

ABB reports irregularities in Italian medium-voltage business to authorities

Zurich, Switzerland, June 11, 2004 – ABB said today it has disclosed to the Italian authorities the preliminary results of a company inquiry into accounting irregularities and other improper business practices in an Italian ABB subsidiary.

ABB launched its inquiry, which is still ongoing, earlier this year following the discovery of the accounting irregularities during an internal audit review.

"We have a policy of zero tolerance for improper behavior, and we acted promptly to address the issue," said Jürgen Dormann, ABB chairman and CEO. "Our investigation showed that this is an isolated case. We have contacted the relevant authorities and disclosed our findings."

The inquiry uncovered an overstatement by the medium-voltage business in Italy of its earnings before interest and taxes (EBIT) of approximately \$70 million from the first quarter of 1998 through the first quarter of 2004. That corresponds to 1.4 percent of ABB's total reported consolidated EBIT during the period.

According to the company's initial review, the annual impact on EBIT over the period ranged between about \$2 million in 1998 to a maximum of some \$20 million in 2002.

The unit manager primarily responsible has been released, and further disciplinary measures against other employees are under consideration.

The company inquiry also uncovered two improper payments made in 2001 and 2002 in connection with the award of a power equipment contract in Italy. A disciplinary process has been initiated with regard to the employee involved.

ABB said a disclosure similar to the one it made to the Italian authorities has also been made to the United States Securities and Exchange Commission (SEC) and that it would take corrective action regarding its consolidated results for the period in question. ABB said it intends to publish later this year restated consolidated figures.

ABB (www.abb.com) is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs about 113,000 people.

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