

# Press Release



## Appendix IV - Summary Financial Information

### ABB Ltd Consolidated Income Statements

|                                                                                                                     | January - December                   |                | October - December |                 |
|---------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------|--------------------|-----------------|
|                                                                                                                     | 2005                                 | 2004           | 2005               | 2004            |
|                                                                                                                     | (unaudited)                          | (unaudited)    | (unaudited)        | (unaudited)     |
|                                                                                                                     | (in millions, except per share data) |                |                    |                 |
| Sales of products                                                                                                   | \$ 18,737                            | \$ 17,309      | \$ 5,025           | \$ 4,972        |
| Sales of services                                                                                                   | 3,705                                | 3,301          | 1,037              | 965             |
| <b>Total revenues</b>                                                                                               | <b>22,442</b>                        | <b>20,610</b>  | <b>6,062</b>       | <b>5,937</b>    |
| Cost of products                                                                                                    | (14,263)                             | (13,365)       | (3,708)            | (3,951)         |
| Cost of services                                                                                                    | (2,567)                              | (2,316)        | (823)              | (679)           |
| Total cost of sales                                                                                                 | (16,830)                             | (15,681)       | (4,531)            | (4,630)         |
| <b>Gross profit</b>                                                                                                 | <b>5,612</b>                         | <b>4,929</b>   | <b>1,531</b>       | <b>1,307</b>    |
| Selling, general and administrative expenses                                                                        | (3,922)                              | (3,822)        | (1,011)            | (1,009)         |
| Other income (expense), net                                                                                         | 52                                   | (61)           | --                 | (48)            |
| <b>Earnings before interest and taxes</b>                                                                           | <b>1,742</b>                         | <b>1,046</b>   | <b>520</b>         | <b>250</b>      |
| Interest and dividend income                                                                                        | 157                                  | 151            | 41                 | 40              |
| Interest and other finance expense                                                                                  | (403)                                | (360)          | (90)               | (102)           |
| <b>Income from continuing operations before taxes, minority interest and cumulative effect of accounting change</b> | <b>1,496</b>                         | <b>837</b>     | <b>471</b>         | <b>188</b>      |
| Provision for taxes                                                                                                 | (482)                                | (331)          | (134)              | (65)            |
| Minority interest                                                                                                   | (131)                                | (102)          | (47)               | (37)            |
| <b>Income from continuing operations before cumulative effect of accounting change</b>                              | <b>883</b>                           | <b>404</b>     | <b>290</b>         | <b>86</b>       |
| Loss from discontinued operations, net of tax                                                                       | (143)                                | (439)          | (63)               | (309)           |
| <b>Income (loss) before cumulative effect of accounting change</b>                                                  | <b>740</b>                           | <b>(35)</b>    | <b>227</b>         | <b>(223)</b>    |
| Cumulative effect of accounting change, net of tax                                                                  | (5)                                  | --             | (5)                | --              |
| <b>Net income (loss)</b>                                                                                            | <b>\$ 735</b>                        | <b>\$ (35)</b> | <b>\$ 222</b>      | <b>\$ (223)</b> |

#### *Basic earnings (loss) per share:*

|                                                                                 |                |                  |                |                  |
|---------------------------------------------------------------------------------|----------------|------------------|----------------|------------------|
| Income from continuing operations before cumulative effect of accounting change | \$ 0.44        | \$ 0.20          | \$ 0.14        | \$ 0.04          |
| Loss from discontinued operations, net                                          | (0.08)         | (0.22)           | (0.03)         | (0.15)           |
| Cumulative effect of accounting change, net                                     | --             | --               | --             | --               |
| <b>Net income (loss)</b>                                                        | <b>\$ 0.36</b> | <b>\$ (0.02)</b> | <b>\$ 0.11</b> | <b>\$ (0.11)</b> |

#### *Diluted earnings (loss) per share:*

|                                                                                 |                |                  |                |                  |
|---------------------------------------------------------------------------------|----------------|------------------|----------------|------------------|
| Income from continuing operations before cumulative effect of accounting change | \$ 0.43        | \$ 0.20          | \$ 0.14        | \$ 0.04          |
| Loss from discontinued operations, net                                          | (0.07)         | (0.22)           | (0.03)         | (0.15)           |
| Cumulative effect of accounting change, net                                     | --             | --               | --             | --               |
| <b>Net income (loss)</b>                                                        | <b>\$ 0.36</b> | <b>\$ (0.02)</b> | <b>\$ 0.11</b> | <b>\$ (0.11)</b> |

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## ABB Ltd Consolidated Balance Sheets

|                                                                                                                                              | At<br>December 31<br>2005<br>(unaudited) | At<br>September 30<br>2005<br>(unaudited) | At<br>December 31<br>2004<br>(unaudited) |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------|------------------------------------------|
|                                                                                                                                              | (in millions, except share data)         |                                           |                                          |
| Cash and equivalents                                                                                                                         | \$ 3,226                                 | \$ 2,987                                  | \$ 3,676                                 |
| Marketable securities and short-term investments                                                                                             | 368                                      | 639                                       | 524                                      |
| Receivables, net                                                                                                                             | 6,515                                    | 6,539                                     | 6,284                                    |
| Inventories, net                                                                                                                             | 3,074                                    | 3,397                                     | 3,178                                    |
| Prepaid expenses                                                                                                                             | 251                                      | 272                                       | 334                                      |
| Deferred taxes                                                                                                                               | 473                                      | 511                                       | 670                                      |
| Other current assets                                                                                                                         | 189                                      | 207                                       | 449                                      |
| Assets held for sale and in discontinued operations                                                                                          | 52                                       | 410                                       | 600                                      |
| <b>Total current assets</b>                                                                                                                  | <b>14,148</b>                            | <b>14,962</b>                             | <b>15,715</b>                            |
| Financing receivables, non-current                                                                                                           | 645                                      | 675                                       | 889                                      |
| Property, plant and equipment, net                                                                                                           | 2,565                                    | 2,626                                     | 2,964                                    |
| Goodwill                                                                                                                                     | 2,479                                    | 2,492                                     | 2,602                                    |
| Other intangible assets, net                                                                                                                 | 349                                      | 379                                       | 492                                      |
| Prepaid pension and other employee benefits                                                                                                  | 605                                      | 511                                       | 549                                      |
| Investments in equity method companies                                                                                                       | 618                                      | 620                                       | 596                                      |
| Deferred taxes                                                                                                                               | 628                                      | 574                                       | 504                                      |
| Other non-current assets                                                                                                                     | 239                                      | 280                                       | 366                                      |
| <b>Total assets</b>                                                                                                                          | <b>\$ 22,276</b>                         | <b>\$ 23,119</b>                          | <b>\$ 24,677</b>                         |
| Accounts payable, trade                                                                                                                      | \$ 3,321                                 | \$ 3,966                                  | \$ 4,256                                 |
| Accounts payable, other                                                                                                                      | 1,172                                    | 1,234                                     | 1,424                                    |
| Short-term debt and current maturities of long-term debt                                                                                     | 169                                      | 512                                       | 626                                      |
| Advances from customers                                                                                                                      | 1,005                                    | 975                                       | 929                                      |
| Deferred taxes                                                                                                                               | 187                                      | 177                                       | 200                                      |
| Provisions and other                                                                                                                         | 3,769                                    | 3,434                                     | 3,666                                    |
| Accrued expenses                                                                                                                             | 1,909                                    | 1,575                                     | 1,624                                    |
| Liabilities held for sale and in discontinued operations                                                                                     | 74                                       | 477                                       | 734                                      |
| <b>Total current liabilities</b>                                                                                                             | <b>11,606</b>                            | <b>12,350</b>                             | <b>13,459</b>                            |
| Long-term debt                                                                                                                               | 3,933                                    | 4,000                                     | 4,717                                    |
| Pension and other employee benefits                                                                                                          | 1,233                                    | 1,491                                     | 1,551                                    |
| Deferred taxes                                                                                                                               | 692                                      | 719                                       | 750                                      |
| Other liabilities                                                                                                                            | 988                                      | 968                                       | 1,082                                    |
| <b>Total liabilities</b>                                                                                                                     | <b>18,452</b>                            | <b>19,528</b>                             | <b>21,559</b>                            |
| Minority interest                                                                                                                            | 341                                      | 294                                       | 294                                      |
| Stockholders' equity:                                                                                                                        |                                          |                                           |                                          |
| Capital stock and additional paid-in capital                                                                                                 | 3,121                                    | 3,083                                     | 3,083                                    |
| Retained earnings                                                                                                                            | 2,460                                    | 2,238                                     | 1,725                                    |
| Accumulated other comprehensive loss                                                                                                         | (1,962)                                  | (1,886)                                   | (1,846)                                  |
| Less: Treasury stock, at cost (11,531,106, 11,623,309 and 11,611,529 shares at December 31, 2005, September 30, 2005, and December 31, 2004) | (136)                                    | (138)                                     | (138)                                    |
| <b>Total stockholders' equity</b>                                                                                                            | <b>3,483</b>                             | <b>3,297</b>                              | <b>2,824</b>                             |
| <b>Total liabilities and stockholders' equity</b>                                                                                            | <b>\$ 22,276</b>                         | <b>\$ 23,119</b>                          | <b>\$ 24,677</b>                         |

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## ABB Ltd Consolidated Statements of Cash Flows

|                                                                                                              | January - December<br>2005 |                 | October - December<br>2004 |                 |
|--------------------------------------------------------------------------------------------------------------|----------------------------|-----------------|----------------------------|-----------------|
|                                                                                                              | (unaudited)                | (unaudited)     | (unaudited)                | (unaudited)     |
|                                                                                                              | (in millions)              |                 |                            |                 |
| <b>Operating activities:</b>                                                                                 |                            |                 |                            |                 |
| Net income (loss)                                                                                            | \$ 735                     | \$ (35)         | \$ 222                     | \$ (223)        |
| <i>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</i>              |                            |                 |                            |                 |
| Depreciation and amortization                                                                                | 597                        | 633             | 154                        | 195             |
| Provisions                                                                                                   | 496                        | 92              | 311                        | 228             |
| Pension and post-retirement benefits                                                                         | (62)                       | 55              | (116)                      | (11)            |
| Deferred taxes                                                                                               | 38                         | 3               | 37                         | 8               |
| Net gain from sale of property, plant and equipment                                                          | (44)                       | (36)            | (8)                        | (10)            |
| Income before taxes from equity accounted companies                                                          | (109)                      | (87)            | (31)                       | (29)            |
| Minority interest                                                                                            | 131                        | 102             | 48                         | 37              |
| Loss on sale of discontinued operations                                                                      | 23                         | 63              | 23                         | 20              |
| Other                                                                                                        | 96                         | 152             | (65)                       | 20              |
| <i>Changes in operating assets and liabilities:</i>                                                          |                            |                 |                            |                 |
| Marketable securities (trading)                                                                              | 1                          | 43              | --                         | 1               |
| Trade receivables                                                                                            | (892)                      | (160)           | (338)                      | (4)             |
| Inventories                                                                                                  | (328)                      | (74)            | 255                        | 357             |
| Trade payables                                                                                               | 26                         | (63)            | (34)                       | (57)            |
| Other assets and liabilities, net                                                                            | 304                        | 214             | 237                        | 366             |
| <b>Net cash provided by operating activities</b>                                                             | <b>1,012</b>               | <b>902</b>      | <b>695</b>                 | <b>898</b>      |
| <b>Investing activities:</b>                                                                                 |                            |                 |                            |                 |
| Changes in financing receivables                                                                             | 229                        | 176             | 96                         | 69              |
| Purchases of marketable securities (other than trading)                                                      | (1,915)                    | (2,877)         | (347)                      | (594)           |
| Purchases of property, plant and equipment                                                                   | (456)                      | (543)           | (143)                      | (199)           |
| Acquisitions of businesses (net of cash acquired)                                                            | (27)                       | (24)            | (11)                       | (1)             |
| Proceeds from sales of marketable securities (other than trading)                                            | 1,833                      | 2,317           | 408                        | 352             |
| Proceeds from sales of property, plant and equipment                                                         | 117                        | 123             | 70                         | 30              |
| Proceeds from sales of businesses (net of cash disposed)                                                     | (97)                       | 1,182           | (34)                       | 54              |
| <b>Net cash provided by (used in) investing activities</b>                                                   | <b>(316)</b>               | <b>354</b>      | <b>39</b>                  | <b>(289)</b>    |
| <b>Financing activities:</b>                                                                                 |                            |                 |                            |                 |
| Changes in borrowings                                                                                        | (832)                      | (2,752)         | (404)                      | 29              |
| Treasury and capital stock transactions                                                                      | 35                         | (36)            | 35                         | --              |
| Other                                                                                                        | (99)                       | 43              | (92)                       | (12)            |
| <b>Net cash provided by (used in) financing activities</b>                                                   | <b>(896)</b>               | <b>(2,745)</b>  | <b>(461)</b>               | <b>17</b>       |
| Effects of exchange rate changes on cash and equivalents                                                     | (259)                      | 74              | (34)                       | 84              |
| Adjustment for the net change in cash and equivalents in assets held for sale and in discontinued operations | 9                          | 308             | --                         | 3               |
| <b>Net change in cash and equivalents - continuing operations</b>                                            | <b>(450)</b>               | <b>(1,107)</b>  | <b>239</b>                 | <b>713</b>      |
| Cash and equivalents beginning of period                                                                     | 3,676                      | 4,783           | 2,987                      | 2,963           |
| <b>Cash and equivalents end of period</b>                                                                    | <b>\$ 3,226</b>            | <b>\$ 3,676</b> | <b>\$ 3,226</b>            | <b>\$ 3,676</b> |
| Interest paid                                                                                                | \$ 332                     | \$ 382          | \$ 81                      | \$ 74           |
| Taxes paid                                                                                                   | \$ 325                     | \$ 379          | \$ 60                      | \$ 75           |

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## ABB Ltd

### Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2004 & 2005 (unaudited)

| (in millions)                                                                               | Accumulated other comprehensive loss         |                   |                                         |                                                         |                                      |                                                       |                                            |                 | Treasury stock  | Total stockholders' equity |
|---------------------------------------------------------------------------------------------|----------------------------------------------|-------------------|-----------------------------------------|---------------------------------------------------------|--------------------------------------|-------------------------------------------------------|--------------------------------------------|-----------------|-----------------|----------------------------|
|                                                                                             | Capital stock and additional paid-in capital | Retained earnings | Foreign currency translation adjustment | Unrealized gain (loss) 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</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 loss:                                                                         |                                              |                   |                                         |                                                         |                                      |                                                       |                                            |                 |                 |                            |
| Net loss                                                                                    |                                              | (35)              |                                         |                                                         |                                      |                                                       |                                            |                 | (35)            |                            |
| Foreign currency translation adjustments                                                    |                                              |                   | 19                                      |                                                         |                                      |                                                       | 19                                         |                 | 19              |                            |
| Accumulated foreign currency translation adjustments allocated to divestments of businesses |                                              |                   | 20                                      |                                                         |                                      |                                                       | 20                                         |                 | 20              |                            |
| Effect of change in fair value of available-for-sale securities (net of tax, \$6)           |                                              |                   |                                         | (15)                                                    |                                      |                                                       | (15)                                       |                 | (15)            |                            |
| Minimum pension liability adjustments (net of tax, \$37)                                    |                                              |                   |                                         |                                                         | (69)                                 |                                                       | (69)                                       |                 | (69)            |                            |
| Change in derivatives qualifying as cash flow hedges (net of tax, \$16)                     |                                              |                   |                                         |                                                         |                                      | (29)                                                  | (29)                                       |                 | (29)            |                            |
| Total comprehensive loss                                                                    |                                              |                   |                                         |                                                         |                                      |                                                       |                                            |                 | (109)           |                            |
| Call options                                                                                | 8                                            |                   |                                         |                                                         |                                      |                                                       |                                            |                 | 8               |                            |
| Other                                                                                       | 8                                            |                   |                                         |                                                         |                                      |                                                       |                                            |                 | 8               |                            |
| <b>Balance at December 31, 2004</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                                                                                  |                                              | 735               |                                         |                                                         |                                      |                                                       |                                            |                 | 735             |                            |
| Foreign currency translation adjustments                                                    |                                              |                   | (52)                                    |                                                         |                                      |                                                       | (52)                                       |                 | (52)            |                            |
| Accumulated foreign currency translation adjustments allocated to divestments of businesses |                                              |                   | 4                                       |                                                         |                                      |                                                       | 4                                          |                 | 4               |                            |
| Effect of change in fair value of available-for-sale securities (net of tax, \$2)           |                                              |                   |                                         | (11)                                                    |                                      |                                                       | (11)                                       |                 | (11)            |                            |
| Minimum pension liability adjustments (net of tax, \$0)                                     |                                              |                   |                                         |                                                         | (8)                                  |                                                       | (8)                                        |                 | (8)             |                            |
| Change in derivatives qualifying as cash flow hedges (net of tax, \$24)                     |                                              |                   |                                         |                                                         |                                      | (49)                                                  | (49)                                       |                 | (49)            |                            |
| Total comprehensive income                                                                  |                                              |                   |                                         |                                                         |                                      |                                                       |                                            |                 | 619             |                            |
| Employee plan issuances                                                                     | 39                                           |                   |                                         |                                                         |                                      |                                                       |                                            |                 | 39              |                            |
| Treasury share transactions                                                                 | (1)                                          |                   |                                         |                                                         |                                      |                                                       |                                            | 2               | 1               |                            |
| <b>Balance at December 31, 2005</b>                                                         | <b>\$ 3,121</b>                              | <b>\$ 2,460</b>   | <b>\$ (1,756)</b>                       | <b>\$ 1</b>                                             | <b>\$ (214)</b>                      | <b>\$ 7</b>                                           | <b>\$ (1,962)</b>                          | <b>\$ (136)</b> | <b>\$ 3,483</b> |                            |

## Appendix V

### ABB Ltd

#### Reconciliation of financial measures regarding fiscal year 2005

(\$ millions, unaudited)

| <b>Return on capital employed (after tax)</b>                                                                |              |
|--------------------------------------------------------------------------------------------------------------|--------------|
| <b>EBIT</b>                                                                                                  | <b>1,742</b> |
| <b>Tax rate</b>                                                                                              |              |
| Provision for taxes                                                                                          | (482)        |
| Income from continuing operations before taxes, minority interest and cumulative effect of accounting change | 1,496        |
| Effective tax rate                                                                                           | 32.2%        |
| <b>Capital employed</b>                                                                                      |              |
| Property, plant and equipment, net                                                                           | 2,565        |
| Goodwill                                                                                                     | 2,479        |
| Other intangible assets, net                                                                                 | 349          |
| Investments in equity method companies                                                                       | 618          |
| <b>Fixed assets</b>                                                                                          | <b>6,011</b> |
| Receivables, net                                                                                             | 6,515        |
| Inventories, net                                                                                             | 3,074        |
| Prepaid expenses                                                                                             | 251          |
| Accounts payable, trade                                                                                      | (3,321)      |
| Accounts payable, other                                                                                      | (1,172)      |
| Advances from customers                                                                                      | (1,005)      |
| Accrued expenses                                                                                             | (1,909)      |
| <b>Net working capital</b>                                                                                   | <b>2,433</b> |
| <b>Capital employed (fixed assets + net working capital)</b>                                                 | <b>8,444</b> |
| <b>ROCE (after tax) = EBIT x (1-tax rate) / Capital employed</b>                                             | <b>14%</b>   |

**Return on capital employed (ROCE)** is a financial measure defined in Appendix II to this press release. Management believes ROCE is a useful performance measure to assess how efficiently we are using our capital and it has published a ROCE performance target for 2009.

## Appendix V (cont'd)

| <b>Free cash flow as a share of net income</b>           |                |
|----------------------------------------------------------|----------------|
| Net cash provided by operating activities                | 1,012          |
| Changes in financing receivables                         | 229            |
| Purchases of property, plant and equipment               | (456)          |
| Proceeds from sales of property, plant and equipment     | 117            |
| <b>Free cash flow</b>                                    | <b>902</b>     |
| Net income                                               | 735            |
| <b>Free cash flow as a share of net income</b>           | <b>123%</b>    |
| <b>Net debt</b>                                          |                |
| Short-term debt and current maturities of long-term debt | (169)          |
| Long-term debt                                           | (3,933)        |
| <b>Total debt</b>                                        | <b>(4,102)</b> |
| Cash and equivalents                                     | 3,226          |
| Marketable securities and short-term investments         | 368            |
| <b>Cash and marketable securities</b>                    | <b>3,594</b>   |
| <b>Net debt</b>                                          | <b>(508)</b>   |
| <b>Gearing</b>                                           |                |
| Total debt                                               | (4,102)        |
| Total stockholders' equity                               | 3,483          |
| Minority interest                                        | 341            |
| <b>Gearing</b>                                           | <b>52%</b>     |

**Free cash flow (FCF)** is a financial measure defined in Appendix II of this press release. **Free cash flow as a share of net income (also referred to as cash conversion ratio)** is a financial measure that is calculated by dividing our FCF by our net income. Management believes our CFC and our cash conversion ratio are measures that are helpful in analyzing the cash we generate and it uses our **Free cash flow as a share of net income** as one of our performance targets.

**Net debt** is a financial measure that is calculated as our total debt less cash and equivalents less our marketable securities and short term investments.

**Gearing** is a financial measure that is calculated as our total debt divided by the sum of total debt plus total stockholder's equity, including minority interest. **Total debt** used for the purpose of calculating net debt and gearing equals Long-term debt plus Short-term debt and current maturities of long-term debt. Management believes net debt and gearing are helpful in analyzing our leverage and it considers both measures in evaluating possible financing transactions.