

Report of the Statutory Auditors
with financial statements as of December 31, 2006 of
ABB Ltd, Zurich

 **ERNST & YOUNG**

To the General Meeting of
ABB Ltd, Zurich

Zurich, March 9, 2007

Report of the Statutory Auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of ABB Ltd for the year ended December 31, 2006.


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.

Ernst & Young AG



Charles Barone
Certified Public Accountant

Yves Vontobel
Swiss 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)	2006	2005
Other income	15,921	-
Personnel expenses	(44,151)	(23,772)
Other expenses	(30,785)	(23,809)
Dividend income	500,000	-
Interest income	112,858	56,838
Interest expense	(37,389)	(27,627)
Loss on bond repurchase	-	(23,048)
Net gain from sale of own shares	12,003	-
Revaluation gain on own shares	54,601	101,861
Net income before taxes	583,058	60,443
Income taxes	(2,300)	-
Net income	580,758	60,443

Balance Sheet

December 31 (CHF in thousands)	2006	2005
Cash and equivalents	558,217	26,993
Receivables	14,654	3,910
Short-term loan – group company	97,600	-
Total current assets	670,471	30,903
Long-term loans – group companies	5,537,505	4,078,300
Participations	5,226,834	5,278,132
Own shares	166,581	147,022
Total non-current assets	10,930,920	9,503,454
Total assets	11,601,391	9,534,357
Current liabilities	35,022	20,703
Short-term loan – group company	97,600	-
Long-term loans – group companies	424,205	50,000
Provisions	205,701	238,628
Bonds	208,300	208,300
Total liabilities	970,828	517,631
Share capital	5,469,391	5,192,354
Legal reserve	2,734,907	1,808,454
Reserve for treasury shares	166,581	410,168
Other reserves	1,511,250	1,534,736
Retained earnings	167,676	10,571
Net income	580,758	60,443
Total stockholders' equity	10,630,563	9,016,726
Total liabilities and stockholders' equity	11,601,391	9,534,357

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)	2006	2005
Cash in bank	701	528
Cash deposit with ABB Group Treasury Operations	557,516	26,465
Total	558,217	26,993

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)	2006	2005
Non-trade receivables	81	102
Non-trade receivables – group company	4,987	–
Accrued income	2,640	1,015
Accrued income – group companies	6,946	2,793
Total	14,654	3,910

Note 4 Long-term loans – group companies

(CHF in thousands)	2006	2005
Long-term loans – group companies	5,537,505	4,078,300

The Company maintains interest bearing credit agreements with ABB Asea Brown Boveri Ltd, Zurich, Switzerland, and ABB Inc, Norwalk, United States. These loans are stated at the lower of cost or fair value.

Note 5 Participations

Company name	Purpose	Domicile	Share capital	Ownership interest	
				2006	2005
ABB Asea Brown Boveri Ltd	Holding	CH-Zurich	CHF 2,768,000,000	100%	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)	2006	2005
Non-trade payables	8,420	1,026
Non-trade payables – group companies	1,983	1,321
Accrued expenses	23,691	18,078
Accrued expenses – group companies	928	278
Total	35,022	20,703

Note 7 Provisions

At December 31, 2005, the Company had provisions of CHF 238,628 thousand in respect of options granted to a group company to enable it to meet its obligations to deliver shares, if or when bonds originally issued in September 2003 and May 2002 would be converted into ABB Ltd shares. In May and June 2006, the options related to the \$968 million convertible bonds were exercised. The Company issued 105,068,206 shares out of contingent capital and utilized 2,129,970 of own shares held. Consequently, the Company released to other reserves CHF 32,927 thousand of the provisions in connection with these bonds. At December 31, 2006, the remaining provision amounted to CHF 205,701 thousand and related to an option to deliver up to 104,931,794 shares of the Company, in connection with the CHF 1 billion convertible bonds issued by a group company.

Note 8 Bonds

(CHF in thousands)		2006	2005
Bond 1999-2009	3.75% coupon	108,300	108,300
Note 2001-2008	3.75% coupon	100,000	100,000
Total		208,300	208,300

The bonds are stated at their nominal value.

In March 2006, the Company, through Group Treasury Operations, entered into an interest rate swap transaction with a bank to effectively convert the CHF 100,000 thousand 3.75% note, due 2008, into a floating rate obligation.

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. Interest rate swap transactions effectively convert the remaining CHF 108,300 thousand 3.75% bonds, due 2009, into floating rate obligations.

Note 9 Stockholders' equity

(CHF in thousands)	Share capital	Legal reserve	Reserve for treasury shares	Other reserves	Retained earnings	Net income	Total 2006
Opening balance as of January 1	5,192,354	1,808,454	410,168	1,534,736	10,571	60,443	9,016,726
Allocation to retained earnings					60,443	(60,443)	--
Release of other reserves				(300,000)	300,000		--
Dividend paid					(203,338)		(203,338)
\$968 convertible issuances	262,671	882,756		32,927			1,178,354
Employee plan issuances	14,366	94,996					109,362
Use of share premium		(51,299)					(51,299)
Increase of other reserves			(243,587)	243,587			--
Net income for the year						580,758	580,758
Closing balance as of December 31	5,469,391	2,734,907	166,581	1,511,250	167,676	580,758	10,630,563

Share capital as of December 31, 2006	Number of registered shares	Par value	Total (CHF in thousands)
Issued shares	2,187,756,317	CHF 2.50	5,469,391
Contingent shares	182,558,630	CHF 2.50	456,397

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

In connection with options exercised by a group company in May and June 2006, the Company issued 105,068,206 shares out of contingent capital and utilized 2,129,970 of own shares held. This share issuance increased the Company's share capital and legal reserve by CHF 262,671 thousand and CHF 882,756 thousand, respectively. CHF 32,927 thousand of provisions was released to other reserves (see Note 7).

As described in Note 21 to the Consolidated Financial Statements of ABB Ltd, the ABB Group has an Employee Share Acquisition Plan (ESAP). To enable the group company that facilitates the ESAP 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 8, 2006 and November 10, 2005, respectively, the Company issued, out of contingent capital, to the group company, 5,746,614 and 6,626,550 shares, respectively at CHF 19.25 (CHF 19.02 representing those shares issued to be converted into American depository shares) and CHF 10.25 per share, respectively, thereby increasing the Company's share capital and legal reserve by CHF 14,366 thousand and 94,996 thousand in 2006 and CHF 16,567 thousand and 50,653 thousand in 2005. The Company used CHF 51,299 thousand and 21,868 thousand of the share premium recognized on issuance in 2006 and 2005, respectively, to reduce the carrying value of its participation in the subsidiary.

Own shares	Number of shares	
	2006	2005
Opening balance as of January 1	11,531,106	11,611,529
Purchase	--	11,780
Subtotal	11,531,106	11,623,309
Transfers	(2,748,385)	(92,203)
Closing balance as of December 31	8,782,721	11,531,106

Note 9 Stockholders' equity, continued

In 2006 and 2005, the Company transferred own shares of 2,748,385 and 92,203 at an average price per share of CHF 12.10 and CHF 9.86, respectively. In addition, it acquired 11,780 own shares at CHF 8.64 per share in 2005. The average acquisition price of the own shares as of December 31, 2006 and 2005, was CHF 18.97.

The own shares are stated at the lower of cost or fair value. As a consequence of increases in the fair value, the own shares were revalued to CHF 18.97 and CHF 12.75 per share at December 31, 2006 and 2005, respectively, resulting in gains of CHF 54,601 thousand in 2006 and CHF 101,861 thousand in 2005.

In addition, the 30,298,913 ABB Ltd shares held by its subsidiary for use in connection with the plan of reorganization of Combustion Engineering Inc (CE) were acquired by the Company in April 2006 and subsequently transferred to the CE Asbestos PI Trust (see Note 10 of these financial statements and Note 17 of the Consolidated Financial Statements of ABB Ltd), realizing a gain of CHF 13,789 thousand.

The net equity value of the Company as reflected in these unconsolidated financial statements is approximately CHF 10.6 billion compared to a net equity value of approximately CHF 7.4 billion (approximately \$6 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

As of December 31, 2006, the Company had issued a support letter to a surety institution in the amount of CHF 367,464 thousand. This facility is used for the issuance of surety bonds on behalf of group companies.

Furthermore, the Company has 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 had been a defendant in numerous asbestos-related claims in the United States. On April 21, 2006, a channeling injunction was issued and became effective pursuant to Section 524(g) of the U.S. Bankruptcy Code under which all present and future asbestos-related personal injury claims filed against the Company and its affiliates and certain other entities that relate to the operations of CE are channeled to the CE Asbestos PI Trust. Potential commitments and current provisions of the Company and its direct and indirect subsidiaries in respect of this matter are further described in Note 17 of the Consolidated Financial Statements of ABB Ltd. The Company's financial guarantee to the CE Asbestos PI Trust is CHF 366,000 thousand as of December 31, 2006.

There are also a lesser number of asbestos-related claims against certain other direct and indirect subsidiaries of the Company, which are not related to CE. The Company has a financial guarantee related to certain of these claims of CHF 33,672 thousand as of December 31, 2006. Please refer to Note 17 of the Consolidated Financial Statements of ABB Ltd for more detailed information.

The Company is part of a value added tax group and therefore is 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. The Company is a guarantor of the new \$2 billion facility. No amounts were drawn under this facility at December 31, 2006 and December 31, 2005.

Note 12 Significant shareholders

FMR Corporation, Boston, Massachusetts, U.S., announced that as of November 22, 2006, it, together with its direct and indirect subsidiaries, held for its funds and clients 111,888,682 ABB Ltd shares. This corresponded to 5.1 percent of the Company's share capital and voting rights. FMR Corporation subsequently announced that as per December 20, 2006, it had reduced its holdings to a total of registered shares which was less than 5 percent of ABB's total capital and voting rights. Thereafter, FMR Corporation announced that as of February 14, 2007, it held 109,485,941 ABB Ltd shares. This corresponds to 5 percent of the Company's share capital and voting rights.

As of December 31, 2005, Investor AB, Stockholm, Sweden, held 166,330,142 ABB Ltd shares, representing 8 percent of the Company's share capital and voting rights. This figure remained unchanged during 2006. However, due to capital increases out of contingent capital in 2006, this quota reduced to 7.6 percent.

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)	2006	2005
Net income for the year	580,758	60,443
Carried forward from previous year	167,676	10,571
Release of other reserves	300,000	300,000
Profit available to the Annual General Meeting	1,048,434	371,014
	Number of Shares	
Dividend according to Annual General Meeting of May 4, 2006 (CHF 0.12 per share)	2,076,941,497	(249,233)
Dividend paid on dividend access facility	(371,445,320)	44,573
No dividend paid on own shares	(11,012,805)	1,322
Dividend paid	1,694,483,372	(203,338)
Balance carried forward		167,676

The Board of Directors proposes to release CHF 300,000 thousand of the other reserves to retained earnings and that out of the profit available to the Annual General Meeting a dividend of CHF 0.24 gross per registered share be distributed, payable as of May 8, 2007. Calculated on the total number of issued shares of 2,187,756,317⁽¹⁾, this corresponds to a maximum total amount of CHF 525,062 thousand. 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 and not on own shares held by the Company.

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.

⁽¹⁾ Depending on the actual number of shares issued as of the record date.