

**Report of the Statutory Auditors**  
with financial statements as of December 31, 2005 of  
**ABB Ltd, Zurich**

 **ERNST & YOUNG**

To the General Meeting of  
**ABB Ltd, Zurich**

Zurich, March 3, 2006

## Report of the Statutory Auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 1 to 4) of ABB Ltd, Zurich, for the year ended December 31, 2005.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Without qualifying our opinion, we draw your attention to note 10 of these financial statements which describes certain risks and uncertainties relating to ABB Group's asbestos liabilities.

Ernst & Young AG



Charles Barone  
Certified Public Accountant

Yves Vontobel  
Certified Accountant

(Auditors in charge)

### Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

# Financial Statements of ABB Ltd, Zurich

## Income Statement

Year ended December 31 (CHF In thousands)	2005	2004
Personnel expenses	(23,772)	(32,718)
Other expenses	(23,809)	(28,450)
Interest income	56,838	54,344
Interest expense	(27,627)	(24,014)
Loss on bond repurchase	(23,048)	-
Revaluation of own shares	101,861	-
<b>Net income/(loss)</b>	<b>60,443</b>	<b>(30,838)</b>

## Balance Sheet

December 31 (CHF in thousands)	2005	2004
<b>Cash and equivalents</b>	<b>26,993</b>	<b>600</b>
Receivables	3,910	6,050
<b>Total current assets</b>	<b>30,903</b>	<b>6,650</b>
Long-term loans – group company	4,078,300	4,470,000
Participations	5,278,132	5,300,910
Own shares	147,022	45,968
<b>Total non-current assets</b>	<b>9,503,454</b>	<b>9,816,878</b>
<b>Total assets</b>	<b>9,534,357</b>	<b>9,823,528</b>
Current liabilities	20,703	18,272
Short-term loan – group company	-	5,697
Long-term loans – group company	50,000	50,000
Provisions	238,628	238,628
Bonds	208,300	600,000
<b>Total liabilities</b>	<b>517,631</b>	<b>912,597</b>
Share capital	5,192,354	5,175,787
Legal reserve	1,808,454	1,779,669
Reserve for treasury shares	410,168	411,814
Other reserves	1,534,736	1,533,090
Retained earnings	10,571	41,409
Net income/(loss)	60,443	(30,838)
<b>Total stockholders' equity</b>	<b>9,016,726</b>	<b>8,910,931</b>
<b>Total liabilities and stockholders' equity</b>	<b>9,534,357</b>	<b>9,823,528</b>

# Notes to Financial Statements

## Note 1 General

ABB Ltd, Zurich (the Company) is the parent company of the ABB Group whose Consolidated Financial Statements include 100 percent of the assets, liabilities, revenues, expenses, income and cash flows of ABB Ltd and group companies in which the Company has a controlling interest, as if the Company and its group companies were a single company. The Consolidated Financial Statements are of overriding importance for the purpose of the economic and financial assessment of the Company. The unconsolidated financial statements of the Company are prepared in accordance with Swiss law and serve as complementary information to the Consolidated Financial Statements.

## Note 2 Cash and equivalents

(CHF in thousands)	2005	2004
Cash and bank	528	600
Cash deposit with ABB Group Treasury Operations	26,465	-
<b>Total</b>	<b>26,993</b>	<b>600</b>

ABB Group maintains an internal treasury function, Group Treasury Operations, comprising certain indirect subsidiaries of the Company, to provide group companies with deposit and borrowing facilities.

## Note 3 Receivables

(CHF in thousands)	2005	2004
Non-trade receivables	102	74
Accrued income	1,015	-
Accrued income - group companies	2,793	5,976
<b>Total</b>	<b>3,910</b>	<b>6,050</b>

## Note 4 Long-term loans - group company

(CHF in thousands)	2005	2004
Long-term loans - group company	4,078,300	4,470,000

The Company maintains interest bearing credit agreements with ABB Asea Brown Boveri Ltd. These loans are stated at cost.

## Note 5 Participations

Company name	Purpose	Domicile	Share capital	Ownership interest	
				2005	2004
ABB Asea Brown Boveri Ltd	Holding	CH-Zurich	CHF 2,768,000,000	100%	100%
BBC Brown Boveri Ltd	Holding	CH-Zurich	CHF 570,580	-	100%

The investment in subsidiary is valued at the lower of cost or fair value, using valuation models accepted under Swiss law.

## Note 6 Current liabilities

(CHF in thousands)	2005	2004
Non-trade payables	1,026	415
Non-trade payables - group companies	1,321	1,183
Accrued expenses	18,078	16,055
Accrued expenses - group companies	278	619
<b>Total</b>	<b>20,703</b>	<b>18,272</b>

## Note 7 Provisions

In conjunction with the issuance in September 2003 and May 2002, by a group company, of bonds convertible into ABB Ltd shares, the Company granted options to the group company issuing the bonds to enable the group company to meet its obligations to deliver shares when the bonds are converted. If the bonds fully convert, an additional 212,130,022 ABB Ltd shares, including shares represented by American Depository Shares, would be issued upon exercise of the options by the issuing group company. Provisions of CHF 238,628 thousand were recorded to reflect the cash received by the Company related to the options. When the bonds are converted and the options are exercised or when the options expire without exercise because the bonds did not convert, the provisions will be released to other reserves in stockholders' equity.

## Note 8 Bonds

(CHF in thousands)		2005	2004
Bond 1999-2009	3.75% coupon	108,300	500,000
Note 2001-2008	3.75% coupon	100,000	100,000
<b>Total</b>		<b>208,300</b>	<b>600,000</b>

On October 3, 2005, the Company repurchased CHF 391,700 thousand of the bonds, maturing 2009, and recorded a loss of CHF 23,048 thousand. The bonds are stated at their nominal value.

In April 2005, the Company, through Group Treasury Operations, entered into several interest rate swap transactions with banks to effectively convert the CHF 500,000 thousand 3.75% bonds, due 2009, into floating rate obligations. In October 2005, in line with the repurchase of bonds, a portion of the swaps were terminated.

## Note 9 Stockholders' equity

(CHF in thousands)	Share capital	Legal reserve	Reserve for treasury shares	Other reserves	Retained earnings	Net (loss)/ income	Total 2005
Opening balance as of Jan. 1	5,175,787	1,779,669	411,814	1,533,090	41,409	(30,838)	8,910,931
Allocation to retained earnings					(30,838)	30,838	-
Employee plan issuances	16,567	50,653					67,220
Use of share premium		(21,868)					(21,868)
Increase of other reserves			(1,646)	1,646			-
Net income for the year						60,443	60,443
<b>Closing balance as of Dec. 31</b>	<b>5,192,354</b>	<b>1,808,454</b>	<b>410,168</b>	<b>1,534,736</b>	<b>10,571</b>	<b>60,443</b>	<b>9,016,726</b>

Share capital as of December 31, 2005	Number of registered shares	Par value	Total (CHF in thousands)
Issued shares	2,076,941,497	CHF 2.50	5,192,354
Contingent shares	293,373,450	CHF 2.50	733,434

Share capital as of December 31, 2004	Number of registered shares	Par value	Total (CHF in thousands)
Issued shares	2,070,314,947	CHF 2.50	5,175,787
Contingent shares	300,000,000	CHF 2.50	750,000
Authorized shares	69,701,087	CHF 2.50	174,253

The authorized shares expired in May 2005.

As described in Note 21 to the Consolidated Financial Statements of ABB Ltd, the ABB Group has an Employee Share Acquisition Plan (ESAP Plan). To enable the group company that facilitates the ESAP Plan to deliver shares to employees who have exercised their stock options, the group company entered into an agreement with the Company to acquire the required number of shares at their then market value from the Company. Consequently on November 10, 2005, the Company issued, out of contingent capital, to the group company, 6,626,550 shares at CHF 10.25 per share, thereby increasing the Company's share capital and legal reserve by CHF 16,567 thousand and CHF 50,653 thousand, respectively. The Company used CHF 21,868 thousand of the share premium, recognized on issuance, to reduce the carrying value of its participation in the subsidiary.

Own shares	2005		2004	
	Number of shares	Avg. price per share CHF	Number of shares	Avg. price per share CHF
Opening balance	11,611,529	18.98	11,611,529	18.98
Purchase	11,780	8.64	-	-
Subtotal	11,623,309	18.97	11,611,529	18.98
Sales	(92,203)	9.86	-	-
<b>Closing balance</b>	<b>11,531,106</b>	<b>18.97</b>	<b>11,611,529</b>	<b>18.98</b>

The own shares are valued at the lower of cost or fair value (December 31, 2005 and 2004, CHF 12.75 and CHF 3.96 per share, respectively). The revaluation resulted in a gain of CHF 101,861 thousand in 2005.

In addition, at December 31, 2005 and 2004, the subsidiary held 30,298,913 ABB Ltd shares for use in connection with a plan of reorganization of Combustion Engineering Inc (CE) (see Note 10).

**Note 9 Stockholders' equity, continued**

The net equity value of the Company as reflected in these unconsolidated financial statements is approximately CHF 9 billion compared to a net equity value of approximately CHF 4.6 billion (approximately \$3.5 billion) disclosed in the Consolidated Financial Statements of ABB Ltd. The difference derives from the separate accounting bases applied to the unconsolidated and Consolidated Financial Statements. In the unconsolidated financial statements, the net equity value reflects the use of the lower of cost or fair value to value ABB Ltd's shares and participation in subsidiary whereas the net equity value disclosed in the Consolidated Financial Statements reflects the aggregation of the equity of ABB Ltd and its group companies.

**Note 10 Contingent liabilities**

(CHF In thousands)	2005	2004
Financial guarantee – group company	–	337,122
Performance guarantee – group company	–	50,859
<b>Total</b>	<b>–</b>	<b>387,981</b>

The Company was completely released from the financial guarantee and performance guarantee obligations as per December 31, 2005.

In addition, the Company has entered into Keep-well agreements with certain group companies. A Keep-well agreement is a shareholder agreement between the Company and a group company. These agreements provide for maintenance of a minimum net worth in the group company and the maintenance of 100 percent direct or indirect ownership by the Company.

For those group companies acting on the capital markets, the Keep-well agreements additionally provide that if at any time the group company has insufficient liquid assets to meet any payment obligation on its debt (as defined in the agreements) and has insufficient unused commitments under its credit facilities with its lenders, the Company will make available to the group company sufficient funds to enable it to fulfill such payment obligation as it falls due. A Keep-well agreement is not a guarantee by the Company for payment of the indebtedness, or any other obligation, of a group company. No party external to the ABB Group is a party to any of these Keep-well agreements.

Combustion Engineering Inc (CE), an indirect wholly owned subsidiary of the Company is a defendant in numerous asbestos-related claims in the United States. Some claimants have named the Company in connection with claims against CE, but there has been no adjudication that the Company has liability for such claims. On March 1, 2006, the U.S. District Court entered an order affirming a revised plan of reorganization for CE. From the date the order was entered there is a 30 day appeals period. If no appeals are lodged then the plan will be final. The Company and its subsidiaries' potential commitments and current provisions relating to this matter are further described in Note 17 of the Consolidated Financial Statements of ABB Ltd.

There are also a lesser number of asbestos-related claims against certain other subsidiaries of the Company, which are not related to CE. Please refer to Note 17 of the Consolidated Financial Statements of ABB Ltd for more detailed information.

The ultimate outcome of efforts to resolve the asbestos-related personal injury claims against CE and other entities of the ABB Group remains uncertain. The related costs may be higher than the ABB Group's provisions reflect and could have a material adverse impact on the ABB Group's consolidated financial position, results of operations and cash flows.

The Company is part of a value added tax group and therefore jointly liable to the federal tax department for the value added tax liabilities of the other members.

**Note 11 Credit facility agreement**

On July 4, 2005, the Company and certain of its group companies entered into a new five-year \$2 billion multicurrency revolving credit facility and canceled the previous \$1 billion credit facility that was due to expire in November 2006. The Company is a guarantor of the new \$2 billion facility. No amounts were drawn under this facility at December 31, 2005, nor under the previous \$1 billion facility at December 31, 2004.

**Note 12 Significant shareholders**

On March 8, 2005, Investor AB, Stockholm Sweden, announced that it reduced its holdings in ABB Ltd to 187,374,142 shares, representing 9.1 percent of the Company's share capital at that date. Based on its year-end report for 2005, Investor AB has reduced its investment in ABB Ltd to 166,330,142 shares at December 31, 2005, representing 8.0 percent of the Company's share capital.

To the best of the Company's knowledge, no other shareholder holds 5 percent or more of ABB Ltd shares.

## Proposed appropriation of available earnings

(CHF in thousands)	2005	2004
Net income/(loss) for the year	60,443	(30,838)
Carried forward from previous year	10,571	41,409
Release of other reserves	300,000	-
<b>Profit available to the Annual General Meeting</b>	<b>371,014</b>	<b>10,571</b>
Dividend (see below)		-
<b>Balance to be carried forward</b>		<b>10,571</b>

The Board of Directors proposes to release CHF 300,000,000 of the other reserves to retained earnings and that out of the profit available to the Annual General Meeting a dividend of CHF 0.12 gross per registered share be distributed, payable as of May 9, 2006. Calculated on the total number of issued shares of 2,076,941,497 <sup>(1)</sup>, this corresponds to a maximum total amount of CHF 249,232,980. In deciding on the appropriation of dividends, the Annual General Meeting shall take into account that the Company will pay dividends only on shares that do not participate in the dividend access facility as per art. 8 of the Articles of Incorporation.

Shareholders who are resident in Sweden participating in the established dividend access facility will receive an amount in Swedish kronor from ABB Participation AB which corresponds to the dividend resolved on a registered share of the Company without deduction of the Swiss withholding tax. This amount however is subject to taxation according to Swedish law.

The remaining amount of the available earnings is to be carried forward.

<sup>(1)</sup> Depending on the actual number of shares issued as of the record date.