business stays a market leader.

We intend to list a minority part of this business on the Swiss stock exchange and support to secure its leading position in this fast-growing market. Electric-vehicle charging is an extremely exciting market in which ABB has built up a leadership position in AC and DC fast charging for electric cars, buses and trucks. To date, we have sold nearly 700,000 chargers in more than 85 markets.

We are continuing with the preparation work and have created a separate legal entity – ABB E-mobility Holding AG – with good governance and a strong board of directors. As previously stated, we aim to complete a listing in Switzerland during the second quarter of 2022, assuming constructive market conditions.

This year, we also strengthened our position in key markets. We took a controlling stake in US EV infrastructure company, In-Charge Energy. And we have increased our majority stake in Chinese EV charging provider, Chargedot in Shanghai to 80 percent.

In 2021, our Robotics Division acquired a leading autonomous mobile robot manufacturer ASTI, to help capture new opportunities in areas such as logistics and warehouse automation. With ASTI, we now have the most comprehensive industrial robotics portfolio on the market.

To further strengthen ABB's position in electrification and automation, which are key enabling technologies for a sustainable society, we aim to make at least five small- to mid-sized acquisitions per year

Looking ahead, we have identified many new M&A opportunities, which we will be exploring further. Thanks to our strong financial position, and healthy cash flow, we are well equipped for acquisitions as well as to return cash to shareholders.

In line with our decentralized business model, our Business Areas will continue to drive growth organically and through acquisitions.

Alongside our strong financial performance in 2021, we made good progress toward our 2030 sustainability targets.

In past two years, we have reduced CO2 emissions from our own operations by 39 percent, in part by using our own technologies. Last year, our carbon-neutrality commitment was verified by Science-Based Targets initiative as being in line with the 1.5°C degree scenario of the Paris Agreement.

We are also helping our customers reduce their CO2 emissions. By 2030, through our advanced technologies, we aim to have helped reduce our customers' annual CO2 emissions by at least 100 megatons – equivalent to the yearly emissions of 30 million combustion cars.

Another key sustainability goal is preserving resources for future generations. Today, 40 percent of our around 440 sites around the world already do not send waste to landfill. By 2030, at least 80 percent of ABB's products and solutions are planned to be covered by our circularity approach, which includes every stage of the product lifecycle.

To support a culture of diversity and inclusion, we launched a gender-neutral parental leave program for all ABB employees in 2021. We also increased the proportion of women in senior management positions to 16.3 percent, up from 13.5 percent in 2020. By 2030, our goal is that at least 25 percent of senior managers will be women.

Finally, to ensure that sustainability is taken as seriously as our other performance targets, sustainability key performance indicators are now part of senior management incentives, and a selection is included in our quarterly financial reports.

Ladies and gentlemen, thanks to our transformation, our great technologies and most of all our talented and motivated people, our ongoing journey to reach our 2023 targets is proceeding at an excellent pace.

Going forward, we will continue to drive decentralization and accountability in our Business Areas and Divisions, according to our ABB Way operating model.

We are confident about ABB's future prospects – we increased our targets in December at our Capital Markets Day. However, we are also operating in a changed environment, with historical challenges.

Alongside supply chain issues – especially the worldwide shortage of semiconductors, which are critical for our technologies – we face rising inflation and other macro-economic challenges, as well as geopolitical uncertainties.

We are as well-prepared as a company can be. We are a global company but operating very locally. We have built up strong local presence, including sourcing and production capabilities in our major markets.

With our strong improved performance in the past year, our focus now is on profitable growth.

On behalf of the Executive Committee, I want to thank you for your trust and believing in us. We are on a journey together, that I am convinced will benefit all of us as shareholders, as well as our customers, employees, and society as a whole.

Thank you.