



Chairman's Statement

Statement made by

Mr. Gary Steel, Chairman

ABB Limited

at its 61st Annual General Meeting
held at Bengaluru on May 10, 2011

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Ladies and gentlemen,

It is an honor for me to welcome you to the 61st AGM of ABB Ltd, India. 2010 has been a pivotal year for ABB in this country as we have spent the year strengthening the foundation for future growth in 2011 and beyond. I will let Bazmi give you more insight into future plans for the Company's growth later in our meeting.

Before proceeding with the agenda, allow me to take you through the current business environment, the Company's operations during the year 2010 and also some prospects for the future.

Business Environment:

First let us start with the power side of the business. In line with the agenda of 'power to all by 2012', the Government continued to provide high focus on power sector reforms supplemented by the introduction of national electricity policy over the past few years.

These measures have reflected in increased investment in capacity addition, development of the country's transmission network, power trading and power distribution improvements.

Against a power generation capacity addition target of 78,700 MW during the Eleventh Five Year Plan (2007-12), the actual capacity addition is expected to be around 55,000 to 60,000 MW. This addition to generation capacity is significantly higher than achievements made during any of the previous five year plans.

Capacity additions and improvements in the T&D sector will likely continue to be driven by the following factors:

- Demand and supply gap in energy production
- Low per capita consumption compared to global standards
- The need to support an expected GDP growth of 8.5% to 9.0 % in the coming years
- Development within the infrastructure sector including airports, metros, railways, dedicated rail freight corridors, roads, ports, water irrigation

Additionally, environmental concerns due to global warming contribute to the growth of emission reduction initiatives which are expected to support investments in smart grids, capacity efficiency and renewable sources of energy.

In the light of these developments, the business environment for the power segments continues to be positive.

On the industry side, fuelled by a GDP growth rate of over 8% during the year 2010 along with higher investment in power and other infrastructure sectors, the demand in industrial sector also witnessed a revival led by steel and cement industry.

One of the key focus areas for these industries has been to improve the utilization of the installed capacities while certain new investments are in the planning stage.

Major investment plans have been put forward by some global steel majors and are expected to materialize in the near future. Many cement manufacturers have meanwhile announced their capacity expansion plans though these may move slowly due to the fluctuating demand scenario.

India is emerging as a major oil refining hub, thereby bringing increased focus on gas terminals and pipelines, where ABB is well placed to contribute. Other sectors in the automation related segments are also poised for growth.

The building and construction sectors which are among the key markets for the Discrete Automation and Motion and Low Voltage Products segments recovered significantly initially due to

the Central Government's stimulus packages and later due to overall growth of the economy.

Infrastructure projects like Commonwealth Games, metro-rail projects, telecom towers, high end housing and commercial building projects, along with capacity enhancements in various industrial sectors and investments in energy conservation and efficiencies continued to be the key demand drivers in these automation related business.

Operations:

Certain business segments of the Company were strategically reorganized during the year. The automation products segment was split into Discrete Automation and Motion and Low Voltage Products segments to bring additional focus to their respective product lines.

The instrumentation business of the Automation Products segment was moved to the Process Automation segment to derive synergy.

Robotics systems, reported as 'others' segment, was merged with the new Discrete Automation and Motion segment.

Power Systems:

Revenues during the year were higher by 6 % which was led by electrical balance of plant business while most of the other core businesses witnessed moderate growth compared to the previous year.

Profit of the segment was negatively impacted on account of exit costs in rural electrification business and execution of some of the strategic low margin orders.

With the exit from the majority of the rural electrification business complete and the enhanced focus on project management resources, the segment is expected to perform more favourably in the future.

Power Products:

To maintain competitive edge in the market, during the year several new products were introduced. This included:

- 33kV GIS double bus bar panels to Power Grid Corporation of India Limited
- Indigenously made 33kV AIS switchgear for Adani Power and Bangalore Metro Rail Corporation

Several cost saving, design optimization and operational excellence improvement projects have been launched to gain a competitive edge. Establishment of a manufacturing facility for the 765kV range of instrument transformers and enhancement of capacity of internal arc proof MV SF₆ switchgear panels are under implementation.

Focus for the further development of export business will continue to be pursued.

Process Automation:

Supported by the positive external environment, orders received grew by double digits where as revenues were slightly lower compared to the previous year.

Profitability of the segment was reduced on account of lower revenues, competitive pricing and an increase in commodity prices. However, negative impact on the margins was to some extent offset by initiatives in supply chain management and expense control. The additional focus on service business has also yielded good results.

To complement and increase the metal unit's solution offerings and build technical capabilities, the Company acquired Metsys Engineering and Consultancy Pvt. Ltd. The segment also introduced the 'full service' model and secured newer export opportunities from Middle East, Africa and South East Asia.

Discrete Automation and Motion:

To cater to growing demand for wind generators, a dedicated factory was commissioned during the year at Vadodara.

Product range and capacity expansion activities during the year included ACS 2000 medium voltage drive for 6.6 kV motors, PVS 800 solar converters, ACS 850, ACS 810 and a machinery drives production line in the new manufacturing facility at Nelamangala near Bengaluru.

The channel partner network was further expanded during the year which contributed more to revenues.

Low Voltage Products:

To maintain the competitive edge in the market, localization initiatives were launched across several product categories which involved development of indigenous vendors for components and investments in moulds and tools.

Local assembly of size 4 and 5 contactors, design simplification and indigenization of the low voltage MNS panels were started during the year.

Seminars were organized in all the major cities as part of the business promotional activities where new products like arc guard and the star range of contactors were introduced.

The segment has ambitious growth plans enabled through increase in sales force and channels to cover white spots in the market. With expected sustained growth across all the sectors of the economy, this segment is well positioned to succeed with availability of capacities to ensure faster deliveries coupled with localization initiatives and range expansion.

Future Prospects

ABB Group demonstrated its higher engagement and confidence in the Indian market and its Indian operations by increasing its shareholding to 75% from 52.11% during the 2010.

The Company expects the investment in power and other infrastructure sectors in India to continue.

With growing robust domestic economy, our comfortable order backlog position, the potential for increase in exports, adequate manufacturing and engineering capabilities coupled with access to state-of-art global technologies, management is confident about sustainable profitable growth of the Company in coming years.

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 in all our endeavors.

I would like to take this opportunity to personally thank Mr. Biplab Majumder for his invaluable contributions to ABB in India for the past 33 years. On behalf of the entire Board and also the employees of ABB, we wish him all the best in his retirement and future activities.

Dear shareholders, 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. Without their dedication, commitment and support ABB would not be in the strong position it is in today.

I thank you all for your kind attention.