



Chairman's Statement

Statement made by Mr. Gary Steel, Chairman,
ABB Limited, at its 60th Annual General
Meeting held at Bangalore on May 11, 2010

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Ladies and gentlemen,

I am extremely privileged to welcome you to the 60th Annual General Meeting of ABB Ltd, India. This is indeed a historic occasion for the Company, whose roots in this country go back to 1950, the same year that the country became a republic. We are proud to be a part of India's heritage and growth in the electrification of its growing cities and automation of its booming industrial sectors over the past six decades.

The Company has definitely come a long way since those times, through good times and bad, and part of its success has been due to its shareholders and well-wishers, some of whom sit before me today.

Before proceeding with the agenda, allow me to take you through the current business environment, the Company's operations during the year 2009 and also some prospects for the future.

Business Environment:

The global economy seems to be showing signs of slow recovery after the recent economic shock. The Indian economy, however, was hit in the latter part of the global recession and the real economic growth witnessed a sharp fall, followed by lower exports, lower capital outflow and corporate restructuring.

It is expected that the global economies will continue to sustain in the short-term, as the effect of stimulus programs is yet to bear fruit and tax cuts are working their way through the system in 2010.

Due to the strong position of liquidity in the market, large corporations now have access to capital in the corporate credit markets, hence we start to see increased spending in our base order business and in Process Automation.

India's GDP (Gross Domestic Product) grew at around 5 per cent which is 2 percentage points less than last year. It is inevitable that the growth shall be affected by the world economy, and we see export demand continuing to fall.

However, there are some inherent strengths within the Indian economy focused towards an inclusive growth riding piggy back on a vibrant rural economy, a large, young and consuming middle class, favorable saving-investment dynamics and a sound financial sector.

This all in turn positively affects the overall demand for power and increases the investments into enhancing productivity. The increase in per capita income over the past few years is expected to provide enough of a demand stimulus to ensure continued economic growth.

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 will need to be made in the years ahead. Utilities are also increasingly concerned with the integration of renewable and use of smart grid technologies which will also benefit our power businesses.

Despite the slowdown, focus on improving operational excellence and improving energy efficiency in industries will continue to drive demand for our innovative automation solutions, offered by your company.

Although in the short term the economic conditions remain challenging, on the whole, the Indian economy, in the long term, shall continue to remain on a growth path. Macro economic trends continue to be encouraging, providing a positive business climate.

Operations:

During the year 2009, the Company secured orders worth Rs 86,847 million, a modest 8% higher than the previous year's orders of Rs 80,541 million. Due to slowing down of global and Indian economy and liquidity crunch particularly in early part of the year, investment decisions by our customers, particularly industrial sector customers, were either deferred or dropped.

As a result, orders for Process Automation segment were significantly lower. This had affected rate of overall growth in order receipt during the year. Central Government's stimulus package had positive impact on investments and liquidity in the economy.

Consequently, order receipt for Power Products segment had remained at the same level as achieved in last year. The Company had good inflow of orders from Power Systems and Automation Products segments.

During the year, relative share of project orders were higher compared to product orders which delayed conversion of these orders into revenues.

The Company's order backlog at the end of the year increased by 38% to Rs 84,787 million as compared to Rs 61,618 million at the beginning of the year. Revenues during the year were at Rs 63,098 million, registering a decline of 9% over the previous year's revenues of Rs 69,675 million.

The slowing down of orders for products, particularly in the first two quarters of the year, increased credit risk, decision to exit from rural electrification business in Power Systems segment and requests from certain customers to defer the supplies affected overall revenue growth.

Profit before tax was lower at Rs 5,274 million as compared to Rs 8,332 million in the previous year. Profit before tax for the year was lower on account of lower revenues, cost of early exit / foreclosure of certain contracts in rural electrification business, adverse impact from fair valuation of forward foreign exchange and embedded derivative contracts, building of organisation and manufacturing capacities for higher expected scale of operation and significant provision against receivables due to higher credit and other risks.

During the year, management continued to pursue several cost optimisation measures, which partially helped in improving the profitability. Net profit after tax at Rs 3,546 million for the year was lower by 35% compared to the previous year.

Earnings per equity share (face value Rs 2) was also lower at Rs 16.74 compared to Rs25.83 in the previous year. Cash flow, however, from operations was significantly higher than the previous year.

In line with attractive long term returns, the Company has completed a majority of manufacturing capacities expansion projects and continued to expand its range of offerings and introduced several new products. Investment in fixed assets during the year was Rs 1,632 million.

Future Prospects

With the current state of global economy, the expected GDP growth for India shall be in the region of 7% for the current fiscal and short term outlook of the Company remains stable.

On the positive side, the Company has a healthy order backlog, increased export volumes, adequate manufacturing and engineering capacities on the backdrop of continued investment in energy and infrastructure. Considering the growing power demand and the need for significant upgradation of country's infrastructure with the infusion of state-of-the-art technologies, the management is optimistic about profitable growth.

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 with access to latest global technologies from ABB Group, the Company shall 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 sustained profitable growth, continuously improving operational efficiencies and striving to attain the highest standards of quality, safety, productivity and environment friendliness.

The overall outlook for the Company remains positive and the management remains optimistic with regards to continued profitable growth in the long term.

Acknowledgements:

I am extremely grateful to all customers, channel partners, shareholders, suppliers, banks, financial institutions, the Government and other stakeholders for their support, partnership and invaluable contribution in facilitating the success of the Company and for supporting us during challenging times.

We look forward to your continued support ahead as we continue to optimize our operations and focus on innovative technologies. I would also like to thank the ABB Group for their continued support to the Company's operations and my fellow colleagues on the Board for their guidance.

Before I conclude, on behalf of the entire Board and all shareholders, I take this opportunity to acknowledge the dedication and invaluable contribution that the Management and all the employees have made to the Company in the course of its journey over the past 6 decades.

I thank you all for your kind attention.