

projects focused on expanding production capacities and also manufacturing facilities for new products.

The overall outlook for the Company continues to be positive and the management remains optimistic with regards to continued profitable growth.

Acknowledgements

I would like to place on record my sincere thanks to all customers, channel partners, shareholders, suppliers, the Government, banks and financial institutions and other stakeholders for their support, partnership and invaluable contribution in facilitating the success of the Company. I would also like to thank the ABB Group for their unstinted support to the Company's operations and my colleagues on the Board for their guidance and support. Before I conclude, I would like to convey, on behalf of the entire Board and all shareholders, our sincere appreciation to the Management and employees for their hard work, commitment and continued dedication in nurturing the Company's business principles and taking it from strength to strength.

I thank you all for your kind attention.



Chairman's Statement

Statement made by Mr. Ravi Uppal, Chairman,
ABB Limited, at its 58th Annual General
Meeting held at Bangalore on June 3, 2008.

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Ladies and Gentlemen

I cordially welcome you all to this 58th Annual General Meeting of the Company. Before proceeding with the agenda items as per Notice convening this meeting, I would like to share with you my views on the current business environment, the Company's operations during the year 2007 and also share my thoughts with you on the prospects for the future, going forward.

Business Environment:

With GDP (Gross Domestic Product) growth at around 8.7 per cent and double digit growth for the last five consecutive years, the Indian economy continues to be buoyant. The demand for capital goods continues to be strong with growth of 16.5 per cent in 2007-08 as Indian industry expands capacity and improves productivity to meet growing domestic demands and even stretching beyond geographical borders. India's exports during the year grew by 23 per cent and engineering goods exports by approximately 26 per cent. The Indian economy has also done well across various other macro parameters such as reduction of fiscal deficit, increase in foreign exchange reserves and growth in foreign direct investments.

However, India is part of a bigger picture, and a slowdown in global growth will have its ripple effects here. Inflation has raised concerns and the Government is taking actions to keep it under check. Crude oil prices are at an all-time high and can impact balance of payment, inflation and the entire fiscal situation. This could further lead to higher commodity prices, tight liquidity conditions coupled with high interest rates.

Infrastructure continues to be India's biggest challenge and the power sector remains a key focus area. Significant investment in power generation, transmission and distribution sectors continued during the year. An investment of over 200 B USD is estimated in the 11th Five Year Plan to add 78,000 MW of generation capacity, build and upgrade transmission capacity and to continue the focus on distribution efficiency and grid reliability. The generation capacity addition achieved during 2007-08 is over 9263 MW and it is estimated to add an average of 15000 MW per year in the coming years. The significant private sector investments in Ultra Mega Power Plants, Renewables and Captive Generation in the process industries has provided major boost to the power sector. The investments in other infrastructure projects of railways, airports, roads, ports and SEZ will facilitate higher employment opportunities and simultaneously stimulate growth in industries like Iron & Steel, Cement and Aluminium etc.

On the whole, the Indian economy is in strong growth mode and macro economic trends continue to be encouraging, providing a positive business climate.

Operations

During the year 2007, the Company secured orders worth Rupees 76,682 million, 36 percent higher than the previous year's orders of Rupees 56,236 million. Several large projects were booked during the year. As a result of healthy order intake, the Company's order backlog was further augmented by 49 per cent to Rupees 50,260 million as compared to Rupees 33,723 million at the beginning of the year and this will support future revenue growth. Higher GDP growth, infrastructure development projects and capacity enhancement in various industries have laid the foundation of a buoyant

economic environment in the country. This coupled with strategic initiatives on markets and product portfolios adopted by the Company have helped us realise this exceptional growth.

The Company has also achieved a significant growth in revenues at Rupees 60,014 million for the year, registering a growth of 38 per cent over the previous year. Volume growth and operational efficiencies have resulted in healthy profit improvement. Profit before tax was Rupees 7,565 million as compared to Rupees 5,232 million in the previous year. Net profit after tax at Rupees 4,917 million for the year was 44 per cent higher than last year. Earnings per equity share of face value Rupees 2 was also significantly higher at Rupees 23.20 compared to Rupees 16.06 in the previous year. The Company continued to focus on managing working capital efficiently. I am pleased to inform you that there has been a significant growth in orders, revenues and profitability in all divisions of the Company.

To support business growth and improve operational efficiencies, the Company is executing several investment projects for building facilities to manufacture new products and upgrading its existing manufacturing locations and marketing offices. Adoption of best manufacturing practices and quality standards, efficiency in supply chain management through pooling requirements of various business units and optimisation of working capital were other key management focus areas, fostering the sustainable and profitable growth of the company. The Company also upgraded its ERP system from SAP 4.7 to mySAP Business Suite, thus pursuing its goal to become a truly system-driven enterprise.

On the HR front, the company focused on recruitment, training and development, motivation, efficiency improvement and retention of talent. Over 1,500 employees were recruited during the year across the operations and functions. As part of its sustainability commitment, the Company continued to be actively involved in several community development projects, in areas of primary education, working with the differently-abled and environment. The company strengthened its relationship with academia, working with leading engineering colleges and universities, as well as supporting lab facilities and educational exchanges. Occupational health and safety continued to remain a focus area and several initiatives were taken including regular safety audits. All manufacturing units of the Company have been OHSAS 18001 certified. The company also set up a fully equipped outdoor and indoor safety training school in Jaipur. Strengthening of internal controls, compliance and commitment to the Code of Conduct continued to remain in strong focus.

Future Prospects

India's current state of economy and expectation of GDP growth remains around 8%. Continued investments in power and other infrastructure, industrial sector, rising income levels and living standards offer excellent opportunities for the growth of business. Several strategies towards market penetration, product and range expansion, manufacturing and engineering capacity augmentation, operational excellence, up gradation of IT and other systems infrastructure, human resource training & development and retention of talent shall go a long way in building the organisation of the future.

Moreover, the ABB Group remains committed to increasingly leverage the Indian operations for projects, products and services within the region and globally. In line with these strategies and access to latest global technologies from ABB Group, the Company will continue to grow its core businesses, expand its portfolio and augment manufacturing and engineering capacities as required. The Company remains resolute in its objective to pursue the path of profitable and sustainable growth, continuously improving operational efficiencies and striving to attain the highest standards of quality, safety, productivity and environment friendliness. Currently the Company is implementing several investment