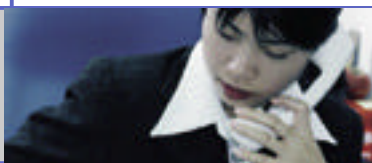


Jörgen Centerman  
ABB President and CEO

**Analysts meeting  
Half-year results  
July 24, 2001**



# Overview



- Challenging markets
- Operational performance improved, but EBIT down due to lower capital gains
- Aggressive cost reduction program
- Revised outlook and mid-term targets
- Transformation on track
- Pro forma new divisional figures under US GAAP in September

## Key figures half-year 2001

(MUS\$)	H1/2001	H1/2000	Change	
			nominal	local
Orders	12,648	13,647	-7%	-1%
Revenues	11,099	11,068	0%	+7%
EBIT	626	791	-21%	-15%
EBIT margin	5.6%	7.1%		
Income from continuing operations	329	544	-40%	
Income - discontinued ops. and accounting changes	-63	548		
Net income	266	1,092	-76%	

All changes in the following slides refer to local currency, to better reflect our operational performance.



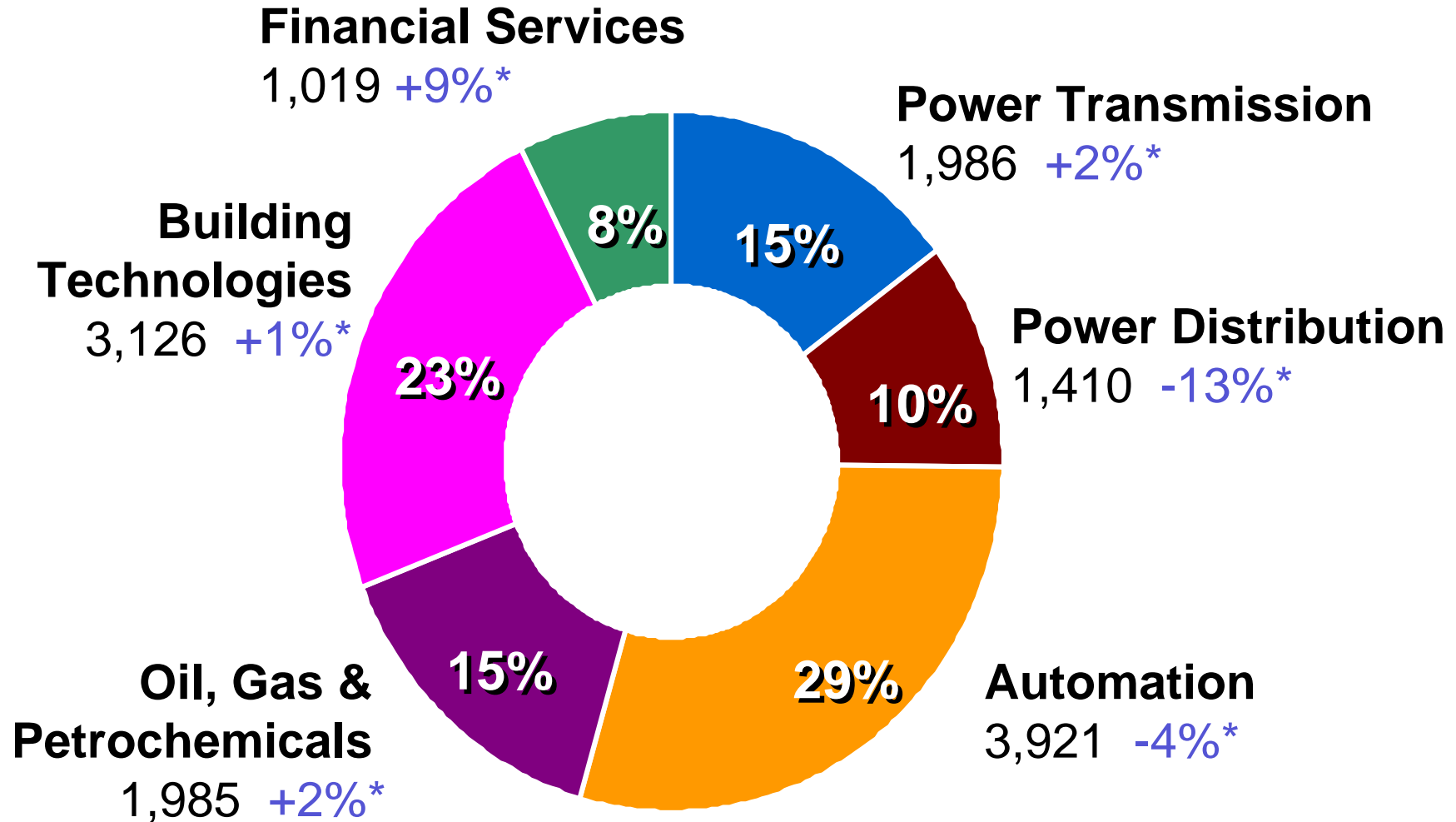
## Orders flat in mixed markets



- Mixed market situation in first half of 2001
- Orders flat, at -1 percent
- Large orders (>15 MUSD) down 31 percent
- Base orders (<15 MUSD) up 6 percent
- Base orders grew in low double digits in first four months, but June had low single digit growth rate
- Market has rapidly become more difficult
- Market conditions unlikely to improve in next 12 months

# Orders received half-year 2001

(MUS\$)

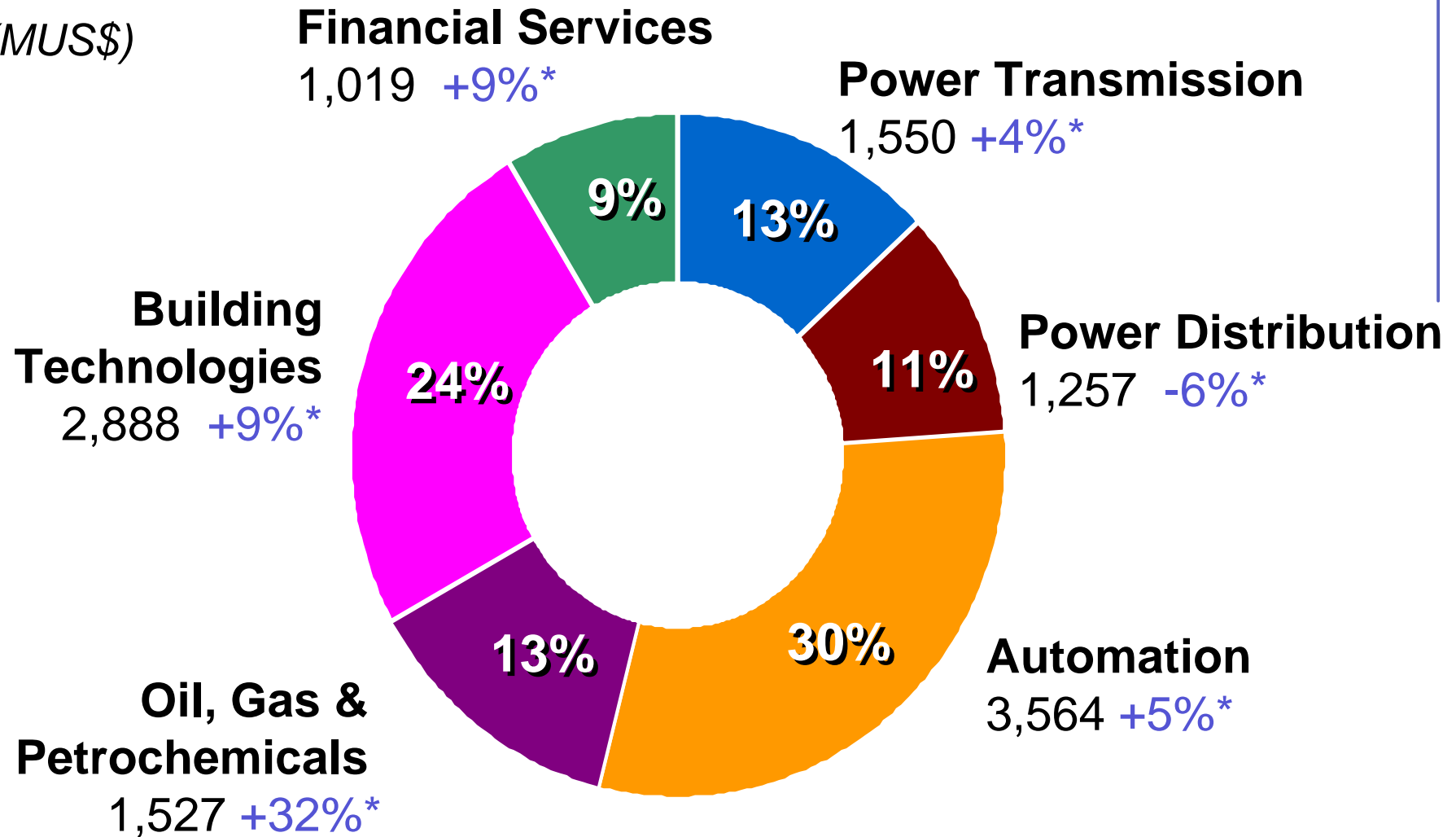


\*change in local currencies vs. half year 2000



# Revenues half-year 2001

(MUS\$)



*\*change in local currencies vs. half-year 2000*



# Improved operational performance



- EBIT excluding capital gains, i.e. purely operational earnings, increased 11 percent
- Including capital gains, EBIT dropped 15 percent

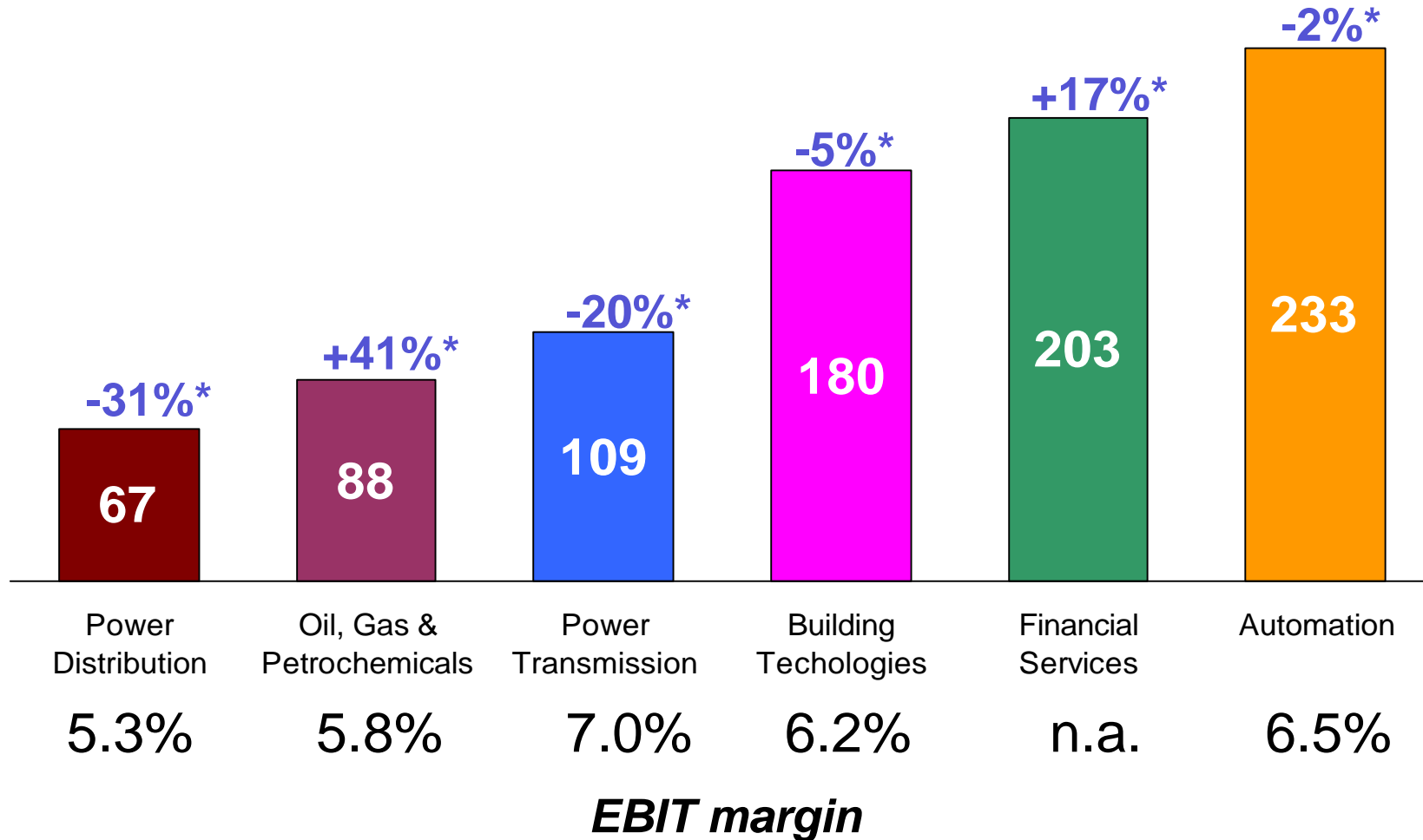
*\*change in local currencies vs. half-year 2000*



Half-year  
results

## EBIT per segment half-year 2001

(MUS\$)



*\*change in local currencies vs. half-year 2000*



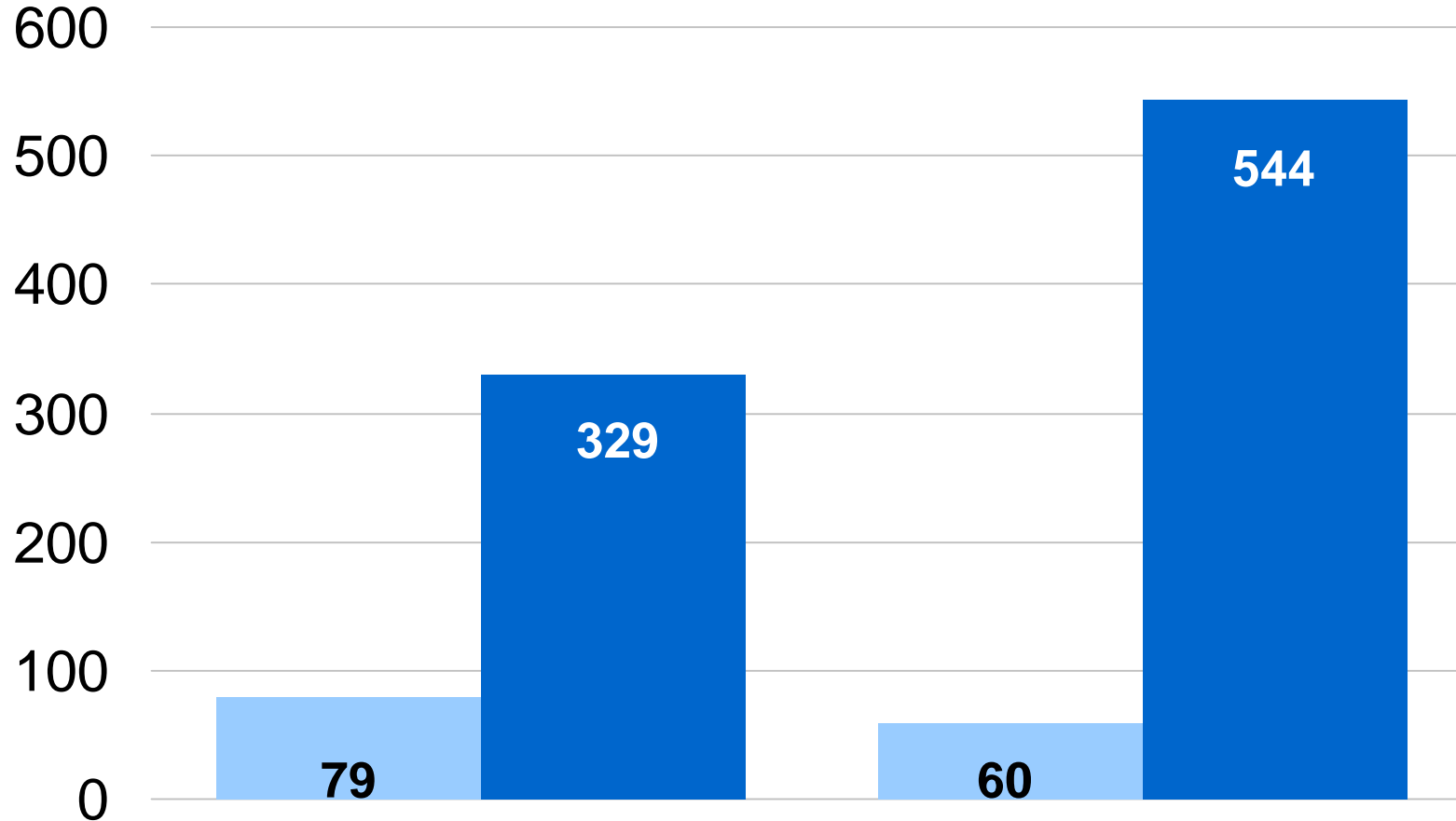
Half-year  
results

# Net cash provided by operating activities

(MUS\$)

*H1/2001*

*H1/2000*



Net cash provided by operating activities    Income from continuing operations



# Automation



(MUS\$)	<i>Change in local currencies</i>	H1/01	H1/00
Orders	-4%	3,921	4,334
Revenues	+5%	3,564	3,609
EBIT	-2%	233	253
EBIT Margin		6.5%	7.0%

- Strong order growth in Petroleum & Chemicals, Drives & Power Electronics, while sharp downturns in Flexible Automation, Pulp, Paper and Metals
- Revenues up reflecting mixed market conditions
- EBIT, excluding one-time capital gains, was up 17 percent

# Power Transmission



(MUS\$)	<i>Change in local currencies</i>	H1/01	H1/00
Orders	<b>+2%</b>	1,986	2,088
Revenues	<b>+4%</b>	1,550	1,591
EBIT	<b>-20%</b>	109	143
EBIT Margin		7.0%	9.0%

- Double-digit order growth in High-Voltage Products and Substations, Power Transformers' order intake flat, large Power System orders deferred
- Revenues up
- EBIT decreased due to project delays in Power Systems and Power Transformers, partly offset by improvements in High Voltage Products and Substations

# Power Distribution



(MUS\$)	<i>Change in local currencies</i>	H1/01	H1/00
Orders	<b>-13%</b>	1,410	1,717
Revenues	<b>-6%</b>	1,257	1,402
EBIT	<b>-31%</b>	67	96
EBIT Margin		5.3%	6.8%

- Orders down, Distribution Transformers particularly affected by the U.S. slowdown
- Revenues declined due to difficulties in the Distribution Solutions, particularly in the airport business
- EBIT dropped due to earnings shortfalls in Distribution Solutions and Distribution Transformers

# Building Technologies



<i>(MUS\$)</i>	<i>Change in local currencies</i>	<b>H1/01</b>	<b>H1/00</b>
Orders	<b>+1%</b>	3,126	3,350
Revenues	<b>+9%</b>	2,888	2,868
EBIT	<b>-5%</b>	180	202
EBIT Margin		6.2%	7.0%

- U.S downturn spread to Europe
- Orders increased slightly
- Revenues increased, all business areas contributed
- EBIT fell, but increased 15 percent excluding one-time capital gains

# Oil, Gas and Petrochemicals



(MUS\$)	<i>Change in local currencies</i>	H1/01	H1/00
Orders	+2%	1,985	1,991
Revenues	+32%	1,527	1,212
EBIT	+41%	88	65
EBIT Margin		5.8%	5.4%

- Oil prices remain firm
- Upstream recorded double-digit order growth, downstream orders decreased
- Revenues were up on execution of prior year orders
- EBIT growth outpaced revenue growth

# Financial Services



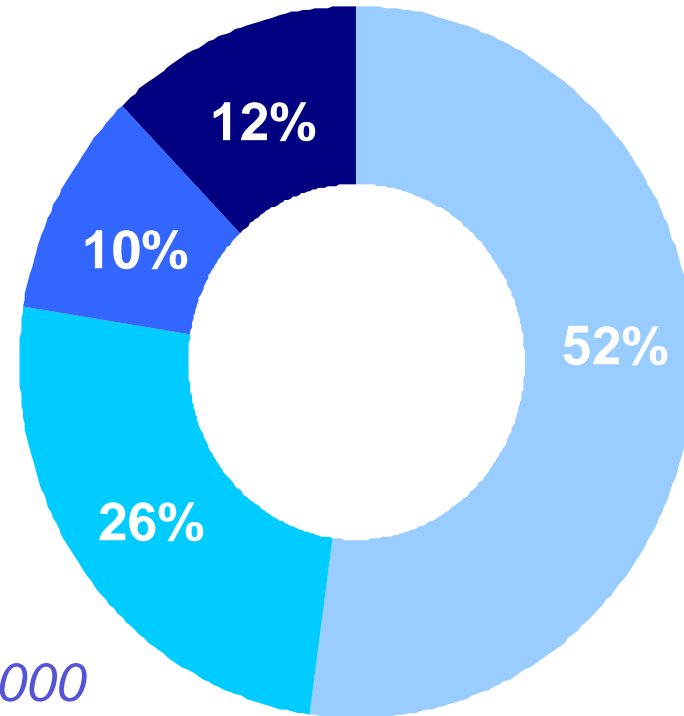
<i>(MUS\$)</i>	<i>Change in local currencies</i>	<b>H1/01</b>	<b>H1/00</b>
Revenues	<b>+9%</b>	1,019	984
EBIT	<b>+17%</b>	203	188

- Currency and capital markets continued to be volatile
- All business areas except Insurance reported increased earnings

# Regional development half-year 2001

## Orders received

Europe	-4%
The Americas	+1%
Asia	-7%
Middle East/Africa	+21%



*change in local currencies vs. half-year 2000*

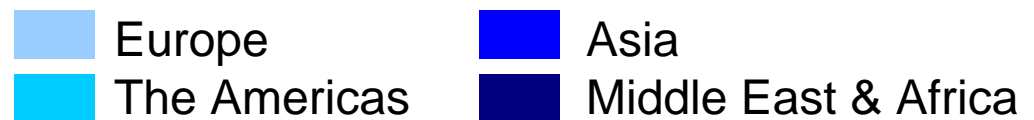
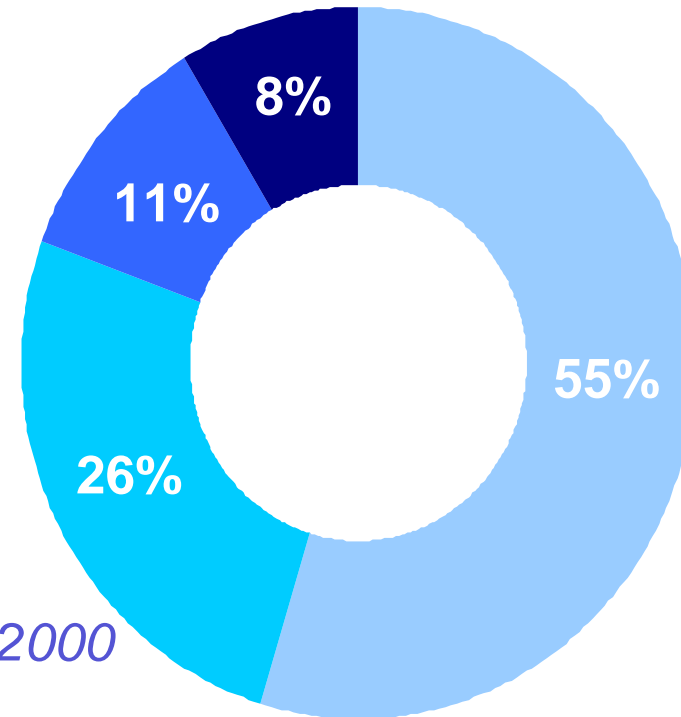


# Regional development half-year 2001

## Revenues

Europe	+7%
The Americas	+11%
Asia	-6%
Middle East/Africa	+17%

*change in local currencies vs. half-year 2000*



# Asbestos



- Cash payments increased by 6 percent in first half 2001
- Amount paid in 2000 not recoverable from insurance: MUS\$ 72.7
- Overall situation assessed on an annual basis, unless extraordinary events occur (which we would announce to the market)

# Cost reduction program

- Aggressive cost-reduction due to lower short-term growth opportunities
- Cut 12,000 jobs in 18 months
  - Done selectively
  - 1/3 estimated natural attrition
- Cost estimated at US\$ 500 million
- Annual cost reduction will be of the same magnitude, once the program is fully implemented
- Gains grow as the headcount is reduced





# Update on Group Transformation



**Power and Automation  
Technology Products**  
Software and hardware

**Industry Divisions**  
Industry specific products,  
solutions and services

**Customer-centric**

External channel partners



# Group Transformation Phase 1



**January - June 30, 2001**

***Delivering a customer-centric organization***

- Progress in ***all*** markets (>60) on or ahead of schedule
- Old country holding structures eliminated
- New simpler, slimmer legal structures agreed - launch Jan 2002
- >6,000 customer mappings completed
- Rapid development of Group Service Centers
- Local division structures in place
- Ongoing implementation of new account management-driven sales organizations



## Group Transformation Phase 2



### July 1 - onward

#### ***Sales focus and cost reduction***

- Local transformation teams to remain in place for realization of benefits *and* cost reductions
- A common approach to the securing of result-orientated deliverables ensuring targets/milestones/measurements per market
- Speed and momentum - as in Phase 1

## Customer-centric examples 1H, 2001

- DuPont: 5-year agreement Industrial IT covering Distributed Control Systems, Instrumentation, Analytics, IEC standard based Power Products and Robotics
- Dow Chemical: 10-year agreement Industrial IT, Distributed Control Systems
- Kimberly Clark: Global sourcing agreement for Industrial IT, Quality Control Systems and Machine Health Diagnostic Systems
- ComEd: Long-term alliance for power products, domain competence ... Industrial IT

## Customer-centric examples 1H, 2001

- BP: 5-year frame agreement for deep water
- Norsk Hydro: 5-year frame agreement for modification and maintenance
- BP/Chevron: Partnership for subsea separation
- Carnival: Preferred supplier of Industrial IT based complete electrical, control, propulsion and precision maneuvering systems

## Strategic focus - simplicity

- **Simplicity in structure**
  - Customer-centric
  - Avoiding duplicate structures
- **Simplicity in offerings**
  - Industrial IT; avoiding overlaps in offerings and engineering, mix and match
  - Eliminate unnecessary manufacturing overlaps
- **Simplicity in processes**
  - Group Processes; eliminating overlaps in administrative, logistics, engineering and other processes



## New mid-term targets 2001 - 2005

Assumes no major currency effects



■ Revenue + 6% average annual growth rate

■ EBIT margin 9-10% by 2005

Major acquisitions and divestments excluded



# Summary

***Excluding capital gains and looking at local currencies ...***



- Orders flat
- Revenues up 6 percent
- EBIT\* up 11 percent
- Positive cash flow

***...in first half, while full year 2001...***

- Increased revenues
- EBIT\* well above, i.e. double digit growth - including covering the aggressive cost reduction program
- Increase in net cash provided by operating activities

***... despite major transformation and difficult markets.***

\*excluding capital gains



## 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, fluctuations in currency exchange rates and such other factors as may be discussed from time to time in ABB's filings with the U.S. Securities and Exchange Commission. 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.

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