

2004 second quarter results

29 July 2004



ABB

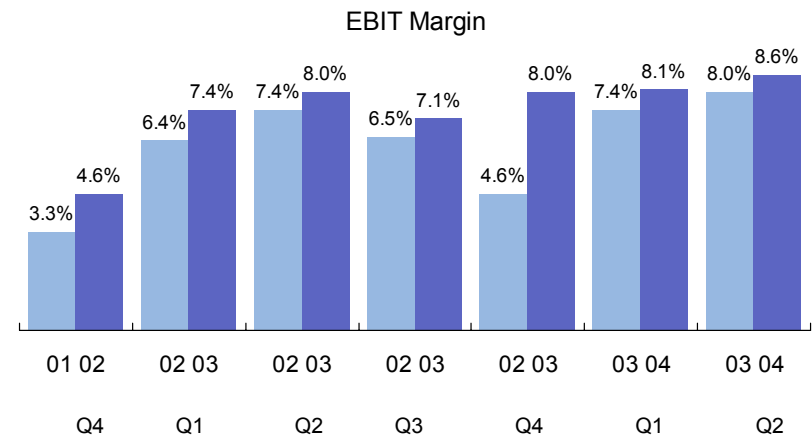
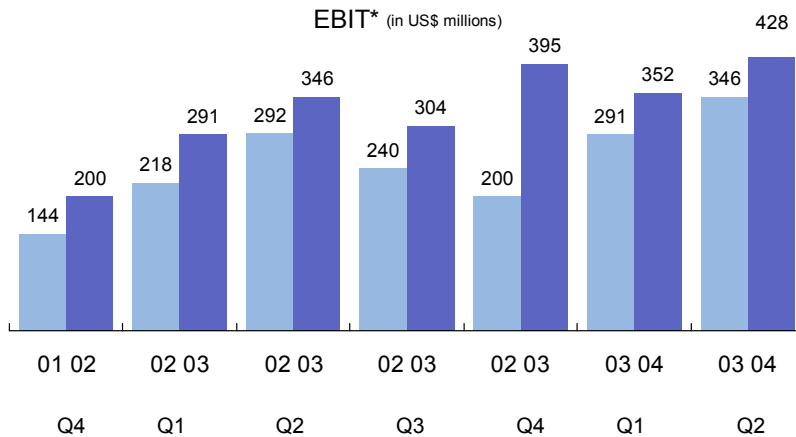
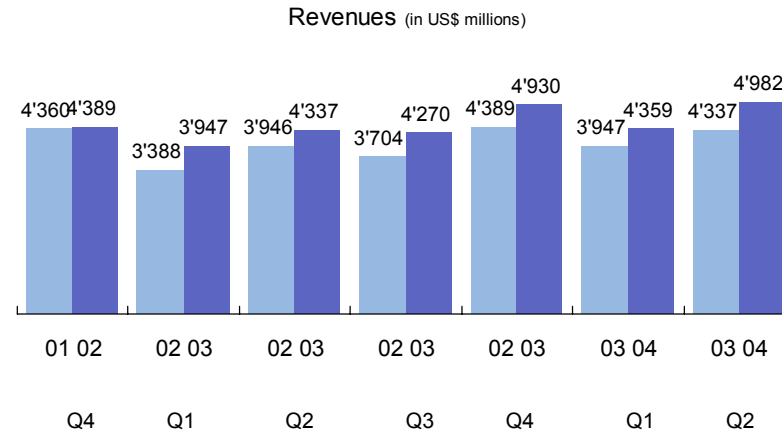
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This presentation includes forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. These statements are based on current expectations, estimates and projections about global 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.



Seven consecutive quarters of improved results

Automation Technologies and Power Technologies divisions



* EBIT: Earnings before interest and taxes



ABB Group – Q2 2004 highlights

- Steady improvement in core divisions*
 - Orders up 29.5%
 - Revenues up 14.9%
 - EBIT** up 23.7%
- Cash flow from operating activities (minus \$136 million) negatively impacted by costs related to sale of OGP upstream
- Productivity improvement program Step change completed
 - Annualized cost savings \$917 million
 - Job reduction ~9'000 employees
 - Restructuring costs \$311million
- Debt reduction on track
 - Cancellation of maturing securities plus some buy-backs
- Gearing 65% vs. 67% after Q1 2004

* in US\$

** EBIT: Earnings before interest and taxes



Power Technologies – Q2 2004 highlights

- Orders up 42%*
 - Asia: more than doubling in China and India; western Europe: up double-digit on strong base orders; eastern Europe: lower vs. strong Q2 03; North America: signs of recovery; Middle East and Africa slightly up; Latin America: higher
 - All businesses improving on infrastructure and grid interconnection projects, good demand from industrial and OEM customers
- Revenues up 18%*
 - Double-digit growth in all business areas except Power Systems (low level of large project execution)
- EBIT** up 8%
 - \$168 million vs. \$155 million on flat restructuring charges
- EBIT margin down to 7.4% from 8.0%
 - Margin growth in product businesses more than offset by negative impact of low capacity utilization in parts of the systems business.
- Cash flow reduced to \$11 million from \$243 million

Automation Technologies – Q2 2004 highlights

- Orders up 20%*
 - Double-digit growth in all regions except Middle East and Africa (lower); Asia: strong in China and India (pulp and paper, minerals and marine); North America: 3rd improving quarter; western Europe: signs of recovery; eastern Europe and Latin America: stable trend
 - All business areas with strong improvements; base order business dominant driver; system 800xA well received , large Manufacturing Automation order in US
- Revenues up 12%*
 - Automation Products main driver; Process Automation and Manufacturing Automation also up in dollar terms
- EBIT** up 36%
 - \$260 million vs.\$191 million on increased revenues
- EBIT margin up to 9.6% from 7.9%
 - Driven by productivity improvements and higher margin products
- Cash flow up to \$225 million vs. \$143 million

* in US\$

** EBIT: Earnings before interest and taxes



EBIT* - Overview

(US\$ million)	Q2 2004	Q2 2003**
Power Technologies	168	155
Automation Technologies	260	191
Core businesses	428	346
Non-core Activities	(9)	(61)
Corporate	(131)	(145)
Group EBIT	288	140
<i>Group EBIT Margin</i>	<i>5.9%</i>	<i>2.9%</i>

** reclassified

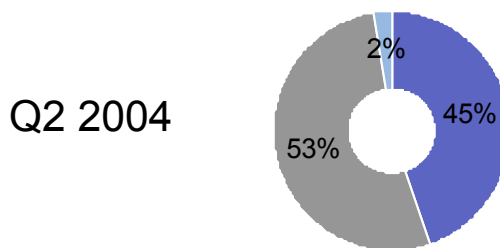
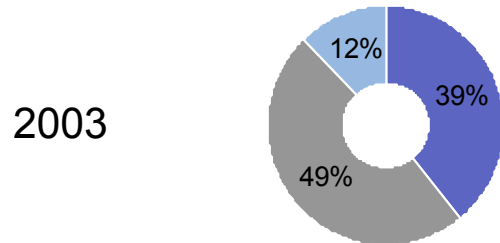
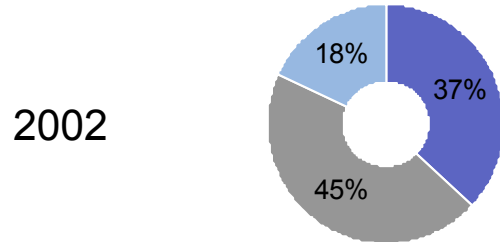
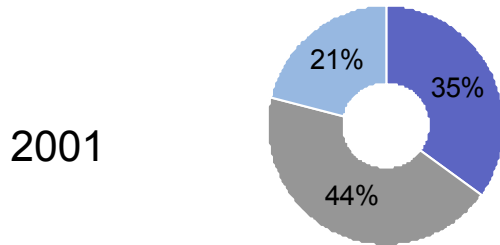
- Continued improvement of core divisions' EBIT
- Reduced losses in Non-core activities; Corporate negatively impacted by special costs

* EBIT: Earnings before interest and taxes



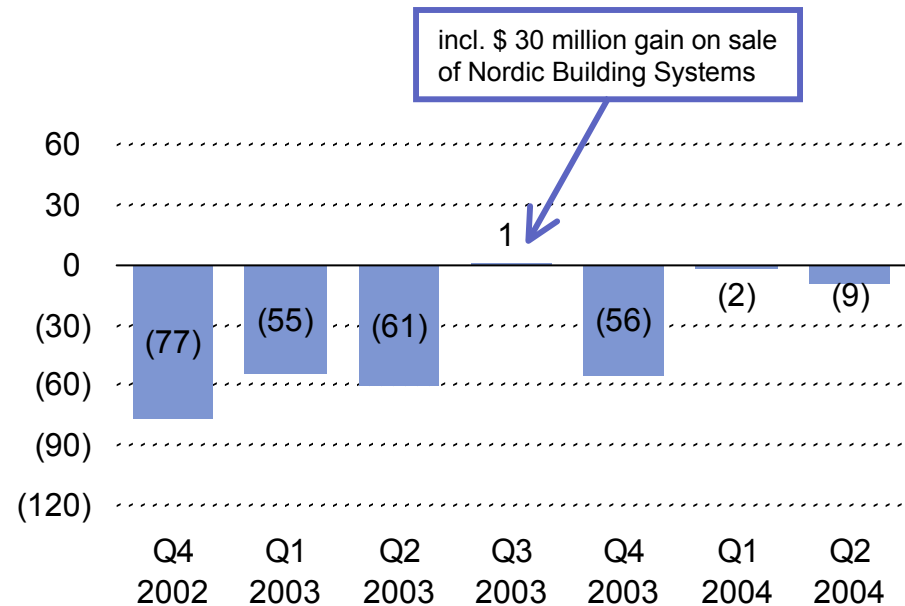
Single digit EBIT distortions from Non-core

% of revenues*



■ Non-core
 ■ AT
 ■ PT

EBIT** \$ millions



reclassified

■ Non-core EBIT



Discontinued Operations – Net income impact

(US\$ million)	Q2 2004	Q2 2003*
Insurance	(7)	19
Asbestos	9	(36)
Oil, Gas and Petrochemicals	(23)	(46)
Other	(20)	(8)
Loss from discontinued operations	(41)	(71)

* reclassified

■ Q2 comment

- Insurance – additional costs related to sale of business
- Oil, Gas and Petrochemicals – small net income from Downstream offset by loss in Upstream related to sale of business and compliance review
- Asbestos – Mainly gain on mark-to-market of some 30 million ABB shares reserved for Asbestos PI trust



ABB Group – key figures

\$ million	Q2 2004	Q2 2003*
EBIT	288	140
Finance net	(45)	(86)
Income / (loss) from continuing operations	127	16
Loss from discontinued operations	(41)	(71)
Net income / (loss)	86	(55)

* reclassified

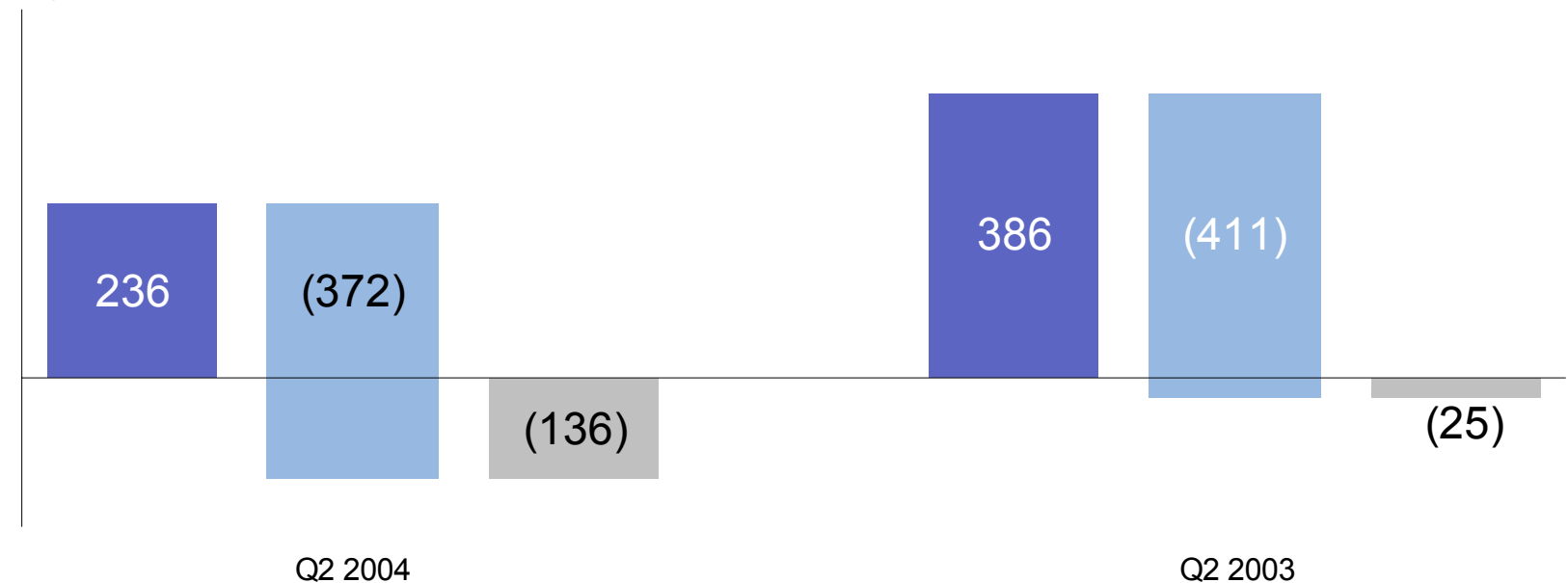
■ Q2 comments

- Finance net improvement mainly reflects non-recurrence of \$40-million loss on sale of Sinopec stake in Q2 2003



Cash flow from operating activities

US\$ million



■ Cash flow from operating activities in core divisions

■ Cash used in Disc. operations, Non-core and Corporate

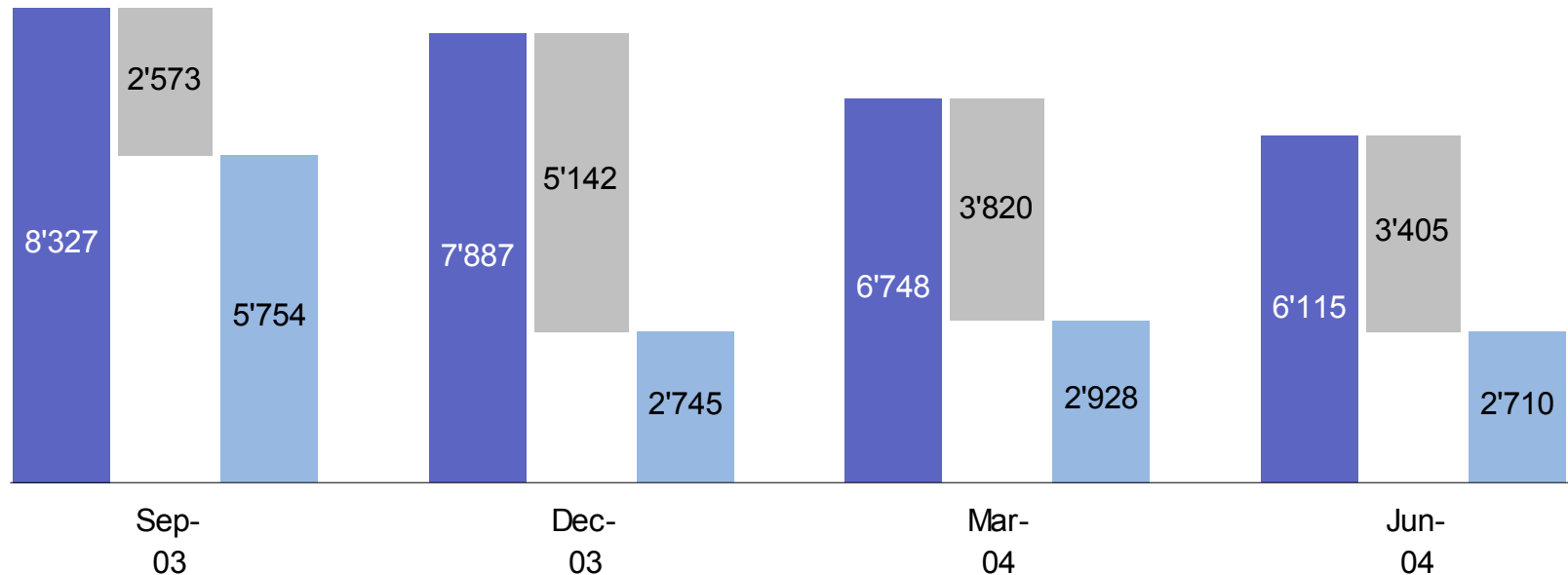
■ Cash (used in)/provided by operating activities

Higher PT working capital due to lower customer advances and higher receivables; however working capital as percentage of sales slightly down



Net debt and gearing development

US\$ million



- Net debt (total debt minus cash & marketable securities)
- Cash & marketable securities
- Total debt (LT borrowings plus ST borrowings)

Gearing*

September 2003
87%

December 2003
70%

March 2004
67%

June 2004
65%

* Total debt/(total debt plus equity incl. minorities)

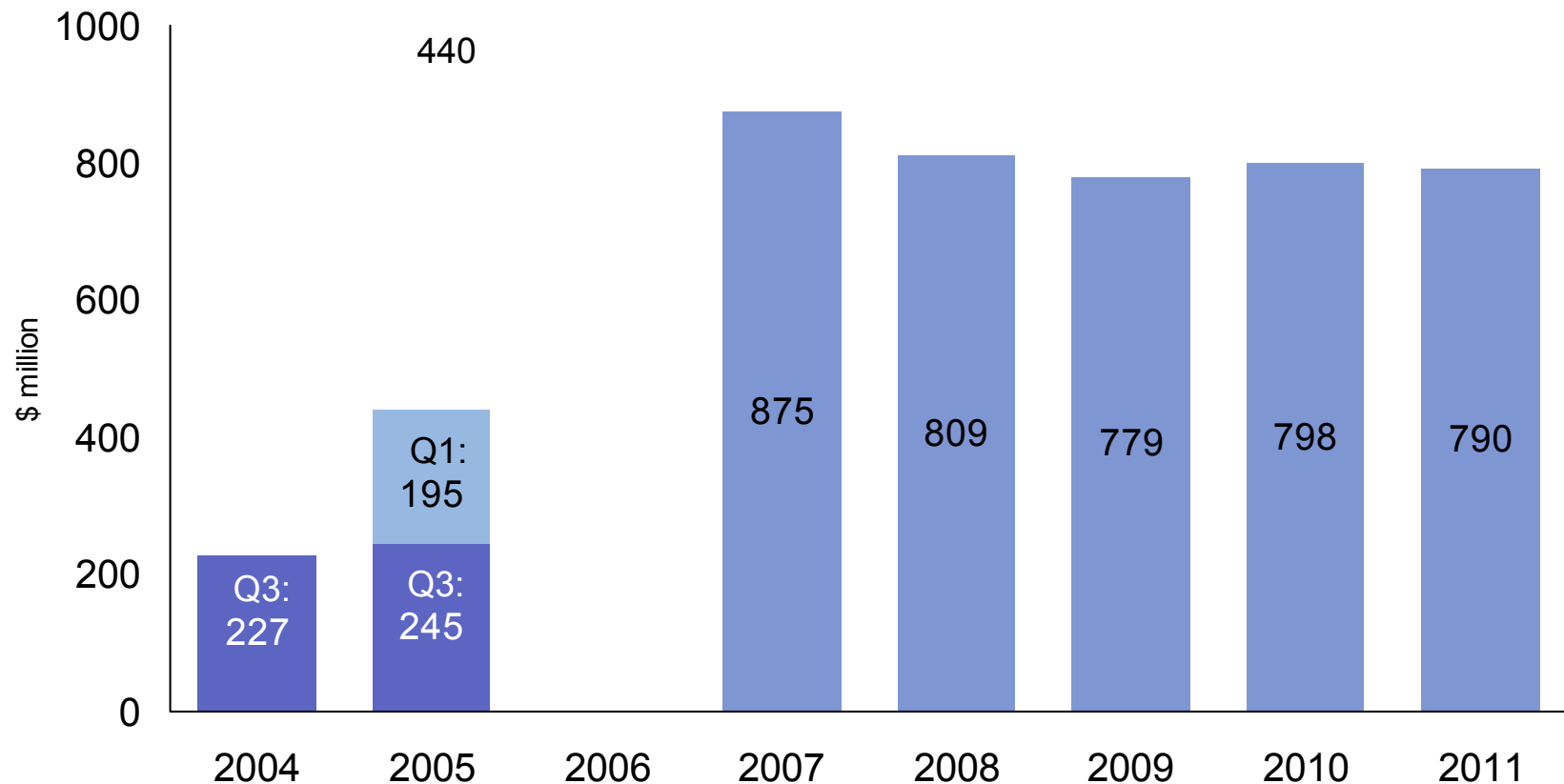


Bond buyback tender offer

- “Any and All” tender offer for outstanding Euro bonds maturing in 2005 and 2006 announced on July 29, 2004
- Further debt reduction after OGP upstream disposal
 - Pro forma gearing after successful tender of 62% (based on June 2004 values)
- Theoretical maximum tender amount approx. \$750 million (based on June 2004 exchange rates)
- Bondholder meeting (for each bond) called to approve extraordinary resolution
 - insert issuer call option (on same terms as tender offer) to clean up bonds post-tender
- Significant step to reach 2005 target of \$4 billion total debt and 50% gearing ratio

Pro forma maturity profile of debt securities* (as of June 30, 2004)

Total debt securities of approx. \$4.7 billion



* assuming tender offer fully taken up

based on June 30, 2004 FX rates



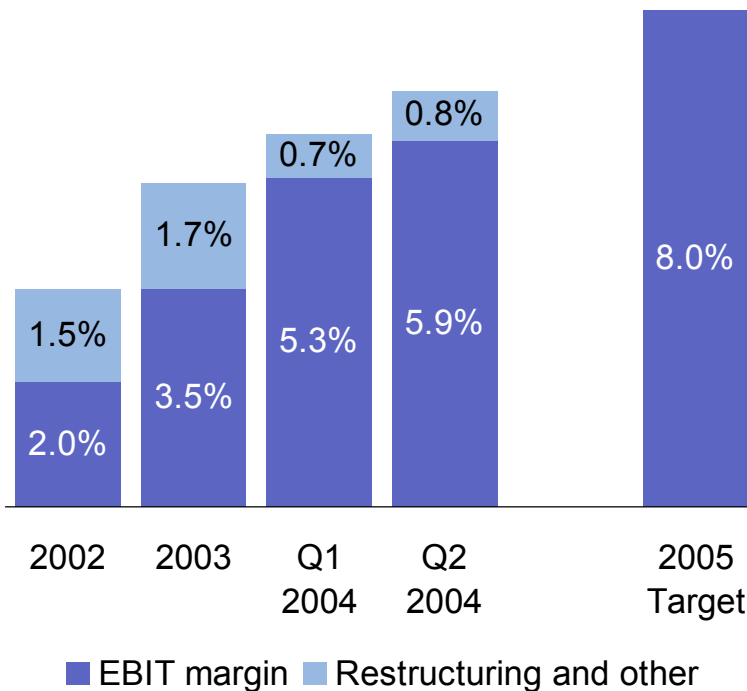
Step change program completed

- Q2 2004 development
 - Net cost savings of approx. \$252 million realized
 - Restructuring costs \$20 million
 - Job reduction ~260 employees
- Overall Step change achievements
 - Annualized cost savings of \$917 million realized
 - Job reduction ~9'000 employees
 - Restructuring costs of \$351 million significantly lower than originally anticipated \$500 million



Expectations and priorities for second half of 2004

On track to reach Group margin target 2005



Group margin target 2005 confirmed

- Further market improvements
 - Asia, Middle East, eastern Europe robust; North America, western Europe continuation of early trend
- Ongoing focus on operational excellence
 - Further productivity improvements beyond Step change
 - Stabilize quarterly cash flows
- Continue with remaining divestment program
- Close the asbestos issue
- Further debt reduction via bond buyback

ABB 2005 outlook

	2005E		
	Group	AT	PT
Revenue growth* (local currencies)	4.0%	3.3%	5.3%
EBIT margin (nominal)	8.0%	10.7%	10.0%

- Revenue growth and EBIT margin targets for 2005 reaffirmed
 - Large order development in Power Technologies during 2004 is key for growth target
- 2005 total debt target unchanged at \$4 billion, gearing 50%

Excluding major acquisitions/divestments and business closures

*Annual average growth rate 2002 - 2005



ABB

Back-up

ABB Group – Key figures

\$ million	Q2 2004	Q2 2003*
Orders	5'529	4'727
Revenues	4'913	4'843
EBIT (earnings before interest and taxes)	288	140
Finance net	(45)	(86)
Discontinued operations	(41)	(71)
Net income / (loss)	86	(55)
Cash flow from operating activities	(136)	(25)
	31 Mar 04	31 Mar 04
Cash & marketable securities **	3'405	3'820
Total debt (LT borrowings plus ST borrowings)	6'115	6'748
Net debt (total debt minus cash & marketable securities)	2'710	2'928
Gearing (total debt / total debt plus equity incl. minorities)	65%	67%

* reclassified

** excluding insurance activities



EBIT*- Non-core activities

(US\$ million)	Q2 2004	Q2 2003**
Equity Ventures	16	47
Remaining Structured Finance	2	(54)
Building Systems	(18)	(46)
New Ventures	(7)	(6)
Other	(2)	(2)
Non-core EBIT	(9)	(61)

** reclassified

■ Q2 comment

- Building Systems – scaling down of US unit, Germany close to break even
- Equity Ventures – Stable underlying income from remaining portfolio; Q2 03 includes gain from sale of two Australian ventures
- Remaining Structured Finance – mainly non-recurrence of loss related to SEK sale in 2003



EBIT* - Corporate

(US\$ million)

	Q2 2004	Q2 2003**
Headquarters / Stewardship	(109)	(106)
Research & Development	(23)	(23)
Other ***	1	(16)
Corporate EBIT	(131)	(145)

* reclassified

** includes consolidation, Real Estate and Treasury Services

■ Q2 comment

- Headquarters / Stewardship includes project related costs
- Other includes capital gain of \$15 from sale of real estate

** EBIT: Earnings before interest and taxes



Restructuring charges – EBIT* impact

\$ million	Q2 2004	Q2 2003**
Power Technologies	(19)	(18)
Automation Technologies	(16)	(25)
Core businesses	(35)	(43)
Non-core activities	(5)	(33)
Corporate	0	(6)
Group	(40)	(82)

* Earnings before interest and taxes

** reclassified



Cash Flow from operating activities

\$ million		Q2 2004	Q2 2003
	<i>Cash-effective earnings</i>	331	(82)
	<i>Marketable securities</i>	2	(11)
	<i>Net operating working capital</i>	(469)	68
Net cash used in operating activities		(136)	(25)
	<i>Combustion Engineering</i>	(27)	(51)
	<i>Discontinued operations (OGP) *</i>	(183)	(91)
	<i>Non-core activities</i>	22	(125)
	<i>Corporate and other</i>	(184)	(144)
Cash used in Disc. operations, Non-core and Corporate		(372)	(411)
Cash flow from operating activities of core divisions		236	386

* Q2 2004 including cancellation of a securitization program in preparation for the divestiture of the upstream business in July 2004



Divestment program near completion (as of July 2004)

Divested in 2003

- Aircraft and car leasing portfolio
~\$110 million (VIE)
- Building Systems ~\$230 million
- Stake in Swedish Export Credit Corp. ~\$150 million
- Shares in Sinopec ~\$80 million
- Two Equity Ventures in Australia
~\$90 million

Divested in 2004

- Building Systems Switzerland
- Insurance for ~\$430 million
- OGP Upstream for ~\$925 million
(plus \$50 million earn-out) (July 2004)

Still to come

- OGP Downstream
- Building Systems in Germany

Cash proceeds since beginning of the divestment program in 2003*:
~\$2.6 billion

* including ~\$600 million from sales out of the remaining Structured Finance leasing and other financial portfolios, machinery and real estate



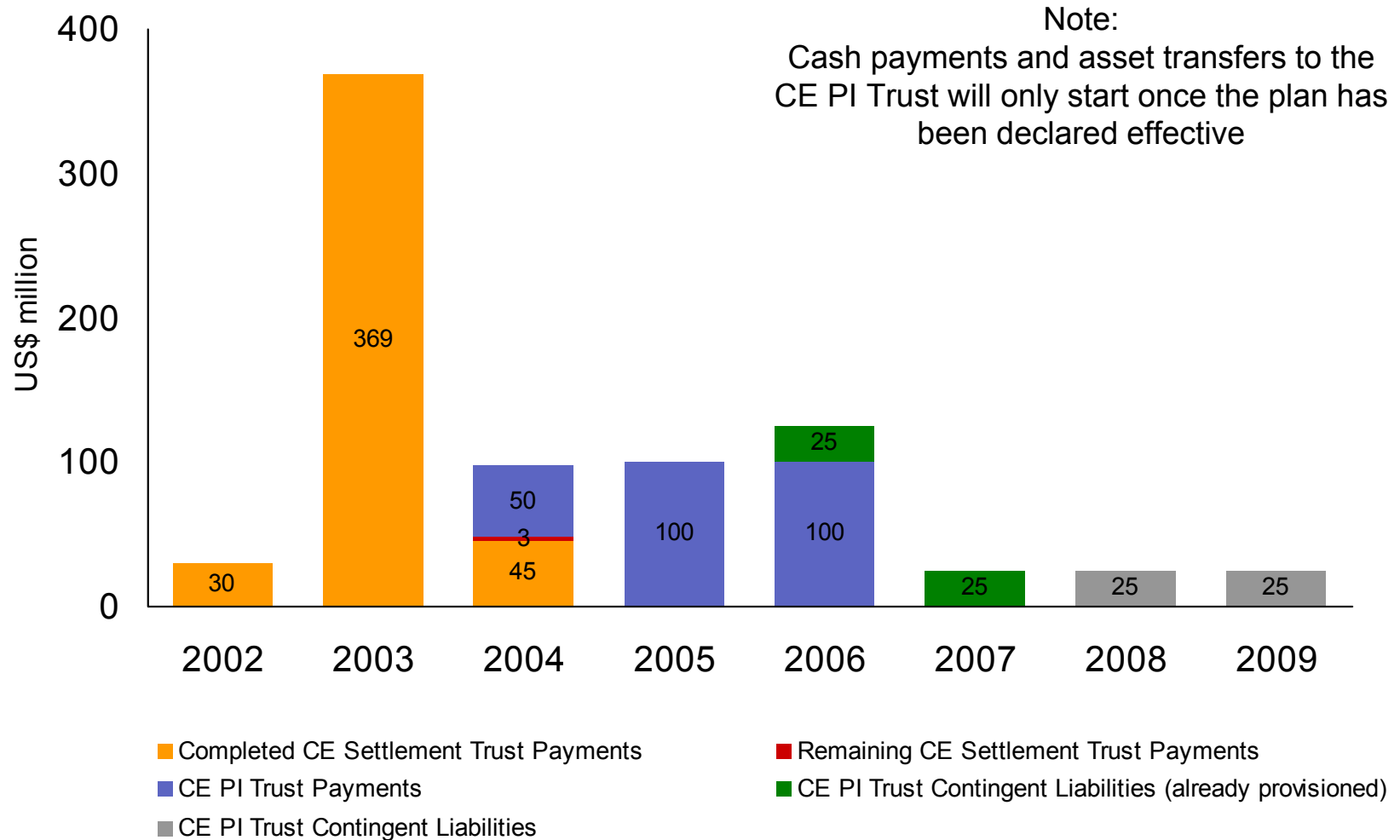
Update on asbestos

- Solution of asbestos issue through CE Plan of Reorganization
 - Total plan value approx. \$1.2 billion*
 - Liability fully recorded in ABB's balance sheet*
- Progress so far
 - Plan approved by Delaware Bankruptcy Court on July 10, 2003
 - Confirmation by District Court on August 8, 2003
 - 3rd Circuit Court of Appeals hearing held June 3, 2004
- Confident that plan will be confirmed

*excluding contingent liability of \$100 million (NPV of \$50 million booked to P&L in Q3 2003) and mark to market effect on shares to be contributed



Asbestos trusts cash payments *

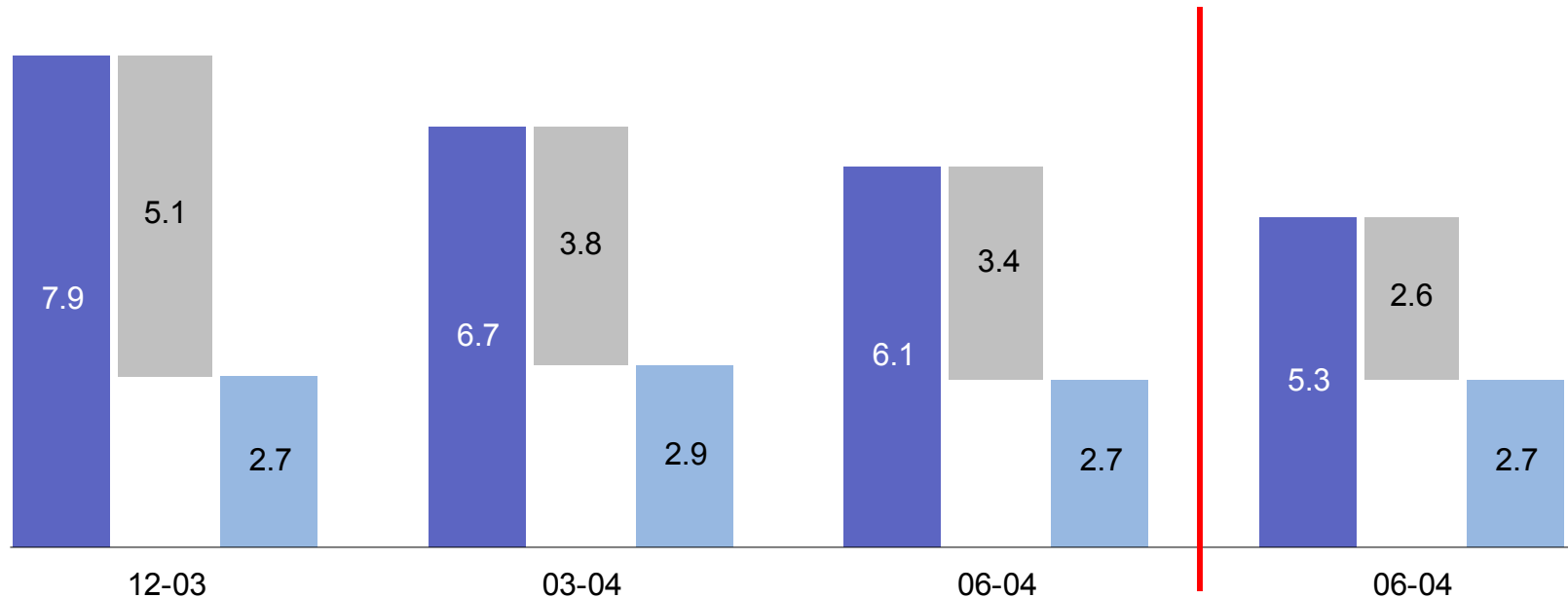


* Excluding fees, the \$20 million term note with a maximum term of 10 years, the \$28 million payment of Lummus, the \$10 million payment of Basic payable over 12 years



Net debt and gearing development

\$ billion



- Net debt (total debt minus cash & marketable securities)
- Cash & marketable securities
- Total debt (LT borrowings plus ST borrowings)

Gearing*

December 2003
70%

March 2004
67%

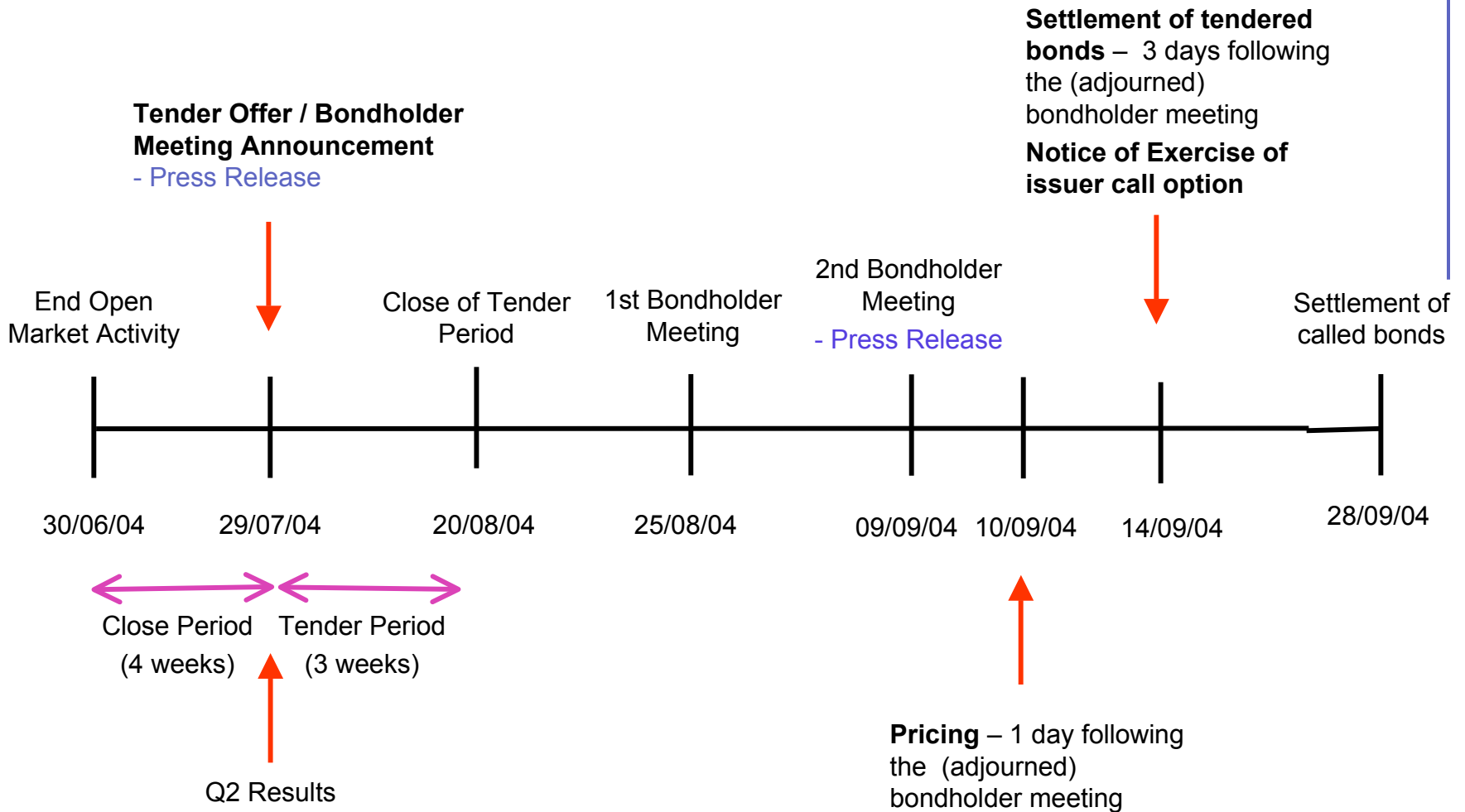
June 2004
65%

Pro forma
June 2004
62%

* Total debt/(total debt plus equity incl. minorities)

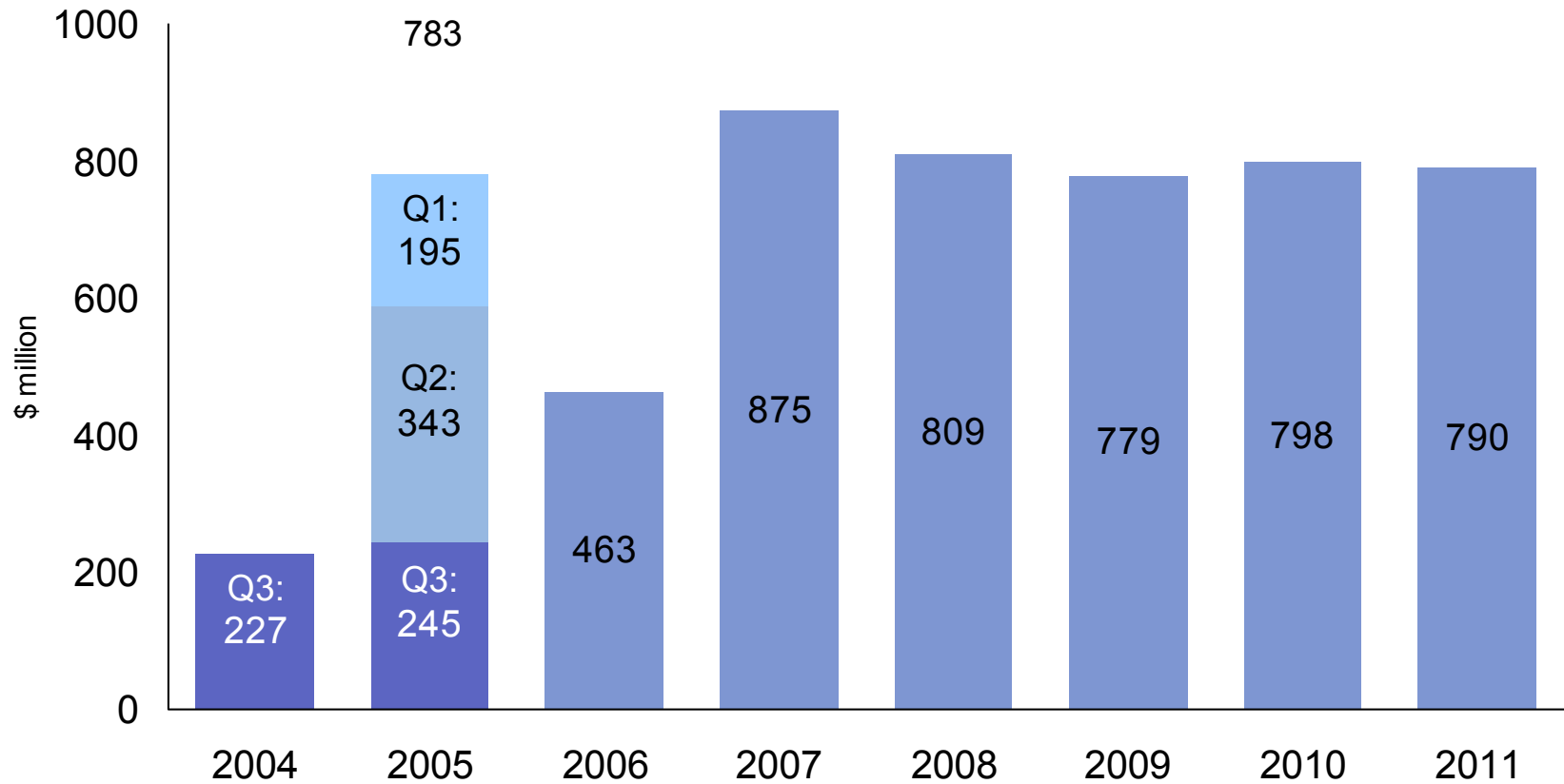


Bond buyback tender offer - timetable



Maturity profile of debt securities (as of June 30, 2004)

Total debt securities of approx. \$5.5 billion

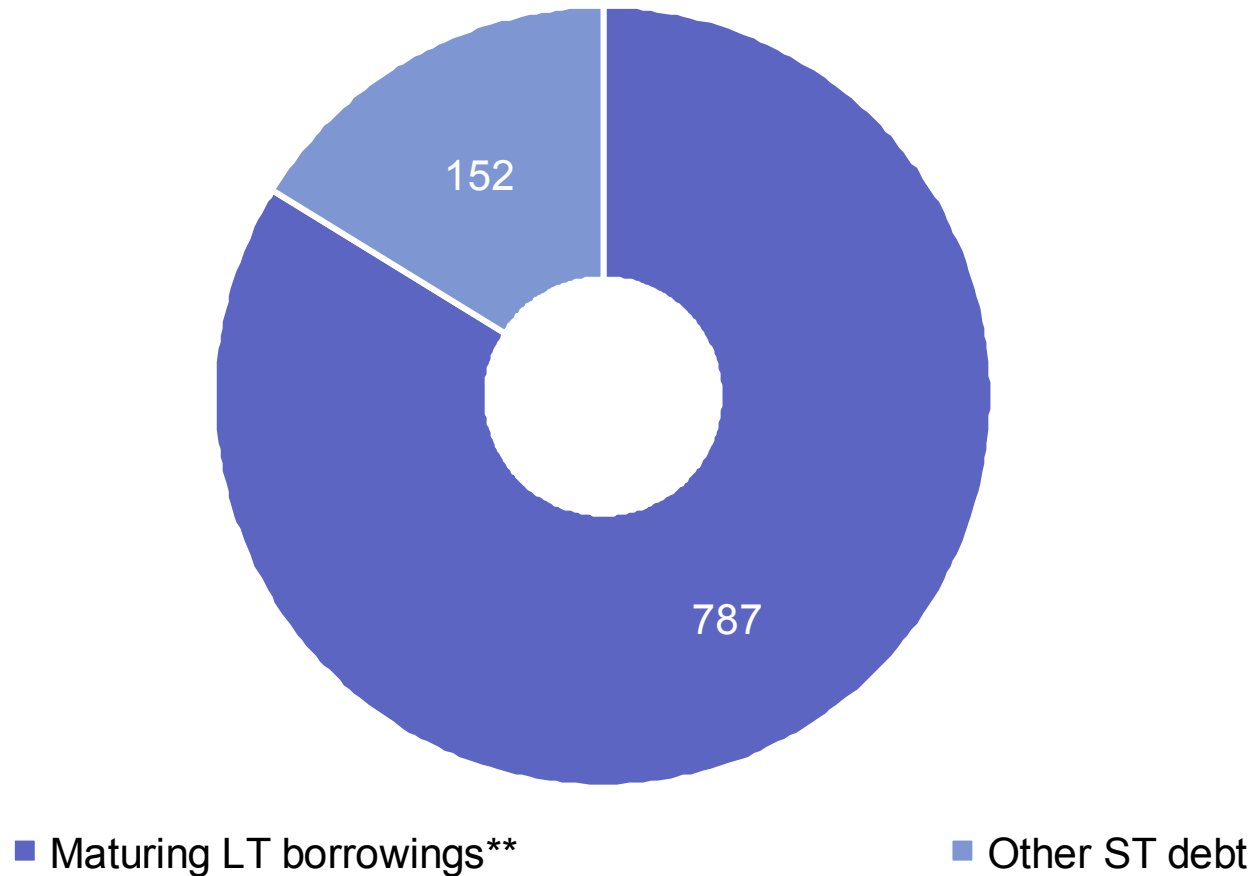


Based on June 30, 2004 FX rates



Composition of short-term debt * (as of June 30, 2004)

Total short-term debt approx. \$939 million



* Short-term debt represents debt maturing prior to June 30, 2005

** The maturing long-term borrowings of \$787 million include debt securities of \$765 million maturing in 2004 and the first quarter of 2005



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