

Jürgen Centerman  
President and CEO



**First quarter 2002**

April 24, 2002



## Safe Harbor Statement

This presentation includes forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. These statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for ABB Ltd and ABB Ltd's lines of business. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are major markets for ABB's businesses, market acceptance of new products and services, changes in governmental regulations, interest rates, and fluctuation in currency exchange rates. Although ABB Ltd believes that its expectations reflected in any such forward looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

# Presentation outline

---

- ABB priorities
- Financial and operational highlights
- Portfolio and management
- Liquidity and financial restructuring
- Update on asbestos
- Outlook

# Priorities 2002

---

- Gain more business per customer
- Continue to build a leaner and more focused company
- Reduce net debt by at least 1.5 BUS\$
- Deliver 500 MUS\$ cost reduction target

Reach 4 - 5% EBIT-margin

# Financial highlights Q1

---

- Revenues\* in line with 2002 outlook
- EBIT margin in line with 2002 outlook
- Operational cash flow better than Q1 2001
- Order intake down\* compared to Q1 2001
- First positive signs - four divisions show increased orders compared to Q4 2001

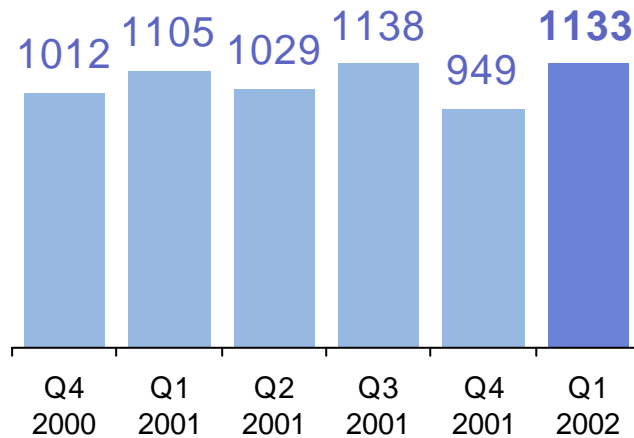
\* in local currencies



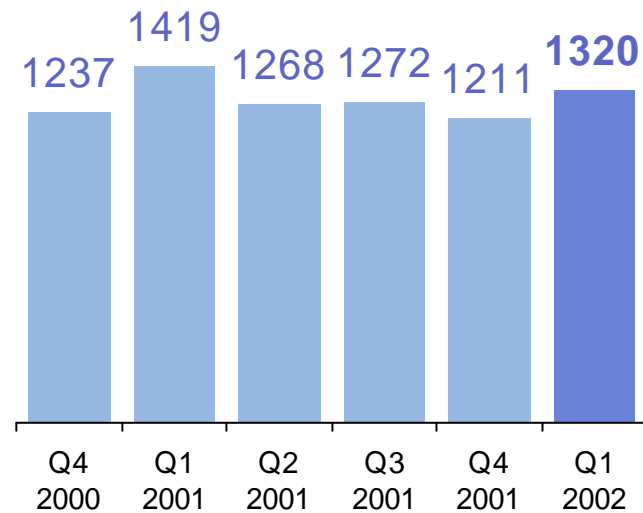
# Positive signs in product divisions

Orders MUS\$

## Power Technology Products



## Automation Technology Products



# Cost reduction program and margins

- Cost reduction program in line with plan
  - Job reduction of around 9,300 by end March 2002
  - Restructuring charges 55 MUS\$ in Q1 2002 (231 MUS\$ 2001)
  - 500 MUS\$ cost reduction program expected to be completed 2002
- Margins
  - Difficult market conditions throughout 2001 have led to lower volumes and lower margins in Q1 2002
  - Intensified focus on margin improvements
  - Higher impact from cost savings expected from 2nd half

# Portfolio and management

---

- Further focusing on power and automation technologies
  - Building Systems, presently part of Manufacturing and Consumer Industries division, to be divested
  - The rest of Manufacturing and Consumer Industries division will be merged with Process Industries division
- New management
  - Group Processes
  - Automation Technology Products

**Peter Voser**



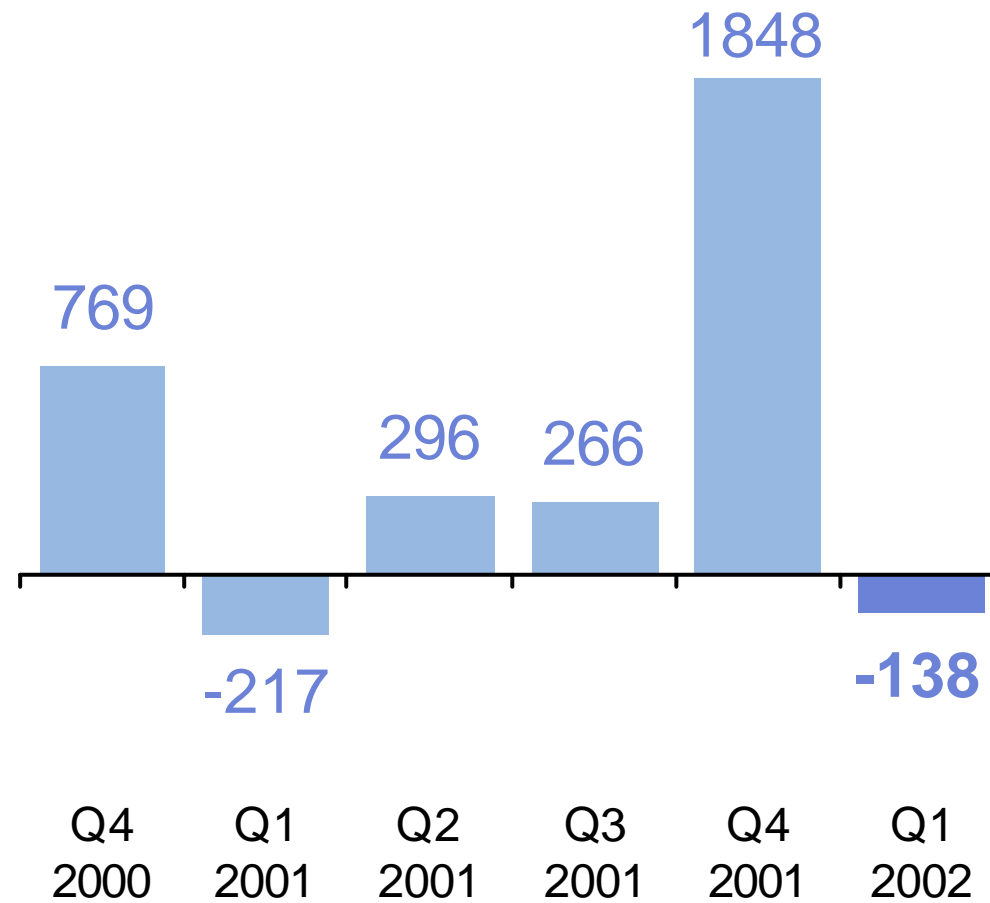
# Key figures

(MUS\$)

	Q1 2002	Q1 2001	Change nominal	Change local
Orders	5,523	6,786	- 19%	- 15%
Revenues	5,149	5,380	-4%	-1%
EBIT	235	334	-30%	- 25%
Income from continuing operations	108	201	-46%	
Income – extraordinary gain on debt extinguishment, accounting changes	6	-63		
Net income	114	138	-17%	
Net cash from operations	-138	-217		

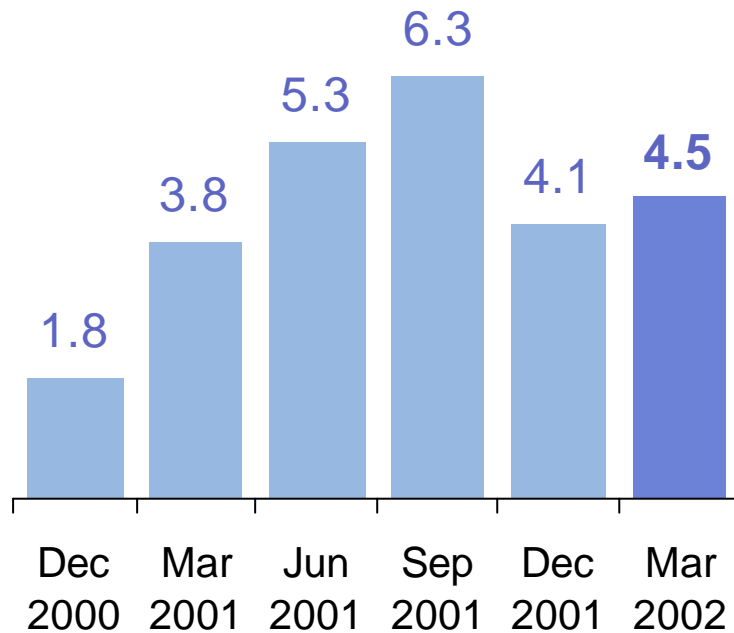
# Net cash flow from operations

(MUS\$)



# Q1 net debt increase as expected

(BUS\$)



- Cash from operations traditionally weak in Q1
- Cash outflow from restructuring charges
- Cash inflow from divestment of air-handling business

**Net debt increased in Q1 as expected**  
**Operational cash flow expected to be stronger in 2<sup>nd</sup> half**

# Balance Sheet priorities

- Lessening our reliance on volatile short term capital markets
  - 3 BUS\$ credit facility
- Lowering the proportion of short term debt to long term debt
  - Target debt structure 1/3 short term, 2/3 long-term
- Reduce net debt by at least 1.5 BUS\$
  - Cash effective earnings
  - Asset Sales of real estate
  - Portfolio management/Structured Finance

Strengthen liquidity and financial flexibility



# Asbestos update

	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002 *
New claims	13,200	12,200	14,300	15,000	14,300
Settled claims	8,000	6,100	6,600	6,700	13,300 * *
Pending claims	71,400	77,500	85,200	93,500	94,500
Cash paid (pre insurance)	\$37,400	\$29,000	\$ 36,100	\$ 33,200	\$ 51,500

\* Combustion Engineering considers that the full-year trends for 2002 as regards new claim filings, claims settled and cash settlement cannot be estimated reliably based on first quarter outcome

\* \* Over 50% settled without payment

**Jörgen Centerman**



# Group outlook - unchanged

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

Excluding currency effects and major acquisitions/divestments

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

# Summary

---

- Revenues and EBIT margins in line with 2002 outlook
- Some first positive market development – four division increased orders compared to Q4 2001
- Further focusing on power and automation technologies
- Cash flow better than Q1 2001
- Cost reduction program on track
- Financial restructuring on track

**A A B B**

---

# Questions and Answers