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Dear shareholders

Ladies and gentlemen

On behalf of the entire Executive Committee, I would like to welcome you to Zurich and offer a heartfelt welcome to your ABB!

Peter, thank you very much for providing your portrait of our company, which I considered very accurate.

Ladies and gentlemen,

ABB stands for power and automation for utilities, industry and the transport & infrastructure sector – worldwide, in over 100 countries. With our unique, balanced coverage of markets and regions, we have been serving customers around the world for 125 years, and have been winning them over and over again – not least because of our long track record of pioneering technical achievements.

Innovations have always been the lifeblood of ABB. That is how it has been, and that is how it will remain. ABB is now and will always be a pioneer in the field of leading-edge technologies.

Running the world without consuming the earth – that is what ABB strives for and what I stand for personally.

In 2015, we delivered several impressive innovations to prove this again:

- For example, the world's first environmentally friendly, gas-insulated switchgear (GIS) for utilities: The gear, which contains an ecologically sound new gas, was commissioned here in Switzerland. This solution was developed in partnership with 3M to offer an alternative to sulfur hexafluoride, or SF₆. It is much less harmful to the environment. The new gas mixture eliminates almost 100 percent of the potential global-warming impacts of conventional SF₆ gas.
- Another example is our revolutionary dual-arm robot for industry, YuMi, which greeted you in the hall today. It demonstrates our leading position in the robot market. YuMi was unveiled at the Hanover Fair last year, and it is the world's first robot that can literally operate hand-in-hand with humans, safely, without protective barriers or a cage, all the while learning as it works. YuMi shows how serious we are about working as a team, both technologically and with our customers.
- Yet another example is our new Octopus software for shipping companies. It optimizes a ship's route, taking into consideration the shape of the hull, the actual load onboard, weather conditions and wave movements detected by satellite. This makes the voyage safer for the ship's passengers and cargo, optimizes speed and boosts energy efficiency. In 2015, we installed the system on 140 Maersk Line container ships. This is just one example of our strong expertise in software, which makes us a market-shaping, leading company in the age of digitalization.
- And of course there is the partnership we initiated in 2014 with Solar Impulse. The solar-powered airplane, which our Swiss friends Bertrand Piccard and André Borschberg will launch again shortly, has already travelled halfway around the world and is further proof of the value of new technologies and the viability of trendsetting projects that can help us run the world without consuming the earth.

These, ladies and gentlemen, are only a few of the many, many examples of ABB's determination – a determination that is also reflected in the results of the first quarter of 2016.

Despite strong headwinds in many markets, along with low order intake and slightly lower revenues, we were able to boost profitability – as expressed by operational EBITA margin – by nearly 0.9 percentage points to 12 percent.

- Cash flow from operating activities was up \$199 million.
- And operational earnings per share rose 3 percent in constant currency in the first quarter.

Of course we know that this must only be the start. We have ambitious goals and what we have achieved together to date gives us reason to be optimistic and, more importantly, the ability to move forward.

- In 2015, we achieved profitable growth in many areas, despite headwinds in an uncertain world. This was especially owing to the successful introduction of our PIE concept, driving market penetration, innovation and expansion in selected markets and customer segments.
- In 2015, cost savings amounted to approximately \$ 1.2 billion. That makes 2015 the seventh year in a row with cost reductions of more than \$1 billion.
- And what is especially gratifying is that the Power Systems division achieved a turnaround and generated an operational EBITA margin of 7.5 percent in the fourth quarter of 2015 – within the prescribed target corridor. In fact, the turnaround came one month earlier than planned. For this I would today like to thank Claudio Facchin and his team from the bottom of my heart – and I'm sure I can also safely thank them on behalf of our shareholders.

The results of our relentlessly executing our strategy are reflected in our overall results for the fiscal year:

- Our profitability increased considerably: Our operating EBITA margin was 0.6 percent higher at the end of 2015 compared to 2014, despite the difficult market situation. It came in at 11.8 percent, and, as I mentioned earlier, we boosted it further in the first quarter of 2016.

- Our free cash flow improved substantially. It rose to about \$3 billion, a 16% increase in constant currency. This demonstrates that ABB is on the right track to implementing a new “cash culture.” We aim to and we will utilize your capital, my dear shareholders, even more efficiently and effectively.
- And operational earnings per share in 2015 was \$1.24, a 5 percent increase in constant currency compared to the prior year. Although that is not yet where we want to be, it is a step in the right direction.

So you can see that ABB became more profitable. And ABB's cash flow is higher than before.

But it is also true that in 2015, there was hardly a business unit that did not have to contend with significant headwinds:

- In fact, total orders were down slightly in constant currency and came in at about \$36 billion, one percent below last year.
- We were able to keep our revenues in US dollars, adjusted for currency effects, at the same level despite difficult markets. Revenues reached about \$35 billion.

Net income was just under \$2 billion, 25 percent lower than last year. The decline was driven mainly by one-time costs associated with restructuring and reengineering our company for the future.

In this difficult market environment, we will continue to rigorously execute our Next Level strategy, one step at a time.

It covers the period until 2020 and aims to ensure that ABB will grow profitably – even in a world that is changing rapidly and in the midst of economic and political uncertainties – and that the company will add sustainable value for you, our shareholders. We delivered in 2015, and we have proven that the plan works:

- We have intensified our focus on innovation, streamlined our organization, and aligned it more closely to the market. We have also reinforced our performance-based culture.

- Customer satisfaction, which we measure regularly, has improved further. Today it is at a high level, which we see as an endorsement of the work we have done and as encouragement to keep moving in the same direction.
- We are resolutely pressing ahead with our existing growth and efficiency improvement programs. Our White Collar Productivity program aims to increase the company's productivity in all non-production areas. With this program alone, we will already generate savings this year of \$400 million and reach the target of \$1 billion by the end of 2017.
- We are also making good progress on reducing our net working capital, which was reduced from \$5.5 to \$4.6 billion at the end of 2015. Here too we see further potential for improvement.

We set ourselves ambitious goals with our Next Level strategy. We are not yet where we want to be in regard to revenue growth or earnings per share. However, in spite of the difficult market environment, we were able to keep revenues steady, increase profitability and substantially improve cash flow from operating activities. We have already achieved the target range for these key indicators.

Ladies and gentlemen, we want you, who have remained loyal even in this difficult market environment, to benefit from these results. As Peter Voser has already mentioned, at today's Annual General Meeting we are proposing to increase the dividend from CHF 0.72 to CHF 0.74 per share.

Ladies and gentlemen, today we are better positioned and closer to the market. Not only can we respond to changing market conditions, we can also shape them. ABB is not just part of the global transformation, but also an important driver of it.

Above all, there are two major trends driving our power and automation markets. The first trend is called the energy shift. Despite the low price of oil, this development has accelerated. In 2015, governments, utilities and private households around the world invested heavily in expanding renewable energies. The total installed capacity of non-fossil-fuel energy sources climbed 121 gigawatts, which corresponds to the power generated by about 250 conventional power stations or about 15 times Switzerland's total power generation capacity.

One outcome of this growth is that the number of power in-feed nodes is increasing. In addition, generation predictability is falling, and the distance to consumers is rising. The number of consumers is also increasing significantly, as a result, for example, of electric mobility, data centers and building automation. More and more power is being consumed “along the wire,” and this trend will continue in the coming years. In the future, traditional supply models will have to coexist with micro- and nano-grids. This is good news for ABB, because the digital network of the future is much more complex than the current grid.

ABB is able to master these complexities using its market-leading technologies, enabling smart grids, automated and digitalized, that can anticipate supply and demand patterns and route power to a growing number of consumer nodes. This is exactly what our new Power Grids division will offer, now from a single source. As the leading supplier, we have mastered the flow of electrons and the bits and bytes that control the power grid – and we have done so for over 100 years.

The second major trend of our time is Industry 4.0. Here at ABB, we call it the “Internet of Things, Services and People,” because we want to make clear that the Internet of Things is not an end in itself, but a means to an end. And the end we are aiming for is that the stream of data from power systems, industry and transport & infrastructure will make it possible to provide new services that truly add value – value for our customers and for society. It will result in more intelligent machines that operate in an increasingly connected way. And this in turn will lead to significant improvements in productivity and industrial safety. More and more often, artificial intelligence will not just involve robots, but will be applied on an industrial scale along the entire value chain.

Of course many people think that this is first and foremost an issue for companies like Microsoft, Apple and Google. But that is wrong. Rather, I am certain that what Apple, Google and company are doing when it comes to digitalizing our daily routines, is what ABB is doing today, and will be doing in the future, when it comes to digitalizing power, industry, transport & infrastructure. Where it makes sense, we are already working today in partnership with other competent engineering companies as we implement our Next Level strategy – for example, with Bosch and Cisco on a new

joint venture for building automation, or with Microsoft on electric mobility. We have already installed charging infrastructure in over 15 countries and delighted customers with our integrated approach to software and hardware.

Ladies and gentlemen, this year, we are again not expecting much of a tailwind from the markets. Grid operators will continue to invest selectively, for example, in long-distance power transmission and distribution, as well as in solar and wind energy. While industrial production in Europe, the United States and Asia continues to be plagued by overcapacity, we expect modest growth in the consumer markets. The transport & infrastructure sector, on the other hand, should grow in many areas; there continues to be high demand for cruise ships and data centers.

Geographically, the outlook is mixed.

The EU's economy gained some momentum in 2015. But stagnating major national economies such as France and Italy, together with homegrown structural problems, continue to cause a large part of the growth potential to remain untapped.

Growth in China has slowed, while in India it will accelerate, thanks to planned infrastructure investments and industrial development. The Middle East will continue to feel the effect of the low price of oil, and the picture in the United States is mixed: Consumer-driven segments will grow, while industrial production will recover only very slowly.

In this difficult market environment, we decided to help ourselves by launching the second stage of our Next Level strategy last September and accelerating its execution.

What does this mean in concrete terms?

- We want to continue to grow profitably by rigorously pursuing the growth initiatives we have launched, and we will press ahead with restructuring our company to make it faster and more agile and to improve its operating efficiency. In addition, we will increasingly generate value via partnerships.
- Our programs to boost operating efficiency and reduce costs will enable us to continue to systematically execute our strategy and improve profitability. The 11.8 percent generated in 2015 was already within our target margin corridor.

But we want operational EBITA margin to reach and stay in the upper end of a range of 11 to 16 percent by 2020.

We have introduced the necessary measures and tools to promote business-led collaboration. The time we save benefits our customers today.

Ladies and gentlemen, step-by-step, we will systematically make ABB more competitive, leaner, more efficient and flexible – and we will not shy away from far-reaching structural measures. An especially important contribution was the market-oriented tightening of our organizational structure from five to four divisions and from eight to three regions. We made these changes in 2015 and January 2016 in an effort to better reflect the needs of our customers than our previous organization could. Today we need seven managers at each level to manage our business units and regions – 50 percent less than when I took office two and a half years ago. The new Power Grids division, which includes parts of the former Power Products and Power Systems divisions, is today the world's leading supplier of power and automation for the grid. That makes it an ideal partner for utilities. It can help them build a digital grid, master increasing network complexity and integrate renewable energies.

We are conducting a strategic review of the new Power Grids division. The purpose is clear: We want to ensure that we will preserve our market leadership in this segment for a long time and that we will be able to build on it. We are using a comprehensive process to analyze market dynamics and future customers, demands on existing and new business models, and the future product portfolio in a digitalized environment, with new roles for existing players. We are also evaluating the best ownership structure to serve our strategic objectives. To ensure that our point of view is independent and unbiased, we are working closely with entrusted experts and leading consultants on all four questions.

The new Electrification Products division focuses on electrification solutions, especially for customers in industry and the transport & infrastructure sectors. The objective here, as well as for our other two divisions – Discrete Automation & Motion and Process Automation – is to gear everything towards power and automation for

consumer nodes – that is, at the point where power is being used. This division is also now more closely aligned with the market and bundles our comprehensive portfolio of medium- and low-voltage solutions in an attractive “one-stop shop,” offering a package of electrical products and solutions.

All in all, today one can already say that we are driving the transformation of ABB in a systematic and target-oriented way.

Our team is working hard, with our customers and partners in mind, to enhance the strength of our ABB – and of your ABB – with strong competitiveness based on more software, more services and greater problem-solving expertise in the age of digitalization, with stronger growth by increasing our focus on growth segments such as microgrids, the food and beverage industry, and certain regions, for example, Africa, by reengineering our business models to reduce risk and by focusing our investments on a stronger early-cycle product range. These changes will make your ABB more competitive, make it grow faster and make it more attractive from a risk perspective.

At this point I would like to express my heartfelt thanks to our shareholders for their continued trust, and to our employees around the globe, my colleagues on the Group Executive Committee and the Board of Directors – and above all to you, Peter, for your tireless commitment and your valuable support.

My dear shareholders, we will continue to systematically transform the company and achieve long-term profitable growth based on our technological leadership in attractive markets.

We work as a team that creates sustainable value – for you, our shareholders, for our employees and for all of our business partners around the world.

That is what we all stand for – that is what your ABB stands for.

Thank you!