

PETER VOSER
Chairman of the Board of Directors
Annual General Meeting of ABB, 13 April 2017

Embargoed until 13 April 2017, 10:00 CET

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This is a non-binding translation of the original German version.

Good morning, ladies and gentlemen,
I wish you a warm welcome to Zurich
And a warm welcome to your ABB!

I trust you all had a good journey here.

I assume by far the most of you came in your own car, by public transport or by air. Some of you almost certainly used more than one of these modes of transport and also used your smartphone to check out when the connecting train leaves the airport or whether there are any holdups on the motorway.

This shows that all of us are already pretty well connected. We have access to the latest information and combine different means of transport to arrange an efficient travel plan. That's also digitalization – no question about it!

But perhaps in just a few years' time we will all be arriving here at the ABB Annual General Meeting in self-driving electric cars that we will have called up at the railway station or the airport with our smartphone and will then travel on independently – to the next customer or to an ABB charging station around the corner.

And who knows? Perhaps some of us will even fly in by drone as the machine finds its own way here, after we simply tell the system where we want to go, and the drone flies us to our destination without colliding with other drones or buildings because it can avoid all the obstacles on the way.

I don't know how you feel about it. But personally I have deleted the word "impossible" more and more from my vocabulary over the last few years. This is why I am inclined not to rule out the possibility of such a travel scenario, or likewise the idea that we may actually no longer meet live and in the flesh here in Zurich, but only virtually on the internet at an interactive AGM. But I would find that rather regrettable and I think even if we could, no one can force us to.

Ladies and gentlemen, I am delighted that you have all come here in person to learn how your ABB performed last year and hear something of our plans for the future. That you have made the effort to take the conventional path to this meeting shows once more your great interest in the development of ABB, and for this I would like to thank you on behalf of the entire Board of Directors. It's great to see you here!

I would just like to say a few more words on this major topic that is currently exciting us all: digitalization. But of course I also want to look back with you on an eventful and exciting 2016.

For many reasons, it can be said to have been a *historic* year.

Historic because of the major disruptions which we have witnessed on the stage of international politics and which have not made our business any easier. You all know the keywords: from the war in Syria through the situation in Turkey to Brexit and the US elections.

But for us 2016 was also *historic* because it was the year of our 125th anniversary. We celebrated this event here in Switzerland, not only looking back on our proud history, but always focusing also on the future: together

with our employees, our customers and partners from home and abroad.

And 2016 was also *historic* because we demonstrated at ABB that we are on the right track. This was also shown our portfolio review, which found that holding onto our Power Grids division is strategically important and in the interest of our company and shareholders.

Our Next Level strategy is working. Last year we launched the third stage and are moving ahead with it faster than planned. This applies to all three aspects of our strategy:

It applies to profitable growth, because we now compete with four company divisions, each of which is among the market leaders in their field; because we have taken a quantum leap forward in terms of digitalization; and because - with the acquisition of B&R - we have now caught up with the global leaders in industrial automation and laid the foundations for sustainable growth here as well. Ulrich Spiesshofer will report in more detail on this in a moment.

It also applies to the question of consistent execution, because we have made very good progress with our Group-wide efficiency programmes.

And it applies to cross-divisional cooperation, because in this way we have started to systematically strengthen the ABB brand.

All these factors together put our company in the right position for the digital age. And the course has been set for a future with sustainable growth.

It is all the more regrettable for us that this success in 2016 was overshadowed by a single incident. By this I mean the embezzlement of company money at ABB in South Korea. Our immediate and logical response to this illegal action by a single employee was to tighten up the processes right away, to initiate the appropriate disciplinary steps and to cooperate fully with the authorities.

In addition, we made it unmistakably clear that we pursue a zero tolerance strategy at ABB for all criminal and unethical behaviour. We – and by that I mean the Board of Directors *and* the Executive Committee – have learned the lessons from this incident and acted decisively to mitigate the damage and to implement the necessary improvements in the processes and structures without compromise. I would also like to emphasize at this point that this incident also had an impact on the variable management compensation: only 37% of the share component was paid out, instead of 100%, as a result of the targets not having been fully met and because of the Korea incident.

We are all agreed and are aware that only as a well-managed company with integrity does ABB have a chance in the fiercely contested global market. And we are not prepared to let the successes we achieved in our Next Level strategy during 2016 be marred by such setbacks.

Ladies and gentlemen, 2016 was indeed a positive year for ABB – despite major political uncertainties and despite the caution that many of our customers have displayed as a result.

- We have become more profitable in spite of a not wholly unexpected downturn in orders.
- We have been rigorous and thorough in our homework.
- We have delivered what we promised.

But all this was only possible thanks to the vigorous support shown by the employees of ABB for the process of change and transformation in our company. For this I extend my warmest thanks!

But we also have to thank you, the shareholders. You have supported our course in large part for many years. This bears testimony to the level of trust in the capabilities of your ABB, and for this trust, too, I thank you most sincerely on behalf of the Board of Directors and the Executive Committee.

We are proud of the fact that this year we can again justify your trust with the payment of a dividend and therefore recommend to the Annual General Meeting a dividend payout of 0.76 Swiss francs per share. This is in line with the policy of a steadily rising dividend in the context of the company's Next Level strategy. In the last three years alone, ABB has paid 8.7 billion US dollars to shareholders in the form of dividends and share buyback programmes.

Ladies and gentlemen, after this year the ABB Board of Directors is convinced that the company is ideally equipped for the challenges of the present and the tasks ahead.

I would like to take this opportunity to say a very special word of thanks to those who are leaving the Board. Robyn Denholm has accepted a new challenge as COO with an Australian company, and she will therefore no longer have the time to discharge her duties on the ABB Board of Directors. We wish her all the very best in her new challenge.

Michel de Rosen – Michel, you have helped to shape the work of this Board for more than a decade. In the last three years especially you have made an outstanding contribution as Chairman of the Compensation Committee in helping to transform our remuneration system as part of the Next Level strategy. Michel, *mercy beaucoup!* I also thank you for your personal support, which I have very much appreciated over the years.

Today, Mr Lars Förberg is nominated for election as a new member of the Board of Directors. He is 52 years of age, studied Economics and Business Administration at the Stockholm School of Economics and the University of Michigan and has many years of experience both as an investor and as a board member with large industrial companies, where he has already accompanied numerous restructuring processes. Mr Förberg's expertise will provide an important enrichment for the further implementation of our Next Level strategy. Mr Förberg is co-founder and managing partner of the

Swedish company Cevian Capital, which is the second-largest single shareholder of ABB, with around five percent of share capital.

I'm certain that, in its present form, the ABB Board of Directors represents a maximum degree of specialist know-how in the areas of digitalization, software, finance, marketing and research, development and production. Overall, ten countries and a broad spectrum of sectors are represented on our Board – ideal conditions, therefore, to steer ABB safely and purposefully through territory that remains as challenging as ever. And to make ABB fit for the age of industrial digitalization.

At ABB we do not intend to build self-driving cars or even manned drones. But it is what these technologies essentially make possible that also drives us at ABB. But more than this – we ourselves at ABB are already among the drivers of digitalization. ABB is already a global, digital champion today, and all the strategic steps we are taking today will lead us further down this path.

But leaving aside the fact that we all work on computers today already and network with business partners around the world, what does all this actually mean? Well, it means that this networking is just the beginning. And that in future everything will quite simply be connected to everything else. In particular, machines, components and equipment will themselves become part of the internet and be able to communicate with each other – an estimated 50 billion items of equipment by 2020 alone.

It is also about new business models and new competitors that occasionally turn everything on its head that was previously considered right and proper. Suddenly, you can run a hotel platform without owning a single hotel bed or a taxi firm without taxis.

Three further factors are helping to accelerate digitalization:

Firstly, the constant increase in computing power and the dramatic fall in the price of sensors and other technical components. In the mid-1980s, the most

powerful computer in the world cost around 27 million Swiss francs. Today you can buy an Apple Watch at prices starting around 300 Swiss francs – with double the computing power!

Secondly, the major topic of today “big data” - in other words, the gathering and analysis of ever greater volumes of data that arises through networking. Those who can best analyse and interpret these enormous volumes of data will have a major advantage in the future.

Thirdly and finally, the growing importance of software and services in all industries and - associated with this - also an increase in competition with companies from different fields, as IT companies for example.

At ABB, for example, more than 50 percent of our product range is already software-based. Worldwide we already have a basis of 70,000 systems with around 70 million interconnected items of equipment – in the power supply sector as well as in industry, transport and infrastructure. That is our big chance.

For it is clear that only those who have the edge when it comes to digitalization and networking can play in the top league of the global economy in the long run. And we all know that countries like the US and its companies have already decided the first half of the digital game for themselves. If we in Europe and all the more so in Switzerland don't want to get left behind, we have to do much more in the second half of the game and play to our strengths even better.

This means first of all that we need a digital infrastructure! Broadband and fast internet are the indispensable basis for a successful digitalized industry.

Secondly, we have to maintain our focus on innovation and need genuine promotion of digital research, in both the private and the public sector.

Thirdly we need an education policy that is open to the digital transformation.

It's not enough if your pupils chat or play on their smartphones during the break. They also need to learn how to design the new technology themselves and what's going on behind the smart design of their digital devices. It's not necessary for every ten-year old to be trained as a programmer. But a deeper understanding of the mode of operation and above all the possibilities offered by digital technology is essential for global digital champions. For this we don't need to change everything at all. I'm convinced that the dual education system, for example, will enjoy a renaissance, precisely because it is geared to combining theory and practice. Anyone who wants to retrain at the age of 30 and then again at 45 or 50 can do that relatively easily in our open system.

Fourthly, the European states - especially an innovation hub like Switzerland - must provide for legally clear-cut framework conditions. This concerns completely different areas of politics – from freedom of movement for people, which an international company of course needs, through corporate taxation, the bilateral accords and free trade to the question of how many initiatives and referenda can be held without getting into a state of legal uncertainty, which tends to scare investors away as a rule.

But ladies and gentlemen, we at ABB also know that demands on politicians alone is not enough. We also need to do our own homework. We too need to get a move on.

We are therefore working very systematically on establishing a modern culture of digital innovation at ABB:

- a culture that assesses risks realistically and is decisive in making the most of opportunities,
- a culture also understand failure as an opportunity, and
- a culture that sets great store by lifelong learning and on constant change.

For this reason we spend every year a double digit million sum on training and education of our employees.

For this reason ABB spent 1.3 billion on research and development last year.

And for this reason we specifically support young talents and their potential with a great many measures and engagements – I would mention here the University of Applied Sciences and Arts of Northwest Switzerland, the ETH and Femtec – including programmes in our in-house training facilities.

In addition, we place the utmost value on diversity in our teams. On the ABB Board of Directors alone there are currently 10 different nations represented, while there are 7 on the executive committee, and here at the Zurich headquarters of ABB people from a total of 50 nations work with each other; worldwide, the company operates in more than 100 different locations. Here we experience this diversity each day not as a burden or an impediment; we regard it as a gain for us all, and it leads to a competitive advantage.

We are sure that such a culture of innovation, diversity and constructive optimism is the best cure for the numerous fears and anxieties circling around the issue of digitalization. For example, many people – here in Switzerland as well – feel jobs are at risk, take fright at the impact on the way we work with each other or fear a development towards less humanity generally.

These fears may be understandable, but they can certainly lead to us missing out on opportunities that offer themselves thanks to digitalization. And they can result in us losing our competitiveness over those who are guided more decisively by the opportunities.

That robots will make everyone unemployed in future, for example, as is often talked about in the media, is more a rumour than a fact: precisely in countries with the highest levels of automation worldwide – i.e. Germany, South Korea and Japan – have the lowest levels of unemployment.

So technical progress does not inevitably go hand in hand with the loss of jobs. That was also never the case with the previous technological quantum leaps – starting with the replacement of horse-drawn coaches and carriages to the invention of electricity and the internet. On the contrary, when people and machines work together, productivity increases and jobs become even more secure in the long term.

So it is not about “human *versus* machine”, but about “human *with* machine”!

Ladies and gentlemen, ABB stands – now and in the future – for a culture of innovation. Especially in the past year, our jubilee year, it has been made repeatedly clear just how much the spirit of innovation courses through our veins – here in Switzerland. Our founders, Charles Brown and Walter Boveri, would be regarded today as start-up entrepreneurs.

It is a spirit that ABB has preserved to this day, and the company repeatedly succeeds in investing this tradition with new life:

As a global, digital technology leader, ABB is ideally equipped to actively help shape the future of the industry and hence the future of humanity on this planet.

This is what we are competing for – 132,000 employees in more than 100 countries. As our new brand claim puts it: Let’s write the future. Together.

Many thanks!