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**Chief executive officer**  
**ABB Annual General Meeting**  
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Dear shareholders,  
ladies and gentlemen,

ABB celebrates its 20<sup>th</sup> birthday this year. It struck me when I reflected on this anniversary, that the company's development has resembled in several ways that of many 20 year-olds.

Very rapid growth in the first decade was followed by a turbulent phase during the early teenage years, marked by some confusion, uncertainty and unpredictability from time to time. It required strict parental authority and determination to prevent the problem child from going missing forever. But it worked..., and in many ways, like for most teenagers, it has given way to a greater maturity and inner strength.

Like a young person in its prime, ABB today is in very good health and has great prospects.

Ladies and gentlemen,

It's an honor for me to be here with you today, to reflect on our 2007 results and to outline what lies ahead. I will start with a very brief review of the financial results, since I expect most of you are familiar with the details that were published in February. I'd like to spend the bulk of my time discussing how these results were achieved and to reassure you that we have even brighter plans for our company in the future.

Firstly, then, the results. We are very proud of the financial results we achieved last year and I think this is justified given that 2007 was a record by most measures.

Our revenues rose 18 percent (adjusted for currency) to more than \$29 billion, and the order intake rose by a similar magnitude.

These are truly remarkable numbers, particularly if we bear in mind that our growth has been entirely organic – achieved without the benefit of any acquisition. I emphasize this point because it illustrates that there are excellent opportunities to create value within the company itself, even if much of the recent talk about ABB has been speculation regarding acquisitions. I will address this point later on.

Earnings before interest and taxes rose by more than half, and the EBIT margin increased to 13.8 percent from 11 percent. We obviously benefited from a very robust demand situation to protect our margins from ever rising raw-material costs. But we also took advantage of this good situation to build a sustainable competitive cost position for the future. It takes particular rigor to keep costs under control at a time of such rapid growth, and I'm very pleased that we maintained our discipline, which contributed to increase the profit margin again in 2007.

The sale of our Lummus Global business last year was a milestone that marked the completion of our plan to focus on the core activities of power and automation. It is no exaggeration to call this a milestone, because it represents the end of a period of re-organization and consolidation, and now frees us to focus our energy and talent on a new chapter of our development.

The gain on the sale of Lummus Global contributed to the very big increase in net income in 2007. But even adjusted for this and a one-time tax event, net income almost doubled.

It is particularly pleasing that every division contributed to the increase in orders and profitability. Even Robotics, our only problem child of the past years, has now made an impressive turnaround and has posted results that put its 2011 targets in an achievable perspective.

← With the help of an excellent cash flow, our financial situation is now very healthy. We have eliminated all the expensive off balance sheet debt, funded our pension deficits and converted two large debt issues into equity. We ended 2007 with a net cash position of more than \$5 billion, as well as a lower gearing and a higher proportion of equity. These improvements have contributed to give us now full financial flexibility to take ABB to the next level.

These results have been known to you for some time, so I'd like to share some insights with you into the main factors behind this success, in order to help you understand the journey we have made, and what is coming next.

There are essentially three key contributors to our success in 2007. The most obvious and visible to many of you, I expect, is the strength of our markets. This has been truly exceptional.

It is not just that the world has been enjoying its fastest pace of economic growth since the 1970s. There is a particular convergence of factors that has helped the markets for power and automation – our core markets – grow about twice as fast as the global economy. And this convergence has a name: energy efficiency.

We are seeing extremely strong demand for power technology in emerging countries because reliable and plentiful electricity supplies are a prerequisite for development. Productive factories, efficient services and higher living standards all depend on the availability of electricity.

China alone built 90 gigawatts of new electricity generating capacity last year, more than the entire capacity of the U.K. network. And they spent more than \$35 billion to transmit this electricity in the most efficient way by minimizing the losses.

At the same time, mature economies in Europe and North America are also spending more on power networks. Partly, this is because there is much equipment in the power networks of these regions that is old and needs to be replaced, but it is also because they are investing in technology that will enable more renewable sources of energy to be fed into power networks.

Many governments are keen to promote wind and solar energy, but the unpredictability and intermittent nature of these energy sources mean that they can only be used effectively if power networks are strengthened with the appropriate technologies.

Another factor that is helping our markets is the rising living standards and economic growth in emerging markets. This contributes to demand for automation technologies to help ramp up production of everything from raw materials to consumer products. And, whenever possible, to do it in a way which minimizes the need for increasing energy consumption.

More generally, the process of globalization is increasing cross-border competition by reducing trade barriers, and this is putting pressure on manufacturers everywhere to become more efficient. Robots, control systems and other automation technologies often provide the answer they need.

← Boosting industrial productivity and grid reliability have long been objectives of our customers. Many of them today are increasingly concerned about improving energy efficiency and we are in the privileged position of having a very strong portfolio of products and systems to help them achieve this goal.

This brings me to the second major factor behind our success in 2007. It is the strength of our technology.

We are the market leader in most of the businesses we are in, thanks in large part to the technology position we have developed. Even during the lean years in the first half of this decade, we maintained our research and development spending to expand on our technology leadership.

This commitment is paying off. The best evidence is the large contracts we won in 2007. The biggest were for key components of a long-distance power link in China and for the grid connection for the world's largest offshore wind park in the North Sea: both of these use power transmission technologies pioneered by ABB.

And this is just the tip of the iceberg. These are the projects that make the headlines, but we have a steady flow of exciting technologies that you may never read or hear about, despite the benefits they bring.

For example, last year we developed a compact switchgear solution rated at 1 million volts, or 1,000 kV, for the Chinese market. China and its power needs are so vast that it needs solutions to transmit huge amounts of power over long distances without losing too much of the electricity on the way. High-voltage transmission is the answer, and since ABB's compact switchgear technology has such a small footprint, it can be located much closer to urban areas so that power can be kept at high voltage over more of the system.

Our technologies are here in Europe too. I'm sure you all remember the terrible road accidents a few years ago in the Mont Blanc tunnel and here in Switzerland in the Gotthard tunnel. These disasters led to new efforts to improve road safety in Europe, and ABB technology was installed in several tunnels that were refurbished last year in Italy.

The ventilation, lighting, traffic guide, video control, communication, electrical systems and fire management systems of these tunnels are now all connected and monitored by high-performance control systems that are designed for operation under very severe conditions. In the event of an accident, regional control rooms are alerted, safety procedures activated, and visibility and breathable air guaranteed in various conditions.

Robotics are a good example of how technology contributes to lowering production costs and improving factory processes to benefit the manufacturer and the end consumer. The business accounts for just 5 percent of our revenue, but we are a big player in this industry and an innovative one as well.

We have had considerable success with our light-weight 'seeing' robots. Cameras enable them to locate items scattered on a conveyor belt, pick them up and pack them. They put chocolates into boxes, kiwi fruits onto trays and syringes into sterile packs, and are valued for their speed, precision and hygiene.

I don't claim to be a technology specialist myself, but share the passion of the experts in our company when I hear them talk about projects like these. In these cases, passion is almost as important as expertise. This passion for technology is what makes ABB so forceful, and what motivates our people to always try to take it to the next level. Continuing to foster this commitment is the key to our long term success.

Ladies and gentlemen, we are determined to maintain our commitment to research and the technology leadership that has played such an important role in building ABB's strength in power and automation. As I mentioned before, even in the darkest years, we did not scale back our investment in this area, as we knew it was the key to our survival.

In 2007, we increased our investment in research and development by almost 9 percent and expect these activities to make a significant contribution to our goals for the coming years.

The third major factor behind our success in 2007 is the series of improvements we have made in the way we do things.

A successful author once remarked that the only place where ‘success’ comes before ‘work’ is in the dictionary. At ABB, there has been an intense effort – not just in 2007 but over the last few years – to build a strong culture based on transparency and openness, and on the improvement of business processes.

We have become more selective in choosing the contracts that we bid for and the partners we work with. We look carefully at expected profit margins and at broader aspects such as environmental impact and the reputation of the companies we will be working with. Having carefully selected our projects, we focus on their disciplined execution. I can say without a doubt that risk and project management have been a major driver in the increased profitability of our systems divisions.

We have made considerable efforts in our operational excellence program, which ensures that best practices in manufacturing are identified and shared across the company. We have about 200 production sites around the world, and they are today cooperating much better with each other to tackle common challenges and copy with pride the proven solutions. Similarly, we are improving the efficiency of our supply chain by encouraging factories and business units to collaborate more closely on their purchases of supplies.

This systematic approach is part of a project we call ‘global footprint,’ under which we are also expanding our manufacturing and engineering presence in new markets. The aim is to produce and engineer our products and services as close as we can to our customers, and to strengthen our competitive position against the new, emerging competitors which start knocking at the doors of our traditional markets.

← We are in a very good position, thanks in part to the founders of ABB who realized 20 years ago that a strong base in Europe would not be sufficient to compete globally in the future. We were early entrants into markets such as China, India and eastern Europe and now have more than 50 locations in each of these regions. Today, almost 50 percent of our orders are generated from emerging markets.

By 2011, Asia will have overtaken Europe as the largest market for power and automation technologies. China, India and many other countries in the region will continue to enjoy economic growth well above that of Europe and North America over the next few years.

It is the same for emerging markets in the Middle East, Africa, Latin America and eastern Europe, and it is a welcome development. It means standards of living will improve for millions of people, and ABB will play a major role to make this happen.

Coming back to operational excellence, we have also tackled our internal efficiency through the launch of a program we called ‘One Simple ABB’ which, as its name suggests, is all about simplifying, standardizing and upgrading our business processes and systems. This project is half way through, and should start producing a positive result as of this year. It will allow us considerable administrative savings but will also provide huge benefits thanks to better, faster information available to our decision-makers. And even more importantly, it will allow us to absorb the current and future organic growth rate, and integrate potential acquisitions without having to boost our internal resources dramatically.

Last but not least: talent. We have taken a number of initiatives to increase our management efficiency, and ensure that the hiring, training and retention of good employees gets the focus it demands.

We are focusing particularly on our direct interaction with customers, growing our sales and service teams to expand and improve the level of service we can deliver. A new resource planning process is helping us to examine medium and long-term needs in our businesses and functions, and to address them earlier.

Another long-term initiative is to expand the focus of our management talent review. This succession process is well-established for ABB's senior leadership roles, but this year we will take the process deeper into the organization, to our developing talent.

These efforts are in addition to our staff development programs, which aim at encouraging a single concept of leadership to take root in our operations around the world. This makes it easier to deploy talent where our needs are biggest and to provide our employees with exciting career opportunities.

In short, the 2007 results show that our market and technology leadership, together with performance improvements, are helping us to benefit from continuing global growth, the need to expand and strengthen power grids, and the heightened concerns about climate change and energy efficiency.

← Once again, we managed to outpace the market, and that is largely thanks to our employees, who have made a tremendous effort to meet the strong demand while implementing a raft of internal efficiency measures.

Much of the credit for this achievement goes to Fred Kindle. Over the last three years, he led the team to help impose a new discipline on the company's operations, to create a solid base from which ABB can launch into the next level of development. We are now ready for the next stage.

So what is next for ABB?

Looking at our priorities for 2008 and beyond, there is certainly no room for complacency.

Economists have lowered their expectations for growth of the world economy. The International Monetary Fund (IMF), which last October was predicting 4.8 percent growth this year, has just recently reduced its forecast to 3.7 percent.

Yet ABB is relatively little exposed to the markets that have been worst hit. It is unclear what impact – if any – the slowdown in the U.S. will have on other economies. The market factors I spoke about earlier are long-term trends and we are confident that these will support our business for years to come.

Our first-quarter results, published two weeks ago, show that our markets remain extremely healthy.

Revenues rose 17 percent compared with the same three-month period of last year and orders increased 16 percent, topping the \$10-billion mark for the first time in a quarter. Net income increased by 87 percent to \$1 billion.

These results get us already very close to the financial targets that we communicated last September. These are however five-year targets and it is of course difficult to predict how markets will develop over such a long period. We usually conduct a review of our goals every two years. I am not going to change this practice; with the current market environment, it is important that the organization remains focused on grabbing all the opportunities, rather than crunching numbers. The first-quarter results have demonstrated again that our people don't stop once their targets are reached.

Despite the current challenging environment, our first-quarter results prove that opportunities for organic growth are intact. Our ambitions have not changed either, and we expect to create an additional 20,000 jobs over the next five years in order to be able to deliver on these expectations.

This is a big task because engineers – the people we need most – are in short supply around the world.

But we know that good people want to work for good companies, which means that aiming for excellence in everything we do is an essential part of our recruitment strategy.

I spoke earlier at length about the steps we have taken to raise our performance, and these will be vigorously pursued. The streamlining of internal processes, the focus on careful selection and execution of projects, the transfer and application of best practice for manufacturing excellence, the expansion of our global footprint and all the other internal programs we have are ongoing efforts that will continue to yield results in the coming years.

In our search for excellence, we continue to maintain a very strong focus on ethical business practices. There is a very clear moral imperative to avoid illegal or unethical activities: they are wrong, unfair and self-destructive.

We don't want to cheat. We want to compete very successfully on our strengths: technology leadership, innovation, quality, global reach, customer relationships, and much more.

Of course, we may never be able to eliminate the risk completely. Rogue employees will always exist. We do, however, want to have world class processes in place so that nobody can claim ignorance of how unethical behavior can impact ABB's bottom line, reputation and even individual careers, as we relentlessly sanction any employee who has crossed the line.

We now make managers sign our Code of Conduct every year to refresh their commitment to ethical and fair business practices, and last year expanded the range of mandatory training courses, beefed up our legal and compliance teams, and expanded internal communications on proper behavior and reporting mechanisms.

ABB has suffered from certain bad practices of the past. There are several cases outstanding with European and U.S. authorities on which we expect a decision at some point and, as we have already said, the fines could be material.

But today, I am confident that we are doing the very best we can to train our people, prevent unethical behavior and communicate the right tone across the organization. This kind of effort starts from the top – and I can tell you, the tone from the top does not suffer any risk of misinterpretation.

Improving our occupational health and safety record remains another priority area for 2008. The number of incidents has been declining in recent years when compared with the number of hours worked, and that is some success.

But the absolute number of fatalities and serious injuries increased in 2007 and this is simply not acceptable. We want to see our colleagues home safely every night. We have health and safety management systems in place around the world. We will step up the monitoring of their implementation, intensify even further the training and prevention processes and deploy additional safety experts to help bring us nearer to our goal of zero incidents. We absolutely need to improve our record. Each fatality is a shameful failure of our standards.

Let me then switch to our business strategy. We said after last year's review that we will remain true to our power and automation core. At the same time, we plan to expand within these areas to provide existing and new customers with the fullest possible range of products and services, with comprehensive geographic coverage.

The opportunities for organic growth still abound, even if we grow at double-digit rates. Our priority number one is to make sure we don't leave any stone unturned; to position more sales people in markets where we can improve our penetration; to explore in which other markets or applications we can take our core businesses of power and automation, as we are already doing for the rail, wind and water segments.

ABB has managed to position itself today as a major supplier to the wind generation industry with a full range of technologies that help to convert the wind into clean power and integrate the electricity into the grid.

As the world craves for more energy, from whatever source it comes from, it is our mission to explore how best ABB can position itself to play a key role with regard to other energy sources, be they alternative or conventional. I am confident we have there a huge potential on which ABB can build part of its future growth.

We can also still do a better job of combining our service offering with sales of our products and systems. We still have more potential to help our customers to take care of the maintenance of their installed base. Many of them are facing a shortage of skilled labor and need a reliable partner that can assume responsibility for servicing their assets, or just can do it in a more efficient way.

And finally, as we often say, the best alternative energy is to use less of it. We will continue working hard to bring our transmission and distribution capabilities to the next levels of efficiency, while offering our current and future customers an ever broadening portfolio of automation products and solutions to help them increase efficiency and productivity. This means penetrating new segments, and offering new, revolutionary technologies.

Because technology is what it is all about. Technology is what makes ABB shine. We are committed to not only growing our investment in technology, but also to venture down other avenues that will help us accelerate innovation. For instance, collaboration with universities, customers or other industrial partners; acquisition of promising start-ups; or recruitment of renowned experts in specific technologies.

ABB has now reached a stage where we can take a few more, selective investment risks. We can afford to dare. This is the price of maintaining, and even increasing our technology leadership.

In addition to this, or rather in support of this, we are continuing to look for value-enhancing acquisitions. Don't mistake a lack of action in this area for a lack of activity or a lack of ideas. We are keeping a keen lookout for appropriate targets and have the financial flexibility to move when the moment is right.

We are primarily interested in businesses that can help us plug geographic or technology gaps in our portfolio, or build adjacencies to our current portfolio. But I think you will agree that with financial markets peaking last year and falling this year, we have been wise to remain cautious. We have earned our financial strength with sweat and tears. We should not hurry to invest this surplus cash if the return – and hence the shareholder value creation - is questionable. We'll keep hunting, and monitoring potential targets.

In the meantime, dear shareholders, your interests remain the top priority. For the second time in a row, we are proposing to double our dividend and to pay it out in a way which is the most tax efficient for you within applicable legal requirements. We have also announced a 2.2 billion Swiss franc stock buy-back program, and have so far executed about 12 percent of the total. And we ended 2007 as the best performing stock on the Swiss Market Index for the third year in a row

We are asking today for your authorization to keep optimizing our flexibility to act: on the one hand, with an authorization to issue conditional capital – which complements the set of financing alternatives in case a large, value-creating acquisition becomes feasible; and on the other, with a reclassification of legal reserves which allows us at any time to increase our distribution of cash to shareholders. With this set of resolutions, and the robust balance sheet we have today, ABB is ready to take on any challenge with confidence and speed.

In conclusion, ladies and gentlemen, 2007 was another very good year with strong organic growth and excellent profit margins. We were able to achieve record results thanks to vibrant markets, our technology leadership, and a focused commitment to excellence within our own operations.

Looking ahead, the long-term market factors driving our growth remain unchanged and continue to offer tremendous opportunities for organic growth. At the same time, we have a strong balance sheet and will use it to strengthen our market penetration and technology leadership, and to make acquisitions when value-creating opportunities arise.

We are in an enviable position. At 20, we are grown up, we have more money in the bank than most 20 year-olds, and the future is largely what we will make of it. Our enthusiasm and ambitions have no limits.

Ladies and Gentlemen, dear shareholders, my sincere thanks for your support.

