



## Summary Financial Information June 2005

### ABB Ltd Summary Consolidated Income Statements

	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in millions, except per share data)			
Revenues	\$ 10,812	\$ 9,737	\$ 5,724	\$ 5,209
Cost of sales	(8,110)	(7,280)	(4,327)	(3,930)
<b>Gross profit</b>	<b>2,702</b>	<b>2,457</b>	<b>1,397</b>	<b>1,279</b>
Selling, general and administrative expenses	(1,963)	(1,866)	(1,008)	(948)
Amortization expense	(22)	(22)	(11)	(11)
Other income (expense), net	45	(1)	(7)	1
<b>Earnings before interest and taxes</b>	<b>762</b>	<b>568</b>	<b>371</b>	<b>321</b>
Interest and dividend income	85	76	47	45
Interest and other finance expense	(221)	(205)	(142)	(95)
<b>Income from continuing operations before taxes and minority interest</b>	<b>626</b>	<b>439</b>	<b>276</b>	<b>271</b>
Provision for taxes	(216)	(161)	(101)	(96)
Minority interest	(47)	(42)	(27)	(28)
<b>Income from continuing operations</b>	<b>363</b>	<b>236</b>	<b>148</b>	<b>147</b>
Loss from discontinued operations, net of tax	(38)	(146)	(22)	(58)
<b>Net income</b>	<b>\$ 325</b>	<b>\$ 90</b>	<b>\$ 126</b>	<b>\$ 89</b>

Basic earnings per share:

Income from continuing operations	\$ 0.18	\$ 0.12	\$ 0.07	\$ 0.07
Net income	\$ 0.16	\$ 0.04	\$ 0.06	\$ 0.04

Diluted earnings per share:

Income from continuing operations	\$ 0.18	\$ 0.12	\$ 0.07	\$ 0.07
Net income	\$ 0.16	\$ 0.04	\$ 0.06	\$ 0.04



**ABB Ltd**  
**Summary Consolidated Balance Sheets**

	At June 30, 2005 (unaudited)	At March 31, 2005 (unaudited)	At December 31, 2004 (audited)
<b>(in millions, except share data)</b>			
Cash and equivalents	\$ 3,188	\$ 2,614	\$ 3,676
Marketable securities and short-term investments	387	1,037	524
Receivables, net	6,315	6,309	6,330
Inventories, net	3,148	3,169	2,977
Prepaid expenses and other	1,421	1,399	1,688
Assets held for sale and in discontinued operations	56	72	155
<b>Total current assets</b>	<b>14,515</b>	<b>14,600</b>	<b>15,350</b>
Financing receivables, non-current	1,033	1,137	1,233
Property, plant and equipment, net	2,648	2,824	2,981
Goodwill	2,495	2,553	2,602
Other intangible assets, net	408	449	493
Prepaid pension and other employee benefits	518	534	549
Investments and other	1,417	1,456	1,469
<b>Total assets</b>	<b>\$ 23,034</b>	<b>\$ 23,553</b>	<b>\$ 24,677</b>
Accounts payable, trade	\$ 4,008	\$ 4,066	\$ 4,272
Accounts payable, other	1,351	1,363	1,437
Short-term borrowings and current maturities of long-term borrowings	444	473	633
Accrued liabilities and other	5,992	6,013	6,436
Liabilities held for sale and in discontinued operations	107	160	290
<b>Total current liabilities</b>	<b>11,902</b>	<b>12,075</b>	<b>13,068</b>
Long-term borrowings	4,468	4,688	4,901
Pension and other employee benefits	1,489	1,519	1,551
Deferred taxes	892	946	953
Other liabilities	950	1,026	1,083
<b>Total liabilities</b>	<b>19,701</b>	<b>20,254</b>	<b>21,556</b>
Minority interest	287	305	297
Stockholders' equity:			
Capital stock and additional paid-in capital	3,083	3,083	3,083
Retained earnings	2,050	1,924	1,725
Accumulated other comprehensive loss	(1,949)	(1,875)	(1,846)
Less: Treasury stock, at cost (11,623,309 shares at June 30, 2005, and 11,611,529 shares at December 31, 2004)	(138)	(138)	(138)
<b>Total stockholders' equity</b>	<b>3,046</b>	<b>2,994</b>	<b>2,824</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 23,034</b>	<b>\$ 23,553</b>	<b>\$ 24,677</b>



**ABB Ltd**  
**Summary Consolidated Statements of Cash Flows**

	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(in millions)			
<b>Operating activities:</b>				
Net income	\$ 325	\$ 90	\$ 126	\$ 89
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>				
Depreciation and amortization	287	296	145	148
Provisions	61	(142)	102	9
Pension and post-retirement benefits	39	48	24	22
Deferred taxes	30	13	(1)	15
Net gain from sale of property, plant and equipment	(34)	(23)	(16)	(22)
Income before taxes from equity accounted companies	(53)	(33)	(20)	(15)
Minority interest	48	42	28	27
Loss on sale of discontinued operations	--	36	--	36
Other*	69	147	39	26
<i>Changes in operating assets and liabilities:</i>				
Marketable securities (trading)	1	43	--	2
Trade receivables	(309)	(238)	(295)	(268)
Inventories	(537)	(372)	(196)	(31)
Trade payables	85	(20)	149	90
Other assets and liabilities, net	(54)	(127)	83	(240)
<b>Net cash provided by (used in) operating activities</b>	<b>(42)</b>	<b>(240)</b>	<b>168</b>	<b>(112)</b>
<b>Investing activities:</b>				
Changes in financing receivables	109	51	54	72
Purchases of marketable securities (other than trading)	(828)	(1,630)	(114)	(144)
Purchases of property, plant and equipment	(180)	(235)	(101)	(137)
Acquisitions of businesses (net of cash acquired)	(13)	(16)	(6)	(10)
Proceeds from sales of marketable securities (other than trading)	937	1,562	742	872
Proceeds from sales of property, plant and equipment	32	63	10	52
Proceeds from sales of businesses (net of cash disposed)*	(43)	315	(7)	293
<b>Net cash provided by investing activities</b>	<b>14</b>	<b>110</b>	<b>578</b>	<b>998</b>
<b>Financing activities:</b>				
Changes in borrowings	(210)	(1,754)	(25)	(671)
Treasury and capital stock transactions	--	(36)	--	--
Other*	(24)	(26)	(43)	(22)
<b>Net cash used in financing activities</b>	<b>(234)</b>	<b>(1,816)</b>	<b>(68)</b>	<b>(693)</b>
Effects of exchange rate changes on cash and equivalents	(226)	(27)	(93)	(10)
Adjustment for the net change in cash and equivalents in assets held for sale and in discontinued operations	--	212	(11)	119
<b>Net change in cash and equivalents - continuing operations</b>	<b>(488)</b>	<b>(1,761)</b>	<b>574</b>	<b>302</b>
Cash and equivalents beginning of period	3,676	4,783	2,614	2,720
<b>Cash and equivalents end of period</b>	<b>\$ 3,188</b>	<b>\$ 3,022</b>	<b>\$ 3,188</b>	<b>\$ 3,022</b>
Interest paid	\$ 155	\$ 185	\$ 83	\$ 101
Taxes paid	\$ 145	\$ 206	\$ 26	\$ 128

\* For reclassifications to the statements of cash flows see Note 1 – The summary consolidated financial statements and information.



**ABB Ltd**  
**Consolidated Statements of Changes in Stockholders' Equity**

(in millions)			Accumulated other comprehensive loss					Treasury stock, at cost	Total stockholders' equity
	Capital stock and additional paid-in capital	Retained earnings	Foreign currency translation adjustment	Unrealized gain on available-for-sale securities	Minimum pension liability adjustment	Unrealized gain (loss) of cash flow hedge derivatives	Total accumulated other comprehensive loss		
<b>Balance at January 1, 2004 (audited)</b>	<b>\$ 3,067</b>	<b>\$ 1,760</b>	<b>\$ (1,747)</b>	<b>\$ 27</b>	<b>\$ (137)</b>	<b>\$ 85</b>	<b>\$ (1,772)</b>	<b>\$ (138)</b>	<b>\$ 2,917</b>
Comprehensive income:									
Net income		90							90
Foreign currency translation adjustments			(56)				(56)		(56)
Accumulated foreign currency translation adjustments allocated to divestments of businesses			32				32		32
Effect of change in fair value of available-for-sale securities				2			2		2
Minimum pension liability adjustments					--		--		--
Change in derivatives qualifying as cash flow hedges						(62)	(62)		(62)
Total comprehensive income									6
<b>Balance at June 30, 2004 (unaudited)</b>	<b>\$ 3,067</b>	<b>\$ 1,850</b>	<b>\$ (1,771)</b>	<b>\$ 29</b>	<b>\$ (137)</b>	<b>\$ 23</b>	<b>\$ (1,856)</b>	<b>\$ (138)</b>	<b>\$ 2,923</b>
<b>Balance at January 1, 2005 (audited)</b>	<b>\$ 3,083</b>	<b>\$ 1,725</b>	<b>\$ (1,708)</b>	<b>\$ 12</b>	<b>\$ (206)</b>	<b>\$ 56</b>	<b>\$ (1,846)</b>	<b>\$ (138)</b>	<b>\$ 2,824</b>
Comprehensive income:									
Net income		325							325
Foreign currency translation adjustments			(51)				(51)		(51)
Effect of change in fair value of available-for-sale securities				--			--		--
Minimum pension liability adjustments					23		23		23
Change in derivatives qualifying as cash flow hedges						(75)	(75)		(75)
Total comprehensive income									222
<b>Balance at June 30, 2005 (unaudited)</b>	<b>\$ 3,083</b>	<b>\$ 2,050</b>	<b>\$ (1,759)</b>	<b>\$ 12</b>	<b>\$ (183)</b>	<b>\$ (19)</b>	<b>\$ (1,949)</b>	<b>\$ (138)</b>	<b>\$ 3,046</b>

**ABB Ltd selected notes to summary consolidated financial information (unaudited)**

(US\$ in millions, except per share data)

***Note 1 The summary consolidated financial statements and information***

The summary consolidated financial information of ABB Ltd (the “Company”) is prepared in accordance with United States generally accepted accounting principles (US GAAP) and is presented in United States dollars (\$) unless otherwise stated. Data for orders and number of employees are shown as additional information and are not required disclosures under US GAAP.

Amounts in prior periods have been reclassified to conform to the Company’s current presentation. Additionally, in the second quarter of 2005, the Company reclassified cash outflows of \$38 million to investing activities associated with the sale of the upstream part of the Oil, Gas and Petrochemicals business (see Note 6 – Discontinued operations and businesses held for sale) of which \$25 million were previously classified as operating activities and \$13 million were previously classified as financing activities.

The par value of capital stock is denominated in Swiss francs (CHF).

The Company considers earnings before interest and taxes (operating income), which excludes interest and dividend income, interest and other finance expense, provision for taxes, minority interest and loss from discontinued operations, net of tax, to be the most relevant measure of the Company’s and its divisions’ financial and operational performance. Accordingly, the Company evaluates itself and its divisions based on this measure.

The summary consolidated financial information should be read in conjunction with the December 31, 2004, financial statements contained in the ABB Annual Report 2004 and ABB Ltd Annual Report on Form 20-F for the fiscal year ended December 31, 2004.

***Note 2 Transformer business consolidation***

On June 30, 2005, the Company announced its decision to consolidate its global transformer business, including closing certain plants and employment reductions, as a result of overcapacity, increasing raw material costs and a regional shift in demand.

In the second quarter of 2005, the Company recorded a charge of \$66 million in cost of sales. This charge consisted of \$48 million related to employee severance costs and \$17 million related to inventory and long-lived asset impairments, and \$1 million of estimated contract settlement costs.

The Company will continue to assess other potential losses and costs it might incur in relation to the program. These future costs are not yet accruable; however, the Company expects that additional costs will be incurred throughout the duration of the consolidation program. Liabilities totaling \$49 million were established at June 30, 2005, associated with these charges and are expected to be settled by the end of 2006.

***Note 3 Significant divestitures***

In January 2004, the Company agreed to sell the upstream part of the Oil, Gas and Petrochemicals business (Upstream business) to a consortium of private equity investors consisting of Candover Partners Limited, JP Morgan Partners LLC and



3i Group PLC (collectively, the “Purchasers”). In July 2004, the Company completed the sale of the Upstream business for an initial purchase price of \$925 million. Net cash proceeds from the sale were approximately \$800 million, reflecting the initial sales price adjusted for unfunded pension liabilities and changes in net working capital. On February 9, 2005, the Company and the Purchasers entered into a Settlement Agreement and Amendment (Settlement Agreement) finalizing the sales price. The Settlement Agreement also contains provisions to indemnify the Purchasers with respect to certain incomplete projects. The Company believes the provisions recorded for such indemnified projects are adequate.

During the fourth quarter of 2004, the Company reclassified most of its Power Lines business, part of the Power Technologies division, to discontinued operations. The businesses that have been reclassified are in Brazil, which was abandoned in the fourth quarter of 2004, and Nigeria and Italy, whose sales were completed in January and February 2005, respectively. Also reclassified is the Power Lines business in Germany, which the Company sold in July 2005.

**Note 4 Restructuring programs**

**Step change program**

In October 2002, the Company announced the Step change program. The goals of the Step change program were to increase competitiveness of the Company’s core businesses (see Note 12 – Segment and geographic data), reduce overhead costs and streamline operations by approximately \$1 billion on an annual basis by 2005. At June 30, 2004, the Step change program was substantially complete.

Restructuring charges relating to workforce reductions, lease terminations and other exit costs associated with the Step change program are included in other income (expense), net.

**Other**

Certain restructuring programs were initiated primarily during 2003 at specified locations not included in the Step change program. The goals of these programs are to increase efficiencies by reducing headcount and streamlining operations. These programs are expected to increase productivity of the non-core businesses. Anticipated savings will be recognized through the strategic divestment of these operations.

Restructuring charges related to workforce reductions, lease terminations and other exit costs associated with these other programs are included in other income (expense), net. For the first half of 2005, termination benefits were paid to approximately 250 employees. Workforce reductions include production, managerial and administrative employees. Changes in management’s original estimate of the amounts accrued for workforce reductions, lease terminations and other exit costs have been included in other income (expense), net.

Restructuring liabilities consist of the following:

(in millions)	Step change		Other		Total
	Workforce reduction	Lease terminations and other exit costs	Workforce reduction	Lease terminations and other exit costs	
Liability at December 31, 2004	\$ --	\$ 39	74	\$ 42	\$ 155
Restructuring expense	--	1	4	--	5
Cash paid	--	(22)	(33)	(6)	(61)
Exchange rate differences	--	(5)	(4)	(1)	(10)
Changes in estimate	--	--	(3)	(1)	(4)
<b>Liability at June 30, 2005</b>	<b>\$ --</b>	<b>\$ 13</b>	<b>38</b>	<b>\$ 34</b>	<b>\$ 85</b>



### **Note 5 Borrowings**

The Company's total borrowings outstanding at June 30, 2005, and December 31, 2004, amounted to \$4,912 million and \$5,534 million, respectively. The reduction in borrowings was primarily the result of movements in exchange rates and the repayment of bonds.

On July 4, 2005, the Company signed a new five-year, \$2 billion multicurrency revolving credit facility and cancelled the previous three-year \$1 billion facility that was due to expire in November 2006. No amounts were drawn at June 30, 2005, or December 31, 2004.

The new credit facility contains financial covenants in respect of minimum interest coverage and maximum net leverage. The Company is required to meet these covenants on a semi-annual basis, at June and December, beginning with June 30, 2005. Upon the Company obtaining an investment grade credit rating, the minimum interest coverage covenant will no longer be required. At June 30, 2005, the Company was in compliance with these covenants.

In May 2002, the Company issued \$968 million aggregate principal amount of convertible unsubordinated bonds due 2007. Under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, a component of the convertible bonds was accounted for as a derivative as the shares to be issued upon conversion were denominated in Swiss francs, while the bonds are denominated in U.S. dollars. A portion of the issuance proceeds was deemed to relate to the value of the derivative on issuance and subsequent changes in value of the derivative were recorded through earnings and as an adjustment to the carrying value of the bonds. The allocation of a portion of the proceeds to the derivative created a discount on issuance, which was being amortized to earnings over the life of the bonds.

On May 28, 2004, bondholders voted in favor of the Company's proposed amendment to the terms of the bonds whereby, if the bonds are converted, the Company will deliver U.S. dollar-denominated American Depositary Shares rather than Swiss franc-denominated ordinary shares. The conversion price was set at \$9.03. As a result of this amendment, the Company is no longer required to account for a portion of the bonds as a derivative. Consequently, on May 28, 2004, the value of the derivative was fixed and the amount previously accounted for separately as an embedded derivative was considered to be a component of the carrying value of the bonds at that date. This carrying value is being accreted to the \$968 million par value of the bonds as an expense in interest and other finance expense over the remaining life of the bonds. At June 30, 2005, the outstanding carrying value of the bonds was \$905 million.

For the six months ended June 30, 2005, the Company recorded a charge in interest and other expense of \$15 million in respect of the accretion of the bonds to par. This compares to an aggregate charge of \$38 million for the six months ended June 30, 2004, which comprised a loss on the derivative of \$16 million from January 1, 2004, up to the date of the bond amendment, and amortization of the discount on the bonds for the six months ended June 30, 2004, of \$22 million.

For the three months ended June 30, 2005, the Company recorded a charge in interest and other expense of \$8 million in respect of the accretion of the bonds to par. This compares to an aggregate charge of \$3 million for the three months ended June 30, 2004, which comprised a gain from the change in fair value of the derivative of \$7 million, offset by amortization of the discount on the bonds of \$10 million.

### **Note 6 Discontinued operations and businesses held for sale**

Discontinued businesses are accounted for in accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*. The balance sheet and income statement data for all prior periods presented are reclassified to present the financial position and results of operations of businesses meeting the criteria of SFAS 144 as discontinued operations. In addition, the balance sheet data for all prior periods presented are reclassified to present the financial position of businesses meeting the criteria of SFAS 144 as assets and liabilities held for sale. In the statements of cash flows, the amounts related to businesses with assets and liabilities held for sale and in discontinued operations are not segregated, as permitted by Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows*.

The following are divestments of businesses no longer pursued for strategic reasons and which are in line with the Company's strategy to focus on Power Technologies and Automation Technologies.

During the first quarter of 2005, the Company sold its Power Lines business in Italy and Nigeria, part of the Power Technologies division. The Company also abandoned the Power Lines business in Brazil in the fourth quarter of 2004. On



July 1, 2005, the Company sold its Power Lines business in Germany. For these businesses the Company recorded losses of \$9 million and \$22 million, in loss from discontinued operations, net of tax, principally related to their results of operations, in the six months ended June 30, 2005, and June 30, 2004, respectively.

During the fourth quarter of 2004, the Company decided to sell its Foundry business, part of the Automation Technologies division. The Company plans to sell this business in 2005. For this business, the Company recorded losses of \$0 million and \$4 million, in loss from discontinued operations, net of tax, principally related to the results of operations of the business, in the six months ended June 30, 2005, and June 30, 2004, respectively.

In April 2004, the Company completed the sale of its Reinsurance business. During the six months ended June 30, 2004, the Company recorded a loss of \$36 million in loss from discontinued operations, net of tax.

In January 2004, the Company agreed to sell the upstream part of the Oil, Gas and Petrochemicals business (Upstream business) to a consortium of private equity investors consisting of Candover Partners Limited, JP Morgan Partners LLC and 3i Group PLC (collectively, the "Purchasers"). In July 2004, the Company completed the sale of the Upstream business for an initial purchase price of \$925 million. Net cash proceeds from the sale were approximately \$800 million, reflecting the initial sales price adjusted for unfunded pension liabilities and changes in net working capital. On February 9, 2005, the Company and the Purchasers entered into a Settlement Agreement and Amendment (Settlement Agreement) finalizing the sales price. The Settlement Agreement also contains provisions to indemnify the Purchasers with respect to certain incomplete projects. The Company believes the provisions recorded for such indemnified projects are adequate. The Company recorded, in the six months ended June 30, 2004, a loss of \$42 million in loss from discontinued operations, net of tax, principally related to the results of operation. In the six months ended June 30, 2005, the Company recorded losses of \$3 million related to costs not covered by the provision established at closing.

In December 2002, the Company completed the sale of its Metering business to Ruhrgas Industries GmbH of Essen, Germany. Upon final settlement in 2004 the Company guaranteed the indemnification of certain contingencies. In the first quarter of 2005 upon reassessment of the provision related to the sale of this business the Company released \$7 million as the Company determined them to no longer be necessary.

In addition, the Company has also reflected other minor operations as discontinued operations, as appropriate.

In loss from discontinued operations, net of tax, the Company also recorded an expense of approximately \$28 million in the six months ended June 30, 2005, primarily related to the mark-to-market treatment of the approximately 30 million shares of the Company that are reserved for use with the pre-packaged plan of reorganization for Combustion Engineering, Inc, under Chapter 11 of the United States Bankruptcy Code (see Note 10 – Commitments and contingencies).

The loss from discontinued operations, net of tax, of \$38 million recognized in the six months ended June 30, 2005, includes revenues of \$51 million, principally related to the Power Lines and Foundry businesses. Revenues related to discontinued operations in the six months ended June 30, 2004, were \$954 million, principally related to the Upstream, Power Lines and Foundry businesses.

The major components of assets and liabilities held for sale and in discontinued operations are summarized as follows:



(in millions)	At June 30, 2005		At December 31, 2004	
Cash, marketable securities and short-term investments	\$	9	\$	9
Receivables, net		13		59
Inventories, net		10		16
Prepaid expenses and other		4		11
Goodwill and other intangible assets		--		6
Property, plant and equipment, net		19		50
Other assets		1		4
<b>Assets held for sale and in discontinued operations</b>	<b>\$</b>	<b>56</b>	<b>\$</b>	<b>155</b>
Accounts payable	\$	9	\$	49
Short-term borrowings and current maturities of long-term borrowings		1		2
Accrued liabilities and other		44		112
Long-term borrowings		16		18
Pensions and other employee benefits		34		82
Other liabilities, non-current		3		27
<b>Liabilities held for sale and in discontinued operations</b>	<b>\$</b>	<b>107</b>	<b>\$</b>	<b>290</b>

#### *Note 7 Employee benefits*

The net periodic benefit cost of pension benefits consists of the following:

(in millions)	Pension benefits			
	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Service cost	\$ 100	\$ 98	\$ 48	\$ 49
Interest cost	190	185	93	96
Expected return on plan assets	(187)	(162)	(93)	(86)
Amortization transition liability	1	--	--	--
Amortization of prior service cost	3	2	2	1
Amortization of net actuarial loss	21	18	10	7
<b>Net periodic benefit cost</b>	<b>\$ 128</b>	<b>\$ 141</b>	<b>\$ 60</b>	<b>\$ 67</b>

The net periodic benefit cost of other benefits was \$15 million in the first half of 2005 and \$7 million in the second quarter of 2005, compared to \$20 million and \$10 million in the first half and second quarter of 2004, respectively.

For the year ended December 31, 2004, net periodic benefit cost was \$285 million and \$37 million for pension benefits and other benefits, respectively.

The Company previously disclosed in its financial statements for the quarter ended March 31, 2005, that it expected to contribute \$187 million to its pension plans and \$29 million to its other benefit plans in 2005.

The Company plans to make discretionary additional funding of approximately \$300 million during the second half of 2005. Therefore, the Company anticipates contributing a total of approximately \$490 million during 2005 to its pension plans.



For the six months ended June 30, 2005, \$108 million and \$13 million of contributions have been made to its pension plans and other postretirement plans, respectively.

**Note 8 Earnings per share**

Basic earnings (loss) per share is calculated by dividing income (loss) by the weighted-average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated by dividing income (loss) by the weighted-average number of shares outstanding during the year, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise: outstanding written call options, if dilutive; the securities issued under the Company's employee incentive plans, if dilutive; and shares issuable in relation to outstanding convertible bonds, if dilutive.

In the 2005 periods presented, only the shares issuable in relation to the call options outstanding in connection with the Company's December 2003 and December 2004 launches under the management incentive plan and in connection with the Company's employee share acquisition plan were dilutive and therefore included in the computation of diluted earnings (loss) per share.

In the 2004 periods presented, only the shares issuable in relation to the call options outstanding in connection with the Company's December 2003 launch under the management incentive plan were dilutive and therefore included in the computation of diluted earnings (loss) per share.

The shares issuable in relation to the \$968 million aggregate principal amount of convertible unsubordinated bonds due 2007 and the shares issuable in relation to the CHF 1,000 million aggregate principal amount of convertible unsubordinated bonds due 2010 were excluded from the computation of diluted earnings per share in all periods presented, as their inclusion would have been antidilutive.

	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
<b>Basic earnings (loss) per share</b>	<b>(in millions, except per share data)</b>			
Income from continuing operations	\$ 363	\$ 236	\$ 148	\$ 147
Loss from discontinued operations, net of tax	(38)	(146)	(22)	(58)
<b>Net income</b>	<b>\$ 325</b>	<b>\$ 90</b>	<b>\$ 126</b>	<b>\$ 89</b>
Weighted average number of shares outstanding	2,028	2,028	2,028	2,028
Basic earnings (loss) per share:				
Income from continuing operations	\$ 0.18	\$ 0.12	\$ 0.07	\$ 0.07
Loss from discontinued operations, net of tax	(0.02)	(0.08)	(0.01)	(0.03)
<b>Net income</b>	<b>\$ 0.16</b>	<b>\$ 0.04</b>	<b>\$ 0.06</b>	<b>\$ 0.04</b>



	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
<b>Diluted earnings (loss) per share</b>	(in millions, except per share data)			
Income from continuing operations	\$ 363	\$ 236	\$ 148	\$ 147
Loss from discontinued operations, net of tax	(38)	(146)	(22)	(58)
<b>Net income</b>	<b>\$ 325</b>	<b>\$ 90</b>	<b>\$ 126</b>	<b>\$ 89</b>
Weighted average number of shares outstanding	2,028	2,028	2,028	2,028
Dilution from call options	2	1	3	1
<b>Diluted weighted average number of shares outstanding</b>	<b>2,030</b>	<b>2,029</b>	<b>2,031</b>	<b>2,029</b>
Diluted earnings (loss) per share:				
Income from continuing operations	\$ 0.18	\$ 0.12	\$ 0.07	\$ 0.07
Loss from discontinued operations, net of tax	\$ (0.02)	\$ (0.08)	\$ (0.01)	\$ (0.03)
<b>Net income</b>	<b>\$ 0.16</b>	<b>\$ 0.04</b>	<b>\$ 0.06</b>	<b>\$ 0.04</b>

**Note 9 Stock-based compensation**

The Company has certain employee incentive plans under which it offers stock and stock-based securities to employees. The Company accounts for such stock and stock-based securities using the intrinsic value method of APB Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*, as permitted by Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock Based Compensation*. All stock-based securities were issued with exercise prices greater than or equal to the market prices of the stock on the dates of grant. Accordingly, the Company has recorded no compensation expense related to these securities, except in circumstances when a participant receives appreciation rights or ceases to be employed by a consolidated subsidiary, such as after a divestment by the Company. Based on the criteria of Company's performance incentive share plan and in accordance with APB 25 variable accounting treatment, the Company recorded no compensation expense for the stock offered under this plan in the first half and second quarter of 2005.

The following table illustrates the effect on net income and on income per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation. Fair value of the stock and stock-based securities offered to employees was determined on the date of grant by using a dynamic proprietary option-pricing model.



	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
	(in millions, except per share data)			
Net income, as reported	\$ 325	\$ 90	\$ 126	\$ 89
Less: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(4)	(4)	(2)	(2)
<b>Pro forma net income</b>	<b>\$ 321</b>	<b>\$ 86</b>	<b>\$ 124</b>	<b>\$ 87</b>
Basic and diluted income per share:				
Basic - as reported	\$ 0.16	\$ 0.04	\$ 0.06	\$ 0.04
Basic - pro forma	\$ 0.16	\$ 0.04	\$ 0.06	\$ 0.04
Diluted - as reported	\$ 0.16	\$ 0.04	\$ 0.06	\$ 0.04
Diluted - pro forma	\$ 0.16	\$ 0.04	\$ 0.06	\$ 0.04

#### **Note 10 Commitments and contingencies**

On March 21, 2005, the Company announced that it had reached agreement on certain settlement points that would form the basis for revised plans of reorganization for its U.S. subsidiaries, Combustion Engineering (CE) and ABB Lummus Global Inc., to resolve the asbestos claims of both companies following the U.S. Third Circuit Court of Appeals decision of December 2, 2004.

A revised CE Plan of Reorganization was filed with the U.S. Bankruptcy Court in Pittsburgh, Pennsylvania, on June 24, 2005. A hearing on the plan's Disclosure Statement before the Bankruptcy Court is scheduled for August 19, 2005, after which the plan will be submitted to claimants for a vote of approval. The Company continues to work with the various parties to the settlement points in an effort to resolve all of the issues in a timely manner.

#### **Note 11 New accounting pronouncements**

In December 2004, the Financial Accounting Standards Board issued Statement No. 123(R) (SFAS 123R), *Share-Based Payment*, which replaces SFAS 123 and APB 25, *Accounting for Stock Issued to Employees*, and requires the Company to measure compensation cost for all share-based payments at fair value. On April 14, 2005, the U.S. Securities and Exchange Commission announced the adoption of a new rule that amends the compliance dates for SFAS 123R. As a result of this announcement, the Company plans to adopt SFAS 123R as of January 1, 2006. The Company will recognize share-based employee compensation cost from January 1, 2006, as if the fair-value based accounting method had been used to account for all employee awards granted, modified, or settled after the effective date and for any awards that were not fully vested as of the effective date. Based on currently existing share-based compensation plans, the Company does not expect the adoption of SFAS 123R to have a material impact on its financial position or results of operations.

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143*. FIN 47 clarifies that the term conditional asset retirement obligation as used in Financial Accounting Standards Board Statement No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Thus, the timing and/or method of settlement may be conditional on a future event. Accordingly, the Company



may be required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation is to be recognized when incurred—generally upon acquisition, construction, or development and/or through the normal operation of the asset. The Company will implement FIN 47 in the fourth quarter of 2005 and is currently in the process of evaluating the impact of FIN 47 on its financial position and results of operations, if any. The adoption of FIN 47 may result in a cumulative change in accounting principle.

At the June 15–16, 2005 Emerging Issues Task Force (EITF) meeting, the EITF reached a consensus on Issue No. 05-5 (EITF 05-5), *Accounting for Early Retirement or Postemployment Programs with Specific Features (such as Terms Specified in Altersteilzeit Early Retirement Arrangements)*, that the Financial Accounting Standards Board ratified on June 29, 2005. Altersteilzeit (ATZ) is an early retirement program designed to create an incentive for employees, within a certain age group, to leave their employers before the legal retirement age. The issue addresses how to account for salary and bonus components as well as subsidies earned from the government. EITF 05-5 is effective for the first quarter of 2006 and any impact will be reported as a change in accounting estimate effected by a change in accounting principle as described in paragraph 19 of Statement 154, *Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3*. The Company is currently in the process of evaluating the impact, if any, of EITF 05-5.

### **Note 12 Segment and geographic data**

The Company is structured into two core divisions: Power Technologies, which employed approximately 40,900 people at June 30, 2005, and Automation Technologies, which employed approximately 56,300 people at June 30, 2005. The remaining operations of the Company are grouped in Non-core activities and Corporate activities.

- The Power Technologies division produces transformers, switchgear, breakers, capacitors, cables and other products and technologies for high and medium-voltage applications. It serves electric, gas, and water utilities as well as industrial and commercial customers, with a broad range of products, systems and services for power transmission, distribution and power plant automation. The division's principal customers are electric, gas and water utilities, owners and operators of power transmission systems, utilities that own or operate networks and owners and operators of power generating plants. Other customers include gas transmission companies, local distribution companies and multi-utilities, which are involved in the transmission or distribution of more than one commodity. The division also serves industrial and commercial customers, such as operators of large commercial buildings and heavy industrial plants.
- The Automation Technologies division provides products, systems, software and services for the automation and optimization of industrial and commercial processes. Key technologies include measurement and control, instrumentation, process analysis, drives and motors, power electronics, robots, and low voltage products. These technologies are sold to customers of the automotive, cement, chemical, distribution, electronics, food and beverage, life sciences, marine, metals, mining, paper, petroleum, printing and telecommunications industries with application-specific power and automation technology.
- Non-core activities include the Company's remaining Oil, Gas and Petrochemicals business (which consists of a full service engineering company which, in addition to having expertise in engineering, procurement and construction projects, also licenses process technologies in the refining, chemical, petrochemical and polymer fields); the Company's remaining Building Systems business (which designs, builds and maintains complete installations for industrial, infrastructure and commercial facilities, integrating products manufactured by the Power Technologies and Automation Technologies divisions, as well as those from third-party suppliers); and other remaining non-core businesses (Equity Ventures, Structured Finance, New Ventures, Customer Service, Logistic Systems, and Semiconductors).
- Corporate includes Headquarters, Central Research and Development, Real Estate, Group Treasury Operations and the Financial Advisory business.

The Company evaluates performance of its segments based on earnings before interest and taxes, which excludes interest and dividend income, interest and other finance expense, provision for taxes, minority interest, and loss from discontinued



operations, net of tax. In accordance with Statement of Financial Accounting Standards No.131, *Disclosures about Segments of an Enterprise and Related Information*, the Company presents division revenues, depreciation and amortization, earnings before interest and taxes and capital expenditures. The Company accounts for inter-division sales and transfers as if the sales and transfers were to third parties, at current market prices.



**Segment data**

(in millions)	<b>Orders received</b>			
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>June 30, 2005</b>	June 30, 2004	<b>June 30, 2005</b>	June 30, 2004
Power Technologies	\$ 5,517	\$ 5,063	\$ 2,819	\$ 2,714
Automation Technologies	6,788	5,876	3,264	2,881
Non-core activities	530	907	263	288
Corporate <sup>(1)</sup>	(432)	(374)	(204)	(188)
<b>Total</b>	<b>\$ 12,403</b>	<b>\$ 11,472</b>	<b>\$ 6,142</b>	<b>\$ 5,695</b>

(in millions)	<b>Revenues</b>			
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>June 30, 2005</b>	June 30, 2004	<b>June 30, 2005</b>	June 30, 2004
Power Technologies	\$ 4,547	\$ 4,073	\$ 2,399	\$ 2,242
Automation Technologies	5,968	5,187	3,151	2,689
Non-core activities	720	863	383	476
Corporate <sup>(1)</sup>	(423)	(386)	(209)	(198)
<b>Total</b>	<b>\$ 10,812</b>	<b>\$ 9,737</b>	<b>\$ 5,724</b>	<b>\$ 5,209</b>

(in millions)	<b>Earnings before interest and taxes</b>			
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>June 30, 2005</b>	June 30, 2004	<b>June 30, 2005</b>	June 30, 2004
Power Technologies	\$ 301	\$ 330	\$ 138	\$ 184
Automation Technologies	643	479	336	263
Non-core activities	(1)	2	(10)	2
Corporate <sup>(1)</sup>	(181)	(243)	(93)	(128)
<b>Total</b>	<b>\$ 762</b>	<b>\$ 568</b>	<b>\$ 371</b>	<b>\$ 321</b>

(in millions)	<b>Depreciation and amortization</b>			
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>June 30, 2005</b>	June 30, 2004	<b>June 30, 2005</b>	June 30, 2004
Power Technologies	\$ 96	\$ 106	\$ 48	\$ 54
Automation Technologies	139	145	68	72
Non-core activities	12	8	7	3
Corporate	40	37	22	19
<b>Total</b>	<b>\$ 287</b>	<b>\$ 296</b>	<b>\$ 145</b>	<b>\$ 148</b>



(in millions)	Capital expenditures <sup>(2)</sup>			
	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Power Technologies	\$ 67	\$ 58	\$ 39	\$ 30
Automation Technologies	72	80	35	35
Non-core activities	4	7	2	4
Corporate	17	15	8	9
<b>Total</b>	<b>\$ 160</b>	<b>\$ 160</b>	<b>\$ 84</b>	<b>\$ 78</b>

	Number of employees <sup>(3)</sup>	
	June 30, 2005	December 31, 2004
Power Technologies	40,900	41,100
Automation Technologies	56,300	54,700
Non-core activities	4,500	5,100
Corporate	1,400	1,600
<b>Total</b>	<b>103,100</b>	<b>102,500</b>

**Geographic data**

(in millions)	Orders received <sup>(4)</sup>			
	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Europe	\$ 6,077	\$ 5,936	\$ 2,970	\$ 2,636
The Americas	2,371	1,776	1,212	919
Asia	2,860	2,862	1,449	1,597
Middle East and Africa	1,095	898	511	543
<b>Total</b>	<b>\$ 12,403</b>	<b>\$ 11,472</b>	<b>\$ 6,142</b>	<b>\$ 5,695</b>

(in millions)	Revenues <sup>(4)</sup>			
	Six months ended		Three months ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Europe	\$ 5,566	\$ 5,117	\$ 2,972	\$ 2,746
The Americas	1,908	1,707	1,020	870
Asia	2,317	1,969	1,238	1,080
Middle East and Africa	1,021	944	494	513
<b>Total</b>	<b>\$ 10,812</b>	<b>\$ 9,737</b>	<b>\$ 5,724</b>	<b>\$ 5,209</b>

<sup>(1)</sup> Includes adjustments to eliminate inter-division transactions.

<sup>(2)</sup> Capital expenditures reflect purchases of fixed tangible assets.

<sup>(3)</sup> Number of employees includes employees in businesses that have been classified as discontinued operations and are shown in the segment that such businesses were part of prior to their classification as discontinued operations.

<sup>(4)</sup> Orders received and revenues have been reflected in the regions based on the location of the customer, which may be different from the ultimate destination of the products' end use.