

# 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 December 31 2005 (unaudited)	At September 30 2005 (unaudited)	At December 31 2004 (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 2005		October - December 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.