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**ABB Chief Executive Officer**  
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Dear shareholders,  
Ladies and gentlemen,

It is a great pleasure for me to be here today. As this is my first opportunity to address you, let me start with a few words about myself and my impressions since joining last September.

From there, I'd like to briefly walk you through the results for 2008 and for the recently completed first quarter of 2009. These are great results given the severity of the recession, but the weakening order intake is forcing us to adjust our costs and I will take a little time to outline how we are doing that.

There is a lot of uncertainty about the future. Everyone likes to say that a crisis is also an opportunity, but few are in a position to take advantage of the opportunities now cropping up. ABB is different because of our strong margins and balance sheet; because of the way our global reach reflects the way the world is changing; because of the businesses we are in; and because of our open and flexible culture – and I will end my address today by discussing these strengths.

Background and experience

I grew up in the U.S. around the Pittsburgh, Pennsylvania, area, where I also attended university and completed my Masters in Business. Most of my career has been at GE. I started there in the 1980s and progressed through various roles in the Plastics business. I then worked in a supporting role in the head office before running the GE Fanuc factory automation joint venture. In 2000, I took on what became my longest assignment as head of the medical division.

About one third of my career at GE was spent in Europe, and it was while I was posted in Belgium in the early 1990s that I really started following ABB. The way ABB was created in the merger of Asea and Brown Boveri in 1988 was extremely bold at the time. Cross-border mergers were rare. And then ABB began to grow very fast and became known as “the GE of Europe,” so of course we paid even closer attention.

In fact, ABB was a very real competitor for me when I took responsibility for GE Fanuc Automation in the late 1990s. This was just at the time when ABB bought Elsag Bailey and was expanding quite aggressively in automation in the region.

GE and ABB have some similarities: Both are highly respected global leaders in their fields, and both have a history of pioneering technologies and pushing the boundaries. And of course there is some similarity between the customer groups they serve.

But they are very different too. Each company has a very individual culture. Understanding this, I came to ABB with an open mind. When I first came to ABB, I traveled extensively around the company, meeting employees and customers all over the world to understand how we tick and how we are perceived.

What I found – beyond the huge respect from customers that I just mentioned – was a tremendously global company, by which I mean that ABB has businesses that are extremely well embedded and settled on every continent.

Our first-quarter performance shows how this is helping us: we won major orders in the Middle East, in China and in Europe during the period. This global scope and proximity to customers in very diverse geographies is an important asset in today's world.

I also found a very frugal culture. ABB employees are very down-to-earth and practical, and have the company's best interests at heart. It is a culture that cares about the business. Employees really want ABB to succeed, and in all the conversations I've had in the past few months they become very passionate when they describe how ABB pulled together to get through the crisis of 2002/2003. There is a very strong loyalty and belief in the company, and this will help to see us through the current turmoil.

#### Results for 2008 and Q1 2009

One of your tasks today is to consider the accounts for 2008, so I'd like to spend some time talking about last year's results.

With all the attention that's been devoted to the financial and economic crisis, it's easy to forget that 2008 was actually a record year in many respects for ABB. We reported our highest-ever revenues, at \$35 billion, and a record profit margin, with earnings before interest and taxes at \$4.6 billion. Cash flow from operations also reached a record of \$4 billion.

We completed several acquisitions, including Kuhlman Electric, a maker of transformers in the U.S., which is the largest ABB has made in a decade. We ended the year with a very strong net cash position of \$5.4 billion.

So 2008 is a year that everyone should be proud of, and for a lot of different reasons; but the most important is how this business came together as a team to deliver such results during a period of leadership transition and growing uncertainty in our markets. Clearly, there has been a great collective effort and I want to personally congratulate the team on a terrific 2008.

ABB's success in 2008 was marred by two things, however.

Firstly, the compliance-related provisions that we announced in December were extremely disappointing. These provisions are for cases that are still under investigation in the U.S. and the Europe.

I am confident that we have the tools and processes in place to ensure that employees understand what it means to do business ethically. Our Code of Conduct has been signed by all employees and followed up with mandatory online courses, and managers are required to renew their commitment to the Code every year. We have systems in place for employees to report suspicions – anonymously if they want to – and the resources for a systematic investigation of every report.

But whether the rules are respected and applied ultimately comes down to the quality of our leaders throughout the organization, and I will personally hold these managers accountable for any failures.

The second thing that marred 2008 was the economic downturn. As the financial crisis hit the real economy and our customers began to suffer, our order growth slowed in the third quarter and declined in the fourth. This trend has continued in the first three months of 2009, as we announced two weeks ago.

Even so, this decline has not been across-the-board. If you look at the regional pattern of the order intake, one of the most remarkable things about 2008 was the strength of demand throughout the year in the U.S., which has been at the heart of the financial turmoil. And in the first three months of this year, the Middle East and Africa region did exceptionally well, with a doubling of new orders.

There is also considerable diversity in the performance of various parts of our portfolio. Anything linked to the construction or car industries, such as wiring accessories, distribution transformers or robots, is having a hard time. However, our power transformers business continues to operate at high capacity, and many of our businesses based here in Switzerland are doing well, such as turbochargers in Baden, our power electronics facility in Lenzburg, and our rail business near Geneva.

We still have a very considerable order backlog of \$25 billion, but declining orders will eventually feed through to falling revenue and we need to act quickly to bring our costs in line with the level of incoming business.

The very first measures we took were to cut back on travel and internal meetings that are not customer related. We have also accelerated measures that were already underway to improve the efficiency of our operations and expect these to save some \$2 billion by the end of next year.

About half of the cost reduction will come from sourcing: how and where we buy commodities and other supplies. The rest will be derived from measures to improve the productivity, quality and efficiency of our operations, from a reduction in general and administrative expenses, and from the expansion of our manufacturing and engineering capabilities in emerging markets.

We're trying to spare employees as much as possible in order to protect the skills and experience we have built up, but what is so important for a company that goes through a recession like this, is to make sure we match our resources with the demand pattern. And we're watching the demand pattern closely right now to ensure we have the resource base we need in order to serve that demand.

At the same time, we are redoubling our efforts to win business in parts of the world and in industries that are continuing to grow. China, India and the Middle East are still growing and are a focus of attention, even if they are no longer expanding at the pace they were only a year ago.

As far as industries are concerned, demand for power transmission technology will remain strong because of the infrastructure needs of these markets. Europe and the U.S. are also investing in their power networks to replace aging equipment and to prepare for a future in which renewable sources of energy contribute a much greater share of the electricity supply.

The central role of the power network in a sustainable economy has been recognized by many governments in their economic stimulus packages, and funds for power projects are beginning to flow. ABB is contributing distribution transformers to a wind farm project in Missouri funded under the U.S. government's stimulus, for example. Work on that begins in August.

Oil and gas is another industry that is showing resilience. A lot of investment decisions in the oil and gas industry are based on an oil price of between \$40 and \$60, and it's been hovering in this range for some months now. Some companies are reducing their investments somewhat, but these reductions are from historically very high numbers, so overall the industry continues to offer plenty of opportunities.

Some businesses are continuing to do extremely well thanks to this demand, and we will continue to invest in these. For example, we will invest 150 million Swiss francs in our semiconductor plant in Lenzburg over three years, and more than \$80 million in our cable factory in Karlskrona, Sweden. Last year, some 27 million Swiss francs went into refurbishing the turbocharger plant in Baden to help it meet heavy demand, and this year we will also invest in a new high-voltage products facility right here in Oerlikon.

#### The future is bright

So at the beginning of last year, everything was going to go on booming forever, and now everything's being painted black. The truth about the situation we're in is somewhere in between, as my brief overview of the demand pattern has hopefully made clear.

When will a broader recovery set in? I think the key is watching the banks for signs that they are comfortable about lending again and that their lending will spur demand. I haven't seen that the banks have stabilized yet in the developed world, and I think that will take a little more time.

In this uncertain environment, what is important for ABB is that we remain in control of our own destiny. We don't quite know how much cash we're going to need, or when we're going to need it, and so we are managing our balance sheet very carefully. Most likely we will come across opportunities to acquire assets at prices we may never see again in our lifetimes, and so we also want to be in a position to seize these chances when the time comes.

What we need to recognize, however, is that the world has changed over the last decade. One of the clearest signs of this is that the G20 group of countries, which includes the largest developed and developing economies, has taken the lead in tackling the current crisis. The time when the G7 group of rich-world countries ran the world economy is over.

And this is a good thing. It is a reflection of the fact that living standards are rising around the world, increasing the size of the world economy and creating new markets.

This trend is also beneficial to ABB. There are still huge infrastructure needs in the emerging world. They will be expanding their power networks and developing their industrial base, and thanks to our leading technologies and the strong presence we have in these markets, we are well placed to participate in these nation-building projects.

For example in China, we are supplying key technology for the world's longest and highest capacity power line, in Kuwait we recently won a major order for three new substations to strengthen the grid and help meet growing demand for power, and in South Africa we are supplying technology to help increase power capacity in Cape Town – which will be hosting millions of visitors next year for the football World Cup.

Less welcome, but just as clear, is the trend toward global warming. Anyone who still doubts it is happening need only go into the Bernese Oberland and look at the Aletsch glacier, Europe's largest. It has retreated by almost three kilometers since 1870!

Unfortunately, the Aletsch is not unique in this respect. I was amazed to read in the news last month that 82 out of 88 Swiss glaciers shrank between 2007 and 2008, and that the volume of Swiss glaciers has fallen by 13 percent in the last 10 years alone. And what's more, the trend is accelerating.

The same is happening in the Himalayas, in the Andes and in the Rockies.

In Switzerland I learned two things very quickly; to watch the speed limit signs and to be very careful about separating waste into different categories for recycling – organic, glass, plastic, paper – and every time I do this I'm reminded just how much more conscientious Europeans are about environmental issues, but attitudes are beginning to change elsewhere.

And perhaps global warming is positive in this one respect: that it is forcing us all to think globally, to put the well-being of the planet first.

Global warming is leading governments to charge for carbon emissions, and energy prices are sure to rise again once economic growth resumes. The combination of these two factors is driving efforts to use energy more efficiently.

ABB is ideally positioned to benefit from these trends because most of our portfolio helps to reduce environmental impact. Drives, for example, save energy by regulating the speed of electric motors. We estimate that ABB low-voltage drives (and this is just one type of motor-control device) saved a total of 170 terawatt-hours of electricity in 2008 – that's more than two-and-a-half times the annual power consumption of Switzerland.

Not surprisingly, demand for these drives has soared in recent years. This is a business that is growing so fast it's been doubling in size every three to four years.

ABB's culture and future

Clearly, we face a difficult 2009 and maybe even 2010. Because forecasts are very risky, we will run the business based on our order rates, not on some hopefulness that business will be better in the second half of this year or in the first half of next.

We will press ahead with the globalization of the business to reflect the way the world is evolving and help us achieve a balance, and to better spread risks. We will also leverage the global capabilities that we have to serve our customers better and faster.

In recent years, ABB has put much effort into simplifying its portfolio and is now very much focused on power and automation technologies – technologies that are in demand to help provide reliable supplies of electricity and enable the efficient use of resources.

ABB has a long record of technological innovation in all the businesses we are in. What's more, we remain the technology leader in these fields. We intend to shield as much as possible our research and development as well as our sales operations during the downturn, because these are crucial to our future performance.

But what makes me most confident about the future is the culture of ABB. It is open to the world. In fact, it is a microcosm of the global economy. It's quite remarkable how international and inclusive ABB is: we have around 60 different nationalities working just here in Zurich, and we have eight among our 10-member executive committee. This openness is a tremendous asset. It means we can understand more about the world and the markets we operate in, we can be closer to customers and build better relationships with them. And, it allows us to attract the best people, wherever they are.

People at ABB are passionate, they are enterprising and they are adaptable, and that's what we need in this environment. I said at the beginning that the crisis is an opportunity for ABB. We have a culture that is dedicated to excellence, a strong balance sheet, good margins, leading technologies and a global presence. With our many strengths and assets, I believe we can lift ABB out of this crisis and put ourselves in an even stronger position than we had before it all started.

Thank you