

## Appendix 2

### **ABB Annual General Meeting 12 May 2005**

CAUTION: This is a translation of the original German version. In case of any discrepancy, the German version shall prevail.

#### **Fred Kindle's speech**

(Text as spoken by Mr. Kindle)

Dear Shareholders,

Please allow me first to express my thanks to Jürgen Dormann.

A thank you from my colleagues in the Group management and from me personally goes to you and to the Board of Directors for your trust and for your support in both word and deed.

But I would also like to thank you, Mr. Dormann, for the crucial role you played in rescuing and subsequently stabilizing ABB.

When I joined ABB in September last year, I found an enterprise with outstanding substance and promising future prospects. In my first months at ABB I met many of our employees and executive staff, and also had intensive talks with customers, so that I could get to know the corporation in its rich variety of facets. Everywhere doors stood open for me, which I greatly appreciate, as this is not necessarily always the case for someone joining a firm from outside.

An abiding first impression during those first months was the constructive nature and great professionalism of my colleagues at ABB as well as the high regard that our customers had for ABB.

The transitional period of four months was very useful for gaining a deeper understanding of the business and of the challenges facing the Group.

Ladies and Gentlemen, since 1 January of this year I have held the post of Chief Executive Officer of ABB Ltd.

Mr. Dormann has given you an account of the position of ABB after the financial year 2004. We are now already in the second quarter of 2005, and I would like to outline briefly for you the current situation of ABB and also take a quick look at the future.

We had a good start in 2005, a start that exceeded even our own expectations. Incoming orders in the core divisions grew by 11% in local currencies and by fully 16% in US\$, ABB's reporting currency. In my view, this organic growth in the core divisions is the best proof of the technological strength and solid market position of our corporation.

As expected, growth for the whole Group was less marked, increasing by only 8% in US\$ or 3% in local currencies because we sold off activities outside the core.

In the first quarter of 2005 orders came in worth altogether in excess of \$ 6 billion. Sales revenue rose by 6% in local currencies or 12% nominally. Since incoming orders increased more strongly than sales revenue, our order portfolio has further improved, forming a solid foundation for the rest of the year.

Group earnings before interest and taxes (EBIT) are considerably better for the first quarter of 2005, compared with the same quarter in 2004. They went up by fully 58% to \$ 391 million. A number of factors played a role in this satisfactory result.

All our business segments were able to gain ground compared to the corresponding period in 2004. In particular the Automation Technologies division performed very well, and we managed to keep central costs in Zürich and in the country head offices relatively low.

The Group's operating margin rose from 5.5% to 7.7%, in line with our target for the year 2005.

With a net profit of \$ 199 million, ABB was able to post its best quarterly result for many years. This favorable figure contrasts with a net result of \$ 1 million in the first quarter a year back.

But, Ladies and Gentlemen, we will have to continue to work hard if we are to sustain our good achievements this year.

And in this connection I would like to mention the profitability of Power Technologies. Although our Power Technologies division also improved significantly in many areas, not least achieving an all-time high in terms of operating result, its operating margin fell to 7.6% in the first quarter. This slight drop has made the division's target for the year, a margin of 10%, unrealistic.

Basically, one reason underlies this weakness: prices on the commodities markets have risen to an unforeseeable extent. Especially with our important transformer business, where the cost of raw materials accounts for almost a third of the sales value, the rapid rise in the price of transformer oil and of electric steel has seriously affected us. We have only been able to compensate partially for our higher costs through price increases and other measures, but will make additional efforts to further limit the consequences for ABB. We hope that a clear picture of the trend will emerge after the second quarter, so that we will be in a position to set a new target for the year for the Power Technologies division.

Ladies and Gentlemen, in general we can be satisfied with what has been achieved. The fact is that the uncertainty about the margin for the year in the Power Technologies division is the only relevant drop of bitterness in the results of the first quarter. All in all, we made a good start in the new year.

Accordingly, we have been able to confirm our Group targets for 2005, in particular the margin target of 7.7%.

As Jürgen Dormann mentioned, headway is also being made with the resolution of the asbestos lawsuits. Along with the other parties we are doing everything in our power to draw up modified reorganization plans for our US subsidiary companies Combustion Engineering and Lummus. At a hearing before the bankruptcy judge at the beginning of April, the parties were set a deadline of 60 days in which to present a modified plan. Accordingly, we will probably submit the new settlement and reorganization plan in June. We are convinced that this will fully answer the Court of

Appeals' questions and objections of December last year and will form the basis for a resolution by common consent. Even if we still cannot say today when we will be able to draw a conclusive line under this affair, one thing is certain, that we are closer to a definitive solution than ever. For the moment we must just wait patiently until the last chapter in the saga can be brought to a satisfactory conclusion.

Ladies and Gentlemen, I come now to an important concern and would like briefly to present to you some thoughts about the future of ABB.

As announced in our quarterly report, we will submit a strategy plan for the next few years in September. It will set out our objectives for the period up to 2009 and will explain our thoughts on developments in our businesses and in the markets. One thing is already certain today: ABB will have to continue to develop and improve, although no revolutionary changes are in sight.

Our goal is to steadily develop our business, starting with the existing activities in our two core areas Power Technologies and Automation Technologies. In the last 10 years there have been too many strategic and organizational changes at ABB. Of course, it is our duty to adapt ourselves to new challenges, even to anticipate them. And we will continue to do that.

But what our workforce, customers and business partners want now after the successful turnaround – and what ABB itself really needs – is continuity and stability instead of bombshells.

Let me reiterate: today our corporation is on a sound footing. Demand on the markets is good, and the name ABB continues to have enormous luminosity for our customers, thanks to our leading-edge technologies and our closeness to customers worldwide. Our portfolio is well balanced. We can make a significant contribution to improving power grids and to enhanced performance as well as reduced environmental pollution in industry. Despite possible economic cycles, the need for investment in power grids and for increased productivity in industry remains structurally great.

As the improvement in our operating results in the last two years clearly shows, ABB has found its way forward into the future. We will seize opportunities and not sit back and relax. Even after the successful turnaround, there is still plenty to do. Of prime importance, in my view, is a sustained improvement in our operating efficiency. What do I mean by this?

Following its foundation in 1988, ABB was a growth machine that caused great euphoria on all sides. Proceeding from strong marketing, good market positions and excellent relations to its customers, the name ABB became synonymous for outstanding technology and a dynamic enterprise. These are strengths that we will continue to nurture.

Unfortunately, for a long time the fact that the operating result was relatively disappointing was overlooked. There were many reasons for this, but basically it had to do with the fact that the corporation's internal processes were not designed efficiently enough and were implemented with too little discipline. A very complex structure with too many profit centers and an associated, often unclear responsibility increasingly became a problem. This, in turn, brought about a lack of cost discipline, weak risk management, and slow-moving processes, and in this way operating margins in this extremely decentrally organized company, the ABB of the 1990s, always remained at a modest level.

ABB will continue in the future to be a firm with decentral structures. But we will have to better exploit the common features in our businesses. In addition, it will become increasingly important to focus not just on growth but also on internal efficiency and cost optimization. An example of this is the further-reaching cost reductions that were introduced some time ago. They are taking place at all levels and also include a cut in our unacceptably high Group costs.

My motto – as my colleagues meanwhile know – is that everyone should treat the resources of ABB as if it were his own company. This simple maxim is a helpful guiding principle in everyday decision-making and action. In using it, it quickly becomes clear where active change is necessary, moreover not just at the level of the many ABB employees on the shop floor, but also in middle and senior management.

A change in operations and procedures, in systems and objectives also means a certain change in our corporate culture. Under the leadership of Jürgen Dormann, my colleagues have already made a start with this. I shall continue the process with redoubled vigor.

An example of this is the aspect of teamwork. It is true that top management plays an important role as catalyst in change processes. The Board of Directors or the Group CEO can introduce decisive changes – or also prevent them. But in the final analysis an enterprise must be led into a successful future through teamwork.

I shall take a personal interest in meeting – together with the Board of Directors and my colleagues on the ABB group executive committee – the challenges of the future in a transparent and concerted manner.

Ladies and Gentlemen, we must combine the traditional growth virtues of ABB with a thoroughgoing increase in efficiency. After the turnaround, we are now, in the current phase of stabilization, improving our processes and supporting structures. We need more transparency and reliability in the corporate system before we can start a new chapter with accelerated growth.

Achieving our goals and targets for 2005 is today our most important short-term benchmark. What we have promised, we must also deliver. Ultimately the credibility of the corporation and of its management depends on this. And in the last analysis this credibility with our customers, our employees, and our investors is our greatest asset.

We want to use the current year to consolidate what has been achieved, to post a reasonable profit, and to get ourselves fit for more ambitious next steps. ABB is on the way to realizing its great potential, and I am delighted, as Chief Executive Officer of ABB Ltd, to be able to help shape the development of ABB in the long term.

Ladies and Gentlemen, finally I owe a debt of thanks to you, the shareholders, who believe in ABB and its future prospects, to our customers, who daily put their trust in our products and services, and – last but not least – to the ABB workforce, who proved in recent times of crisis that ABB is with justification one of the best engineering corporations in the world.

Thank you for your attention.