

Joe Hogan
ABB Chief Executive Officer
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Dear shareholders,
Ladies and gentlemen,

It's a pleasure for me to be here today, and I've been looking forward to this opportunity to talk to you about ABB's recent performance and about the future challenges and opportunities that we face.

There's no doubt that these are unusually challenging times, with the world economy still struggling to recover from its worst recession in 60 years.

But we live in unusually exciting times as well. Why do I say that?

We are experiencing a rebalancing of the global economy on an unprecedented scale, and a shift to a multipolar world in terms of both politics and economics. A shift *back* to a multipolar world, I should say, because historically the world economy has never been dominated by as few countries as it was in the last 50 years.

China and India represented half of global GDP in 1820, but as little as 10 percent for most of the second half of the 20th century. These countries – and others like them – are now on their way to recovering their rightful place in the world economy.

And there is absolutely no doubt that this is a tremendously positive development. The human capital that is being unleashed will benefit all of mankind.

It increases the total size of the world economy and the amount of wealth available for all. It would be a mistake to think that western Europe and the US will suffer if China and India grow larger. This is not the case. All regions can prosper together and this pattern has played out over the last 100 years as southern Europe, Japan, South Korea and others have joined northern Europe among the ranks of the prosperous nations.

Of course, this development is not without its challenges as well. In particular, the world has to work out how living standards can be raised for billions of people without causing irreversible damage to the environment.

Annual General Meeting, April 2010

We're in a battle to slow climate change and strengthen environmental sustainability. In this battle, improving energy efficiency and manufacturing productivity are front-line issues: Electricity generation and industry are where the lion's share of greenhouse gas emissions occur and where the biggest effort toward sustainability will take place.

These trends represent tremendous opportunities for ABB, because we have a global presence and we're in the business of helping utilities and industries use the cleanest form of energy that exists – electricity – and of providing the technology that drives industrial productivity.

So today, I want to review our results for 2009 and for the first quarter of 2010, without diving too much into the detail as the numbers have already been published and distributed. Then I'll use the rest of my time to talk about the measures we are taking to move ABB into a higher gear in the coming years. I will show how we are working at ABB to adapt to the changing world, but also to shape it because great businesses are not reactive: they create technologies, they create markets and they help to create the future.

2009 results

Turning first to 2009, we are proud of the results achieved in a very difficult environment. The economic slowdown resulted in significantly lower demand in many industries, particularly those that had built up plenty of new capacity in the preceding years, such as marine, automotive, metals and mining, as well as building and construction in some markets.

Investment by power utilities and in the oil-and-gas industry remained buoyant, though not enough to make up for the shortfall elsewhere. Overall, the share of orders from emerging markets grew to more than half of the total for the first time in 2009 as demand remained steady in the developing economies of the world while it dropped in the developed countries.

Revenues declined 4 percent in local currencies to \$32 billion and orders fell by 13 percent to \$31 billion. In spite of this, revenues were the second-highest ever for ABB, and our order backlog at the start of 2010 was as large as it was a year earlier.

As I indicated at last year's AGM, we moved very quickly to reduce costs so that our EBIT margin stayed well within the target range of 11 to 16 percent that we have committed to.

We reduced costs in a way that preserved as many jobs and skills as possible, by focusing on measures to improve productivity and to streamline how we buy supplies. The total cost reduction was more than \$1.5 billion in 2009.

At the end of 2009, our balance sheet was stronger than it was a year earlier. Our net cash position at year end was \$7.2 billion.

Our strong financial position allowed us to continue investing in organic and inorganic growth. Capital expenditure amounted to \$1 billion, and several small acquisitions – for a total of about \$200 million – helped us to close white spots in our technology portfolio or in our geographic presence.

Annual General Meeting, April 2010

So if we look at the financial results for 2009, particularly in the light of what our competitors have achieved and of the deep economic crisis, the performance was quite remarkable and has helped to strengthen our long-term competitiveness.

Many have contributed to this achievement. I'd like to thank you – our shareholders – for staying true to ABB. We thank our customers for their continued trust, and all of our employees for the dedication and commitment that was required to get such results.

First-quarter results

Last week we published our results for the first three months of 2010. As expected, it continued to be a difficult quarter.

Revenues were 11 percent lower in local currencies, reflecting last year's decline in orders. Orders were 19 percent lower in the first quarter of 2010 compared with last year as customers remain cautious about spending, particularly on large, longer-term projects.

Our reported EBIT margin dropped to 10.2 percent as a result of project execution costs in some large power projects and volume and price pressure in the Power Products division.

On a positive note, our cost savings program generated savings in excess of \$300 million in the first quarter with minimal restructuring costs, and an upturn in industrial spending fueled momentum in the shorter-cycle businesses. Base orders – which are orders of less than \$15 million – were 15 percent higher than in the fourth quarter, although still below the levels we saw a year ago.

It was also another very good quarter in terms of cash flow, and our net cash position remained little changed versus the end of the fourth quarter at \$7.1 billion.

In general, we expect mature markets to recover slowly as governments try to cut back ballooning deficits and consumers reduce their debt. And we expect emerging markets – with their growing middle classes and need for infrastructure – to continue growing at a sustained pace.

It's important to remember that the majority of our business benefits from capital spending that occurs later in the business cycle. So although we are generally late to feel the impact of a slowdown, we also tend to be late in reaping the benefits of a recovery.

Taking ABB to the next level

We cannot influence the state of the economy, of course, and we do not have a crystal ball that will tell us when it will improve. However, there are many other things we can influence, and our strong balance sheet and margins give us all the flexibility that we need to execute them.

I'd like to briefly discuss three key aspects here to give you a taste of how we are working to strengthen ABB so that it can make the most of the opportunities which the Chairman has just outlined in his speech.

Annual General Meeting, April 2010

Innovation

The first and foremost priority for a high-tech company such as ABB is to maintain a portfolio of leading-edge technologies.

Our policy has been to steadily increase investment in research and development. We did so through the last crisis, through the boom that followed, and through the latest recession. We increased spending on R&D by 7 percent in 2008 and by a further 5 percent last year.

R&D leading to technological innovation is one of ABB's traditional strong points. A good example is the development of a power transmission technology that we call HVDC Light, which has actually created an entirely new market. Whereas before this technology, offshore wind power could only be considered in coastal areas near to the shore, HVDC Light has now made it possible to locate wind farms further out at sea where winds are stronger and more predictable.

The technology has already been used in a number of underground and underwater power links, and will set another milestone this year by connecting a wind farm 130 kilometers off the North Sea coast to the German grid. This will be the world's most remote offshore wind farm.

Several companies are now pursuing plans for a vast network of offshore wind parks in the North Sea, to help Europe meet its targets for renewable energy: our technology is what makes such ideas feasible. There is talk of a DC super grid in the North Sea that could connect Germany, Sweden, the UK and other countries in the region in order to increase the reliability, efficiency and sustainability of Europe's power network. Such projects highlight the future promise of this breakthrough technology.

ABB's R&D excellence is something we will continue to nurture, but at the same time we are going to be looking harder at other ways of innovating with our established technologies. Innovation is not only about creating new technologies, but also about creating new solutions using existing technology.

Because this approach doesn't involve pushing the boundaries of science in quite the same way, the chances of success are generally higher.

Let me give you an example: Among other things, ABB provides substations for the distribution of power; it makes inverters, devices that can change the frequency of electric current; and it's a major supplier of power equipment for ships.

Put these three established technologies together and you are able to offer an attractive solution that enables ships to plug into the local power grid when they put in to port. This allows them to switch off their diesel engines and avoid local emissions of sulfur dioxide, dust and other pollutants that reduce air quality in ports.

ABB delivered the world's first such solution to the port of Gothenburg, in Sweden. Stricter global standards on ship emissions coming into force this year make this an attractive business to be in right now. ABB is offering this combination of proven technologies as a package, and talking to ports and harbors across the world about its implementation.

Annual General Meeting, April 2010

Understanding our customers and markets

As we know, new products and solutions will only succeed if they serve or create a market need. Therefore another goal we have set ourselves is to work much more closely with our customers to understand their challenges and tailor our solutions and our global presence to meet their needs.

We want to be more than a reliable supplier of quality products. We want to be a strategic partner that is valued for the contributions it makes to solving problems.

This is one of the main reasons for the organizational changes that we introduced at the start of 2010. The realignment of the automation divisions brings together businesses that have similar technologies, similar channels to market, and similar service models.

In particular, we want to push our large discrete automation business, and the inclusion of robotics within this business will make it truly unique. No other discrete automation company can offer a portfolio with such a wide range.

At the same time, we created a division specializing in low-voltage products that is better able to focus on opportunities such as the growing areas of building automation, small-scale generation of solar energy and residential charging of electric cars.

Besides improving the way we are aligned with our customers' operations, we also introduced a new team in ABB under the leadership of Brice Koch, our former manager in China, which will work to offer customers the full advantages of our entire portfolio. This is the first position on the Executive Committee that is exclusively focused on new growth opportunities. Brice and his team are focused on growth areas that bring together the best of ABB products and services across divisions to deliver truly unique customer solutions. Projects in the area of smart grids and in industries such as wind, rail and water that leverage our global scale and both our power and automation technologies offer huge potential for future growth.

A Technology Ventures unit within this new team will help ABB to better identify and obtain the technologies needed to meet future market requirements. By helping ABB's businesses to approach markets as a single entity, the Group will be in a better position to anticipate and even lead market trends.

Being better aligned with our customers and their needs also requires us to accelerate the development of our engineering and manufacturing capacity in emerging markets and we will continue to invest in this direction.

However, we continue to see great opportunities in mature markets driven by efforts to increase industrial productivity, by the development of renewable energy, by the introduction of stricter energy efficiency standards, and by the evolution of smart grids that help make the power supply more sustainable and reliable.

Emerging market growth is also a major driver for demand for some of our most advanced technologies that are produced, and will continue to be produced, in mature markets. This is why we have invested 150 million Swiss francs over the past three years to expand our semiconductor plant in Lenzburg, for example.

Annual General Meeting, April 2010

We remain fully committed to mature markets, but we will grow faster in developing markets because they are growing faster.

Take China, for example. We have grown our business there very rapidly. In 1992, we had 350 people working in the country, compared with 15,300 today. We have invested \$1.2 billion dollars altogether to establish a total of 30 businesses, which cover almost the full range of our portfolio, including motors, transformers, switchgear, robots, low-voltage products and more.

All this has been necessary just to keep up with domestic demand. Practically everything we make in China is absorbed by the domestic market.

So the only way for us to win a significant share of the growth in such emerging markets is to have a local presence, with products and services tailored to the local market and available at prices the local market can afford.

Excellence in our operations and processes

And this brings me to a third high-priority area for the management team, which is a sustained effort to improve the quality of ABB's business processes and to implement best practice in all of our operating facilities around the world. Excellence, in both business management and operations, is important to maintain the Group's profitability and its leading positions in global power and automation markets.

ABB makes excellent quality products that sell at premium prices, but as we face more and more talented competitors from emerging markets we have to look for ways to lower our costs. Low cost and high quality are absolutely compatible, but it requires a rigorous determination to optimize every aspect of our operations.

To give you a sense of what that involves, let me tell you that we had more than 1,000 quality and operational excellence projects on the go in our facilities around the world in 2009.

One program saved \$2 million at our medium-voltage drives and power electronics plant here in Switzerland by simplifying and accelerating production processes to meet rising demand.

We were able to save \$1 million at a low-voltage drives plant in China and another \$1 million at a transformer factory in Colombia, in both cases by cutting production and delivery times.

Project by project, production line by production line, this work continues; and it is one of the pillars of our cost take-out program which is now targeting savings of \$3 billion by the end of this year compared with our 2008 cost base.

It is important for me to stress that, just as we aim to implement best practice in our production facilities, we are targeting a similar level of excellence in our governance.

We take a zero tolerance approach toward illegal or unethical behavior. We are running our compliance program as a fully integrated business process to enable our people on the ground to compete aggressively without ever crossing the line with regard to business ethics.

Annual General Meeting, April 2010

We continue to pursue the highest standards in our business dealings and will not tolerate breaches of the law and/or our Code of Conduct. We are relentless in our efforts to prevent, detect and resolve compliance situations. If and when these situations arise, there are personal consequences for the individuals involved. Every employee is responsible for success in this area.

How we manage people and talent is also critical to the successful implementation of our strategy, and this is something we continue to build on.

In 2009, these efforts saw the introduction of new technology-based solutions to improve further our a single talent management system which integrates recruitment, performance and succession planning throughout ABB.

In this way, we are strengthening the long-term, strategic planning of resources so that, as we get better at anticipating trends in the market, we also get better at acquiring the relevant skills with the help of such programs.

Our service business is a case in point: interest is growing in our expertise in saving energy and improving safety in industrial facilities, and capturing this opportunity requires us to hire or train enough people to carry out consultancy work in these areas. Similarly, as we target more strategic relationships with customers we need more people who are capable of managing such partnerships.

Outside of ABB, we are putting more emphasis on the rewards of working on leading-edge technology in careers that offer international mobility. The debate about global warming and expectations that technological progress holds our best hope to tackle the challenges at hand have made our industry a more attractive one. This is a good time to help young people rediscover the excitement of a career in power and automation.

Max Göldi

On a personal note, I would like to briefly mention our colleague Max Göldi who - as you know - has now been unable to leave Libya for the past 21 months. I am sure you appreciate that I cannot go into detail on this complex issue. But I would like to reassure you that ABB has been working very hard to support efforts to secure his return home. We are continuing to work on this issue and we hope to see him home soon.

Wrap-up

We continue to face an uncertain economic environment and while we certainly hope the recovery will continue to gather strength, we're not relying on it or waiting for it.

We have a clear view of the long-term trends that are creating opportunities for our business, and we have a clear view of what we can do to become leaner, stronger, more innovative and better attuned to our customers' needs.

Annual General Meeting, April 2010

I hope I have been able to give you a little insight into our thinking on these issues and into the activities underway to realize our vision.

Thank you for your attention.