

**Report of the statutory auditors**  
with financial statements as of December 31, 2004 of  
**ABB Ltd, Zurich**

 **ERNST & YOUNG**

To the general meeting of  
**ABB Ltd, Zurich**

Zurich, April 6, 2005

## 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, 2004.

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 auditing standards promulgated by the Swiss profession, 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)	2004	2003
Revenues	-	22
Personnel expenses	(32,718)	(32,555)
Other expenses	(28,450)	(22,828)
Interest income	54,344	90,632
Interest expense	(24,014)	(26,061)
Loss on sale of own shares	-	(19,976)
Write-down of participations	-	(1,050,000)
<b>Net loss</b>	<b>(30,838)</b>	<b>(1,060,766)</b>

## Balance Sheet

December 31 (CHF in thousands)	2004	2003
Cash and equivalents	600	57,020
Receivables	6,050	13,738
<b>Total current assets</b>	<b>6,650</b>	<b>70,758</b>
Long-term loans to subsidiary	4,470,000	4,470,000
Participations	5,300,910	5,300,910
Own shares	45,968	45,968
<b>Total fixed assets</b>	<b>9,816,878</b>	<b>9,816,878</b>
<b>Total assets</b>	<b>9,823,528</b>	<b>9,887,636</b>
Current liabilities	18,272	82,239
Short-term loans from subsidiary	5,697	-
Long-term loans from subsidiary	50,000	25,000
Provisions	238,628	238,628
Bonds	600,000	600,000
<b>Total liabilities</b>	<b>912,597</b>	<b>945,867</b>
Share capital	5,175,787	5,175,787
Legal reserve	1,779,669	1,779,669
Reserve for treasury shares	411,814	411,814
Other reserves	1,533,090	2,533,090
Retained earnings	41,409	102,175
Net loss	(30,838)	(1,060,766)
<b>Total stockholders' equity</b>	<b>8,910,931</b>	<b>8,941,769</b>
<b>Total liabilities and stockholders' equity</b>	<b>9,823,528</b>	<b>9,887,636</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, loss and cash flows of ABB Ltd and companies in which the Company has a controlling interest, as if the Company and its subsidiaries 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)	2004	2003
Cash and bank	600	521
Cash with subsidiary	-	56,499
<b>Total</b>	<b>600</b>	<b>57,020</b>

## Note 3 Receivables

(CHF in thousands)	2004	2003
Non-trade receivables	74	8,592
Accrued income from subsidiary	5,976	5,146
<b>Total</b>	<b>6,050</b>	<b>13,738</b>

## Note 4 Long-term loans to subsidiary

(CHF in thousands)	2004	2003
Long-term loans to subsidiary	4,470,000	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	
				2004	2003
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%	100%

The investments in subsidiaries are valued at the lower of cost or fair value. Fair values are determined using the discounted cash flow method, based upon management's expectations as to the future cash flows and earnings of the subsidiaries for the years 2005 through 2009.

## Note 6 Current liabilities

(CHF in thousands)	2004	2003
Non-trade payables	415	45,783
Non-trade payables to subsidiaries	1,183	4,479
Accrued expenses	16,055	28,688
Accrued expenses from subsidiaries	619	3,289
<b>Total</b>	<b>18,272</b>	<b>82,239</b>

## Note 7 Provisions

In conjunction with the issuance in September 2003 and May 2002 by a subsidiary of the Company of bonds convertible into ABB Ltd shares, the Company granted options to the subsidiary issuing the bonds to enable the subsidiary 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 subsidiary. 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)	2004	2003
Bond 1999–2009 3.75%	500,000	500,000
Note 2001–2008 3.75%	100,000	100,000
<b>Total</b>	<b>600,000</b>	<b>600,000</b>

The Company's bonds are stated at their nominal value.

## Note 9 Stockholders' equity

(CHF in thousands)	Share capital	Legal reserve	Reserve for treasury shares	Other reserves	Retained earnings	Net loss	Total 2004
Opening balance as of January 1	5,175,787	1,779,669	411,814	2,533,090	102,175	(1,060,766)	8,941,769
Release of other reserves				(1,000,000)	1,000,000		-
Allocation to retained earnings					(1,060,766)	1,060,766	-
Net loss for the year						(30,838)	(30,838)
<b>Closing balance as of December 31</b>	<b>5,175,787</b>	<b>1,779,669</b>	<b>411,814</b>	<b>1,533,090</b>	<b>41,409</b>	<b>(30,838)</b>	<b>8,910,931</b>

Share capital as of December 31, 2004 and 2003	Number of registered shares	Par value (CHF in thousands)	Total
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

At the Company's Annual General Meeting held on May 16, 2003, the Company's shareholders approved amendments to its articles of incorporation providing for authorized share capital and an increase in contingent share capital.

The amendments included the creation of CHF 250 million in authorized share capital. This entitled the Company's Board of Directors to issue up to 100 million new shares of which approximately 30 million were allocated for use with any proposed plan of reorganization of the Company's indirect wholly owned U.S. subsidiary, Combustion Engineering Inc ("CE") (see Note 10). The amendments also included an increase of contingent capital from CHF 200 million to CHF 750 million, allowing the issuance of up to 300 million new shares.

On November 20, 2003, at an Extraordinary General Meeting of the shareholders, it was resolved to increase the Company's share capital by approximately 840 million shares through a rights issue, which the Company completed in December 2003, issuing 840,006,602 new shares at an offer price of CHF 4 per share.

## Treasury shares

	2004		2003	
	Number of shares	Avg. price per share CHF	Number of shares	Avg. price per share CHF
Opening balance	41,910,442	9.83	86,830,312	33.92
Sales			(80,000,000)	
Subtotal			6,830,312	29.46
Purchase <sup>(1)</sup>			4,781,217	4.00
Purchase			30,298,913	6.32
<b>Closing balance</b>	<b>41,910,442</b>	<b>9.83</b>	<b>41,910,442</b>	<b>9.83</b>

<sup>(1)</sup> Rights exercised

In March 2003, the Company and its subsidiary, ABB Equity Limited, sold 80,000,000 treasury shares for total gross proceeds of approximately CHF 217 million.

In connection with the 7-for-10 rights offering, the Company exercised, in December 2003, its rights in respect of the remaining 6,830,312 treasury shares and received 4,781,217 shares at the offer price of CHF 4 per share.

In December 2003, the Company issued to ABB Asea Brown Boveri Ltd 30,298,913 shares for use with the proposed plan of reorganization of CE (see Note 10). These shares will be held as treasury shares until used in connection with any such proposed plan of reorganization.

The net equity value of the Company as reflected in these unconsolidated financial statements is approximately CHF 8.9 billion compared to a net equity value of approximately CHF 3.2 billion (approximately US\$ 2.8 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 participations in subsidiaries. Such fair values are determined using the discounted cash flow method, based upon management's expectations as to the future cash flows and earnings of the subsidiaries for the years 2005 through 2009. The net equity value disclosed in the Consolidated Financial Statements reflects the aggregation of the equity of ABB Ltd's subsidiaries.

## Note 10 Contingent liabilities

(CHF in thousands)	2004	2003
Liability to pension fund	-	532
Financial guarantee to a subsidiary <sup>(1)</sup>	337,122	333,762
<b>Total</b>	<b>337,122</b>	<b>334,294</b>

<sup>(1)</sup> Relates to an intra-group financing.

In addition to the above stated financial guarantee to a subsidiary, the Company has provided a guarantee to a third party, to guarantee the performance of contractual obligations pursuant to a project undertaken by a subsidiary in the normal course of its business. The aggregate value of the guarantee is approximately CHF 50,859 thousand.

The Company has entered into Keep-well agreements with certain indirect subsidiaries. A Keep-well agreement is a shareholder agreement between the Company and a subsidiary. These agreements provide for maintenance of a minimum net worth in the subsidiary and the maintenance of 100 percent direct or indirect ownership by the Company.

For those subsidiaries acting on the capital markets, the Keep-well agreements additionally provide that if at any time the subsidiary 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 subsidiary 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 subsidiary. No party external to the ABB Group is a party to any of these Keep-well agreements.

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. An order confirming a proposed plan of reorganization for CE was effectively reversed on December 2, 2004, by the U.S. Third Circuit Court of Appeals. In March 2005, following extensive discussions with certain representatives of various parties, including the Creditors Committee and the Future Claimants Representative appointed in the Combustion Engineering case, the Company reached an agreement on certain "settlement points" for modifying the CE plan with a view to bringing it into conformity with the Third Circuit decision and for providing a mechanism for resolving finally Lummus' potential asbestos liability. The Company and its subsidiaries' potential commitments and current provisions relating to this matter are further described in Note 18 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 18 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 November 17, 2003, the Company and certain of its subsidiaries entered into a new unsecured syndicated US\$1 billion 3 year revolving credit facility which became available in December 2003. The Company is a guarantor of the new US\$1 billion facility, but nothing was drawn under this facility at December 31, 2004 and 2003.

## Note 12 Significant shareholders

As of December 31, 2004 and 2003, Investor AB, Stockholm, Sweden, owned 204,115,142 ABB Ltd shares, representing 9.9 percent of the Company's share capital. On March 8, 2005, Investor AB announced that it reduced its holdings to 187,374,142 ABB Ltd shares, representing 9.1 percent of the Company's share capital at that date.

The Capital Group International, Inc., Los Angeles, CA, USA, announced that as of April 23, 2004, it reduced its holdings for its clients in ABB Ltd shares to a total that is less than 5 percent of the Company's share capital. As of December 31, 2003 such holdings totaled 133,888,830 shares, corresponding to 6.5 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)	2004	2003
Net loss for the year	(30,838)	(1,060,766)
Carried forward from previous year	41,409	102,175
Release of other reserves	-	1,000,000
<b>Profit available to the Annual General Meeting</b>	<b>10,571</b>	<b>41,409</b>
Dividend	-	-
<b>Balance to be carried forward</b>	<b>10,571</b>	<b>41,409</b>

The Board of Directors proposes not to declare the distribution of a dividend and to carry forward the profit available to the Annual General Meeting in the amount of CHF 10,570,584.