
ANNUAL GENERAL MEETING OF ABB, MARCH 23, 2023

BJÖRN ROSENGREN

Chief Executive Officer

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

We have a difficult year behind us. 2022 was a crisis year by any reckoning. We were still dealing with the pandemic and ongoing supply chain difficulties, when, as Peter mentioned, the war in Ukraine took us by surprise. Most shocking, of course, was the scale of devastation and human suffering in Ukraine itself. But the resulting energy crisis and rising inflation affected everyone – including ABB. I will come back to that.

I am extremely proud of the way our people responded to the humanitarian crisis caused by the war in Ukraine. We only had few employees based there, and for those and their families, ABB arranged safe ways out of the country.

Some of our employees also travelled to Ukraine's borders to transport people fleeing the country to safer places. Others donated essentials like food and clothing to refugees through ABB-driven initiatives. To date, we have raised more than 2.3 million Swiss Francs in employee and Group donations for the humanitarian effort of the Red Cross. And we have also donated ABB products.

The war has had little direct impact on our business. Last summer, we have decided to exit the Russian market, which accounted for about 1 to 2 percent of our revenues. There are no winners in this. It was a tough decision for us, especially for our colleagues and friends there, who have been working hard in building up our presence in Russia for a long time.

Let me now turn to how we are running ABB today.

In 2020, we implemented a new operating model – the ABB Way. We did this to de-centralize the company and move the operational decision-making closer to the customer. The ABB Way drives performance – through accountability, transparency, and speed – and it is the “glue” that keeps the Group together. Is it the right operating model for ABB? I think our performance speaks for itself.

Overall, 2022 was a record year for ABB.

In 2022, we delivered our operational EBITA margin target of at least 15 percent one year early. And this is only the beginning of our journey. We overcame significant supply chain and logistical difficulties to fulfil our commitments to our customers.

Total orders were up by 16 percent and revenues rose by 12 percent on a comparable basis. We finished the year with a record high order backlog of nearly \$20 billion. It shows that the ABB Way is delivering. And that we have the right team in place and their hard work is paying off. We managed to achieve this, despite the severe supply chain and inflation challenges that we were facing.

Let me now turn to the performance of our business areas.

Our largest business area, Electrification, grew comparable orders by 17 percent and revenues by 14 percent. The business, which is a leader in products, solutions and services for medium- and low-voltage applications, also increased its operational EBITA margin by 0.4 percentage points to 16.5 percent.

Our Motion business area is world leader in electric motors and drives. It also makes sure that trains are efficiently run by converting electricity into movement. In 2022, comparable orders and revenues grew 20 and 14 percent, respectively. Motion also increased its operational EBITA margin slightly to 17.3 percent.

Our Process Automation business area increased comparable orders and revenues by 11 and 7 percent, respectively. This business is the leading supplier of automation, electrification, and digital technologies to customers in process, hybrid and maritime industries. It has delivered a strong margin increase of 1.2 percentage points to 14 percent for the full year.

Finally, our Robotics & Discrete Automation business area's orders grew strongly last year, despite lockdowns in the world's largest robotics market, China. Comparable orders were up 15 percent for the year, and revenues were 4 percent higher. The business, which has one of the broadest portfolios of robotics and discrete automation solutions in the industry, had a challenging start of the year. But when the supply chain challenges eased during the second half of the year, it managed to improve operational EBITA margin to 10.7 percent.

I want to thank the teams in our business areas and divisions for delivering this strong result. Today, the majority of our divisions are delivering financial performance in line or better than their peers. As they are stable and profitable, they are now focusing on growth.

In 2022, we stepped up our portfolio management activities to further strengthen our market and technology leadership in electrification and automation.

We acquired controlling stakes in two electric vehicle charging companies – InCharge Energy in the United States and Numocity in India. These will strengthen our E-mobility business in those markets.

Before I talk about other acquisitions, let me say a few words about our E-mobility business.

Our strategy to list a minority part of our E-mobility business remains. But due to non-constructive markets we have decided to postpone the listing. Instead, we decided to do a pre-IPO private placement and we managed to attract 525 million Swiss Francs from six strategic investors. This will be used for further growth of the business. As of this year, E-mobility is being treated as a standalone business – for managing and reporting purposes. E-mobility fits very well with our portfolio and supports our purpose. But it is growing so fast that it needs to be governed differently. We have appointed a separate Board of Directors for this business and finally plan to list it on the Swiss stock exchange once market conditions become more constructive.

In our Motion business, we announced two important acquisitions. Our NEMA Motors division agreed to acquire Siemens' low-voltage NEMA motor business. This will strengthen our presence in North America even further. And in the fourth quarter, our Traction division acquired PowerTech Converter. It is a leading supplier of power converters for light rail vehicles and metros, with operations in Germany and the United States.

In our Electrification business, our Smart Power division acquired ASKI Energy, a leader in energy automation and control systems – with customers in Germany, Austria and Switzerland.

Part of our portfolio management strategy is to exit businesses that no longer fit with our purpose and strategic focus. Peter mentioned Accelleron and Hitachi Energy. I am very happy for Switzerland that Accelleron remains part of the Swiss industrial landscape as an independent market leader – it's a very successful and innovative company. In January this year, we also announced an agreement to sell our Power Conversion division for \$505 million in cash. This is the final divestment of our division portfolio measures announced at the end of 2020.

Looking ahead, we have identified many new M&A opportunities. In line with our decentralized business model, our divisions will continue to drive growth organically and through acquisitions.

Alongside our strong financial performance in 2022, we made good progress towards our 2030 sustainability targets.

Among our many achievements in 2022, we reduced greenhouse gas emissions from our own operations by 43 percent. But our biggest contribution to a low-carbon society comes from ABB technologies that reduce and avoid energy consumption and emissions in our customers' operations.

We also took important steps to improve sustainability in our supply chain – with a new target for our main tier-one suppliers to reduce their greenhouse gas emissions by 50 percent by 2030, compared with 2019 levels.

We are making good progress in building a safer and more inclusive working environment in which our people can succeed and develop. Our lost-time injury rate remained low, even though our deliveries increased. And we increased the number of women in senior management positions to 17.8 percent, up from 16.3 percent a year ago. This is very much in line with our goal of having 25 percent of senior management roles filled by women by 2030.

In addition to that, every year we do an employee engagement survey. It is really good to see that for the third year in a row, we have clear improvements in the scores. The overall engagement score rose to 76 out of 100. That's above the benchmark for comparable companies – and our highest score since we started measuring employee engagement in 2019.

Now let me talk about a topic which is of high priority in ABB: integrity.

In December last year, we announced that we had settled with South African, Swiss and American authorities on the legacy Kusile project from 2016 in South Africa. This case is about improper payments and other compliance issues.

We self-reported to all relevant authorities and have fully cooperated with their investigations. We have done extensive remediation and enhancements across our operations and integrity program – including launching a revised Code of Conduct, educating employees, and implementing a better control system. Our message is clear: we only accept business that is done with integrity and transparency.

Our work does not stop here – integrity is not a static concept. We will continue to develop and improve our integrity program. This means having controls, processes and a culture to effectively prevent bribery, corruption and other improper behavior.

Ladies and gentlemen, thanks to our operating model, our great technologies and most of all our talented and motivated people, ABB's operational performance is improving at an excellent pace.

With the ABB Way, we have laid the foundation for our strategy. Since 2022, our focus is increasingly on future-proofing ABB. What does that mean? Very simple. We want to make sure that ABB will continue to deliver value to all our stakeholders, also in the future.

Looking into 2023, we do not anticipate a major setback in demand – although inflation adds uncertainty. We have a huge order backlog, which will keep revenues coming in. We have a strong market-leadership position and the technology to take advantage of growth opportunities. With that we help our customers deal with challenges like energy, sustainability and security. For example, as a result of the energy crisis, our customers are looking for more energy efficient solutions. Most of our products and solutions reduce energy consumption and prolong the lifetime of equipment. They also improve efficiency and productivity in the energy sector itself.

Most importantly, we have the right people in the right positions to drive our business forward. Over the past three years, our teams have improved ABB's performance despite huge challenges. That is truly an achievement. One that makes me confident that ABB has what it takes to create value for our stakeholders and support the transition to a sustainable society. Together, we have made ABB more resilient and a better company.

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.

Thank you.