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ABB LIMITED

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
for the year ended 31 December 2008

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**ABB LIMITED**

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**COMPANY INFORMATION**

<b>DIRECTORS</b>	F. Duggan (Resigned 21 November 2008) S.E. Jakobsson (Swedish) T. Gregory (Appointed 21 November 2008) D. Petticrew (Appointed 21 November 2008)
<b>ALTERNATE DIRECTORS</b>	A. de Lange to S.E. Jakobsson (Resigned 21 November 2008) P. O'Mahony to F. Duggan (Resigned 21 November 2008) A. McFeely (to F. Duggan) (Resigned 21 November 2008) P. O'Mahony to T. Gregory (Appointed 21 November 2008) W. McLaughlin to T. Gregory (Appointed 21 November 2008)
<b>SECRETARY</b>	A. de Lange (Resigned 21 November 2008) P. O'Mahony (Appointed 21 November 2008)
<b>REGISTERED NUMBER</b>	265676
<b>REGISTERED OFFICE</b>	Belgard Road, Tallaght, Dublin 24.
<b>SOLICITORS</b>	Arthur Cox, Earlsfort Centre, Earlsfort Terrace, Dublin 2.
<b>BANKERS</b>	Allied Irish Banks plc, Bank Centre, Ballsbridge, Dublin 4.
<b>AUDITORS</b>	Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2.

## **ABB LIMITED**

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### **DIRECTORS' REPORT**

**for the year ended 31 December 2008**

The directors present herewith their report and audited financial statements for the year ended 31 December 2008.

#### **REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS**

The company is a member of the ABB Group and is owned by ABB Ltd Zurich, a company registered in Switzerland.

The principal activities of the company in the year were the supply of power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact.

Operating profit from continuing operations decreased by €5,532,000 to €2,561,000 (2007: €8,093,000) with a profit after interest and tax of €2,903,000 (2007: €7,353,000).

#### **FINANCIAL PERFORMANCE INDICATORS**

The company's key measures of financial performance are revenue growth, EBITDA (earnings before interest, taxation, depreciation and amortization) and Profit on Ordinary Activities after Taxation.

##### **Revenue growth**

The company's revenue from continuing operations is €164,904,000 in 2008 and €178,846,000 in 2007. The decrease in revenue from continuing operations for 2008 as compared to 2007 is €13,942,000 or 8%.

##### **EBITDA**

Earnings before interest, taxation, depreciation and amortisation are €6,131,000 in 2008 and €12,304,000 in 2007. The decrease in EBITDA for 2008 as compared to 2007 is €6,173,000.

##### **Profit on Ordinary Activities after Taxation**

Profit on Ordinary Activities after Taxation is €2,903,000 in 2008 and €7,353,000 in 2007. The decrease in Profit on Ordinary Activities after Taxation for 2008 as compared to 2007 is €4,450,000.

#### **RISK ANALYSIS**

Under Irish Company Law, the company is required to give a description of the principal risks and uncertainties which it faces. These principal risks are set out hereunder:

- Significant changes in the market place in which the business operates;
- Loss of our key management and other personnel;
- Our business is affected by the economic climate; and
- We are subject to environmental laws and regulations.

The company has insurances, business policies and organisational structures to limit these risks and the Board of Directors regularly review, re-assess and proactively limit these risks.

## **ABB LIMITED**

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### **DIRECTORS' REPORT**

**for the year ended 31 December 2008 (continued)**

#### **EMPLOYEE MATTERS**

The company continues to consider health and safety to be one of our highest priorities and a fundamental element of being a successful business. We are committed to achieving the highest reasonable practical standards of health, safety and welfare for our employees, contractors, customers and visitors. The company actively engages with local government agencies, trade associations and other similar bodies to promote the benefits of a safe and healthy working environment.

#### **THE ENVIRONMENT**

Environmental management is one of the company's highest business priorities and the company continues to strive to improve its social and environmental performance continually. The company's social and environmental efforts include:

- Fostering initiatives for economic, environmental, social and educational development;
- Offering customers eco-efficient products that save energy and are safe to use, that optimise the use of natural resources, minimise waste and reduce environmental impact over their complete life cycles; and
- Ensuring that the operations and processes comply with applicable environmental standards and legislation.

#### **RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2008**

The profit and loss account for the year ended 31 December 2008 and the balance sheet at that date are set out on pages 9 and 11. The profit on ordinary activities for the year before taxation amounted to €2,774,000 compared with a profit of €7,867,000 in the previous year after crediting taxation of €129,000 an amount of €2,903,000 is available for retention.

#### **NON PREPARATION OF GROUP FINANCIAL STATEMENTS**

The Company has availed of the exemption in Regulation 9A of the European Communities (Companies: Group Accounts) Regulations, 1992 from preparing and delivering consolidated financial statements. The results of the Company and all its subsidiaries are included in the consolidated financial statements of its ultimate parent ABB Asea Brown Boveri Limited which have been prepared in accordance with US GAAP. The consolidated financial statements of ABB Asea Brown Boveri Limited are available from its registered office at PO Box 8131, CH-8050 Zurich, Switzerland.

These financial statements present information about the Company as an individual undertaking and not about its Group.

#### **FUTURE DEVELOPMENTS**

The directors aim to maintain the current management policies. The company strives to increase the growth in sales.

#### **DIVIDENDS**

No dividends have been proposed or paid during the year (2007: €Nil).

## ABB LIMITED

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### DIRECTORS' REPORT

for the year ended 31 December 2008 (continued)

#### SUBSIDIARY UNDERTAKINGS

The statutory information concerning subsidiary undertakings, which are all incorporated in the Republic of Ireland, required by Section 158 of the Companies Act, 1963 and Section 16 of the Companies (Amendment) Act, 1986 is given in Note 11 to the financial statements.

#### DIRECTORS

In accordance with the company's Articles of Association, the directors are not required to retire by rotation. The present directors are as listed on page 2 and, unless otherwise indicated, have served throughout the year.

#### DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The interest and beneficial interest of the directors and company secretary, who held office at 31 December 2008, in the shares and options of the company and group undertakings is as follows:

	2008 Number of shares	2007 Number of shares
<i>ABB Asea Brown Boveri Limited:</i>		
Mr. T. Gregory	-	-
Mr. D. Petticrew	-	-
Mr. P. O'Mahony	122	-
Mr. S.E. Jakobsson	19,784	13,784

#### IMPORTANT EVENTS SINCE THE YEAR END

On 25 June 2009 the company announced its decision to close its transformer business, based in Waterford, at the end of March 2010. The main reason for this decision is that there is insufficient demand in the markets served by the factory to justify keeping the plant open.

#### BOOKS AND ACCOUNTING RECORDS

The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990, are kept by the company. To achieve this, the directors have appointed a professionally qualified financial controller, who reports to the board, to ensure that the requirements of Section 202 of the Companies Act 1990, are complied with.

Those books and accounting records are maintained at the company's principal place of business which is located at Belgard Road, Tallaght, Dublin 24.

**ABB LIMITED**

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**DIRECTORS' REPORT**

**for the year ended 31 December 2008 (continued)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF  
THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standard Board and published by the Institute of Chartered Accountants in Ireland.

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

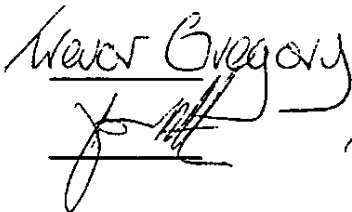
The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the provisions of the Companies Acts, 1963 to 2009. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

The auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the Directors

  
16/9/09

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) Directors  
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Date:



## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABB LIMITED**

We have audited the financial statements of ABB Limited for the year ended 31 December 2008, which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

### ***Respective responsibilities of directors and auditors***

As described in the Directors' Report the company's directors are responsible for the preparation of the financial statements in accordance with applicable Irish law and generally accepted accounting practice in Ireland and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We report to the members if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the company is not given and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### ***Basis of audit opinion***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

*Continued /...*



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABB LIMITED**  
**(Continued)**

***Basis of audit opinion (Continued)***

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

***Opinion***

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the company as at 31 December 2008 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

In our opinion, the balance sheet does not disclose a financial situation which under section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

*Ernst & Young*

Ernst & Young  
Chartered Accountants and Registered Auditors

Dublin

Date: 18 September 2009.

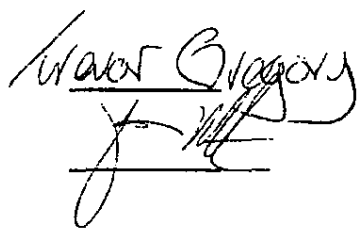


**ABB LIMITED**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2008

		2008	2007
	Note	€'000	€'000
Turnover			
Continuing operations	2	164,904	178,846
Raw Materials and consumables		(131,503)	(132,639)
Staff costs	4	(22,672)	(26,131)
Depreciation and amortisation		(3,129)	(3,701)
Other operating charges		(5,039)	(8,282)
Operating Profit			
Continuing operations		2,561	8,093
Interest receivable and similar income		243	303
Interest payable and similar charges	5	(470)	(1,039)
Other finance income	6	440	510
Profit on ordinary activities before taxation	7	2,774	7,867
Tax on profit on ordinary activities	8	129	(514)
Profit for the financial year		2,903	7,353

Approved by the Board on



16/7/09

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) Directors  
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**ABB LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**for the year ended 31 December 2008**

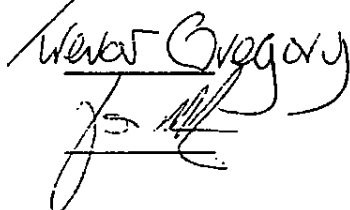
		2008	2007
	Note	€'000	€'000
Profit for the financial year		2,903	7,353
Actuarial (loss)/gain on pension scheme	22	(10,796)	2,150
Current tax transferred from Profit & Loss Account		88	98
Deferred tax effect of FRS17 adjustments		1,263	(367)
Total recognised (losses) and gains for the year		<u>(6,544)</u>	<u>9,234</u>

**ABB LIMITED**

**BALANCE SHEET**  
**at 31 December 2008**

	Note	2008 €'000	2007 €'000
<b>FIXED ASSETS</b>			
Financial assets	9	-	-
Intangible assets	10	13,007	13,874
Tangible assets	11	11,998	13,499
		<u>25,005</u>	<u>27,373</u>
<b>CURRENT ASSETS</b>			
Stocks	12	24,658	27,236
Debtors	13	33,077	42,857
Cash at bank and in hand		3,038	10,183
		<u>60,773</u>	<u>80,276</u>
<b>CREDITORS (amounts falling due within one year)</b>	14	<u>(40,646)</u>	<u>(64,669)</u>
<b>NET CURRENT ASSETS</b>		<u>20,127</u>	<u>15,607</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>45,132</u>	<u>42,980</u>
<b>PENSION (LIABILITIES)/ ASSETS</b>		<u>(6,688)</u>	<u>2,154</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	16	(498)	(387)
Product warranty provision	17	(2,603)	(2,860)
		<u>35,343</u>	<u>41,887</u>
<b>FINANCED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	635	635
Other reserves	19	187,417	187,417
Profit and loss account	19	(152,709)	(146,165)
		<u>35,343</u>	<u>41,887</u>
<b>Shareholders' funds</b>	20	<u>35,343</u>	<u>41,887</u>

Approved by the Board on 16th September 2009 and signed on its behalf by:



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)  
) Directors

## ABB LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2008

#### 1. ACCOUNTING POLICIES

(a) *Basis of preparation*

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009.

(b) *Accounting convention*

The financial statements are prepared under the historical cost convention.

(c) *Cash flow statement*

The company has availed of the concession in FRS 1 "Cash Flow Statements" which exempts a subsidiary undertaking from the requirement to prepare a cash flow statement on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

(d) *Turnover*

Turnover represents the invoice value of sales less relevant sales taxes.

(e) *Financial assets*

Investments in subsidiary undertakings are shown at cost less provision for impairment.

(f) *Foreign currencies*

The financial statements are expressed in euros (€).

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated to euro at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

(g) *Fixed assets*

Tangible fixed assets are carried at cost less accumulated depreciation and provisions for impairment. The cost of an asset is made up of the purchase price of the asset plus any costs directly attributable to bringing the asset into working condition for its intended use.

Freehold land is not depreciated. For other assets depreciation is calculated to write off the cost of tangible fixed assets over their expected useful lives annually on the straight line method as follows:

Buildings	2.5%
Building improvements	20%
Plant and equipment	10% to 12.5%
Motor vehicles	20%
Computer equipment	20%
Computer software	33.3%
Office equipment	12.5%

Write downs of fixed assets are made to reflect any permanent diminution in values.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2008 (continued)**

**1. ACCOUNTING POLICIES (continued)**

*(h) Impairment of fixed assets*

The carrying value of tangible assets is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Under Irish GAAP, impairment is assessed by comparing the carrying value of an asset with its recoverable amount (being the higher of net realisable value and value in use). Net realisable value is defined as the amount at which an asset could be disposed of, less any direct selling costs. Value in use is defined as the present value of the future cash flows obtainable through continued use of an asset including those anticipated to be realised on its eventual disposal.

*(i) Stocks*

Stocks and work in progress are stated at the lower of cost and net realisable value and net of amounts received and receivable on account. Cost is determined on a first in first out basis and includes transport and handling costs. In the case of work in progress, cost includes direct materials and labour costs plus attributable overheads. Net realisable value is the actual or estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

*(j) Long term contracts*

Attributable profit on long-term contracts is recognised using the percentage-of-completion method of accounting and principally use the cost-to-cost or delivery events method to measure progress towards completion on contracts. The method used by type of contract is based on judgment as to which method best measures progress towards completion on contracts.

*(k) Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more tax or a right to pay less tax in the future.

Timing differences are differences between profit as computed for taxation purposes and profit as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

**ABB LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2008 (continued)**

**1. ACCOUNTING POLICIES (continued)**

**(l) Leased assets**

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised. The capital element of the related rental obligations is included in creditors. Leasing charges under finance leases are charged to revenue in the year incurred as estimated under the sum of digits method. Assets held under operating leases are not capitalised in the financial statements and the related lease charges are expensed in the financial statements over the term of the relevant lease agreements.

**(m) Warranties for products**

Provision is made for the estimated liability on all products still under warranty, including claims already received.

**(n) Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**(o) Goodwill**

Goodwill comprises the net excess cost of the company's interest in businesses acquired over the fair value of the identifiable net assets attributable thereto at the effective date of acquisition.

Goodwill arising on acquisitions is capitalised and reviewed on a case-by-case basis to determine its most useful economic life.

Where the useful economic life of goodwill exceeds twenty years, or is deemed to have an indefinite life, annual impairment reviews are carried out to ensure that carrying values remain appropriate.

**(p) Intangible assets**

***Acquired both separately and from a business combination***

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition.

Intangible assets are amortised on a straight-line basis on their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods where events or changes in circumstances indicate the carrying value may not be recoverable.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2008 (continued)**

**1. ACCOUNTING POLICIES (continued)**

**(q) Pension benefits**

The company operates a number of defined benefit pension schemes which are funded. A full actuarial valuation is undertaken every three years and is updated to reflect current conditions in the intervening periods. Scheme assets are valued at market value. Scheme liabilities are measured on an actuarial basis, using the projected unit method and discounted at the current rate of return on a high quality discount bond of equivalent term and currency to the liability. Any surplus is shown as an asset on the balance sheet net of the deferred tax impact. Any deficit is shown on the balance sheet as a liability net of the deferred tax impact. Actuarial gains and losses are recognised immediately in the statement of recognised gains and losses. The current service cost and past service cost of the defined benefit schemes is charged to operating profit and the expected return on assets net of the change in the present value of the scheme liabilities arising from the passage of time, is credited to other finance income.

The company also operates a defined contribution scheme. Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

**(r) Shared based payments**

The company operates two employee incentive plans, which are described more fully in Note 23.

*Management Incentive Plan*

*Equity settled transactions*

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which relevant employees become fully entitled to the award. Fair value is determined at group level by using an appropriate valuation model.

At each balance sheet date before vesting, the cumulative expense is recalculated, representing the extent to which the vesting period has expired. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement.

The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to the equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

**ABB LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2008 (continued)**

**1. ACCOUNTING POLICIES (continued)**

*(r) Shared based payments (continued)*

*Cash settled transactions*

The cost of cash settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award by the number of outstanding options. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in the profit or loss for the period.

**2. TURNOVER**

In the opinion of the directors, the disclosures required by Paragraph 41 of the Schedule to the Companies (Amendment) Act 1986 would be seriously prejudicial to the interests of the company and the directors have availed of the exemption contained within Paragraph 41 Section 5 of the Schedule to the Companies (Amendment) Act 1986.

**3. NON-PREPARATION OF GROUP FINANCIAL STATEMENTS**

The Company has availed of the exemption in Regulation 9A of the European Communities (Companies: Group Accounts) Regulations, 1992 from preparing and delivering consolidated financial statements. The results of the Company and all its subsidiaries are included in the consolidated financial statements of its ultimate parent ABB Asea Brown Boveri Limited which have been prepared in accordance with US GAAP. The consolidated financial statements of ABB Asea Brown Boveri Limited are available from its registered office at PO Box 8131, CH-8050 Zurich, Switzerland.

These financial statements present information about the Company as an individual undertaking and not about its Group



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**ABB LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2008 (continued)****4. EMPLOYEES**

The average number of persons employed by the company (including directors) during the year was as follows:

	2008 Number	2007 Number
Selling	57	59
Operations	334	375
Management and administration	59	67
	<hr/>	<hr/>
	450	501
	<hr/>	<hr/>

The staff costs comprise:	2008 €'000	2007 €'000
Salaries and wages	18,793	20,767
Social welfare costs	2,457	2,703
Pension and other costs	1,422	2,661
	<hr/>	<hr/>
	22,672	26,131
	<hr/>	<hr/>

5. INTEREST PAYABLE AND SIMILAR CHARGES	2008 €'000	2007 €'000
Bank overdraft repayable within one year	7	13
Interest payable to group undertakings	463	1,028
	<hr/>	<hr/>
	470	1,039
	<hr/>	<hr/>

**6. OTHER FINANCE INCOME**

Under FRS 17 'Retirement benefits', the net of the interest cost on liabilities and the expected return on assets is to be recorded as other finance income adjacent to interest. The interest cost represents the unwinding of the discount on the scheme liabilities. The expected return on assets is based on the long-term expectations at the beginning of the period.

A description of the retirement benefit scheme operated by the company is provided in Note 22.

**ABB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2008 (continued)**

7.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2008 €'000	2007 €'000
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The profit on ordinary activities before taxation is  
stated after charging:

Directors remuneration			
Salaries	14	323	
Other emoluments including pension contributions	1	87	
Depreciation and amortisation	3,129	3,701	
Auditors' remuneration	140	100	
Hire of equipment and vehicles:			
Operating leases	734	762	
Research and development	4,690	2,557	
Foreign exchange differences	73	144	

8.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2008 €'000	2007 €'000
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(a) Analysis of profit and loss account charge:

Current tax:

Republic of Ireland corporation tax on losses of the year at 12.5%	-	311	
Adjustments in respect of prior year	(326)	10	
Current tax transferred to the Statement of Total Recognised Gains and Losses	86	98	

Total current tax (see reconciliation below)	(240)	419	
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Deferred tax:

Origination and reversal of timing differences	111	95	
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Total deferred tax (note 16)	111	95	
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Tax (credit) charge on profit on ordinary activities	(129)	514	
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**ABB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2008 (continued)**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

- (b) Reconciliation of the expected tax charge/(credit) at the standard tax rate to the actual tax credit at the effective rate.

The tax assessed for the year is lower than the standard rate of corporation tax in the Republic of Ireland 12.5%. The differences are explained below.

	2008 €'000	2007 €'000
Profit on ordinary activities before taxation	<u>2,774</u>	<u>7,867</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the Republic of Ireland of 12.5%	347	983
<i>Effects of:</i>		
Expenses not deductible for tax purposes	94	137
Capital allowances for year in excess of depreciation	108	139
Higher rates of tax on other income	35	26
Pension	31	(135)
Sale of Fixed Assets	2	2
Manufacturing Relief	(64)	(83)
Research and development credit	(467)	(660)
Under provision in respect of prior year	(326)	10
Total Current Tax	<u>(240)</u>	<u>419</u>

- (c) *Circumstances affecting current and future tax charges*  
The tax charge in future years will be affected by changes to the rates of Irish Corporation Tax.

**ABB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2008 (continued)**

9.	FINANCIAL FIXED ASSETS	2008 €'000	2007 €'000
	<i>Shares in group undertaking, unlisted at cost</i>		
	At beginning and end of year	-	-

At 31 December 2008, the company had the following subsidiary undertakings, all of which operated principally in their country of origin.

<i>Name</i>	<i>Nature of business</i>	<i>Holding</i>	<i>Registered Office</i>
ABB Holdings Ireland Limited	Dormant	100%	Belgard Road, Tallaght, Dublin 24.

In the opinion of the directors the shares in the Company's subsidiaries are worth the amounts at which they are stated in the balance sheet.

10.	INTANGIBLE ASSETS	Goodwill €'000	Total €'000
	Cost		
	At 1 January 2008	13,874	13,874
	Amortisation	(867)	(867)
	At 31 December 2008	13,007	13,007

ABB LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2008 (continued)

11. TANGIBLE FIXED ASSETS	Freehold land and buildings €'000	Office equipment €'000	Motor vehicles €'000	Plant and equipment €'000	Computer equipment €'000	Computer Software €'000	Total €'000
<i>Cost</i>							
At 1 January 2008	12,292	1,860	79	12,680	1,663	1,738	30,312
Additions	98	18	-	633	57	-	806
Disposals	(6)	-	(23)	(1,813)	(229)	-	(2,071)
At 31 December 2008	12,384	1,878	56	11,500	1,491	1,738	29,047
<i>Depreciation</i>							
At 1 January 2008	4,930	1,243	42	8,386	1,342	870	16,813
Charge for the year	312	170	9	1,029	169	573	2,262
Disposals	(1)	-	(13)	(1,783)	(229)	-	(2,026)
At 31 December 2008	5,241	1,413	38	7,632	1,282	1,443	17,049
<i>Net book amounts</i>							
At 31 December 2008	7,143	465	18	3,868	209	295	11,998
At 31 December 2007	7,362	617	37	4,294	321	868	13,499

# **ABB LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **31 December 2008 (continued)**

<b>12. STOCKS</b>		
	<i>2008</i>	<i>2007</i>
	<i>€'000</i>	<i>€'000</i>
Raw Materials	6,750	8,493
Materials for resale	5,364	4,401
Work in progress	10,978	12,219
Finished goods	1,566	2,123
	<u>24,658</u>	<u>27,236</u>

The replacement cost of stocks does not differ significantly from the balance sheet amounts.

<b>13. DEBTORS (amounts falling due within one year)</b>		
	<i>2008</i>	<i>2007</i>
	<i>€'000</i>	<i>€'000</i>
<i>Amounts falling due within one year</i>		
Trade debtors	25,652	23,458
Amounts owed by fellow subsidiaries	7,060	18,255
Prepayments and accrued income	354	1,144
Corporation Tax Debtor	11	-
	<u>33,077</u>	<u>42,857</u>

<b>14. CREDITORS (amounts falling due within one year)</b>		
	<i>2008</i>	<i>2007</i>
	<i>€'000</i>	<i>€'000</i>
Bank overdraft	2,040	1,330
Trade creditors	13,517	21,151
Amounts owed to group undertakings	15,308	18,370
Taxation and social welfare ( <i>note 16</i> )	3,082	3,500
Accruals and other creditors	4,451	5,603
Provisions and warranties	2,248	2,215
Short term borrowings from group undertakings	-	12,500
	<u>40,646</u>	<u>64,669</u>

The company has given a letter of lien to secure obligations with respect to all credit balances held on the company's accounts with Allied Irish Banks plc.

ABB LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2008 (continued)

15.	TAXATION AND SOCIAL WELFARE	2008	2007
		€'000	€'000
	Taxation and social welfare creditors are as follows:		
	Corporation tax	-	272
	PAYE and PRSI	610	653
	Value added tax	2,472	2,575
		<u>3,082</u>	<u>3,500</u>

16.	DEFERRED TAXATION	2008	2007
		€'000	€'000
	At beginning of year	(387)	(292)
	(Charge) for the year	(111)	(95)
		<u>(498)</u>	<u>(387)</u>

The full potential liability to deferred taxation which arises from the utilisation of accelerated capital allowances on capital expenditure has been provided for in the financial statements.

The pension and post retirement liabilities have been shown net of the related deferred tax asset.

17.	PRODUCT WARRANTY PROVISION	2008	2007
		€'000	€'000
	At beginning of year	2,860	1,738
	Utilised	(190)	(150)
	(Released)/Provided	(67)	1,272
		<u>2,603</u>	<u>2,860</u>

Some products carry formal guarantees of satisfactory performance of varying periods following their purchase by customers. Provision is made for the estimated cost of honouring unexpired warranties. The expected timing of any payments under such guarantees and warranties is uncertain.

**ABB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2008 (continued)**

18.	CALLED UP SHARE CAPITAL	2008	2007
		€'000	€'000
	<i>Authorised</i>		
	500,000 ordinary shares of €1.269738 each	635	635
		<u>        </u>	<u>        </u>
	<i>Allotted, called up and fully paid</i>		
	500,000 ordinary shares of €1.269738 each	635	635
		<u>        </u>	<u>        </u>
19.	MOVEMENT IN RESERVES	Other	Profit and
		reserves	loss account
		€'000	€'000
	At 1 January 2008	187,417	(146,165)
	Profit for year	-	2,903
	Actuarial loss on pension scheme	-	(10,796)
	Movement on deferred tax relating to pension scheme	-	1,349
		<u>        </u>	<u>        </u>
	At 31 December 2008	187,417	152,709
		<u>        </u>	<u>        </u>
20.	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2008	2007
		€'000	€'000
	Shareholders' funds at beginning of year	41,887	32,653
	Profit/Loss for the financial year	2,903	7,353
	Actuarial (loss)/gain on pension scheme	(10,796)	2,150
	Movement on deferred tax relating to pension scheme	1,349	(269)
		<u>        </u>	<u>        </u>
	Shareholder's funds at end of year	35,343	41,887
		<u>        </u>	<u>        </u>



NOTES TO THE FINANCIAL STATEMENTS

31 December 2008 (continued)

21. CONTINGENT LIABILITIES

Under agreements with the Industrial Development Authority, there exists a contingent liability to repay, in whole or in part, employment grants received of €554,000 if certain circumstances set out in the agreements occur within five years of receipt of the grants.

AIB held performance guarantees of €2,412,344 that were issued and still valid at the 31 December 2008

22. PENSIONS

ABB Limited operates four defined benefit pension schemes for certain employees and executive directors. The assets of the scheme are held separately from those of the company in an independently administered fund.

In addition, the company operates a defined contribution scheme. The pension cost charge represents contributions payable by the company to the fund and amounted to €148,000 (2007:€128,000). There were no contributions payable to the fund at the year end.

Full actuarial valuations are carried out every three years for each of the four defined benefit schemes by a qualified independent actuary using the projected unit method. The actuarial reports are available for inspection by members of the scheme only.

*The main assumptions used by the actuary were:*

	2008	2007	2006
	%	%	%
Rate of increase in salaries	3.50	3.80	3.80
Rate of increase to pensions in payment	2.00	0.50	1.36
Discount rate for scheme liabilities	5.75	5.75	4.64
Inflation	2.00	2.25	2.25

The expected term rates of return on the assets of the plans at the balance sheet dates were as follows:

	2008	2007	2006
	%	%	%
Equities	7.50	7.50	7.50
Bonds	4.20	4.40	3.90
Property	6.10	6.00	6.00
Cash	-	-	0.65
Other	3.00	2.60	2.60

**ABB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2008 (continued)**

**22. PENSION (Continued)**

The fair value of the assets in the schemes and the present value of the liabilities in the schemes at the balance sheet dates were as follows:

	2008 €'000	2007 €'000
Equities	12,178	20,620
Bonds	3,442	3,228
Property	778	1,379
Cash	142	-
Other	2,860	2,367
	<u>19,400</u>	<u>27,594</u>
Total market value	19,400	27,594
Present value of scheme liabilities	(27,043)	(25,132)
	<u>(7,643)</u>	<u>2,462</u>
(Deficit) / Surplus in the schemes	(7,643)	2,462
Related deferred tax asset /(liability)	955	(308)
	<u>(6,688)</u>	<u>2,154</u>
Net pension (liability) / asset	(6,688)	2,154

	2008 €'000	2007 €'000
<i>The amounts charged to operating profit were:</i>		
Current service cost	863	1,102
	<u>863</u>	<u>1,102</u>
Total operating charge	863	1,102

	2008 €'000	2007 €'000
<i>Amounts charged to other finance charges</i>		
Interest on scheme liabilities	(1,428)	(1,259)
Expected return on scheme asset	1,868	1,769
	<u>440</u>	<u>510</u>
Net return	440	510

ABB LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
31 December 2008 (continued)

22. PENSION (Continued)

<i>Analysis of amounts in the statement of total recognised gains and losses are:</i>	<i>2008</i>	<i>2007</i>
	<i>€'000</i>	<i>€'000</i>
Actual return less expected return on assets	(11,089)	(2,490)
Experience gains and losses on liabilities	234	(120)
Changes in assumptions	59	4,760
Actuarial gain	(10,796)	2,150
Deferred tax charge	1,349	(269)
Actuarial gain recognised in statement of total recognised gains and losses	<u>9,447</u>	<u>1,881</u>
<i>Analysis of movements in deficit during the year:</i>	<i>2008</i>	<i>2007</i>
	<i>€'000</i>	<i>€'000</i>
At beginning of the year	2,462	(472)
Movement in the year:		
Current service cost	(863)	(1,102)
Contributions paid	1,114	1,378
Other finance income	440	510
Actuarial gain	(10,796)	2,150
At end of the year	<u>(7,643)</u>	<u>2,462</u>

## ABB LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2008 (continued)

#### 22. PENSIONS (Continued)

<i>History of experience of gains and losses:</i>	<i>2008</i>	<i>2007</i>
	<i>€'000</i>	<i>€'000</i>
Difference between the expected and actual return on scheme assets	(11,089)	(2,490)
Percentage of scheme assets	(57.16%)	(9.02%)
Experience gains and losses on scheme liabilities	(234)	(120)
Percentage of scheme liabilities	(0.87%)	(0.48%)
Changes in assumptions underlying the present value of scheme liabilities	59	4,760
Percentage of scheme liabilities	0.22%	18.94%

If the age profile within the scheme continues to increase, then under the Projected Unit Method of accounting for pension costs, the current service cost will increase as scheme members approach retirement.

#### 23. SHARE-BASED PAYMENTS

The company has two stock-based employee incentive plans namely the Management Incentive Plan ('MIP') and Employee Share Acquisition Plan ('ESAP').

##### *Management Incentive Plan*

Under the MIP, ABB ASEA Brown Boveri Limited Zurich, 'the Company' offers stock warrants and warrant appreciation rights (WARs) to key employees for no consideration. Each launch of the MIP is approved by the Company's Board of Directors.

Warrants granted under the MIP allow participants to purchase shares of the Company 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 this plan. 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 the Company. 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. As the primary trading market for shares of ABB Ltd is the SWX Swiss Exchange (virt-x), the exercise prices of warrants and the trading prices of equivalent warrants listed on the SWX Swiss Exchange are denominated in Swiss francs. Accordingly, exercise prices are presented below in Swiss francs.

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**ABB LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS****31 December 2008 (continued)****23. SHARE-BASED PAYMENTS (continued)***Warrants*

All warrants were issued with exercise prices greater than the market prices of the stock on the dates of the grant. Accordingly, prior to January 1, 2006, the Company generally recorded no compensation expense related to the warrants.

The fair value of each warrant is estimated on the date of grant using a valuation model. There were no grants under the MIP in 2005. Expected volatilities are based on implied volatilities from traded warrants on the Company's shares. The expected term of the warrants granted has been assumed to be the contractual six year life of each warrant, based on the fact that after the vesting period, a participant can elect to sell the warrant on the market rather than exercise the right to purchase shares, thereby realising the time value of the warrants. The risk-free rate is based on a six-year Swiss franc interest rate, reflecting the six year contractual life of the options. In estimating forfeitures, the Company has used the data from previous comparable MIP launches.

	2008	2007
Expected Volatility	36%	27%
Dividend Yield	1.42%	1.14%
Expected Term	6 years	6 years
Risk-free interest rate	3.36%	3.00%

Presented below is a summary of warrant and WAR activity for the year ended 31 December 2008:

Warrants	No.	WAEP CHF
Outstanding as at 1 January	62,500	7
Granted during the year	-	
Employee Transfers	(62,500)	7
Exercised	-	
Outstanding at 31 December	-	

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008 (continued)

23. SHARE-BASED PAYMENTS (continued)

WARS

As each WAR gives the holder the right to receive cash equal to the market price of a Warrant on date of exercise, the Company records a Liability based upon the fair value of the outstanding WARs at each period end, accreted on a straight line basis over the three year vesting period.

WARS	No.	WAEP CHF
Outstanding as at 1 January	1,697,520	14.75
Granted during the year	120,000	36.40
Employee Transfers	(1,347,520)	22.51
Exercised	(104,500)	7.50
Outstanding at 31 December	365,500	

Employee Share Acquisition Plan (ESAP)

The ESAP is an employee stock option plan with a savings feature. Employees save over a twelve month 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 750 Swiss francs. At the end of the savings period, employees choose whether to exercise their stock options using their savings plus interest to buy ABB Ltd shares 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. 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 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 ten percent to allow for currency fluctuations. If, at the exercise date, the balance of savings plus interest exceed 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, 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 fair value of each option is estimated on the date of grant using the same option valuation model as described under the MIP. The expected term of the option granted has been determined to be the contractual one-year life of each option, at the end of which the options vest and the participants are required to decide whether the exercise their options or have their savings returned with interest. The risk-free rate is based on one-year Swiss franc interest rates, reflecting the one year contractual life of the options. In estimating forfeitures, the Company has used the data from previous ESAP launches.

**ABB LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2008 (continued)**

**23. SHARE-BASED PAYMENTS (continued)**

	2008	2007
Expected Volatility	57%	34%
Dividend Yield	2.61%	0.89%
Expected Term	1 year	1 year
Risk-free interest rate	1.44%	2.82%

Presented below is a summary of the activity under the ESAP during the year ended 31 December 2008:

	No.	WAEP	Weighted Average remaining contractual term No.
Outstanding as at 1 January	19,480	34.98	
Granted during the year	39,620	15.30	
Forfeited during the year	(1,500)	34.98	
Exercised	-	-	
Non Exercised	(17,980)	34.98	
Outstanding at 31 December	39,620	15.30	0.8
Exercisable at 31 December	-	-	

The exercise price per the share is 15.30 Swiss francs for the 2008 grant, 34.98 Swiss francs, for the 2007 grant were determined using the closing price of the ABB Limited share on SWX Swiss Exchange (virt-x) and ADS on the New York Stock Exchange on the respective grant dates.

The weighted average fair value of options granted during the year was 3.34 Swiss francs (2007: 4.93 Swiss francs).

The (credit) / expense recognized for share-based payments in respect of employee services received during the year to 31 December 2008 is € (26,233), (2007: €505 016).

## **ABB LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2008 (continued)**

#### **24. RELATED PARTIES**

The company's immediate controlling party is Asea Brown Boveri, a company incorporated in Switzerland.

The company's ultimate controlling party is ABB Asea Brown Boveri Limited, a company incorporated in Switzerland.

The company has taken advantage of the exemption granted in FRS 8, "Related Party Disclosures", from disclosing intra-group transactions as it is a wholly-owned subsidiary of its ultimate parent undertaking, ABB Asea Brown Boveri Limited, whose financial statements are publicly available.

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, is ABB Asea Brown Boveri Limited, a company incorporated in Switzerland. Copies of its group financial statements are available from ABB Zurich, PO Box 8131, CH-8050 Zurich, Switzerland.

#### **25. IMPORTANT EVENTS SINCE THE YEAR END**

On 25 June 2009 the company announced its decision to close its transformer business, based in Waterford, at the end of March 2010.

#### **26. APPROVAL OF ACCOUNTS**

The directors approved the financial statements and authorised them for issue on 16 September 2009.