

an acknowledgement of the Company's performance and significant potential and we reiterate our ongoing commitment to enhancing shareholder value through profitable and sustainable growth.

As a Company we have a special responsibility as we strive to provide a safe work environment for our employees and business partners. In keeping with this Group-wide initiative, ABB in India has enhanced its focus on occupational health and safety. A clear safety policy and dedicated safety organization has been put in place, covering all its locations. Most units have been OHSAS 18001 certified. Regular factory and project site reviews are in place. The company has also conducted a number of safety training programmes at various locations. Safety leaflets, manuals and posters have been printed to spread awareness throughout the organization and a number of specific initiatives are being undertaken at locations to spread awareness and enforce safety guidelines.

As part of its sustainability commitment the Company continued to be actively involved in several community development projects, mainly in the sphere of education and environment, directly as well as in close association with leading Non Government Organisations (NGOs). The Company was quick to respond the Tsunami tragedy by rushing items of basic needs. Company employees also contributed one day's salary and this was matched by the Company.

Future Prospects

The overall growth of the Indian economy, higher industrial growth, infrastructure investment and power sector reforms auger well for the Company's power and automation technologies businesses. Expected build up of power generation capacity, development of the transmission network, distribution sector reforms and improvements as well as ongoing initiatives like APDRP (Accelerated Power Development and Reforms Programme) should continue to drive activity in the power sector. The industrial climate is also positive as Indian industry focuses on capacity expansions, efficiency and productivity improvements as well as an enhanced role in the global economy. Meanwhile we shall continue to maximise market opportunities and focus on our strategic initiatives related to high value-added projects, standard products, service and exports. In addition to market penetration and higher volumes, the Company will continue to create and leverage new revenue streams. The quest for higher operational efficiencies will help maintain bottom-line focus to build on our vision of profitable and sustainable growth. The overall outlook for the Company continues to be positive.

Acknowledgement

I would like to place on record my sincere thanks to all our customers, shareholders, the Government, financial institutions, banks, suppliers, channel partners and other stakeholders for their understanding support, partnership and positive contribution. 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 the shareholders, our sincere appreciation to the Management and all employees for their hard work, commitment and continued dedication in nurturing the Company's values and goals and taking it from strength to strength.



Chairman's Statement

**At the
55th Annual General Meeting
24th May 2005**

**Statement made by Mr. Dinesh Paliwal, Chairman, ABB Limited, at its
55th Annual General Meeting held at Bangalore on 24th May 2005**

Ladies and Gentlemen

I cordially welcome you all to this 55th 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 2004 and future prospects.

Business Environment

The growth in India's GDP (Gross Domestic Product) for the year 2004-05 is estimated at around 6.9 per cent. This is significant insofar that it has been achieved on a high base level of 8 per cent growth in the previous year. Industrial growth is estimated at around 7.8 per cent among the fastest in the past decade. We are witnessing a demand led growth, which is spread across sectors. Within the industrial sector, manufacturing has performed well, with an estimated growth rate of 8.9 per cent compared with 6.9 per cent the previous year. In addition to domestic demand, growth is also being facilitated by exports, expected to grow over 25 per cent to US \$80 billion levels.

Interest rates have been stable and investment friendly. The external sector has shown strong performance and foreign exchange reserves are at all time high levels of over US \$140 billion. Average inflation has been around 6.2 per cent. Rising prices of oil and other basic inputs e.g. metals in the international and domestic markets continue to be an area of concern.

The power sector continues to be in focus. The government issued the National Electricity Policy, which, among other objectives, aims to provide power to all by 2010 and a doubling of per capita electricity consumption, reinforces the Electricity Act and introduces competition. As part of its rural electrification plan, a distribution backbone is envisaged in order to electrify another 125,000 villages by 2012 and provide electricity to all households. The Government is also in the process of finalising the National Tariff Policy. Some of the power sector concerns which need to be addressed on a priority basis include aggressive capacity addition, fuel availability issues, high transmission and distribution losses, tariff rationalisation and distribution reforms, especially at state level in order to improve the availability and quality of power for consumers.

The industrial sector continues to look attractive and the market environment is positive with several brownfield and greenfield capacity expansions underway and investments taking place in many sectors like steel, non ferrous metals, cement, paper, oil and gas, automobiles and other core industries. The construction sector also looks poised for continued growth with significant demand projection for housing, infrastructure projects, buildings, hospitals, multiplexes, IT parks, biotech parks, and malls in the coming years. Overall, the macro economic trends are encouraging.

Operations

During the year, your Company secured orders worth Rs. 25,878 million, 52 per cent higher in comparison to Rs. 17,054 million in the previous year. Both core business segments of your

Company i.e. Power Technologies and Automation Technologies, posted significant growth. The strategic focus on products and services added to the strong performance in the projects business. The Company also received significant overseas project orders and added several new countries to its export base, besides enhancing its regional and global presence within the ABB Group. Your Company posted a strong top-line performance with revenues of Rs. 23,056 million for the year, registering a growth of 53 per cent over the previous year. The order backlog was further augmented by 25 per cent to Rs. 13,356 million as compared to Rs 10,710 million at the beginning of the year.

Profit before tax and exceptional items was Rs. 2,365 million as compared to Rs. 1,529 million the previous year resulting from volume growth, operational efficiencies, lower overheads and a higher operating income. Capital gains on the sale of the 'Control Valves' business was Rs. 38 million and Rs. 128 million was realised from the divestment. Net profit after tax at Rs. 1,543 million for the year was 24 per cent higher than the previous year. Earnings per equity share (face value Rs 10) were also significantly higher at Rs 36.41 compared to Rs 29.30, the previous year. Your Company continued to focus on optimising investment in working capital, which further improved the cash position.

During the year, your Company also upgraded and modernised many of its manufacturing and office facilities. Capacity and range expansion was undertaken across manufacturing units and as part of its standard products thrust, the Company added several new channel partners to increase its market penetration. Your Company also added a host of new products to its portfolio ranging from low voltage automation products to solutions for the promising power distribution sector. Some of the major new lines introduced include HVDC Converter transformers, Distribution Transformers, HV (High Voltage) machines, Air Circuit Breakers (ACBs) and more recently a Drives manufacturing facility in Bangalore which will serve customers in India and be one of four such production hubs in the global network. With the launch of our world-class range of Electrical Wiring Accessories (EWA) and Line Protection Devices (LPDs) including switches, sockets, regulators, distribution boards, MCBs, ELCBs, RCDs etc., we completed the final link in the power chain and made the last-mile connect with consumers from the 'pole' to the 'home'.

The establishment of a global engineering and operations center in Bangalore marks another significant milestone in the reinforcement of ABB's commitment to leverage the Indian operations. Its main scope of operations will include the development and execution of system and engineering solutions to support automation activities across the Group. The Center will initially target a phased build up to around 500 man-years of engineering and systems support over the next few years.

Meanwhile, with an eye on the future, ABB continues to work towards preserving its rich technology heritage of over 120 years and invest in research and cutting edge technologies in order to maintain its high intensity of innovation and stay ahead in an increasingly competitive and networked world. Our Group R&D presence in India is being significantly enhanced as part of our philosophy to be closer to markets, globally optimise our presence and leverage high skill and productivity countries.

You can indeed be proud that your Company's growth and achievements have been well acknowledged by all its internal and external stakeholders. Amongst several accolades, earlier this year, the Company was rated as India's 'Overall Best Managed' Company in the 'medium market capitalisation' category by *Asiamoney*, one of Asia's leading financial publications. This is