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Annual report **2020**

ABB AT A GLANCE

ABB is a leading global technology company that energizes the transformation of society and industry to achieve a more productive, sustainable future. By connecting software to its electrification, robotics, automation and motion portfolio, ABB pushes the boundaries of technology to drive performance to new levels. With a history of excellence stretching back more than 130 years, ABB's success is driven by about 105,000 talented employees in over 100 countries.

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The ABB Way

The “glue” that unites our decentralized company

In June 2020, we introduced a new operating model, the ABB Way. Designed to further improve our performance in a rapidly changing, unpredictable world, the ABB Way represents an evolution from our previous operating system.

Under ABB Way, we discontinued our matrix structure and shifted greater responsibility and accountability to our businesses. The ABB Way builds on that progress by empowering our businesses, now called “Divisions”, with full ownership and accountability for their respective strategies, performance and resources.

By shifting operational responsibility to the Divisions – of which there are currently 20 – the ABB Way enables decisions to be made quickly and close to the customer. Speed and agility are critical in our competitive, fast-changing environment. With their greater empowerment, our Divisions are free and encouraged to collaborate with each other as required for success.

Our four Business Areas evolve their portfolios and steer the performance of their respective Divisions. They also manage selected shared resources on behalf of the Divisions such as parts of R&D and our ABB Ability™ digital platform. Under the ABB Way, the corporate center has been further streamlined to focus on portfolio evolution, capital allocation, common policies and our brand.

Creating value

As the common and mandatory framework in which our Divisions, Business Areas and lean corporate center operate, the ABB Way serves as the “glue” in our decentralized Group.

The ABB Way consists of two parts. At its core is our company Purpose – the “why” we are in business. Our Purpose is to create success for all our stakeholders. We do so through our leading technologies, which address the world’s energy challenges, transform industries and, along with our responsible business practices, embed sustainability in everything we do (see page 14).

The ABB Way also covers “how” we create value: how we drive performance, how we ensure that we have the right people in the right place at the right time, how we create a strong culture of governance and integrity, and how we build and protect our brand and reputation.

Decentralized business model

With the ABB Way, we drive performance through a decentralized business model in which our Divisions create value with the clear aim of being no. 1 or 2 in their respective market segments. Their performance is managed through a scorecard system, which provides full transparency on key metrics, including orders, operational EBITA, capital expenditures and return on capital employed. Our Divisions operate under different strategic mandates: they need to reach stability and profitability before investing into organic and acquisitive growth.

By shifting operational responsibility to the Divisions, the ABB Way enables decisions to be made quickly and close to the customer.

A key aspect of the ABB Way is active portfolio management, also based on a clear and transparent framework. In 2020, we assessed each Division on its strategic attractiveness, future value-creation potential, and fit within ABB. We concluded that there were three Divisions we needed to exit as ABB was not the best owner for these businesses going forward. The Divisions in question are Turbocharging, Mechanical Power Transmission, and Power Conversion. All three are high-quality businesses that are performing well,

and we will consider all options for these businesses with the clear objective of maximizing value for all concerned.

Excellence in people

The ABB Way emphasizes excellence in our people as the key to value creation. To become an even better company, we are fostering a performance culture through our values, good leadership, and strong performance and review processes. A culture of diversity, inclusion and equal opportunity is critical to our business success and makes us stronger. To help our people succeed, we provide opportunities for learning and personal development, while our open job market empowers our employees to manage their own careers.

Governance based on integrity and transparency

To safeguard our company from financial and reputational harm, we have a comprehensive governance framework underpinned by our Code of Conduct, which was revised and simplified in 2020, making it more accessible and easier to use. The Code now contains five integrity principles and 16 integrity focus areas to guide and support us in our everyday work. By always following our Code, we will ensure that ABB is an exemplary corporate citizen and a champion of ethical behavior and human rights.

Strengthening the ABB brand

Our ABB brand is essential to building trust in our company. When we are trusted, customers rely on us, people feel empowered, and all our stakeholders reap the benefits. With a strong ABB brand, we can occupy a far stronger position in the market and with that support our businesses to succeed. Whatever we say, do, write and publish is part of our reputation and we manage it carefully for example by speaking consistently with “one voice” and ensuring that what we say matches what we do.

Proceeding towards a sustainable future

The ABB Way is an operating model designed for a global company in a rapidly changing world. By empowering our Divisions to be entrepreneurs that prioritize stability, profitability and growth – in that order – we create sustainable value, based on a culture of continuous improvement, and in doing so we contribute to a more sustainable society.

Our Purpose and values

ABB has gone through a series of profound changes in recent years, among them the divestment of our Power Grids business, our transformation into a decentralized organization, and our shift toward digital solutions. These and other changes have raised questions about what we stand for as a company, what we should aspire to be in the future and what role we should play in society.

In late 2019, we initiated a project to articulate a clear Purpose for ABB. In doing so, we were also acting on significant empirical evidence from other companies that a strong, lived purpose has a positive impact on business performance and value creation. Over a six-month period, we conducted extensive interviews and listening sessions with all stakeholder groups, including employees, customers, investors, suppliers and multilateral organizations. Our aim was to build up a holistic picture of how ABB is perceived by its stakeholders and to articulate an overall strategic direction for the company.

In total, we interviewed more than 300 employees from front-line personnel to executive management as well as 30 customers and 30 other external stakeholders, ranging from NGOs and academic institutions to international organizations.

By the end of that process, we had identified and articulated five clear Purpose “themes” that described our identity and the impact we make. In capturing the themes, we made sure questions for our key stakeholders were answered. For customers, our Purpose needed to answer the question: How does ABB help us win? For employees: Why should we dedicate our passion and skills to ABB? For investors: Why should we invest in ABB? For society and the planet: How does ABB make the world a better place? For partners and suppliers: Why should we join forces with ABB?

Our five Purpose themes are:

1. Creating success

At ABB, we are passionate about creating success. This starts with our customers – we enable them to reach new levels of performance. Their success translates into success for all our stakeholders: employees, partners and shareholders. Our people make the

difference. Their domain knowledge and experience are why customers come to us with their biggest challenges.

2. Addressing the world’s energy challenges

As pioneers in electricity and automation, we help to address the world’s energy challenges. We are enabling the world’s data growth, mobility expansion and urbanization while preserving the environment. Our solutions make homes, offices, factories and transport more energy-efficient and safer, and energy more affordable.

3. Transforming industries

We envision a future where the physical and digital worlds merge. Together with our customers, we are turning this vision into reality. We provide automation, electrification and motion solutions that fulfil today’s needs while bringing the physical and digital worlds together. We make operations safer, more intelligent and more productive, and work towards a more prosperous and sustainable future.

4. Embedding sustainability

For us, sustainability is both the right thing to do and a business opportunity. We lead by example by embedding sustainability in everything we do. Our solutions reduce harmful emissions and preserve natural resources. We champion ethical behavior and human rights to contribute to better lives for people across the globe.

5. Leading with technology

If there is one thing that ABB is recognized for, it’s leading with technology. Innovation has been in our DNA since we were founded more than 130 years ago to take advantage of a new technology called electricity. This is one of the main reasons why customers and others turn to us for help with their biggest challenges. Together, we continuously push the frontiers of technology to make things possible that were not possible before.

From these Purpose themes, we crafted a clear statement of Purpose:

- **We succeed by creating superior value.**
- **We push the boundaries of technology to drive performance to new levels.**

- **And we energize the transformation of society and industry to achieve a more productive, sustainable future and to create superior value for our stakeholders.**

Today, we can say that our Purpose is at the core of everything we do – our operating model, our strategy, our governance and our values.

Our values

Along with our Purpose, which is “why” we are in business, we developed a set of four values that reflect “how” we behave to be successful and to realize our Purpose: **Courage, Care, Curiosity** and **Collaboration**. Developed in much the same way as our Purpose – through listening to our leaders and people and using their ideas and input to capture the essence of our culture – our

values are the cornerstone of our culture. They guide and shape our behavior and interactions with each other, our customers, partners and society as a whole.

Our values empower and encourage our employees to have the **courage** to take action and manage consequences, speak up and ask for help, and take calculated risks to create success. They keep them focused on taking **care** of our customers, our people and the environment, on respecting and valuing differences, and doing what is right while acting with integrity. By **curiosity**, we impart that there is always a better way to do things, and to learn from failures and successes. Finally, we live **collaboration** because we believe that smart people collaborate, we build on each other's strengths and success, and we partner with our customers.



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We succeed by creating superior value.



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We push the boundaries of technology to drive performance to new levels.



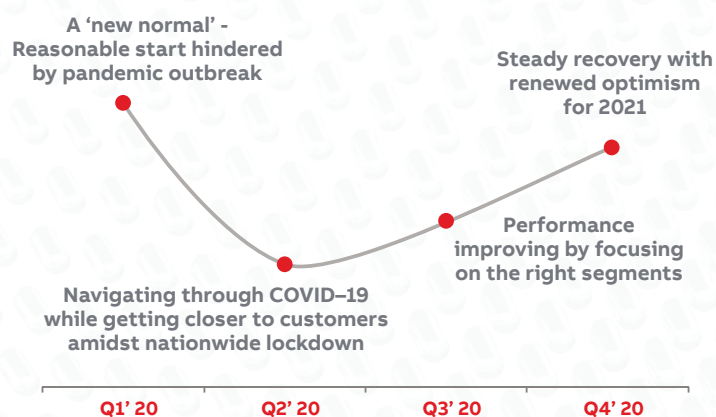
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We energize the transformation of society and industry to achieve a more productive, sustainable future.

2020: Resilient performance despite the COVID-19 crisis

Highlights

- Proactive action on focus sectors (datacenters, electronics, food and beverage, pharma, renewables, etc.) bolsters performance parameters
- Order backlog levels held steady Y-o-Y
- Strong cash position at the end of 2020
- Board recommends full-year dividend of 250% per share in a pandemic situation

Impressions from a resilient & unprecedented year



Five-year trajectory

	(₹ in Crores)				
Description	2020	2019	2018	2017	2016
Sources of Funds					
Shares capital	42	42	42	42	42
Reserves	3,564	3,478	3,965	3,565	3,245
Net worth	3,606	3,520	4,007	3,607	3,287
Borrowings	-	14	7	608	600
Funds employed	3,606	3,534	4,014	4,215	3,887
Income and Profits					
Revenue from operations	5,821	8,210	10,862	9,087	8,642
Operating profit before Interest and depreciation	368	648	1,017	857	816
Profit before tax and exceptional	231	515	794	622	573
Profit before tax and after exceptional	289	446	794	622	573
Profit after tax	219	303	511	420	374
Dividend/Dividend tax	102	123	112	102	94
Retained earnings	86	180	399	318	280
Other data					
Gross fixed assets	1,130	1,047	1,669	1,642	1,474
Debt equity ratio	0.00:1	0.00:1	0.00:1	0.17:1	0.18:1
Net worth per equity share-Rs	170	166	189	170	155
Earnings per equity share-Rs	10	14	24	20	18
Dividend per equity share-Rs	5.0*	4.8	4.8	4.4	4.0
Profit after taxes as % to average net worth	6	8	13	12	12
Orders received	5,932	6,970	10,115	9,490	12,466
Orders backlog	4,114	4,123	10,111	11,534	11,821
Number of permanent employees	3,255	3,299	5,531	5,590	5,603

Note:

Figures for 2020, 2019, 2018 and 2017 are as per IND AS and for earlier periods as per IGAAP and hence not directly comparable. These figures also include performance of Power Grids Business, which has been disclosed as the discontinued operations in the Financials section.

* Proposed dividend