

ULRICH SPIESSHOFER
Chief Executive Officer
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and the actual spoken words will prevail.**

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Dear shareholders,
Ladies and gentlemen,

Welcome to Zurich – welcome to your ABB! I would like to welcome you, also on behalf of all my Executive Committee colleagues.

The world is changing faster than ever before. ABB as a pioneering technology company is driving this transformation. We are shaping the market and creating new business opportunities for us and for our customers around the world.

To this end, we are working day after day on solutions for our customers in the utilities, industry and transport & infrastructure. And this involves two central issues for human beings, in which we are actively shaping the world: the Energy Revolution and the Fourth Industrial Revolution.

Let me give you a few examples of how the market in our customer segments changed in 2017.

- *In utilities:* In 2017, for the first time the European Union produced more energy from wind, sun and biomass than from brown and black coal. In 2017 solar technology had progressed to the point that a solar power plant was designed for the first time that produces electricity at 1.6 cents per

kilowatt-hour. These are both milestones in the Energy Revolution.

- *In industry:* The year 2017 was once again a record-breaking year for robotics. The new global average robot density in the manufacturing industries is already at 74 robotic units per 10,000 employees.
- *In the transport and infrastructure sector:* Ladies and gentlemen, when you entered the hall, you certainly noticed the BMW i3, one of the first European full-blooded electric cars, filling up on electricity at a fast charging station. E-mobility is clearly on the rise. In 2017, 1.5 million electric cars were registered around the world – half of them in China. Globally, the number of electric cars rose by the beginning of 2018 to 3.2 million – 1.2 million of these on the streets of China alone.

The figures provide impressive evidence that the current market dynamics are developing positively for ABB. I will discuss further development in the future a bit later.

But let me begin with a review of the execution of our Next Level strategy, which was launched in 2014.

In the past three years, we reorganized our ABB, transforming it into a market-oriented, focused, leaner company. Our aim was to create additional value for you, our shareholders, and all other ABB stakeholders as well. In 2014, we drafted a clear, three-stage concept that we then successfully implemented.

We focused on the following areas during implementation:

- on profitable growth,
- on the relentless execution of operational excellence,
- and on business-led collaboration.

Stages 1 and 2 of the strategy have already been completed. We've jettisoned ballast and become faster and more agile.

In October 2016 we then launched stage 3 of the Next Level strategy to release additional value potential. We informed you about this step last year during the general meeting. Let me give you a brief overview before I subsequently discuss the individual points in detail.

- We have been driving growth in our four newly created market-leading, entrepreneurial divisions, despite facing strong headwinds in several markets. In 2017, we were able to enhance the focus and strength of these divisions via our active portfolio management, our investment in research and development, and efficient cost management.
- With the commercial launch of ABB Ability™ in Houston last March, we impressively demonstrated that the cards in the digital market are being reshuffled. Our innovative digital offering based on our industry-leading portfolio of digital solutions and services appeals to customers in all segments today and opens up market opportunities for us in the future worth up to USD 20 billion annually.
- In addition, we continued to focus on operational excellence, continued doing our homework consistently,
- and we significantly strengthened our ABB master brand in 2017.

Ladies and gentlemen, in the past fiscal year, 2017, we launched the divisional structure prepared in the preceding years and further focused and strengthened these four market-oriented, entrepreneurial divisions. This enabled us to accelerate our growth – initially in the base orders – just in line with the Next Level strategy.

In the *Power Grids* division, we continued to work on the transformation of the business model and further expanded our digital and services portfolio. The “Power Up” transformation program to improve the value creation and business processes of the division made further progress. Thanks to the new business model and the reduction in the EPC business, we have reduced our risk exposure in the division. Adjusted for the charges arising from the reduction in the EPC business, the margin of the division would have already reached the target corridor for margins for 2018. That means that we have increased the operating margin from 4 to 10 percent in recent years.

We also achieved a great deal in the *Electrification Products* division over the past year: We not only expanded our position as the global number 2 in electrification – we are also the market leader in the charging infrastructure for the e-mobility sector and have the largest number of fast charging stations installed worldwide for electric vehicles.

With the announced acquisition of General Electric's global business in electrification solutions, we will reinforce our position as the world's number 2 in the electrification sector and take a big leap forward in the important American market in particular.

Moreover, ABB and GE have agreed upon a long-term strategic supplier relationship for products of GE IS and other ABB products, which creates additional value for us.

The Electrification Products division was not the only area in which we strengthened our position via active portfolio management last year. In the *Industrial Automation* division we achieved a real milestone with the acquisition of B&R last year.

We announced the acquisition in April 2017 and completed it just a few months later. This transaction enhanced ABB's leadership in industrial automation and closed the company's historic gap in machine and factory automation. The portfolios of ABB and B&R complement each other perfectly: together we have created a globally unique, comprehensive industrial automation portfolio for our customers.

Thanks to the acquisition, we have secured a substantial technological lead and are now a stronger number 2 in the industrial automation sector.

Overall, we are proud of the speed with which the B&R employees have integrated in ABB, and all of our customers are enthusiastic about the progressive integration.

In the *Robotics & Motion* division, the presentation of our newest member of the YuMi family at the International Robotics Exhibition (iREX) in Tokyo was a very special highlight in 2017. The collaborative single-arm robot builds on the success of YuMi, the world's first collaborative, dual-arm industrial robot, and functions as a compact, single-arm complement that increases flexibility in production and is specifically designed for small-parts assembly.

And something we can be especially proud of: We have further strengthened our position as technology leader in digital industry in 2017. With our leading digital offering ABB Ability™, we have taken a quantum leap in digitalization.

At the launch of ABB Ability™ we introduced more than 180 new solutions and services for the utilities, industry, and transport and infrastructure sectors. Since then, we've added more than 30. Our current solution portfolio is already one of the largest in the industry.

ABB Ability™, our comprehensive portfolio of digital solutions, is based on more than 40 years of experience in the field of industrial software and on our deep industrial knowledge. Today, more than 55 percent of ABB's range of products and services is digital in some way and we have an installed base of more than 70 million connected products.

The additional customer benefit of ABB Ability™ has a positive effect on all our divisions and market segments. Let me give you one example for each division:

- The utility company Chilquinta Energía, a customer of the Power Grids division, increased system availability by 15 percent and work productivity by 20 percent thanks to ABB Ability™.
- At the Italian Consorzio di Bonifica Veronese, ABB Ability™ processes the data of the electrical components to provide analyses and recommendations for optimization, reducing operating costs by 30 percent.
- At UltraTech Cement, India's largest cement producer, ABB Ability™ increased energy efficiency and system reliability throughout the

company by double-digit percentages.

- Finally, the maintenance services of ABB Ability™ Connected Services ensure up to 25 percent fewer malfunctions in ABB robots as well as a 60 percent shorter response time and faster system restoration.

Ladies and gentlemen, we have a long history, consistently expanded our business and today we have a focused, strengthened portfolio based on two clear value propositions:

- we bring electricity from every power plant to every plug and
- automate industries from natural resources to finished products.

When I took office I stated clearly that your ABB would be number 1 or number 2 in all areas in the respective market segments. Our team has achieved this and I am quite proud of that. Today, we hold leading positions in all divisions in all of our key markets.

However, in addition to adapting our portfolio in the past year, we consistently completed our internal homework assignments as well. We further focused and strengthened our operating processes, in keeping with our ambition of achieving operational excellence in all areas and processes.

For our white-collar productivity program, we set a target of annual savings of more than USD 1.3 billion by the end of 2017, instead of the originally planned USD 1 billion. And we surpassed this higher target as well. The savings program was implemented within the originally announced time frame, and the initially anticipated restructuring and implementation costs ended up being about USD 300 million lower than expected.

Three core components have contributed to strengthening and further focusing our company.

- *Streamlining the organization:* Instead of five, we now have four entrepreneurial, market-leading divisions; we have reduced the number of global regions from eight to three. Here at headquarters in Zürich Oerlikon we have halved the team but made it more powerful.

- *Support Services:* We have also bundled our support functions to a greater extent: Instead of more than 60 there are now two global business service centers in Cracow and Bangalore, and three additional regional centers.
- *Business Services:* We strengthened our business with investments
 - in marketing, with the introduction of the digital sales platform Salesforce.com and our brand,
 - and in research and development,but at the same time we substantially improved productivity.

Another essential part of the Next Level strategy is capital efficiency. We want to handle the capital that you, dear shareholders, invest in our company, better and to use it more effectively. We have reduced our net working capital by nearly USD 2 billion and thus generated cash in the amount of USD 1.5 billion since 2014.

We promised you steady dividend growth and will continue to pursue this. Thus, as your CEO I am particularly pleased that the board of directors is proposing today the ninth consecutive dividend increase.

Ladies and gentlemen, now I'd like to talk about our global ABB brand. With the third stage of our strategy, we have also tackled the consolidation of just under 30 companies and more than 1,000 product brands. The latest example is the integration of Baldor Electric, our American motor and generator business. As of March, Baldor Electric is doing business under the name ABB. We are particularly pleased that the Baldor employees were extremely proud to come under the ABB umbrella and that the customers have responded very positively.

The uniform brand image is also a key element in realizing the full value potential of ABB's digital portfolio across all divisions. We will remain modest, but at the same time we are proud of what we've achieved, and we intend to show it:

In 2018 and beyond, we as a leading global technology brand will enhance our stakeholders' enthusiasm. The title sponsorship of the new ABB FIA Formula E Championship is an outstanding example of this. ABB and Formula E are a perfect match – we are two pioneers at the cutting edge of electrification and digitalization technology. We are not only bringing our name to this partnership, but also our innovative power and technological expertise.

I am very pleased that we will experience the Formula E here in Zürich on June 10, and I hope that many of you will be there. It will be an impressive event in any case and will demonstrate what's already possible in e-mobility today and will enhance ABB's position as a technology pioneer even more.

2017 was an important transitional year. With targeted measures aimed at shifting the company's focus, we

- improved our competitiveness,
- consistently addressed growth segments, and
- reduced business risks.

The divestment of non-core businesses such as our cable business and the steps towards realigning the business model for general contracting work also correspond to this triad. To this end, we initiated extensive measures in three divisions in the fourth quarter of 2017. These include the founding of joint ventures with general contracting partners and the winding up of the full train retrofit business in the Robotics & Motion division.

We have done our homework meticulously, jettisoned ballast and successfully implemented the Next Level strategy – always in accordance with our ABB approach: fairly and respectfully to each other, transparently and conscious of our responsibility.

The ABB team – our workforce around the world – plays a crucial role in all this. They have worked hard to ensure the success, focus and strengthening

of ABB. I am very proud of them and want to express my heartfelt thanks to all our colleagues around the globe for their tireless commitment and outstanding performance over the past year – on behalf of the entire Executive Committee as well!

At this point I would also like to thank our board of directors and express my explicit thanks to the majority shareholders Investor AB and Cevian, who are present here today. With your trust and the constructive dialogue, you help us to continuously develop our ABB and to make it even more successful. We thank you for supporting our transformation in recent years with your calm patience and long-term perspective.

The extensive transformation of our ABB left its mark on the figures for 2017. Added to this was a dampening effect from several difficult market segments in 2017.

In this environment, ABB put in a stable financial performance in 2017:

- Total orders remained stable. Base orders rose by 5 percent on a like-for-like basis, by 6 percent in US dollars.
- The growth rate for base orders, which we define as orders under USD 15 million, rose in all four quarters of 2017 – a pleasing result.
- Revenues rose by 1 percent to USD 34.3 billion.
- The operative EBITA margin was 12.1% and exerted an impact of 30 basis points due to charges related to the realignment of the EPC business. Excluding this effect, we achieved a stable profit margin in the transitional year.
- Net income rose by 17% to USD 2.2 billion.
- Cash flow from operations amounted to USD 3.8 billion, remaining stable compared to 2016.

We know that we must and will further improve in this area and further improve our results in the coming years based on the transformation we've

undergone.

To our great regret, we were also confronted with an unexpected challenge in 2017. Peter Voser has already mentioned the issue of South Korea. When the criminal activities of one of our employees became known, we responded immediately. I ordered a thorough investigation, led by Diane de Saint Victor, our General Counsel and Head of Compliance. As soon as we had obtained the necessary clarity, we implemented comprehensive improvements without delay to ensure that all processes and their implementation fully meet our high standards.

I personally was profoundly disappointed over this incident, but I can assure you that we practice an absolutely zero-tolerance policy and will continue to make every effort to ensure that we are significantly better positioned in this regard over the long term.

Now let's take a look at the future. The market environment for 2018 has brightened:

- for installations in the solar sector, experts expect another outstanding year. Photovoltaic systems with a total output of about 108 gigawatts are to be installed worldwide. The strong demand in China, the Middle East and India, for example, is driving this development.
- The number of robots used in factories is set to rise to more than 3 million by 2020. In 2010, this figure was one million robots.
- Experts expect the breakthrough of e-mobility with a significant market share by 2022 at the latest. By then, at least every tenth new car worldwide will be an electric vehicle.
- In the natural resources sector, substantial growth in demand is expected in the medium term.

Thus, the reorganization of the new ABB was completed at precisely the right time, because the markets are on the upswing and we are now well-positioned to start 2018 with a full focus on the market and our customers with a focused, strengthened ABB.

Bearing in mind the current market environment and future customer needs, we will expand our technology leadership in the current fiscal year to inspire our customers in the future as well and to clearly differentiate ourselves from competitors.

There are three levers for successful execution.

First, our leading portfolio: There are no competitors worldwide who can match our expertise in the areas of electrification, automation, robotics and digitalization. We will continue to develop our portfolio steadily and make targeted investments in growth fields.

Second, our range of products: We are rigorously changing our business model and shifting the focus from products to solutions along the lines of the successful reorganization of our robotics business. We will no longer merely manufacture robots, but the complete range of products for the planning, construction and operation of robotics solutions – we will roll this out in all divisions and further transform ourselves from a product supplier to a solution provider. The success of B&R, our key acquisition, is likewise based on a solutions-oriented business model. Thus, we are focusing even more intensively on the needs of our customers and offering them even stronger value creation earlier in the decision-making process.

On the path to becoming a solutions-oriented company, we need three things for success:

- domain expertise – i.e. profound knowledge in our target market segments,
- components from the existing portfolio of hardware and software products,
- and solution and development engineers who implement the customer solutions.

ABB is already a leader in this area today, and we will consistently make further investments to continue expanding this position.

Our *third* lever is our dynamism and innovative strength. Over 130 years ago, we were a copper and iron company, focused on motors and transformers. Then we added electronics, which permitted us to use motors in a much more energy-efficient manner, for example. In the next phase, sensors, control systems and robotics rounded off the portfolio. Thus, in 1974 we launched the world's first fully electric, microprocessor-controlled industrial robot on the market. Today, we automate industries from natural resources to finished products and help our customers to ensure optimal availability, speed and quality of their systems. With ABB Ability™ we have now combined our interdisciplinary digital expertise and our unique range of solutions, enabling our customers to perform faster, better and more reliably.

However, we are not standing still, but are shaping the future and will continue this development until the first industries are operating autonomously, for instance in the form of factories that use artificial intelligence to optimize themselves, or intelligent buildings that adjust the air-conditioning, heating and lighting the way the residents prefer them.

Dear shareholders, over the past several years we have positioned ABB so that the combination of the strengthened markets and reinforced technology position provides us with attractive opportunities for growth. It is our firm intention to achieve this growth and simultaneously to continue to do our operational homework consistently in order to deliver a better financial result after the years of restructuring.

At this point, I'd like to express my warm thanks once more to you, dear shareholders, and to our employees. My personal thanks also go to you, dear Peter, for the constructive collaboration for our ABB.

Ladies and gentlemen, today we are a better ABB. We have successfully pursued our transformation into a digital and software-driven technology leader with a strong global team. We have focused and strengthened our company. The global market dynamics and the positive growth momentum of the past quarters have given us wind beneath our wings. True to our motto,

“Let’s write the future. Together.” we will now do our best to steadily improve our operating results.

Thank you for your attention!