

Jörgen Centerman
President and CEO



2001 Results

February 13, 2002
Zurich, Switzerland



Turning the page



2001 a demanding year


- ✍ Difficult market environment
- ✍ Transformation and restructuring
- ✍ Cash flow focus
- ✍ Write-downs and provisions

Financial highlights 2001



- ✍ Operational cash flow up from BUS\$ 1 to BUS\$ 2.2
- ✍ Order intake down 2 percent*
- ✍ Revenues up 8 percent*
- ✍ EBIT down 80% to BUS\$ 0.3 after charges of BUS\$ 0.95
- ✍ Net loss BUS\$ 0.7 after charges of BUS\$ 1.3 (incl. asbestos)
- ✍ Net debt reduced by BUS\$ 2.2 in Q4

Operational highlights 2001

Cost reduction program ahead of plan

-  Employee reduction of around 7,200 in second half (excluding acquisitions and divestments)

Portfolio further focused on core activities

-  Divestment of air-handling business (Jan 2002), railway project business and 90% of our stake in b-business partners
-  Acquisition of Eutech (Process Industries) and Entrelec (Automation)

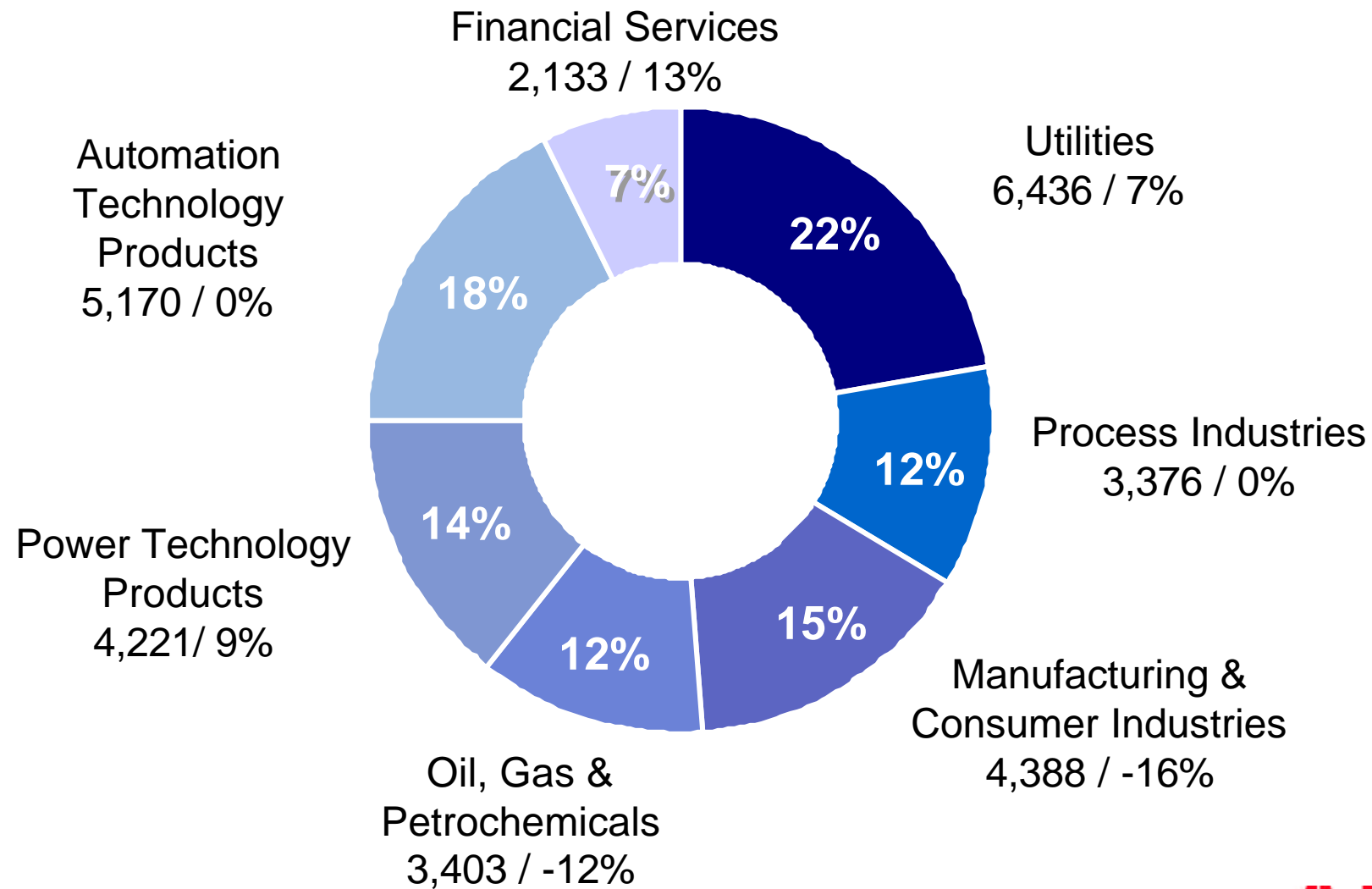
New organization in place

-  Increased penetration with top 200 customers

Financial results 2001: Key figures

(MUS\$)	2001	2000	Change nominal	Change local
Orders	23,779	25,440	- 7%	- 2%
Revenues	23,726	22,967	3%	8%
EBIT	279	1,385	- 80%	- 78%
Income from continuing operations	- 130	881		
Income - discontinued operations, accounting changes and other	- 561	562		
Net income (loss)	- 691	1,443		
Net cash from operations	2,193	1,022		

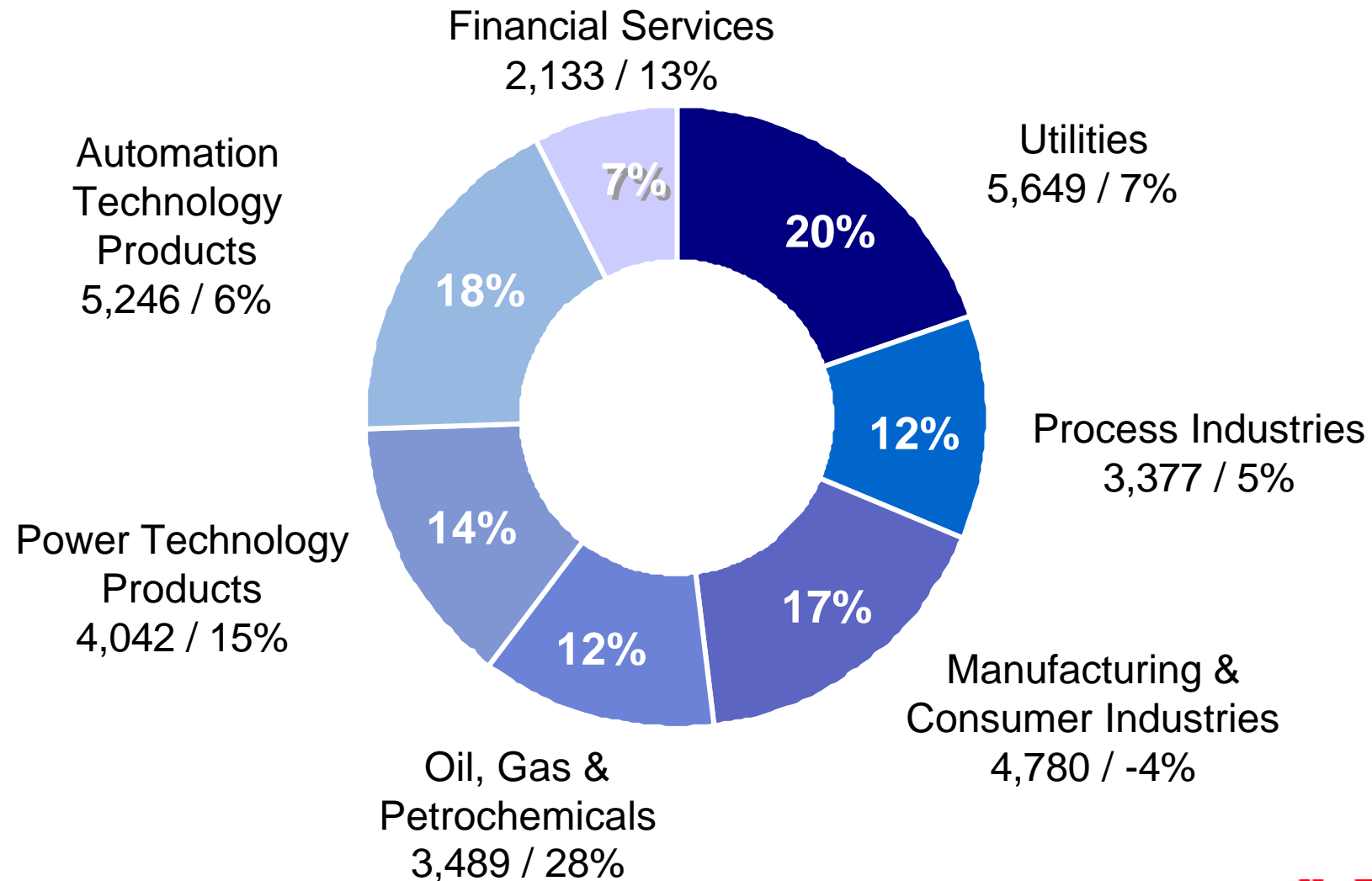
Orders down two percent in local currencies



(MUS\$ / pct change in local currencies)



Revenues up eight percent in local currencies



(MUS\$ / pct change in local currencies)

Substantial charges in 2001 (1)

(MUS\$)

Restructuring charges*		231
Insurance charges		138
✍ Reinsurance impact related to Sept. 11	48	
✍ Other underwriting losses in reinsurance	90	
Change in calculation method for insurance reserves		295
Broad operational measures		288
✍ Write-downs of mainly intangible assets	93	
✍ Provisions in alternative energy projects	55	
✍ Costs and project provisions in Oil, Gas and Petrochemicals	140	
EBIT impact		952

*includes asset write-downs

Substantial charges in 2001 (2)

(MUS\$)

EBIT impact		952
Cost for US listing		39
Estimated tax effect of charges		-209
Discontinued operations		510
✍ Asbestos charge	470	
✍ Other	40	
Adoption FAS 133		63
Gain on purchase of bonds		-12
TOTAL net income impact		1,343

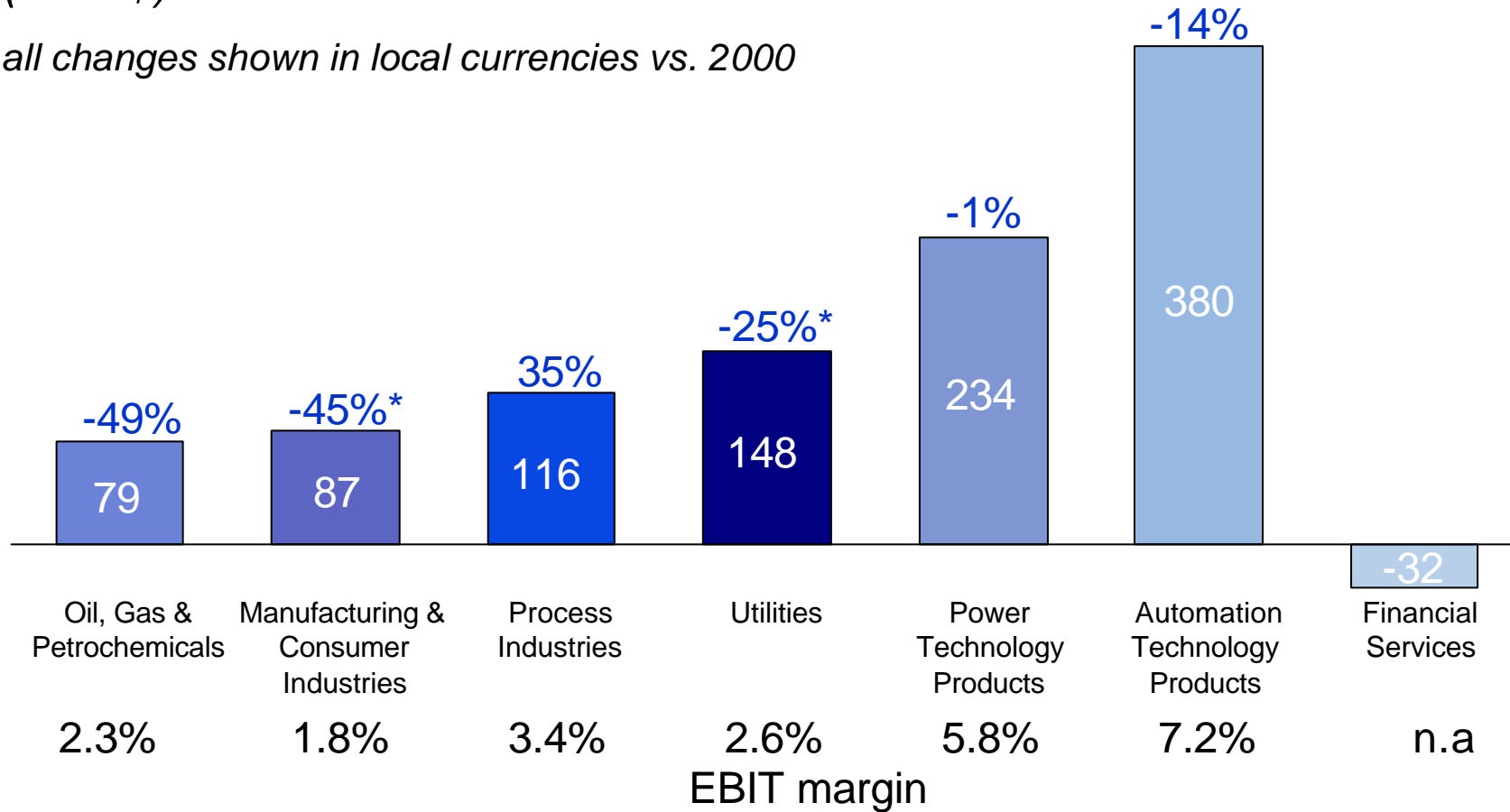
Change in calculation method

- ✍ Our Scandinavian Re reinsurance business has used net present value for future claims since 1988
- ✍ The business grew substantially in 1999 and 2000
- ✍ Net present value method can be used if losses are “reasonably and reliably determinable“
- ✍ A detailed review end 2001 revealed underwriting losses of MUS\$ 90 for a handful of contracts
- ✍ We decided to replace the net present value method of claims with a full face value method
- ✍ The result is a non-cash charge of MUS\$ 295
- ✍ The majority of the charge is expected to be recovered gradually over the life of the insurance contracts

EBIT by division after charges

(MUS\$)

all changes shown in local currencies vs. 2000



* excluding capital gains in 2000



Asbestos

- ✍ Around 94,000 claims were pending against U.S. subsidiary Combustion Engineering at yearend
- ✍ ABB increased its provision with an additional charge of US\$ 470 million against 2001 earnings
- ✍ Combustion Engineering has intensified its efforts to settle valid claims and dispute claims that appear invalid

Asbestos was used as insulation material inside welded boilers. Combustion Engineering stopped the sale of boilers containing asbestos in the mid-70s

Cash flow from operations more than doubled

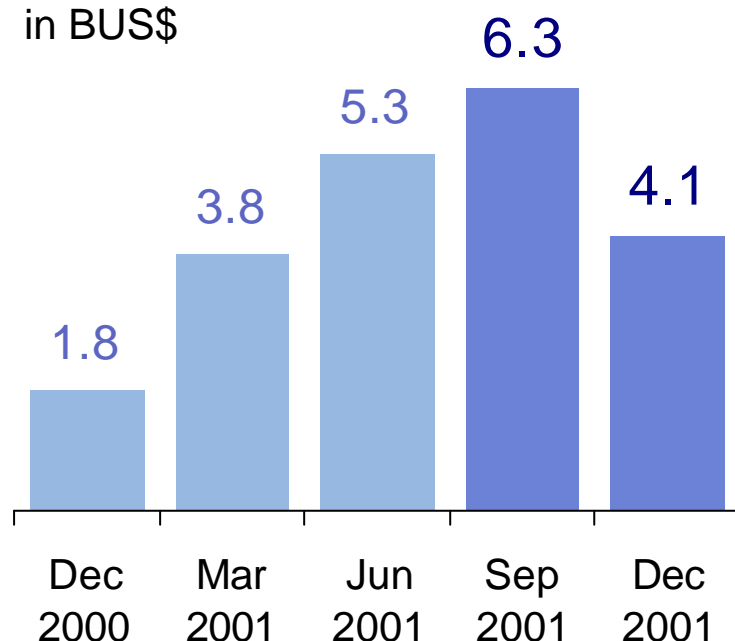
(MUS\$)

	2001	2000
Net cash from operating activities	2,193	1,022
Net cash used in investing activities	- 1,218	- 1,713
Net cash used in financing activities	677*	- 392
Net cash from discontinued activities	- 210	949
Exchange rate effects	- 72	- 84
Net change in cash and equivalents	1,370	- 218

* Includes BUS\$ 1.4 of treasury shares and capital stock transactions

Net debt: Reduced by US\$ 2.2 billion in Q4

Net debt
in BUS\$



1st – 3rd quarter 2001.

Net debt increase mainly due to:

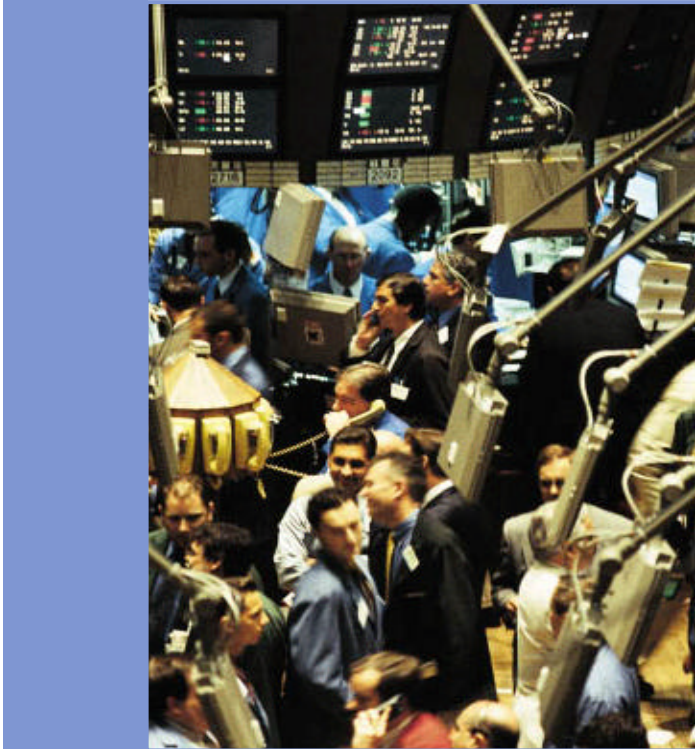
✎ Share buy-backs	BUS\$ 1.4
✎ Growth Financial Services	BUS\$ 1.1
✎ Acquisitions	BUS\$ 0.6
✎ Non-cash changes	BUS\$ 0.6
✎ Dividend payment	BUS\$ 0.5

4th quarter 2001

Cash flow initiative significantly reduced net debt:

✎ Net cash from operations	BUS\$ 1.8
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Dividend 2001



- ✍ In order to improve our balance sheet, the Board of Directors will propose to the Annual General Meeting of shareholders on March 12, 2002
- ✍ No dividend for 2001
- ✍ No cancellation of treasury shares

Turning the page

✍ 2001 a demanding year

✍ Highlights

✍ Financial results

✍ **ABB going forward**

✍ Outlook

Building on our strong base

- ✍ Optimizing the business
 - ✍ Cost reduction program
 - ✍ Simplify internal processes
- ✍ Leveraging the customer base
 - ✍ Customer-centric organization
- ✍ Leveraging the product base
 - ✍ Industrial^{IT}
 - ✍ Innovation

Cost reduction program ahead of plan

Objectives

- ✍ Improve productivity and lower cost
- ✍ Annual cost reduction: US\$ 500 million annually, when program is finalized

Achievements

- ✍ Employee reduction of around 7,200 (excluding divestments and acquisitions) in second half of 2001
- ✍ Sales, general and administration costs at 18.5% of revenues, down from 19.2% in 2000
- ✍ 112 ongoing restructuring/productivity projects worldwide
- ✍ Restructuring charges and related write-downs 2001: US\$ 231 million

Simplify internal processes

Objectives

- ✍ Increase productivity and lower costs

Achievements

- ✍ Good progress towards group-wide supply management systems
- ✍ 33 ERP systems consolidated between Sept. and Dec. 2001
- ✍ 2,000 people moved to ABB shared services centers in 30 countries
- ✍ Pilot outsourcing of IT services in Sweden (approx. 400 employees)

Optimize the
business

High-voltage substation configurator



- ✍ Compact configurator allows customer to
 - ✍ Make configurations
 - ✍ Test different solutions
 - ✍ Evaluate delivery times
 - ✍ Compare availability

*Reduces time from
months to minutes!*

ABB Motors online tool

- ✍ A 100-year-old product with 21st century tools
- ✍ Orders handled 30% faster
- ✍ Online custom configuration
- ✍ Around-the-clock order tracking
- ✍ Personalized documentation
- ✍ Online training courses

*Higher efficiency
and quality*



New organizational structure

Objectives

- ✍ More business per customer and a leaner organization

Achievements

- ✍ New customer-centric organization implemented
 - ✍ Legal entities – being reduced to less than 400
 - ✍ 237 strategic accounts
- ✍ Increased penetration with top 200 customers
 - ✍ 3% order growth in US\$ versus -7% for the group

Industrial^{IT}, one common architecture

Objectives

- ✍ Harmonizing of all ABB offerings, also supporting efficient integration of third-party products

Achievements

- ✍ Strong customer buy-in
 - ✍ End 2001, more than 140 customers have chosen Industrial^{IT}
 - ✍ Major long-term agreements: Dow Chemical, DuPont, Kimberly-Clark, Alcoa, Holcim, Norsk Hydro, Weyerhaeuser, etc.
- ✍ Strategic alliance with Accenture
- ✍ Industrial^{IT} certification of ABB products
 - ✍ 1,000 by end of 2001
 - ✍ 3,000 by end of January 2002

Technology innovation

Objectives

- ✍ Keep and build technology leadership in power and automation products, applications and services

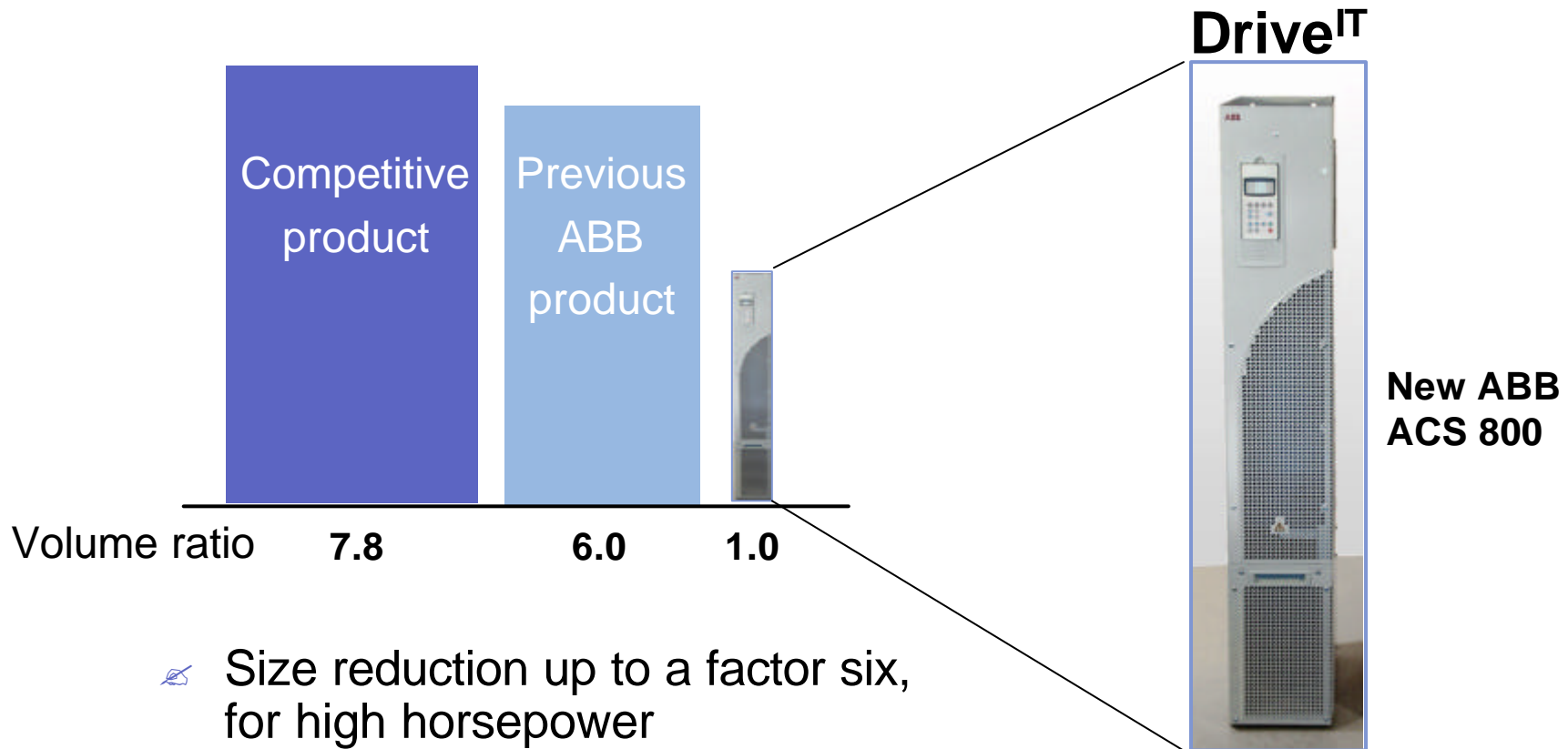
Achievements

- ✍ Continued high investment in technology innovation, 6.7% of revenues
 - ✍ R&D: US\$ 654 million (US\$ 703 million in 2000)
 - ✍ Order-related development: US\$ 916 million (US\$ 985 million in 2000)
- ✍ Percentage of software-related first patent filings: 28% (23% in 2000)



Leverage the
product base

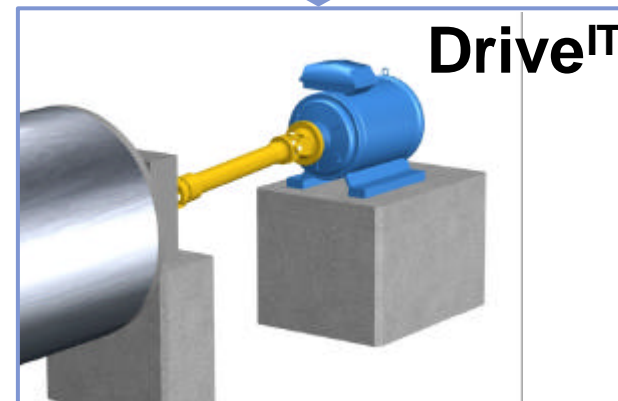
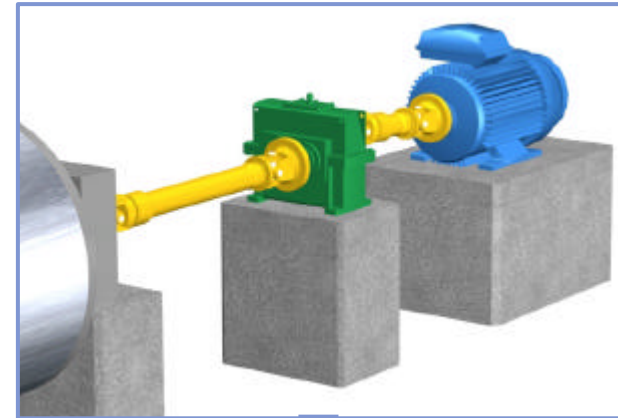
New low-voltage AC Drives



- ✍ Size reduction up to a factor six, for high horsepower
- ✍ Low end launched Q4, remaining units in 2002
- ✍ Industrial^{IT} certified

First gearless drives to a paper mill

- ✍ New permanent magnet motor range developed with a new patented rotor design
- ✍ Fewer components; no gears and no encoders
- ✍ Lower engineering, installation and maintenance costs
- ✍ Lower energy consumption
- ✍ Industrial^{IT} certified



Leverage the product base

New medium-voltage switchgear

Old Ring Main Unit



Old compact switchgear

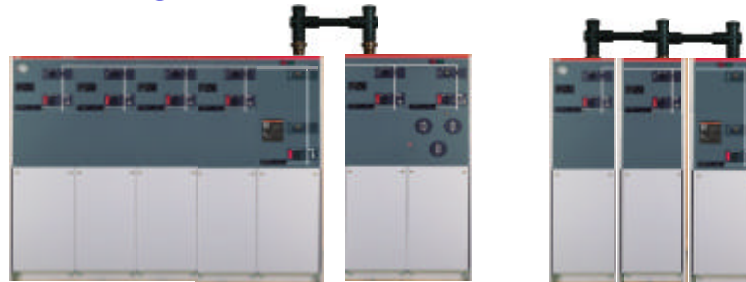


Mixed platforms
>3,300 different parts

New SafeRing



New SafePlus



Power^{IT}

2001: One platform, Industrial^{IT} certified
<1,250 different parts

Leverage the
product base

Maintaining our leadership in HVDC



- ✍ 3,000 MW, 940 km power transmission link from the Three Gorges power plant to Guangdong province
- ✍ Order value: total MUS\$ 360
- ✍ Project completion time reduced from three years to two years

World record delivery time

ABB

Focus on power and automation technologies ...



...enabling utility and industry customers to improve their performance while lowering environmental impact

Every single customer of ours needs *both* power and automation technologies

Turning the page

✍ 2001 a demanding year

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✍ ABB going forward

✍ **Outlook**

Business environment 2002

✍ Overall business environment

✍ Positive: Low interest rates, low inventory levels

✍ Negative: Low investments, high unemployment, consolidation in some sectors, geopolitical uncertainties

✍ Utility and life science sectors remain positive, but there is little indication of overall economic recovery

✍ ABB's business plan assumes flat economy

✍ Asia (particularly China and India) positive

✍ Europe and US still slow

✍ Middle East, Africa and Latin America mixed

Priorities 2002

- ✍ Deliver MUS\$ 500 cost reduction target

- ✍ Reduce net debt by BUS\$ 1.5
 - ✍ Continue operational cash discipline
 - ✍ Focus on cash effective earnings
 - ✍ Portfolio management and asset divestments

- ✍ Gain more business per customer

- ✍ Industrial^{IT} - relevant products certified

Group outlook

	2001	2002E	Unchanged 2005E
Revenues	8%	flat	6%*
EBIT margin (nominal)	1.2%	4% - 5%	9% - 10%

Excluding currency effects and major acquisitions/divestments

- ✍ For 2002 we aim at reducing net debt by BUS\$ 1.5
- ✍ EBIT and net cash from operations expected to be stronger in second half of 2002 than in first half

*Annual average growth rate 2001 - 2005





A global leader in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact

Questions and Answers