

2003 second quarter results

29 July 2003



ABB

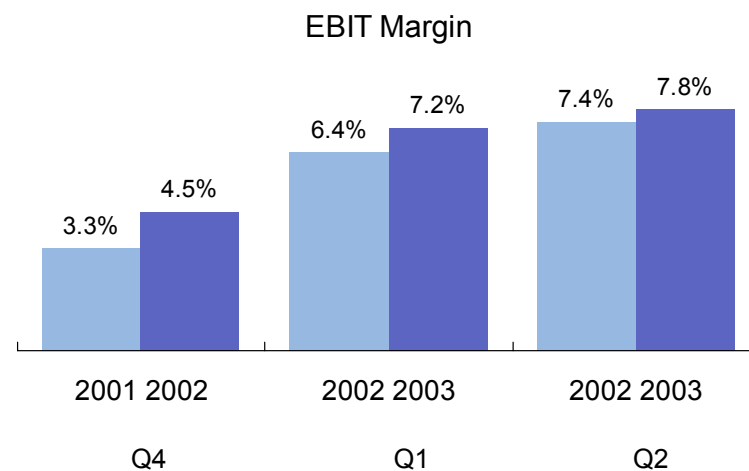
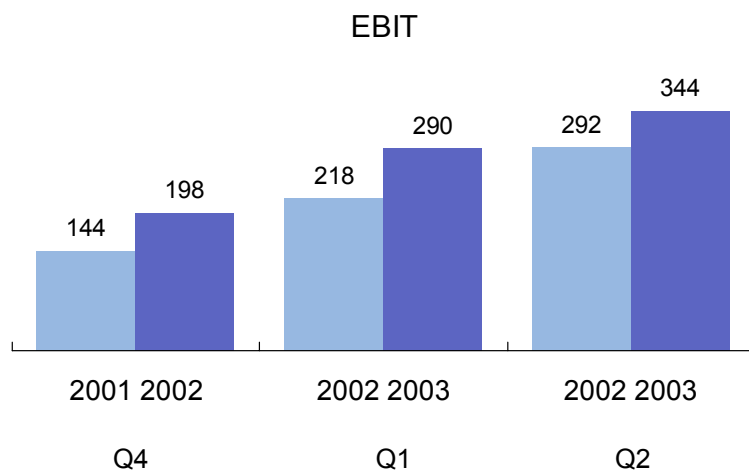
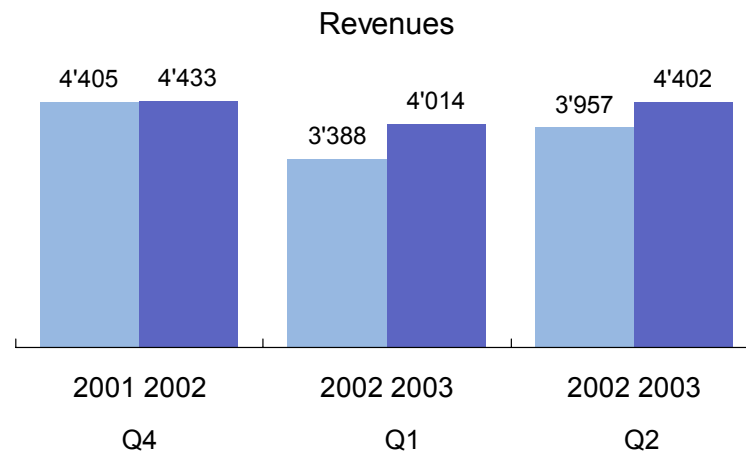
Safe-harbor statement

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.



Core divisions quarterly development

Automation Technologies and Power Technologies divisions (MUS\$)



Solid progress in Q2

- Continued improvements in core divisions
- Cost reduction program shows results
- Divestments on track
- Core division cash flow in line with plan
- Good progress on asbestos
- Targets confirmed

Power Technologies – Q2 highlights

- Orders up 6%*
 - Double digit growth in Asia, increased demand in Europe
 - Order decrease in the US due to reduced utility investments
 - Important orders for alternating current transmission technology from Saudi Arabia, Australia and the US
- Revenues up 9%*
 - Lower sales in High-Voltage Products and Utility Automation systems (mainly US driven)
- EBIT up to US\$ 146 million from US\$ 130 million despite higher restructuring charges
- EBIT margin up from 7.3% to 7.5%

* in US\$



Automation Technologies – Q2 highlights

- Orders up 7%*
 - Higher oil and gas order levels offset by lower volumes in chemicals and petrochemicals
 - Low Voltage Drives strong
 - Order growth from Europe and Asia (China and India)
 - Fewer large orders
- Revenues up 13%*
 - Service business offset weaker activities mainly in paper, minerals and mining
- EBIT up to US\$ 198 million from US\$ 162 million despite higher restructuring charges
- EBIT margin up from 7.5% to 8.0%

* in US\$



ABB Group – Q2 key figures

(US\$ million)	Q2 2003	Q2 2002**
Orders	4'929	4'667
Revenues	5'061	4'534
EBIT	171	150
Net Interest Expenses	(92)	(74)
Discontinuing Operations	(87)	(3)
Net (Loss)/Income	(55)	38
Cash from Operations	(25)	172
Total Debt *	8'304	8'155

* as of 30 June 2003 and 31 March 2003

** restated to reflect the move of businesses to discontinued operations and an amendment filed by SEK



Group – Q2 highlights

- Divestments
 - 35% stake in SEK
 - Sinopec participation
 - Two Equity Venture participations in Australia
- Cost reduction program Step Change
 - Net cost savings of app. US\$ 160 million realized
 - Job reduction of ~2'100 employees
 - Restructuring costs US\$ 66 million
- Asbestos (*after 30 June 2003*)
 - CE Plan of Reorganization confirmed on 10 July 2003 by Delaware Bankruptcy Court
 - Confident that District Court confirms plan

EBIT - Overview

(US\$ million)

	Q2 2003	Q2 2002*
Power Technologies	146	130
Automation Technologies	198	162
Core Businesses	344	292
Non-Core Businesses	(33)	12
Corporate	(140)	(154)
Group EBIT	171	150
<i>Group EBIT Margin</i>	3.4%	3.3%
<i>Group EBIT Margin</i> <i>(excluding capital gains/losses from major acquisitions and divestments)</i>	4.7%	3.0%

* restated to reflect the move of businesses to discontinued operations and an restatement filed by SEK



EBIT - Non-core activities

(US\$ million)

	Q2 2003	Q2 2002**
Insurance	44	(17)
Equity Ventures	44	17
Remaining Structured Finance	(51)	76
Building Systems	(46)	(22)
New Ventures	(15)	(15)
Other*	(9)	(27)
Non-Core EBIT	(33)	12

* comprises mainly Group Processes

** restated to reflect the move of businesses to discontinued operations and a restatement filed by SEK

- **Insurance** – positive premium income and stronger investment portfolio performance
- **Equity Ventures** – including a US\$ 28 million gain from divestments
- **Structured Finance** – including a US\$ 87 million capital loss on sale of SEK
- **Building Systems** – higher restructuring costs and lower earnings



EBIT - Corporate

(US\$ million)

	Q2 2003	Q2 2002
Headquarter / Stewardship	(98)	(65)
Research & Development	(23)	(28)
Other *	(19)	(61)
Corporate EBIT	(140)	(154)

* Includes consolidation, Treasury Services and real estate

- Second quarter 2002 HQ/Stewardship costs lower due to positive one-off items
- Other cost lower after cost reductions in treasury services (cessation of proprietary trading in June 2002)



Discontinued Operations – Net income impact

(US\$ million)

	Q2 2003	Q2 2002
Oil, Gas and Petrochemicals	(43)	30
Asbestos	(36)	0
Other divested businesses	(8)	(33)
Loss from discontinued operations	(87)	(3)

- **Structured Finance** – Closing balance sheet adjustments
- **Asbestos** -Charge reflects mark to market adjustment of shares

Cash flow from operating activities

(US\$ million)

	Q2 2003	Q2 2002
Cash-effective earnings	(82)	17
Marketable securities	(11)	397
Net operating working capital	68	(242)
Net cash used in operating activities	(25)	172
Less cash flow from unusual items and Non Core	(406)	78
<i>Combustion Engineering</i>	(51)	(56)
<i>Discontinued operations (OGP)</i>	(88)	(98)
<i>Non-core activities</i>	(27)	(43)
<i>Other</i>	(240)	275
Operating cash flow from core divisions	381	94

Strong operating cash flow (including restructuring) from core divisions of US\$ 381 million



Step change program

- First half year 2003 achievements
 - Net cost savings of approx. US\$ 230 million realized
 - Restructuring costs of US\$ 91 million
 - Job reduction of ~3'800 employees
- Full year 2003
 - Total restructuring costs of approx. US\$ 300 million
 - Expected savings of approx. US\$ 500 million
- Full year 2004
 - Total restructuring costs of approx. US\$ 200 million
 - Expected savings of approx. US\$ 400 million

Priorities 2003

- Further strengthen core divisions
- Execute cost reduction measures across the Group
 - Special focus on Corporate activities
- Close majority of divestment programs
 - Expected gross proceeds unchanged in excess of US\$ 2 billion
 - Reduction of losses in Non-core activities
- Solve the asbestos issue

Outlook 2003

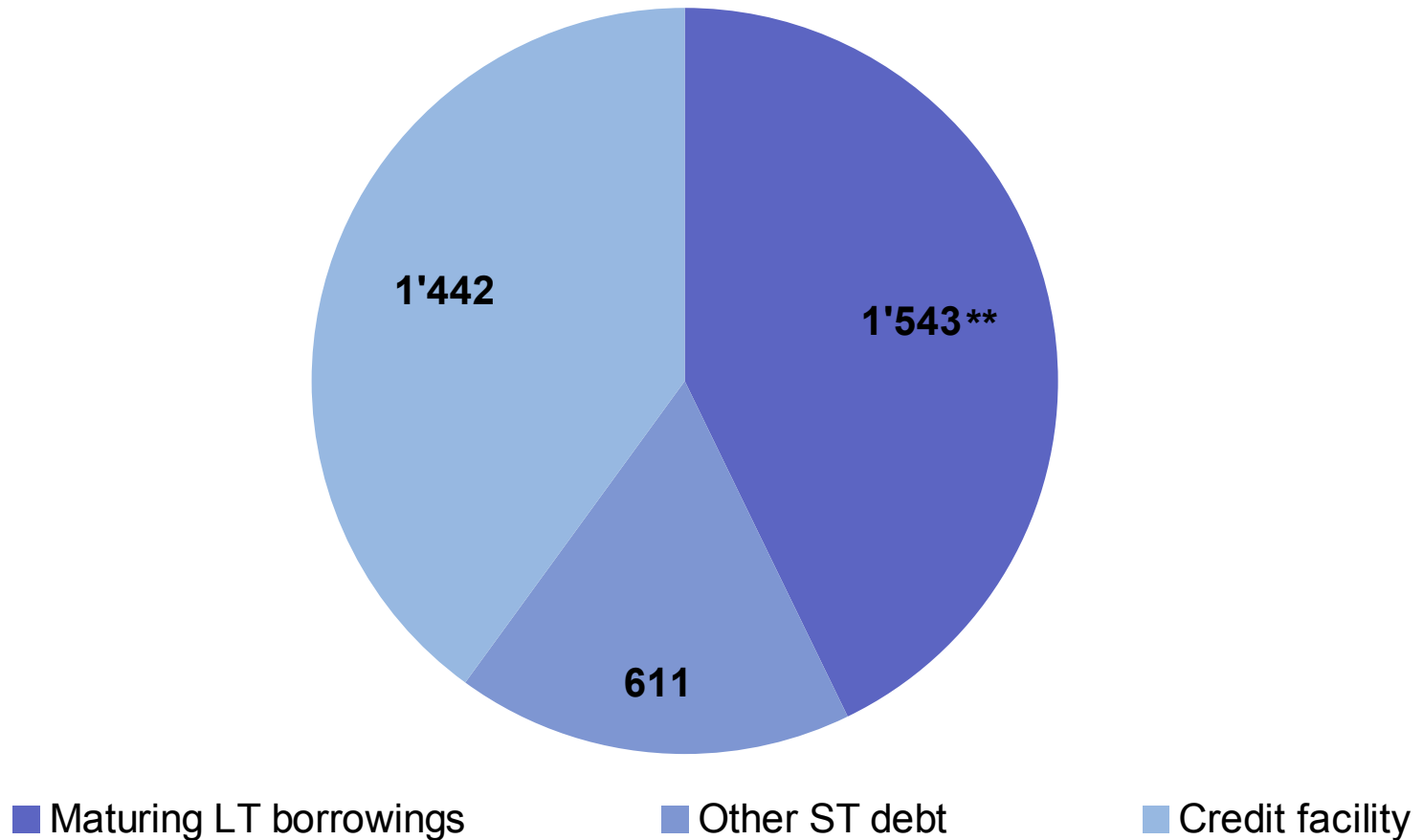
	2003		
	Group	AT	PT
Revenues (local currencies)	4.0%	3.0%	5.3%
EBIT-Margin (nominal)	4.0%	7.1%	7.0%

Excluding major acquisitions/divestments

AABB

Composition of short-term debt * (as of 30 June 2003)

Total short term debt of approx. US\$ 3.6 bn



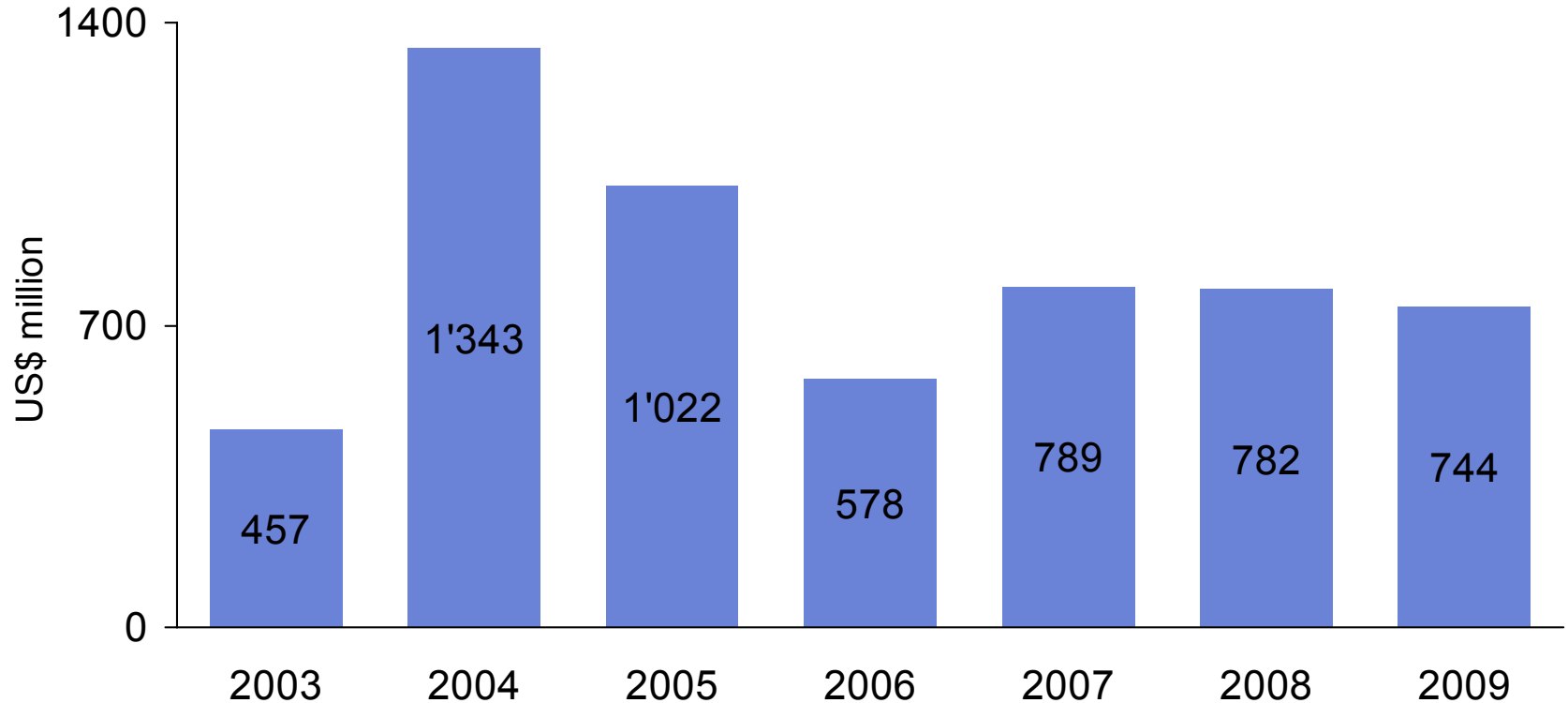
* short-term represents debt maturing prior to June 30, 2004

** includes approx. US\$ 1.5 bn of bonds maturing prior to June 30, 2004



Maturity profile of debt securities (as of 30 June 2003)

Total debt securities of approx. US\$ 5.7 billion



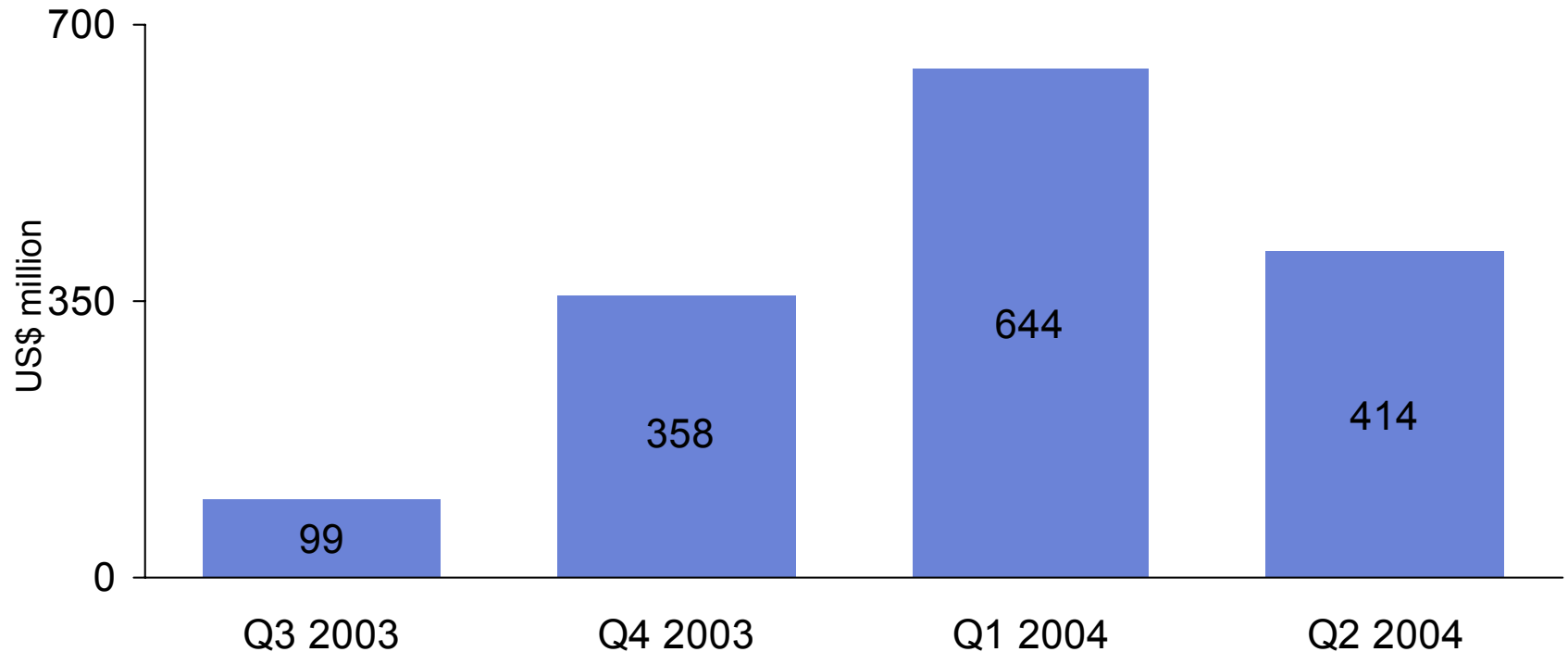
Note: 2003 and 2004 include a total of approx. US\$ 1.5 bn of debt securities maturing prior to June 30, 2004 and shown as short-term debt in the balance sheet

based on June 30, 2003 FX



Debt securities maturing within one year (as of 30 June 2003)

Debt securities maturing within one year of approx. US\$ 1.5 billion



Asbestos

■ Recent developments

- CE Plan of Reorganization confirmed on 10 July 2003 by Delaware Bankruptcy Court
- Total value of the plan is approx. US\$ 1.2* billion (unchanged)
 - Liability is fully provisioned for in ABB's balance sheet*
- No further impact on ABB group cash and marketable securities

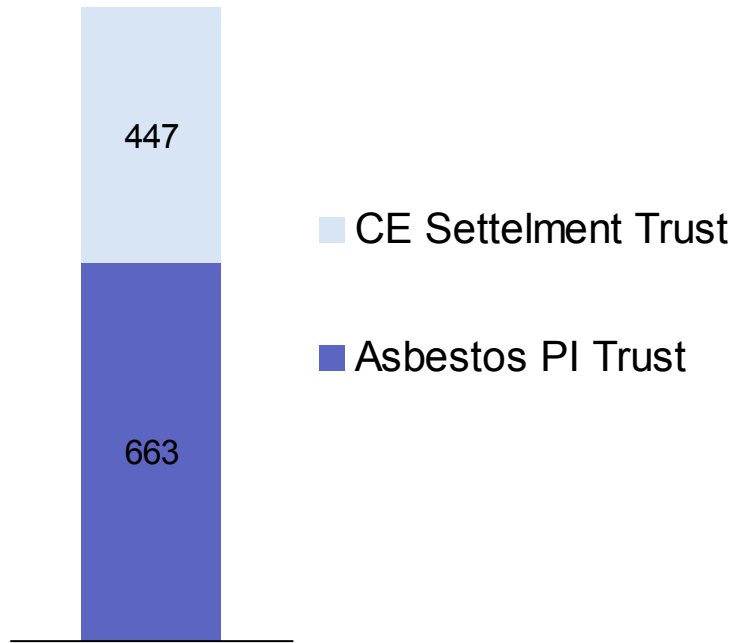
■ Next steps

- Recommendation of the Bankruptcy Court order pending at District Court
 - 10 days appeals period ended on 20 July 2003
 - All opening briefs delivered by 24 July 2003
 - Period to file reply briefs ends 31 July 2003
- District Court hearing scheduled for 31 July 2003

*excluding additional contingent liability of US\$ 100 million and mark to market effect on shares to be contributed



The Asbestos Trusts



- Two different trusts established
 - CE Settlement Trust
 - Deals with asbestos-related personal injury claims filed prior to 15 November 2002
 - Asbestos PI Trust
 - Handles all remaining and future asbestos-related personal injury claims and any unpaid portions of claims from the CE Settlement Trust

*Includes approximately US\$ 15 million fees

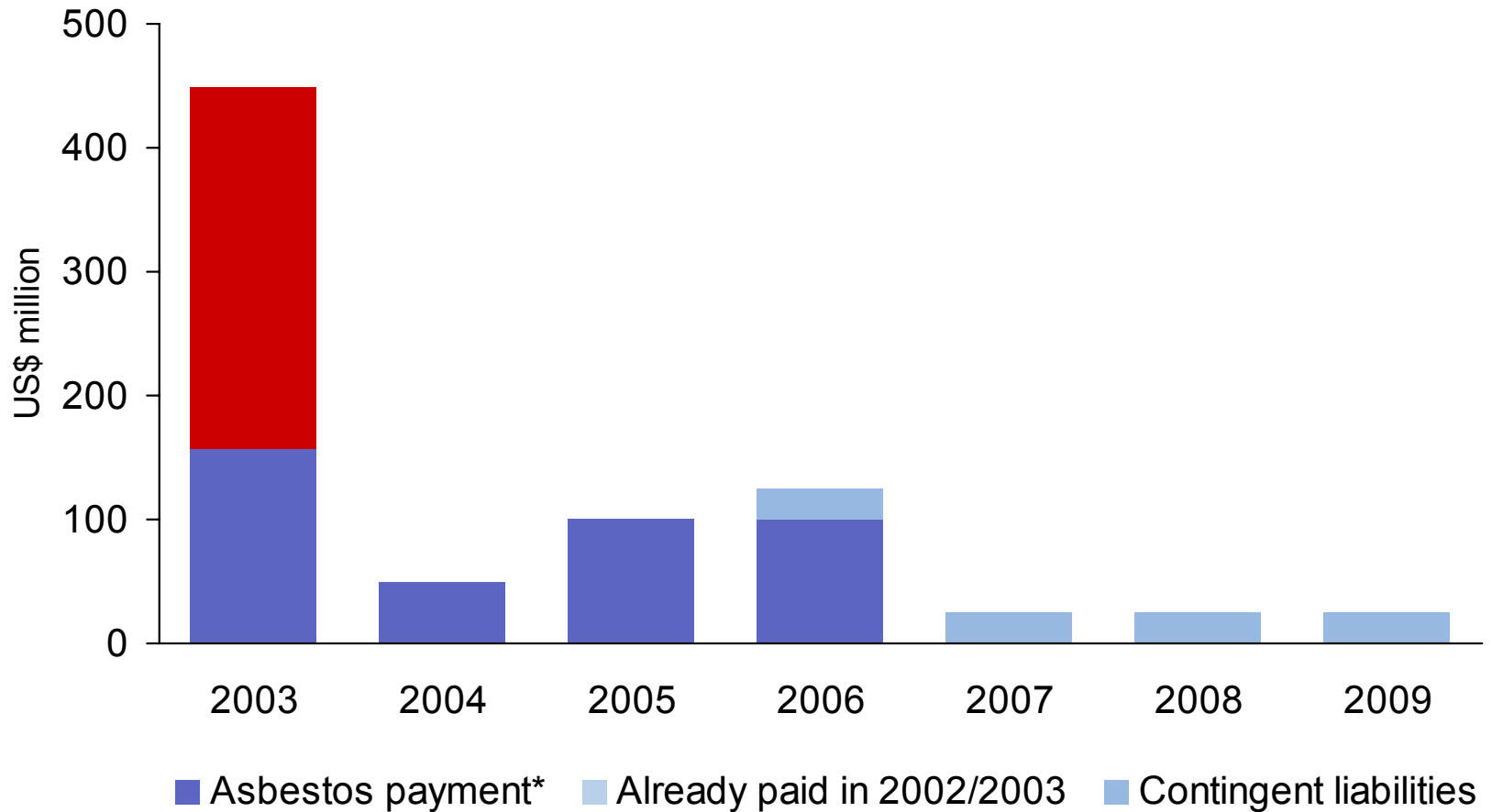
Funding of the Trusts

	US\$ million
■ CE Settlement Trust	
Cash contribution from CE at inception (Dec. 2002)	5
Cash contribution from ABB Inc. (31 December 2003)	30
Promissory note from CE (throughout 2003)	101
<u>Assignment by CE (throughout 2003)</u>	<u>311</u>
Total	447
■ Asbestos PI Trust*	
5 percent term note from CE	20
Promissory note guaranteed by ABB Ltd	250
Non-interest bearing promissory note on behalf of Lummus	28
Non-interest bearing promissory note on behalf of Basic	10
Insurance receivables of CE	198
Insurance receivables of Lummus	43
Insurance receivables of Basic	28
30'298'913 ABB shares	86
<u>Excess cash held by CE on the effective date of the plan</u>	<u></u>
Total	663

* valued at 31 December 2002



Major future cash payments



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



Medium-term financing goals

2003

- Reduce total debt from US\$ 8.2 billion at March 2003 to about US\$ 6.5 billion, gearing $[\text{total debt}/(\text{total debt} + \text{equity})]$ to approximately 70 percent
 - Proceeds from divestment of Oil, Gas and Petrochemicals division, Building Systems and other businesses will significantly reduce debt by year-end 2003

2005

- Reduce total debt to approximately US\$ 4 billion, gearing to approximately 50 percent
 - Debt reduction to come primarily through increased operational cash-effective earnings

Restructuring Charges - EBIT impact

(US\$ million)

	Q2 2003	Q2 2002*
Power Technologies	(18)	(5)
Automation Technologies	(26)	(17)
Core Businesses	(44)	(22)
Non-Core Businesses	(38)	(5)
Corporate	0	(24)
Group Restructuring Charges	(82)	(51)