ABB LTD
Form 6-K
October 27, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of October 2006

Commission File Number 001-16429

ABB Ltd

(Translation of registrant s name into English)

P.O. Box 1831, Affolternstrasse 44, CH-8050, Zurich, Switzerland

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indication by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82- .

This Form 6-K consists of the following:

1. Press release issued by ABB Ltd dated October 26, 2006.

2. Announcements regarding transactions in ABB s registered shares, par value CHF 2.50, made by the directors or members of the Executive Committee.

The information provided by Item 1 above and on pages 3 through 17, inclusive, is deemed filed for all purposes under the Securities Exchange Act of 1934, including by reference in the Registration Statement on Form S-8 (Registration No. 333-129271).

2

Press Release
ABB Group Q3 results 2006

ABB net income doubles in third quarter

- Orders increase 19 percent on global growth and drive for energy efficiency
- EBIT margin rises to 11.4 percent on higher volumes and strong execution
- Net income doubles to $397 million, lifting net margin to 6.6 percent

Zurich, Switzerland, Oct. 26, 2006 ABB s third-quarter net income more than doubled to $397 million from $188 million in the same period of 2005, helped by higher volumes and strong project execution.

Earnings before interest and taxes (EBIT) increased 48 percent to $686 million from $463 million a year earlier and the EBIT margin, or EBIT as a percentage of revenues, increased to 11.4 percent from 8.3 percent.

Orders rose 19 percent (16 percent in local currencies), spurred by a number of factors, such as continued strong global industrial demand, the need for reliable power supplies to sustain growth in emerging markets, and efforts to offset higher oil prices by improving energy efficiency and productivity.

We are benefiting from our leading market positions in power technology and industrial automation, said Fred Kindle, ABB President and Chief Executive Officer. The strong order development reflects investments by our customers to raise productivity and build modern energy-efficient power networks. Improvements in operational performance and project management are clearly showing up in our earnings.

2006 Q3 key figures	**Q3 06**	**Q3 05(1)**	**Change**	
$ millions unless otherwise indicated			**US$**	**Local**
Orders	6,768	5,684	19 %	16 %
Revenues	6,025	5,606	7 %	5 %
EBIT	686	463	48 %	
EBIT margin (%)	11.4 %	8.3 %		
Net income	397	188		
Net margin (%)	6.6 %	3.4 %		
Basic and diluted net income per share ($)	0.18	0.09		
Cash flow from operating activities	523	359		

(1) Adjusted to reflect the reclassification of activities to Discontinued operations

Summary of results

Order growth in the third quarter was driven by the two product divisions and by demand for automation solutions, particularly in the oil and gas industry.

Orders increased by at least 10 percent in all regions. The Middle East and Africa recorded the strongest growth, with several large contracts secured in Algeria and South Africa. Order growth remained high in Europe at 25 percent (19 percent in local currencies), with significant increases from Sweden, the U.K., Spain, Germany and Russia. Increased demand from South America supported the order intake in the Americas and business in Asia continued to benefit from the rapid pace of development in China and India.

Demand was strong for core products such as transformers and energy-saving motors and drives. The company also experienced an increase in orders for automation systems and equipment to increase factory productivity, and for services where ABB performs maintenance operations for customers.

Large orders (more than $15 million) rose 31 percent (30 percent in local currencies) and base orders (less than $15 million) were up 17 percent (14 percent in local currencies). Large orders now represent 15 percent of total orders compared with 13 percent in the third quarter of 2005. The order backlog at the end of September rose to $16,346 million from $15,671 million three months earlier and $12,915 million a year ago.

Revenues rose 7 percent (5 percent in local currencies) to $6,025 million, with the strongest performance coming from the two product divisions. Revenues increased in all regions, led by Asia and the Middle East and Africa.

Orders continued to increase faster than revenues, reflecting the high proportion of large projects in the order backlog, particularly in the Power Systems and Process Automation divisions, for which revenues will materialize over several quarters including periods beyond the end of 2007.

The higher EBIT and EBIT margin was achieved through higher volumes, better execution in large projects and other operational improvements. All divisions except for Robotics were able to improve their EBIT margins, and corporate costs were further reduced.

Finance net(1) decreased to minus $29 million in the third quarter from minus $59 million a year earlier, reflecting the reduction in overall debt levels. The effective tax rate in the quarter was 29 percent, down from 33 percent a year earlier, primarily due to increased earnings derived from lower-tax jurisdictions.

A loss of $28 million was recorded in the third quarter of 2006 in discontinued operations, primarily related to the planned disposal of a business in the Power Products division.

Cash flow from operations was influenced by two main factors. Higher earnings and customer advances were offset by an increase in working capital due to higher business volumes, primarily in the Power Products division. The increased cash flow in the third quarter of 2006, relative to the comparable period of 2005, was mainly due to the cessation of our previous securitization program, which predominantly affected the Automation Products and Process Automation divisions.

ABB continued to strengthen its financial position during the quarter. Cash and marketable securities increased to $3,888 million at the end of September from $3,569 million three months earlier. The net cash position improved to about $700 million from about $300 million at the end of the previous quarter. Gearing was 34 percent at the end of September 2006, compared with 36 percent at the end of the second quarter of 2006.

Divisional performance Q3 2006

Power Products division

2006 Q3 key figures **$ millions unless otherwise indicated**	**Q3 06**	**Q3 05**	**Change** **US$**	**Local**
Orders	1,984	1,606	24 %	21 %
Revenues	1,852	1,516	22 %	19 %
EBIT	253	180	41 %	
EBIT margin (%)	13.7 %	11.9 %		
Cash flow from operating activities	130	191		

(1) Finance net is the difference between interest and dividend income and interest and other finance expense.

4

Order growth remained strong in the third quarter, primarily on higher base orders. Investments continued by utility customers in western Europe to refurbish existing power infrastructure and in Asia to expand their networks. Demand in the Middle East and Africa remained strong with many projects sourced through European and Asian partners.

Revenues increased in all businesses, with particularly strong growth in the transformer and high-voltage products businesses. Price increases to compensate for higher raw material costs also contributed to the growth. Expenses related to the transformer consolidation program announced last year were $4 million in the third quarter of 2006 (third-quarter 2005: $14 million), bringing costs for the first nine months of the year to $24 million (January-September 2005: $80 million). EBIT and EBIT margin rose significantly for the division as the strength of demand enabled plants to operate at higher capacity, as well as from operational improvements.

Power Systems division

2006 Q3 key figures	**Q3 06**	**Q3 05**	**Change**	
$ millions unless otherwise indicated			**US$**	**Local**
Orders	1,050	1,209	-13 %	-13 %
Revenues	1,072	1,031	4 %	2 %
EBIT	76	38	100 %	
EBIT margin (%)	7.1 %	3.7 %		
Cash flow from operating activities	73	35		

Orders declined in the third quarter due to both the timing of project awards this year and the high level of large orders in the same period of 2005, particularly in the Middle East. Base orders, which on average account for about three-quarters of total division orders, rose 14 percent (12 percent in local currencies). A drop in orders in the Americas and Europe was partially offset by an increase in Asia, where India and China are investing to expand and strengthen their power networks to meet demand spurred by the rapid pace of economic growth.

Revenues grew moderately versus the same quarter in 2005, reflecting the scheduled project progress from the existing order backlog. EBIT and EBIT margin increased significantly, primarily due to improved project selection and execution, and higher capacity utilization.

Automation Products division

2006 Q3 key figures	**Q3 06**	**Q3 05**	**Change**	
$ millions unless otherwise indicated			**US$**	**Local**
Orders	1,857	1,535	21 %	17 %
Revenues	1,700	1,440	18 %	14 %
EBIT	270	211	28 %	
EBIT margin (%)	15.9 %	14.7 %		
Cash flow from operating activities	289	71		

Industrial markets continued to develop favorably in the third quarter, leading to a further increase in demand. Orders were higher in all business units, with the strongest growth in the low-voltage drives, motors, breakers and switches businesses. Orders rose in all regions, led by Asia on demand from China and India. There was also a strong increase in the Americas, driven by the U.S., as well as in eastern Europe and the Middle East.

Revenues increased in the period due to continued strong market demand, yielding higher volumes and prices. Revenue growth and high capacity utilization contributed to a further increase in EBIT and EBIT margin.

Process Automation division

2006 Q3 key figures **$ millions unless otherwise indicated**	**Q3 06**	**Q3 05**	**Change** **US$**	**Local**
Orders	1,828	1,227	49 %	44 %
Revenues	1,322	1,183	12 %	9 %
EBIT	139	88	58 %	
EBIT margin (%)	10.5 %	7.4 %		
Cash flow from operating activities	171	45		

Demand for automation solutions grew in all sectors and regions. This was primarily driven by the continued efforts of customers to expand capacity and to increase the efficiency and productivity of their facilities. The trend resulted in an exceptional increase in large orders. The businesses with the strongest growth were oil and gas and minerals, supported by marine, pulp and paper and performance services.

Regionally, orders were higher in the Middle East and Africa, driven mainly by large orders from the oil and gas industry. Orders in Europe increased as customers expanded in the emerging markets of the east, and the Americas benefited from demand in the pulp and paper sector and for performance services. Orders declined in Asia, mainly reflecting a reduction in the scope of work on a previously booked project in Thailand.

Revenues rose in the third quarter, reflecting the progress made on the significant backlog of large orders and an increase in the service business. Strong execution of large projects and increased revenues from services contributed to the improvement in EBIT and EBIT margin compared with the third quarter of 2005.

Robotics division

2006 Q3 key figures **$ millions unless otherwise indicated**	**Q3 06**	**Q3 05**	**Change** **US$**	**Local**
Orders	295	301	-2 %	