

Annual General Meeting 2013

Chairman's Statement

Statement made by Mr. Gary Steel, Chairman, ABB Limited, India
at its 63rd Annual General Meeting held at
Bengaluru on May 9, 2013

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Ladies and gentlemen,

On behalf of the ABB Limited Board, I am delighted to welcome you to the 63rd AGM. Before we proceed any further with the agenda, I would like to share some highlights of the year gone by – the external environment and what your Company focused on and accomplished. I would like to follow this up by sharing with you some key strategies your Company adopted to remain competitive in the short-term and overall direction in the next few years for the longer-term.

You will also hear from Bazmi Husain, Managing Director of ABB Limited, India – his views on ABB's performance and steps that are being taken to ensure long-term competitiveness.

External environment:

Slower economic growth in India was a reflection of the worldwide trend in 2012. This weakened business sentiment through the year demonstrates the extent to which all organizations, irrespective of sector, depend on the external environment. To remain competitive in this unprecedented environment, the Group, including India, focused on improving operational efficiencies to remain competitive in existing businesses, while preparing for, and not losing sight of emerging opportunities in new areas.

The external environment in 2012 was challenging, GDP growth was down from 8 percent in the previous year to 6 percent. IIP growth likewise, was down to 1 percent from 5 percent. A considerably high inflation rate, delays in fiscal and market reforms, hurdles in environmental clearances, amongst many other external factors, contributed to the downward trend in the capital goods sector. Overall, there was a significant dip in either announcing or finalizing large infrastructure orders. Poor liquidity in the market was also a cause for concern.

While the prolonged slowdown was somewhat daunting, there were some positive trends pointing towards an improved long-term economic outlook. Areas like strengthening the power grid, power quality improvement, growing data center sector, mass rapid transport systems and lift irrigation systems show great promise and are likely to throw up increasing opportunities in the market. Greenfield investments in the industrial sector continued to move south with overcapacities and unbalanced demand-supply creating a huge need for the Government to up infrastructure spending.

With the Government's thrust on policies like 'Perform, Achieve and Trade' aimed at reducing carbon footprint, there lies a huge opportunity for ABB to provide solutions to the core sector including, steel, cement, mining, paper etc, to help reduce their energy costs.

Company Performance:

I would like to talk about the company's performance in 2012 through two dimensions. The first being business performance as we understand it, through numbers. The second is about revitalizing the organization – people, technology, structure, culture and other operational aspects.

During 2012 the Company saw a decline in orders; close to 18 percent over the previous year. During the year, to overcome challenges arising out of weak investments in traditional markets, your Company leveraged new business streams such as solar, data centers and energy efficiency solutions. As part of a strategic thrust to enhance service business, your Company tapped into its large installed base in traditional sectors which yielded positive results. Exports also grew in double digits with increased geographical reach.

The order backlog for your Company remains healthy.

The revenues of your Company remained stable in 2012.

Your Company also increased efforts to improve operational efficiencies, consolidate its supplier base and increase productivity. As a part of its strategy to expand global footprint, your Company continued to invest in manufacturing and improving competitiveness in domestic as well as export markets. These include both new investments and upgradation of existing facilities, for example, dry-type transformers, GIS, PASS, propulsion converters, traction transformers, new range of MCBs and low-voltage protection devices.

Your Company's products businesses showed improved profitability. However project businesses faced several economic and industry challenges due to delays not in your Company's control.

The Company continues efforts on several sustainability initiatives, including reducing carbon footprint through audits, and adopting relevant measures to go green across majority of its manufacturing facilities.

On occupational health and safety, the company did better over previous years with no fatalities and a considerable decrease in all categories of incidents.

Business outlook:

While macro-economic volatility makes short-term forecasts challenging, focus on operational fundamentals and cost control will help in improved performance. The capital goods sector looks forward to many of the financial and banking reforms on the anvil and more liquidity in the market.

The timing for market recovery remains uncertain; however 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.

Government Expenditure being planned as part of the 12th Five Year Plan (2012-2017) is aimed at developing India's power infrastructure, which may lead to additional investment in HVDC for bulk power transmission and Flexible AC Transmission technologies, in which ABB is a leader. Potential areas like power quality improvement, better distribution, growing data center sector, mass rapid transport systems and lift irrigation systems are also likely to throw up big opportunities in the market.

Your Company is looking to meet the challenges by ramping up the local technical

strength in the High Voltage and Extra High Voltage range, by setting up a new greenfield factory for PASS / GIS and continuing to focus on localization and cost optimization. Your Company foresees the Low-Voltage products business significantly improving through an impactful communication program to improve overall visibility for the business.

Strategic long-term focus is firmly on projects with higher ABB content to maintain the Company's leadership position. Enhanced focus on better project management and a more aggressive approach to close all open project sites and collect dues will help improve cash flow.

Focus on enhancing Service and Exports by reaching out to a wider and deeper base will help improve order intake with better profitability.

From the point of view of national self-reliance and security, the capital goods sector is a strategic sector because it has a multiplier effect on the industries it serves. Among the key objectives identified for the 12th Five Year (Manufacturing) Plan, is the increase in depth of manufacturing by indigenization. The sustainability of India's growth is another key objective.

Among the most important national long-term goals are: substantially raising the production growth rate to reduce overseas dependence; raising the industry to a global level; and converting import content into domestic production through technology development and improved facilitation mechanisms.

Acknowledgements:

I am very grateful to all customers, channel partners, shareholders, suppliers, banks, financial institutions, the Government and other stakeholders for their continued support, partnership and invaluable contribution to facilitating the Company's operations in India.

I look forward to the staunch support of all our shareholders as we continue to optimize our operations and offer innovative cutting-edge technologies in India. I also thank the ABB Group for their continued support for the Company's operations, and my colleagues on the Board for their unfailing guidance.

In conclusion, on behalf of the entire Board and all shareholders, I wish to acknowledge the dedication and commitment shown by management and all employees of the Company.

I thank you all for your kind attention.