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Dear shareholders,
Ladies and gentlemen,

I will talk briefly about ABB's performance in 2011, but I'd like to spend most of my time giving you an insight into the ways in which we are starting to deliver on our goals for the 2011-2015 strategy period.

Last November, we outlined five priorities for the direction in which we are heading, and I'll talk about each of them in turn with some examples to illustrate the practical steps that we are taking.

Before I come back to these points in more detail, let me talk about the financial results.

Financial results

2011 was another very successful year for ABB. We achieved strong revenue growth of 15 percent, or 9 percent excluding the acquisitions that we made, and revenue reached a record \$38 billion.

Our order intake rose at a similar pace, growing 18 percent or 11 percent excluding acquisitions. Orders rose above \$40 billion for the first time.

We managed this growth while keeping costs firmly under control, so that we were also able to strengthen our profitability. Operational EBITDA¹ – the measure of profitability that we track – rose by \$1.2 billion last year.

Our profit margin on this basis also increased, to 15.8 percent from 15.3 percent.

In addition, we acquired companies in 2011 that made a strong contribution to revenue, earnings and cash generation, and to closing some of the gaps in our offering and geographic coverage. We have done an excellent job so far of integrating them into the company, but I'll talk more about acquisitions later.

¹ For an explanation of Operational EBITDA, see "Note 22 Operating segment and geographic data" to the Consolidated Financial Statements in ABB's Annual Report 2011

Finally for 2011, let me just highlight the increase in net income by \$600 million, which represents a 23 percent increase in earnings per share to \$1.38.

In the first quarter of this year, orders and revenues rose compared with the very strong first quarter of 2011. We performed well in North America and northern Europe, and industries associated with the demand for minerals, metals and energy continued to perform well.

But the results also show a continuation of some of the weaknesses that we saw in the fourth quarter. Weaker demand in markets such as China and Italy, and price pressure in the order backlog contributed to a decline in the operational EBITDA margin in the quarter.

The first-quarter results essentially reflect economic uncertainties, and this is not unexpected. When we unveiled our new strategy for the 2011-15 period last November, the situation was similar. Our goals for the next few years are based on the assumption that overall economic growth will be slower than in our previous strategic period, but that there are a number of areas requiring power and automation solutions that are still growing fast.

The goals are also based on our confidence that ABB can take a bigger share of the global power and automation market by becoming more externally focused, more efficient and more aggressive. These are the aims of the five components of our strategic direction that I referred to earlier, and that I'd like to review here in more detail.

Drive competitiveness

The first of these five priorities is to drive competitiveness and stay relevant in our existing markets. We will vigorously defend our existing positions in the markets we currently serve, and this is imperative to our success.

One important way of achieving this is to listen carefully to our customers and act fast to meet their needs.

We are doing this with the help of a regular survey called Net Promoter Score, or NPS. It is a straightforward questionnaire that asks customers whether they would recommend ABB to a colleague. It also asks them for the main reason for their score.

We have found that customers are extremely happy with the quality of our technology and the expertise of our people. They are less happy with our performance on some of the more basic aspects of doing business, such as on-time delivery and the level of service provided.

We are identifying the root causes of any issues that emerge and addressing complaints rapidly. The process worked extremely well in 2011 and is gradually becoming a part of our culture and attitude.

Our goal for 2012 is to improve our overall Net Promoter Score in comparison to 2011. Another essential aspect of staying competitive is to preserve our technology leadership. The NPS surveys show that customers value our technology and we are striving to maintain this competitive advantage by stepping up investment in research and development.

In 2011, R&D spending rose by more than 20 percent to almost \$1.4 billion. That was 3.6 percent of last year's revenue, and we are targeting R&D spending of 4 percent of revenue by 2015. This is an investment in the future.

Evidence that R&D pays off can be seen in the new products we launched last year and in some of the orders we won.

On the order side, probably the best example is the contract for an innovative power transmission link in northern India that will deliver enough electricity for 90 million people. In a sense, this project marks the beginnings of a grid based on direct current because it will take two high-voltage DC transmission lines coming from North-East India and combine them into one to deliver electricity to the city of Agra.

As far as product launches are concerned, we introduced new offerings in 2011 for energy efficient data centers and ships using DC technology. And our new high-efficiency motor design won a prestigious automation award in Germany last December.

Another pillar of our drive to stay competitive is our program to improve productivity throughout our own operations by reducing complexity, the costs of poor quality and procurement, and bottlenecks in our plants.

Our supply chain management has delivered tremendous savings over the past three years through measures such as purchasing in bulk and boosting supply chain competency in the organization. This has made a significant contribution to keeping ABB in good financial health. We are targeting another \$1 billion of savings in 2012 and anticipate that our supply chain will provide half of this.

Similarly, our team driving improvements in operational excellence has had a significant impact on productivity at ABB. In 2012, operational excellence measures such as quality improvements and more on-time deliveries are expected to deliver 45 percent of our planned savings for the year.

The drive for competitiveness is a drive for excellence, which is a mindset. It is therefore not something that applies only to our operations. To impact our competitiveness, this mindset has to permeate the whole organization, which is why we aspire to excellence in all we do and have made terrific progress in other areas as well. These include health and safety, and the security of employees.

Our drive for competitiveness is not just the first in my list of strategic priorities, but also the #1 priority. We must succeed here to succeed in the others.

Capitalize on megatrends

The second of the five priorities is to capitalize on megatrends. These are the big changes taking place around the world that impact entire societies for many years. We must focus on these because it's clearly easier to grow in fast-developing markets.

During our strategy review last year we identified several megatrends that are relevant for ABB. These include rising demand for minerals and metals, and growth in the transportation of goods around the world. It includes demand for urban transport solutions and for clean forms of energy such as electricity as vast numbers of people migrate into cities.

In addition, our world is also going digital, creating demand for software data storage. And one of the biggest megatrends of all is the drive to minimize society's impact on the environment.

These are general trends that apply to our competitors as much as they do to us, which is why our strategy identifies priority growth areas within these trends that play to our strengths.

With our offerings for the wind, solar and hydropower industries, the boom in renewable power generation will be a focus. Power networks will also have to become smarter to cope with intermittent power supplies from renewable sources, and we believe ABB can play an important role in the evolution of the power network. Related to these opportunities is the chance to help our customers use energy more efficiently.

In some situations, using direct current can significantly increase energy efficiency so we'll be developing more DC applications. One that we already have is a DC solution for data centers, which we expect to help us penetrate this market even further as data storage grows.

The digitization and automation of the economy also plays to our strengths in software for utility and industrial applications, while, the size of our installed base makes service a big opportunity for us.

When it comes to energy, the world's oil dependence means huge efforts are being made to tap less conventional sources, from oil sands to deep-sea deposits, and we are supporting these efforts. In addition, growing economies and rising standards of living will result in more industrial production: As a leader in industrial automation, ABB is well placed to capitalize on this development.

When it comes to megatrends, our goal is therefore to anticipate changes that are relevant to ABB, participate in them, and even shape or lead them by adapting our technology or business models to evolving needs.

Expand core business

The third component of our strategic direction is to aggressively expand our core business.

A good example of this is the program we have for strengthening our service capability. We know from our NPS surveys that customers value good service, but we have not so far given it the importance it deserves. In the past, service was delivered on a business-by-business basis, which required customers to know which of our businesses to turn to for help. We are replacing this approach with better coordinated activities that will make life easier for the customer.

Countries in which this approach has been piloted have achieved much faster growth in their service business than other countries, so it is now being rolled out in all of our markets.

Our service business had 15 percent order growth and accounted for 17 percent of ABB's revenue in 2011. We still see a very significant opportunity to develop this business. Our goal is for service to provide 20-25 percent of our revenue by 2015.

Another way in which we are developing our core business is by expanding into markets in which our penetration rate is low.

This is what we need to do in Europe. Despite its current economic challenges, the European Union's economy is one of the world's largest and we still have room to grow in most of the region's big economies, especially France, Germany and the UK. In addition, our capabilities in the region – in R&D, engineering, manufacturing and management – are very strong.

We have identified significant potential for growth in Europe in the areas of industrial automation, service and software, and the ongoing energy transition provides ample growth opportunities for our power business.

Our commitment to Europe is underlined by the heavy investments we have made in the region in recent years, for example expanding our semiconductor plant in Switzerland and our cable plant in Sweden.

We also see tremendous potential for ABB to penetrate more deeply the emerging markets of South-East Asia, Latin America and Africa. A part of last year's cost savings was reinvested in sales to help us grow in new markets.

Disciplined M&A

Where we think that organic growth would take too long, however, we are looking for acquisitions to close strategic gaps in our portfolio. Making disciplined acquisitions is the fourth of the five components of our strategic direction.

We analyze acquisitions along three vectors: whether they fill geographic gaps, end-market gaps or product gaps. The biggest transactions we have announced addressed all three of these gaps.

Baldor was our biggest acquisition for many years and has already made a significant contribution to ABB's results. The US maker of motors and mechanical power transmission products has a unique business model based on high responsiveness to customers, which is something we are keen to protect and learn from.

Mincom, based in Australia, was also acquired in 2011 and is now being combined with Ventyx to give us a leading position in enterprise asset management software. Ventyx and Mincom bring experience in running a software business that ABB had little prospect of obtaining on its own. This experience will help develop our network management business and the acquisitions provide ABB with a stronger offering to address the development of smart grid opportunities.

As the Chairman said, we have also announced an offer to acquire Thomas & Betts in the US to significantly expand our access to the world's largest automation market and T&B's access to the rest of the world.

On a smaller scale, some of our other acquisitions have helped us to gain new services or technologies, or have given us access to new industries. Epyon, for instance, increased our offering for the electric vehicle fast-charging market, and Trasfor has given us a bigger share of the specialty transformers sector.

We also continued developing our solar business with investments in Novatec, a German-based company with an innovative technology for concentrating solar energy, and Greenvolts, a concentrating photovoltaic supplier.

Find and exploit disruptive opportunities

These up-and-coming solar technologies and some of the other acquisitions illustrate the fifth and final component of our strategic direction, which is to search for technology or business model disruptions to position ABB for leadership. A disruption in this sense is a change that adds significantly more value to customers than conventional technologies or business models.

A good example of how ABB has done this well in the past is the development of HVDC Light, a technology which created a new market. It enabled wind farms to be located in remote offshore sites for the first time. Introduced more than a decade ago, the technology has given ABB a huge lead in this industry.

Today, direct current offers even more disruptive opportunities. Last year, we introduced DC solutions for data centers and for ships that each provide energy savings of some 20 percent over conventional technology, in addition to space savings and other benefits.

Developing new technologies is one way to disrupt the competition. Pursuing innovative and flexible business models is another. Whether through organic growth or through acquisitions, the keys to sustainable success will be to meet local product requirements, to be competitive locally from a cost and performance standpoint, and to be quick to bring our products to the market. To achieve this, we need strong local product managers and a product development organization that is highly responsive to the needs of different markets.

This is important because most large markets, mature as well as emerging, have their own university structures, their own technical specifications and their own cadence. Having strong local capabilities devoted to each of these markets, will help us to better adapt to the local conditions and to more effectively disrupt our local competitors.

An important outcome of these efforts to penetrate new markets and to close gaps in our footprint and offering, is that it will diversify our global presence. This ensures that none of our global businesses is too dependent on any one region.

Culture building

I hope you can see from this overview that we have plenty of opportunity to develop our business over the next few years.

In many ways ABB's culture is well adapted to the challenges of a globalized and fast-paced world. We have a diverse and multicultural management team; flat hierarchies; little bureaucracy; and a passion for technology.

However, delivering on our strategic plan for the next few years will require some cultural changes. Here, too, we have five focus areas, which I call the cultural imperatives.

First, integrity is the foundation for everything else. We want to be recognized as a tough competitor, but our employees should never, ever, compromise our integrity. Over the years we have put in place one of the most comprehensive and rigorous programs worldwide to embed integrity into our culture. We believe that honesty and fairness on our part are essential to developing the relationships we strive for with our customers, based on trust and respect. Our employees know that they must walk away from business that cannot be done with integrity and that we will support them. We do not tolerate deviations from this integrity standard.

The second cultural imperative is to maintain an external focus at all times. The #1 aspect of keeping an external focus is to listen carefully to customers and to meet their requirements promptly. The NPS surveys I spoke about earlier are helping us to improve on this point.

Keeping an external focus is also about staying on top of changes in standards and legislation, competitor activities, scientific developments and societal trends, so that we are capable of reacting to challenges before they harm us and of seizing opportunities before our competitors do.

Next is innovation. When I talk about innovation as a cultural imperative I am referring to the development of a mindset in every part of ABB that is always on the lookout for new ways of adding value.

Technical innovation is one aspect but I'm talking here about innovation in a much broader context. Becoming more innovative is about becoming more comfortable with experimentation and failure, provided we learn from our failures to do better next time.

Fourth, if we want to stay competitive and flexible, it is also imperative for us to internalize the idea that cost consciousness and growth are not mutually exclusive. They must be seen as two sides of the same coin. Growth often requires investment, and in a cost-and-growth culture our instinct will be to fund the growth by making savings elsewhere, either by doing other things more efficiently or by abandoning ineffective activities.

A good example of this is the way we reduced our procurement costs in 2011 and reinvested part of the savings in R&D and in building sales teams in underpenetrated markets.

The final cultural imperative that we need to work on is acting as One ABB toward our customers and the rest of the world. A typical complaint from dissatisfied customers is that we are too complex to work with, and that is because we have too often let our internal structures get in the way of our interactions with them.

Again, this primarily requires a change of mindset and working patterns within the company, but we are also putting in place some new tools to facilitate the process. One of these is a Group-wide Customer Contact Management system to improve the way we handle enquiries.

Cultural change can be one of the hardest things to achieve in an organization but I believe these five cultural imperatives are not fundamentally new to ABB. If some of them are under-developed today it is partly because of the scars left by the turbulent events of a decade ago. The cultural imperatives build on existing strengths of ABB and, for this reason, we are making good progress on achieving these goals.

Conclusion

So in conclusion, it's clear that the recent volatility in the economy and financial markets is a challenge, and it may be with us for a while. ABB navigated the uncertainties well throughout 2011 to deliver a strong set of results for the year while making further good progress toward becoming an even more responsive and entrepreneurial business.

Our goal is to be more active in markets that continue to enjoy high growth rates and to win market share where we are underrepresented. Our investment in R&D, and in increasing the efficiency and adaptability of our business, will facilitate this process.

Importantly, our profit margins are among the highest and our balance sheet is among the strongest in our sector, and this gives us the flexibility to pursue growth opportunities as they arise.

ABB is a business with a strong track record of technical innovation, a diverse and experienced management team, a well-balanced business from a geographic and technology standpoint, and a great record of driving growth while controlling costs.

We are excited about the future as this period of unprecedented change creates a host of new opportunities for power and automation. We are also excited about our ability to continue to grow and perform in our markets.

Thank you for your confidence in the company.

And thanks for your attention.