

## Appendix 1

### **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.

#### **Jürgen Dormann's speech**

(Text as spoken by Mr. Dormann)

Ladies and Gentlemen,

2004 was a year of steady progress for ABB.

In the year under review we were able to improve our operating profit by almost US\$ 1 billion.

We have strengthened our financial structure, and we have brought ABB back on track to profitable growth. This trend also continues in the first quarter of 2005.

The positive development is borne by our core businesses Power Technologies and Automation Technologies. It was made possible by our technological prowess, our closeness to our customers, our market positions, and by the commitment of our more than 100,000 employees.

An imperative precondition of our success in the future is investing in research and innovations, which we did not cut back on even in the difficult years 2002, 2003 and 2004.

Our goals include improving the reliability of power grids and increasing the productivity of our industrial customers' plants.

ABB's regained strength can also be seen in our three biggest markets.

In our largest sales market, the USA, substantial progress has been made. With the new USA management, led by Dinesh Paliwal, we anticipate further improvements in 2005 – and a profit. This is a remarkable achievement because – since its formation in 1988 – ABB has never yet been able to make a profit in the difficult US market.

In Germany, ABB's second biggest market, our team, led by country manager Bernhard Jucker, already turned things around in 2004 – thanks to far-reaching measures, which were only possible as a result of open and fair labor relations.

In China, our third largest market in 2004, we aim to double sales by 2008 – from \$ 2 billion in 2004 to \$ 4 billion in 2008 – at the same time expanding our workforce there from 7,000 today to 12,000 employees in 2008.

Against the background of global changes in the market and competition situations, our task is to bring the capacity for innovation in Europe and North America into line with the cost advantages and growth prospects offered by the economies of the newly industrialized nations, especially in Asia.

Thus we are expanding our production capacities in countries such as India and China, and are about to set in train adjustment measures in Europe, which we will undertake judiciously and with social-political responsibility.

Dear shareholders, I come now to our results for 2004.

On 17 February 2005 we announced that ABB posted a group profit in 2004 of US\$ 201 million – after a loss in 2003 of \$ 779 million.

On 3 December 2004 we were informed that the Third Circuit Court of Appeals in the USA had decided to have the reorganization plan for the ABB US subsidiary Combustion Engineering re-examined by the District Court.

The Court of Appeals had questions about the proceedings and procedure in the two previous legal courts and also wanted a review of whether the two firms Lummus Global and Basic should be included in the plan.

From December 2004 to March 2005 further negotiations took place with the parties involved. On 21 March 2005 we reported that we had reached an agreement with the plaintiffs about the conditions of a modified plan, for which we had to set aside US\$ 232 million. Since our annual report for the year 2004 had not yet been published at that time, we were obliged under US American accounting rules to post the debit and the associated costs in the financial year 2004.

As a result, our group profit of US\$ 201 million in 2004 turned into a group loss of US\$ 35 million.

Later Mr. Fred Kindle will tell you about other steps in the asbestos affair.

Sales rose from US\$ 20 billion 427 million in 2003 to \$ 20 billion 721 million.

Group earnings before interest and taxes (EBIT) almost tripled from US\$ 357 million to US\$ 1 billion 84 million.

Our operating margin (EBIT margin) increased from 1.7% to 5.2%.

We were able to increase our cashflow from business operations by over US\$ 1 billion from minus 173 million to plus 962 million.

Our Power Technologies and Automation Technologies divisions enjoyed a two-digit growth in orders in 2004, increasing sales by 15% in US\$.

Following the conclusion of our Step Change program in 2004, which was designed to optimize business, we have permanently reduced our annual cost base by over US\$ 1 billion.

Our balance-sheet structure has improved substantially. With the proceeds from the sale of activities that are not part of our core business, we were able to cut our overall indebtedness in 2004 by US\$ 2.4 billion to US\$ 5.5 billion.

Our net indebtedness dropped from US\$ 2.7 billion at the end of 2003 to US\$ 1.3 billion.

For 2005 we have planned for an EBIT margin of 7.7% in the Group.

Ladies and Gentlemen, despite these satisfactory steps forward, ABB continues to face great challenges.

We must focus not just on essential profitable growth but also on internal challenges, such as the area of health and labor protection.

As a corporation we bear a special responsibility for our workforce. Every accident is a set-back for us, and standards at ABB must be improved in this area. To heighten awareness of labor protection, we initiated in 2004 a global training program for ABB employees.

Yet, despite all conceivable precautionary measures, tragedies can occur. In May 2004 we were reminded in dramatic fashion that we cannot escape the political realities of the countries in which we operate. Six ABB employees lost their lives during a terrorist attack on a customer site in Saudi Arabia.

With great consternation we had to take note of this loss. The solidarity with the employees' families that we felt throughout the Group in the wake of the attack demonstrates the strong sense of community among ABB and its workforce.

On behalf of the Board of Directors – and also on your behalf, the shareholders of ABB – I would like once again particularly to thank all our employees for their hard work and commitment in the past year.

Through our new employee participation program, our workforce can now directly share in the success of ABB. The program has already been introduced in 11 countries and is open to 65% of all our employees – and will be extended to cover more countries.

Ladies and Gentlemen, we have excellent products, a high rate of innovation, good positioning on the world markets, a fine workforce, and a strong Group management.

Last year I was able to introduce you to Fred Kindle as my successor in the operational executive management. We implemented the hand-over of the executive management step by step.

After joining ABB in September, Mr. Kindle took over the position of Chief Executive Officer of ABB Ltd, as planned, at the beginning of 2005. When I have concluded my remarks, Mr. Kindle will present his view of the situation and give an outlook.

We are also pleased to have found a capable successor for Peter Voser. As Chief Financial Officer, Mr. Voser played an important role in the restoration of our competitiveness. During the course of the last year he left ABB to join Shell. We thank him for his commitment and wish him every success in his new position.

His successor is Michel Demaré, who started his work for us at the beginning of 2005.

Ladies and Gentlemen, the corporation is economically sound – thanks to the hard work of the last few years – and has good, even very good future prospects.

We have a clear strategy: organic growth in our two core areas Power and Automation Technologies.

At ABB we have good leadership and committed employees in all parts of the world. The corporation is on a sound footing for profitable growth.

Following my remarks on the financial year 2004, Fred Kindle will now – as indicated – provide you with an outlook for the future of the ABB Group.