

ABB Annual Report 2006

Operational review

Power and productivity for a better world



ABB



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Caution concerning forward-looking statements

The ABB Annual Report 2006 includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have based these forward-looking statements largely on current expectations, estimates and projections about future events, financial trends and economic conditions affecting our business. The words "believe", "may", "will", "estimate", "continue", "target", "anticipate", "intend", "expect" and similar words and the express or implied discussion of strategy, plans or intentions are intended to identify forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, including among other things, the following: (i) the difficulty of forecasting future market and economic conditions; (ii) the effects of, and changes in, laws, regulations, governmental policies, taxation, or accounting standards and practices; (iii) changes in raw materials prices; (iv) the effects of competition and changes in economic and market conditions in the product markets and geographic areas in which we operate; (v) our ability to anticipate and react to technological change and evolving industry standards in the markets in which we operate; (vi) the timely development of new products, technologies, and services that are useful for our customers; (vii) unanticipated cyclical downturns in the industries that we serve; (viii) the risks inherent in large, long-term projects served by parts of our business; (ix) the difficulties encountered in operating in emerging markets; (x) the amount of revenues we are able to generate from backlog and orders received; (xi) changes in interest rates and fluctuations in currency exchange rates and (xii) other factors described in documents that we may furnish from time to time with the U.S. Securities and Exchange Commission, including our Annual Reports on Form 20-F. Although we believe that the expectations reflected in any such forward-looking statements are based on reasonable assumptions, we can give no assurance that they will be achieved. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances might not occur. Our actual results and performance could differ substantially from those anticipated in our forward-looking statements.

This is ABB

Rising demand for energy and its impact on the environment are the defining challenges of this century.

ABB is tackling these issues by providing solutions for the secure and energy-efficient transmission and distribution of electricity and for increasing productivity in industrial, commercial and utility operations.

That's why ABB stands for "Power and productivity for a better world."

Total ABB Group

\$ millions unless otherwise indicated

	2006	2005 ¹
Orders	28,401	23,194
Revenues	24,412	22,012
Earnings before interest and taxes (EBIT)	2,586	1,778
as % of revenues	10.6%	8.1%
Net income	1,390	735
as % of revenues	5.7%	3.3%
Diluted earnings per share (\$)	0.63	0.36
Dividend per share in CHF (proposed)	0.24	0.12
Cash flow from operations	1,939	1,012
Free cash flow	1,598	902
as % of net income	115%	123%
Return on capital employed	20%	14%
Number of employees	108,000	104,000

¹Adjusted to reflect the reclassification of activities to Discontinued operations

Letter from the Chairman, and from the President and CEO



Jürgen Dormann,
Chairman



Fred Kindle,
President and CEO

Dear shareholders,

The past year was truly successful for ABB. Profitable organic growth was our goal for 2006, and that is what our company delivered. We fulfilled our promise to focus more on execution in our operations. Quality, cost, and risk management were at the top of our internal agenda. We continued to simplify the company's structure to align it with the requirements of this focus as well as the necessities of an open global market, and we lowered corporate costs.

The results have vindicated our approach. We met our key financial objectives for 2009 three years early, and have made significant progress toward our goal of becoming the world's top engineering company in terms of growth, profitability, sustainability and ethical behavior.

Achieving our goals has strengthened trust in ABB among our customers, investors, the public and employees.

There are three main reasons for our success in 2006: the strength of our offering, the strength of the markets, and the strength of our culture.

Strength of offering

For several years now, ABB has focused on its core power and automation businesses. We are number one, two or three in all our major product lines in terms of market share.

Our leading market position in power and automation technologies is the fruit of traditional ABB strengths such as innovation, quality, proximity to customers and speed.

One of our biggest projects in 2006, the Estlink power connection between Estonia and Finland, demonstrated these virtues. Using environmentally friendly technology pioneered by ABB, we deliv-

ered the power link in just 19 months, a record for this type of installation.

We spent about \$1.1 billion on research and order-related development in the five divisions in 2006 to secure our leadership positions. We believe that successful innovation and R&D have been and will be vital to ABB's success, and we are investing considerable resources in this field.

Strength of markets

The markets have undoubtedly played an important part as well. The expanding economies of Asia, the Middle East and other regions are obvious contributors to ABB's rapid organic growth, and are also supporting growth in mature markets. In Europe and North America we have seen demand rising because the existing energy infrastructure is no longer meeting today's requirements.

Industrial customers need solutions that will raise productivity and save energy, while utilities are investing in equipment to provide reliable power supplies with low environmental impact. ABB's orders grew by double digits in all regions.

All divisions had excellent results, except for Robotics, which faced continued weak demand in the important automotive sector.

Aggressive measures were launched in 2006 to diversify our robotics business into more general industries and to streamline products and processes that will improve the division's competitive edge. These included the establishment of the division's global headquarters in Shanghai, a step that followed the opening of an R&D center in the city and the migration of a production line from Europe to China.

The Power Products division achieved order growth of about 25 percent, and

revenues and profitability also increased. Power Systems had an excellent year, culminating in a \$450-million order from Qatar General Electricity and Water Corporation (Kahramaa) in the fourth quarter, the biggest transmission and substations order ABB has ever received.

Demand for automation products and systems was driven by the continued efforts of customers to expand capacity and to increase the efficiency and productivity of their facilities. China and India led a 24-percent surge in orders in the Automation Products division, and Process Automation benefited from strong demand, particularly in the oil and gas industry and in the minerals industry.

But the picture is not as simple as it looks. Markets are not only growing, they are changing and becoming more open, and this is putting new demands on companies.

The traditional structure of multinationals, with smaller versions of the parent company replicated in countries around the world, will no longer do. There is too much overlap and inefficiency.

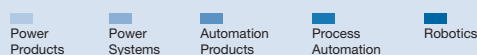
To be successful and compete in the longer term, ABB is developing a globally integrated structure, where jobs are allocated to those who best suit the challenge. In some cases, cost will be the deciding factor, in others it will be expertise, proximity to customers, or other factors.

Strength of culture

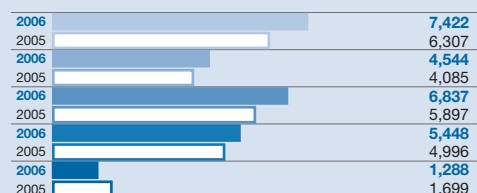
The need to adopt a global approach is a tremendous opportunity for ABB. The changes required will not be achieved overnight, although we have made considerable progress. The ultimate goal is to enhance competitiveness by fostering innovation, increasing customer orientation and driving efficiency by using our global reach and resources.

Highlights

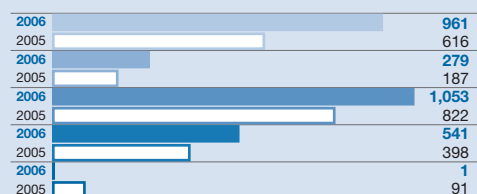
- Net income rises 89 percent to \$1.39 billion.
- Order backlog increases 42 percent to almost \$17 billion.
- Earnings before interest and taxes (EBIT) rise 45 percent to a record \$2.59 billion; EBIT margin, or EBIT as a percentage of revenues, increases to 10.6 percent from 8.1 percent in 2005.
- Cash flow from operations almost doubles to \$1.94 billion.
- Net cash (total cash and marketable securities less total debt) was \$1.51 billion at the end of 2006, compared with net debt of \$513 million a year earlier.
- Board of Directors proposes doubling the dividend to CHF 0.24 per share, subject to the approval of shareholders at the annual general meeting.
- Two U.S. subsidiaries, Combustion Engineering and ABB Lummus Global, settle all asbestos claims against them.



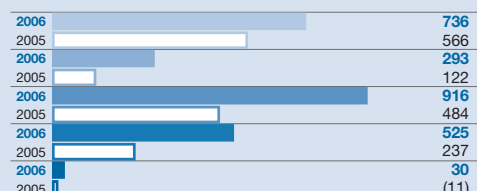
Core division revenues (\$ millions)



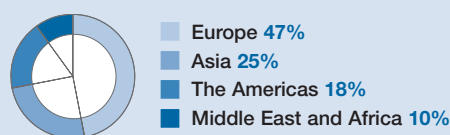
Core division EBIT (\$ millions)



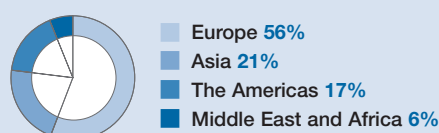
Core division cash flow from/(used in) operations 2005–2006 (\$ millions)



Revenues by region



Group employees by region



In production, we have assigned global responsibility for product development to particular factories around the world, concentrating our resources to ensure quality. Internally, we are streamlining our operations in human resources, information technology and finance to raise efficiency.

At the individual level, we are helping employees to play more active roles in the company. More than 15,000 people have now taken part in our Leadership Challenge program, which is available to employees at all levels, and encourages participants to think as “leaders,” to take decisions and to act.

And what is particularly pleasing is the extent to which the revitalized culture within the organization is contributing to our success.

Amid the day-to-day pressure of helping our customers achieve their aims and ensuring the timely delivery of quality products and systems, we have not lost sight of the tasks we set ourselves to improve the way we work. We have maintained operational discipline, we have continued to streamline our processes and we have delivered on our promise to reduce corporate costs.

And this target was achieved despite significant investments to successfully comply with the Sarbanes-Oxley Act and launch an ambitious project to improve our internal processes and systems.

Improved transparency, communication and accountability are signs of this change. A culture of responsibility, respect and determination is taking hold.

These values permeate a new Code of Conduct that aims to ensure all employees understand the part that they, as individuals, can play in the company's success. The Code is built on an earlier guide to business ethics, but goes much further. It also emphasizes the importance of quality, diversity and the highest health and safety standards.

ABB today is a place where the competence and values of a person are important, not their origin, giving our company a truly global quality. Efforts to increase diversity, particularly where it concerns gender, have had some success. We have attracted several highly qualified women to top positions in the company.

We have also expanded the Executive Committee to include our general counsel, a reflection of the importance we place on excellence in legal and compliance matters.

We are pleased, and relieved, that the long and painful asbestos chapter in ABB's history was closed in 2006 when Combustion Engineering and ABB Lummus Global settled all claims against them. The resolution of this matter draws a line under the uncertainty surrounding the asbestos liabilities, bringing benefits to both claimants and ABB.

This paved the way for our decision in early 2007 to start the process of divesting Lummus, whose processing technologies for the oil and gas industry don't fit our strategy of focusing on our strengths in the power and automation businesses.

Continuous improvement

Our employees deserve special thanks for the achievements of 2006. These have demanded a particular effort at a

ABB orders rose 22 percent in 2006 to

\$28.4 billion
and revenues increased 11 percent.

time when the pace of order growth already required exceptional commitment to meet the needs of our customers. Of course there are still areas for improvement.

The return on capital employed (ROCE) increased to

20%

in 2006 from 14 percent a year earlier.

We must do more to make ABB a safer work environment. We have the structures in place to ensure employees are getting effective training. The statistics on work-related incidents trend in the right direction, yet colleagues still lost their lives or were seriously injured in 2006.

Our “zero tolerance” approach to breaches of ethical business rules has been well publicized and strictly enforced, yet incidents still occur. We will continue to enforce full compliance in the firm belief that proper business conduct is the hallmark of a sound organization.

And, as mentioned, the world is changing fast and requires us to change with it, thinking on our feet, in order to remain competitive. The acceleration of economic growth in many emerging markets is an opportunity for ABB to achieve a better balance in its global presence.

Enviably position

In 2006, the strength of our offering, our markets and our culture resulted in our best financial results in years. In addition, we moved from a position of net debt to one of net cash, further increased the ratio of equity to total assets and continued to reduce gearing.

The improvements have been recognized and rewarded by the financial markets. After a rapid increase in 2005, our share price rose again substantially in 2006 and the rating agencies restored our debt to a solid investment grade rating.

ABB is now in an enviable position: The comprehensive review of our strategy this year will be made from a position of strength.

Now that the balance sheet is stronger and, above all, now that ABB is a more robust and homogeneous business, we have the leeway to consider acquisitions again.

Some gaps remain in the geographical presence of our businesses and in the company's portfolio of products, so that the goal would be to acquire new technology or new product lines.

Free cash flow rose to \$1.6 billion, equivalent to

115%

of 2006 net income.

The main focus will be on finding acquisition opportunities that will expand the Power Products and Automation Products divisions. We will also evaluate opportunities that arise in the Power Systems and Process Automation divisions, although the priority in these businesses remains the internal work to improve their operations.

We have built a reputation for delivering on our promises and will not put that at risk. We will approach potential targets with caution to make sure that any business we buy will generate value and not burden the company with undue risk. Whether we can meet our ambitions with the right acquisitions remains to be seen.

With or without acquisitions, it is already clear that there are several long-term trends set to support ABB for years to come.

Addressing the need for reliable supplies of electricity is a top priority the world over. Mature markets are upgrading

aging power transmission and distribution networks while emerging economies are expanding their grids as demand rises.

Secondly, increasingly global markets are forcing companies to become more competitive. This is driving investment in products and systems to raise productivity and reduce costs.

And thirdly, pressure to improve energy efficiency and combat climate change will increase. Employing available energy-efficient technologies, including ABB drives, motors and high-voltage direct current transmission of electricity, reduces costs and is an effective way to stabilize emissions of greenhouse gases.

We are working to cut our own energy use and continue to design products with their impact on the environment in mind. Sustainability, which requires balancing economic success with care for the environment and social progress, is part of our business and future success.

ABB's ability to meet the needs represented by these trends is why the company stands for “Power and productivity for a better world.”



Jürgen Dormann
Chairman, ABB Ltd



Fred Kindle
President and CEO, ABB Ltd



ABB spent a total of
\$1.1 billion

on research and order-related development in 2006 – about 10 percent more than in 2005 – to strengthen and maintain our leadership role in power and automation technologies.

In a world of ever-diminishing resources and soaring energy demand, the focus of ABB research is fixed on developing efficient, sustainable ways to generate, transmit, distribute and use electrical energy.

Our 6,000 scientists and engineers are driven by the knowledge that the energy-efficient products, systems and solutions they develop and bring to market will help our world, as well as our customers.

They have already created a broad range of ABB products for almost all industrial applications, based on our nine major areas of technology research:

- Electrical insulation and current limiting
- Current interruption
- Power electronics
- Mechatronics
- Control and protection
- Sensing and analyzing
- Software
- Communication
- Manufacturing and engineering processes

Thanks to this research, technology has been developed to transmit ultra-high-voltage AC (alternating current) and DC (direct current) electricity over long distances with low energy losses.

Motors and drives at the heart of ABB industrial solutions are now even more energy efficient, so plant production, flexibility and quality go up while energy

consumption goes down. New technology also lets utilities manage their power generation and their transmission and distribution grids more efficiently, and to improve reliability.

Our product innovations also reach into space: ABB's analytical instruments business was recently honored by contractor Northrop Grumman Corporation for its work on sensing devices for satellites monitoring the environment.

Our research teams cooperate closely with ABB customers to develop the products and systems that will satisfy present and future needs, and ensure a constant flow of innovative products coming to market.

In 2006, ABB spent about \$1.1 billion on research and order-related development, a 10 percent increase compared with 2005.

Our people also have a finger on the pulse of new technology through cooperative projects with about 70 of the best universities in the world, so that we can be sure ABB's core technologies are based on the latest knowledge available in the scientific community.

And in view of dynamic global markets and the consistently high quality of research staff in emerging countries in Asia, ABB has significantly expanded its research base in India and China, where about 40 percent of ABB's research resources are now spent.

Innovation

To grow our technology leadership, ABB innovations must have just the right mix of ingredients: They must significantly advance the state of the art and provide economic solutions that meet the needs of our customers, and of society.

With this recipe in mind, we are constantly searching for new ways to expand and enhance ABB's existing technologies, and push the limits of what we can do for our customers. In 2006, we unveiled a number of innovations and advances.

In Sweden, ABB opened the world's first facility for testing ultrahigh-voltage direct current (UHVDC) power transmission technology.

This lab can test direct current (DC) rated at 800 kilovolts (kV), which is another major step forward on a road ABB pioneered with the development of HVDC technology more than 50 years ago, and the delivery of the first HVDC installation in 1954.

ABB's new ultrahigh-voltage transmission technology cuts energy losses by up to

30%

compared to conventional transmission methods.



UHVDC is the technology of choice for reliable, energy-efficient electrical transmission over long distances up to 2,000 kilometers, particularly in regions where generation sites are located far from the population centers that need power.

UHVDC technology will transmit huge quantities of power (up to 6,400 megawatts) with fewer losses. That efficiency

makes it up to 30 percent cheaper than alternative systems, which lose more energy during transmission. UHVDC is therefore tailor-made for emerging markets like China, India, Brazil and Africa, and could deliver electricity to millions of consumers.

In addition to low-loss and low-cost transmissions, UHVDC is environmentally friendly since it requires narrower transmission highways and fewer power lines.

Underground power transmission

Another unique ABB innovation is our HVDC-Light transmission technology, developed to send power over shorter distances below ground or water. New cables and advanced semiconductor technology developed by ABB have tripled the amount of electricity that can be transmitted this way – up to 1,100 megawatts (MW) over oil-free cables, equivalent to the output of a nuclear power plant.

The largest HVDC Light installation so far is the ABB-built 350-MW Estlink connection between Estonia and Finland, which went live in December 2006. Estlink is helping secure European energy supplies by connecting the electricity networks of Finland and the Baltic states of Latvia, Estonia and Lithuania.

HVDC Light is a versatile alternative for utilities struggling to win planning permission for overhead lines, because it can transport electricity via underground cables with no electromagnetic fields for up to 600 kilometers.

It can help rapidly growing cities meet rising power needs by safely and efficiently transporting high power into densely populated areas using only a few underground cables. And since it can efficiently transmit electrical power in the gigawatt range, it can connect large offshore wind farms to consumers onshore.

Recognized test center

Substations are the crossroads of electrical energy in a power system, but have suffered from a lack of international standards overseeing data exchange. ABB systems are now adapted to the IEC 61850 global standard, which offers significant advantages for global customers.

ABB is in a unique position, having been awarded official Conformance Test Center status allowing it to certify that products are compliant to the IEC 61850 standard.

For substations, we also developed Waveguide – a simple, reliable wireless device that uses low-power electromagnetic waves instead of copper or fiber-optic cables to transmit vast amounts of data in medium-voltage switchgear.

Waveguide can send up to 22 times more information than traditional cables, with virtually no losses, and protects against wiring errors and electromagnetic compatibility issues. It's cheaper and easier to install, virtually maintenance free, and robust enough to withstand the harsh environment of a substation.

Substations and other vital power network systems exchange data over the network's power lines. For these power line carrier (PLC) signals – which control and protect the entire network – reliability and real-time accuracy are essential.

ABB has developed a PLC system that set a new data transmission record over a 380-kilovolt (kV) high-voltage power line over a 100-kilometer distance.

An important innovation is this new system's ability to adjust to unfavorable weather conditions automatically, running at maximum speed whenever possible, slowing down only temporarily in response to bad weather.

Fast and reliable data exchange and communication between parts of an automation system is also crucial for

industrial applications, which is why Ethernet industrial protocols that handle large amounts of data at high speed are becoming essential.

Here, ABB has pioneered a communication backbone for industry with the ACS 350, the first compact general-machinery drive with Profinet support, using enhanced diagnostic features and central engineering schemes available in networked technology.

ABB's Extended Automation System 800xA is a universal control system which plant and system operators, maintenance personnel and managers can use to see behind the individual pieces of an entire process – machinery, controls, etc. – with a single mouse click. We are continually introducing new adaptations to this system, uniting production processes with plant engineering teams.

Version 5.0, launched in November 2006, has extended engineering capabilities that let customers evaluate and implement system modifications without interrupting production or incurring costly downtime.

Advanced control features

The Automation Products division continues to expand its offering with innovative technologies for end users and channel partners. The new ACSM1 machinery drive combines conventional AC drive performance with advanced control features and is suitable for demanding applica-

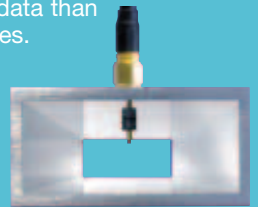
tions like conveyors, cranes, paper mills, and plastics processing plants.

A new line of low-voltage switchgear, Series MNS iS, improves connectivity for motor control applications through intelligent Ethernet communication with process control systems.

ABB's wireless Waveguide medium-voltage technology can transmit up to

22 times

more switchgear data than conventional cables.



FlexLean is ABB's new-generation robotic manufacturing system that is easily set up and features an extremely flexible production line. Multiple car bodies with design variants can be built on a single FlexLean production line, which uses modular, configurable and standardized cells that incorporate controls, programmable positioners and fixtures, drives, robots, programmable grippers and motion systems.

Designed primarily for car-body assembly, it can be extended to any application of single-line, multiple-product manufacturing. Meanwhile, ABB's groundbreaking SafeMove software and hardware is the missing link that helps humans and robots work safely and effectively together.

Where market pull meets technology push, you need just the right mix of insight and ingenuity. Every day, ABB's global R&D staff step up to the challenge of creating the pioneering products, systems and services that enhance energy efficiency, power reliability and industrial productivity.

ABB's automation products catalog offers some

170,000 choices

for managing energy, productivity and comfort.





ABB is the

world's biggest

maker of power transmission and distribution equipment with a range of advanced products and systems that enhance grid reliability and industrial productivity.

When power systems fail, as they have in North America, Europe and Asia in recent times, we recognize electricity for what it truly is – the essential glue that holds our modern world together.

Remove it and our world grinds to a halt. Cities come to a standstill; work ends, communications stop, transport stalls, food spoils. Small wonder everybody wants reliable electricity.

With rapid growth in emerging markets, the need for electricity is soaring and power networks are stretched. Meanwhile, aging power infrastructures in mature markets are coping with heavy demand they are increasingly ill-equipped to satisfy.

Global electricity consumption is expected to double to an estimated 30 million megawatt-hours by 2030 from about 15 million in 2003. Large increases are projected in the United States, the world's largest economy, and China's consumption is set to nearly triple over the next two decades. Some 1.6 billion people around the world still have no access to electricity at all.

Keeping pace with demand on transmission and distribution systems, the world will also need to double its power-generating capacity by 2030.

When it comes to ensuring reliable power, ABB can help. We are the world's number one supplier of power products and systems, with state-of-the-art technologies to protect and strengthen the electrical networks that hold our world together.

Our high-voltage direct current (HVDC) technology connects separate power systems and efficiently transmits power over long distances. Our HVDC-Light system brings onshore-generated electricity to offshore oil rigs, connects offshore wind farms and offers a new alternative for underground transmission.

Our flexible AC transmission systems (FACTS) increase the security, capacity and flexibility of transmission systems. Advanced switchgear, transformers, cable systems, control and monitoring systems help utilities make the most of transmission capacity, and avoid the spread of disturbances.

ABB designs sophisticated energy-trading systems so that electricity can be bought and sold as a commodity.

ABB has the knowledge, experience and products to strengthen and improve power networks, and to protect the glue that keeps our world together.

Grid reliability

The power trade

ABB is a world leader in the development of sophisticated computer software and systems needed to provide secure Internet power trading between producers and consumers.

A decade ago, buying and selling electricity as a commodity was technically impossible. But advances in computing and Internet-based trading have encouraged the deregulation of utilities and introduced the world to competitive electricity markets.

Such systems use advanced computational techniques to minimize total power production costs while maintaining the security of the grid. They continuously monitor networks for potential problems using sophisticated look-ahead and contingency-analysis techniques, and enable different power commodities to be traded in the different markets.

With the launch in 2006 of energy trading markets in the Philippines and Western Australia, ABB has now put seven such systems into operation around the world based on its Network Manager BMS solution.

The Australian power trading system set a new record – just 14 months from contract to commercial operation, including an eight-month trial period – while the

ABB's transformer management helps the Tennessee Valley Authority achieve

99.99%

grid reliability.



A compact ABB substation in the heart of Manila provides reliable, safe power for **30,000 people.**



system in the Philippines has attracted considerable interest from other countries planning to open up their own power markets. It is the first in Asia to provide week-ahead, day-ahead and real-time markets for energy and ancillary services, and financial settlement management.

A global substation standard

Substations and their automation systems play a vital role in the regulation of electrical power supplies. With mounting pressure on supplies and widespread deregulation of utilities, the need for flexible, automated control and protection has never been greater.

That is why ABB has taken a lead role in the implementation of the new global communications standard, IEC 61850.

The standard replaces a plethora of communications protocols that require automation devices to be compatible with several programming languages in order to communicate with one another. The use of a single communications standard reduces the cost of automation devices, and removes a significant source of error.

In May 2006, ABB completed its first automation substation system in which all equipment uses IEC 61850. The project was carried out for the Dubai Electricity & Water Authority and is the first of 30 such substations to be automated for the company by ABB.

ABB's adoption of this single standard for substation automation helps customers to reduce operating and maintenance costs. It also means ABB equipment is compatible with any device that complies with the new standard, and can be reconfigured to accommodate new technologies or expanded operations, enhancing reliability and long-term flexibility.

A steely resolve to boost production

The Indian steelmaker JSW plans to increase productivity by more than 75 percent by 2008, with the help of ABB power and automation solutions.

ABB is delivering power protection and control equipment and a network management system based on supervisory control and data acquisition (SCADA) technology to ensure that JSW has enough reliable power to increase steel production to 6.8 million tons annually from 3.8 million.

This includes a range of switchgear and transformers to strengthen the steelmaker's power generation facilities in the states of Karnataka and Tamil Nadu, which supply its steel plants and feed surplus electricity into the local grid.

At the same time, ABB's electrical balance of plant (eBoP) will ensure the safe and coordinated operation of the power plants, maximizing performance and reliability. (eBoP is the sum of all electrical equipment required for safe and coordinated operation of various parts of a power plant.)

SCADA-based control and monitoring equipment from ABB is a highly flexible system that provides up-to-the-minute data-monitoring and archiving functions, and directs preventative actions in the event of disturbances.

ABB will also improve reliability and energy efficiency in JSW's steel plants with a state-of-the-art process automation system and variable-speed drives.

Powering the tallest buildings

Record-breaking skyscrapers are show-cases of engineering achievement. They can't afford to have anything but the most reliable power supplies.

The 492-meter Shanghai World Financial Center will house a luxury hotel, offices, apartments and shops when completed, and tens of thousands of people will pass through the building every day. The Burj Dubai will set a new record for the tallest building when it is finished, rising more than twice as high as the Empire State Building.

Both have turned to ABB transformers for the safe and reliable distribution of power. They will use Resibloc, a registered trademark of an ABB family of compact distribution transformers made with glass fiber and using cast-resin insulation instead of oil.

ABB makes various dry-type transformers (Vacuum Cast Coil, Resibloc and Open Wound), which are the distribution transformers of choice for demanding

projects or locations with extreme climatic conditions. The materials used make them non-explosive and highly flame resistant, so they don't require vaults, dikes or other expensive fire-suppression systems.

Resibloc transformers are widely used in the marine industry and were also selected for their durability and reliability in 2006 for projects including the Shanghai transit system and Berlin's main train station.

ABB switchgear for Ferrari

Ferrari, the celebrated maker of Italian sports cars, selected ABB's compact and easy-to-install switchgear when it modernized the substation that provides power to its main production complex, museum and test track in Maranello.

ABB's Plug and Switch System (PASS) hybrid switchgear has revolutionized substation design by combining the functions of air-insulated (AIS) and metal-clad, gas-insulated (GIS) switchgear units into a single, rugged indoor/outdoor module. It requires 60 percent less space than conventional switchgear units, takes just hours to install and is virtually maintenance free.

Ferrari engineers insisted on PASS after visiting ABB's new high-voltage factory at Lodi, near Milan. ABB makes two modules: PASS M0 for high voltages (up to 170 kV), and PASS M00 for lower voltages (between 72.5 and 100 kV).

In addition to its unique hybrid features, PASS modules can be pre-assembled and factory tested prior to installation. Ferrari liked the innovative simplicity and proven reliability of this ABB-pioneered technology.

Since 2004, power and industry customers have selected ABB's System 800xA to control more than

2,500 installations.







Industrial productivity

ABB power and automation solutions will help Indian steelmaker JSW Group achieve a

75% increase

in its steelmaking capacity to 6.8 million tons annually.

The pressure to improve productivity is relentless. Markets are becoming global, meaning that manufacturers must be competitive or risk losing business to more efficient rivals. Even low-cost manufacturers in Asia and Eastern Europe face stiff competition as rapid growth lures new players into the marketplace.

The good news is that even small productivity improvements can bring major savings. Speeding up a particular system or reducing material waste, for example, helps customers get more out of plant assets and achieve a greater return on their investment.

Increasing plant and asset productivity in the first instance can be a complex and difficult process. ABB's power and automation professionals have helped their customers to achieve it thousands of times, with proven tools and strategies for all types of manufacturing industries.

ABB instruments, motors, drives, and control systems work in harmony to monitor and adjust process variables like temperature, pressure, and material composition to the most exacting specifications.

ABB software solutions run processes closer to their optimum, maintaining product quality while reducing traditional margins of error. For example, real-time measurements using ABB software and systems help refiners blend gasoline efficiently, ensuring that octane levels are as advertised.

Among our projects in Singapore – the world's busiest port – is a reliable, efficient ABB terminal-management and control system to operate Horizon Singapore Terminals Pte Limited's new 34-tank, 960,000 cubic meter petroleum storage complex on Jurong Island.

ABB professional services help customers improve total plant efficiency, eliminating bottlenecks, improving process logistics, extending equipment life, reducing downtime and achieving cost savings often worth millions of dollars.

Many customers outsource their entire plant appraisal and maintenance functions to focus solely on the core task of making quality products. ABB is a key provider of these full-service arrangements, assuming responsibility for the people and processes that influence customer profits – and sharing in the rewards.

Industrial productivity

Output jumps on Klabin paperboard line

ABB power and automation solutions are helping Brazil's largest papermaker, Klabin SA, increase paperboard output at its Monte Alegre mill in the southern state of Paraná by about 50 percent. (Paperboard is an industry term for any thick sheet of paper.)

When it starts up in late 2007, the new line is expected to increase production to 1,100 tons from 700 tons of paperboard per day, thanks to ABB's Extended Automation System 800xA and upgrades to existing systems, which together will create a uniform operating environment.

ABB power and automation solutions will help Sappi Saiccor increase production by

35%

at the world's largest chemical cellulose plant.



By integrating key systems that provide power, productivity, protection and energy savings, customers can be more competitive in challenging global markets.

ABB is one of the world's largest providers of process automation systems for pulp- and papermakers. We also provide a broad range of application-specific software to integrate motors and drives, electrification systems, quality controls, materials logistics and more, for comprehensive, mill-wide operations.

ABB monitoring and quality systems will ensure top performance of the paper and pulping machinery at Monte Alegre, supplied separately by Voith and Andritz. For this project, ABB will also supply a 69-kilovolt (kV) substation, transformers, refiner motors and protection equipment, process electrification, and paper machinery drives.

ABB reduces maintenance costs for Cooper Tire

ABB full-service agreements typically improve productivity and equipment availability, while reducing maintenance costs for customers by up to 20 percent.

For this reason, Cooper Tire & Rubber Company has given ABB responsibility for maintenance operations at its Albany, Georgia, plant in the United States, allowing the company to focus on its main business.

The five-year agreement is the first of its type for ABB in the North American automotive industry. It complements more than 150 full-service relationships with customers all over the world in the paper, metals, mining, chemicals, oil and gas, and telecommunications industries.

ABB full-service agreements add bottom-line value by bringing proven best practices to the full spectrum of plant maintenance activities. Under this agreement, ABB will assume responsibility for all maintenance-related activities and equipment at the plant, and manage operations to contractually agreed targets for plant performance.

"This service agreement is one of various strategic initiatives within Cooper Tire to improve manufacturing efficiency, product and customer mix, and market share," said Scott Jamieson, vice president of manufacturing for Cooper Tire. "By entrusting plant maintenance operations to an established partner such as

ABB, we can better focus on our core competence of manufacturing and marketing high-quality tires at competitive costs.”

Faster, lighter, and ever more agile

ABB pioneered the paint robot nearly 40 years ago and has built more units than any other supplier. The 10,000th unit was delivered to Changan Ford Mazda Automobile Co., Ltd. in China during 2006.

ABB's new FlexPainter IRB 5500 paint robot uses half the parts of its predecessor, weighs 40 percent less and is so agile, two units can paint a car in seconds.

That's how far the industry has come since Norwegian engineer Ole Molaug built the first paint robot to color garden wheelbarrows in 1969, launching a business that today adds the brilliant final touches to millions of automobiles every year.

Combined with a new generation of rotary atomizers, ABB's FlexPainter significantly increases productivity on the paint line, while lowering investment and operating costs. FlexPainter also uses less paint, reducing both costs and environmental impact.

ABB has already revolutionized robot-painting technology by replacing conventional paint tanks and hoses with a refillable cartridge on the robot arm.

Malaysian automaker Proton documents a 35-percent reduction in paint use since installing 22 robots equipped with ABB's cartridge bell system at its state-of-the-art automotive plant near Kuala Lumpur. The plant has a production capacity of one million vehicles a year.

When Proton's paint supplier wondered why paint orders from the company were so low, plant managers realized the sav-

ABB motors and drives helped to increase productivity by

30%

at Finland's Pietarsaari water treatment plant.



ings were the result of ABB's cartridge bell system, which ultimately had a big impact on the cost of each car.

The cartridge bell paint system was jointly developed by ABB and Toyota, and is now specified in the global standards of the world's largest automotive manufacturer.

When it comes time to changing colors, the only component that needs to be cleaned is the atomizer bell that sprays the paint. This significantly reduces both the amount of wasted paint and the use of volatile cleaning solvents, and also enables smaller production runs using a greater variety of colors.

About 350 ABB cartridge bell paint systems are in operation worldwide. Leading carmaker Audi recently ordered 34 of the ABB paint robots for its A3, A4 and A6 production lines in Germany.

Managing floods and energy in Singapore

In Singapore, the government is constructing a 350-meter tidal barrier to create a giant freshwater reservoir in the heart of downtown. Powerful, energy-

efficient ABB motors will help manage the water level for flood prevention, drinking water and recreation.

When completed, the Marina Barrage tidal barrier will separate downtown Singapore from the open sea. The reservoir will store one-sixth of the city-state's drinking water supply, and at the same time protect low-lying districts from high tides and monsoon flooding.

Singapore's national water agency, PUB, selected ABB's 1600-kilowatt motors for this project because of their unparalleled energy efficiency and ability to operate at a low starting current. Three ABB alternators will supplement the power supply when more than two pumps are in operation, and provide standby power during blackouts.

PUB has previous experience of these long-life, energy-efficient ABB motors, having installed 18 of them to pump influent and effluent at the Changi Water Reclamation Plant, one of the biggest waste-water projects in the world. It has a treatment capacity of 800,000 cubic meters of waste water per day, expandable to 2.4 million cubic meters.

Singapore currently consumes about 300 million gallons of water per day, equivalent to about 500 Olympic-sized swimming pools, and consumption is expected to increase by about one-third by 2011. The new tidal basin will improve self-sufficiency for the city-state, which now imports about 50 percent of its water from Malaysia.

ABB's new IRB 5500 paint robot has

50%

fewer parts, greater reach and more flexibility.







Energy efficiency

ABB's installed base of drives saves about

115 million

megawatt-hours of energy per year,
equivalent to the output of 14 nuclear reactors.

Intense competition in global markets, persistently high energy prices and concern about climate change are making energy efficiency a priority for businesses, governments and the public alike.

Global energy needs will rise about 50 percent by 2030 as emerging markets continue to grow, according to the International Energy Agency. Greenhouse gas emissions held responsible for global warming will increase at the same pace, and the earth's surface temperature is rising, records show.

Many government policies laying down minimum standards for energy efficiency are already in place around the world and laws are being tightened further. In addition, businesses exposed to more competition by the creation of global markets are seeking to cut costs by saving energy.

ABB has focused for many years on designing products that are energy and resource efficient over their entire lifespan, because once equipment is installed it can be in use for decades. ABB has independently verified environmental product declarations for its main products in all business areas.

ABB is helping customers realize the benefits of responsible energy management along the entire energy value chain, from the production of primary energy to its transportation and ultimate use.

At the wellhead, ABB technologies help to maximize output while respecting sensitive environments. Refining and

processing tools help to create efficient, clean-burning fuels and our power transmission and distribution solutions ensure power networks operate reliably.

ABB high-efficiency motors and drives enable the world's pumps, fans and machines to adjust their speed to the requirements of the processes in which they are used and our traction solutions help the world's railways transport more passengers or cargo per unit of fuel consumed.

ABB's low-voltage products like i-bus EIB/KNX components enable construction of "smart" buildings (as in London's Canary Wharf, pictured left) that blend performance with comfort by managing heating, air conditioning and lighting systems, alarms, gas and water safety devices to the highest possible energy standards.

Even transporting energy is more efficient with ABB power products and systems including FACTS, HVDC and HVDC Light – high-voltage transmission solutions that reduce investment costs and power losses. Pipeline operators use ABB instruments to manage flows and detect leaks, and at sea, our marine propulsion systems save thousands of tons of fuel every week for the operators of cargo and cruise vessels.

Energy efficiency

Raising energy efficiency at Heinz

Drives that regulate the speed of motors can contribute big savings compared with traditional damper systems that simply restrict the air flow. When driving a pump or a fan, a motor running at half speed typically consumes just one-eighth of the energy required for full-speed operation.

smoothly to seasonal variations such as winter weather that prompts increased demand for canned soups.

The Heinz factory produces over 1.3 billion cans of food a year, including soups, beans, pasta, infant foods and puddings. This huge production requires the generation of 100 tons of steam every hour, which is used for both space heating and sterilization of canned foods.

ABB drives will help to save an Arizona stadium

\$50 million

in climate control costs by rolling the field outdoors for sun instead of opening the roof.



A new energy center serving the Heinz foods factory at Kitt Green near Wigan in the United Kingdom is becoming more efficient with help from ABB drives. The energy center has four boilers, each fitted with two gas-fired burners and fans that provide air for combustion.

The fans are controlled by eight ABB standard variable-speed drives, which adjust the fan speed to match the heat output required. The ability to adjust the burners to match steam demand is expected to make the energy center 14 percent more efficient than the existing steam plant.

Operating six days per week, the factory will be able to carefully manage boiler output through shutdowns while reacting

Turning wasted gas into revenues

ABB has delivered a combined heat and power generating plant in Poland that produces electricity, district heating and petroleum products from natural gas that was previously flared off and wasted at an offshore oil rig in the Baltic Sea.

The plant in Wladyslawowo uses 100,000 cubic meters of gas per day that used to be burned off as a byproduct of operations to extract crude oil. The district heating plant made it possible to shut down ten oil-fired and about 110 coal-fired boilers in the town.

The project has eliminated 134,000 tons of carbon dioxide emissions and other pollutants and improved the air quality in the tourist resort.

ABB supervised the implementation of the entire project and supplied a complete automation system for the process chain running from the offshore drilling rig to the power plant and gas processing station. ABB also supplied power equipment for the facility and drilling rig, including drives, power transformers, medium-voltage switchgear and a compressor motor.

The gas is used to generate enough electricity to power 5,500 homes, produce heat for the town's 12,000 people and to create liquid petroleum gas and a light natural gasoline.

Offshore platform emissions cut

BP is the second major oil company to select ABB's energy-efficient power transmission technology to provide electricity for a North Sea oil and gas complex.

ABB's compact high-voltage direct current technology, HVDC Light, will bring clean hydropower from the Norwegian mainland over a distance of 292 kilometers to BP's Valhall complex of five platforms. It not only cuts emissions by eliminating gas turbines on the offshore installation, it also removes a potential safety hazard and saves valuable space.

The power link will save an estimated 300,000 tons of carbon dioxide emissions annually, equivalent to the emissions of 75,000 cars. A similar HVDC-Light connection has been saving Statoil an annual 230,000 tons of greenhouse-gas emissions at its Troll A platform since 2005.

BP has designated Valhall as a "Field of the Future," a flagship facility in which best-practice technologies are installed for their ability to provide operational excellence and significant value to the company.

ABB's BoilerMax cuts fuel used during boiler starts by up to

20%

at an E.ON power plant in Ingolstadt, Germany.



HVDC Light is environmentally friendly, featuring oil-free cables, compact converter stations and cables that can be laid underground as well as underwater. It is the only technology available that allows underground high-voltage transmission over long distances.

Motors generate savings for Swedish miner

Swedish mining and minerals group LKAB, which uses 90 percent of the energy it consumes to run some 15,000 motors, has reduced its energy bill and carbon dioxide emissions by switching to ABB high-efficiency motors.

LKAB started replacing its motors in the 1990s after a survey found more than 80 percent of the motors in use were too big for the job they had to perform, and were often less efficient than claimed by the vendors. The Swedish miner has achieved significant savings by installing ABB equipment over the past 13 years.

"We've saved several hundred thousand dollars off our annual energy bill," said Lennart Mukka, an energy expert at LKAB. "A high-efficiency motor might cost more but, at the end of the day, the procurement price is only one percent of a motor's life-cycle cost."

A new ABB motor in the highest European Union energy-efficiency class reduces emissions of greenhouse gases by eight tons a year compared with a 75-kilowatt, four-pole motor in the second-highest class.

Switchgear design cuts energy losses

Distribution switchgear has undergone significant development over the past 20 years with improvements in performance, reliability and energy efficiency. Products that have benefited from these

advances include ABB's SafeRing and SafePlus distribution panels that deliver power to light industry, office buildings and shopping centers.

The unit uses sulfur hexafluoride (SF₆) technology, making it compact, easy to install and, because of its hermetically sealed casing, maintenance free over its 30-year life cycle.

ABB Azipod propulsion systems help cruise and cargo vessels save more than

125,000 tons

of fuel annually.



The biggest contribution to the unit's energy efficiency comes from a reduction in the number of components used. This enhances its reliability by removing potential points of failure, and also reduces energy losses incurred as power passes between components, resulting in significant savings.

Between 2000 and 2006, the ABB SafeRing and SafePlus switchgear units placed in service have saved customers an estimated 91,000 megawatt-hours of electricity, eliminating more than 18,000 tons of carbon dioxide emissions.

SafeRing uses fewer raw materials than its predecessors, and is easy to dismantle at the end of its life. By weight, 93 percent of its components – including the SF₆ gas – are recyclable.



A team of more than

400 experts

work to improve health and safety, environmental and social standards in ABB operations and at customer sites.

Sustainability is about balancing economic success, environmental stewardship and social progress. It is also central to the way a company behaves and is viewed by stakeholders. For us at ABB, it is rooted in our business activities – in product development, manufacturing processes and what we offer to customers.

In a climate of economic growth, increasing pollution and depleted natural resources, ABB is well aware of its responsibilities.

Our contribution to sustainability starts in research and development where life-cycle impacts and environmental considerations are built into product blueprints. This lies at the heart of our ability to offer customers energy-efficient systems and solutions. Using less energy and minimizing emissions of greenhouse gases has a positive impact on climate change and our customers' bottom line.

In other words, sustainability is good for business and is built into the way we do business; it is not an add-on. Our stakeholders – not just customers, but shareholders, investors, governments, non-governmental organizations and employees – expect sustainability considerations to be embedded into the way we operate.

In addition to our energy- and climate-related focus, ABB's contributions to

“a better world” include how we proactively manage social, environmental and human rights risks, and the efforts we make to improve conditions in our supply chain and the communities where we operate.

There are no soft factors in business. Any number of issues – risks as well as opportunities – can affect a company's success and reputation.

ABB constantly seeks to improve sustainability performance – by developing even more efficient and compact products, by ensuring facilities meet the highest standards, through health and safety and compliance training programs such as those rolled out in 2006, and by phasing out hazardous substances used in manufacturing and working to eliminate waste.

ABB also works with international organizations to raise awareness and standards on key issues. In 2006, we partnered with the World Business Council for Sustainable Development on energy issues, joined the 3C Climate Change initiative led by Swedish utility Vattenfall, and continued to participate actively in the work of the UN Global Compact and the Business Leaders Initiative on Human Rights.

Raising sustainability performance – within ABB and externally – requires hard work. It is work in progress.

Sustainability

Innovative technology cuts emissions at ports

Port authorities and shipping operators in the United States and Europe are reaping the environmental and cost benefits of an ABB technology that powers berthed ships from shore, so they no longer have to generate power from diesel engines on board.

By using ABB's high-voltage shore connections (HVSC), ships can plug into the local power grid on land. The cable connection helps them cut fuel costs and virtually eliminates the ships' greenhouse gas emissions and noise pollution during stopovers.

The shore-to-ship power solutions enable three of Holland America Line's 13 cruise ships to plug in to the grid while docked at their home port of Seattle in the western U.S. For Seattle, it means improved air quality and increased revenues for the city's publicly owned electric utility.

ABB delivered the world's first HVSC in 2000. The installation led to the Swedish port of Gothenburg winning the European Union's inaugural Clean Marine Award in 2004.

The EU calculates that the ABB solution eliminates 80 tons of nitrogen oxide, 60 tons of sulfur dioxide and two tons of solid-particle emissions at the port each year.

ABB is ISO 14001-compliant for environmental management systems at

98%

of its manufacturing and service sites.



ABB has supplied more than

15,000 generators

and related components for wind power generation.



Assuring society's need for water

ABB supplies state-of-the-art products and control systems to ensure that desalination plants in water-parched regions work to an optimum level.

In Western Australia – an area covering one third of the continent – an ABB network control system is integrating the largest seawater desalination plant in the southern hemisphere into the regional water network. The plant will feed the same network as another ABB automation project – the 700-kilometer Goldfields Pipeline, the longest drinking-water pipeline in the world.

The Perth Seawater Desalination Plant is scheduled to feed 45 gigaliters of drinking water a year (130 million liters a day) into Western Australia's integrated water system.

The project will boost the dwindling water supplies for the 1.6 million people who are widely dispersed in an area of more than 2.5 million square kilometers. It is expected to meet 17 percent of Western Australia's current water needs, regardless of rainfall or drought.

ABB is involved in a variety of water-related projects around the world, delivering technology and systems to operate waste-water and purification plants, desalination facilities, irrigation and water-diversion projects.

Helping China save energy

ABB is helping China tackle one of its most pressing issues – rising energy consumption.

ABB already provides low-loss, high-efficiency power transmission lines, and supports industries such as steel, shipping, cement and pulp and paper with high-efficiency motors, drives and other products. ABB's drives alone have saved Chinese customers an estimated 10 million megawatt-hours of power in the last ten years.

At another level, ABB signed an accord in 2006 with Guangdong province, the country's largest by gross domestic product (GDP), to advise on ways of improving the energy efficiency of companies in the region.

The five-year agreement aims to help Guangdong achieve its goal to reduce energy consumption by 16 percent per unit of GDP by 2010.

The authorities will promote cooperation between ABB and more than 1,000 companies that are high energy consumers. ABB will conduct energy conservation audits on request and help them implement measures to save energy.

ABB is also supporting China's growing wind-power market with a wide range of products and specially developed innovations. Two of the most recent wind-power schemes to be announced in 2006 are the 150-megawatt (MW) Jiangsu Rudong wind park near Shanghai and the 100 MW Jilin Tongyu wind-power project in northeastern China.

Disabled people build a new future

People with disabilities are being given new opportunities under special schemes run by ABB plants in several countries.

In India for example, ABB partners with a number of non-governmental organizations to integrate physically and mentally challenged people into mainstream work and provide them with regular income.

In Bangalore, where the headquarters of ABB's Indian operations is located, the company has teamed up with a non-governmental organization to train and work with a group of about 50 partially sighted and physically disabled young women. The women are now providing sub-assemblies for low-voltage products, and different foods to the ABB canteen.

One of the workers, Rani, supervises the assembly of three different product lines. "There is a sense of urgency and achievement among all of us," she says. "We are able to finish the work fast and want to do more."

Similar schemes are underway in Vadodra, ABB's biggest manufacturing location in India, and Nashik. ABB in India won the prestigious Helen Keller award in 2005 for its efforts to provide dignified employment to people with disabilities.

How ABB manages its environmental impact

Sustainable performance begins at home, or in ABB's case, when new products are being developed and manufactured.

How do we do it? A series of measures are in place to ensure new products are developed with fewer and lower-impact materials, as well as increased energy efficiency.

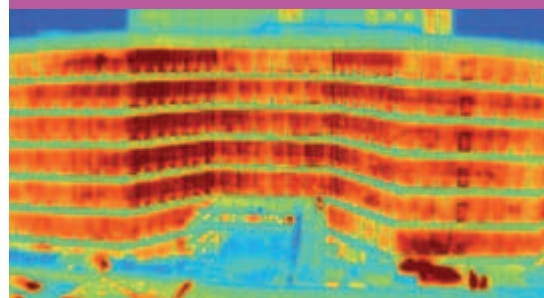
In the product-development phase, ABB uses standardized life-cycle assessment procedures, a handbook for environmentally aware design and a checklist to identify potential sustainability risks to ensure the company's environmental objectives are fully met.

A mandatory internal approvals process also requires documented assessment at the development phase of products' sustainability objectives and likely performance throughout their working life.

ABB is in the midst of a two-year program to reduce its own energy consumption by

5%

per manufactured unit.



In terms of manufacturing, ABB implements management systems such as ISO 14001 and OHSAS 18001, supported by intranet-based tools and guidelines, to manage environmental and health and safety issues at all manufacturing and service sites. This has resulted in cleaner production processes with lower emissions, less waste, safer working environments and significant cost savings.

ABB also has a list of prohibited and restricted substances, with guidelines for phasing them out in processes, product design, service offerings and in activities at customers' sites.



The updated Code of Conduct was translated into 45 languages

from Arabic to Zulu in 2006, and distributed in 108 countries. Mandatory training was taken by more than 90,000 employees.

ABB relies on the competence, behavior and attitude of its people to shape the company and determine its success. People are our main asset. At the end of 2006, ABB had about 108,000 employees in some 100 countries.

The success of such a varied and widespread team depends on each member pulling in the same direction, and to do so they need to share a common vision and identity.

This is what we have built over the past few years, by focusing on shared values to effect a change in our company culture.

The crisis faced by ABB some years ago helped to galvanize the culture change, and we can now see evidence throughout the organization of people adopting more open and transparent communications, as well as a greater sense of personal responsibility and accountability.

We are more responsive to customers and markets and work better together by having reduced the complexity of our organization. We are working hard to improve our health and safety record and made clear that breaches of ethical business guidelines will not be tolerated.

The change has shown up in our financial results. The markets have helped increase the volume of our

business yet our profitability has risen faster than either orders or revenues, and that is partly due to the impact of culture change.

ABB is therefore well equipped to meet the challenges of a changing world, be they new competition from emerging markets or a declining labor force in some mature markets.

Our solid reputation commands strong loyalties, which makes the company an attractive employer for top talent from around the world. In China, for example, we were named one of the top employers in the Shanghai region by the Corporate Research Foundation, and we continue to be rated as the employer of choice for engineering graduates in Sweden and Switzerland.

Our focus is on developing and retaining this talent, ensuring that our people maintain and enhance the skills that add value to the business.

People

Leadership has played a critical role in bringing about culture change at ABB. Leaders are characterized by competence, ambition, courage and integrity. They lead by example and help to motivate their colleagues.

For these reasons, we are continually working to enhance leadership skills throughout ABB.

Another 7,000 people at all levels of the company took part in leadership development programs in 2006, bringing the total number to have benefited from this training to 15,000. The program is available in 37 countries in ten languages.



"ABB's been growing fast in Qatar and I enjoy working in this dynamic environment. It's been hugely exciting growing sales from nothing and winning contracts on prestigious projects."

Suhas Deshpande, Qatar.

We are focusing on management development of our female executives as part of the company's commitment to embrace diversity and raise the number of women in leadership positions. Diversity in our leadership team increased in 2006 with the appointment of women to senior roles in ABB, including those of general counsel, head of ABB in Switzerland and head of Group Corporate Communications.

We have developed a Diversity and Inclusion Statement as a tool to help

managers identify the benefits of diversity in the company's workforce.

One of the benefits of worldwide standards and programs is that with a single concept of leadership used in every division from China to Chile, we are able to deploy talent more effectively, both in terms of meeting the company's needs and providing greater career opportunities for our staff.

Diversity is also a focus at the operational level, where we are broadening our global presence to capture new opportunities in the fastest-growing regions of the world and ensure a balance in our operations that will also mitigate risks.

The world is changing and ABB is changing with it. To do this effectively, the focus of the past two years has been on our "internal homework," on growth without acquisitions and on improving operational activities.

Different factories around the world are given global responsibility for particular products, ensuring uniform high quality. We have also put in place an Operational Excellence program so that best practices for ensuring consistent high quality are shared and implemented in a more systematic way.

The attention to processes in the factories complements a program that aims to streamline other internal processes, mainly in information technology, finance and human resources. A more uniform approach helps to reduce costs and increase flexibility.

Updated Code of Conduct

Our aim to increase transparency and promote shared values also resulted in a revision of all the documents that govern how we operate and work together. At the heart of this effort was an updated Code of Conduct for all employees. It



ABB Group Executive Committee

From left to right:

Front row: **Michel Demaré**, Chief Financial Officer; **Fred Kindle**, President and CEO; **Diane de Saint Victor**, General Counsel; **Tom Sjökvist**, head of Automation Products division.

Middle row: **Ulrich Spiesshofer**, head of Corporate Development; **Dinesh Paliwal**, President, Global Markets and Technology; **Veli-Matti Reinikkala**, head of Process Automation division; **Gary Steel**, head of Human Resources.

Back row: **Anders Jonsson**, head of Robotics division; **Peter Leupp**, head of Power Systems division; **Bernhard Jucker**, head of Power Products division.

was based on existing ethical business guidelines but goes further, emphasizing the importance of issues ranging from diversity and health and safety to open communication and quality standards.

ABB's Code of Conduct sets forth the general principles that govern our relationships with customers and other business partners, with the financial markets, in the communities and countries where we do business and, last but not least, with each other.

It is also a set of practical instructions to help employees in their day-to-day work. It explains, for example, how to manage potential conflicts of interest and how to report suspected violations of the rules.

Focus on compliance

Customers, suppliers, shareholders, employees, the authorities and the media all have a right to expect us to conduct our business with integrity and our employees must be able to feel proud of what they have achieved and how they have achieved it.

We have a zero-tolerance approach to breaches of ethical guidelines. In 2006, 54 people were dismissed for non-compliance. Offences included theft, harassment at work and making suspect payments.

The new Code of Conduct puts particular emphasis on the commitment we make to safeguard the health and safety of each other at work, for the sake of our colleagues, their families and their communities. Stringent health and safety policies are in place and apply worldwide.

In 2006, we began quarterly reporting of our health and safety record to employees, making it easier for them to follow progress on this issue. This was also accompanied by a global campaign

People



"Working at ABB has taught me that continuous improvement is a part of life and the best way to achieve success. When you do something, do it well."

Przemyslaw Greda, Poland.

encouraging workers to drive safely, as road accidents have been the single biggest cause of work-related fatalities among ABB employees and contractors.

A video was produced that shows how disregarding safety rules on the road can change lives forever. Posters were put up in offices and plants around the world and online ads featured on every internal Web site.

Reducing workplace accidents with the intention of eliminating them requires people to change their mentality and, sometimes, life-long habits. Last year's decline in workplace fatalities, serious injuries and lost work days all suggest the effort is beginning to show results, but the level of incidents remains unacceptably high.

A total of 17 people died as a result of ABB operations in 2006. Of these, 12 were in the workplace, and five were road-travel related. A total of 29 people were seriously injured.

Health and safety remains a priority

We are continuing our efforts to prevent accidents. All ABB operations have put in place occupational health and safety management systems (OHSMS) since 2004, and the focus will now shift to compliance.

Site observational tours are already in place, which help managers monitor health and safety standards. Spot audits to ensure implementation of group health and safety processes will be introduced.

The changes in culture have been captured in the results of a survey conducted annually for us over the past three years by the Institute for Leadership and Human Resource Management at the University of St. Gallen, Switzerland. The third survey in 2006 involved 17 percent of the workforce and showed that people are increasingly taking responsibility for helping the company reach its goals.

The sense of participation has been reinforced with the company's Employee Share Acquisition Plan (ESAP), which was started in 2004 to give staff an opportunity to share in the company's increasing success. About 17,500 people joined the third annual program, representing 18 percent of those eligible and a further increase from 2005.



"We laugh together, we fight together and we win together, like friends and members of the same family."

Jantima Kongkowitz, Thailand.

Management

Region*/country managers

* reporting to Dinesh Paliwal, President, Global Markets and Technology

Region North America

Dinesh Paliwal

Canada	Sandy Taylor
Mexico	Armando Basave
Panama/Central America, Caribbean	Alvaro Malveiro
United States	Dinesh Paliwal

Region South America

Sérgio Gomes

Argentina	Maurizio Rossi
Brazil	Sérgio Gomes
Chile, Peru	Enrique Rohde
Colombia	Ramón Monrás
Venezuela	Daniel Galicia

Region North Europe

Sten Jakobsson

Baltic States	Bo Henriksson
Denmark	Claus Madsen
Finland	Mikko Niinivaara
Ireland	Frank Duggan
Kazakhstan	Andrei Tyan
Norway	Rune Finne
Russia	Ulises de la Orden
Sweden	Sten Jakobsson
United Kingdom	Trevor Gregory

Region Central Europe

Peter Smits

Austria	Rudolf Petsche
Benelux	Eric Ghekiere (ad interim)
Czech Republic	Olle Jarleborg
Germany	Peter Smits
Hungary	Rikard Jonsson
Poland	Miroslaw Gryszka
Romania, Bulgaria, Moldavia	Peter Simon
Slovakia	Andrej Tóth
Slovenia	Slavica Osterman
Switzerland	Jasmin Staiblin
Ukraine	Andriy Abdulakh

Region Mediterranean

Hanspeter Fässler

Algeria	Gilles Tissot
Croatia	Darko Eisenhuth
France	Allan Huldt
Greece and Cyprus	Apostolos Petropoulos
Israel	Ronen Aharon

Italy

Hanspeter Fässler

Libya	Franz Keller
Morocco	Jean-Claude Lanzi
Portugal	José Ramón Repáraz
Serbia & Montenegro	Aleksandar Cosic
Spain	Carlos Marcos
Tunisia	Maroun Zakhour
Turkey	Burhan Gundem

Region Middle East and Africa

BoonKiat Sim

Angola	José Coelho
Bahrain	Basim Akkawi
Botswana	Nikola Stojanovic
Cameroon	Pierre Njigui
Egypt	Bassim Youssef
Iran	Mauro Damonte
Jordan, Lebanon	Hisham Othman
Kenya, Ethiopia, Uganda	Martin De Grijp
Mozambique	Johan Akesson
Namibia	Hagen Seiler
Nigeria	Paul Mair
Qatar	Thomas Jivung
Saudi Arabia	Mahmoud Shaban
South Africa	Carlos Poñe
Tanzania	Ian Robertson
UAE	BoonKiat Sim
Zambia, Zimbabwe	Ruggero Cozzi

Region North Asia

Brice Koch

China	Brice Koch
Taiwan	Eric Kan
Japan	Isamu Suzuki
South Korea	Yun-Sok Han

Region South Asia

Ravi Uppal

Australia	John Gaskell
India	Ravi Uppal
Indonesia	Hemant Sharma
Malaysia	Bengt Andersson
New Zealand	Grant Gillard
Pakistan	Farhat Ali
Philippines	Magnus Wibling
Singapore	James Foo
Thailand	Chaiyot Piyawannarat
Vietnam	Erik Rydgren

Corporate governance

1. Principle

ABB is committed to the highest international standards of corporate governance, and supports the general principles as set forth in the Swiss Code of Best Practice, as well as those of the capital markets where its shares are listed and traded.

In addition to the provisions of the Swiss Code of Obligations, ABB's key principles and rules on corporate governance are laid down in ABB's Articles of Incorporation, the ABB Ltd Board Regulations, the regulations of ABB's board committees, and the ABB Code of Conduct. It is the duty of ABB's Board of Directors (the Board) to review and amend or propose amendments to those documents from time to time to reflect the most recent developments and practices, as well as to ensure compliance with applicable laws and regulations.

This section of the Annual Report is based on the Directive on Information Relating to Corporate Governance published by the SWX Swiss Exchange. Where an item listed in the directive is not addressed in this report, it is either inapplicable to, or immaterial for, ABB.

In accordance with the requirements of the New York Stock Exchange (NYSE), a comparison of how the corporate governance practices followed by ABB differ from those required under the NYSE listing standards can be found in the corporate governance section of ABB's Web site at www.abb.com

2. Group structure and shareholders

2.1 Group structure

ABB Ltd, Switzerland, is the ultimate parent company of the ABB Group, which is comprised of 337 consolidated operating and holding subsidiaries worldwide. ABB Ltd has its shares listed on the SWX Swiss Exchange (traded on virt-x), the Stockholmsbörsen (Stockholm Stock Exchange) and the NYSE (where its shares are traded in the form of American depositary shares (ADS) – each ADS representing one registered ABB share). The only other company in the ABB Group with listed shares is ABB Limited, Bangalore, India, which is listed on the Mumbai Stock Exchange, the National Stock Exchange of India, and the Kolkata Stock Exchange. During 2006, ABB Limited, Bangalore, India, delisted from the Ahmedabad Stock Exchange and the Delhi Stock Exchange, and submitted an application to delist from the Kolkata Stock Exchange, which was pending as of February 28, 2007.

Stock exchange	Security	Market capitalization	ABB interest	Ticker symbol	Security number	ISIN code
SWX Swiss Exchange (virt-x)	ABB Ltd, Zurich, Share	47.6 billion CHF	Parent	ABBN	1222171	CH0012221716
Stockholm Stock Exchange	ABB Ltd, Zurich, Share	47.6 billion CHF	Parent	ABB	–	CH0012221716
New York Stock Exchange	ABB Ltd, Zurich, ADS	47.6 billion CHF	Parent	ABB	000375204	US0003752047
Mumbai	ABB Limited, Bangalore, Share	157.7 billion INR	52.11	ABB	500002	INE117A01014
National Stock Exchange of India	ABB Limited, Bangalore, Share	157.7 billion INR	52.11	ABB	–	INE117A01014
Kolkata	ABB Limited, Bangalore, Share	157.7 billion INR	52.11	ABB	–	INE117A01014

All data as of December 31, 2006.

The following table sets forth, as of December 31, 2006, the name, country of incorporation, ownership interest and share capital of ABB Ltd, Zurich, Switzerland, and its significant subsidiaries:

Significant subsidiaries

Company name/Location	Country	ABB interest %	Share capital in in 1,000	Currency
ABB S.A., Buenos Aires	ARGENTINA	100.00	10,510	ARS
ABB Australia Pty Limited, Sydney	AUSTRALIA	100.00	122,436	AUD
ABB AG, Vienna	AUSTRIA	100.00	15,000	EUR
ABB Ltda., Osasco	BRAZIL	100.00	144,396	BRL
ABB Bulgaria EOOD, Sofia	BULGARIA	100.00	10	BGN
ABB Inc., St. Laurent, Quebec	CANADA	100.00	301,957	CAD
ABB (China) Ltd., Beijing	CHINA	100.00	120,000	USD
Asea Brown Boveri Ltda., Bogotá	COLOMBIA	99.99	485,477	COP
ABB Ltd., Zagreb	CROATIA	100.00	2,730	HRK
ABB s.r.o., Prague	CZECH REPUBLIC	100.00	400,000	CZK
ABB A/S, Skovlunde	DENMARK	100.00	241,000	DKK
Asea Brown Boveri S.A., Quito	ECUADOR	96.87	315	USD
Asea Brown Boveri S.A.E., Cairo	EGYPT	100.00	82,490	EGP
ABB AS, Tallinn	ESTONIA	100.00	25,985	EEK
ABB Oy, Helsinki	FINLAND	100.00	10,003	EUR
ABB S.A., Rueil-Malmaison	FRANCE	100.00	38,921	EUR
ABB AG, Mannheim	GERMANY	100.00	167,500	EUR
ABB Automation GmbH, Mannheim	GERMANY	100.00	15,000	EUR
ABB Automation Products GmbH, Ladenburg	GERMANY	100.00	20,750	DEM
ABB Beteiligungs- und Verwaltungsges. mbH, Mannheim	GERMANY	100.00	120,000	DEM
ABB Gebäudetechnik GmbH, Mannheim	GERMANY	100.00	12,315	DEM
Asea Brown Boveri S.A., Metamorphosis Attica	GREECE	100.00	1,182	EUR
ABB (Hong Kong) Ltd., Hong Kong	HONG KONG	100.00	20,000	HKD
ABB Engineering Trading and Service Ltd., Budapest	HUNGARY	100.00	444,090	HUF
ABB Limited, Bangalore	INDIA	52.11	423,817	INR
ABB Ltd, Dublin	IRELAND	100.00	2,898	EUR
ABB Technologies Ltd., Tirat Carmel	ISRAEL	99.99	420	ILS
ABB S.p.A., Milan	ITALY	100.00	107,000	EUR
ABB SACE S.p.A., Sesto S. Giovanni (MI)	ITALY	100.00	60,000	EUR
ABB Trasmissione & Distribuzione S.p.A., Milan	ITALY	100.00	3,300	EUR
ABB Technology SA, Abidjan	IVORY COAST	99.00	178,540	XOF
ABB K.K., Tokyo	JAPAN	100.00	1,000,000	JPY
ABB Ltd., Seoul	KOREA, REPUBLIC OF	100.00	18,670,000	KRW
ABB Holdings Sdn. Bhd., Subang Jaya	MALAYSIA	100.00	4,490	MYR
Asea Brown Boveri S.A. de C.V., Tlalnepantla	MEXICO	100.00	419,096	MXN
ABB BV, Rotterdam	NETHERLANDS	100.00	9,076	EUR
ABB Holdings BV, Amsterdam	NETHERLANDS	100.00	119	EUR
ABB Limited, Auckland	NEW ZEALAND	100.00	34,000	NZD
ABB Holding AS, Billingstad	NORWAY	100.00	800,000	NOK
Asea Brown Boveri S.A., Lima	PERU	88.12	17,152	PEN
Asea Brown Boveri Inc., Paranaque, Metro Manila	PHILIPPINES	100.00	123,180	PHP
ABB Sp. z o.o., Warsaw	POLAND	96.83	260,643	PLN
ABB S.G.P.S. S.A., Amadora	PORTUGAL	100.00	4,117	EUR

Company name/Location	Country	ABB interest %	Share capital in 1,000	Currency
Asea Brown Boveri Ltd., Moscow	RUSSIA	100.00	332	USD
ABB Contracting Company Ltd., Riyadh	SAUDI ARABIA	65.00	10,000	SAR
ABB Holdings Pte. Ltd., Singapore	SINGAPORE	100.00	25,597	SGD
ABB Holdings (Pty) Ltd., Sunninghill	SOUTH AFRICA	80.00	4,050	ZAR
Asea Brown Boveri S.A., Madrid	SPAIN	100.00	33,318	EUR
ABB AB, Västerås	SWEDEN	100.00	400,000	SEK
ABB Norden Holding AB, Stockholm	SWEDEN	100.00	459,000	SEK
ABB Asea Brown Boveri Ltd, Zurich	SWITZERLAND	100.00	2,768,000	CHF
ABB Ltd, Zurich	SWITZERLAND	Parent	5,469,390	CHF
ABB Schweiz AG, Baden	SWITZERLAND	100.00	55,000	CHF
ABB LIMITED, Bangkok	THAILAND	100.00	1,034,000	THB
ABB Holding A.S., Istanbul	TURKEY	99.95	12,844	USD
ABB Ltd., Kiev	UKRAINE	100.00	5,860	USD
ABB Industries (L.L.C), Dubai	UNITED ARAB EMIRATES	49.00	5,000	AED
ABB Holdings Ltd., Warrington	UNITED KINGDOM	100.00	203,014	GBP
ABB Ltd., Warrington	UNITED KINGDOM	100.00	219,000	GBP
ABB Holdings Inc., Norwalk, CT	UNITED STATES	100.00	2	USD
ABB Inc., Norwalk, CT	UNITED STATES	100.00	1	USD
ABB Lummus Global Inc., Bloomfield, NJ	UNITED STATES	100.00	12,400	USD
Asea Brown Boveri S.A., Caracas	VENEZUELA	100.00	4,899,373	VEB
ABB (Private) Ltd., Harare	ZIMBABWE	100.00	1,000	ZWD

ABB's operational group structure is described in the "Financial review" part of this Annual Report.

2.2 Significant shareholders

Investor AB, Sweden, has stated that it held 166,330,142 ABB shares, representing approximately 7.6 percent of ABB's total share capital and voting rights as of December 31, 2006.

FMR Corporation (FMR), U.S., has stated that it held 111,888,682 ABB shares, representing approximately 5.1 percent of ABB's total share capital and voting rights as of November 22, 2006. FMR then stated that it held less than 5 percent of ABB's total share capital and voting rights as of December 20, 2006. In February 2007, FMR stated that it held 109,485,941 ABB shares, representing approximately 5.0 percent of ABB's total share capital and voting rights as of February 14, 2007.

To the best of ABB's knowledge, no other shareholder held 5 percent or more of ABB's total share capital and voting rights as of February 28, 2007.

2.3 Cross-shareholdings

There are no cross-shareholdings in excess of 5 percent of the share capital or the voting rights between ABB and another company.

3. Capital structure

3.1 Ordinary share capital

As of December 31, 2006, ABB's ordinary share capital (including treasury shares) amounts to CHF 5,469,390,792.50 divided into 2,187,756,317 fully paid registered shares with a par value of CHF 2.50 per share.

3.2 Changes to the share capital

In November 2006, ABB issued 5,746,614 shares to certain of its employees who elected to receive them in connection with ABB's Employee Share Acquisition Plan (ESAP), for further details see section 7.8. The resulting share capital of CHF 5,469,390,792.50 divided into 2,187,756,317 shares was reflected in ABB's Articles of Incorporation dated as of December 15, 2006.

In May 2006, ABB issued 105,068,206 shares out of its contingent capital to holders of its then outstanding U.S. dollar convertible bonds. The resulting share capital of CHF 5,455,024,257.50 divided into 2,182,009,703 shares was reflected in ABB's Articles of Incorporation dated as of June 26, 2006.

In November 2005, ABB issued 6,626,550 shares to certain of its employees who elected to receive them in connection with the ESAP. The resulting share capital of CHF 5,192,353,742.50 divided into 2,076,941,497 shares was reflected in ABB's Articles of Incorporation dated as of December 6, 2005.

3.3 Contingent share capital

ABB's share capital may be increased in an amount not to exceed CHF 287,329,485 through the issuance of up to 114,931,794 fully paid shares with a par value of CHF 2.50 per share (a) up to the amount of CHF 262,329,485 (equivalent to 104,931,794 shares) through the exercise of conversion rights and/or warrants granted in connection with the issuance on national or international capital markets of newly or already issued bonds or other financial market instruments, and (b) up to the amount of CHF 25,000,000 (equivalent to 10,000,000 shares) through the exercise of warrant rights granted to its shareholders. The Board may grant warrant rights not taken up by shareholders for other purposes in the interest of ABB.

The pre-emptive rights of the shareholders are excluded in connection with the issuance of convertible or warrant-bearing bonds or other financial market instruments or the grant of warrant rights. The then-current owners of conversion rights and/or warrants will be entitled to subscribe for new shares. The conditions of the conversion rights and/or warrants will be determined by the Board.

The acquisition of shares through the exercise of conversion rights and/or warrants and each subsequent transfer of the shares will be subject to the restrictions of ABB's Articles of Incorporation (see section 4.2).

In connection with the issuance of convertible or warrant-bearing bonds or other financial market instruments, the Board is authorized to restrict or deny the advance subscription rights of shareholders if such bonds or other financial market instruments are for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, participations or new investments or an issuance on national or international capital markets. If the Board denies advance subscription rights, the convertible or warrant-bearing bonds or other financial market instruments will be issued at the relevant market conditions and the new shares will be issued pursuant to the relevant market conditions taking into account the share price and/or other comparable instruments having a market price. Conversion rights may be exercised during a maximum ten-year period, and warrants may be exercised during a maximum seven-year period, in each case from the date of the respective issuance. The advance subscription rights of the shareholders may be granted indirectly.

In addition, ABB's share capital may be increased by an amount not to exceed CHF 169,067,090 through the issuance of up to 67,626,836 fully paid shares to employees. The pre-emptive and advance subscription rights of ABB's shareholders are excluded. The shares or rights to subscribe for shares will be issued to employees pursuant to one or more regulations to be issued by the Board, taking into account performance, functions, levels of responsibility and profitability criteria. ABB may issue shares or subscription rights to employees at a price lower than that quoted on the stock exchange. The acquisition of shares within the context of employee share ownership and each subsequent transfer of the shares will be subject to the restrictions of ABB's Articles of Incorporation (see section 4.2).

3.4 Authorized share capital

ABB's authorized share capital expired in May 2005. In February 2007, ABB announced that its Board will recommend that shareholders approve new authorized capital in the amount of 200 million shares at ABB's annual general meeting in May 2007.

3.5 Convertible bonds and warrants

For information about outstanding convertible bonds and options on shares issued by ABB, please refer to Notes 14 and 21 of the "Financial review" part of this Annual Report.

4. Shareholders' participation

4.1 Shareholders' voting rights

ABB has one class of shares and each registered share carries one vote at the general meeting. Voting rights may be exercised only after a shareholder has been registered in the share register of ABB as a shareholder with the right to vote, or with VPC AB in Sweden, which maintains a sub-register of the share register of ABB.

A shareholder may be represented at the annual general meeting by another shareholder with the right to vote, its legal representative, a corporate body (Organvertreter), an independent proxy (unabhängiger Stimmrechtsvertreter), or a depositary (Depotvertreter). All shares held by one shareholder may be represented by one representative only.

For practical reasons shareholders must be registered in the share register no later than ten days before the general meeting in order to be entitled to vote. Except for the cases described under section 4.2, there are no voting rights restrictions limiting ABB's shareholders' rights.

4.2 Limitations on transferability of shares and nominee registration

ABB may decline a registration with voting rights if a shareholder does not declare that it has acquired the shares in its own name and for its own account. If the shareholder refuses to make such declaration, it will be registered as a shareholder without voting rights.

A person failing to expressly declare in its registration application that it holds the shares for its own account (a nominee), will be entered in the share register with voting rights, provided that such nominee has entered into an agreement with the Board concerning its status, and further provided that the nominee is subject to a recognized bank or financial-market supervision. In special cases the Board may grant exemptions. There were no exemptions granted in 2006.

4.3 Shareholders' dividend rights

ABB Ltd may only pay out a dividend if it has been proposed by a shareholder or the Board and approved at a general meeting of shareholders, and the statutory auditors confirm that the dividend conforms to statutory law and ABB's Articles of Incorporation. Dividends are usually due and payable in Swiss francs no earlier than three trading days after the approving shareholders' resolution.

ABB has established a dividend access facility for its shareholders who are residents of Sweden for tax purposes. If such shareholders have registered their shares with VPC AB in Sweden then they may elect to receive the dividend in Swedish kronor from ABB Participation AB without deduction of Swiss withholding tax. For further information on the dividend access facility please refer to ABB's Articles of Incorporation.

4.4 General meeting

Shareholders' resolutions at general meetings are approved with an absolute majority of the votes represented at the meeting, except for those matters described in article 704 of the Swiss Code of Obligations and for resolutions with respect to restrictions on the exercise of the right to vote and the removal of such restrictions, which all require the approval of two-thirds of the votes represented at the meeting.

Shareholders representing shares of a par value of at least CHF 1,000,000 may request items to be included in the agenda of a general meeting. Such request must be made in writing at least 40 days prior to the date of the general meeting and specify the items and the motions of such shareholder(s). ABB's Articles of Incorporation do not contain provisions on the convocation of the general meeting of shareholders that differ from the applicable legal provisions.

5. Board of Directors

5.1 Responsibilities and organization

The Board defines the ultimate direction of the business of ABB and issues the necessary instructions. It determines the organization of the ABB Group and appoints, removes and supervises the persons entrusted with the management and representation of ABB.

The internal organizational structure and the definition of the areas of responsibility of the Board, as well as the information and control instruments vis-à-vis the Group Executive Committee, are set forth in the regulations of the Board.

Board meetings are convened by the chairman or upon request by a director or the chief executive officer (CEO).

5.2 Term and members

The members of the Board are elected at the ordinary general meeting of the shareholders for a term of one year; re-election is possible.

The members of ABB's Board committees are required to be independent. Currently all Board members are non-executive and independent directors (see also section 5.4), with the exception of Jürgen Dormann who was also CEO until December 31, 2004, in addition to his ongoing function as Chairman.

Members of the Board:

Jürgen Dormann

Chairman, board member since 1998 and non-executive board member of ABB, since January 1, 2005; from September 5, 2002, until December 31, 2004, also President and CEO of ABB

Vice Chairman: sanofi aventis (France), Adecco (Switzerland)

Board member: IBM (U.S.), BG Group (U.K.)

Roger Agnelli

President and CEO of Companhia Vale do Rio Doce (Brazil)

Non-executive board member of ABB, since 2002

Board member: Duke Energy (U.S., through December 2006), Spectra Energy (U.S., from January 2007), Petrobras (Brazil, from April 2006), and Suzano Petroquímica (Brazil)

Louis R. Hughes

Chairman of Maxager Technology (U.S.), Chairman and CEO of GBS Laboratories (U.S.)

Non-executive board member of ABB, since 2003

Board member: AkzoNobel (Netherlands, from April 2006), Electrolux (Sweden), MTU (Germany) and Sulzer (Switzerland)

Executive adviser: Windpoint (U.S.), British Telecom U.S. advisory board (U.S.)

Hans Ulrich Märki

Chairman of IBM Europe, Middle East and Africa (France)

Non-executive board member of ABB, since 2002

Board member: Mettler Toledo International and Menuhin Festival Gstaad AG (both Switzerland)

Michel de Rosen

Chairman, President and CEO of ViroPharma (U.S.)

Non-executive board member of ABB, since 2002

Board member: Ursinus College and Pennsylvania Biotech (both U.S.), Endo Pharmaceutical Holdings Inc. (U.S., from April 2006)

Member of the advisory board of Paul Capital Partners Royalty Fund and the Global Business Coalition on HIV/AIDS (both U.S.)

Michael Treschow

Chairman of Ericsson, Electrolux and the Confederation of Swedish Enterprise (all Sweden)

Non-executive board member of ABB, since 2003

Bernd W. Voss

Member of the Supervisory Board of Dresdner Bank (Germany)

Non-executive board member of ABB, since 2002

Board member: Allianz Leben, Continental, Hapag-Lloyd, Osram, Quelle (until March 2006), and Wacker Chemie (all Germany)

Jacob Wallenberg

Chairman of Investor AB (Sweden)

Non-executive board member of ABB, since 1999

Vice Chairman: SEB Skandinaviska Enskilda Banken, Atlas Copco AB and SAS AB (all Sweden)

Board member: Knut and Alice Wallenberg Foundation, Thisbe AB, Nobel Foundation and Stockholm School of Economics (all Sweden)

As of December 31, 2006, none of ABB's Board members holds any official functions or political posts. Further information on ABB's Board members, including details about their nationality, education and professional experience, as well as other activities and functions, is available on ABB's Web site under www.abb.com/about.

5.3 Cross-involvement

The only cross-involvement among ABB's Board members and the boards of directors of other listed companies is that Louis R. Hughes and Michael Treschow are board members of Electrolux (Sweden).

5.4 Business relationships

This section describes important business relationships between ABB and its non-executive Board members, or companies and organizations represented by them.

Dresdner Bank AG (Dresdner) acted as co-dealer manager on ABB's offer to accelerate conversion of its previously outstand-

ing U.S. dollar convertible bonds in April 2006. Bernd W. Voss is a member of Dresdner's Supervisory Board.

Skandinaviska Enskilda Banken AB (publ) (SEB) acted as co-dealer manager for the bond exchange offers that ABB made in May 2006. Jacob Wallenberg is the Vice Chairman of SEB.

During the year 2006, ABB and its subsidiaries were party to several contracts with Companhia Vale do Rio Doce and its subsidiaries (CVRD), including contracts for engineering services and the supply of electrical equipment for generation and distribution of power. The largest contract was for supply of electrical equipment with a value of approximately \$7 million (approximately \$6.4 million in 2005). There are also various purchase orders for spare parts and machinery in general. The total value of such contracts and purchase orders is approximately \$33 million (approximately \$21.7 million in 2005). In addition, CVRD and ABB are currently negotiating a proposed framework agreement to establish general terms and conditions for the supply of products, systems and services among their respective group subsidiaries. The exchange rate used to convert Brazilian reais into U.S. dollars was R\$2.14 to US\$1.00. Roger Agnelli is President and CEO of CVRD.

In 2006, ABB received orders of approximately \$62 million from Duke Energy Corporation (Duke Energy) and its subsidiaries for power and automation products, systems and services for both capital improvements and operation and maintenance projects. Also in 2006, ABB received orders from Petróleo Brasileiro S/A and its subsidiaries (Petrobras) for approximately \$17.3 million for automation products and systems. Roger Agnelli is a member of the Board of Directors of Petrobras and he was a member of the Board of Directors of Duke Energy through December 2006.

During 2006, ABB received approximately \$110 million of orders for various ABB products including motors, drives and control systems from Sulzer AG (Sulzer). Louis R. Hughes is a member of Sulzer's Board of Directors.

On July 4, 2005, ABB entered into an unsecured syndicated \$2 billion, five-year revolving credit facility, which became available in July 2005. As of December 31, 2006, SEB has committed to \$120 million out of the \$2 billion total and Dresdner has committed to \$105 million out of the \$2 billion total. Jacob Wallenberg is the Vice Chairman of SEB and Bernd W. Voss is a member of Dresdner's Supervisory Board.

In 2003, ABB entered into a ten-year agreement with IBM pursuant to which IBM took over the operation and support of ABB's information systems infrastructure. The total value of the infrastructure and related operational services to be provided under this agreement is expected to approach \$1.7 billion.

Hans Ulrich Märki is Chairman of IBM Europe, Middle East and Africa. Jürgen Dormann has been a member of IBM's Board of Directors since February 22, 2005.

After comparing the revenues (or expected revenues in the case of orders) generated from ABB's business with SEB, Dresdner, IBM, CVRD, Duke Energy, Petrobras and Sulzer including the business described above, to the total annual revenues of those companies, the Board has determined that ABB's business relationships with those companies do not constitute material business relationships and that all members of the Board – with the exception of Jürgen Dormann as Chairman and former CEO (until December 31, 2004) – are considered to be independent directors. This determination was made in accordance with the Swiss Code of Best Practice and the independence criteria set forth in the corporate governance rules of the New York Stock Exchange.

5.5 Board committees

From among its members, the Board has appointed two Board committees: the Governance, Nomination and Compensation Committee and the Finance, Audit and Compliance Committee. The duties and objectives of the Board committees are set forth in regulations issued or approved by the Board. These committees assist the Board in its tasks and report regularly to the Board.

5.5.1 Governance, Nomination and Compensation Committee

The Governance, Nomination and Compensation Committee is responsible for (1) overseeing corporate governance practices within ABB, (2) selecting candidates for the Board, its committees, the CEO and the members of the Group Executive Committee, and (3) succession planning and employment as well as compensation matters relating to the Board and the Group Executive Committee. The Governance, Nomination and Compensation Committee is also responsible for maintaining an orientation program for new Board members and an ongoing education program for existing Board members.

The Governance, Nomination and Compensation Committee is comprised of three or more independent directors. Upon invitation by the committee's chairman, the CEO or other members of the Group Executive Committee may participate in the committee meetings, provided that any potential conflict of interest is avoided and confidentiality of the discussions is maintained.

Members and secretary of the Governance, Nomination and Compensation Committee:

Members: Hans Ulrich Märki (chairman)
Michel de Rosen
Roger Agnelli
Secretary: Gary Steel

5.5.2 Finance, Audit and Compliance Committee

The Finance, Audit and Compliance Committee is responsible for overseeing (1) the integrity of ABB's financial statements, (2) ABB's compliance with legal and regulatory requirements, (3) the independent auditors' qualifications and independence, and (4) the performance of ABB's internal audit function and independent auditors.

The Finance, Audit and Compliance Committee is comprised of three or more independent directors who have a thorough understanding of finance and accounting. As determined by the committee's chairman for matters related to their respective functions, the head of internal audit, as well as the external auditors, may participate in the Finance, Audit and Compliance Committee meetings. Upon invitation by the committee's chairman, the CEO or other members of the Group Executive Committee may participate in the committee meetings, provided that any potential conflict of interest is avoided and confidentiality of the discussions is maintained. As required by the U.S. Securities and Exchange Commission (SEC), the Board has determined that Bernd W. Voss is an audit committee financial expert.

Members and secretary of the Finance, Audit and Compliance Committee:

Members: Bernd W. Voss (chairman)
Jacob Wallenberg
Louis R. Hughes
Secretary: Michel Demaré

5.6 Meetings and attendance

The table below shows the number of meetings held during 2006 by the Board and its committees, their average duration, as well as the attendance of the individual Board members:

	Board of Directors	Governance, Nomination and Compensation Committee	Finance, Audit and Compliance Committee
Average duration (hrs.)	7	2	3
Number of meetings	5	11	5
Meetings attended:			
Jürgen Dormann	5	–	–
Roger Agnelli	4	6	–
Louis R. Hughes	5	–	5
Hans Ulrich Märki	5	11	–
Michel de Rosen	5	11	–
Michael Treschow	5	–	–
Bernd W. Voss	5	–	5
Jacob Wallenberg	5	–	3

5.7 Board ownership of ABB shares and options

The table below shows the number of ABB shares held by each Board member as of December 31, 2006:

	Number of shares
Jürgen Dormann	578,160
Roger Agnelli	132,805
Louis R. Hughes	58,074
Hans Ulrich Märki	297,902
Michel de Rosen	87,678
Michael Treschow	69,330
Bernd W. Voss	135,534
Jacob Wallenberg	143,370

As of December 31, 2006, Jürgen Dormann held 1,000,000 warrants granted in 2003 under the Management Incentive Plan (MIP), see section 7.9. for further MIP details. With the exception of Jürgen Dormann none of the Board members holds any options in ABB shares. No person closely linked to any of the Board members holds any shares of ABB or options in ABB shares. Persons closely linked is understood to mean: (1) an individual's spouse, (2) an individual's children below the age of 18, (3) any persons living in the same household as an individual for at least 12 months, (4) any legal entities that are under the control of an individual or any of the person's mentioned under (1) to (3) above, and (5) any legal or natural person acting as an individual's fiduciary or the fiduciary of any of the persons mentioned under (1) to (4) above.

5.8 Secretary to the Board

Diane de Saint Victor is the secretary to the Board.

6. Group Executive Committee

6.1 Responsibilities and organization

The Board has delegated the executive management of ABB to the CEO and the other members of the Group Executive Committee. The CEO, and under his direction the other members of the Group Executive Committee, are responsible for ABB's overall business and affairs and day-to-day management. The CEO reports to the Board regularly, and whenever extraordinary circumstances so require, on the course of ABB's business and financial performance and on all organizational and personnel matters, transactions and other issues relevant to the Group.

Upon proposal by the Governance, Nomination and Compensation Committee, the Group Executive Committee is appointed and discharged by the Board.

6.2 Members

Fred Kindle

President and CEO

Dinesh Paliwal

President, Global Markets and Technology

Michel Demaré

CFO

Gary Steel

Human Resources

Ulrich Spiesshofer

Corporate Development

Diane de Saint Victor

General Counsel as from January 1, 2007

Peter Leupp

Power Systems as from January 1, 2007

Bernhard Jucker

Power Products

Power Systems from October 1, 2006, to December 31, 2006

Tom Sjökvist

Automation Products

Veli-Matti Reinikkala

Process Automation

Anders Jonsson

Robotics

Samir Brikho

Power Systems until October 1, 2006

Further information about the members of the Group Executive Committee, including their nationality, education and professional experience, as well as other activities and functions, is available on ABB's Web site under: www.abb.com/about

6.3 Management contracts

There are no management contracts between ABB and companies or natural persons not belonging to the ABB Group.

7. Compensation

7.1 Principles of Board compensation

The compensation levels of the Board in 2006 were as follows:

■ Chairman:	CHF	1,500,000
■ Member:	CHF	250,000
■ Committee chairman:	CHF	50,000
■ Committee member:	CHF	20,000

The semi-annual payments to Board members in 2006 were made in July and November. Board members receive at least 50 percent (and may elect to receive a higher ratio) of their net compensation, i.e. after deduction of social security costs and withholding tax (where applicable), in ABB shares, which they are entitled to receive with a discount of 10 percent of the average share price during a 30-day reference period. During the term of Board membership, those ABB shares are kept in a blocked account and may only be disposed of after the respective person has left the Board.

7.2 Details of Board compensation

In 2006, the current Board members received the compensation set forth in the Board compensation table below (the calculation of the number of shares and the cash amount varies according to whether the respective person is subject to taxation at source).

With the exception of Jürgen Dormann while having been both Chairman of the Board and CEO, Board members do not receive pension benefits and are not eligible to participate in any of ABB's incentive programs.

No compensation was paid to former Board members.

7.3 Principles of Group Executive Committee compensation

Members of the Group Executive Committee receive annual base compensation. They are further eligible for annual bonus compensation, determined in accordance with the principles explained in section 7.5 and for pension contributions as explained in section 7.4.

In addition to receiving annual base and bonus compensation, members of the Group Executive Committee may participate in the Employee Share Acquisition Plan and the Long-term Incentive Plan (LTIP). Some members of the Group Executive Committee have participated in the earlier launches of the MIP. Group Executive Committee members receive customary additional benefits such as a company car and health insurance compensation, which are not material in the aggregate, and contributions to children's education in some cases.

7.4 Details of Group Executive Committee compensation

In applying the "cash-out principle" the Group Executive Committee compensation table on the next page shows the gross payments (i.e., compensation before deduction of employee social insurance and pension contributions) that were made to the members of the Group Executive Committee, the bonuses paid in 2006 which are based on 2005 business performance, as well as the employer's part of the ordinary pension contributions. All members of the Group Executive Committee are insured in the ABB Pension Fund, the ABB Supplementary Insurance Plan and the Tödi Foundation (the regulations are available under www.abbvorsorge.ch), with the exception of Dinesh Paliwal, who is insured under the pension plan in the United States, and Veli-Matti Reinikkala,

Board compensation

Amounts in Swiss francs except number of shares received	Board member compensation	Committee member compensation	Total annual compensation (gross)	Amount received in cash (net)	Number of shares received
Jürgen Dormann	1,500,000	–	1,500,000	479,317	32,284
Roger Agnelli	250,000	20,000	270,000	46,953	9,540
Louis R. Hughes	250,000	20,000	270,000	93,912	6,324
Hans Ulrich Märki	250,000	50,000	300,000	–	19,274
Michel de Rosen	250,000	20,000	270,000	93,912	6,324
Michael Treschow	250,000	–	250,000	86,915	5,853
Bernd W. Voss	250,000	50,000	300,000	–	14,191
Jacob Wallenberg	250,000	20,000	270,000	93,912	6,324
Total	3,250,000	180,000	3,430,000	894,921	100,114

Group Executive Committee compensation

Amounts in Swiss francs	Salary	Bonus (6)	Additional compensation	Total annual compensation (7)	Employer's pension contributions	Costs of company car	Costs of health insurance	Costs of children's education
Fred Kindle	1,404,168	1,881,750	0	3,285,918	388,640	34,890	8,155	0
Dinesh Paliwal (1)	902,430	825,730	45,123	1,773,282	676,719	29,268	21,075	78,921
Michel Demaré	791,670	704,250	0	1,495,920	521,860	28,808	7,687	30,900
Gary Steel	716,668	629,300	0	1,345,968	581,100	26,574	8,828	68,690
Ulrich Spiesshofer (2)	650,000	104,558	0	754,558	124,310	28,460	7,639	0
Bernhard Jucker (3)	750,000	410,526	0	1,160,526	170,520	29,964	8,106	0
Samir Brikho (4)	525,000	257,183	457,281	1,239,464	113,067	21,934	5,429	0
Tom Sjökvist	700,000	584,039	0	1,284,039	517,660	29,368	8,237	0
Veli-Matti Reinikkala (5)	621,945	248,924	8,739	879,608	136,905	13,171	2,862	0
Anders Jonsson	520,000	168,970	0	688,970	169,500	27,080	8,950	0
Total	7,581,881	5,815,230	511,143	13,908,253	3,400,281	269,517	86,969	178,511

(1) Dinesh Paliwal received his compensation in U.S. dollars which has been converted into Swiss francs at the rate of 1.2195 per U.S. dollar. He received additional compensation for cost of living adjustments, financial counselling, and term life insurance premiums.

(2) Ulrich Spiesshofer joined ABB in November 2005 and therefore received a pro-rata share of his bonus for 2005.

(3) Bernhard Jucker's bonus for 2005 was paid in euro and converted into Swiss francs using a rate of 1.6094 per euro.

(4) Samir Brikho left ABB at the end of September 2006 and therefore received a pro rata share of his salary for 2006 together with additional compensation representing his pro-rata bonus for 2006.

(5) Veli-Matti Reinikkala received his compensation and car benefits in U.S. dollars which have been converted into Swiss francs at the rate of 1.2195 per U.S. dollar. He received his employer pension contributions and health insurance benefits in euro which have been converted into Swiss francs using a rate of 1.6094 per euro. His additional compensation was for financial counselling and term life insurance premiums.

(6) The table above provides compensation amounts with respect to 2006 on a cash basis. Bonuses with respect to 2005 were paid in 2006.

(7) Excluding employer's pension contributions, costs of company car, costs of health insurance, contributions to children's education, and share-based compensation.

who is insured under the pension plan in Finland. Members of the Group Executive Committee based in Switzerland who are between the ages of 45 and 60 also participated in the Equalization plan, a defined-benefits plan capped under Swiss law, within the Tödi Foundation, which was established in 2005. Share-based compensation for members of the Group Executive Committee is discussed in section 7.11.

7.5 Bonus determination

ABB has a bonus structure to align the performance expectations of its senior managers. The performance of Group Executive Committee members is measured at least 50 per cent on ABB Group results.

Resulting bonuses are paid in March each year after full-year results are announced. In applying the scorecard principles, the CEO has a maximum bonus opportunity of 150 percent of his base salary. All other Group Executive Committee members have a maximum bonus opportunity of 100 percent of their base salary, except for the President, Global Markets and Technology, who has had a maximum bonus opportunity of 120 percent of his base salary since 2006.

7.6 Compensation to former members of the Group Executive Committee

In 2006, ABB did not make any payments to former members of the Group Executive Committee who are no longer with ABB.

7.7 Employee participation programs

In order to align its employees' interests with the business goals and financial results of the company, ABB operates a number of incentive plans, linked to ABB's shares, which are summarized below (for a more detailed description of each incentive plan, please refer to Note 21 of the "Financial review" part of this annual report).

7.8 ESAP

The ESAP is an employee stock-option plan with a savings feature. Employees save over a 12-month savings period, by way of monthly salary deductions. The maximum monthly savings amount is the lower of 10 percent of gross monthly salary or the local currency equivalent of CHF 750. At the end of the savings period, employees choose whether to exercise their stock options to buy ABB shares (ADS in the case of employees in the United States) at the exercise price set at the grant date, or have their savings returned with interest. The savings are accumulated in a bank account held by a third-party trustee on behalf of the participants and earn interest.

The maximum number of shares that each employee can purchase has been determined based on the exercise price and the aggregate savings for the 12-month period, increased by 10 percent to allow for currency fluctuations. If, at the exercise date, the balance of savings plus interest exceeds the maximum amount of cash the employee must pay to fully exercise their stock options, the excess funds will be returned to the employee. If the balance of savings and interest is insufficient

to permit the employee to fully exercise their stock options, the employee has the choice, but not the obligation, to make an additional payment so that they may fully exercise their stock options.

If an employee ceases to be employed by ABB, the accumulated savings as of the date of cessation of employment will be returned to the employee and the employee's right to exercise their stock options will be forfeited. Employees can withdraw from the ESAP at any time during the savings period and will be entitled to a refund of their accumulated savings.

The exercise price per share and ADS of CHF 18.55 and \$14.75, respectively, for the 2006 grant, were determined using the closing price of the ABB share on SWX Swiss Exchange (virt-x) and ADS on the New York Stock Exchange on the grant date.

7.9 MIP

ABB maintains an MIP under which it offers stock warrants and warrant appreciation rights (WARs) to key employees for no consideration.

Warrants granted under the MIP allow participants to purchase shares of ABB at predetermined prices. Participants may sell the warrants rather than exercise the right to purchase shares. Equivalent warrants are listed by a third-party bank on the SWX Swiss Exchange, which facilitates pricing and transferability of warrants granted under the MIP. If the participant elects to sell the warrant on the market rather than exercise the right to purchase shares, the warrant may then be held by a non-employee of ABB. Each WAR gives the participant the right to receive, in cash, the market price of a warrant on the date of exercise of the WAR. The WARs are non-transferable.

Participants may exercise or sell warrants and exercise WARs after the vesting period, which is three years from the date of grant. Vesting restrictions can be waived in certain circumstances such as death or disability. All warrants and WARs expire six years from the date of grant.

The details of the various unexpired grants as at December 31, 2006, are as follows:

Grant	Warrant exercise price in CHF	Subscription ratio
December 2001	13.49	100:25.21
December 2003	7.00	5:1
December 2004	7.50	5:1
February 2006	15.30	5:1

7.10 LTIP

ABB has an LTIP for members of its Group Executive Committee and certain other executives (each an eligible participant). The LTIP involves annual conditional grants of ABB's stock and, as of the 2006 launch, contains a co-investment component, in addition to the share-price performance component existing in the previous launches.

Under the share-price performance component, the value of the number of shares conditionally granted equals a certain percentage of the eligible participant's base salary at the date of grant. For members of the Group Executive Committee, these percentages were 150 percent in 2005 (prior to the introduction of the co-investment component) and 100 percent in 2006. The number of shares granted usually is adjusted downward for individuals who become eligible participants after the initial grant date. The actual number of shares that each eligible participant will receive free of charge at a future date is dependent on (1) the performance of ABB shares during a defined period (evaluation period) compared to those of a selected peer group of publicly listed multinational companies and (2) the term of service of the respective eligible participants in that capacity during the evaluation period. The actual number of shares received after the evaluation period cannot exceed 100 percent of the conditional grant.

The performance of ABB compared to its peers over the evaluation period will be measured as the sum, in percentage terms, of the average percentage price development of the ABB share price over the evaluation period and an average annual dividend yield percentage (ABB's performance).

In order for shares to vest, ABB's performance over the evaluation period must be positive and equal to or better than half of the defined peers. The actual number of shares to be delivered will be dependent on ABB's ranking in comparison with the defined peers. The full amount of the conditional grant will vest if ABB's performance is better than three-quarters of the defined peers'.

Under the co-investment component of the LTIP, each eligible participant is invited to deposit a number of ABB shares, up to an individually defined maximum number of shares. If at the end of the evaluation period the individual remains an eligible participant and the owner of such shares, then ABB will deliver free-of-charge to the eligible participant a matching number of shares.

The details of the various unexpired launches are as follows:

Launch year	Evaluation period	Reference price (in CHF)
2005	March 15, 2005, to March 15, 2008	7.15
2006	March 15, 2006, to March 15, 2009	15.48

The exact number of shares to be received for the 2005 and the 2006 launches will be known only in March 2008 and March 2009 respectively.

7.11 Group Executive Committee ownership of ABB shares and options

As of December 31, 2006, the members of the Group Executive Committee held:

- ABB shares;
- the conditional right to receive ABB shares granted under the share-price performance component of the LTIP;
- the conditional right to receive matching ABB shares in connection with share deposits under the co-investment component of the LTIP; and
- ABB warrants and WARs granted under the MIP;

in each case, as set forth in the Group Executive Committee shares and options table below. Other than as stated in that table as of December 31, 2006, no person closely linked to any member of the Group Executive Committee held any shares of ABB or options in ABB shares.

In addition, Fred Kindle, Michel Demaré, Gary Steel, Bernhard Jucker, Tom Sjökvist, Veli-Matti Reinikkala and Anders Jonsson, but none of the other members of the Group Executive Committee as of December 31, 2006, participated in the third launch of the ESAP with the maximum annual savings amount of CHF 9,000.

7.12 Additional fees and remuneration

Other than as disclosed herein, in 2006, none of ABB's members of the Board, the Group Executive Committee, or persons closely linked to them received any additional fees and remunerations for services rendered to ABB.

8. Loans and guarantees granted to members of the Board or Group Executive Committee

ABB did not grant any loans or guarantees to its Board members or members of the Group Executive Committee in 2006.

9. Duty to make a public tender offer

ABB's Articles of Incorporation do not contain any provisions raising the threshold (opting-up) or waiving the duty (opting-out) to make a public tender offer pursuant to article 32 of the Swiss Stock Exchange and Securities Trading Act.

10. Change of control provisions

ABB does not offer "golden parachutes" to members of the Board or its senior executives. Consequently none of its Board members, Group Executive Committee members or members of senior management are benefiting from clauses on changes of control. Employment contracts normally contain notice periods of 12 months for Group Executive Committee members and three to six months for members of senior management, during which they are entitled to running salaries and bonuses.

11. Auditors

11.1 Group auditors and special auditors

Ernst & Young is the Group and statutory auditor of ABB. OBT has been elected as special auditor to issue special review reports required in connection with capital increases.

Group Executive Committee shares and options

	Total number of shares held	Number of conditionally granted shares under the 2005 launch of the LTIP	Number of conditionally granted shares under the 2006 launch of the LTIP	Number of matching shares deliverable under the 2006 co-investment portion of the LTIP	Number of warrants/WARs granted under the MIP		
					2003 grant	2004 grant	2006 grant
Fred Kindle	132,980	272,728	92,055	40,115	0	0	0
Dinesh Paliwal (1)	23,505	174,960	62,394	18,840	1,000,000	0	0
Michel Demaré (2)	62,471	157,343	51,680	15,014	0	0	0
Gary Steel	90,630	146,854	46,512	13,416	1,000,000	0	0
Ulrich Spiesshofer	16,840	107,955	41,990	13,372	0	0	0
Bernhard Jucker	11,285	0	48,450	8,595	375,000	375,000	375,000
Tom Sjökvist (3)	39,521	0	45,220	12,451	375,000	375,000	375,000
Veli-Matti Reinikkala	7,030	0	43,001	5,680	150,000	312,500	375,000
Anders Jonsson (4)	66,311	0	33,592	3,603	412,500	475,000	475,000
Total	450,573	859,840	464,894	131,086	3,312,500	1,537,500	1,600,000

(1) Total number of shares held includes 4,665 shares jointly held with his spouse.

(2) Total number of shares held includes 500 shares jointly held with his spouse.

(3) Total number of shares held includes 7,560 shares held with his spouse and child.

(4) Total number of shares held includes 60,046 shares held by or jointly with his spouse. The table also includes 100,000 warrants/WARs held by his spouse under each of the 2003, 2004 and 2006 grants of the MIP. The grants to his spouse were in connection with his spouse's role as an ABB employee.

11.2 Duration of the mandate and term of office of the Group auditor

Ernst & Young assumed the existing auditing mandate as auditor of the ABB Group in 1994. The head auditor responsible for the mandate, Charles Barone, began serving in this function in May 2003.

11.3 Auditing and additional fees paid to Group auditor

The audit fees charged by Ernst & Young for the legally prescribed audit amounted to approximately \$40.4 million in 2006. Audit services are defined as the standard audit work performed each fiscal year necessary to allow the auditor to issue an opinion on the consolidated financial statements of ABB and to issue an opinion on the local statutory financial statements.

This classification may also include services that can be provided only by the Group auditor, such as assistance with the application of new accounting policies, pre-issuance reviews of quarterly financial results and comfort letters delivered to underwriters in connection with debt and equity offerings.

In addition, Ernst & Young charged approximately \$3.5 million for non-audit services performed during 2006. Non-audit services include primarily accounting consultations and audits in connection with divestments, audits of pension and benefit plans, accounting advisory services, tax compliance and other tax services. In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the SEC, ABB has, on a global basis, a process for the review and pre-approval of audit and non-audit services to be performed by Ernst & Young.

11.4 Supervisory and control instruments vis-à-vis the Group auditors

Ernst & Young periodically reads the approved minutes of meetings of our Board. Ernst & Young is present at the Finance, Audit and Compliance Committee meetings where audit planning is discussed and the results of our internal audit department's audit procedures are presented. Ernst & Young also periodically meets with the Finance, Audit and Compliance Committee to discuss the results of its audit procedures.

12. Information policy

ABB, as a publicly traded company, is committed to communicating in a timely and consistent way to shareholders, potential investors, financial analysts, customers, suppliers, the media and other interested parties. ABB is required to disseminate material information pertaining to its businesses in a manner that complies with its obligations under the rules of the stock exchanges where its shares are listed and traded.

ABB publishes an Annual Report consisting of an Operational review, a Financial review and a Sustainability review. The Operational and Financial reviews provide information on the results of ABB's businesses. The Operational review also provides information on human resources, technology, sustainability and corporate governance. The Financial review provides the audited financial statements for the reported year, as well as a management discussion and analysis of ABB's business results. The Sustainability review provides information on the company's performance in environmental management, social responsibility and employee health and safety.

Apart from this Annual Report, ABB also submits an annual report on Form 20-F to the SEC. In addition, ABB publishes its results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the stock exchanges on which its shares are listed and traded. Press releases relating to financial results and material events are also filed with the SEC on Form 6-K. An archive containing Annual Reports, Form 20-F reports, quarterly results releases and related presentations can be found on the ABB Web site (www.abb.com/investorrelations). The quarterly results press releases contain unaudited financial statements in accordance with U.S. GAAP.

ABB's official means of communication is the Swiss Official Gazette of Commerce (www.shab.ch). The invitation to the company's annual general meeting is sent to registered shareholders by mail.

Inquiries may also be made to ABB Investor Relations:

Telephone: +41 43 317 71 11

Fax: +41 44 311 98 17

ABB's Web site is www.abb.com.

13. Further information on corporate governance

The list below contains references to additional information concerning the corporate governance of ABB, which can be accessed at www.abb.com.

- Articles of Incorporation
- Regulations of the Board
- CVs of the Board members
- CVs of the Group Executive Committee members
- Regulations of the Governance, Nomination and Compensation Committee
- Regulations of the Finance, Audit and Compliance Committee
- ABB Code of Conduct
- Comparison of ABB's corporate governance practices to the New York Stock Exchange rules

The ABB Annual Report 2006 consists of an Operational review, a Financial review and a Sustainability review.

For an additional copy of this or any of the other reviews, please use the contact information on the back of this document or download copies from www.abb.com.

The Operational review and a financial summary (contained in the Operational review) are published in English, German and Swedish. The Financial review is published in English and German. The Sustainability review is published in English. For all documents in the Annual Report series, only the English-language version is the binding version.



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