

ABB Limited - Chairman's Statement 57th Annual General Meeting
Bangalore, 25th May 2007

Ladies and Gentlemen

I cordially welcome you all to this 57th 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 2006 and also throw some light on future business prospects.

Business Environment:

With GDP (Gross Domestic Product) growth at around 9 per cent for the second consecutive year, the Indian economy continues to be buoyant. Driven by double digit industrial growth, the demand for capital goods continues to be strong as Indian industry expands capacity and improves productivity to meet growing domestic demands and stretches beyond geographical borders. India's exports during the year grew by 24 per cent and engineering goods exports by 40 per cent.

The Indian economy has also done well across various other macro parameters such as reduction of fiscal deficit, increase in foreign reserves and growth in foreign direct investments. Inflation at around 6 per cent did raise concerns and the Government has taken actions to keep it in check, leading to some hardening of 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 BUSD is estimated in the 11th five year plan to add 70,000 MW of generation capacity, build and upgrade transmission capacity and to continue the focus on distribution efficiency and grid reliability. Several government initiatives have been launched in the sector to provide power to all. This includes rural electrification projects under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and a restructured APDRP scheme. Private sector investments are also being encouraged across the value chain. Significant investments are also being seen in other infrastructure areas like railways, airports, roads, ports etc.

The industrial climate in the country continues to be optimistic with strong growth across sectors since per capita consumption is still low in many of our core industries. Ferrous and non-ferrous metals, pulp and paper, cement, construction, oil, gas and petrochemicals were some of the sectors spearheading the growth. Many industries are executing investment plans for augmentation of capacities and also focusing more on productivity, efficiency, quality, consistency etc. Significant investments also continued in the building and construction space eg. commercial buildings, shopping malls, hospitals, hotels, multiplexes etc. Special Economic Zones (SEZ) are also expected to present new opportunities and the proposed investments in SEZs are expected to act as a further catalyst to India's economic growth.

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 2006, the Company secured orders worth Rupees 56,236 million, 50 per cent higher in comparison to Rupees 37,645 million in the previous year. This resulted from the macro economic growth, continued power sector reforms and increased momentum in the industrial and building sectors, leading to a higher order intake across all segments. Several large projects were booked during the year. The standard products business saw significant growth as a result of the Company's ongoing focus on market penetration and range expansion. New revenue streams introduced during last few years also contributed significantly to the overall growth in orders. As a result of a strong order intake, the Company's order backlog was further augmented by 60 per cent to Rs 33,723 million as compared to Rs 21,032 million at the beginning of the year and this will support future revenue growth.

Revenues at Rs 43,477 million were higher by 44 per cent compared to Rs. 30,141 million in the previous year. Volume growth, a check on the cost base, operational efficiencies and higher net financial income all contributed to a healthy improvement in profits despite the pressure of rising commodity prices. Profit before tax for the year was Rs 5,232 million as compared to Rs 3,395 million in the previous year and net profit after tax at Rs 3,403 million was 56 per cent higher than last year. Earning per equity share (face value Rs 10) was also significantly higher at Rs 80.30 compared to Rs 51.60 in the previous year. The Company continued to focus on working capital and inspite of significant revenue growth and higher capital expenditure, the net cash position further improved during the year.

The Company carried out significant expansion of manufacturing capacities and continued to expand its range of offering, introducing several new products during the year. This included the establishment of new manufacturing facilities for LV Motors and Control gear at Bangalore and a new unit for low voltage distribution electricals at Haridwar. The Company's technology strengths, vast experience and domain competence, wide portfolio and its unique ability to package solutions continues to be a key differentiator.

Given the growth of the Company and the buoyancy in the Indian economy, the human resource function focussed mainly on recruitment, development and retention of talent. Around 1700 employees were recruited during the year.

Strengthening of internal controls and compliance, the implementation of the ABB Group Charter and Code of Conduct, maximising of operational efficiencies and optimisation of working capital were other key management focus areas, fostering the sustainable and profitable growth of the Company.

Occupational health and safety continued to remain a key focus area. An extensive safety policy, dedicated safety organization and several implementation and monitoring measures have been put in place. Regular factory and project site safety reviews are in place. The Company has also conducted a number of safety training programmes and initiated several communication measures to enhance awareness and ensure a safe working environment. All manufacturing units of the Company have been OHSAS 18001 certified.

As part of its sustainability commitment, the Company continued to be actively involved in several community development projects, mainly in the spheres of education and environment, directly as well as in close association with leading NGOs. 'Project Roshni' was further strengthened to facilitate employment opportunities for the physically and mentally challenged. The Company also initiated its 'access to electricity' programme, providing solar power to remote areas in Rajasthan. The thrust on education for the under-privileged continues with infrastructure support and several deeper engagement initiatives including the mid-day meal programme and health camps. Environmental initiatives undertaken include greening programmes, recycling, energy conservation and rainwater harvesting. The Company also continues to strengthen its relationship with academia, working with leading engineering colleges and universities, as well as supporting lab facilities and educational exchanges.

Future Prospects

The growth of the Indian economy in line with targeted double digit GDP growth, acceleration of investment in power and other infrastructure sectors and continued buoyancy across the industry spectrum and its growing role within the ABB Group offer a conducive market environment for the Company to continue on its path of profitable growth. Continued focus on value added projects, thrust on products and services and the strategy of adding new revenue streams auger well for future growth. Meanwhile the Company continues to build its manufacturing and engineering capacity and capability, develop its human resource base, strive for operational excellence and leverage systems for scalability. Moreover, the ABB Group is committed to increasingly leverage the Indian operations for projects, products and services within the region and globally. The overall outlook for the Company continues to be positive and the management remains optimistic with regards to continued growth.

ABB is sensitive to the specific needs of a fast growing India and is fully committed to playing its part in the development of the country's infrastructure. Accordingly, the Company is augmenting its manufacturing and engineering capacities and remains steadfast in helping Indian utilities and industries leverage best-in-class power and automation technologies. Meanwhile, the Company remains resolute in its unequivocal commitment towards sound corporate governance and responsible corporate citizenship, maintaining its concern for the environment and contributing to the communities it operates in.

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.