INFORMATION MEMORANDUM

ABB INTERNATIONAL FINANCE LIMITED

(incorporated with limited liability in Guernsey)

ABB FINANCE INC.

(incorporated with limited liability in the State of Delaware)

ABB CAPITAL B.V.

(incorporated with limited liability in The Netherlands and having its statutory domicile at Amsterdam)

as Issuers

PROGRAMME FOR THE
ISSUANCE OF UP TO U.S.$5,250,000,000 DEBT INSTRUMENTS

Application may be made to list debt instruments issued under the Programme (the "Instruments") described in this document (the "Programme") on the Luxembourg Stock Exchange during the period of twelve months after the date hereof. Instruments may also be issued under the Programme which will not be listed on any exchange.

Instruments issued by each of ABB International Finance Limited ("AIFLTD"), ABB Finance Inc. ("AFI") and ABB Capital B.V. ("ACBV") have the benefit of a Keep-Well Agreement entered into with ABB Ltd effective as of March 31, 2000. The Keep-Well Agreements are not guarantees. Accordingly, while this document contains references to ABB Ltd and to the ABB Group, this information is provided for background purposes only.

This Information Memorandum replaces the Information Memorandum dated May 30, 2001 in respect of the Programme.

ARRANGER

MORGAN STANLEY

DEALERS

BARCLAYS CAPITAL
CREDIT SUISSE FIRST BOSTON
DEUTSCHE BANK
GOLDMAN SACHS INTERNATIONAL
JPMORGAN
LEHMAN BROTHERS
MORGAN STANLEY
SCHRODER SALOMON SMITH BARNEY
UBS WARBURG

June 11, 2002

Each of AIFLTD, AFI and ACBV (each an "Issuer" and together, the "Issuers"), having made all reasonable enquiries, confirms that the statements contained in this Information Memorandum relating to such Issuer, ABB Ltd ("ABB Ltd" or the "Parent"), the Parent, its subsidiaries and affiliates (together, the "ABB Group", "ABB" or the "Group") and (when taken together with the relevant Pricing Supplement (as defined herein)) the Instruments to be issued by it are, in every material respect, true and accurate and not misleading and that, to the best of the knowledge and belief of such Issuer, there are no other facts the omission of which would, in the context of the issue of the Instruments, make any statement in this Information Memorandum misleading in any material respect and that all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.

In this Information Memorandum, references to "the ABB Group", "ABB", "we", "our" and "us" refer to ABB Ltd and its consolidated subsidiaries unless the context otherwise requires. These terms also refer to ABB Asea Brown Boveri Ltd and its subsidiaries prior to the 1999 exchange offers described under "Description of ABB Ltd and the ABB Group".

No person has been authorized to give any information or to make any representation regarding any Issuer, the Parent or the ABB Group or the Instruments other than as contained in or extracted from or incorporated by reference in this Information Memorandum, the Dealership Agreement, the Fiscal Agency Agreement, the Deeds of Covenant, the Keep-Well Agreements or any Pricing Supplement (as defined herein) or in any public information or as approved in writing for such purpose by the relevant Issuer and, if given or made, any such representation or information should not be relied upon as having been authorized by any Issuer, the Parent or any member of the ABB Group or the dealers (the "Dealers") named under "Subscription and Sale" or any of them.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty, as to the accuracy or completeness of the information contained herein.

Neither the delivery of this Information Memorandum or any Pricing Supplement nor the offering, sale or delivery of any Instruments shall, in any circumstances, create any implication that there has been no change in the affairs of any Issuer, the Parent or the ABB Group since the date hereof or the date upon which this document has been most recently amended or supplemented or, in respect of any Issuer, the Parent or the ABB Group, since the balance sheet date(s) of the most recent financial statements relating to it which are deemed to be incorporated into this document by reference.

This Information Memorandum may be used in connection with the listing of not more than U.S.$5,250,000,000 in aggregate principal amount of Instruments outstanding at any time (or the equivalent in any other currency at the date of the agreement for the issue of such Instruments). This document must be read in conjunction with all documents deemed to be incorporated by reference in and forming part of this Information Memorandum (see under "Documents Incorporated by Reference") and shall be construed accordingly.

The distribution of this Information Memorandum and any Pricing Supplement and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement comes are required by the Issuers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of this Information Memorandum and other offering material relating to the Instruments, see "Subscription and Sale". In particular, Instruments have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may include Instruments in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to U.S. persons. This Information Memorandum and any Pricing Supplement may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

This Information Memorandum and any Pricing Supplement do not constitute an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the relevant Issuer, the Parent or any Dealer that any recipient of this Information Memorandum or any Pricing Supplement should subscribe for or purchase any Instruments. Each recipient shall be taken to have made its own investigation and appraisal of the financial condition of the relevant Issuer and the Parent.

In this Information Memorandum, all references to "Guilders", "NLG" and "Dfl" are to the former sub-denomination of the Euro which was the lawful currency of The Netherlands until January 1, 2002, all references to "Euro" and "€" are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Union, as amended, all references to "dollars", "U.S. dollars", "$", "USD" and "U.S.$" are to the lawful currency of the United States of America, all references to "Swiss Francs", "CHF" and "SFr" are to the lawful currency of Switzerland and all references to "£", "Pounds Sterling" and "GBP" are to the lawful currency of the United Kingdom.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

(i) the most recent publicly available audited consolidated financial statements of ABB Ltd beginning with such financial statements for the years ended December 31, 2000 and December 31, 2001 and the most recent publicly available interim unaudited consolidated financial reports of ABB Ltd beginning with such financial reports for the first quarter ended March 31, 2002 which contain comparable figures for the first quarter ended March 31, 2001. These documents are incorporated in this Information Memorandum for the purpose of providing background information relevant to the Keep-Well Agreements (as defined herein);

(ii) the most recently filed Annual Reports on Form 20-F of ABB Ltd and any filings on Form 6-K furnished by ABB Ltd to the U.S. Securities and Exchange Commission from time to time;

(iii) the most recent publicly available audited financial statements of AIFLTD, beginning with such financial statements for the years ended December 31, 2000 and December 31, 2001;

(iv) the most recent publicly available audited financial statements of AFI, beginning with such financial statements for the years ended December 31, 2000 and December 31, 2001;

(v) the most recent publicly available audited financial statements of ACBV, beginning with such financial statements for the years ended December 31, 2000 and December 31, 2001; and

(vi) any amendment or supplement to this Information Memorandum,

except that any statement contained in this document and any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purposes of this Information Memorandum to the extent that a statement contained in a document subsequently incorporated by reference in this Information Memorandum modifies or supersedes that statement.

References to this "Information Memorandum" shall be taken to mean this document and all the documents from time to time incorporated herein and forming a part hereof.

Each of the Issuers has undertaken, in connection with the listing of the Instruments, that if, while Instruments of such Issuer are outstanding and listed on the Luxembourg Stock Exchange, there shall occur any material adverse change in the financial condition of such Issuer or the ABB Group that is material in the context of issuance under the Programme (in the case of the ABB Group, being a change which might reasonably be expected to affect the decision of a person considering whether to provide finance to any Issuer in reliance on the existence of the relevant Keep-Well Agreement), which is not reflected in this Information Memorandum (or any of the documents incorporated by reference herein), such Issuer or, as the case may be, the Issuers will prepare or procure the preparation of an amendment or supplement to this Information Memorandum or publish a new Information Memorandum for use in connection with any subsequent offering by any Issuer of Instruments to be listed on the Luxembourg Stock Exchange.

Each of the Issuers will, at the specified offices of the Paying Agents, provide, free of charge, upon the oral or written request therefor, a copy of this Information Memorandum and any or all of the documents incorporated by reference herein. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg. The reports filed by ABB Ltd with the SEC can be reviewed and copied at the Public Reference Section of the SEC's office at 450 Fifth Street, N.W., Washington, D.C. 20549 and the SEC's Regional Offices in Chicago (500 West Madison Street, Suite 1400, Chicago, Illinois 60661). Reports filed with the SEC can also be accessed at http://www.sec.gov via the internet.

TABLE OF CONTENTS

IN CONNECTION WITH THE ISSUE OF INSTRUMENTS UNDER THE PROGRAMME, THE DEALER (IF ANY) WHO IS SPECIFIED IN THE PRICING SUPPLEMENT IN RELATION TO THE RELEVANT INSTRUMENTS AS STABILISING MANAGER (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF SUCH INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

SUMMARY OF THE PROGRAMME

The following is a brief summary only and should be read, in relation to any Instruments, in conjunction with the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the Instruments set out on pages 9 to 31 hereof

Issuers:	ABB International Finance Limited ("AIFLTD"), ABB Finance Inc. ("AFI") and ABB Capital B.V. ("ACBV").
Parent:	ABB Ltd ("ABB Ltd").
Keep-Well Agreements:	Each Issuer has the benefit of a Keep-Well Agreement entered into with ABB Ltd effective as of March 31, 2000. The Keep-Well Agreements do not constitute guarantees.
Arranger:	Morgan Stanley & Co. International Limited.
Dealers:	Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, Goldman Sachs International, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), Morgan Stanley & Co. International Limited, Salomon Brothers International Limited and UBS AG, acting through its business group UBS Warburg and any other dealer appointed from time to time by the Issuers. Any of the Issuers may be appointed as a Dealer in respect of a particular Tranche (as defined below) of Instruments.
Fiscal Agent:	Banque Générale du Luxembourg S.A.
Listing Agent:	Banque Générale du Luxembourg S.A.
Programme Amount:	The aggregate principal amount of Instruments which may be issued under the Programme is U.S.$5,250,000,000 ("Programme Limit") (or, in any case, its approximate equivalent in any other currency at the date of the agreement to issue any Tranche of Instruments). The Programme Limit may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under "Subscription and Sale".
Issuance in Series:	Instruments will be issued in series (each a "Series"). Each Series may comprise one or more tranches ("Tranches" and each a "Tranche") issued on different issue dates. The Instruments of each Series will all be subject to identical terms, whether as to currency, interest, maturity or otherwise, or terms which are identical except that the issue date, the first payment of interest and/or the denomination thereof may be different and save that a Series may comprise Instruments in bearer form and Instruments in registered form. The Instruments of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Instruments in bearer form and Instruments in registered form.
Form of Instruments:	Instruments may be issued in bearer form or in registered form. In respect of each Tranche of Instruments issued in bearer form, the Issuer will deliver a temporary global Instrument, which will be deposited on or before the relevant issue date therefor with a depositary or a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") and/or any other relevant clearing system which in the case of the Instruments listed on the Luxembourg Stock Exchange shall be approved by such stock exchange. Such temporary global Instrument will be exchangeable for a permanent global Instrument, or, if so specified in the relevant Pricing Supplement, for Instruments in definitive bearer and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Pricing Supplement)

registered form in accordance with its term. Each permanent global Instrument will be exchangeable for Instruments in definitive bearer and/or (in the case of a Series comprising both bearer and registered Instruments and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Instruments in definitive bearer form will, if interest-bearing, either have interest coupons ("Coupons") attached or have a grid for recording the payment of interest endorsed thereon and will, if the principal thereof is repayable by instalments, have a grid for recording the payment of principal endorsed thereon. Instruments in registered form may not be exchanged for Instruments in bearer form.

Currencies: Instruments may be denominated in any currency or currencies, subject to compliance with all applicable legal or regulatory requirements. Payments in respect of Instruments may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Instruments are denominated.

Status of Instruments: The Instruments will constitute (subject to the "Negative Pledge") unsecured and unsubordinated obligations of the relevant Issuer and will at all times rank *pari passu* in right of payment and without any preference among themselves.

Issue Price: Instruments may be issued at any price whether at par or at a discount or premium to par, and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.

Maturities: Any maturity up to thirty years, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory requirements.

Any Instruments in respect of which the issue proceeds are received by an Issuer in the United Kingdom and which must be redeemed before the first anniversary of their date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their business or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by such Issuer.

Redemption: Instruments may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement.

Early Redemption: Early redemption will be permitted for taxation reasons as mentioned in "Terms and Conditions of the Instruments—Early Redemption for Taxation Reasons", but will otherwise be permitted only to the extent specified in the relevant Pricing Supplement.

Interest: Instruments may be interest-bearing or non-interest bearing.

Denominations: Instruments will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory requirements as of the date of issuance.

Bearer Instruments issued by AFI with a maturity of 183 days or less will have a minimum denomination of not less than U.S.$500,000 (determined by reference to the spot rate on the date of issuance if not denominated in USD).

Taxation:	In relation to Instruments issued by AIFLTD or ACBV, the relevant Issuer will make payments without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed or levied by or on behalf of its jurisdiction of incorporation or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, subject to certain exceptions and limitations, the relevant Issuer will pay such additional amounts as may be necessary in order that net amounts received by the holders of Instruments or Coupons after such withholding or deduction shall equal the respective amounts which would have been received in respect of such Instruments in the absence of such withholding or deduction. In relation to Instruments issued by AFI, the Issuer will, subject to certain exceptions and limitations, pay as additional interest in respect of any Instrument such additional amounts as are necessary in order that the net payment by the Issuer or any Paying Agent in respect of such Instrument to a holder who is not a United States person (as such term is defined in "Terms and Conditions of the Instruments—Early Redemption for Taxation Reasons"), after deduction for any present or future tax, duty, assessment or governmental charge of the United States (as such term is defined in "Terms and Conditions of the Instruments—Early Redemption for Taxation Reasons"), or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount which would have been received in respect of such Instruments in the absence of such withholding or deduction.
Redenomination:	In respect of any Tranche of Instruments, if the country of the currency specified in the relevant Pricing Supplement becomes or, announces its intention to become, a Participating Member State, as defined in Condition 18, the Instruments may be redenominated in Euro in accordance with Condition 18 (*Redenomination, Renominalization and Reconventioning*) if so specified in the relevant Pricing Supplement.
Listing:	Application may be made to list Instruments on the Luxembourg Stock Exchange or on such other stock exchange as may be agreed between the relevant Issuer and the relevant Dealer or they may be unlisted, as specified in the relevant Pricing Supplement.
Terms and Conditions:	A Pricing Supplement will be prepared in respect of each Tranche of Instruments. The terms and conditions applicable to each Tranche will be as set out on pages 9 to 29 herein as supplemented, modified or replaced by the relevant Pricing Supplement.
Enforcement of Instruments in Global Form:	In the case of Instruments of an Issuer in global form, individual investors' rights will be governed by a Deed of Covenant executed by such Issuer dated March 10, 1993, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Governing Law:	The Instruments, the Fiscal Agency Agreement and the Deeds of Covenant entered into in connection with the Instruments will be governed by, and construed in accordance with, English law. The Keep-Well Agreements are governed by the laws of Switzerland.
Clearing Systems:	Euroclear, Clearstream, Luxembourg and/or any other clearing system as may be specified in the relevant Pricing Supplement and, in the case of Instruments listed on the Luxembourg Stock Exchange, approved by such stock exchange.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material under the laws

of the United States of America, the United Kingdom, Japan, The Netherlands and the Federal Republic of Germany and France, see under "Subscription and Sale". Further restrictions may be required in connection with any particular Tranche of Instruments. Any such further restrictions will be specified in the relevant Pricing Supplement.

TERMS AND CONDITIONS OF THE INSTRUMENTS

The following are the Terms and Conditions of the Instruments which (subject to completion and amendment) will be applicable to each Series of Instruments Provided that the relevant Pricing Supplement in relation to any Tranche of Instruments may specify other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Tranche of Instruments:

The Instruments are issued in accordance with the amended and restated fiscal agency agreement dated May 30, 2001 as amended by a supplemental fiscal agency agreement dated June 11, 2002 (together the "Fiscal Agency Agreement", which expression shall include any amendments or supplements thereto) and made between ABB International Finance Limited ("AIFLTD"), ABB Finance Inc. ("AFI") and ABB Capital B.V. ("ACBV") (collectively the "Issuers" and each an "Issuer"), Banque Générale du Luxembourg S.A. in its capacities as fiscal agent (the "Fiscal Agent", which expression shall include any successor to Banque Générale du Luxembourg S.A. in its capacity as such) and as principal registrar (the "Principal Registrar", which expression shall include any successor to Banque Générale du Luxembourg S.A. in its capacity as such), JPMorgan Chase Bank in its capacity as alternative registrar (the "Alternative Registrar", which expression shall include any successor to JPMorgan Chase Bank, in its capacity as such), and the paying agent named therein (the "Paying Agents", which expression shall include the Fiscal Agent and any substitute or additional paying agents appointed in accordance with the Fiscal Agency Agreement). Each Issuer has, in relation to the Instruments of such Issuer, executed and delivered a deed of covenant dated March 10, 1993 (collectively the "Deeds of Covenant" and, in relation to each Issuer, the "Deed of Covenant", which expressions shall include any amendments or supplements thereto and any deed of covenant that shall have been entered into by a Substituted Debtor (as defined in Condition 15) as referred to in Condition 15). Copies of the Fiscal Agency Agreement, the Deeds of Covenant and the Keep-Well Agreements (as defined in Condition 4.03) are available for inspection during normal business hours at the specified office of each of the Paying Agents, the Principal Registrar and the Alternative Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of and shall be bound by, all of the provisions of the Fiscal Agency Agreement and the Deeds of Covenant insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each a "Series"), and each Series may comprise one or more tranches ("Tranches" and each a "Tranche") of Instruments. Each Tranche will be the subject of a pricing supplement (each a "Pricing Supplement"), a copy of which will, in the case of a Tranche which is to be listed on the Luxembourg Stock Exchange, be lodged with the Luxembourg Stock Exchange and a copy of which will be available for inspection at the specified office of the Fiscal Agent or, as the case may be, the Registrar (as defined in Condition 2.02). In the case of a Tranche of Instruments in relation to which application has not been made for listing on the Luxembourg Stock Exchange or on any other stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of such Instruments.

References in the Terms and Conditions to the "Debt Securities" means any indebtedness of AIFLTD, AFI, ACBV, ABB Ltd or any of the Material Subsidiaries in the form of or represented by bonds, notes, debentures or other securities which are or which are intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market and which by their terms have an initial stated maturity of more than one year.

References in the Terms and Conditions to an "Instrument" or the "Instruments" are to an Instrument or the Instruments of the relevant Series.

References in the Terms and Conditions to the "Issuer" are to the Issuer of an Instrument or the Instruments of the relevant Series.

References in the Terms and Conditions to a "Material Subsidiary" means, at the date of determination, any Subsidiary:

(a) whose revenues or whose assets (in each case consolidated in respect of a Subsidiary which itself has Subsidiaries) as shown in the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary attributable to ABB Ltd represent 10 per cent or more of the consolidated revenues or, as the case may be, consolidated assets of ABB Ltd and its Subsidiaries, all as shown in or derived from or calculated by reference to the then latest audited consolidated financial statements of ABB Ltd; or

(b) to which is transferred all or substantially all of the undertaking or assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary under the provisions of this (b)

without prejudice to the provisions of (a) above upon publication of ABB Ltd's next audited financial statements; or

(c) which has Debt Securities outstanding and is the beneficiary of a guarantee, keep-well agreement or other credit support provided by ABB Ltd.

A report by the independent external auditors of ABB Ltd for the time being in writing to the Fiscal Agent that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall be conclusive and binding on all parties.

References in the Terms and Conditions to a "Subsidiary" of ABB Ltd or any of the Issuers means a company the financial statements of which are, in accordance with applicable law or generally accepted accounting principles in the United States, consolidated with those of ABB Ltd or any of the Issuers (as the case may be).

1. Form and Denomination

1.01 Instruments are issued in bearer form or in registered form, as specified in the relevant Pricing Supplement. Each holder of Instruments is subject to and bound by all the provisions contained in these Terms and Conditions.

Form of Bearer Instruments

1.02 Each Tranche of Instruments issued in bearer form ("Bearer Instruments") will be represented upon issue by a temporary global instrument, without interest coupons attached (a "Temporary Global Instrument"), in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. On or after the date (the "Exchange Date") which is forty days after the completion of the distribution of the Instruments of the relevant Tranche and provided certification as to non-U.S. beneficial ownership thereof as required by any U.S regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received, interests in the Temporary Global Instrument may be exchanged for:

(i) interests in a permanent global instrument (a "Permanent Global Instrument") representing the Instruments of that Tranche and in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement; or

(ii) if so specified in the relevant Pricing Supplement, definitive bearer instruments ("Definitive Instruments") in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement.

In the case of a Series comprising both Bearer Instruments and Instruments in registered form ("Registered Instruments") and if so specified in the relevant Pricing Supplement, interests in the Temporary Global Instrument may be exchanged, in which case certification as to non-U.S. beneficial ownership is required on or after an Exchange Date, for Registered Instruments in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement.

Each exchange of an interest in a Temporary Global Instrument for an interest in a Permanent Global Instrument or for a Definitive Instrument, and each exchange of an interest in a Permanent Global Instrument for a Definitive Instrument, shall be made outside the United States (as defined in Condition 9A.04).

The following legend will appear on all Bearer Instruments (i) issued by AFI that have an original maturity of more than 183 days and (ii) issued by AIFLTD or ACBV that have an original maturity of more than one year and on all receipts and interest coupons relating to such Bearer Instruments:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE".

The following legend will appear on all Bearer Instruments issued by AFI that have an original maturity of 183 days or less and on all receipts and interest coupons relating to such Bearer Instruments:

"BY ACCEPTING THIS OBLIGATION, THE HOLDER REPRESENTS AND WARRANTS THAT IT IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER) AND THAT IT IS NOT ACTING FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN

SECTION 6049(b)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER)".

1.03 If any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Instrument or in such other form as is customarily issued in such circumstances by the relevant clearing system) has been received by Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") or Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") or any other relevant clearing system. Payments of principal or interest (if any) on a Permanent Global Instrument will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

1.04 Interests in a Permanent Global Instrument will, if so specified in the relevant Pricing Supplement, be exchangeable in whole (or in part), at the option of the Holder of such Permanent Global Instrument on behalf of the relevant beneficial owners of the interests in such Permanent Global Instrument and at the expense of such beneficial owners for Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the relevant Pricing Supplement) Registered Instruments (a) if any Instrument of the relevant Series becomes due and repayable following an Event of Default (as defined in Condition 7); or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention permanently to cease business; or (c) at the option of the Holder of such Permanent Global Instrument on behalf of the relevant beneficial owners of the interests in such Permanent Global Instrument and at the expense of such beneficial owners, and, in each case, upon the request of such Holder on behalf of the relevant beneficial owners of the interests in such Permanent Global Instrument and at the expense of such beneficial owners. In order to make such request, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Fiscal Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If default is made by the Issuer in the required delivery of Definitive Instruments and/or Registered Instruments and such default is continuing at 6:00 p.m. (London time) on the thirtieth day after the day on which the relevant notice period expires, such Permanent Global Instrument will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear or Clearstream, Luxembourg or any other relevant clearing system in relation thereto under the Deed of Covenant.

1.05 Interest-bearing Definitive Instruments will, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery coupons ("Coupons"), presentation and surrender of which will be a prerequisite to the payment of interest as specified below. Interest-bearing Definitive Instruments will also, if so specified in the relevant Pricing Supplement, have attached thereto at the time of their initial delivery, a talon ("Talon") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.

1.06 Instruments, the principal amount of, which is repayable by instalments ("Instalment Instruments") which are Definitive Instruments, will have endorsed thereon a grid for recording the repayment of principal.

Form of Registered Instruments

1.07 Registered Instruments will be in substantially the form (subject to amendment and completion) scheduled to the Fiscal Agency Agreement. Registered Instruments will not be exchangeable for Bearer Instruments.

Denomination of Bearer Instruments

1.08 Bearer Instruments will be in the denomination or denominations (each of which denomination must be integrally divisible by each smaller denomination) specified in the relevant Pricing Supplement. Bearer Instruments of one denomination will not be exchangeable, after their initial delivery, for Bearer Instruments of any other denominations. Bearer instruments issued by AFI with a maturity of 183 days or less have a minimum denomination of not less than USD500,000 (determined by reference to the spot rate on the date of issuance if not denominated in USD).

Denomination of Registered Instruments

1.09 Registered Instruments will be in the minimum denomination specified in the relevant Pricing Supplement or integral multiples thereof.

Currency of Instruments

1.10 Instruments may be denominated in any currency, subject to compliance with all applicable legal and/or regulatory requirements.

1.11 For the purposes of these Terms and Conditions, references to Instruments shall, as the context may require, be deemed to be to Temporary Global Instruments, Permanent Global Instruments, Definitive Instruments or, as the case may be, Registered Instruments.

2. Title

2.01 Title to Bearer Instruments and Coupons passes by delivery. References herein to the "Holder" or "Holders" of Bearer Instruments or of Coupons are to the bearers of such Bearer Instruments or such Coupons.

2.02 Title to Registered Instruments passes by registration in the register which is kept by the Principal Registrar or, as the case may be, the Alternative Registrar, as specified in the relevant Pricing Supplement. For the purposes of these Terms and Conditions, "Registrar" means, in relation to any Series of Registered Instruments, the Principal Registrar, or, as the case may be, the Alternative Registrar. References herein to the "Holder" or "Holders" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

2.03 The Holder of any Bearer Instrument or Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Instruments under the Contracts (Rights of Third Parties) Act 1999.

Transfer of Registered Instruments and exchange of Bearer Instruments for Registered Instruments

2.04 A Registered Instrument may, upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the relevant Pricing Supplement) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.

2.05 If so specified in the relevant Pricing Supplement, the holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Fiscal Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.06) where the exchange date would, but for the provisions of Condition 2.06, occur between the Record Date (as defined in Condition 9B.03) for such payment of interest and the date on which such payment of interest falls due.

2.06 Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date, be available for delivery at the specified office of the Registrar. For these purposes, a form of transfer or request for exchange received by the Registrar or the Fiscal Agent after the Record Date (as defined in Condition 9B.03) in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or the Fiscal Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions:

(i) "Relevant Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument where such request for exchange is made to the Fiscal Agent, in the place where the specified office of the Fiscal Agent is located;

(ii) "exchange date" shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.05; and

(iii) "transfer date" shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.04 and all reasonable requirements of the Issuer and the Registrar shall have been satisfied in respect of such transfer.

2.07 The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the Issuer, the Fiscal Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent or the Registrar may require in respect of) any tax, duty, assessment or other governmental charge which may be imposed in relation thereto.

3. Status of the Instruments

The Instruments constitute (subject to Condition 4.01) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* in right of payment and without any preference among themselves. The payment obligations of the Issuer in respect of the Instruments shall (subject to Condition 4.01) at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, other than any obligations preferred by law.

4. Covenants

Negative Pledge

4.01 So long as any Instrument remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer and ABB Ltd will not, and will procure that none of the Material Subsidiaries will, create or permit to subsist any mortgage, pledge, lien, hypothecation, security interest or other charge on any of their respective assets or revenues present or future as security for any Debt Securities or any guarantee thereof without at the same time or prior thereto securing the Instruments equally and rateably with such Debt Securities or providing such security for the Instruments as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Holders of the Instruments. In this Condition 4.01, any reference to any Debt Securities being guaranteed by the Issuer, ABB Ltd or any Material Subsidiary shall be deemed to include a reference to any indemnity given by the Issuer, ABB Ltd or any Material Subsidiary in respect of any Debt Securities.

In this Condition 4.01, Debt Securities shall not include Securitization Indebtedness.

"Securitization Indebtedness" means any Debt Securities in respect of which the person or persons to whom any such money is or may be owed by the relevant issuer (whether or not a member of the ABB Group) in respect of such Debt Securities has or have no recourse whatsoever to any member of the ABB Group for the repayment thereof other than:

(i) recourse to such issuer for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from an asset or assets, security over which has been created in relation to issuing such Debt Securities; and/or

(ii) recourse to such issuer for the purpose only of enabling amounts to be claimed in respect of such Debt Securities in an enforcement of any encumbrance given by such issuer over such asset or assets or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the issuer over its shares or the like in the capital of the issuer) to secure the issuance of such Debt Securities, provided that (A) the extent of such recourse to such issuer is limited solely to the amount of any recoveries made on any such enforcement, and (B) such person or persons are not entitled, by virtue of any right or claim arising out of or in connection with such Debt Securities, to commence proceedings for the winding-up or dissolution of the issuer or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the issuer or any of its assets (save for the assets the subject of such encumbrance); and/or

(iii) recourse to such issuer generally, or directly or indirectly to a member of the ABB Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another acting in any capacity other than as a collecting or servicing agent or an indemnity in respect thereof or an obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against whom such recourse is available.

Keep-Well Agreement

4.02 The Issuer undertakes to comply, and to take all such action as may be required in order to ensure that ABB Ltd complies with its obligations under the relevant Keep-Well Agreements.

4.03 For the purpose of these Terms and Conditions, "Keep-Well Agreements" means (i), in relation to AFI an agreement effective as of March 31, 2000 between ABB Ltd and AFI under which ABB Ltd has given certain undertakings to AFI (ii), in relation to AIFLTD an agreement effective as of March 31, 2000 between ABB Ltd and AIFLTD under which ABB Ltd has given certain undertakings to AIFLTD (iii), in relation to ACBV an agreement effective as of March 31, 2000 between ABB Ltd and ACBV under which ABB Ltd has given certain undertakings to ACBV (iv), in relation to any Substituted Debtor (as defined in Condition 15), the keep-well agreement that shall have been entered into by such Substituted Debtor with ABB Ltd as referred to in Condition 15 or (v) in relation to any successor(s) of ABB Ltd, such keep-well agreement that shall have been entered into by such successor(s) of ABB Ltd and the Issuer (or any Substituted Debtor).

For a description of each of the Keep-Well Agreements, see under "Relationship with ABB Ltd" set out in this Information Memorandum.

5. Interest

Instruments may be interest-bearing or non-interest-bearing, as specified in the relevant Pricing Supplement. The Pricing Supplement in relation to each Tranche of interest-bearing Instruments shall specify which of Condition 5A, 5B, 5C or 5D shall be applicable and Condition 5E will be applicable to each Tranche of interest-bearing Instruments as specified therein save, in each case, to the extent inconsistent with the relevant Pricing Supplement.

5A Interest—Fixed Rate

Instruments in relation to which this Condition 5A is specified in the relevant Pricing Supplement as being applicable shall bear interest from their date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement at the rate or rates per annum (or otherwise) specified in the relevant Pricing Supplement. Such interest will be payable in arrear on such dates as are specified in the relevant Pricing Supplement and on the maturity date. Interest in respect of a period of less than one year will be calculated on the basis of the Day Count Fraction specified in the relevant Pricing Supplement.

5B Interest—Floating Rate

5B.01 Instruments in relation to which this Condition 5B is specified in the relevant Pricing Supplement as being applicable, shall bear interest at the rate or rates per annum (or otherwise) determined in accordance with this Condition 5B. Condition 5E.02 shall apply to Instruments to which this Condition 5B applies.

5B.02 Such Instruments shall bear interest from their date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement. Such interest will be payable on each Interest Payment Date (as defined in Condition 5E.02) and on the maturity date.

5B.03 The Pricing Supplement in relation to each Series of Instruments in relation to which this Condition 5B is specified as being applicable shall specify which page (the "Relevant Screen Page") on the Reuters Screen or Dow Jones Screen or any other information vending service shall be applicable. For these purposes, "Reuters Screen" means the Reuter Money Market Rates Services and "Dow Jones Screen" means the Dow Jones Markets Service (or such other services or service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto).

5B.04 The rate of interest (the "Rate of Interest") applicable to such Instruments for each Interest Period (as defined in Condition 5E.02) shall be determined by the Determination Agent (as defined in Condition 5E.04) on the following basis:

(i) the Determination Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, .00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of 11.00 a.m. (London time) two London Banking Days (or, in the case of Instruments denominated in Euro, two TARGET Business Days (as defined below)), before (or, if so specified in the relevant Pricing Supplement, on) the first day of the relevant Interest Period or, if so specified in the relevant Pricing Supplement, as of such time on such day as may be conventional in respect of the currency in which the Instruments are denominated (the "Interest Determination Date");

(ii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Determination Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market, (or, in the case of Instruments denominated or payable in Euro and where the Pricing Supplement specifies an Interest Rate referable to EUR-EURIBOR, the Euro Zone interbank market), selected by the Determination Agent, at approximately 11.00 a.m. (London time) on the Interest Determination Date to prime banks in the London interbank market (or, in the case of Instruments denominated or payable in Euro and where the Pricing Supplement specifies an Interest Rate referable to EUR-EURIBOR, the Euro Zone interbank market) for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;

(iii) if, on any Interest Determination Date, only two or three rates are so quoted (as referred to in Condition 5B.04(ii)), the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or

(iv) if fewer than two rates are so quoted (as referred to in Condition 5B.04(ii)), the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (as defined in Condition 9C.03) (or, in the case of Instruments denominated in Euro, in such financial centre or centres as the Determination Agent may select) selected by the Determination Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Rate of Interest applicable to such Instruments during each Interest Period will be the sum of the relevant margin (the "Relevant Margin") specified in the relevant Pricing Supplement and the rate (or, as the case may be, the arithmetic mean of rates) so determined provided, however, that, if the Determination Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Instruments during such Interest Period will be the sum of the Relevant Margin and the rate (or as the case may be, the arithmetic mean of rates) determined in relation to such Instruments in respect of the last preceding Interest Period provided always that if there is specified in the relevant Pricing Supplement a minimum interest rate or a maximum interest rate then the Rate of Interest shall in no event be less than or, as the case may be, exceed it. For the purposes of these Terms and Conditions, "Euro Zone" means the zone comprising the Member States of the European Union which adopt or have adopted the Euro as their lawful currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union, "London Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and, "TARGET Business Day" means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "TARGET System") is open as defined in the ISDA Definitions (see below). In the case of Instruments which bear interest at a rate determined on a basis other than the London interbank offered rate (such as on a "EURIBOR" basis), the relevant provisions for determining the Rate of Interest will be set out in the relevant Pricing Supplement.

5B.05 The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "Interest Amount") payable in respect of the principal amount of the smallest or minimum denomination of such Instruments specified in the relevant Pricing Supplement for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by the Day Count Fraction specified in the relevant Pricing Supplement and rounding the resulting figure to the nearest sub-unit of the currency in which such Instruments are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

5C Interest—ISDA Rate Indices

5C.01 Instruments in relation to which this Condition 5C is specified in the relevant Pricing Supplement as being applicable shall bear interest at the rates per annum (or otherwise) determined in accordance with this Condition 5C.

5C.02 Each such Instrument shall bear interest from its date of issue (as specified in the relevant Pricing Supplement) or from such other date as may be specified in the relevant Pricing Supplement. Such interest will be payable on such dates and in such amounts as would have been payable (regardless of any event of default or termination event or tax event thereunder) by the Issuer had it entered into a swap transaction (to which a swap master agreement and the 2000 ISDA Definitions, (as further amended and updated as at the date specified in the relevant Pricing Supplement) (the "ISDA Definitions"), as published by the International Swap Dealers Association, Inc., applied) with the Holder of such Instruments under which:

— the Fixed Rate Payer or, as the case may be, the Floating Rate Payer was the Issuer;

— the Calculation Agent was the Determination Agent (as defined in Condition 5E.04);

— the Effective Date was such date of issue or such other date as may be specified in the relevant Pricing Supplement;

— the Calculation Amount was the principal amount of such Instrument;

— the Floating Rate Payment Dates or Fixed Rate Payment Dates, as the case may be, were the dates upon which interest is payable, as specified in the relevant Pricing Supplement; and

— all other terms were as specified in the relevant Pricing Supplement.

Capitalized terms used in this Condition 5C shall, where the context so requires, have the meanings ascribed thereto in the ISDA Definitions,

5D Interest—Other Rates

Instruments in relation to which this Condition 5D is specified in the relevant Pricing Supplement as being applicable shall bear interest at the rate or rates calculated on the basis specified in, and be payable in the amounts and in the manner determined in accordance with, the relevant Pricing Supplement.

5E Interest—Supplemental Provisions

5E.01 Conditions 5E.02, 5E.03, 5E.04 and 5E.05 shall be applicable (as appropriate) in relation to all Instruments which are interest-bearing.

Interest Payment Date Conventions

5E.02 The Pricing Supplement in relation to each Series of Instruments in relation to which this Condition 5E.02 applies or is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

(i) the "FRN Convention", in which case interest shall be payable in arrear on each date (each an "Interest Payment Date") which numerically corresponds to their date of issue or such other date as may be specified in the relevant Pricing Supplement or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Pricing Supplement after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred provided that:

(a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day in that calendar month;

(b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;

(ii) the "Following Business Day Convention", in which case such date shall be postponed to the first following day that is a Business Day (each an "Interest Payment Date");

(iii) the "Modified Following Business Day Convention", in which case interest shall be payable in arrear on such dates (each an "Interest Payment Date") as are specified in the relevant Pricing Supplement provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day; or

(iv) such other convention as may be specified in the relevant Pricing Supplement.

Each period beginning on (and including) such date of issue or such other date as aforesaid and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period".

Notification of Rates of Interest, Interest Amounts and Interest Payment Dates

5E.03 The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item (including any redemption amount), as the case may be, determined or calculated by it to be notified to the Issuer and the Fiscal Agent. The Fiscal Agent will cause all such determinations or calculations to be notified to the other Paying Agents and, in the case of Registered Instruments, the Registrar (from whose respective specified offices such information will be available) and, in the case of Instruments which are listed on the Luxembourg Stock Exchange and/or listed on any other stock exchange, the Luxembourg Stock Exchange and/or such other stock exchange, in each case, as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter or any earlier time required by the Luxembourg Stock Exchange and/or such other stock exchange. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 5E.03.

5E.04 The determination by the Determination Agent of all items to be determined by it shall, in the absence of manifest error, be final and binding on all parties. As used herein, the "Determination Agent" means the Fiscal Agent or such other agent as may be specified in the relevant Pricing Supplement.

Accrual of Interest

5E.05 Interest shall accrue on the principal amount of each Instrument or, in the case of an Instalment Instrument, on each instalment of principal or, in the case of a partly paid Instrument, on the paid up principal amount of such Instrument or otherwise as indicated in the relevant Pricing Supplement. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) due presentation and surrender thereof payment of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused, or, default is otherwise made by the Issuer in the payment thereof, in which case interest shall continue to accrue thereon at the rate specified in the relevant Pricing Supplement both before and after judgment until the date on which the payment of all sums due in respect of such Instrument up to that date is made against (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) presentation and, if appropriate, surrender of the relevant Instrument or, if earlier the seventh day after the date on which, the Fiscal Agent or, as the case may be, the Registrar having received the funds required to make payment in full of all sums due in respect of such Instrument up to such seventh day, notice is given to the Holders of the Instruments in accordance with Condition 14 of that circumstance (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder under these Conditions arising from circumstances particular to the Issuer, the Fiscal Agent, the Paying Agent or the Registrar).

Day Count Fraction

5E.06 "Day Count Fraction" means, in respect of the calculation of an amount for any period of time ("Calculation Period"), such day count fraction as may be specified in the Pricing Supplement and:

(i) if "Actual/Actual (ISMA)" is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;

"Regular Period" means:

(i) in the case of instruments where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of instruments where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls;

(iii) in the case of instruments where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and months (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

(ii) if "30/360" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(iii) if "30E/360" or "Eurobond Basis" is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

6. Redemption and Purchase

Redemption at Maturity

6.01 Unless previously redeemed, or purchased and cancelled, each Instrument shall be redeemed at its maturity redemption amount (which shall be its principal amount or such other maturity redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) (or, in the case of Instalment Instruments, in such number of instalments and in such amounts as may be specified in the relevant Pricing Supplement) on the date or dates (or, in the case of Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Pricing Supplement.

Early Redemption for Taxation Reasons

6.02 If, in relation to any Series of Instruments, as a result of any amendment to or change in or in the official interpretation or administration of the laws, regulations or rulings of its jurisdiction of incorporation (or, in the case of AFI or any Substituted Debtor (as defined in Condition 15), the United States) or, in any case, of any political subdivision thereof or any authority therein or thereof having power to tax which becomes effective on or after the date of issue of such Instruments or such other date as may be specified in the relevant Pricing Supplement, the Issuer would be required, for reasons outside its control, and after making such endeavours as may be reasonable to avoid such requirement, to make any withholding or deduction referred to in Condition 8.01 or, as the case may be, Condition 8.02, the Issuer may at its option, at any time, on giving not more than 60 nor less than 30 days' notice to the Holders of Instruments in accordance with Condition 14 (which notice shall be irrevocable), redeem all, but not some only, of the outstanding Instruments comprising the relevant Series at their early tax redemption amount (which shall be their principal amount or, in the case of any original issue discount Instruments, the issue price of such Instruments on their original issuance plus accrued original issue discount to but excluding the date fixed for redemption or such other redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon to but excluding the date fixed for redemption and any additional amounts payable under Condition 8.01 or, as the case may be, Condition 8.02 provided that (i) the date fixed for redemption shall not be earlier than the latest practicable date on which the Issuer could make payment without being required to make such withholding or deduction and (ii) prior to the publication of any notice of redemption pursuant to this Condition 6.02, the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors (or, as the case may be, managing directors or other members of the governing body) of the Issuer stating that the obligation to make any such withholding or deduction cannot be avoided by the Issuer taking reasonable measures available to it, which certificate shall be conclusive and binding on the Holders of the Instruments or Coupons.

Optional Early Redemption (Call)

6.03 If this Condition 6.03 is specified in the relevant Pricing Supplement as being applicable, then the Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Pricing Supplement, redeem all (but not, unless and to the extent that the relevant Pricing Supplement specifies otherwise, some only) of the Instruments at their call early redemption amount (which shall be their principal amount or, in the case of any original issue discount Instruments, the issue price of such Instruments on their original issuance plus accrued original issue discount to but excluding the date fixed for redemption or such other call early redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon to but excluding the date fixed for redemption.

6.04 The appropriate notice referred to in Condition 6.03 is a notice given by the Issuer to the Fiscal Agent, the Registrar (in the case of Registered Instruments) and the Holders of the Instruments of the relevant Series, which notice shall be signed by two duly authorized officers of the Issuer and shall specify:

the Series of Instruments subject to redemption;

- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption which shall be a Business Day (as defined in Condition 9C.03), which shall be not less than 30 days (or such lesser period as may be specified in the relevant Pricing Supplement) after the date on which such notice is validly given and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the call early redemption amount at which such Instruments are to be redeemed, (which shall be their principal amount or, in the case of any original issue discount Instruments, the issue price of such Instruments on their original issuance plus accrued original issue discount to but excluding the date fixed for redemption or such other call early redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon to but excluding the date fixed for redemption.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

Partial Redemption

6.05 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 6.03:

- in the case of Bearer Instruments, the Instruments to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair, subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Instruments may be listed; and
- in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, subject always as aforesaid and provided always that the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof.

Optional Early Redemption (Put)

6.06 If this Condition 6.06 is specified in the relevant Pricing Supplement as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument redeem such Instrument on the date or the next of the dates specified in the relevant Pricing Supplement at its put early redemption amount (which shall be its principal amount or, in the case of any original issue discount Instruments, the issue price of such Instruments on their original issuance plus accrued original issue discount to but excluding the date fixed for redemption or such other put early redemption amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon to but excluding the date fixed for redemption. In order to exercise such option, the Holder must, not less than 45 days before the date so specified (or such other period as may be specified in the relevant Pricing Supplement), deposit the relevant Instrument (together, in the case of an interest-bearing Definitive Instrument, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar.

Purchase of Instruments

6.07 The Issuer or any of its affiliated companies may at any time purchase Instruments in the open market or otherwise and at any price provided that, in the case of interest-bearing Definitive Instruments, any unmatured Coupons appertaining thereto are attached or surrendered therewith. Any Instruments purchased in accordance with this Condition 6.07 may, at the option of the purchaser thereof, be cancelled or resold. If purchases are made by public tender; such tender must be available to all Holders of Instruments alike.

Cancellation of Redeemed Instruments

6.08 All Instruments redeemed in accordance with this Condition 6 (provided that, in the case of interest-bearing Instruments, all unmatured Coupons appertaining thereto are attached or surrendered therewith) will be cancelled and may not be reissued or resold.

7. Events of Default

7.01 Unless otherwise specified in the relevant Pricing Supplement, if any of the following events or circumstances (each an "Event of Default") occur in relation to the Instruments, namely:

(i) Non-payment

default is made in any payment of principal or interest due in respect of any Instrument for a period of more than 21 days after the date on which the same shall have become due and payable; or

(ii) Breach of Other Obligations

the Issuer defaults in the performance or observance of its obligation set out in Condition 4.02 which default continues for 21 days after written notice requiring such default to be remedied shall have been given by the holder of any Instrument to the Issuer at the specified office of the Fiscal Agent or the Issuer defaults in the performance or observance of any of its other obligations under the Instruments which default continues for 90 days after written notice requiring such default to be remedied shall have been given by the Holder of any Instrument to the Issuer at the specified office of the Fiscal Agent; or

(iii) Cross-Default

if the Issuer, ABB Ltd or any Material Subsidiary fails to perform or observe any term, covenant or agreement in any other Debt Securities and, as a result thereof, such Debt Securities become or are declared prematurely payable or, if the failure is a default in repayment at maturity, the failure lasts for more than 30 calendar days and the amount so payable or to be repaid is not less than U.S.$50,000,000 or its equivalent in any other currency; or

(iv) Bankruptcy, Insolvency or Reorganization

(a) in the case of Instruments in respect of which AIFLTD is the Issuer:

(1) the Issuer becomes insolvent or is unable to pay its debts as they mature or an application is made under any applicable liquidation, insolvency, composition, reorganization or similar laws or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official in respect of the Issuer or the whole or any part of the undertaking, property, assets or revenues of the Issuer or the Issuer takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on its business or any substantial part of its business; or

(2) an order is made or an effective resolution passed for the winding-up of the Issuer; or

(b) in the case of Instruments in respect of which ACBV is the Issuer:

(1) the Issuer is adjudicated to be bankrupt, subject to emergency measures within the meaning of Chapter X of the Netherlands Act on the Supervision of Credit Institutions or unable to pay its debts as they fall due or applies for a *surséance van betaling* or *faillissement* (within the meaning of the Bankruptcy Act of The Netherlands) in respect of itself or the whole or any part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or

stops or threatens to cease to carry on its business or any substantial part of its business; or

(2) an order is made or an effective resolution is passed for winding-up the Issuer; or

(c) in the case of Instruments in respect of which AFI is the Issuer:

(1) a court of competent jurisdiction shall enter (A) a decree or order for relief in respect of the Issuer in an involuntary case or proceeding under any applicable U.S. Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Issuer bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer under any applicable U.S. Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or of any substantial part of the property of the Issuer, or ordering the winding-up or liquidation of the affairs of the Issuer; and any such decree or order shall continue unstayed and in effect for a period of 90 consecutive days; or

(2) the Issuer shall commence a voluntary case or proceeding under any applicable U.S. Federal or State bankruptcy, insolvency, reorganization or other similar law, or any other case or proceeding to be adjudged a bankrupt or insolvent, or the Issuer shall consent to the entry of a decree or order for relief in respect of the Issuer, in an involuntary case or proceeding under any such law or to the commencement of any such case or proceeding, or the Issuer shall file a petition or answer or consent seeking reorganization or relief under any such law, or the Issuer shall consent to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Issuer or of any substantial part of the property of the Issuer, or the Issuer shall make an assignment for the benefit of creditors, or the Issuer shall admit in writing its inability to pay its debts generally as they become due, or the Issuer shall take corporate action in furtherance of any such action; or

(d) in the event that a Substituted Debtor (as defined in Condition 15) shall have become the principal debtor in respect of the Instruments pursuant to Condition 15 and such Substituted Debtor is incorporated in the Netherlands, Guernsey or the United States then paragraphs (a), (b) or (c) above shall apply as appropriate as if such Substituted Debtor were AIFLTD, ACBV or, as the case may be, AFI; however, if such Substituted Debtor is incorporated in a country other than the Netherlands, Guernsey or the United States:

(A) such Substituted Debtor becomes insolvent or is unable to pay its debts as they mature or an application is made under any applicable liquidation, insolvency, composition, reorganization or similar laws or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official in respect of such Substituted Debtor or the whole or any part of the undertaking, property, assets or revenues of such Substituted Debtor or such Substituted Debtor takes any proceeding under any applicable law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on its business or any substantial part of its business; or

(B) an order is made or an effective resolution passed for the winding-up of such Substituted Debtor; or

(C) any event or circumstance shall occur under the laws of any applicable jurisdiction in relation to the Substituted Debtor which is analogous to any event or circumstance described in either of sub-paragraph (A) or (B) above; or

(v) Keep-Well Agreement

the Keep-Well Agreement is not (or is claimed by ABB Ltd, not to be) in full force and effect or the Keep-Well Agreement is modified, amended or terminated and as a result of such modification, amendment or termination the holders of the Instruments or Coupons will be adversely affected, any Holder of an Instrument may, by written notice to the Issuer, at the specified office of the Fiscal Agent, declare that such Instrument and (if the Instrument is interest-bearing) all interest then accrued on such Instrument shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (which shall be its principal amount or, in the case of any original issue discount Instruments, the issue price of such Instruments on their original issuance plus accrued original issue discount to but excluding the date fixed for redemption or such other early termination amount as may be specified in or determined in accordance with the relevant Pricing Supplement) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon to but excluding the date fixed for redemption without further formality, unless, prior to receipt of such notice by the Fiscal Agent at its specified office, all Events of Default in respect of the Instruments of the relevant Series shall have been cured.

8. Taxation

8.01 This Condition 8.01 applies to the Instruments of any Issuer other than AFI or any Issuer which is incorporated or resident for tax purposes in any state of the United States. All amounts payable (whether in respect of principal, redemption amount or interest) in respect of the Instruments will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed or levied by or on behalf of its jurisdiction of incorporation or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, subject to the exceptions and limitations set forth below, the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by the Holder of any Instrument or Coupon after such withholding or deduction shall equal the respective amounts which would have been receivable by such Holder in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Instrument or Coupon:

(i) to, or to a third party on behalf of, a Holder of such Instrument or Coupon who is liable to such Taxes in respect of such Instrument or Coupon by reason of his having some connection with the jurisdiction of incorporation of the Issuer other than the mere holding of such Instrument or Coupon; or

(ii) presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a day on which the Holder of such Instrument or Coupon is entitled to receive payment in accordance with Condition 9A.05 or, as the case may be, Condition 9B.02; or

(iii) to, or to a third party on behalf of, a Holder of such Instrument or Coupon who is able to avoid such withholding or deduction by presenting any form or certificate and/or making a declaration of non-residence or other similar claim for exemption to the relevant tax authority, or to the extent that such Holder is able to credit or obtain a refund of such amount withheld or deducted from any tax authority; or

(iv) where the Taxes required to be withheld by any Paying Agent from any payment in respect of any Instrument is able to be avoided if such payment can be made without such withholding by any other Paying Agent; or

(v) presented for payment, in respect of any Instruments issued by ACBV, in The Netherlands; or

(vi) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vii) presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the EU.

8.02 This Condition 8.02 applies to the Instruments of AFI and any Issuer which is incorporated or resident for tax purposes in any state of the United States. The Issuer will, subject to the exceptions and limitations set forth below, pay as additional interest on an Instrument, such additional amounts as are necessary in order that the net payment by the Issuer or any Paying Agent of any amount payable (whether in respect of principal, redemption amount or interest) in respect of any Instrument to a Holder of an Instrument or Coupon who is not a United States person (as such term is defined below), after deduction for any present or future tax, duty, assessment or governmental charge ("Taxes") imposed or levied by the United States (as such term is defined below), or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the amount payable, will not be less than the amount which would have been receivable by such Holder in the absence of such withholding or deduction; provided, however; that the foregoing obligation to pay additional amounts shall not apply to:

(i) any Taxes that would not have been so imposed but for the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of or holder of power over, such Holder, if such Holder is an estate, trust, partnership or corporation) and the United States, including, without limitation, such Holder (or fiduciary, settlor, beneficiary, member, shareholder or holder of power) being considered as:

(a) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment therein;

(b) having a current or former relationship with the United States, including a relationship as a citizen or resident or being treated as a resident thereof;

(c) being or having been a personal holding company, a controlled foreign corporation, a foreign personal holding company, a passive foreign investment company, a private foundation or other tax-exempt organization for United States Federal income tax purposes or a corporation that has accumulated earnings to avoid United States Federal income tax; or

(d) a "10 percent shareholder" of the Issuer as defined in Section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code");

(ii) any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such Instrument or Coupon, but only to the extent that a beneficiary or settlor with respect to such fiduciary or member of such partnership or a beneficial owner of such Instrument or Coupon would not have been entitled to the payment of an additional amount had such beneficiary, settlor; member or beneficial owner been the holder of such Instrument or Coupon;

(iii) any Taxes that would not have been imposed or withheld but for the failure of the Holder, if required, to comply with certification, identification or information reporting requirements under statute or regulations with respect to the payment, concerning the nationality, residence, identity or connection with the United States of the Holder or a beneficial owner of such Instrument or Coupon, if such compliance is required by statute, or by regulation of the United States, as a precondition to relief or exemption from such Taxes;

(iv) any Taxes that would not have been so imposed or withheld but for the presentation by the Holder of such Instrument or Coupon for payment on a date more than 30 days after the Relevant Date in respect of such payment;

(v) any estate, inheritance, gift, sales, transfer, wealth or personal property tax or any similar tax, duty, assessment or governmental charge;

(vi) any Taxes that are payable otherwise than by withholding by the Issuer, or by a Paying Agent, from the payment of the amount payable (whether in respect of principal, redemption amount or interest) in respect of such Instrument;

(vii) any Taxes required to be withheld by any Paying Agent from any amount payable (whether in respect of principal, redemption amount or interest) in respect of such Instrument, if such payment can be made without such withholding by any other Paying Agent;

(viii) any Holder who is able to avoid any Taxes by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or

(ix) any combination of items (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii).

As used in this Condition 8 and Condition 6, "United States" means the United States of America, the Commonwealth of Puerto Rico and each possession of the United States of America and place subject to its jurisdiction and "United States Person" means an individual who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or an estate the income of which is subject to United States Federal income taxation regardless of its source or a trust if it (x) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (y) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

8.03 For the purposes of these Terms and Conditions, the "Relevant Date" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Fiscal Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received, notice to that effect shall have been given to the Holders of the Instruments of the relevant Series in accordance with Condition 14.

8.04 Any reference in these Terms and Conditions to principal, redemption amount and/or interest in respect of the Instruments shall be deemed also to refer to any additional amounts which may be payable under this Condition 8.

9. Payments

9A Payments—Bearer Instruments

9A.01 This Condition 9A is applicable in relation to Instruments in bearer form.

9A.02 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States.

9A.03 Payment of amounts in respect of interest on Bearer Instruments will be made:

(i) in the case of a Temporary Global Instrument or Permanent Global Instrument, against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein;

(ii) in the case of Definitive Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Instruments at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States; and

(iii) in the case of Definitive Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 9A.04 applies) the United States.

9A.04 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 9A.07 will not be made at the specified office of any Paying Agent in the United States (as defined in the Code and Regulations thereunder), nor will any such payments be made by wire transfer to an account maintained in the United States unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, (b) such payment or exchange is permitted by applicable United States law and (c) the Bearer Instruments are denominated and payable in United States dollars. If paragraphs (a) to (c) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

9A.05 If the due date for payment of any amount due in respect of any Bearer Instrument is not both a Relevant Financial Centre Day and a local banking day, then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and, thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and, without prejudice to Condition 5E.05, no further payment on account of interest or otherwise shall be due in respect of such postponed payment. For the purpose of this Condition 9A.05, "Relevant Financial Centre Day" means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the relevant Pricing Supplement and, in the case of payment in Euro, a TARGET Business Day and a "local banking day" means a day (other than a Saturday and Sunday) on which commercial banks are open for business in the place of presentation of the relevant Instrument or, as the case may be, Coupon.

9A.06 Each Definitive Instrument initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons and Talons appertaining thereto, failing which:

(i) in the case of Definitive Instruments which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due) (excluding, for this purpose, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such final redemption amount;

(ii) in the case of Definitive Instruments which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and

(iii) in the case of Definitive Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 9A.06 notwithstanding, if any Definitive Instruments which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates such that, on the presentation for payment of any such Definitive Instrument without any or all unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

9A.07 In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 9A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

9B Payments—Registered Instruments

9B.01 This Condition 9B is applicable in relation to Instruments in registered form.

9B.02 Payment of amounts due in respect of Registered Instruments on the final redemption of Registered Instruments will be made against presentation and, save in the case of partial payment of the amount due upon final redemption by reason of insufficiency of funds, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the final redemption amount in respect of any Registered Instrument is not both a Relevant Financial Centre Day and a local banking day, then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and, thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and, without prejudice to Condition 5E.05, no further payment on account of interest or otherwise shall be due in respect of such postponed payment. For the purpose of this Condition 9B.02, "Relevant Financial Centre Day" means, in the case of any currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the relevant Pricing Supplement and, in the case of payment in Euro, a TARGET Business Day and a "local banking day" means a day (other than a Saturday and Sunday) on which commercial banks are open for business in the place of presentation of the relevant Registered Instrument.

9B.03 Payment of amounts due (other than in respect of the final redemption of Registered Instruments) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at the opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.06) before the due date for such payment (the "Record Date").

9B.04 Notwithstanding the provisions of Condition 9C.02, payment of amounts due (other than in respect of final redemption of Registered Instruments) in respect of Registered Instruments will be made by cheque and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint-Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.06) not later than the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account in the relevant currency (in the case aforesaid, a non-resident account with an authorized foreign exchange bank).

9C Payments—General Provisions

9C.01 Save as otherwise specified herein, this Condition 9C is applicable in relation to Instruments whether in bearer or in registered form.

9C.02 Payments of amounts due in respect of Instruments will be made by (a) transfer to an account in the relevant currency specified by the payee or (b) cheque. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

9C.03 For the purposes of these Terms and Conditions:

(i) "Business Day" means a day:

— in relation to Instruments payable in Euro, which is a TARGET Business Day; and

— in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant Instruments; and

— on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Pricing Supplement; and

(ii) "Relevant Financial Centre" means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of "Business Day" in the ISDA Definitions,

and, in the case of (i) or (ii) of this Condition 9C.03, as the same may be modified in the relevant Pricing Supplement.

10. Prescription

10.01 Bearer Instruments and Coupons (including any claims against the Issuer in respect thereof) will become void unless made within ten years (or, in the case of interest, five years) after the Relevant Date (as defined in Condition 8.03) for payment thereof.

10.02 In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 10.

10.03 Claims against the Issuer in respect of Registered Instruments (other than in respect of the final redemption amount of Registered Instruments) will be prescribed unless made within ten years (or, in the case of claims in respect of interest, five years) after the due date for payment. Claims against the Issuer in respect of the final redemption amount of Registered Instruments will be prescribed unless made within ten years after the Relevant Date (as defined in Condition 8.03) for payment thereof.

11. The Paying Agents and the Registrars

The initial Paying Agent and Registrars and their respective initial specified offices are specified herein. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) or the Registrar and to appoint additional or other Paying Agents or another Registrar provided that it will at all times maintain (i) a Fiscal Agent, (ii) in the case of Registered Instruments, a Registrar (which may be the Fiscal Agent), (iii) in the case of Instruments issued by ACBV, a Paying Agent with a specified office outside of the European Union, (iv) a Paying Agent (which may be the Fiscal Agent) with a specified office in continental Europe (but outside the United Kingdom), (v) so long as any Instruments are listed on the Luxembourg Stock Exchange and/or any other stock exchange, a Paying Agent and, in the case of Registered Instruments, a Registrar each with a specified office in Luxembourg and/or in such other place as may be required by such other stock exchange (vi) in the circumstances described in Condition 9A.04, a Paying Agent with a specified office in New York City and (vii) any Paying Agent introduced following an order to conform with the ECOFIN Council meeting of November 26-27, 2000. The Paying Agent and the Registrar reserve the right at any time to change their respective offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents or the Registrar will be given promptly to the Holders of the Instruments in accordance with Condition 14.

12. Replacement of Instruments

If any Instrument or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent outside of the United States (in the case of Bearer Instruments and Coupons) or of the Registrar (in the case of Registered Instruments), subject to all applicable laws and the requirements of the Luxembourg Stock Exchange and/or any other stock exchange on which the relevant Instruments are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Instruments or Coupons must be surrendered before replacements will be delivered therefor.

13. Meetings of Holders

The Fiscal Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Instruments of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of these Terms and Conditions. Any such modification proposed by the Issuer may be made if sanctioned by an Extraordinary Resolution. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing in the aggregate at least one-third of the principal amount outstanding (as defined in the Fiscal Agency Agreement) of the Instruments of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders of Instruments whatever the principal amount outstanding of the Instruments held or represented, unless the business of such meeting includes consideration of proposals, *inter alia* (i) to modify the maturity or any date of redemption (other than pursuant to Condition 6.02 or 6.03) of the Instruments or the dates on which principal or interest is payable in respect of the Instruments, (ii) to reduce or cancel the principal amount of, or interest on, the Instruments, (iii) to change the currency of denomination or payment of the Instruments or (iv) to modify the provisions concerning the quorum required at any meeting of Holders of Instruments or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-quarter, in principal amount outstanding of the Instruments of the relevant Series for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of the Holders of Instruments of any Series will be binding on all Holders of the Instruments of such Series, whether or not they are present at the meeting, and on all Holders of Coupons (if any).

14. Notices

To Holders of Bearer Instruments

14.01 Notices to Holders of Bearer Instruments will, save where another means of effective communication has been specified in the relevant Pricing Supplement in respect of Instruments not listed on the Luxembourg Stock Exchange, be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) and so long as the Instruments are listed on the Luxembourg Stock Exchange in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if either such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe or, in the case of a Temporary Global Instrument or Permanent Global Instrument, if delivered to Euroclear and Clearstream, Luxembourg (and any other relevant clearing system) for communication by them to the persons shown in their respective records as having interests therein provided that, in the case of Instruments which are listed on the Luxembourg Stock Exchange and/or any other stock exchange, the requirements of the Luxembourg Stock Exchange and/or such other stock exchange have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once or on different dates, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of such delivery to Euroclear and Clearstream, Luxembourg (and any other relevant clearing system). Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

To Holders of Registered Instruments

14.02 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth day after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Instruments listed on the Luxembourg Stock Exchange, any notices to holders must also be published in a Luxembourg daily newspaper and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

15. Substitution

In the case of any Issuer, the Issuer may be replaced, and ABB Ltd or any direct or indirect subsidiary of ABB Ltd may be substituted for the Issuer, as principal debtor in respect of the Instruments, without the consent of the Holders of the Instruments or Coupons. If the Issuer shall determine that ABB Ltd or any such subsidiary shall become the principal debtor (in such capacity, the "Substituted Debtor"), the Issuer shall give not less than 30 nor more than 45 days' notice, in accordance with Condition 14, to the Holders of the Instruments of such event and, immediately on the expiry of such notice, the Substituted Debtor shall enter into a Deed of Assumption, the form of which is set out in the Sixth Schedule to the Fiscal Agency Agreement and become the principal debtor in respect of the Instruments in place of the Issuer and the Holders of the Instruments shall thereupon cease to have any rights or claims whatsoever against the Issuer. However, no such substitution shall take effect (i) if the Substituted Debtor is a subsidiary of ABB Ltd, until such Substituted Debtor shall have entered into a keep-well agreement with ABB Ltd substantially in the form of the Keep-Well Agreement, (ii) until such Substituted Debtor shall have executed a deed of covenant substantially in the form of the Deed of Covenant, (iii) until the Substituted Debtor shall have provided to the Fiscal Agent and (if applicable) the Registrar such documents as may be necessary to make the Deed of Assumption, the Instruments, the Fiscal Agency Agreement, such deed of covenant and any such keep-well agreement the legal, valid and binding obligations of, as appropriate, the Substituted Debtor and ABB Ltd together with legal opinions either unqualified or subject to normal, usual or appropriate qualifications and assumptions to the effect that the Instruments, the Fiscal Agency Agreement, the Deed of Assumption, such deed of covenant and any such keep-well agreement are legal, valid and binding obligations of, as appropriate, ABB Ltd and the Substituted Debtor, (iv) the Substituted Debtor shall have obtained all necessary governmental and regulatory approvals and consents, if any, in connection with the substitution, and (v) the Substituted Debtor shall have appointed the process agent appointed by the Issuer in Condition 18.03 as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Instruments. Upon any such substitution, the Instruments and Coupons will, if necessary, be deemed to be modified in all appropriate respects.

16. Further Issues

The Issuer may, from time to time without the consent of the Holders of any Instruments, create and issue further instruments, notes, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Instruments of any particular Series.

17. Currency Indemnity

The currency in which the Instruments are denominated or, if different, payable, as specified in the relevant Pricing Supplement (the "Contractual Currency") is the sole currency of account and payment for all sums payable by the Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to the recipient in respect of the Instruments, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against any cost of making any such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss may be required by the Issuer.

18. Redenomination, Renominalization and Reconventioning

Application

18.01 This Condition 18 (*Redenomination, Renominalization and Reconventioning*) is applicable to the Instruments only if it is specified in the relevant Pricing Supplement as being applicable.

Notice of redenomination

18.02 If the country of the currency as specified in the Pricing Supplement (the "Specified Currency") becomes or, announces its intention to become, a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities, as amended (a "Participating Member State"), the Issuer may, without the consent of the holders of Instruments and Coupons, on giving at least 30 days' prior notice to the holders of Instruments and the Paying Agents, designate a date (the "Redenomination Date"), being an Interest Payment Date under the Instruments falling on or after the date on which such country becomes a Participating Member State.

Redenomination

18.03 Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Instruments shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Instrument equal to the principal amount of that Instrument in the Specified Currency, converted into euro at rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however, that,* if the Issuer determines, with the agreement of the Fiscal Agent then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the holders of Instruments and Coupons, each listing authority, stock exchange and/or quotation system (if any) by which the Instruments have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

(ii) if Instruments have been issued in definitive form:

(A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Instruments) will become void with effect from the date (the "Euro Exchange Date") on which the Issuer gives notice (the "Euro Exchange Notice") to the holders of Instruments that replacement Instruments and Coupons denominated in euro are available for exchange (provided that such Instruments and Coupons are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Instruments denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Instruments in accordance with this Condition 18) shall remain in full force and effect; and

(C) new Instruments and Coupons denominated in euro will be issued in exchange for Instruments and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Instrumentholders in the Euro Exchange Notice; and

(ii) all payments in respect of the Instruments (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

Interest

18.04 Following redenomination of the Instruments pursuant to this Condition 18, where Instruments have been issued in definitive form, the amount of interest due in respect of the Instruments will be calculated by reference to the aggregate principal amount of the Instruments presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

Interest Determination Date

18.05 If Condition 5B is specified in the relevant Pricing Supplement as being applicable and the Relevant Screen Page is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

19. Law and Jurisdiction

Governing Law

19.01 The Fiscal Agency Agreement, the Deed of Covenant and the Instruments are governed by, and shall be construed in accordance with, English law.

Jurisdiction

19.02 In relation to any legal action or proceedings arising out of or in connection with the Instruments ("Proceedings"), the Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each Holder of any Instrument and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

Agent for Service of Process

19.03 The Issuer appoints ABB Limited, incorporated in England, of Orion House, 5 Upper St. Martin's Lane, London WC2H 9EA, as its agent in England to receive service of process in any Proceedings in England. If for any reason such process agent ceases to act as such or no longer has an address in England, the Issuer agrees to appoint a substitute process agent and to notify the Holders of the Instruments of such appointment in accordance with Condition 14 and failing such appointment within 21 days, the Fiscal Agent shall be entitled to appoint such a person by notice to the Issuer and the Holders of the Instruments in accordance with Condition 14. Nothing contained herein shall affect the right to serve process in any other manner permitted by law.

SPECIMEN FORM OF PRICING SUPPLEMENT

Series No. Serial No.

ABB INTERNATIONAL FINANCE LIMITED

ABB FINANCE INC.

ABB CAPITAL B.V.

Programme for the Issuance of up to U.S.$5,250,000,000 Debt Instruments

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Instruments]

[Date]

This Pricing Supplement (as referred to in the Information Memorandum dated June 11, 2002 in relation to the above Programme) relates to the Tranche of Instruments referred to above and is to be read together with the Information Memorandum. The particulars to be specified in relation to such Tranche are as follows:

Issuer:	[ABB International Finance Limited/ABB Finance Inc./ABB Capital B.V.]
Dealer(s):	
Relevant Dealer:	
Determination Agent:	
Currency:	
Aggregate Principal Amount of Tranche:	
If to form a single Series with existing Series, Series No:	
Closing/Issue Date:	
Issue Price:	
Net Proceeds:	
Form of Instruments:	Bearer/Registered The Temporary Global Instrument is exchangeable for a Permanent Global Instrument or Instruments in definitive and/or (in the case of a Series comprising both Bearer and Registered Instruments) registered form (Condition 1.02);
Denomination(s):	
Interest:	
Rate of Interest:	
Business Day Convention:	
Day Count Fraction:	
Adjustment/No Adjustment:	
Default Interest:	
Maturity:	
Maturity Redemption Amount:	
Early Redemption for Taxation Reasons:	
Optional Early Redemption (Call):	

Optional Early
Redemption (Put):

Events of Default:

Relevant Financial
Centre Day:

Business Day:

Relevant Financial Centre:

Notices:

Listing:

Stabilization:

ISIN:

Common Code:

Common Depositary:

Any Clearing System other
than Euroclear and Clearstream,
Luxembourg:

Settlement Procedures:

Other Relevant Terms
and Conditions:

Selling Restrictions:

Other Provisions:

USE OF PROCEEDS

The net proceeds from the issuance of Instruments will be used for general financing purposes within the ABB Group.

RELATIONSHIP WITH ABB LTD

General

Each of the Issuers is an indirect wholly-owned subsidiary of the Parent.

Keep-Well Agreements

Each of the Issuers has entered into a separate keep-well agreement with the Parent (in each case the "Keep-Well Agreement" and together, the "Keep-Well Agreements"). The Keep-Well Agreements are as follows:

(a) Keep-Well Agreement effective as of March 31, 2000 and made between the Parent and AIFLTD.

(b) Keep-Well Agreement effective as of March 31, 2000 and made between the Parent and AFI.

(c) Keep-Well Agreement effective as of March 31, 2000 and made between the Parent and ACBV.

The Keep-Well Agreements are governed by the laws of Switzerland.

The following is a summary of certain of the terms of each Keep-Well Agreement, substantially as set out in a schedule thereto, copies of which are available for inspection as stated in General Information below.

1. Keep-Well Agreement effective as of March 31, 2000 between the Parent and AIFLTD

(i) The Parent will own, directly or indirectly, all the outstanding capital stock of AIFLTD so long as AIFLTD has any indebtedness, liabilities or obligations to parties other than the Parent for borrowed money, for interest rate or currency swap transactions or for other financial transactions entered into by AIFLTD (all such forms of indebtedness, liabilities and obligations being herein referred to as "Debt").

(ii) The Parent will cause AIFLTD to have at all times a consolidated tangible net worth, as determined in accordance with the accounting principles that are generally accepted in the jurisdiction of incorporation, of at least U.S.$1,000,000 or its equivalent in another currency.

(iii) If AIFLTD at any time will run short of cash and other liquid assets to meet any payment obligation on its Debt, then or subsequently to mature and shall have insufficient unused commitments available under its credit facilities with lenders other than the Parent, then AIFLTD will promptly notify the Parent of the shortfall and the Parent will make available to AIFLTD, before the due date of such payment obligation, funds sufficient to enable AIFLTD to fulfil such payment obligation as it falls due.

The Keep-Well Agreement provides that it may be modified, amended or terminated by the written agreement of the Parent and AIFLTD at any time, provided, however, that no such modification, amendment or termination shall have any adverse effect upon any holder of any Debt of AIFLTD outstanding at the time of such modification, amendment or termination.

The Parent and AIFLTD have agreed that they shall give written notice to each statistical rating agency that has issued a rating in respect of AIFLTD or any of its obligations, at least 30 days prior to making any modification, amendment or termination of the Keep-Well Agreement.

The Keep-Well Agreement is not a guarantee by the Parent of the payment of any indebtedness, liability or obligation of AIFLTD. Holders of notes or other Debt are not parties to the Keep-Well Agreement. The only parties to the Keep-Well Agreement are AIFLTD and the Parent. Consequently, the Keep-Well Agreement does not confer to any noteholders or holders of other Debt any rights or claims against the Parent. The Keep-Well Agreement will not be enforceable against the Parent by anyone other than AIFLTD (and/or its trustee, receiver, liquidator or administrator in the event of a bankruptcy or, as the case may be, moratorium). In the event of a breach by the Parent in performing a provision of the Keep-Well Agreement and of the insolvency of AIFLTD while any notes or other Debt were outstanding, the remedies of noteholders or holders of other Debt could include the acceleration of the Debt (if it has not already matured) and (if the Debt remained unpaid and unless such a proceeding had already been commenced by another creditor of AIFLTD) the filing as a creditor of AIFLTD of a petition or application for the winding-up of AIFLTD, with a view to AIFLTD or its trustee, receiver, liquidator or administrator (appointed by the competent court) pursuing AIFLTD's rights under the Keep-Well Agreement against the Parent. Any such action would be subject to the discretion of the court (or as applicable trustee, receiver, liquidator, administrator and/or the managing directors of AIFLTD) and the determination of availability of such rights under applicable law and might be delayed by the grant of a moratorium.

Financial and other information concerning the Parent is provided for background purposes only in view of the importance to AIFLTD of the Keep-Well Agreement: it should not be treated as implying that the Keep-Well Agreement can be viewed as a guarantee.

2. Keep-Well Agreement effective as of March 31, 2000 between the Parent and AFI

(i) The Parent will own, directly or indirectly, all the outstanding capital stock of AFI so long as AFI has any indebtedness, liabilities or obligations to parties other than the Parent for borrowed money, for interest rate or currency swap transactions or for other financial transactions entered into by AFI (all such forms of indebtedness, liabilities and obligations being herein referred to as "Debt").

(ii) The Parent will cause AFI to have at all times a consolidated tangible net worth, as determined in accordance with the accounting principles that are generally accepted in the jurisdiction of incorporation, of at least U.S.$50,000 or its equivalent in another currency.

(iii) If AFI at any time will run short of cash and other liquid assets to meet any payment obligation on its Debt, then or subsequently to mature and shall have insufficient unused commitments available under its credit facilities with lenders other than the Parent, then AFI will promptly notify the Parent of the shortfall and the Parent will make available to AFI, before the due date of such payment obligation, funds sufficient to enable AFI to fulfil such payment obligation as it falls due.

The Keep-Well Agreement provides that it may be modified, amended or terminated by the written agreement of the Parent and AFI at any time, provided, however, that no such modification, amendment or termination shall have any adverse effect upon any holder of any Debt of AFI outstanding at the time of such modification, amendment or termination.

The Parent and AFI have agreed that they shall give written notice to each statistical rating agency that has issued a rating in respect of AFI or any of its obligations, at least 30 days prior to making any modification, amendment or termination of the Keep-Well Agreement.

The Keep-Well Agreement is not a guarantee by the Parent of the payment of any indebtedness, liability or obligation of AFI. Holders of notes or other Debt are not parties to the Keep-Well Agreement. The only parties to the Keep-Well Agreement are AFI and the Parent. Consequently, the Keep-Well Agreement does not confer to any noteholders or holders of other Debt any rights or claims against the Parent. The Keep-Well Agreement will not be enforceable against the Parent by anyone other than AFI (and/or its trustee, receiver, liquidator or administrator in the event of a bankruptcy or, as the case may be, moratorium). In the event of a breach by the Parent in performing a provision of the Keep-Well Agreement and of the insolvency of AFI while any notes or other Debt were outstanding, the remedies of noteholders or holders of other Debt could include the acceleration of the Debt (if it has not already matured) and (if the Debt remained unpaid and unless such a proceeding had already been commenced by another creditor of AFI) the filing as a creditor of AFI of a petition or application for the winding-up of AFI, with a view to AFI or its trustee, receiver, liquidator or administrator (appointed by the competent court) pursuing AFI's rights under the Keep-Well Agreement against the Parent. Any such action would be subject to the discretion of the court (or as applicable trustee, receiver, liquidator, administrator and/or the managing directors of AFI) and the determination of availability of such rights under applicable law and might be delayed by the grant of a moratorium.

Financial and other information concerning the Parent is provided for background purposes only in view of the importance to AFI of the Keep-Well Agreement: it should not be treated as implying that the Keep-Well Agreement can be viewed as a guarantee.

3. Keep-Well Agreement effective as of March 31, 2000 between the Parent and ACBV

(i) The Parent will own, directly or indirectly, all the outstanding capital stock of ACBV so long as ACBV has any indebtedness, liabilities or obligations to parties other than the Parent for borrowed money, for interest rate or currency swap transactions or for other financial transactions entered into by ACBV (all such forms of indebtedness, liabilities and obligations being herein referred to as "Debt").

(ii) The Parent will cause ACBV to have at all times a consolidated tangible net worth, as determined in accordance with the accounting principles that are generally accepted in the jurisdiction of incorporation, of at least U.S.$1,000,000 or its equivalent in another currency.

(iii) If ACBV at any time will run short of cash and other liquid assets to meet any payment obligation on its Debt, then or subsequently to mature and shall have insufficient unused commitments available under its credit facilities with lenders other than the Parent, then ACBV will promptly notify the

Parent of the shortfall and the Parent will make available to ACBV, before the due date of such payment obligation, funds sufficient to enable ACBV to fulfil such payment obligation as it falls due.

The Keep-Well Agreement provides that it may be modified, amended or terminated by the written agreement of the Parent and ACBV at any time, provided, however, that no such modification, amendment or termination shall have any adverse effect upon any holder of any Debt of ACBV outstanding at the time of such modification, amendment or termination.

The Parent and ACBV have agreed that they shall give written notice to each statistical rating agency that has issued a rating in respect of ACBV or any of its obligations, at least 30 days prior to making any modification, amendment or termination of the Keep-Well Agreement.

The Keep-Well Agreement is not a guarantee by the Parent of the payment of any indebtedness, liability or obligation of ACBV. Holders of notes or other Debt are not parties to the Keep-Well Agreement. The only parties to the Keep-Well Agreement are ACBV and the Parent. Consequently, the Keep-Well Agreement does not confer to any noteholders or holders of other Debt any rights or claims against the Parent. The Keep-Well Agreement will not be enforceable against the Parent by anyone other than ACBV (and/or its trustee, receiver, liquidator or administrator in the event of a bankruptcy or, as the case may be, moratorium). In the event of a breach by the Parent in performing a provision of the Keep-Well Agreement and of the insolvency of ACBV while any notes or other Debt were outstanding, the remedies of noteholders or holders of other Debt could include the acceleration of the Debt (if it has not already matured) and (if the Debt remained unpaid and unless such a proceeding had already been commenced by another creditor of ACBV) the filing as a creditor of ACBV of a petition or application for the winding-up of ACBV, with a view to ACBV or its the trustee, receiver, liquidator or administrator (appointed by the competent court) pursuing ACBV's rights under the Keep-Well Agreement against the Parent. Any such action would be subject to the discretion of the court (or as applicable trustee, receiver, liquidator, administrator and/or the managing directors of ACBV) and the determination of availability of such rights under applicable law and might be delayed by the grant of a moratorium.

Financial and other information concerning the Parent is provided for background purposes only in view of the importance to ACBV of the Keep-Well Agreement: it should not be treated as implying that the Keep-Well Agreement can be viewed as a guarantee.

DESCRIPTION OF ABB LTD AND THE ABB GROUP

The Programme is not guaranteed by ABB Ltd or ABB Asea Brown Boveri Ltd. Information concerning ABB Ltd, its subsidiaries and affiliates (together the "ABB Group" or "ABB") contained herein is provided for background purposes only.

History of the ABB Group

Initially founded in 1883, Asea AB was a major participant in the introduction of electricity into Swedish homes and businesses and in the development of Sweden's railway network. In the 1940s and 1950s, Asea AB expanded into the power, mining and steel industries and by 1980 was among the world's ten largest electrical engineering groups.

Brown Boveri & Cie. (later renamed BBC Brown Boveri AG) was formed in Switzerland in 1891 and initially specialized in power generation and turbines. In the early to mid-1900s, Brown Boveri expanded its operations throughout Europe and broadened its business operations to include a wide range of electrical engineering activities. By 1980, Brown Boveri had more than 100,000 employees.

In January 1988, Asea AB and BBC Brown Boveri AG each contributed almost all of their businesses to newly-formed ABB Asea Brown Boveri Ltd, of which they each owned 50 per cent. Between 1988 and 1990, ABB made acquisitions totalling $5.2 billion, including the purchase of Westinghouse Electric Corp.'s worldwide power transmission and distribution operations. During the 1990s, the ABB Group further expanded its operations in Central and Eastern Europe, North America, South America and Asia. In 1996, Asea AB was renamed ABB AB and BBC Brown Boveri AG was renamed ABB AG.

In February 1999, the ABB Group announced a group reconfiguration designed to establish a single parent holding company and a single class of shares. ABB Ltd was incorporated on March 5, 1999 under the laws of Switzerland. In June 1999, ABB Ltd became the holding company for the entire ABB Group. This was accomplished by having ABB Ltd issue its shares to the shareholders of ABB AG and ABB AB, the two publicly traded companies that formerly owned the ABB Group. The ABB Ltd shares were exchanged for the shares of those two companies which, as a result of the share exchange and certain related transactions, are now wholly owned subsidiaries of ABB Ltd and are no longer publicly traded. ABB Ltd shares are currently traded on virt-x, the Stockholm Stock Exchange, the London Stock Exchange plc, the Frankfurt Stock Exchange and the New York Stock Exchange (in the form of American Depositary Shares).

In 2001 and 2002, we further realigned the ABB Group, discussed below under "Description of Business Divisions—Organizational Realignment," to simplify the way we work and better develop our relationship with customers.

Our principal corporate offices are located at Affolternstrasse 44, CH-8050 Zurich, Switzerland, telephone number +41-43-317-7111. The registration number of ABB Ltd is CH-020.3.021.615-2.

Industrial IT

The modern industrial enterprise consists of numerous information systems—control, maintenance, procurement, production, sales and management—all full of vital information but often working in isolation. The concept behind Industrial IT is to integrate these systems into a seamless, easily navigated framework from which information can be selected, retrieved and acted upon rapidly. The integration of Industrial IT-enabled products into our customers' business processes provides our customers with increased information flow about their business systems in a useful form. Industrial IT allows our customers to make intelligent decisions based on the most current and accurate information and to react quickly to changing conditions. Additionally, by incorporating advanced technology into our products and systems, we can increase the speed of our customers' manufacturing and information processes without exceeding manufacturing constraints.

Our goal is to ensure that the products and systems that we offer across our various businesses will be easy to use, compatible with each other, and will fit within our Industrial IT concept. We are developing a common architecture across the range of our products and systems so that they can be easily combined with each other and with our customers' systems using software to link our various technical platforms together. We intend to improve compatibility in succeeding generations of each of our products and systems.

At the end of 2001, more than 1,100 ABB products had been certified as meeting Industrial IT standards. Each certified product is assigned to a product suite and is named according to what it does and how it fits into the Industrial IT system.

Recent Developments

See "Press Release of ABB Ltd also including unaudited financial statements as at and for the three months ended March 31, 2002" starting on page 53.

Recent Acquisitions and Disposals

We have engaged in acquisitions and divestitures to implement our strategy of expanding into more technology-intensive businesses. In 2001, 2000 and 1999, we made the strategic acquisitions described below which are intended to strengthen our position in the process automation industry. In addition, in those years we made other acquisitions to enhance our service and technology offerings across our business areas.

We paid aggregate consideration of $597 million in the acquisitions that we completed during 2001, $896 million in 2000 and $2,428 million in 1999. Of the 62 acquisitions we made in 2001, 11 represented acquisitions accounted for as purchases and accordingly the results of the acquired businesses have been included in the consolidated financial statements as set forth in the ABB Group Annual Report 2001 ("Consolidated Financial Statements") from the respective acquisition dates. The aggregate purchase price of these acquisitions during 2001 was $329 million.

In 2000 and 1999, we sold the businesses that formerly constituted our power generation segment. We also divested non-core businesses and property, plant and equipment.

Significant Acquisitions

In June 2001, we completed the acquisition of Entrelec Group, a France-based supplier of industrial automation and control products with operations in 17 countries. The acquisition diversified our product range and expanded our customer base in high growth markets.

In January 2001, we acquired Eutech Engineering Solutions Ltd., the international engineering consultancy subsidiary of ICI Group. The acquisition of Eutech, with its expertise in the chemicals, petrochemicals and pharmaceuticals industries, contributes substantially to our knowledge and market strength in these industries.

In June 2000, we acquired Umoe ASA, a Norwegian service company in the oil and gas industry with a focus on modification and maintenance services, including electrical installations. The acquisition furthered our strategy to expand our service activities in the oil and gas market.

In January 1999, we completed the acquisition of Elsag Bailey Process Automation N.V., an industrial process automation company. We purchased Elsag Bailey for cash of approximately $2,210 million (including assumed debt). Elsag Bailey has been integrated into our business and significantly complemented our automation activities in terms of geographic scope, customer base and technology. It strengthened our presence in the key automation markets of the United States, Germany, Japan, Italy, France and Canada and has enabled us to achieve a leading market position in each of our core automation products, systems and services. Elsag Bailey had approximately 11,000 employees at the time of the acquisition, of which approximately 1,000 were terminated through restructuring after the acquisition.

In 1999, we also acquired Kemper Europe Réassurances S.A., which allowed us to expand our reinsurance services beyond the Nordic region.

Significant Divestitures

In January 2002, Global Air Movement (Luxembourg) SARL purchased our worldwide air handling business for a contract price of approximately $225 million, which is subject to adjustment based on the balance sheet of the air handling business at the closing of the sale. This divestiture reinforced our strategy to focus on our expertise in power and automation technology.

In April 2000, British Nuclear Fuels purchased our worldwide nuclear business for approximately $485 million. The divested businesses also include nuclear control systems. We have retained liability for certain specific environmental remediation costs at two sites in the United States that were operated by our nuclear business.

In connection with the sale, one of our subsidiaries retained obligations under surety bonds relating to the performance by the nuclear business under certain contracts entered into prior to the sale to British Nuclear Fuels, and British Nuclear Fuels agreed to indemnify us against payments under those surety bonds.

In June 1999, we contributed substantially all of our power generation businesses to ABB ALSTOM POWER N.V., a 50-50 joint venture with ALSTOM. Subsequently, in May 2000, we sold our 50 per cent.

interest in ABB ALSTOM POWER N.V. to ALSTOM. We received cash proceeds of approximately $1,197 million from ALSTOM in exchange for our 50 per cent. interest. As part of the sale, we transferred additional assets and liabilities related to our former power generation segment to ABB ALSTOM POWER N.V.

We retain ownership of Combustion Engineering, a subsidiary in the United States that conducted part of the power generation business contributed to the ABB ALSTOM POWER joint venture in June 1999 and its asbestos liabilities. See "General Information — Legal or Arbitration Proceedings." Additionally, we continue to be obligated as a guarantor under letters of credit and other performance and financial guarantees in connection with major projects for the power generation businesses sold to ALSTOM. Upon the sale of these businesses to ALSTOM in May 2000, however, ALSTOM agreed to indemnify us against payments under those guarantees.

In the first quarter of 1999, we completed the sale of our 50 per cent. share in ABB Daimler-Benz Transportation GmbH (ADtranz), the rail transportation joint venture, to DaimlerChrysler.

The total level of proceeds from divestitures amounted to $283 million for 2001, $1,963 million for 2000 and $2,283 million for 1999. We have used the proceeds from these divestitures for new investments and to reduce our net debt position.

During 2002 we have announced our intention to divest the business areas Structured Finance and Building Systems.

Description of Business Divisions

Organizational Realignment

In 2001, we realigned our worldwide business operations to increase our responsiveness to our customers' needs. Our new customer-focused structure is intended to capitalize on our extensive knowledge of our customers' industries and their business processes. It is based on the premise that our primary growth opportunity lies in our existing customer base. Our new business structure is intended to enhance our ability to expand our existing customer relationships into additional sales of products, systems and services. Our focus on customer groups should also facilitate the building of new customer relationships.

We replaced our six former business segments with seven business divisions structured along customer groups. Four end-user divisions, Utilities, Process Industries, Manufacturing and Consumer Industries and Oil, Gas and Petrochemicals, serve end-user customers with products, systems and services. Two divisions, Power Technology Products and Automation Technology Products, serve the four end-user divisions and the wholesalers, distributors, original equipment manufacturers and system integrators that we refer to as "external channel partners." The Financial Services division continues to serve the ABB Group and external customers. Additionally, the Group Processes division is responsible for shared services, common processes and infrastructure within ABB. In 2002 ABB has combined the divisions Process Industries and Manufacturing and Consumer Industries into a new division called "Industries".

Dedicated account managers work with specialists, such as systems and application engineers, within our end-user divisions to provide customers with customized products and systems that meet their specific needs. The end-user divisions draw on the products, services and technical expertise offered by our two channel partner divisions. Instead of multiple ABB product units serving the same customer, our end-user customers are served by one dedicated team representing our total offering of products, systems and services on the basis of common terms and conditions.

Utilities

The ABB Utilities division serves electric, gas and water utilities — whether state-owned or private, global or local, operating in liberalized or regulated markets — through a portfolio of capabilities, including products, services and systems.

The Utilities division's principal customers are generators of power, owners and operators of power transmission systems, energy traders and local distribution companies. Power transmission systems deliver high-voltage electricity from power plants to distribution networks, which provide electrical power to end users.

In addition, the Utilities division offers a range of products, systems and services to water and gas utilities. Gas utilities are companies engaged in the transmission, storage, distribution and trading of natural gas for sale to residential and commercial end users. Water utilities are companies engaged in the processing, distributing for sale and recycling of water. Sales to customers in the gas and water industries accounted for a minor portion of the Utilities division's revenues in 2001.

The following table sets forth financial and other data regarding the Utilities division (see Note 23 to the Consolidated Financial Statements):

	Year ended December 31,		
	2001	*2000*	*1999*
		($ in millions)	
Revenues[1]	5,649	5,473	5,875
Earnings before interest and taxes (operating income)	148	250	182
Operating margin	2.6%	4.6%	3.1%
Capital expenditures[2]	27	26	42
Number of employees	15,745	15,826	17,390

(1) See Note 2 to the Consolidated Financial Statements for a description of our revenue recognition policies.
(2) Excludes purchased intangible assets.

Process Industries

This division has been combined with the Manufacturing and Consumer Industries division to form a new division called Industries.

The Process Industries division serves the chemical, life sciences, marine, turbocharging, metals, minerals, mining, cement, paper, petroleum and printing industries with process-specific products and services combined with ABB's power and automation technology. The division creates industry-specific products and services that help to improve the efficiency and competitive strength of our customers.

The following table sets forth financial and other data regarding the Process Industries division (see Note 23 to the Consolidated Financial Statements):

	Year ended December 31,		
	2001	*2000*	*1999*
		($ in millions)	
Revenues[1]	3,377	3,339	3,485
Earnings before interest and taxes (operating income)	116	88	123
Operating margin	3.4%	2.6%	3.5%
Capital expenditures[2]	24	27	40
Number of employees	15,937	15,997	16,237

(1) See Note 2 to the Consolidated Financial Statements for a description of our revenue recognition policies.
(2) Excludes purchased intangible assets.

The customers of the Process Industries division have been affected by a number of trends over the past several years, including the following:

- increased concentration on improving shareholder return through better asset management rather than relying on increased production;
- stronger focus on energy management;
- ongoing sustainable development regulation and awareness;
- slow, stable growth in North America and Europe, with high Asian growth possibilities, especially in chemicals and steel;
- a stable oil and chemical market, and a growing pharmaceuticals market;
- consolidating metal industry, with strong demand in Asia and Eastern Europe;
- a stable pulp and paper market as a result of better inventory management by producers; and
- in 2001, continued high demand for oil and gas vessels due to continued new field exploration and a depressed cruise industry partially resulting from the acts of terrorism on September 11, 2001.

The Process Industries division addresses these trends by providing products and services that increase production efficiency, improve product quality, optimize assets, and minimize raw material and energy use.

Manufacturing and Consumer Industries

This division has been combined with the Process Industries division to form a new division called Industries.

The Manufacturing and Consumer Industries division sells products and services to improve customer productivity and competitiveness in areas such as automotive industries, telecom, product manufacturing, electronics manufacturing, airports, parcel and cargo distribution as well as public, industrial and commercial buildings.

The following table sets forth financial and other data for the Manufacturing and Consumer Industries division (see Note 23 to the Consolidated Financial Statements):

	Year ended December 31,		
	2001	2000	1999
		($ in millions)	
Revenues(1)	4,780	5,225	5,697
Earnings before interest and taxes (operating income)	87	205	147
Operating margin	1.8%	3.9%	2.6%
Capital expenditures(2)	27	33	43
Number of employees	29,455	33,449	34,027

(1) See Note 2 to the Consolidated Financial Statements for a description of our revenue recognition policies.

(2) Excludes purchased intangible assets.

Our customers are increasingly under pressure to deliver their products more quickly to their customers and to respond rapidly to changing customer preferences. At the same time, constant price pressure requires them to find ways to decrease production costs. Furthermore, as the quality of products becomes more equalized among our customers' competitors, our customers increasingly focus on design and branding to distinguish their products from those of their competitors. This change in focus means that much of the manufacturing and production activities are outsourced to sub-suppliers, which may manufacture products for a number of different companies in a given industry. The consolidation in the manufacturing role enables the sub-suppliers to provide products at a lower cost and presents further opportunities for ABB to provide flexible solutions for automation, financing and energy supply.

Oil, Gas and Petrochemicals

The Oil, Gas and Petrochemicals division supplies a comprehensive range of products, systems and services to the global oil, gas and petrochemicals industries, from the development of onshore and offshore exploration technologies to the design and supply of production facilities, refineries and petrochemicals plants.

The following table sets forth financial and other data regarding the Oil, Gas and Petrochemicals division (see Note 23 to the Consolidated Financial Statements):

	Year ended December 31,		
	2001	2000	1999
		($ in millions)	
Revenues(1)	3,489	2,796	3,086
Earnings before interest and taxes (operating income)	79	157	165
Operating margin	2.3%	5.6%	5.3%
Capital expenditures(2)	38	30	48
Number of employees	13,471	11,549	8,941

(1) See Note 2 to the Consolidated Financial Statements for a description of our revenue recognition policies.

(2) Excludes purchased intangible assets.

The oil, gas and petrochemicals industry is typically divided into two markets:

- Upstream markets: Equipment, systems and services for onshore and offshore oil and gas exploration and production, including our areas of principal focus, subsea production and floating production systems.

- Downstream markets: Processing of hydrocarbon raw materials, including: refineries; petrochemical and chemical plants; gas processing; and pipelines.

Our activities in this business division are relatively evenly split between the upstream market and the downstream market, although large projects may shift the balance from year to year. Our upstream business focuses principally on the subsea and floating production market. Our activities in the downstream markets range from engineering, procurement and construction (or EPC) projects, engineering and project management services to licensing of technology to the refining and petrochemical industries.

One of our strengths is our ability to access the research and development capabilities of the ABB Group. Upstream, we continue to focus on making oil and gas exploration and production more economical, no matter where the natural resources are found. Downstream, we are improving oil and gas conversion technology so refineries can manufacture fuels to stringent environmental specifications.

Power Technology Products

The Power Technology Products division produces transformers, switchgear, breakers, capacitors, cables and other products and technologies for high- and medium-voltage applications. The products are used in industrial, commercial and utility applications and are sold through the end-user divisions as well as through external channel partners such as wholesalers, distributors, original equipment manufacturers and system integrators.

The following table sets forth financial and other data regarding the Power Technology Products division (see Note 23 to the Consolidated Financial Statements):

	Year ended December 31,		
	2001	*2000*	*1999*
		($ in millions)	
Revenues[1]	4,042	3,662	3,862
Earnings before interest and taxes (operating income)	234	244	282
Operating margin	5.8%	6.7%	7.3%
Capital expenditures[2]	105	105	162
Number of employees	27,555	27,785	27,871

(1) See Note 2 to the Consolidated Financial Statements for a description of our revenue recognition policies.

(2) Excludes purchased intangible assets.

Automation Technology Products

The Automation Technology Products division provides products, systems, software and services for the automation and optimization of industrial and commercial processes. Key technologies include measurement and control, instrumentation, process analysis, drives and motors, power electronics, robots, and low-voltage products. These technologies are sold to customers through the end-user divisions as well as through external channel partners such as wholesalers, distributors, original equipment manufacturers and system integrators.

The following table sets forth financial and other data regarding the Automation Technology Products division (see Note 23 to the Consolidated Financial Statements):

	Year ended December 31,		
	2001	*2000*	*1999*
		($ in millions)	
Revenues[1]	5,246	5,175	5,550
Earnings before interest and taxes (operating income)	380	464	392
Operating margin	7.2%	9.0%	7.1%
Capital expenditures[2]	126	139	190
Number of employees	39,834	41,332	43,874

(1) See Note 2 to the Consolidated Financial Statements for a description of our revenue recognition policies.
(2) Excludes purchased intangible assets.

ABB customers use automation technologies primarily to improve product quality, productivity and consistency in industrial and manufacturing applications. The automation market can be divided into three sectors:

- *Factory automation* refers to discrete operations, manufacturing individual items used mainly within the automotive, packaging and consumer goods industries. Product lines for this market include robots and robot cells which include standardized and tailored systems for discrete applications such as painting, picking, packing and palletizing. ABB provides a comprehensive set of systems using these technologies. For example, we work with the Manufacturing and Consumer Industries business division to supply complete production systems for the consumer products industry as well as software applications for warehouse and supply chain management and other business processes.

- *Process automation* refers to control systems applied in processes where the main objective is continuous production, such as oil and gas, electricity, chemicals and pulp and paper. Product lines for this market include instrumentation, analytical measurement and control products and systems, as well as motors and drives. We offer complete process automation systems that incorporate medium and low voltage switchgear, synchronized drive systems, instrument and control and advanced diagnostic packages. Our products also include software to optimize the manufacturing and business processes.

- *Building automation* comprises product lines and applications particularly targeted at the building industry. Product lines for this market include heating, ventilating, air handling and access control systems. Customers also require software for optimal management of the energy cost of buildings.

The Automation Technology Products division manufactures products relating to all three areas, primarily focusing on process automation products and systems, as well as robotics technologies for factory automation.

The Automation Technology Products offering has been enhanced through a number of strategic ABB acquisitions in recent years. In early 1999, ABB acquired Elsag Bailey Process Automation, a leading global provider of control, instrumentation and process analytical products whose offering significantly extended our reach both in terms of automation technology and geography. In mid-2001, we acquired Entrelec, a French supplier of industrial automation and control products, including electrical connecting devices, time relays, signalling and safety devices and wiring accessories for the housing market. This acquisition further diversified our product range and expanded our customer base in European and American markets.

In mid-2001, we entered into a ten-year strategic alliance (in cooperation with the Manufacturing and Consumer Industries division) with Dow Chemical Company in which Dow agreed to use our Industrial IT automation systems in nearly all of its new automation projects, as well as in retrofits of existing systems. Another significant strategic cooperation was forged in 2001 through a framework agreement with the original equipment manufacturer York International, a long-time customer, for simplified account service, pricing and joint development spanning multiple product lines.

In keeping with the Automation Technology Products division's implementation of the Industrial IT concept, the division has sought in 2001 to simplify and streamline its product portfolio by eliminating product overlaps, which often resulted from the acquisition of new automation businesses, and to certify an increasing number of automation products as Industrial IT compliant.

Financial Services

The Financial Services division supports the ABB Group's businesses and customers with innovative financial solutions in structured finance, leasing, project development and ownership, financial consulting, insurance and treasury activities. The following table sets forth certain financial and other data regarding the Financial Services business division for each of the years indicated (see Note 23 to the Consolidated Financial Statements):

	Year ended December 31,		
	2001	*2000*	*1999*
		($ in millions)	
Revenues[1]	2,133	1,966	1,687
Earnings before interest and taxes (operating income)	(32)	349	337
Number of employees	1,120	1,125	1,049

(1) Financial Services' revenues include interest income, trading income, fee income, insurance premiums, dividends and capital gains.

Board of Directors

In accordance with Swiss law, the board of directors of a Swiss corporation is ultimately responsible for the policies and management of the corporation. The board also appoints the executive officers and authorized signatories of the corporation and supervises the management of the corporation. The board of directors may delegate the conduct of day-to-day business operations to individual directors or to third persons, such as an executive committee.

Our articles of incorporation stipulate that the board of directors must consist of not fewer than seven and no more than 13 members at any time. Swiss law and our articles of incorporation also provide that each director must be a shareholder of ABB. Directors are elected for terms of one year by the shareholders in a shareholders' meeting. Members of the board of directors whose terms of office have expired are immediately eligible for reelection. The board of directors appoints its Chairman and one or more Vice Chairmen as well as the persons entrusted with our management and representation, whom the board of directors is also responsible for removing.

The following table sets forth the names and the years of birth of our directors and their current positions with ABB.

Name	*Born*	*Current Position*
Jürgen Dormann	1940	Chairman
Jörgen Centerman	1951	Director; President and Chief Executive Officer
Roger Agnelli	1958	Director
Martin Ebner	1945	Director
Hans Ulrich Maerki	1946	Director
Michel de Rosen	1953	Director
Dr. Bernd W. Voss	1939	Director
Jacob Wallenberg	1956	Director

In connection with our group reconfiguration in 1999, a new board of directors was elected on June 26, 1999 to serve the newly-created ABB Ltd. The following biographical information regarding our board members refers to June 26, 1999, the beginning of their service for ABB Ltd. Where applicable, these biographies also note the years of service our board members provided to ABB Asea Brown Boveri Ltd, the former parent company of the ABB Group.

Jürgen Dormann has been the Chairman of ABB's board of directors since November 2001 and has been a member of ABB's board of directors since June 26, 1999. From 1998 to 1999, he served as a member of the board of directors of ABB Asea Brown Boveri Ltd. He is the chairman of the management board of Aventis. Mr. Dormann is also a member of the boards of directors of Allianz and IBM Corporation. Mr. Dormann is a German citizen.

Jörgen Centerman has been a member of ABB's board of directors since March 20, 2001. He has been our President and Chief Executive Officer since January 1, 2001. From September 1998, he was our Executive Vice President responsible for our Automation Segment. From 1993 to 1998, he was Business Area Manager for our global Automation and Drives operations. Previously, he headed the Process Automation business area, headquartered in Stamford, Connecticut. He joined Asea AB in 1976. He is a member of the board of directors of b-business partners B.V. Mr. Centerman is a Swedish citizen.

Roger Agnelli was elected to ABB's board of directors at the annual general meeting of shareholders on March 12, 2002. He is the President and Chief Executive Officer of Companhia Vale do Rio Doce. Mr. Agnelli is a Brazilian citizen.

Martin Ebner has been a member of ABB's board of directors since June 26, 1999. From March 1999 to June 1999, he served as a member of the board of directors of ABB Asea Brown Boveri Ltd. He is also chairman of the board of directors of BZ Group Holding and Lonza Group. He is a member of the board of Alcan Inc. Mr. Ebner is a Swiss citizen.

Michel de Rosen was elected to ABB's board of directors at the annual general meeting of shareholders on March 12, 2002. He is the President and Chief Executive Officer of ViroPharma, Inc. Mr. de Rosen is a French citizen.

Hans Ulrich Maerki was elected to ABB's board of directors at the annual general meeting of shareholders on March 12, 2002. He is the chairman of IBM Europe/Middle East/Africa and is a member of the board of directors of Micron Holding AG. Mr. Maerki is a Swiss citizen.

Dr. Bernd W. Voss was elected to ABB's board of directors at the annual general meeting of shareholders on March 12, 2002. He is a member of the supervisory board of Dresdner Bank AG. He is also a member of the board of directors of Continental AG, E.ON AG, Karstadt Quelle AG, Preussag AG and VW AG. Mr. Voss is a German citizen.

Jacob Wallenberg has been a member of ABB's board of directors since June 26, 1999. From March 1999 to June 1999, he served as a member of the board of directors of ABB Asea Brown Boveri Ltd. He is also a chairman of the board of directors of Skandinaviska Enskilda Banken, vice-chairman of Investor AB, the Knut and Alice Wallenberg Foundation, Atlas Copco, SAS and Electrolux, and a member of the boards of directors of WM-data, the Confederation of Swedish Enterprise, the Nobel Foundation and EQT. Mr. Wallenberg is a Swedish citizen.

Messrs. Gerhard Cromme, Robert A. Jeker and Edwin Somm, members of the board of directors during 2001, did not stand for re-election at the Annual General Meeting of Shareholders on March 12, 2002.

Senior Officers

Executive Committee

The executive committee is responsible for our day-to-day management and for the formulation of major strategic and commercial decisions. The members of the executive committee are appointed and removed by the board of directors. The following table sets forth the names and the years of birth of the members of the executive committee, their current positions with us and the dates of their initial appointment to their current positions.

Name	*Born*	*Current Position*	*Year of Appointment*
Jörgen Centerman	1951	President and Chief Executive Officer	2001
Gorm Gundersen	1944	Executive Vice President, Head of Oil, Gas and Petrochemicals Division	1998
Bernhard Jucker ..	1954	Executive Vice President, Head of Automation Technology Products Division	2002
Dinesh C. Paliwal	1957	Executive Vice President, Head of Industries Division	2001
Jan Secher	1957	Executive Vice President, Head of Group Processes Division	2002
Richard Siudek	1946	Executive Vice President, Head of Utilities Division	2001
Peter Smits	1951	Executive Vice President, Head of Power Technology Products Division	2001
Peter Voser	1958	Executive Vice President and Chief Financial Officer	2002

Jörgen Centerman. For Mr. Centerman's biography, see above under "—Board of Directors."

Gorm Gundersen has been our Executive Vice President responsible for our Oil, Gas and Petrochemicals Division since September 1998. From 1990 to September 1998, he served as an Executive Vice President at Asea Brown Boveri A/S, a Norwegian subsidiary. Mr. Gundersen is a Norwegian citizen.

Bernhard Jucker has been our Executive Vice President responsible for our Automation Technology Products Division since April 2002. From 2000 to April 2002, he was the head of the Drives and Power Electronics business area within the Automation Technology Products Division. From 1998 to 2000, he was the Business Unit Manager for our global electrical low voltage motors and machines business. From 1991 to 1998, he was the Business Unit Manager for our global electrical machines business. Mr. Jucker is a Swiss citizen.

Dinesh C. Paliwal has been our Executive Vice President responsible for our Industries Division since April 2002. Between January 1, 2001 and April 2002, he was our Executive Vice President responsible for our Process Industries Division. From 1999, he was responsible for our worldwide activities in the Automation Segment for the paper, printing, metals, mining and cement industries. From 1998 to 1999, he was responsible for our worldwide activities in the Automation Segment for the pulp, paper and printing industries. From 1994 to 1998, he was Vice-President responsible for our automation activities in process industries in China and Northeast Asia. From 1990 to 1994, he was Director of Marketing and Sales for our automation activities for the paper industry in Asia. Prior to 1990, he held several positions in sales and project management. Mr. Paliwal is an Indian citizen.

Jan Secher has been our Executive Vice President responsible for our Group Processes Division since April 2002. From January 2001 to April 2002, he was our Executive Vice President responsible for our Manufacturing and Consumer Industries Division. From 2000, he was President of our Flexible Automation business area. In 1999, he was Executive Vice-President at ABB AB. From July 1998 to April 1999, he was President at ABB Satt AB. From April 1998 to December 1999, he was President at ABB Automation Systems AB. From July 1997 to March 1998, he was Vice-President and Division Manager at ABB Industrial Systems AB. From 1994 to 1997, he was Vice-President and Division Manager at ABB Industry K.K. From 1991 to 1994, he was General Manager at ABB Automation AB. Mr. Secher is a Swedish citizen.

Richard Siudek has been our Executive Vice President responsible for our Utilities Division since January 1, 2001. From 1998, he was Country Segment Manager in the United States for the Transmission and Distribution Segments. From 1996 to 1998, he was Business Area Manager responsible for our worldwide activities in nuclear power. From 1991 to 1996, he was President and Vice President of ABB Combustion Engineering. Prior to joining us in 1991, he served as Marketing Manager at Westinghouse Electric Corporation, he served various positions in marketing and sales at Westinghouse Nuclear Europe, SA, and served as a Scientific Officer at United Kingdom Atomic Energy Authority. Mr. Siudek is a citizen of the United States.

Peter Smits has been our Executive Vice President responsible for our Power Technology Products Division since January 1, 2001. From 1998, he was Senior Vice President, Business Area Manager Distribution Transformers, at ABB T&D Ltd. From 1994 to 1998, he was President and Country Manager at Asea Brown Boveri SA. From 1990 to 1994, he served as President at Pfleiderer Verkehrstechnik GmbH. From 1988 to 1990, he held several positions at Asea Brown Boveri AG, was Vice-President at ABB Schaltanlagen GmbH and was Business Unit Manager for worldwide substations activities in our High Voltage Switchgear business area. From 1980 to 1988, he held several positions at Asea Lepper GmbH. From 1979 to 1980, he served as Divisional Export Sales Manager at Vossen GmbH. From 1978 to 1979, he served as Assistant Accountant in Auditing at Peat, Marwick, Mitchell & Co. (KPMG). Mr. Smits is a German citizen.

Peter Voser was appointed our Executive Vice President and Chief Financial Officer in March 2002. Mr. Voser was Chief Financial Officer of Shell Europe Oil Products from 1999 until early 2001, when he became Chief Financial Officer of Shell Worldwide Oil Products. Mr. Voser is a Swiss citizen.

Group Senior Officers

The following table sets forth the names of our Group senior officers, their current positions with us and the dates of their initial appointment to their current positions.

Name	*Current Position*	*Year of Appointment*
Markus Bayegan ..	Chief Technology Officer	2001
Beat Hess	General Counsel, Head of Group Function Legal and Compliance	2001
Sune Karlsson	Head of Group Function Large Projects	2001
Alfred Storck	Head of Group Function Corporate Finance and Taxes	2001

Markus Bayegan has been our Chief Technology Officer since January 2001. From 2000 until our realignment in January 2001, he was Executive Vice President responsible for our research and development activities worldwide. From 1998 to 2000, he served as Senior Corporate Officer for our group research and development activities worldwide. From 1994 to 1998 he served as Senior Vice President of Technology for our Building Technologies Segment. From 1987 to 1998, he served as president of ABB Corporate Research, A/S, a Norwegian subsidiary. From 1985 to 1998, he was Professor in Electronics Manufacturing at the Norwegian Institute of Technology. Prior to joining us in 1985, he was employed by EB Corporation, a Norwegian electromechanical and telecommunication company that we acquired. Mr. Bayegan is a Norwegian citizen.

Beat Hess has been our General Counsel since 1988. He assumed his position after the merger of BBC Brown Boveri AG and Asea AB in 1988. In January 2001 he was appointed Head of Group Function Legal and Compliance and has acted as the Secretary of the ABB Ltd Board of Directors since 1998. Mr. Hess is a Swiss citizen.

Sune Karlsson has been our Head of Group Function Large Projects since January 2001. From 1997 until 2000 he was our Executive Vice President and Member of the ABB Group Executive Committee responsible for the Power Transmission and Distribution Segments. From 1992 until 1996, he was Executive Vice President of Power Transmission ABB Germany and responsible for Customer Focus Program ABB worldwide. From 1988 until 1992 he was Executive Vice President of Power Transmission ABB Germany and Business Area Manager of ABB Power Transformers. In 1988 he was President of ABB Transformers, Ludvika and Business Area Manager of ABB Power Transformers. From 1985 until 1988 he was President of Transformer Operations and Business Area Manager of Asea Transformers in Asea Ludvika. From 1983 until 1985 he was General Manager of Transformer Operations in Asea Lepper, Bad Honnef. Previously, from 1980 until 1983, he was Production Manager of Transformers Division in Asea Ludvika. From 1972 until 1980 he worked for Asea Västerås as Project, Planning and Workshop Manager. Mr. Karlsson is a Swedish citizen.

Alfred Storck has been our Group Tax Officer since 1988 (merger of BBC Brown Boveri AG and Asea AB). In 1997, Alfred Storck assumed in addition the position as head of Corporate Finance. In January 2001, he was appointed Head of Group Function Corporate Finance and Taxes. Mr. Storck is a German citizen.

CAPITALIZATION OF ABB LTD

The following table sets out the short-term debt, long-term debt and stockholders' equity of the ABB Group as at March 31, 2002, derived from the unaudited consolidated financial statements of ABB Ltd as at March 31, 2002:

	March 31, 2002 *($ in millions)*
Short-term Debt	6,683
Long-term Debt(1)	4,387
Stockholders' Equity:(2)	
Capital stock and additional paid-in capital (par value CHF 2.50, 1,280,009,432 shares authorised, 1,200,009,432 shares issued)(3)	2,028
Retained earnings	3,549
Accumulated other comprehensive loss	(1,588)
Treasury stock, at cost	(1,750)
Total Stockholders' Equity	2,239

(1) Since March 31, 2002 the ABB Group has issued convertible unsubordinated bonds in the amount of $968 million due 2007 and the EUR 500 million 9.5% Instruments due 2008 and GBP 200 million 10% Instruments due 2009.

(2) 40 million ordinary registered shares representing CHF 100 million of ABB Ltd's contingent share capital serve as a hedge for commitments outstanding to participants in the Management Incentive Program of the ABB Group. None of these shares have yet been issued.

(3) The issued capital consists of 1,200,009,432 ordinary registered shares.

Save as disclosed in this Information Memorandum, there has been no material change in the capitalization of ABB Ltd since March 31, 2002.

SUMMARY FINANCIAL INFORMATION

The following table presents our selected financial and operating information at the dates and for each of the periods indicated. You should read the following information together with our consolidated financial statements for the appropriate year and the notes thereto.

Our selected financial data is presented in the following tables in accordance with United States generally accepted accounting principles (U.S. GAAP). The selected information as at and for the years ended December 31, 1999, 2000 and 2001 has been extracted from our consolidated financial statements for the appropriate year. Our financial statements as of and for the year ended December 31, 2001 were audited by Ernst & Young AG, and our financial statements as of and for the years ended December 31, 2000 and 1999 were audited by Ernst & Young AG and KPMG Klynveld Peat Marwick Goerdeler SA, which have expressed unqualified opinions thereon.

	Year ended December 31,		
	2001	*2000*	*1999*
	($ in millions except per share data)		
INCOME STATEMENT DATA[(1)]			
Revenues	$23,726	$22,967	$24,356
Cost of sales[(2)]	(18,708)	(17,222)	(18,457)
Gross profit	5,018	5,745	5,899
Selling, general and administrative expenses	(4,397)	(4,417)	(4,682)
Amortization expense[(3)]	(236)	(219)	(189)
Other income (expense), net[(4)]	(106)	276	94
Earnings before interest and taxes	279	1,385	1,122
Interest and dividend income	568	565	608
Interest and other finance expense	(802)	(644)	(708)
Income from continuing operations before taxes and minority interest	45	1,306	1,022
Provision for taxes	(105)	(377)	(343)
Minority interest	(70)	(48)	(36)
Income (loss) from continuing operations	(130)	881	643
Income (loss) from discontinued operations, net of tax[(5)]	(510)	562	717
Extraordinary gain on debt extinguishment, net of tax[(6)]	12	—	—
Cumulative effect of change in accounting principles (SFAS 133), net of tax[(7)]	(63)	—	—
Net income (loss)	$(691)	$1,443	$1,360
Weighted average shares outstanding[(8)]	1,132	1,180	1,184
Dilutive potential shares[(8)]	3	5	3
Diluted weighted average shares outstanding[(8)]	1,135	1,185	1,187
Basic earnings (loss) per share:[(8)]			
Income (loss) from continuing operations	$(0.11)	$0.74	$0.54
Net income (loss)	$(0.61)	$1.22	$1.15
Diluted earnings (loss) per share:[(8)]			
Income (loss) from continuing operations	$(0.11)	$0.74	$0.54
Net income (loss)	$(0.61)	$1.22	$1.15

(1) In June 1999, ABB Ltd issued approximately 1,180 million registered shares to the stockholders of ABB AB, a Swedish publicly listed company, and ABB AG, a Swiss publicly listed company. Preparatory to this transaction, ABB AG declared a special dividend such that, as a result, neither ABB AB nor ABB AG had operations or assets other than their respective 50 per cent. ownership interests in ABB Asea Brown Boveri Ltd. In exchange, the stockholders of ABB AB and ABB AG tendered all issued shares of the two companies except for 3 per cent. of total issued ABB AB stock. The stockholders of ABB AB who did not tender their shares for ABB Ltd shares received cash of $438 million in return for their shares of ABB AB and the equivalent number of registered shares of ABB Ltd (approximately 20 million) were sold to third parties, resulting in a total of approximately

1,200 million issued shares of ABB Ltd as of June 28, 1999. These transactions resulted in ABB Ltd being the single parent entity for the ABB Group.

The Consolidated Financial Statements include the accounts and subsidiaries of ABB Ltd on a consolidated basis since June 28, 1999 and the accounts and subsidiaries of ABB Asea Brown Boveri Ltd on a consolidated basis for periods prior thereto. For additional information, see Note 1 to the Consolidated Financial Statements.

(2) Prior to 2001, we estimated certain reserves for unpaid claims and expenses in our Insurance business by calculating the present value of funds required to pay losses at future dates. In the United States, where we underwrite many claims, the timing and amount of future claims payments have become more uncertain. Therefore, the discounted value can no longer be reliably estimated. Instead, we now show the expected future claims at full face value, resulting in a net charge of $295 million to cost of sales in the 2001 consolidated income statement. This is a non-cash charge, which will be recovered through higher earnings over the life of the insurance contracts. For additional information, see Note 14 to the Consolidated Financial Statements.

(3) Includes goodwill amortization of $191 million, $174 million and $155 million in 2001, 2000 and 1999 respectively. In accordance with the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, after January 1, 2002, goodwill will no longer be amortized but will be charged to operations when specified tests indicate that the goodwill is impaired. For additional information, see Note 2 to the Consolidated Financial Statements.

(4) During 2001, 2000 and 1999, we incurred restructuring charges and related asset write-downs of $231 million, $195 million and $141 million, respectively, relating to a number of restructuring initiatives throughout the world. These restructuring costs were accrued in the respective periods pursuant to the requirements of EITF 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*.

(5) In 2001, we recorded a charge of $470 million related to our retained asbestos liability or our disposed power generation segment. During 2000, we recorded gains on the disposal of our power generation segment, which included our investment in ABB ALSTOM POWER and our nuclear business, which were partially offset by a $300 million provision for estimated environmental remediation costs. In 1999, we recorded a gain on the formation of a joint venture with ALSTOM, ABB ALSTOM POWER, as well as a gain on the disposal of our transportation segment, offset by a $300 million provision related to our retained asbestos liability. As a result, our consolidated financial statements present the net assets and results of operations of these segments as discontinued operations. For additional information, see Notes 4 and 16 to the Consolidated Financial Statements.

(6) In 2001, we repurchased outstanding bonds which resulted in an extraordinary gain on extinguishment of debt. For additional information, see Note 13 to the Consolidated Financial Statements.

(7) We accounted for the adoption of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) as a change in accounting principle. Based on our outstanding derivatives at January 1, 2001, we recognized the cumulative effect of the accounting change as a loss in the consolidated income statement. For additional information, see Note 2 to the Consolidated Financial Statements.

(8) The number of shares and earnings per share data in the Consolidated Financial Statements have been presented as if ABB Ltd shares had been issued for all periods presented and as if the four-for-one split of ABB Ltd shares in May 2001 had occurred as of the earliest period presented.

Basic earnings per share is calculated by dividing income by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by dividing income by the weighted average number of shares outstanding during the year, assuming that all potentially dilutive securities were exercised and that any proceeds from such exercises were used to acquire shares of our stock at the average market price during the year or the period the securities were outstanding, if shorter. Potentially dilutive securities comprise outstanding written put options, for which net share settlement at average market price of our stock was assumed, if dilutive, and outstanding written call options and the securities issued under our management incentive plan, to the extent the average market price of our stock exceeded the exercise prices of such instruments. For additional information, see Notes 2, 20 and 21 to the Consolidated Financial Statements.

	as at December 31,		
	2001	*2000*	*1999*
		($ in millions)	
BALANCE SHEET DATA[(1)]			
Cash and equivalents	2,767	1,397	1,615
Total assets	32,344	30,962	30,578
Long-term borrowings	5,043	3,776	3,586
Capital stock and additional paid-in capital	2,028	2,082	2,071
Total stockholders' equity	2,014	5,171	4,271
Net operating assets[(9)]	13,778	14,632	13,144

	Year ended December 31,		
	2001	2000	1999
		($ in millions)	
CASH FLOW DATA[1]			
Net cash provided by operating activities	2,193	1,022	1,575
Net cash used in investing activities	(1,218)	(1,713)	(2,036)
Net cash provided by (used in) financing activities	677	(392)	(1,187)
Net cash provided by (used in) discontinued operations	(210)	949	723
OTHER DATA[1]			
Purchases of property, plant and equipment	(761)	(553)	(839)
Depreciation and amortization	787	836	795
Research and development	654	703	865
Order-related development[10]	916	985	1,212

(9) Net operating assets is calculated based upon total assets (excluding cash and equivalents, marketable securities, current loans receivable, taxes and deferred charges) less current liabilities (excluding borrowings, taxes, provisions and pension-related liabilities).

(10) Order-related development activities are customer and project specific development efforts that we undertake to develop or adapt equipment and systems to the unique needs of our customers in connection with specific orders or projects. Order-related development amounts are initially recorded in inventories as part of the work in progress of a contract and then are reflected in cost of sales at the time revenue is recognized in accordance with our accounting policies.

The following pages (pages 53 to 72) are extracted from the press release of 24 April 2002 for ABB Group's first quarter 2002 results.

Press Release

ABB

For your business and technology editors

ABB's operational and financial restructuring on track

Four divisions report order increases over Q4 2001

- Net income US$ 114 million in Q1
- EBIT margin in line with outlook of 4-5 percent
- Operational cash flow seasonally negative, but stronger than in Q1 2001
- Total orders down 5 percent in local currencies from Q4, but four divisions report increases
- ABB to combine most industry customer activities into one division
- Financial strategy progressing on plan

Zurich, Switzerland, April 24, 2002 – ABB said today its net income for the first quarter of 2002 was US$ 114 million, compared with US$ 138 million in the same period last year. Its first quarter EBIT margin (4.5 percent) was in line with its 2002 target. Operational cash flow, at US$ -138 million, was stronger than in the first quarter of 2001 (US$ -217 million).

Four divisions increased orders in local currencies in the first quarter, compared to the fourth quarter of 2001. Automation Technology Products grew by 11 percent, Power Technology Products by 21 percent, Process Industries by 12 percent and Manufacturing and Consumer Industries by 3 percent in local currencies. Total group orders decreased 5 percent compared with the previous quarter. The order backlog has grown to more than US$ 13.7 billion, an increase of 4 percent in local currencies since the end of 2001.

Compared to a strong first quarter last year, total orders were down 15 percent in local currencies. Orders from strategic customers declined less, by only 5 percent.

"We see some favorable early signs in order development, notably in the Power and Automation Technology Products divisions," said Jörgen Centerman, ABB president and CEO. "It is too soon to say if we have a broader upturn ahead, but we are confident ABB will reach its revenue and margin targets for the year. Operationally and financially, we're on track."

ABB cut another 2,200 jobs in the first quarter, partly through natural attrition. Restructuring provisions were US$ 55 million.

In line with its strategy to focus on power and automation technologies for utility and industry customers, ABB announced it intends to divest the Building Systems business area, currently part of the Manufacturing and Consumer Industries division. The other three business areas in the Manufacturing and Consumer Industries division will be combined with the Process Industries division in a newly-created Industries division.

ABB reported good progress in implementing its financing strategy. The company will complete the amendment of its US$ 3 billion credit facility tomorrow and confirmed that nearly all of its original 24 relationship banks have committed to participate. ABB also confirmed it is on track to debt by at least US$ 1.5 billion in 2002, partly through the divestment of Structured Finance businesses and other asset sales.

In regard to asbestos claims pending against Combustion Engineering, a US subsidiary, ABB said that about 13,300 claims were settled in the first quarter, more than 50 percent without payment. As a result of intensified efforts to identify and settle valid claims and dispute claims that appear baseless, the number of pending claims remained at around 94,000 after the first quarter. Settlement costs prior to insurance reimbursement were US$ 51 million, up from US$ 37 million in the first quarter last year.

US$ in millions, except per share data	**Jan – March 2002**	**Jan–March 2001**	**Change**	**Change in local currencies**
Orders	5,523	6,786	- 19%	- 15%
Revenues	5,149	5,380	- 4%	- 1%
Earnings before interest and taxes (EBIT)	235	334	- 30%	- 25%
Income from continuing operations	108	201	- 46%	
Income (loss) from extraordinary items and accounting changes	6	(63)		
Net income	114	138	- 17%	
Earnings per share (US$)				
Income from continuing operations, basic and diluted:	0.10	0.17		
Net income, basic and diluted:	0.10	0.12		
EBITDA	387	524	- 26%	- 22%
Net cash used in operating activities	(138)	(217)		

Organizational and management changes

Dinesh Paliwal, head of the former Process Industries division, will head the newly created Industries division.

Jan Secher, previously head of the Manufacturing and Consumer Industries division, will take over from Eric Drewery as head of Group Processes, the division driving the implementation of common processes and shared services throughout ABB. Secher will also retain responsibility for the business area Building Systems, and oversee its divestment.

Drewery is retiring for health reasons after a long, distinguished career with ABB. Formerly head of ABB's organization in the U.K., he led the Group Transformation unit last year and assumed responsibility for Group Processes early this year.

The ABB Board of Directors appointed Bernhard Jucker, 47, new head of the Automation Technology Products division. Jucker, a Swiss citizen, has headed the Drives and Power Electronics business area in the Automation Technology Products division since November 2000. Jucker succeeds Jouko Karvinen, who has accepted an offer from Philips to head its medical systems business.

Key financial developments

First quarter orders decreased 15 percent expressed in local currencies compared with the same period in 2001, or 19 percent in nominal terms, to US$ 5,523 million. Year-on-year, all divisions except Power Technology Products reported lower orders compared to the first quarter of 2001.

Base orders (orders below US$ 15 million) represented 88 percent of total first quarter orders. Base orders declined about 14 percent in local currencies compared with the first quarter of 2001, or around 17 percent in nominal terms. Large orders fell by 28 percent in both local and nominal currency terms.

First quarter revenues were flat in local currencies, and decreased 4 percent in nominal terms to US$ 5,149 million. Oil, Gas and Petrochemicals and Power Technology Products reported double digit growth on the back of a strong order backlog and continued demand for power transmission equipment, respectively.

The order backlog has increased by 2 percent to US$ 13,754 million, or 4 percent in local currencies, since year-end 2001.

EBIT for the first quarter of 2002 was US$ 235 million, some 30 percent lower than the same period last year. EBIT included other income of US$ 18 million, comprising restructuring charges of US$ 55 million (Q1 2001: US$ 6 million), capital gains of US$ 58 million (Q1 2001: US$ 3 million), US$ 7 million for write-down of assets (Q1 2001: US$ 1 million), and income from equity accounted companies, licenses and other of US$ 22 million (Q1 2001: US$ 52 million).

After net interest expense and taxes, income from continuing operations was US$ 108 million, 46 percent below first quarter 2001.

Net income decreased by 17 percent to US$ 114 million in the first quarter compared with the same period last year.

Net cash from operating activities improved year-on-year, but was negative US$ 138 million. In line with ABB's usual quarterly pattern, working capital increased slightly from historically low levels at the end of 2001 and certain non-cash one-time charges became cash-effective, including restructuring charges.

Balance sheet and liquidity

Cash and marketable securities totaled US$ 6,583 million at March 31, 2002. Net debt (defined as short-, medium- and long-term debt less cash and marketable securities) increased to US$ 4,487 million from US$ 4,077 million at the end of 2001.

In December 2001, the company established a US$ 3 billion committed bank facility. ABB drew down US$ 2,845 million under this facility in March, securing more than enough cash to meet all its commercial paper obligations maturing during the remainder of 2002. The drawdown did not increase ABB's net debt, but replaced other short-term borrowings and added to cash equivalents.

ABB's liquidity was further strengthened on April 2 when its lead banks committed to fully underwrite the amended US$ 3 billion credit facility.

As part of its goal to extend the maturity profile of its debt, ABB announced that it will issue a combination of convertible and straight bonds in the second quarter of 2002. ABB will start a bond investor road show on April 30 and plans to price and launch its straight bond issue in mid-May.

Outlook [1]

The outlook remains unchanged. For 2002, revenues are expected to be flat in comparison to 2001. EBIT margin for the full year 2002 is expected to be in the range of 4-5 percent. EBIT and net cash from operations are expected to be stronger in the second half of 2002 than in the first half.

ABB's target is to grow revenues on average by 6 percent annually in the period 2001-2005. EBIT margin is expected to reach 9-10 percent by 2005.

[1] Assumes no major currency effects and excludes major acquisitions and divestments

Employees

As of March 31, 2002, ABB employed 151,829 people compared to 156,865 at year-end 2001. Since June 30, 2001, the number of jobs (excluding acquisitions and divestments) decreased by more than 9,300.

Asbestos update

New claims filed during the first quarter of 2002 in connection with asbestos litigation against Combustion Engineering, a U.S. subsidiary, were about 14,300, a decrease of 5 percent compared to the fourth quarter of 2001.

Of about 13,300 claims settled during the period, more than 50 percent were settled without payment.

Settlement costs prior to insurance reimbursement were US$ 51 million, up from US$ 37 million in the first quarter last year.

As a result of intensified efforts to identify and settle valid claims and dispute claims that appear baseless, the number of pending claims remained at around 94,000 after the first quarter.

Combustion Engineering considers that the full-year trends for 2002 for new claim filings, claims settled and cash settlements cannot be reliably estimated based on the first quarter developments and does not consider it necessary to change provisions.

Technology

Industrial IT, a common systems integration architecture, harmonizes all ABB offerings and allows the inclusion of third-party products in ABB's installations for utility and industry customers.

The process of certifying ABB products to its Industrial IT standards was well ahead of schedule by the end of the first quarter of 2002. Some 9,000 ABB products and product lines have now been certified. Close to 8,000 were certified in the first quarter and ABB is committed to ratify all relevant products and product lines by year-end – a total of about 40,000.

ABB opened a research and development center in the Indian city of Bangalore to concentrate on software development and Industrial IT. Some 50 software engineers and programmers are working at the center.

Board of directors

The ABB Board of Directors, in its first meeting for 2002, constituted two board committees designed to strengthen ABB's corporate governance. The Nomination and Compensation Committee will be headed by board chairman Jürgen Dormann, with Martin Ebner and Hans Ulrich Maerki as other members. Bernard Voss will head the Finance and Audit committee, whose other members are Jacob Wallenberg and Roger Agnelli.

Division reviews

Power and Automation Technology Products serve their customers through external channel partners and ABB's end-user divisions. As part of ABB's customer-centric strategy, some customers are progressively being served directly by channel partners such as wholesalers, systems integrators and distributors. As a result, orders, revenues and earnings associated with these customers are no longer reflected in the end-user divisions. At the same time, internal eliminations (currently presented in the line item Corporate/Other) decrease accordingly. There is no impact on the Group's consolidated results.

The ABB Group's reporting currency is the U.S. dollar, which strengthened against most of ABB's local currencies since last year. The strengthened dollar continued to impact results unfavorably during the first quarter. All figures reflect the first three months activity and, except for EBIT margins, comments refer to local currency figures.

EBIT excluding capital gains is shown only if the aggregate of such gains for the division is material (in any case, if capital gains represent more than 10 percent of divisional EBIT).

Utilities

US$ in millions, except where indicated	Jan - March 2002	Jan- March 2001	Change	Change in local currencies
Orders	1,455	1,700	- 14%	- 11%
Revenues	1,075	1,196	- 10%	- 7%
EBIT	32	40	- 20%	- 17%
EBIT margin	3.0%	3.3%		

In the Americas, demand from independent power producers for plant and control systems slowed. In several key markets investment shifted from power sources to transmission and distribution.

Highlights of the quarter included a US$ 50 million order to install a new high-voltage direct current transmission system between the eastern and western power grids of the U.S., scheduled to enter commercial operation in October 2003. The division simplified its business structure, reducing the number of business areas to three. This sharpened its focus on growing consulting and field service business, as well as reducing cost overheads.

First quarter orders declined 11 percent due to lower base orders, mainly because Power Technology Products served progressively more customers via channel partners. Base orders also declined as a result of the slowdown in the power generator and substations business. The decline in base orders was partly offset by higher large orders.

Revenues decreased 7 percent in line with the lower volume of base orders. The decline was partly offset by increased sales in Utility Automation and Utility Partner business areas.

EBIT fell 17 percent mainly on lower product sales, although underlying operational performance actually improved on a like-for-like basis. EBIT margin was 3 percent.

Process Industries

US$ in millions, except where indicated	Jan - March 2002	Jan- March 2001	Change	Change in local currencies
Orders	808	1,055	- 23%	- 19%
Revenues	633	775	- 18%	- 15%
EBIT	30	35	- 14%	- 12%
EBIT margin	4.7%	4.5%		

The slowdown in the world economy continued to have a negative impact on customer demand in the process industries, as many customers reduced or delayed capital expenditures. Nevertheless, the division established several new alliances and frame agreements, and has put in place its new service organization.

Highlights of the first quarter included new product launches, including ProduceIT ME and Industrial IT for Basic Quality Control, aimed respectively at the fast-growing pharmaceuticals and Chinese paper machine markets.

Orders decreased 19 percent compared with the first quarter of 2001. This was largely due to selected customers being served more directly by channel partners selling ABB's automation and power technology products. Compared with the third and fourth quarters of 2001, first quarter orders showed double digit increases – largely driven by strong growth in Paper, Printing, Metals and Minerals.

Reflecting the order downturn in the second half of 2001, first quarter revenues declined by 15 percent. Excluding ABB product sales now handled via channel partners, revenues increased in Marine and Turbocharging and Petroleum, Chemical and Life Sciences.

First quarter EBIT decreased 12 percent, mainly due to the drop in year-on-year volumes for Paper, Printing, Metals and Minerals. EBIT reported by all other business areas was flat or improved. EBIT margin increased slightly to 4.7 percent as a result of cost-cutting to improve productivity, including a 2 percent reduction in jobs during the first quarter.

Manufacturing and Consumer Industries

US$ in millions, except where indicated	Jan - March 2002	Jan- March 2001	Change	Change in local currencies
Orders	959	1,337	- 28%	- 25%
Revenues	841	1,163	- 28%	- 24%
EBIT	- 6	37	NA	NA
EBIT margin	NA	3.2%		

Despite continued low investment levels in most manufacturing and consumer industries – electronics, computers, telecoms and automotive – there were cautious signs of recovery in specific market segments. The building construction market continued to weaken, particularly in Europe.

First quarter orders dropped 25 percent compared with the same period last year, with the sharpest decline in Building Systems. Orders were up 3 percent versus the fourth quarter, reflecting higher order intake in all business areas except Logistics Systems

Year-on-year, first quarter revenues were down by 24 percent. The largest reductions were in Automotive and Building Systems, reflecting both lower order backlogs and reduced product sales. Lower product sales resulted from the transfer of smaller customers to more direct supply by ABB's product divisions.

EBIT was a loss of US$ 6 million for the first quarter, mainly due to low volumes and restructuring costs.

Oil, Gas and Petrochemicals

US$ in millions, except where indicated	Jan - March 2002	Jan- March 2001	Change	Change in local currencies
Orders	627	961	- 35%	- 34%
Revenues	972	769	+ 26%	+ 29%
EBIT	45	41	+ 10%	+ 10%
EBIT margin	4.6%	5.3%		

In Upstream markets, oil prices have recently recovered and are again within the US$ 22 – 28 per barrel OPEC band, mainly as a result of fears over the Middle East conflict. Higher prices have not resulted in significantly increased investment, however, as the longer-term outlook remains uncertain. In Downstream, low levels of activity have continued into the first quarter of 2002.

Highlights of the quarter included a US$ 165 million contract to expand an ethylene plant in Poland, as well an important ethylbenzene technology conversion project with Dow Chemical, a strategic alliance with China Petroleum & Chemical Corporation, and a maintenance and modification frame agreement with the Norwegian Statoil company for several of its installations.

Orders decreased 34 percent compared with first quarter 2001, which had a particularly high order intake. Several large Upstream projects were awarded in the first quarter, as well as important technology license projects in Downstream.

First quarter revenues increased 29 percent overall, fed by Upstream's high order backlog. Downstream revenues also increased, but more modestly given its lower backlog.

EBIT increased 10 percent compared with first quarter 2001, although EBIT margin decreased to 4.6 percent.

Power Technology Products

US$ in millions, except where indicated	Jan - March 2002	Jan- March 2001	Change	Change in local currencies
Orders	1,133	1,105	+ 3%	+ 7%
Revenues	992	855	+ 16%	+ 21%
EBIT	66	64	+ 3%	+ 6%
EBIT margin	6.7%	7.5%		

Good demand continued in Asian markets – particularly China – while Europe and the Americas were mixed. The Middle East and Africa showed increased investment activity.

First quarter orders increased 7 percent compared with the same period in 2001, as base orders showed double-digit improvement. Order growth was fuelled by Power Transformers, while Distribution Transformers showed modest growth and High-Voltage Technology was negatively impacted by the timing of large orders. Compared with the fourth quarter of 2001, orders grew by 21 percent on increased demand and higher product sales across all business areas.

Revenues were up 21 percent for the first quarter of 2002, mainly driven by double-digit growth in High-Voltage Technology and Power Transformers. Revenues increased substantially despite an 8 percent reduction in the division's workforce since June 2001, indicating good progress in its productivity program.

Despite significantly higher restructuring charges, EBIT increased 6 percent and EBIT margin declined to 6.7 percent. Excluding restructuring, EBIT increased by about 40 percent.

Automation Technology Products

US$ in millions, except where indicated	Jan - March 2002	Jan- March 2001	Change	Change in local currencies
Orders	1,320	1,419	- 7%	- 3%
Revenues	1,221	1,276	- 4%	+/- 0%
EBIT	81	112	- 28%	- 25%
EBIT margin	6.6%	8.8%		

Demand for automation products was weak overall during the first quarter, although some sectors – for example, robotics and drives – showed the first signs of recovery from very depressed levels in the second half of 2001. In particular, U.S. markets remained slow, while Asia – particularly China – continue to grow.

First quarter orders were down 3 percent compared with the same period in 2001, with all business areas reporting lower volumes. Compared with the fourth quarter, order intake showed an 11 percent increase on strong growth in Drives and Power Electronics and Motors and Machines, with a more modest increase in Low-Voltage Products. Order intake in Control and Instrumentation as well as Robotics was slightly down from the fourth quarter of 2001.

Revenues were flat quarter-on-quarter, but declined 7 percent from the fourth quarter 2001.

EBIT dropped 25 percent compared with the first quarter of 2001 mainly on as a result of the timing of restructuring charges. Accordingly, EBIT margin declined to 6.6 percent. Compared with the fourth quarter, EBIT increased sharply due to lower restructuring charges and the first benefits of an 8 percent job reduction during the second half of 2001.

Financial Services

US$ in millions, except where indicated	Jan - March 2002	Jan- March 2001	Change	Change in local currencies
Revenues	336	479	- 30%	- 27%
EBIT	82	84	- 2%	+ 3%

General interest rates trended upward, with reduced volatility in foreign exchange markets. Insurance premiums were higher than last year, as insurance companies recouped September 11 losses.

Revenues dropped 27 percent compared with the first quarter of 2001, mainly due to run-off of the Scandinavian Re portfolio and associated lower premium and investment income. Treasury Centers also reported lower revenues as a result of flat trading markets.

First quarter EBIT increased 3 percent, as a good technical result in Insurance was somewhat offset by lower investment results. Structured Finance reported strong earnings from Swedish Export Credit (SEK). Equity Ventures and Treasury Centers reported moderately lower earnings compared with the same period last year.

Corporate/Other

US$ in millions, except where indicated	Jan - March 2002	Jan- March 2001
EBIT	**- 95**	**- 79**
New Ventures	-21	- 20
Corporate R & D	-18	- 21
Group Processes	-30	- 12
Real estate	12	18
Elimination of AFS interest income	-36	- 30
Other Corporate	-62	- 15
Capital Gains	60	1

For the first quarter, total operating costs from Corporate/Other increased to US$ 95 million. Corporate Research and Development costs decreased, mainly due to the reduction of overlapping projects. As a result of consolidating processes across group companies, expenses for Group Processes increased.

Other Corporate mainly includes costs for the corporate functions provided by group holding companies. In the first quarter of 2002, it also includes a non-recurring recovery of a prior period cost of US$ 38 million (net of expected tax costs), offset by non-recurring costs of US$ 45 million, principally relating to inventory and land.

Most of the capital gain recorded in the first quarter of 2002 relates to the divestment of the Air Handling business.

Reporting dates

The remaining quarterly reporting dates in 2002 for ABB Ltd are scheduled for July 24 and October 24.

The company will host a conference call for analysts and investors to discuss its first quarter results today at 15:00 Central European Time. Teleconference callers should dial +41 91 610 4111 in Europe and +1 412 858 4600 in the U.S. and Canada. The facility is also available to the media on a "listen only" basis.

The 2002 first quarter results release and presentation slides will be available from the morning of Wednesday, April 24th on the ABB Investor Relations homepage at www.abb.com/investorrelations.

ABB LTD

Summary Consolidated Income Statements

	January – March 2002	January – March 2001
	(Unaudited) (in millions, except per share data)	
Revenues	$5,149	$5,380
Cost of sales	(3,913)	(3,982)
Gross profit	1,236	1,398
Selling, general and administrative expenses	(1,007)	(1,054)
Amortization expense	(12)	(58)
Other income, net	18	48
Earnings before interest and taxes	235	334
Interest and dividend income	102	142
Interest and other finance expense	(151)	(180)
Income from continuing operations before taxes and minority interest	186	296
Provision for taxes	(57)	(87)
Minority interest	(21)	(8)
Income from continuing operations	108	201
Extraordinary gain on debt extinguishment, net of tax	6	—
Cumulative effect of change in accounting principles (SFAS 133), net of tax	—	(63)
Net income	$114	$138
Weighted average shares outstanding	1,113	1,172
Dilutive potential shares	..	5
Diluted weighted average shares outstanding	1,113	1,177
Basic earnings per share:		
Income from continuing operations	$0.10	$0.17
Net income	$0.10	$0.12
Diluted earnings per share:		
Income from continuing operations	$0.10	$0.17
Net income	$0.10	$0.12

ABB LTD

Summary Consolidated Balance Sheets

	At March 31, 2002	At December 31, 2001
	(Unaudited)	*(Audited)*
	(in millions)	
Cash and equivalents	$3,992	$2,767
Marketable securities	2,591	2,946
Receivables, net	8,277	8,368
Inventories, net	3,201	3,075
Prepaid expenses and other	1,973	2,358
Total current assets	20,034	19,514
Financing receivables, non-current	4,399	4,263
Property, plant and equipment, net	3,045	3,003
Goodwill and other intangible assets, net	3,284	3,299
Investments and other	2,277	2,265
Total assets	$33,039	$32,344
Accounts payable, trade	$3,916	$3,991
Accounts payable, other	2,442	2,710
Short-term borrowings and current maturities of long-term borrowings	6,683	4,747
Accrued liabilities and other	7,091	7,587
Total current liabilities	20,132	19,035
Long-term borrowings	4,387	5,043
Pension and other related benefits	1,687	1,688
Deferred taxes	1,387	1,360
Other liabilities	2,990	2,989
Total liabilities	30,583	30,115
Minority interest	217	215
Capital stock and additional paid-in capital (1,280,009,432 shares authorized, 1,200,009,432 shares issued)	2,028	2,028
Retained earnings	3,549	3,435
Accumulated other comprehensive income	(1,588)	(1,699)
Treasury stock at cost (86,875,616 shares)	(1,750)	(1,750)
Total stockholders' equity	2,239	2,014
Total liabilities and stockholders' equity	$33,039	$32,344

ABB LTD

Summary Consolidated Statements of Cash Flows

	January – March	
	2002	2001
	(Unaudited) (in millions)	
Operating activities		
Income from continuing operations	$108	$201
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	152	190
Restructuring provisions	24	(8)
Pension and post-retirement benefits	1	1
Deferred taxes	6	26
Net gain from sale of property, plant and equipment	(3)	(2)
Other	(40)	(61)
Changes in operating assets and liabilities		
Marketable securities (trading)	66	(36)
Trade receivables	347	83
Inventories	(164)	(342)
Trade payables	(33)	100
Other assets and liabilities, net	(602)	(369)
Net cash used in operating activities	$(138)	$(217)
Investing activities		
Changes in financing receivables	(153)	(540)
Purchases of marketable securities (other than trading)	(836)	(890)
Purchases of property, plant and equipment	(152)	(189)
Acquisitions of businesses (net of cash acquired)	(10)	(19)
Proceeds from sales of marketable securities (other than trading)	1,103	1,022
Proceeds from sales of property, plant and equipment	23	23
Proceeds from sales of businesses (net of cash disposed)	170	8
Net cash provided by (used in) investing activities	$145	$(585)
Financing activities		
Changes in borrowings	1,336	2,476
Treasury and capital stock transactions		(579)
Dividends paid	—	(502)
Other	(69)	(24)
Net cash provided by financing activities	$1,267	$1,371
Net cash used in discontinued operations	(43)	(62)
Effects of exchange rate changes on cash and equivalents	(6)	(44)
Net change in cash and equivalents	1,225	463
Cash and equivalents (beginning of year)	2,767	1,397
Cash and equivalents (end of period)	$3,992	$1,860
Interest paid	$137	$177
Taxes paid	$43	$122

Notes to summary consolidated financial statements (Unaudited)

(US$ in millions, except per share amounts)

Note 1 Developments in the three months ended:

- Annual general meeting

  At the Company's annual general meeting held on March 12, 2002, the Company's shareholders approved the resolution to not pay a dividend in 2002. In addition, shareholders approved the resolution to not effect a capital reduction of 24 million shares purchased during the first half of 2001, as a result of changed market conditions.

- Restructuring program

  In July 2001, the Company announced a restructuring program anticipated to extend over 18 months. This restructuring program was initiated in an effort to simplify product lines, reduce multiple location activities and perform other downsizing in response to consolidation of major customers in certain industries.

  As of March 31, 2002, the Company recognized charges of $47 million relating to workforce reductions and $6 million relating to lease terminations and other exit costs associated with the restructuring program. These costs are included in other income (expense), net. Based on analysis, Management's estimate has been revised resulting in a $10 million reduction in the amounts accrued for lease terminations and other exit costs. This revision is recognized as a component of other income (expense), net. Termination benefits of $24 million were paid in the first quarter of 2002 to approximately 600 employees and $8 million was paid to cover costs associated with lease terminations and other exit costs. Workforce reductions include production, managerial and administrative employees. At March 31, 2002, accrued liabilities included $102 million for termination benefits and $28 million for lease terminations and other exit costs.

  As a result of the Company's restructuring, certain assets have been identified as impaired or will no longer be used in continuing operations. The Company recorded $12 million to write down these assets to net realizable value. These costs are included in other income (expense), net.

- Borrowings

  The Company's total borrowings outstanding at December 31, 2001, amounted to $9,790 million, of which $3,297 million was in the form of commercial paper with an average interest rate of 2.7%. In March 2002, the Company drew down $2,845 million, at an interest rate of 4.7%, from a $3 billion committed bank facility established in December 2001, using a portion of these proceeds to reduce its outstanding commercial paper borrowings to $1,536 million at March 31, 2002.

- Commitments and contingencies

  Asbestos related claims

  A subsidiary of the Company has followed a practice of maintaining a reserve to cover its estimated settlement costs for asbestos claims and an asset representing estimated insurance reimbursement. The reserve represents an estimate of the costs associated with asbestos claims, including defense costs, based upon historical claims trends, available industry information and incidence rates of new claims. At December 31, 2001, the subsidiary had reserved approximately $940 million, for asbestos-related claims. The subsidiary also recorded receivables of approximately $150 million at December 31, 2001, for probable insurance recoveries. Allowances against the insurance receivables are established at such time as it becomes likely that insurance recoveries are not probable. New claims filed during the first three months of 2002 were approximately 14,300, a decrease of 5% compared to the fourth quarter of 2001. Of the approximately 13,400 claims settled during the period, more than 50% were settled without payment. Settlement costs prior to insurance reimbursement were $51 million, up from $37 million in the first three months of 2001. As a result of intensified efforts to identify and settle valid claims and dispute claims that appear baseless, the number of pending claims remained at approximately 94,000 at the end March 2002. Trends as regards new claim filings, claims settled and cash settlements cannot be estimated reliably based on the first quarter developments, and consequently no additional charges have been recorded.

Note 2 Significant Accounting Policies

The summary consolidated financial information is prepared on the basis of United States (U.S.) generally accepted accounting principles (US GAAP) and is presented in U.S. dollars ($) unless otherwise stated. Data for orders and number of employees are shown for purposes of presenting additional disclosure and are not required disclosure under US GAAP.

Par value of capital stock is denominated in Swiss francs (CHF). The summary financial information as of March 31, 2002 should be read in conjunction with the December 31, 2001 financial statements contained in the Company's Annual Report.

At the Company's annual general meeting held on March 20, 2001, the Company's shareholders approved a four-for-one share split. The share split became effective as of May 7, 2001. All per share amounts in the consolidated financial statements have been presented as if the share split had occurred as of the earliest period presented.

New accounting standards

The Company accounted for the adoption of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, as a change in accounting principle. Based on the Company's derivative positions at January 1, 2001, the Company recognized the cumulative effect of the accounting change as a loss of $63 million, net of tax, in the consolidated income statement and a reduction of $41 million, net of tax, in accumulated other comprehensive income (loss).

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, *Business Combinations*, and Statement of Financial Accounting Standards No. 142 (SFAS 142), *Goodwill and Other Intangible Assets*, which modify the accounting for business combinations, goodwill and identifiable intangible assets. All business combinations initiated after June 30, 2001, must be accounted for by the purchase method. Goodwill from acquisitions completed after that date will not be amortized. The Company is required to test all goodwill for impairment as of January 1, 2002, and record a transition adjustment if impairment exists. The Company does not expect to record a material transition adjustment in connection with such impairment testing in 2002. As of January 1, 2002, goodwill has no longer been amortized but will be charged to operations when specified tests indicate that the goodwill is impaired. The Company recognized goodwill amortization expense of $46 million in the three months ended March 31, 2001. Accordingly, income from continuing operations and net income would have been $247 million ($0.21 per share) and $184 million ($0.16 per share), respectively, in the three months ended March 31, 2001, if the Company had not recognized amortization expense for goodwill that is no longer being amortized in accordance with SFAS 142.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement supersedes Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-lived Assets to Be Disposed Of*, while retaining many of its requirements regarding impairment loss recognition and measurement. In addition, the new Statement requires the use of one accounting model for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. The Company adopted this statement on January 1, 2002. The impact of adopting SFAS 144 was not material, although the Company expects to present more disposals as discontinued operations as a result of adopting SFAS 144.

Note 3 Summary of Consolidated Stockholders' Equity

Stockholders' equity at January 1, 2002		$2,014
Comprehensive income:		
Net income	114	
Foreign currency translation adjustments	69	
Unrealized gain on available-for-sale securities, net of tax	10	
Derivatives qualifying as hedges (SFAS 133), net of tax	32	
Total comprehensive income		225
Stockholders' equity at March 31, 2002		$2,239

Note 4 Segment and Geographic Data

During 2001, the Company realigned its worldwide enterprise around customer groups, replacing its former business segments with four end-user divisions, two channel partner divisions, and a financial services division. The four end-user divisions—Utilities, Process Industries, Manufacturing and Consumer Industries, and Oil, Gas and Petrochemicals serve end-user customers with products, systems and services. The two channel partner divisions—Power Technology Products and Automation Technology Products—serve external channel partners such as wholesalers, distributors, original equipment manufacturers and system integrators directly and end-user customers indirectly through the end-user divisions. The Financial Services division provides services and project support for the Company as well as for external customers.

- The Utilities division serves electric, gas and water utilities—whether state-owned or private, global or local, operating in liberalized or regulated markets—with a portfolio of products, services and systems. The division's principal customers are generators of power, owners and operators of power transmission systems, energy traders and local distribution companies.
- The Process Industries division serves the chemical, gas, life sciences, marine, metals, minerals, mining, cement, paper, petroleum, printing and turbocharging industries with process-specific products and services combined with the Company's power and automation technologies.
- The Manufacturing and Consumer Industries division sells products, solutions and services that improve customer productivity and competitiveness in areas such as automotive industries, telecommunications, consumer goods, food and beverage, product and electronics manufacturing, airports, parcel and cargo distribution, and public, industrial and commercial buildings.
- The Oil, Gas and Petrochemicals division supplies a comprehensive range of products, systems and services to the global oil, gas and petrochemicals industries, from the development of onshore and offshore exploration technologies to the design and supply of production facilities, refineries and petrochemicals plants.
- The Power Technology Products division covers the entire spectrum of technology for power transmission and power distribution including transformers, switchgear, breakers, capacitors and cables as well as other products, platforms and technologies for high- and medium-voltage applications. Power technology products are used in industrial, commercial and utility applications. They are sold through the Company's end user divisions as well as through external channel partners, such as distributors, contractors and original equipment manufacturers and system integrators.
- The Automation Technology Products division provides products, software and services for the automation and optimisation of industrial and commercial processes. Key technologies include measurement and control, instrumentation, process analysis, drives and motors, power electronics, robots, and low-voltage products, all geared toward one common industrial IT architecture for real-time automation and information solutions throughout a business. These technologies are sold to customers through the end-user divisions as well as through external channel partners such as wholesalers, distributors, original equipment manufacturers and system integrators.
- The Financial Services division supports the Company's business and customers with financial solutions in structured finance, leasing, project development and ownership, financial consulting, insurance and treasury activities.

The Company evaluates performance of its divisions based on earnings before interest and taxes (EBIT), which excludes interest and dividend income, interest expense, provision for taxes, minority interest, and income from discontinued operations, net of tax. In accordance with Statement of Financial Accounting

Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*, the Company presents division revenues, depreciation and amortization, EBIT, and net operating assets, all of which have been restated to reflect the changes to the Company's internal structure, including the effect of increased inter-division transactions. Accordingly, division revenues and EBIT are presented as if certain historical third-party sales by subsidiaries in the product divisions had been routed through other divisions as they would have been under the new customer-centric structure. Management has restated historical division financial information in this way to allow analysis of trends in division revenues and margins on a basis consistent with the Company's new internal structure and transaction flow.

Recent developments

In line with the Company's strategy to focus on power and automation technologies for utility and industry customers, the Company announced it intends to divest the Building Systems business area, currently part of the Manufacturing and Consumer Industries division. The other three business areas in the Manufacturing and Consumer Industries division will be combined with the Process Industries division into a new Industries division.

Segment data

	Orders received January – March		Revenues January – March	
	2002	2001	2002	2001
Utilities	$1,455	$1,700	$1,075	$1,196
Process Industries	808	1,055	633	775
Mfg and Consumer Industries	959	1,337	841	1,163
Oil, Gas and Petrochemicals	627	961	972	769
Power Technology Products	1,133	1,105	992	855
Automation Technology Products	1,320	1,419	1,221	1,276
Financial Services	336	479	336	479
Corporate/Other[(1)]	(1,115)	(1,270)	(921)	(1,133)
Total	$5,523	$6,786	$5,149	$5,380

	EBIT (operating income) January – March		Depreciation and amortization January – March	
	2002	2001	2002	2001
Utilities	$32	$40	$12	$18
Process Industries	30	35	9	17
Mfg and Consumer Industries	(6)	37	6	12
Oil, Gas and Petrochemicals	45	41	11	17
Power Technology Products	66	64	32	29
Automation Technology Products	81	112	41	61
Financial Services	82	84	4	6
Corporate/Other[(1)]	(95)	(79)	37	30
Total	$235	$334	$152	$190

	Net operating assets[2]		*Number of employees*	
	March 31, 2002	*December 31, 2001*	*March 31, 2002*	*December 31, 2001*
Utilities	$909	$795	16,265	15,745
Process Industries	866	738	15,895	15,937
Mfg and Consumer Industries	258	249	25,426	29,455
Oil, Gas and Petrochemicals	448	315	13,490	13,471
Power Technology Products	1,454	1,311	28,060	27,555
Automation Technology Products ..	2,643	2,558	39,283	39,834
Financial Services	11,389	10,926	1,230	1,220
Corporate/Other[1]	(3,689)	(3,114)	12,180	13,648
Total	$14,278	$13,778	151,829	156,865

(1) Includes adjustments to eliminate inter-division transactions.

(2) Net operating assets is calculated based upon total assets (excluding cash and equivalents, marketable securities, current loans receivable, taxes and deferred charges) less current liabilities (excluding borrowings, taxes, provisions and pension-related liabilities).

Geographic Information

	Orders received[1] *January – March*		*Revenues*[1] *January – March*	
	2002	*2001*	*2002*	*2001*
Europe..	$2,795	$3,699	$2,631	$2,940
The Americas	1,652	1,828	1,222	1,400
Asia	617	685	635	564
Middle East and Africa..	459	574	661	476
Total	$5,523	$6,786	$5,149	$5,380

(1) Orders received and revenues have been reflected in the regions based on the location of the customer.

Note 5 Summary balance sheets of ABB Ltd Consolidated, ABB Group and Financial Services (unaudited)

In the balance sheet data appearing on this page, "ABB Ltd Consolidated" means the accounts of ABB Ltd and all its subsidiaries presented in a summarized form on the basis of US GAAP, with all significant intercompany balances eliminated in consolidation. The balance sheet data for "Financial Services" and "ABB Group" is reported on the same basis as management uses to evaluate segment performance which includes the following adjustments:

— "Financial Services" represents the accounts of all subsidiaries in the Company's Financial Services division, with net intercompany balances and certain capital contributions received from other subsidiaries of the Company presented on a one-line basis.

— "ABB Group" represents the accounts of ABB Ltd and all its subsidiaries other than those in the Company's Financial Services division, with net intercompany balances and the Company's investment in its Financial Services division presented on a one-line basis. For the purposes of this presentation, the Company's investment in its Financial Services division is accounted for under the equity method of accounting.

	ABB Ltd Consolidated		ABB Group[1]		Financial Services	
	Mar 31, 2002	Dec 31, 2001	Mar 31, 2002	Dec 31, 2001	Mar 31, 2002	Dec 31, 2001
			(US$ in millions)			
Cash and equivalents and marketable securities	$6,583	$5,713	$2,699	$1,667	$3,884	$4,046
Receivables, net	8,277	8,368	5,847	5,810	2,430	2,558
Inventories, net	3,201	3,075	3,200	3,074	1	1
Prepaid expenses and other	1,973	2,358	1,114	1,169	859	1,189
Total current assets	20,034	19,514	12,860	11,720	7,174	7,794
Financing receivables, non-current	4,399	4,263	545	452	3,854	3,811
Property, plant and equipment, net	3,045	3,003	2,967	2,938	78	65
Goodwill and other intangible assets, net	3,284	3,299	3,201	3,217	83	82
Investments and other	2,277	2,265	1,585	1,601	692	664
Net intercompany balances	—	—	634	–	940	2,106
Total assets	$33,039	$32,344	$21,792	$19,928	$12,821	$14,522
Accounts payable, trade	$3,916	$3,991	$3,890	$3,956	$26	$35
Accounts payable, other	2,442	2,710	1,457	1,641	985	1,069
Short-term borrowings[2]	6,683	4,747	3,288	240	3,395	4,507
Accrued liabilities and other	7,091	7,587	4,060	4,285	3,031	3,302
Total current liabilities	20,132	19,035	12,695	10,122	7,437	8,913
Long-term borrowings	4,387	5,043	1,774	2,020	2,613	3,023
Pension and other related benefits	1,687	1,688	1,680	1,681	7	7
Deferred taxes	1,387	1,360	664	575	723	785
Other liabilities	2,990	2,989	2,523	2,529	467	460
Net intercompany balances	—	—	—	773	—	—
Total liabilities	30,583	30,115	19,336	17,700	11,247	13,188
Minority interest	217	215	217	214	—	1
Total stockholders' equity	2,239	2,014	2,239	2,014	1,574	1,333
Total liabilities and stockholders' equity	$33,039	$32,344	$21,792	$19,928	$12,821	$14,522

(1) ABB Industrial operations/holdings with equity accounting of participation in Financial Services

(2) Includes current maturities of long-term borrowings

(3) Certain amounts reclassified to conform to the Company's current year presentation

DESCRIPTION OF ABB INTERNATIONAL FINANCE LIMITED

Introduction

ABB International Finance Limited (AIFLTD) was incorporated for an indefinite duration under the laws of the Netherland Antilles on June 7, 1991. With effect from November 17, 2000 AIFLTD transferred its registered office from the Netherlands Antilles to Guernsey and registered as a Guernsey company. AIFLTD is an indirect wholly-owned subsidiary of ABB Ltd. AIFLTD is part of the ABB group of companies, which is more fully described under "*Description of ABB Ltd and the ABB Group*". AIFLTD has no subsidiaries.

AIFLTD's main function is to provide financing services to the ABB Group. In this function AIFLTD also acts as a financing vehicle for the ABB Group in the international capital markets. AIFLTD has entered into a Keep-Well Agreement with ABB Ltd. See "*Description of the Keep-Well Agreement*".

AIFLTD's fiscal year is January 1 to December 31.

Board of Directors

Thomas Meyer	*Group Senior Vice President*, ABB Financial Services Ltd.
Anders Lidefelt	*President*, ABB Structured Finance AB
Christopher Noon	*President*, ABB Insurance Limited
Brian van Reijn	*President*, ABB Financial Services B.V.
Alfred Storck	*Group Senior Officer*, ABB Ltd

The following pages 74 to 84 are extracted from AIFLTD's Annual Report 2001.

ABB INTERNATIONAL FINANCE LIMITED

Consolidated Balance Sheets

	December 31,	
	2001	*2000*
	($ in thousands)	
Assets		
Cash and equivalents	$1,184,126	$829,826
Marketable securities:		
Trading	—	74,682
Available-for-sale	55,125	748,894
Loans receivable	4,777,889	4,982,468
Accrued interest and other assets	266,905	165,121
Total assets	6,284,045	6,800,991
Liabilities		
Borrowings	5,882,678	6,580,070
Accrued interest and other liabilities	332,556	164,444
Total liabilities	6,215,234	6,744,514
Stockholders' equity		
Common stock, $1 par value per share; 262,500 shares authorized, 240,000 shares issued and outstanding	240	240
Additional paid-in capital	52,502	52,502
Retained earnings	15,410	5,037
Accumulated other comprehensive income/(loss)	659	(1,302)
Total stockholders' equity	68,811	56,477
Total liabilities and stockholders' equity	6,284,045	6,800,991

See notes to consolidated financial statements

ABB INTERNATIONAL FINANCE LIMITED

Consolidated Income Statements

	December 31, 2001	December 31, 2000
	($ in thousands)	
Revenues		
Loan interest income	$442,667	$388,491
Investment income	45,556	4,808
Other interest income	—	1,044
Net foreign exchange gain	332	—
Total revenues	488,555	394,343
Expenses		
Interest on borrowings	475,593	387,828
Other interest expense	11,163	584
Net foreign exchange loss	—	397
Other expense	2,670	529
Total expenses	489,426	389,338
Income (loss) from continuing operations before tax	(871)	5,005
Income tax expense	36	45
Income (loss) from continuing operations	(907)	4,960
Extraordinary gain on debt extinguishment	11,049	–
Cumulative effect of change in accounting principle (SFAS 133)	231	–
Net income	10,373	4,960

See notes to consolidated financial statements

ABB INTERNATIONAL FINANCE LIMITED

Consolidated Statements of Changes in Stockholders' Equity

	Common stock	*Additional paid-in capital*	*Retained earnings*	*Accumulated other comprehensive income/(loss)*	*Total*
			($ in thousands)		
Balance at January 1, 2000	230	15,770	1,439		17,439
Comprehensive income:					
Net income			4,960		4,960
Effect of change in fair value of available-for-sale securities				(1,302)	(1,302)
Total comprehensive income					3,658
Cash dividends on common shares			(1,362)		(1,362)
Issuance of 10,000 common shares	10	36,732			36,742
Balance at December 31, 2000	240	52,502	5,037	(1,302)	56,477
Comprehensive income:					
Net income			10,373		10,373
Effect of change in fair value of available-for-sale securities				1,961	1,961
Total comprehensive income					12,334
Balance at December 31, 2001	240	52,502	15,410	659	68,811

See notes to consolidated financial statements

ABB INTERNATIONAL FINANCE LIMITED

Consolidated Statements of Cash Flows

	2001	2000
	($ in thousands)	
Cash flows from operating activities:		
Income/(loss) from continuing operations	(907)	4,960
Adjustments to reconcile income/(loss) from continuing operations to net cash provided by/(used) by operating activities:		
Amortization expense	1,062	1,017
Net foreign exchange and realized gains and losses from investing and financing activities	36,325	20,898
Decrease/(increase) in marketable securities — trading	74,682	(74,682)
Increase in accrued interest receivable and other assets	(101,784)	(16,295)
Increase in accrued interest payable and other liabilities	168,112	16,908
Net cash provided by/(used in) operating activities	177,490	(47,194)
Investing Activities		
Purchases of available-for-sale securities	(38,541)	(755,620)
Proceeds from sales and maturities of available-for-sale securities	729,610	10,823
Loans granted	(22,579,789)	(9,897,899)
Collections of loans receivable	22,493,191	9,239,497
Cash used in acquisitions, net of cash acquired	—	(36,742)
Net cash provided by/(used in) investing activities	604,471	(1,439,941)
Financing activities		
Changes in borrowings with maturities of 90 days or less	136,533	241,818
Net proceeds from issuance of borrowings	2,069,318	2,627,687
Repayments of borrowings	(2,633,512)	(1,243,922)
Cash dividends paid	—	(1,362)
Issuance of common stock	—	36,742
Net cash provided by/(used in) financing activities	(427,661)	1,660,963
Net change in cash and equivalents	354,300	173,828
Cash and equivalents — beginning of year	829,826	655,998
Cash and equivalents — end of year	1,184,126	829,826
	354,300	173,828
Supplemental disclosures:		
Interest paid	487,038	370,440
Income taxes paid	36	45

See notes to consolidated financial statements

Notes to consolidated financial statements
($ in thousands)

1. Organization and Nature of Operations

ABB International Finance Limited (the "Company") was established on June 7, 1991 as ABB International Finance N.V., a Willemstad, Curaçao, registered entity. On November 17, 2000, the Company transferred its registered office to Guernsey, Channel Islands, and registered under the name of ABB International Finance Limited.

The shares of ABB International Finance Limited are owned by ABB Financial Services Investments Ltd, Zurich, Switzerland and ABB Financial Services B.V., Amsterdam, the Netherlands, both subsidiaries of ABB Ltd.

The Company is a wholly owned indirect subsidiary of ABB Ltd, Zurich, Switzerland, and its main function is to provide financing services to ABB Ltd and its other subsidiaries (collectively, the "ABB Group"). In this function, the Company also acts as a financing vehicle for the ABB Group in the international capital markets.

The Company has no employees.

The Company and ABB Ltd have entered into a "Keep-Well Agreement". In the event of a breach by ABB Ltd in performing a provision of the Keep-Well Agreement and of the insolvency of the Company, while any notes or other debt were outstanding, the remedies of noteholders or holders of other debt could include the acceleration of debt. A summary of the terms of the "Keep-Well Agreement" is included in the other information section of this Annual Report.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements:

Basis of Presentation: The consolidated financial statements are prepared on the basis of United States (U.S.) generally accepted accounting principles and are presented in U.S. dollars ($) unless otherwise stated.

Principles of Consolidation: The consolidated financial statements include the accounts of ABB International Finance Limited and ABB Investment N.V. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Reclassifications: Certain amounts reported for prior years in the consolidated financial statements have been reclassified to conform to the current year presentation.

Related Companies: Related companies are companies included in the consolidated financial statements of ABB Ltd. All of the Company's transactions with related companies have been at arm's length.

Cash and Equivalents: Cash and equivalents include highly liquid investments with original maturities of three months or less.

Marketable Securities: Debt securities are classified as either trading or available-for-sale at the time of purchase and are carried at fair value. Debt securities that are bought and held principally for the purpose of sale in the near term are classified as trading securities and unrealized gains and losses are included in the determination of net income. Unrealized gains and losses on available-for-sale securities are excluded from the determination of net income and are accumulated as a component of other comprehensive income until realized. Realized gains and losses on available-for-sale securities are computed based upon historical cost of these securities applied using the specific identification method. Declines in fair values of available-for-sale securities that are other than temporary are included in the determination of net income.

Loans receivable: Loans are reported at the principal amount outstanding. As the majority of the loans are receivable from related parties under common control, the Company has not recorded an allowance for credit losses.

Derivative Financial Instruments: To manage its interest rate and currency exposure arising from its activities, the Company uses interest rate swaps, currency swaps and futures.

Change in Accounting Principle: On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement of Financial Accounting Standards No. 137, *Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133* and Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, collectively referred to as "SFAS 133". These Statements require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not designated as hedges must be adjusted to fair value through income.

The Company accounted for the adoption of SFAS 133 as a change in accounting principle. Based on the Company's derivative positions at January 1, 2001, the Company recognized the cumulative effect of the accounting change as a gain in the consolidated income statement of approximately $231.

Where derivative financial instruments are designated and qualify as fair value hedges, primarily interest rate and currency swaps, the changes in their fair value are recognized in earnings, as are the changes in the value of the underlying liabilities. Where such interest rate swaps do not qualify for the short cut method as defined under SFAS 133, any ineffectiveness is therefore included in earnings. The amount of hedge ineffectiveness for 2001 is $5,875.

If the underlying hedged transaction is terminated early, the hedging derivative financial instrument is terminated simultaneously, with any gains or losses recognized immediately.

Prior to implementation of SFAS 133 – years 2000 and 1999: Prior to January 1, 2001, instruments which were used as hedges had to be effective at reducing the risk associated with the exposure being hedged and had to be designated as a hedge at the inception of the contract. Accordingly, changes in market values of hedge instruments had to be highly correlated with changes in the market values of the underlying hedged items, both at inception of the hedge and over the life of the hedge contract. Any derivative that was not designated as a hedge, or was so designated but was ineffective, was marked to market and recognized in earnings.

Interest rate and currency swaps that were designated as hedges of borrowings were accounted for on an accrual basis and were recorded as an adjustment to the interest income or expense of the underlying asset or liability over its life.

If the underlying hedged transaction was terminated early, the hedging derivative financial instrument was terminated simultaneously, with any gains or losses recognized immediately. Gains or losses arising from early termination of a derivative financial instrument of an effective hedge were accounted for as adjustments to the basis of the hedged transaction.

Credit Risk: The Company's exposure to credit risk on derivative financial instruments is the risk that a counterparty will fail to meet its obligations. To reduce the risk, the Company has credit policies which require the establishment and review of credit limits for individual thirdparty counterparties. In addition, close-out netting agreements have been entered into with most counterparties. Close-out netting agreements are agreements which provide for the termination, valuation and net settlement of some or all outstanding transactions between two counterparties on the occurrence of one or more pre-defined trigger events.

Other Concentrations: The majority of the Company's receivables are from members of the ABB Group, primarily located in Europe.

Income Taxes: The Company's income tax expense is calculated in accordance with The Income Tax (International Bodies) (Guernsey) Law, 1993.

Translation of Foreign Currencies and Foreign Exchange Transactions: The functional currency of the Company's operations is U.S. dollars.

Foreign currency transactions, such as those resulting from the settlement of foreign currency denominated receivables or payables, are included in the determination of net income.

Borrowings: From time to time, the Company may, in the normal course of business, buy back portions of its debt securities. Such repurchases are accounted for as debt extinguishments in accordance with Statement of Financial Accounting Standards No. 4, *Reporting Gains and Losses from Extinguishment of Debt — an amendment of APB Opinion No. 30*, irrespective of whether the securities are cancelled or held as treasury securities. Gains or losses on extinguishment of debt which are material to the earnings of the

Company are disclosed as extraordinary items, net of tax. If subsequently reissued, the reissue price becomes the new cost basis of the securities.

3. Business Combination

On November 23, 2000, the Company issued 10,000 common shares with a par value of $1 each and received $36,742 including additional paid-in capital. The amount raised by this share issue was used to acquire all of the outstanding shares of ABB Investment N.V. from ABB Financial Services Investments Ltd, which owns 239,999 of the 240,000 outstanding issued common stock of the Company.

On December 1, 2000, substantially all the outstanding transactions of ABB Investment N.V. were transferred to the Company. ABB Investment N.V. was liquidated during 2002.

4. Financial Instruments

Disclosure about Fair Values of Financial Instruments:

The Company uses the following methods and assumptions in estimating fair value disclosures for financial instruments:

Cash and equivalents, short term loans receivable, short-term borrowings and current maturities of long-term borrowings: The carrying amounts reported in the balance sheet approximate the fair values.

Marketable securities (including trading and available-for-sale securities): Fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Long-term loans receivable: Fair values are determined using a discounted cash flow methodology based upon loan rates of similar instruments. The carrying values and estimated fair values of long-term loans granted at December 31, 2001 were $4,121 million and $4,143 million, respectively, and at December 31, 2000 were $3,167 million and $3,169 million, respectively.

Long-term borrowings: The fair values are based on quoted market prices or, where quoted market prices are not available, on the present value of future cash flows discounted at estimated borrowing rates for similar borrowing instruments, or on estimated prices based on current yields for borrowing issues of similar quality and terms. The carrying values and estimated fair values of long-term borrowings at December 31, 2001 were $4,162 million and $4,169 million, respectively, and at December 31, 2000 were $3,969 million and $3,965 million, respectively.

Derivative financial instruments: Fair values are the amounts by which the contracts could be settled. These fair values are estimated by using discounted cash flow methodology based on available market data or by obtaining quotes from brokers. At December 31, 2001, the carrying values equal fair values. At December 31, 2001 and December 31, 2000, the total carrying value of derivatives used for risk management purposes amounted to a net liability of $67 million and $87 million, respectively, compared to a fair value of $67 million unrealized loss and $56 million unrealized loss, respectively.

Notional amounts as of December 31, 2000:

The notional values of outstanding derivative financial instruments as of December 31, 2000 for interest rate and currency swaps was $5,125 million, and futures contracts was $75 million. The gross notional values indicated the extent of the Company's use of derivatives but did not reflect the Company's exposure to market or credit risk arising from such transactions.

5. Cash and equivalents

Cash and equivalents consist of the following:

	2001	*2000*
Deposits with related companies	1,183,658	828,439
Deposits with third parties	468	1,387
Total cash and equivalents	1,184,126	829,826

6. Marketable Securities

The Company's marketable securities trading portfolio was sold to a related party under common control during 2001 on an arm's length basis.

Available-for-sale securities at December 31, 2001, consist of the following:

	Amortized Cost	*Unrealized Gains*	*Unrealized Losses*	*Fair Value*
Debt securities:				
Corporate	53,345	758	(92)	54,011
Asset-backed	1,121	-	(7)	1,114
Total debt securities	54,466	758	(99)	55,125

Available-for-sale securities at December 31, 2000, consisted of the following:

	Amortized Cost	*Unrealized Gains*	*Unrealized Losses*	*Fair Value*
Debt securities:				
Corporate	85,303	6	(686)	84,623
Asset-backed	664,893	137	(759)	664,271
Total debt securities	750,196	143	(1,445)	748,894

At December 31, 2001 the expected maturities of available-for-sale debt securities are as follows:

	Amortized Cost	*Fair Value*
Due in less than one year	31,620	31,584
Due in one to five years	22,846	23,541
Total debt securities	54,466	55,125

Gross realized gains on sales of available-for-sale securities were $729 in 2001. Gross realized losses on available-for-sale securities were $356 and $99 in 2001 and 2000, respectively.

The consolidated statement of income for the year ended December 31, 2000 includes $1,688 of net unrealized gains from changes in fair value of on trading securities which were subsequently realised during 2001.

As at December 31, 2000, the Company had pledged marketable securities of $190,000 in connection with ABB Ltd's Management Incentive Program. No marketable securities were pledged at December 31, 2001.

7. Loans Receivable

Loans receivable consist of the following:

	2001	*2000*
Related companies	4,530,569	4,637,072
Third parties	247,320	345,396
Total loans receivable	4,777,889	4,982,468
Due in one year or less	657,342	1,815,914
Due after one year	4,120,547	3,166,554
Total loans receivable	4,777,889	4,982,468

At December 31, 2001, $223,538 (2000: $210,102) of third party loans has been pledged for credit facilities. Such credit facilities were granted to related ABB group companies by the same bank where the loans receivable are placed.

8. Accrued interest and other assets

Accrued interest and other assets consist of the following:

	2001	*2000*
Derivatives (See Note 4 and Note 9)	118,547	—
Accrued interest receivable	148,358	165,121
Total accrued interest and other assets	266,905	165,121

9. Short and long-term borrowings

The Company's short-term borrowings consist of the following:

	2001	*Weighted average interest rate*	*2000*	*Weighted average interest rate*
Related companies				
Short-term borrowings	1,077,199	2.0%	1,269,613	3.7%
Current portion of long-term borrowings	269,807	2.2%	868,937	3.8%
Third parties				
Current portion of long-term borrowings	373,977	5.0%	472,308	5.9%
Total short-term borrowings	1,720,983		2,610,858	

Long-term borrowings

The Company utilizes a variety of derivative products to modify the characteristics of its long-term borrowings. The Company uses interest rate swaps to effectively convert certain fixed-rate long-term borrowings into floating rate obligations. For certain non-U.S. dollar denominated borrowings, the Company utilizes cross-currency swaps to effectively convert the borrowings into U.S. dollar obligations. As of January 1, 2001, upon the introduction of SFAS 133, the derivative instruments (primarily interest rate and cross currency swaps), designated and qualifying as fair value hedges of the Company's borrowings have been recorded at their fair values under accrued interest and other assets as well as accrued interest and other liabilities together with other outstanding derivatives. At December 31, 2000, cross-currency swaps hedging borrowings were shown as part of the underlying transaction being hedged. As required by SFAS 133, borrowings which have been designated as being hedged by fair value hedges are stated at their respective fair values at December 31, 2001.

The following table summarizes the Company's long-term borrowings considering the effect of interest rate, currency and equity swaps:

	2001			*2000*		
	Balance	*Nominal rate*	*Effective rate*	*Balance*	*Nominal rate*	*Effective rate*
Related companies						
Floating rate	1,365,494	2.6%	2.6%	2,279,397	4.8%	4.8%
Fixed rate	311,127	3.9%	3.9%	110,391	3.1%	3.1%
Third parties						
Floating rate	3,128,858	4.3%	4.0%	2,785,238	4.8%	5.1%
Putable bonds	..	-	--	135,431	6.5%	6.5%
	4,805,479			5,310,457		
Current portion of long-term borrowings	(643,784)	3.8%	3.4%	(1,341,245)	4.2%	4.5%
	4,161,695			3,969,212		

At December 31, 2001, maturities of long-term borrowings are as follows:

Due in 2002	643,784
Due in 2003	1,401,441
Due in 2004	1,029,361
Due in 2005	811,621
Due in 2006	891,436
Due thereafter	27,836
Total long-term borrowings	4,805,479

During 2001, the Company repurchased, but did not cancel, outstanding bonds with a face value of $290 million. In connection with these repurchases, the Company recorded an extraordinary gain on extinguishment of debt of $11 million. In the period up to December 31, 2001, the Company subsequently reissued a portion of the repurchased bonds with a face value of $222 million. The reissue price has become the new cost basis of the bonds.

During the first quarter of 2002, the Company has continued to repurchase outstanding bonds with a face value of $121 million. Of the bonds repurchased, $38 million has subsequently been cancelled.

10. Accrued interest and other liabilities

Accrued interest and other liabilities consist of the following:

	2001	*2000*
Derivatives (See Note 4 and Note 9)	185,428	—
Accrued interest payable	144,966	164,036
Accrued expenses and other liabilities	2,162	408
Total accrued interest and other liabilities	332,556	164,444

ERNST & YOUNG

■ Ernst & Young LLP
P.O. Box 9
14 New Street
St Peter Port
Guernsey GY1 4AF
Channel Islands

■ Phone: 01481 723232
Fax: 01481 713901 (Audit)
01481 717496 (Tax)
email: eyguernsey@ernsty.co.uk
www.ey.com/guernsey

REPORT OF INDEPENDENT AUDITORS

Board of Directors
ABB International Finance Limited

We have audited the accompanying consolidated balance sheets of ABB International Finance Limited (the Company) as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the two years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ABB International Finance Limited at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for the each of the two years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America and The Companies (Guernsey) Law, 1994.

Ernst & Young LLP

Ernst & Young LLP

February 11, 2002

DESCRIPTION OF ABB FINANCE INC.

Introduction

ABB Finance Inc. (AFI) was incorporated for an indefinite duration under the laws of Delaware, United States of America on December 4, 1989. AFI is an indirect wholly-owned subsidiary of ABB Ltd. AFI is part of the ABB group of companies, which is more fully described under "*Description of ABB Ltd and the ABB Group*". AFI has no subsidiaries.

AFI's main function is to provide financing services to the ABB Group. In this function AFI also acts as a financing vehicle for the ABB Group in the international capital markets. AFI has entered into a Keep-Well Agreement with ABB Ltd. See "*Description of the Keep-Well Agreement*".

AFI's fiscal year is January 1 to December 31.

Board of Directors

Thomas Meyer	*Group Senior Vice President*, ABB Financial Services Ltd.
Lars Hektoen	*President*, ABB Treasury Center (USA), Inc.
Julietta Guarino	*Vice President*, ABB Holdings Inc.
Barry Wentworth	*Vice President*, ABB Holdings Inc.

The following pages 86 to 92 are extracted from AFI's Annual Report 2001.

ABB FINANCE INC.

Balance Sheets

Assets

December 31 (Dollars in Thousands)	*2001*	*2000*
Cash	$ 2,383	9,258
Notes receivable from affiliated companies (note 3)	659,518	714,357
Interest receivable from affiliated companies	4,648	4,984
Other assets	18,601	—
Total assets	685,150	728,599
Liabilities and Stockholder's Equity		
Liabilities:		
Borrowings from affiliated companies (note 4)	$ 380,000	441,500
Bonds payable (note 5)	291,076	273,166
Interest payable	518	1,877
Accounts payable and accrued liabilities	34	40
Total liabilities	671,628	716,583
Stockholder's equity:		
Common stock, par value $.01 per share; 1,000 shares authorized and 100 shares issued and outstanding	—	—
Paid-in capital (note 7)	10,482	9,898
Retained earnings	3,040	2,118
Total stockholder's equity	13,522	12,016
Total liabilities and stockholder's equity	$ 685,150	728,599

See accompanying notes to financial statements.

ABB FINANCE INC.

Statements of Operations and Retained Earnings

Years ended December 31 (Dollars in Thousands)	*2001*	*2000*
Revenue:		
Interest income from notes receivable from affiliated companies	$ 37,310	47,692
Total revenue	37,310	47,692
Costs and expenses		
Interest expense:		
Affiliated companies	23,371	32,106
Third parties	13,124	17,924
Other expense	103	—
Total costs and expenses	36,598	50,030
Income (loss) before income taxes and cumulative effect of a change in accounting principle	712	(2,338)
Income tax expense (benefit) (note 7)	266	(964)
Income (loss) before cumulative effect of a change in accounting principle	446	(1,374)
Cumulative effect of a change in accounting principle, net of income tax expense (note 2)	476	—
Net income (loss)	922	(1,374)
Retained earnings at beginning of year	2,118	3,492
Retained earnings at end of year	$ 3,040	2,118

See accompanying notes to financial statements.

ABB FINANCE INC.

Statements of Cash Flows

Years ended December 31 (Dollars in thousands)	*2001*	*2000*
Cash flows operating activities:		
Net income (loss)	$ 922	$ (1,374)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash charge in lieu of income taxes	584	—
Unrealized loss on fair value hedge	103	—
Cumulative effect of a change in accounting principle	(794)	—
Changes in operating assets and liabilities:		
Interest receivable from affiliated companies	336	(141)
Interest payable	(1,359)	295
Accounts payable and accrued liabilities	(6)	(1)
Net cash used in operating activities	(214)	(1,221)
Cash flows from investing activities:		
Loans to affiliated companies	(2,356,275)	(6,595,649)
Repayments of loans by affiliated companies	2,411,114	6,527,780
Net cash provided by (used in) investing activities	54,839	(67,869)
Cash flows from financing activities:		
Proceeds from borrowings:		
Affiliates	5,054,600	4,518,400
Repayments of borrowings:		
Affiliates	(5,116,100)	(4,450,400)
Distribution of capital	—	(964)
Net cash (used in)/provided by financing activities	(61,500)	67,036
Change in cash	(6,875)	(2,054)
Balance at beginning of year	9,258	11,312
Balance at end of year	$ 2,383	$ 9,258
Supplemental disclosure:		
Interest paid	$ 37,854	$ 49,735

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2001 and 2000

(1) Organization and Purpose

ABB Finance Inc. (the Company) is a wholly owned subsidiary of ABB Financial Services, Inc., an indirect wholly owned subsidiary of ABB Holdings, Inc. (the Parent). The Company was incorporated on December 4, 1989 and was formed for purposes of managing certain external borrowings of ABB Financial Services, Inc., and to provide financing for affiliated companies.

(2) Summary of Significant Accounting Policies

(a) Notes Receivable

Notes receivable are recorded at cost, less the related allowance for impaired notes receivable. Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a note to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the note agreement.

(b) Derivative Financial Instruments

The Company enters into interest rate swaps and forward agreements.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133 *Accounting for Derivative Instruments and Certain Hedging Activities*. In June 2000 the FASB issued SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133*. SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. The Company adopted SFAS No. 133 and SFAS No. 138 on January 1, 2001. In accordance with the transition provisions of SFAS 133, the Company recorded a net-of-tax-cumulative-effect type adjustment of $476 to recognize the fair value of interest rate swaps and adjustments to bonds payable in a fair value hedge.

The Company enters into interest rate swaps as fair value hedges of fixed rate bonds payable. Changes in fair value of derivative instruments used for hedging purposes are reported in current-period earnings. SFAS No. 133 fair value hedge criteria include a requirement that derivatives used for hedging purposes be highly effective in offsetting changes in the fair values of the hedged items. If a derivative ceases to be highly effective, hedge accounting is discontinued prospectively. All derivatives are recognized on the balance sheet at their fair value. The carrying value of bonds payable (hedged item) is adjusted for changes in fair value, with the corresponding gain or loss reported in earnings.

Statement of Financial Accounting Standards (SFAS) No. 119, *Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments*, was issued by the Financial Accounting Standards Board in October 1994. This Statement amends SFAS Nos. 105, *Disclosure of Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*, and 107, *Disclosures About Fair Value of Financial Instruments*, and provides specific disclosure requirements for derivative financial instruments.

(c) Fair Value of Financial Instruments

SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, requires that the Company discloses the estimated fair value for its financial instruments. The fair value estimates contained in these financial statements are made at December 31, 2001 and 2000 based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings in a particular financial instrument.

(d) Income Taxes

The Company applies an asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

The Company is included in the consolidated Federal income and the Connecticut combined tax returns of the Parent. Current taxes provided in these financial statements that exceed any allocated liability under the tax sharing provisions of the Parent and any tax liability arising from separately filed tax returns are not liabilities of the Company and are shown in the financial statements as a contribution to capital. Tax attributes related to carrybacks and carryforwards for those returns filed on a consolidated basis are not retained at the subsidiary level. Tax sharing provisions followed by the Parent and its affiliates provide for the allocation of liability based upon the consolidated current tax paying position of the Parent.

(e) Operating Expenses

Certain of the Company's operating expenses for 2001 and 2000 were paid by an affiliated company and not allocated to the Company.

(f) Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Notes Receivable from Affiliated Companies

In 2001, notes receivable consist of various loans to affiliated companies with maturity dates from January 4, 2002 to November 21, 2002 and interest rates ranging from 2.22% to 6.67%.

In 2000, notes receivable consist of various loans to affiliated companies with maturity dates from January 12, 2001 to October 5, 2001 and interest rates ranging from 6.74% to 7.76%.

During 2001 and 2000 no impairment was recognized, and no allowance for doubtful accounts recorded, for notes receivable from affiliated companies.

The estimated fair value of these notes approximated fair value at December 31, 2001 and 2000, respectively. The fair value of these notes was calculated by discounting scheduled cash flows through maturity using estimated market discount rates that reflect the interest rate risk inherent in the notes.

(4) Borrowings from Affiliated Companies

Borrowings from affiliates consist of the following at December 31, 2001 and 2000:

	2001	*2000*
Deposit 2.13% with maturity date January 31, 2002 (6.89% with maturity date January 31, 2001 in 2000)	$ 380,000	392,000
6.56% note due January 19, 2001	—	49,500
	$ 380,000	441,500

The fair value of these liabilities is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently available for liabilities of similar remaining maturities. The estimated fair value of borrowings from affiliates approximates to the amounts reported in the balance sheets.

(5) Bonds Payable

Bonds payable consist of the following at December 31, 2001 and 2000:

	2001	*2000*
Equity Participation Notes due January 24, 2003(1)	$ 30,000	30,000
SFAS 133 Fair Value Adjustment	3,124	—
6.75% U.S. dollar bonds due June 3, 2004	243,166	243,166
SFAS 133 Fair Value Adjustment	14,786	—
	$ 291,076	273,166

(1) non-interest bearing notes; on the maturity date the holder of the note will receive principal amount plus the greater of (i) 14.95% or (ii) a return based on the arithmetic average of eleven equity indices.

The bonds are not normally subject to early redemption by the Company.

The Company entered into a Keep-Well Agreement with ABB Ltd., the parent company of the Parent, which provides that any time the Company cannot meet the payment obligations on its debt, ABB Ltd. will make available to the Company funds sufficient to enable it to fulfill such obligations, excluding obligations discharged by the Parent.

The estimated fair value of the bonds (and related interest including effects of counterparty creditworthiness) approximates the carrying value of the bonds payable.

(6) Derivative Financial Instruments

The Company's interest rate swaps convert the fixed liability on an annual basis to a floating rate liability (with rates ranging from 2.31% to 6.63% in 2001 and 5.86% to 6.63% in 2000). The floating rate is linked to the London Interbank Offered Rate. The interest rate swap agreements mature at the time the related bonds mature. The Company is exposed to credit loss in the event of nonperformance by the other parties to interest rate swap agreements. However, the Company does not anticipate nonperformance by the counterparties. The notional amounts of the interest rate swap agreements total $273,166 at December 31, 2001 and 2000.

The Company's interest rate swaps are accounted for as fair value hedges under SFAS No. 133 and are reported at their fair value. Other assets as of December 31, 2001 include the Company's interest rate swap agreements at a fair value of $18,601. The ineffective portion of hedge results related to fair value hedges amounted to $103 in 2001 and is included in other expense.

The unrealized loss on interest rate swaps was $170 at December 31, 2000 and had been deferred.

The Company's forward agreements are contracts to exchange payments on a certain future date based on a market rate on that date. The Company is exposed to both credit and interest rate risk on these agreements. The Company reduces its exposure to counterparty credit risk through its credit approval process and reduces its interest rate risk through use of risk control limits and monitoring procedures. The fair value of forward agreements has been calculated by discounting estimated future cash flows based upon the current yield curve.

The Company had no outstanding forward agreements at December 31, 2001 and December 31, 2000, respectively.

(7) Income Taxes

The components of income tax expense (benefit) consist of the following:

		2001	*2000*
Current:			
Federal	$	231	(742)
State		35	(222)
	$	266	(964)

The provision (credit) for income taxes differs from the amount which would be computed using the 35% U.S. Federal income tax rate in 2001 and 2000 due to state taxes and change in the valuation allowance, and in 2000 due to no benefit being allocated for the prior year net operating losses.

At December 31, 2001 and 2000, there were no deferred tax liabilities. Deferred tax assets of $2 and $16 were recorded at December 31, 2001 and 2000, respectively, resulting primarily from deductible temporary differences such as accruals recorded in the financial statements, which are not deductible for tax until paid. At December 31, 2001 and 2000, a $2 and $16 valuation allowance, respectively, was recorded against the deferred tax asset that will more likely than not be realized. The net change in the valuation allowance for the year ended December 31, 2001 was a decrease of $14 due principally to a decrease in deductible temporary differences.

In 2001 and 2000, the Parent had no Federal or state consolidated tax liabilities allocable to the Company, respectively; therefore, no taxes are due to or from the Parent under the tax sharing provisions followed by the Parent. Accordingly, $266 and $964 are reported as a capital contribution and a distribution of capital in 2001 and 2000, respectively. In addition, the $318 income taxes related to the cumulative effect of a change in accounting principle was reported as a capital contribution in 2001. In accordance with the parent tax sharing provisions, no benefit had been allocated for the Company's prior year net operating losses.

KPMG

757 Third Avenue
New York, NY 10017

Independent Auditors' Report

The Board of Directors and Stockholder
ABB Finance Inc.:

We have audited the accompanying balance sheets of ABB Finance Inc. (a wholly owned subsidiary of ABB Financial Services, Inc.) as of December 31, 2001 and 2000, and the related statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABB Finance Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements the Company changed its method of accounting for derivative instruments and hedging activities in 2001.

KPMG LLP

February 28, 2002

DESCRIPTION OF ABB CAPITAL B.V.

Introduction

ABB Capital B.V. (ACBV) was incorporated as a private company with limited liability ("besloten vennootschap met beperkte aansprakelijkheid") for an indefinite duration under the laws of The Netherlands on March 18, 1986. ACBV is registered with the Chamber of Commerce and Industry at Amsterdam, the Netherlands under registration number 33232124.

ACBV is an indirect wholly-owned subsidiary of ABB Ltd. ACBV is part of the ABB group of companies, which is more fully described under "Description of ABB Ltd and the ABB Group". ACBV has no subsidiaries.

ACBV's main function is to provide financing services to the ABB Group. In this function ACBV also acts as a financing vehicle for the ABB Group in the international capital markets. ACBV has entered into a Keep-Well Agreement with ABB Ltd. See "Description of the Keep-Well Agreement".

ACBV's fiscal year is January 1 to December 31.

Board of Directors

Thomas Meyer	*Group Senior Vice President*, ABB Financial Services Ltd.
Patrick Krähenbühl	*Group Vice President*, ABB Ltd
Anders Lidefelt	*President*, ABB Structured Finance AB
Brian van Reijn	*President*, ABB Financial Services B.V.

The following pages 94 to 105 are extracted from ACBV's Annual Report 2001.

ABB CAPITAL B.V.

Balance Sheet

December 31, 2001

(Before allocation of net income)

Assets

	Note	2001	2000
		$ in thousands	
Tangible fixed assets, net	3	543	750
Marketable securities	4	109,588	0
Receivables			
Lendings —			
Affiliated companies	9	13,159,440	11,305,721
Other related companies	9	18,777	19,805
Interest receivable and other	10,12	589,385	644,411
		13,767,602	11,969,937
Cash and deposits	5	615,842	145,309
		14,493,575	12,115,996

Stockholders' Equity and Liabilities

	Note	2001	2000
Stockholders' equity	13		
Share capital —			
Ordinary shares		3,993	4,218
Preference shares		3,993	4,218
Translation adjustment account		5,258	4,808
Capital surplus		31,004	31,004
Retained earnings		6,330	6,280
Net income		10,884	16,453
		61,462	66,981
Provision	18	0	1,722
Liabilities			
Borrowings —			
Banks	9	377,633	316,462
Affiliated companies	9	10,617,970	9,294,889
Other related companies	9	3,023	2,306
Deposits held as security	6, 9	47,699	48,898
Other	9	37,106	36,999
Notes payable	7,9	2,885,209	1,661,383
Interest payable and other	11,12	451,644	677,326
Taxes due	18	5,526	5,232
Accrued liabilities		6,303	3,798
		14,432,113	12,047,293
		14,493,575	12,115,996
Contingent liabilities	14	213,000	86,000

See accompanying notes.

ABB CAPITAL B.V.

Statement of Income

Year ended December 31, 2001

	Note	2001	2000
		$ in thousands	
Revenues — net			
Interest income	15	532,657	468,221
Interest expense	15	(555,575)	(478,351)
Interest related income & expense, net	15	22,720	(626)
		(198)	(10,756)
Commissions		3,180	2,619
Foreign exchange gain, net	16	25,831	36,871
Other income		2,816	2,224
Total Revenue		31,629	30,958
Expenses			
Operating expenses	17	(19,139)	(11,321)
Income before income taxes		12,490	19,637
Income taxes	18	(1,606)	(3,184)
Net income		10,884	16,453

See accompanying notes.

Notes to Financial Statements

December 31, 2001

1. General

The Company is owned by ABB Financial Services B.V., Amsterdam, The Netherlands (50%) and ABB B.V., Rotterdam, The Netherlands (50%). The Company is a member of the worldwide group of affiliated companies of ABB Ltd, Zurich, Switzerland, and belongs to the Group's Financial Services Division. The Company acts as a financial intermediary for the group. The terms and conditions of transactions with affiliated companies are reflected in the financial statements on a basis determined by the Company and members of the affiliated group. The Company operates a branch in Zurich, Switzerland.

The financial statements have been prepared in accordance with the Civil Code of The Netherlands in all material respects.

As of March 31, 2000 the Company and ABB Ltd entered into a "Keep-Well Agreement". Based on this agreement, the Company has been assigned the same credit rating as ABB Ltd. A summary of the terms of the "Keep-Well Agreement" is included in the other information section of this Annual Report.

The consolidated financial statements of the ultimate parent, ABB Ltd., Zurich, have been filed at the Trade Register of the Chamber of Commerce in Amsterdam, The Netherlands. Consequently, the Company has not presented a cash flow statement in these financial statements.

2. Summary of significant accounting policies

Basis of presentation and valuation:

In preparing its financial statements, the Company shows its assets, liabilities and derivative financial instruments at market value, except for those items where it is management's intention to hold the transactions to maturity. Such items are accounted for on a cost and accrual basis. Based on these valuation methods, income and expenses are reported in the time periods to which they relate.

Fair values are based on either discounted cash flow methodology based upon loan rates of similar instruments or quoted market prices or, if no reasonable market price is available, quoted market prices of comparative instruments.

The Company's accounting records are maintained in U.S. dollars as it is the functional currency of its operations.

Affiliated companies refer to group companies consolidated in the ABB Ltd Financial Statements. Non-consolidated participations of ABB Ltd are presented as "other related companies"

The presentation of "interest receivable and other" and "interest payable and other" for prior years has been changed to conform to the current year's presentation, where financial derivative assets and liabilities are presented on a gross basis.

Translation of foreign currencies:

Assets and liabilities denominated in non U.S. dollar currencies are translated into U.S. dollars at year-end exchange rates except for those accounts that are hedged by swap transactions in which cases the related accounts are translated at the underlying hedge rate and except for tangible fixed assets denominated in non U.S. dollar currencies, which are translated into U.S. dollars at historical rate. Transactions in foreign currencies are recorded at rates applicable at the transaction date. Exchange gains and losses resulting from translating assets and liabilities denominated in foreign currencies at year-end rates are included in the statement of income. The exchange differences on the Dutch Guilder denominated share capital are included in a translation adjustment account in stockholders' equity.

Tangible fixed assets:

Tangible fixed assets are stated at cost. Depreciation is determined on the straight-line method over the estimated useful lives of the respective assets. EDP hardware and EDP software are depreciated over 3 years, office furniture and leasehold improvements are depreciated over 5 years.

Marketable Securities:

The marketable securities are classified as either trading or non-trading. Securities held in the trading portfolio are stated at market value, and securities held in the non-trading portfolio are stated at nominal value. The Company's marketable securities portfolio consists of publicly traded corporate bonds.

Financial instruments:

A financial instrument is accounted for as an asset or liability from the time the respective contractual rights or obligations accrue to the Company. The Company holds financial instruments such as lendings, cash and deposits, borrowings, commercial paper, the Company's Programme for the Issuance of Debt Instruments (PIDI) and derivatives to provide treasury management and other financial services to ABB group companies, as well as for trading purposes.

The Company classifies its transactions as either "Trading" or "Non-trading". The trading book is marked to market on a daily basis and the resulting gains and losses are recorded in the statement of income.

Notes payable:

Commercial paper is stated at face value adjusted for mark-to-market valuation. Related discounts are amortised over the term of the commercial paper. Unamortised discounts are included in interest payable.

The Company's Programme for the Issuance of Debt Instruments ("PIDI") is stated at cost.

3. Tangible fixed assets

	Cost
	$ in thousands
Book value at December 31, 2000	750
Additions	243
Disposals of tangible fixed assets	—
Depreciation	(450)
Book value at December 31, 2001	543
Consisting of:	
Cost	3,038
Accumulated depreciation	(2,495)
Book value at December 31, 2001	543

4. Marketable securities

	2001
	$ in thousands
Trading	95,088
Non-trading	14,500
Total	109,588

The movements on the non-trading marketable securities during the year were as follows:

	2001
	$ in thousands
Book value at December 31, 2000	0
Acquisitions in 2001	33,500
Sold in 2001	(10,000)
Repayment on maturity of bond in 2001	(9,000)
Book value at December 31, 2001	14,500
Fair value at December 31, 2001	14,613

5. Cash and deposits

These items represent cash balances and short-term deposits placed with various banks

	2001	2000
	$ in thousands	
Cash	3,479	4,450
Short term deposits	612,363	140,859
	615,842	145,309

6. Deposits held as security

These represent two deposits placed with the Company by a third party as security for lease transactions entered into by the third party with an ABB Group company.

One deposit bears interest at a rate of 7.00% per annum and will be partially redeemed over the period up to December 21, 2003 at which time the residual will be repaid. The second deposit bears interest at a rate of 8.25% per annum and will be partially redeemed over the period up to December 21, 2005 at which time the residual will be repaid. Given the above terms, these deposits are considered long term in nature.

7. Notes payable

The ABB Group has the facility to issue notes up to a total value of USD 5.25 billion under the PIDI. The Company has the facility to issue commercial paper up to a total value of EUR 1 billion and USD 3.0 billion under the German EUR and Euro-commercial paper programmes respectively.

Outstanding at December 31, 2001 were USD 491 mio (2000: USD 169 mio) under German EUR Commercial Paper Programme, USD 1,695 mio (2000: USD 1,378 mio) under Euro-commercial paper programme and USD 0 mio (2000: USD 7 mio) under the money market claims. Outstanding at December 31, 2001, under the PIDI was USD 699 mio (2000: USD 107 mio). At December 31, 2001 6 issued notes were listed at the Luxembourg Stock Exchange (2000: 2).

8. Market Risk

Market risks are considered to be price risk (e.g. interest rates or foreign exchange), basis risk, volatility risk and credit risk. Real time and end of the day monitoring of market risk are both performed by a separate risk control department to ensure that all limits are adhered to at all times. In order to exercise proper control, such activities are regulated by financial policies containing strict rules for the monitoring of market and credit risk. The Company primarily lends to other ABB Group companies, therefore has a concentration of credit risk with ABB Group companies. The Company maintains tight control over external credit risk by selecting mostly non-affiliated counterparts of equal or better rating than itself, as well as by avoidance of counterpart concentration. Credit risk is further reduced through the use of close-out netting agreements with most of its counterparts.

9. Interest risks, repayment terms and fair values

Interest risk management

The Company is exposed to interest rate risk due to its financing, investing and liquidity management activities. The industrial companies of the ABB Group primarily invest excess cash with and receive funding from the Company on an arms length basis. The Company adjusts the duration of its overall funding and financing activities through derivative instruments in order to better match underlying assets and liabilities and to provide ABB Group companies with access to necessary liquidity as well as to maximise its own interest income.

Repayment terms

The analysis of repayment terms of financial assets and liabilities is as follows:

2001

	< 1 year	*1-5 years*	> 5 years	*Total*	*Total Fair Value*
			$ in millions		
Assets					
Lending to affiliated companies ..	6,885	5,969	305	13,159	13,193
Lending to other related companies	1	-	18	19	19
Liabilities					
Borrowings from banks	37	336	5	378	408
Borrowings from affiliated companies	4,680	5,732	206	10,618	10,690
Borrowings from other related companies	3	—	—	3	3
Deposits held as security	—	48	—	48	40
Borrowings other	—	—	37	37	37
PIDI	355	319	25	699	697
Commercial paper	2,186	—	—	2,186	2,186

2000

	< 1 year	*1-5 years*	> 5 years	*Total*	*Total Fair Value*
			$ in millions		
Assets					
Lending to affiliated companies ..	6,289	4,495	522	11,306	11,339
Lending to other related companies	—	—	20	20	20
Liabilities					
Borrowings from banks	61	250	5	316	316
Borrowings from affiliated companies	4,194	4,630	471	9,295	9,349
Borrowings from other related companies	2	—	—	2	2
Deposits held as security	—	49	—	49	36
Borrowings other	—	—	37	37	36
PIDI	12	95	—	107	102
Commercial paper	1,554	—	—	1,554	1,554

Nominal interest rate

The Company borrows and lends in a wide variety of currencies on an arm's length basis. The amounts shown as outstanding at the various nominal interest rates in the table below therefore represent borrowings and lendings in various underlying currencies.

Interest rate classifications in the table below reflect nominal interest rates before the effect of interest rate and cross currency swaps.

As at December 31, 2001 and 2000 the nominal interest rates for financial assets and liabilities are as follows:

2001

	≤3%	>3-4%	>4-5%	>5-6%	>6-7%	>7-8%	>8%	*Total*
				$ in millions				
Assets								
Lending to affiliated companies	6,786	2,585	2,732	360	114	455	127	13,159
Lending to other related companies	1	—	18	—	—	—	—	19
Liabilities								
Borrowings from banks	15	—	22	99	5	237	—	378
Borrowings from affiliated companies	4,854	2,589	2,597	135	79	324	40	10,618
Borrowings from other related companies	2	1	—	—	—	—	—	3
Deposits held as security	—	—	—	—	27	—	21	48
Borrowings other	—	—	—	37	—	—	—	37
PIDI	464	–	175	50	10	—	-	699
Commercial Paper	939	932	315	—	—	—	—	2,186

2000

	≤3%	>3-4%	>4-5%	>5-6%	>6-7%	>7-8%	>8%	*Total*
				$ in millions				
Assets								
Lending to affiliated companies	1,770	2,631	2,330	1,655	2,175	325	420	11,306
Lending to other related companies	—	—	20	—	—	—	—	20
Liabilities								
Borrowings from banks	—	24	—	37	5	250	—	316
Borrowings from affiliated companies	19	2,817	2,852	1,622	1,620	75	290	9,295
Borrowings from other related companies	—	-	-	-	2			2
Deposits held as security	—	—	—	—	27	—	22	49
Borrowings other	—	—	—	37	—	—	—	37
PIDI	9	—	—	—	89	9	—	107
Commercial Paper	—	216	196	—	1,126	16	—	1,554

10. Interest receivable and other

	2001	*2000*
	$ in thousands	
Interest receivable	156,405	181,375
Derivative financial instruments	430,239	461,713
Other	2,741	1,323
	589,385	644,411

11. Interest payable and other

	2001	2000
	$ in thousands	
Interest payable	138,989	186,912
Derivative financial instruments	312,655	490,414
	451,644	677,326

12. Derivative Instruments

The Company uses derivative financial instruments to manage its interest rate and currency exposures arising from its operating, financing and investment activities, as well as for proprietary trading purposes

The notional amounts and fair values of the outstanding derivative instruments used for trading purposes were as follows:

	December 31, 2001			*December 31, 2000*		
	Notional Amounts	*Fair Values Asset*	*Fair Values Liability*	*Notional Amounts*	*Fair Values Asset*	*Fair Values Liability*
			$ in millions			
Exchange-traded						
Interest rate futures	2,913	0	(0)	2,976	1	(1)
Bond futures	9	1	(0)	0	1	(1)
Interest rate options on futures	24,472	4	(3)	7,894	5	(5)
OTC						
Forward rate agreements	1,322	2	(4)	2,107	8	(8)
Interest rate and currency swaps	3,594	19	(24)	5,646	19	(17)
Foreign exchange contracts	15,301	364	(247)	18,110	378	(419)
Foreign exchange options	2,126	39	(33)	4,183	42	(38)
Credit Default Swaps	62	0	0	0	0	0

The fair value in 2001 of USD 118 million corresponds to the estimated net amount that would be paid if the outstanding derivatives held for trading purposes were liquidated at December 31, 2001.

The notional amounts and fair values of the outstanding derivative instruments used for non-trading purposes were as follows:

	December 31, 2001			*December 31, 2000*		
	Notional Amounts	*Fair Values Asset*	*Fair Values Liability*	*Notional Amounts*	*Fair Values Asset*	*Fair Values Liability*
			$ in millions			
OTC						
Interest rate and currency swaps	1,404	29	(40)	586	16	(18)
Credit Default Swaps	490	0	(1)	0	0	0

The notional amounts indicate the extent of the outstanding derivatives at the balance sheet date and therefore do not reflect the Company's exposures or risks arising from such transactions. The respective figures in the table above represent the net notional amount per contract for exchange traded instruments as opposed to the gross notional amount of purchases and sales for OTC instruments.

To derive the fair value of the outstanding derivatives, discounted cash flow methodology and option pricing models have been applied using the appropriate market parameters.

13. Stockholders' equity

All share capital is denominated in NLG and the par value of each share is NLG 1,000. The Company has authorized 15,000 ordinary and 30,000 cumulative preference shares. A total of 20,000 shares have been issued.

	Authorized	*Issued*
Ordinary shares	15,000	10,000
Class A cumulative preference shares	15,000	10,000
Class B cumulative preference shares	15,000	—

Changes in stockholders' equity for the year ended December 31, 2001 are shown below:

	Ordinary shares	*Class A Cumulative Preference Shares*	*Translation Adjustment Account*	*Capital Surplus*	*Retained Earnings*	*Net income*	*Total 2001*	*Total 2000*
				$ in thousands				
Prior year's balance	4,218	4,218	4,808	31,004	6,280	16,453	66,981	67,090
Transfer to retained earnings..	—	—	—	—	16,453	(16,453)	—	—
Dividend paid	—	—	—	—	(16,403)	—	(16,403)	(16,562)
Translation difference ..	(225)	(225)	450	—	—	—	—	—
Net income	—	—	—	—	—	10,884	10,884	16,453
Balance at year-end	3,993	3,993	5,258	31,004	6,330	10,884	61,462	66,981

The valuation of the share capital is in accordance with Article 2:373.5 of the Dutch Civil Code. This Article requires Dutch Guilder denominated share capital to be stated at year-end exchange rates (2001: NLG = USD 0.399281; 2000: NLG = USD 0.421766). The translation differences are recorded in a separate translation adjustment account in stockholders' equity.

14. Contingent liabilities

The Company has issued guarantees covering an AUD 250 million promissory note issuance programme entered into by ABB Financial Services Australia Ltd and two bonds issued by ABB Treasury Center (Asia Pacific) PTE Ltd in the amount of USD 103 million.

Additionally, the Company has issued letters of credit to an affiliated company in the amount of USD 30 million and EUR 15 million.

At the end of 2001, a total of USD 213 million was outstanding under these guarantees.

15. Interest income and expenses

	2001	2000
	$ in thousands	
Interest income:		
Affiliated companies	502,312	427,082
Third parties and related companies	30,345	41,139
	532,657	468,221
Interest expense:		
Affiliated companies	(499,830)	(427,005)
Third parties and related companies	(55,745)	(51,346)
	(555,575)	(478,351)
Interest related income & expense, net:		
Swap revenue, net	(5,530)	(1,959)
Gain/(loss) on FRA's, net	6,267	161
Gain/(loss) on futures trading, net	8,796	3,243
Change in unrealized gain on interest rate instruments	14,939	817
Other interest related expense	(1,752)	(2,888)
	22,720	(626)

"Change in unrealized gain on interest rate instruments" includes a gain of USD 7.0 million reflecting the reversal of the accumulated prior year's mark-to-market revaluation loss from inter-portfolio transactions between "trading" and "non-trading" books.

16. Foreign Exchange gain, net

Foreign exchange gain, net includes results from translating assets and liabilities denominated in foreign currencies at closing rate, as well as the net result on foreign exchange contracts and foreign exchange options.

17. Operating expenses

	2001	2000
	$ in thousands	
General and administrative	14,004	10,807
Depreciation	450	514
Goodwill amortisation	4,685	—
	19,139	11,321

Goodwill, representing an amount paid to another ABB Group company for the acquisition of a business, has been fully expensed in 2001.

18. Income taxes

The provisions for income taxes are based on rulings from the Dutch and Swiss income tax authorities. Deferred taxes ("Provision") relate to timing differences on the net unrealised mark-to-market foreign exchange revaluation as well as net unrealized market-to-market gains on money market activities.

As result of a revised tax ruling with the Swiss Authorities, deferred tax liabilities have been released in 2001. The effects of this release have been classified under "Other".

Both Dutch and Swiss current income taxes are provided based on income earned during the year.

Tax Reconciliation

	2001	*2000*
Dutch tax rate	35%	35%
Effect of Dutch tax ruling	(25%)	(25%)
Effective Dutch tax rate	10%	10%
Effective Swiss tax rate	11%	1%
Other	(8%)	5%
Overall effective tax rate	13%	16%

19. Segment Information

The Company acts as an intermediary for the ABB Group in the financial markets and as such is classified within the ABB Group's Financial Services Division.

All revenues and operating profits are generated by the Company's offices in Amsterdam and Zurich and as such are classified as European.

20. Employee data

The Company had 68 employees during 2001 (2000: 52), including the Board of Management.

	2001	*2000*
	$ in thousands	
Salaries	6,461	4,736
Social security charges	354	300
Pension expense	410	367
	7,225	5,403
Board of Management remuneration	—	—

AUDITORS' REPORT

Introduction

We have audited the annual accounts of ABB Capital B.V., Amsterdam for the year 2001. These annual accounts are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of the Company as at December 31, 2001 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Rotterdam, May 6, 2002

Ernst & Young Accountants.

Ernst & Young Accountants

SUBSCRIPTION AND SALE

Instruments may be sold from time to time under the Programme by any Issuer to any one or more of Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, Goldman Sachs International, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), Morgan Stanley & Co. International Limited, Salomon Brothers International Limited and UBS AG, acting through its business group UBS Warburg (the "Dealers"). The arrangements under which Instruments may from time to time be agreed to be sold by an Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated June 11, 2002 as amended and/or supplemented from time to time, (the "Dealership Agreement") and made between the Issuers and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments.

United States of America

The Instruments have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver the Instruments, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of Instruments of the relevant Tranche (determined as set forth in the Dealership Agreement), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Instruments during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any Tranche of Instruments, an offer or sale of Instruments of such Tranche within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Bearer Instruments are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

The Netherlands/Global

I. Instruments (including rights representing an interest in a Global Note) issued by ACBV may not be offered, sold, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, *to anyone anywhere in the world* other than to:

(i) banks, insurance companies, securities firms, investment institutions, pension funds that are (a) supervised or licensed under Dutch law or (b) established in a European Union member state (other than The Netherlands), the United States, Japan, Australia, Canada or Switzerland, and are adequately supervised in their country of establishment;

(ii) investment institutions which offer their participations exclusively to professional market parties and are not required to be supervised or licensed under Dutch law;

(iii) national governments, Dutch regional and local governments, international treaty organisations and supranational organisations;

(iv) enterprises or entities with total assets of at least EUR 500,000,000 (or the equivalent thereof in another currency);

(v) enterprises, entities, or natural persons with a net equity (*eigen vermogen*) of at least EUR 10,000,000 (or the equivalent thereof in another currency) who or which have been active in the financial markets on average twice a month over a period of at least two calendar years; and

(vi) subsidiaries of the entities referred to under (i)(a) above provided such subsidiaries are subject to supervision,

((i) to (vi) above being hereinafter referred to as "Professional Market Parties" or "PMPs").

This restriction shall not apply with respect to Instruments issued by ACBV in a particular Series having a denomination of at least EUR 500,000 provided that: (a) at the time of issue of the Instruments ACBV is not reasonably able to identify the holders thereof, and (b) the Instruments are either (i) held at the time of issuance through a clearing system that is established in a European Union member state, the United States, Japan, Australia, Canada or Switzerland in which securities can only be held through a licensed bank or securities firm and the members, or (ii) are initially issued to PMPs that are expected to re-sell the Instruments exclusively to PMPs. In addition, it must be made clear upon making any offer of Instruments by ACBV with a denomination of less than Euro 50,000 (or the equivalent thereof in another currency) and from any documents or advertisements in which a forthcoming offering of Instruments issued by ACBV is publicly announced, that the offer is exclusively made to such entities and a copy of the Information Memorandum and the applicable Pricing Supplement must be submitted to the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) before the issue date.

II. Instruments (including rights representing an interest in any Global Instrument) of AFI and AIFLTD and any other Issuer incorporated outside The Netherlands may not be offered, directly or indirectly, as part of their initial distribution or by way of re-offering, in The Netherlands except for Instruments with a denomination of at least Euro 50,000 (or the equivalent in another currency), provided that if any such Instruments are issued:

(1) at a discount, they may only be offered if their issue price is no less than Euro 50,000 (or its equivalent in any other currency);

(2) on a partly-paid basis, they may only be offered if paid-up by their initial holders to at least such amount;

(3) with a denomination of precisely Euro 50,000 (or its equivalent in any other currency), they may only be offered on fully-paid basis and at par or at a premium.

III. Zero Coupon Instruments and other Instruments of ACBV, AFI or AIFLTD on which no interest is paid during their tenor or on which no interest is due whatsoever (other than Registered Instruments) are subject to the selling restriction set out in the immediately preceding paragraph and, in addition thereto and regardless of their denomination, such Instruments may not, directly or indirectly, as part of their initial distribution or immediately thereafter, be offered, sold, transferred or delivered in, from or into The Netherlands.

The United Kingdom

Each Dealer has represented and agreed that:

(a) *No offer to public:* in relation to Instruments which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date of such Instruments, will not offer or sell any such Instruments to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offer of Securities Regulations 1995;

(b) *No deposit-taking:* in relation to any Instruments which must be redeemed before the first anniversary of the date of their issue:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has offered or sold and will not offer or sell any Instruments other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the relevant Issuer;

(c) *Financial promotion:* it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer; and

(d) *General compliance:* it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Japan

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Instruments, directly or indirectly, in Japan or to, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

The Federal Republic of Germany

Each Dealer has confirmed that it is aware of the fact that no German selling prospectus (*Verkaufsprospekt*) has been or will be published with respect to the Programme and that it will comply with the Securities Selling Prospectus Act (the "SSPA") of the Federal Republic of Germany (*Wertpapier-Verkaufsprospektgesetz*). In particular each Dealer has undertaken not to engage in public offering (*öffentliches Anbieten*) in the Federal Republic of Germany with respect to any Instruments issued under the Programme otherwise than in accordance with the SSPA and any other legislation replacing or supplementing the SSPA and all other applicable laws and regulations.

France

Each of the Dealers and the Issuers has represented and agreed that it has not offered or sold or caused to be offered or sold and will not offer or sell or caused to be offered or sold, directly or indirectly, any Instruments by way of a public offering in the Republic of France (an *appel public à l'épargne* as defined in Article L.411-1 of the French *Code monétaire et financier* (formerly, Article 6 of Ordonnance no.67-833 of September 28, 1967) and that offers and sales of Instruments will be made in the Republic of France in accordance with each Article L.411-2 *et seq.* and Decree no.98-880 dated October 1, 1998 relating to offers to a limited number of investors and/or qualified investors.

In addition, each Dealer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France the Information Memorandum or any other offering material relating to any Instruments issued under the Programme other than to those investors to whom offers and sales of the Instruments may be made as described above.

General

No action has been or will be taken in any country or jurisdiction by any Issuer or the Dealers that would, or is intended to, permit a public offering of Instruments in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed that it will observe all applicable laws and regulations in each country or jurisdiction in or from which it may acquire, offer, sell or deliver Instruments or have in its possession or distribute the Information Memorandum or any other offering material.

Each Dealer has further agreed that it will not directly or indirectly offer, sell or deliver any Instruments or distribute or publish the Information Memorandum or any other offering material in or from any country or jurisdiction except under circumstances that will, in its reasonable belief, result in compliance with any applicable laws and regulations and all offers and sales of Instruments by it will be made on the foregoing terms.

TAXATION

The comments below are of a general nature based on AIFLTD's, AFI's and ACBV's understanding of current law and practice in Guernsey, the United States and The Netherlands respectively. They relate only to the position of persons who are the absolute beneficial owners of the Instruments and Coupons. They may not apply to certain classes of person such as dealers. Prospective holders of the Instruments who are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

Proposed EU Council Directive on taxation of savings income

On December 13, 2001 the Commission of the European Communities published a proposal for a directive with respect to taxation of income from savings in the form of cross-border interest payments within the European Union (the "proposed directive"). The proposed directive would require each member state of the European Union to adopt either a "withholding tax system" or an "information reporting system" in relation to such payments of interest.

Under the proposed directive, all member states except Belgium, Luxembourg and Austria would introduce an information reporting system. This system would require these member states to provide to the tax authorities of other member states of the European Union certain information concerning interest paid to private individuals who are resident in such other member states. The proposed directive provides for a seven-year transitional period during which Belgium, Luxembourg and Austria would be able to levy a withholding tax. Upon expiry of that period, all member states of the European Union would be under the obligation to apply the information reporting system. The paying agent would be required either to provide the information or, during the transitional period, to apply and pay over the withholding tax to its member state of establishment.

If the proposed directive is adopted, which may or may not happen, whether or not in an amended form, it may apply to payments under the Instruments.

Guernsey (in respect of Instruments issued by AIFLTD)

The following is applicable to Instruments issued by AIFLTD only.

The comments below are of a general nature based on AIFLTD's, understanding of current law and practice in Guernsey. They relate only to the position of persons who are the absolute beneficial owners of the Instruments and Coupons. They may not apply to certain classes of person such as dealers. Prospective holders of the Instruments who are in any doubt as to their tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers.

Under present Guernsey income tax laws, provided that Instruments are offered and sold, delivered and paid in accordance with terms of the Fiscal Agency Agreement and the Dealership Agreement, payment by AIFLTD or any Paying Agent of any amounts (whether in respect of principal, redemption amount, interest or otherwise) in respect of any Instruments or Coupon, will be subject to the following taxation treatment in Guernsey:

All payments under the Instruments may be made free of withholding or deduction of, for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by Guernsey or any political subdivision or taxing authority thereof or therein.

Holders of Instruments not resident in the Bailiwick of Guernsey will not be subject to Guernsey income tax on interest received pursuant to the terms of Instruments. Holders of Instruments will not be liable for capital gains tax in Guernsey, in respect of Instruments. No gift, estate or inheritance taxes will arise in Guernsey with respect to an acquisition of Instruments, and a Holder will not be deemed to be resident in Guernsey by reason only of holding Instruments.

No capital duty will be payable on the issue of the Instruments. In the event of the death of a Holder of Instruments, a Guernsey grant of probate or administration may be required in respect of which certain fees will be payable to the Ecclesiastical Registrar in Guernsey.

No sales tax or value added tax or similar transaction tax in Guernsey will arise on the payment of principal, premium and interest on the Instruments.

United States (in respect of Instruments Issued by AFI)

The following is applicable to Instruments issued by AFI only and assumes that such instruments will be treated as indebtedness of AFI for United States federal tax purposes.

Under present United States federal income and estate tax laws, and subject to the discussion of backup withholding below:

(i) provided the Instruments are offered, sold, delivered and paid in accordance with the terms of the Fiscal Agency Agreement and the Dealership Agreement, payment by AFI or any Paying Agent of any amount (whether in respect of principal, redemption amount, interest or otherwise) in respect of any Instrument or Coupon beneficially owned by a United States Alien will not be subject to United States federal withholding tax, provided that, in the case of interest, (a) such beneficial owner is not a controlled foreign corporation related to AFI through stock ownership, (b) such beneficial owner is not the actual or constructive owner of 10 per cent or more of the total combined voting power of all classes of stock of AFI entitled to vote, (c) such beneficial owner is not a bank whose receipt of interest on an Instrument is described in section 881(c)(3)(A) of the U.S. Internal Revenue Code of 1986, (the "U.S. Internal Revenue Code") as amended, (d) in the case of Instruments in registered form, the beneficial owner satisfies the statement requirement (described generally below) set forth in section 871(h) and section 881(c) of the U.S. Internal Revenue Code and the regulations thereunder and (e) such interest is not considered contingent interest under section 871(h)(4)(A) of the U.S. Internal Revenue Code and the regulations thereunder;

(ii) a beneficial owner of an Instrument or Coupon who is a United States Alien generally will not be subject to United States federal withholding tax on any gain realized on a sale or redemption of such Instrument or Coupon; and

(iii) any Instrument or Coupon beneficially owned by an individual who at the time of death is not a citizen or resident of the United States will not be subject to United States federal estate tax provided that, at the time of death, such individual does not actually or constructively own 10 per cent or more of the total combined voting power of all classes of stock of AFI entitled to vote, the Instrument does not provide for any contingent payments, and interest on the Instrument or Coupon was not effectively connected with a United States trade or business conducted by such individual.

To qualify for the exemption from withholding tax in the case of Instruments in registered form, referred to in (i)(d) above, the beneficial owner of such Instrument, or a financial institution holding the Instrument on behalf of such owner, must provide, in accordance with specified procedures, a paying agent of the Issuer with a statement to the effect that the beneficial owner is not a U.S. person. Pursuant to current Treasury regulations, these requirements will be met if (a) the beneficial owner provides his name and address, and certifies, under penalties of perjury, that he is not a U.S. person (which certification may be made on an Internal Revenue Service Form W-8BEN (or successor form)) or (b) the beneficial owner holds the Instruments through certain foreign intermediaries and the certification requirements of applicable U.S. Treasury Regulations are satisfied. Special certification rules apply to certain United States Aliens that are entities rather than individuals.

If a United States Alien cannot satisfy the requirements of the "portfolio interest" exception described in (a) above, payments of premium, if any, and interest made to such United States Alien will be subject to a 30 per cent withholding tax unless the beneficial owner of the Instrument provides the Issuer or its paying agent, as the case may be, with a properly executed (1) Internal Revenue Service Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under the benefit of an applicable tax treaty or (2) Internal Revenue Service Form W-8ECI (or successor form) stating that interest paid on the Instrument is not subject to withholding tax because it is effectively connected with the beneficial owner's conduct of a trade or business in the United States.

If a United States Alien is engaged in a trade or business in the United States and premium, if any, or interest on the Instrument is effectively connected with the conduct of such trade or business, the United States Alien, although exempt from the withholding tax discussed above, will be subject to United States federal income tax on such interest on a net income basis in the same manner as if it were a United States person. In addition, if such United States Alien is a foreign corporation, it may be subject to a branch profits tax equal to 30 per cent (or lesser rate under an applicable tax treaty) of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, such premium, if any, and interest on an Instrument will be included in such foreign corporation's earnings and profits. Any gain realized upon the sale, exchange, retirement or other disposition of an Instrument generally will not be subject to United States federal income tax unless (i) such gain is effectively connected with a trade or business in the United States of the United States Alien, or (ii) in the case of a United States Alien who is an individual, such individual is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met. Special rules may apply to certain United States Aliens, such as "controlled foreign corporations", "passive foreign investment companies", "foreign personal holding companies", corporations that accumulate earnings to avoid United States federal income tax and certain United States expatriates that are subject to special treatment under the U.S. Internal Revenue Code. Such entities should consult their own tax advisors to determine the United State federal, state, local and other tax consequences that may be relevant to them.

Under current United States federal income tax law, certain amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of an obligation, and proceeds of the sale of an obligation, made within the United States are subject to information reporting and possible "backup" withholding. Generally, with respect to an Instrument in registered form, AFI must report annually to the Internal Revenue Service and to the beneficial owner, the amount of interest paid and the amount of tax, if any, withheld with respect to such payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the beneficial owner resides under the provisions of an applicable income tax treaty. Backup withholding does not apply to payments of such amounts to United States Aliens made outside the United States if AFI or a Paying Agent does not have actual knowledge that the payee is not a United States Alien and in the case of Instruments in registered form, the statement described in (i)(d) above has been received. In addition, except as described above, provided the payor does not have actual knowledge that the beneficial owner is a United States person, backup withholding and information reporting will not apply if the amount payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of an Instrument or Coupon is paid or collected by a foreign office of a custodian, nominee or other foreign agent on behalf of the beneficial owner of such Instrument or Coupon or if a foreign office of a broker (as defined in applicable U.S. Treasury regulations) pays the proceeds of the sale of an Instrument or Coupon to the owner thereof. If, however, such nominee, custodian, agent or broker is, for United States federal income tax purposes, a U.S. person, a controlled foreign corporation or a foreign person that derives 50 per cent or more of its gross income for certain periods from the conduct of a United States trade or business, or, a foreign partnership in which one or more United States persons, in the aggregate, own more than 50 per cent of the income or capital interests in the partnership or which is engaged in a trade or business in the United States, such payments made outside the United States will not be subject to backup withholding but will be subject to information reporting unless (1) such custodian, nominee, agent or broker has documentary evidence in its records of the beneficial owner's non-United States status and certain other conditions are met or (2) the beneficial owner otherwise establishes an exemption. Amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of an Instrument or Coupon paid to the beneficial owner of an Instrument or Coupon by a United States office of a custodian, nominee or agent, or the payment by the United States office of a broker of the proceeds of sale of an Instrument or Coupon will be subject to both backup withholding and information reporting unless (1) the beneficial owner provides the statement referred to in (i)(d) above and the payor does not have actual knowledge that the beneficial owner is not a United States Alien or (2) the beneficial owner otherwise establishes an exemption.

The term "United States Alien" means a beneficial owner of an Instrument that is not (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to federal income taxation regardless of its source or (iv) a trust if it (x) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (y) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The Netherlands (in respect only of Instruments issued by ACBV; "ACBV Instruments")

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, the ownership and disposition of ACBV Instruments. It does not discuss every aspect of taxation that may be relevant to a particular holder of ACBV Instruments under special circumstances or who is subject to special treatment under applicable law.

The laws upon which this summary is based are subject to change, perhaps with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect changes in laws. This summary is based on the tax laws of the Netherlands as they are in force and in effect on the date of this Information Memorandum. It assumes that each transaction with respect to ACBV Instruments is at arm's length.

This is a general summary and the tax consequences as described here may not apply to a holder of ACBV Instruments. A holder of ACBV Instruments should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of ACBV Instruments in his particular circumstances.

Withholding tax

All payments of principal and interest under ACBV Instruments may be made free of any Dutch withholding tax, provided that ACBV Instruments will not be issued under such terms and conditions that the ACBV Instruments actually function as equity of ACBV.

Taxes on income and capital gains

This section "Taxes on income and capital gains" applies to a holder of ACBV Instruments who is neither resident nor deemed to be resident in the Netherlands for Dutch tax purposes and, in the case of an individual, has not elected to be treated as a resident of the Netherlands for Dutch tax purposes (a "Non-Resident holder of ACBV Instruments").

Individuals

A Non-Resident holder of ACBV Instruments who is an individual will not be subject to any Dutch taxes on income or capital gains in respect of any benefit of any benefit derived or deemed to be derived from ACBV Instruments, including any payment under the ACBV Instruments and any gain realized on the disposal of ACBV Instruments, provided that both of the following conditions are satisfied.

1. If he derives profits from an enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise, other than as an entrepreneur or a shareholder, which enterprise is either managed in the Netherlands or, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands as the case may be, his ACBV Instruments are not attributable to such enterprise.
2. He does not derive benefits from ACBV Instruments that are taxable as benefits from miscellaneous activities in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*).

Benefits derived from ACBV Instruments by a Non-Resident holder of ACBV Instruments who is an individual and who meets condition 1 above will be taxable as benefits from miscellaneous activities in the Netherlands if he has a Relevant Substantial Interest (as defined below) in ACBV.

Furthermore, a Non-Resident holder of ACBV Instruments who is an individual may, *inter alia*, derive benefits from ACBV Instruments that are taxable as benefits from miscellaneous activities in the following circumstances, if such activities are performed or deemed to be performed in the Netherlands:

(a) if his investment activities go beyond the activities of an active portfolio investor, for instance in case of the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or

(b) if he makes ACBV Instruments available or is deemed to make ACBV Instruments available, legally or in fact, directly or indirectly, to a Connected Person (as defined below) or to a partnership or other form of association in which a Connected Person participates, to the extent that such ACBV Instruments are used for the purpose of deriving taxable profits from an enterprise or for the purpose of generating taxable benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*); or

(c) if he makes ACBV Instruments available or is deemed to make ACBV Instruments available, legally or in fact, directly or indirectly, to a company the capital of which is wholly or partly divided into shares in which he has a Relevant Substantial Interest (as defined below) or to a partnership or other form of association in which a company in which he has a Relevant Substantial Interest participates.

An individual has a Relevant Substantial Interest in a company if either he — alone or together with his partner (*partner*), if any, — or a person, if any, who is a Connected Person in relation to such individual, has, directly or indirectly, the ownership of shares representing 5 per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of such company, or rights to acquire, directly or indirectly, shares, whether or not already issued, that represent 5 per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of such company or the ownership of profit participating certificates (*winstbewijzen*) that relate to 5 per cent or more of the annual profit of such company or to 5 per cent or more of the liquidation proceeds of such company.

For purposes of the above; (i) a holder of ACBV Instruments who is only entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and his entitlement to benefits is considered a share or profit participating certificate, as the case may be; (ii) a unit of a fund for joint account (*fonds voor gemene rekening*) is deemed to be a share of a company; and (iii) a membership interest in, or an equivalent right to the net assets of a co-operative society (*coöperatie*) or an association on a co-operative basis (*vereniging op coöperatieve grondslag*) is deemed to be a profit participating certificate of a company, which interest or equivalent right shall constitute a Relevant Substantial Interest if it represents at least 5 per cent of the voting rights in such co-operative society or association on a co-operative basis.

The following individuals are Connected Persons in relation to a holder of ACBV Instruments who is an individual:

(a) his partner;

(b) a person who in the presence of a notary has entered into a cohabitation agreement (*samenlevingscontract*) with him;

(c) a person who has been registered as his partner for the application of a pension plan (*pensioenregeling*);

(d) a person who lives together with him in premises that are for both of them an owner-occupied residence (*eigen woning*) and who is liable or jointly liable for a debt for which the premises have been mortgaged;

(e) a person who has been registered with him for more than six months in the population register (*basisadministratie persoonsgegevens*) at the same residential address and who has or had the possibility to elect to be treated as a partner (save certain exceptional cases); and

(f) minor children (including foster-children) of his, and those of his partner or of a person described in (b) up to an including (e) above.

Entities

A Non-Resident holder of ACBV Instruments other than an individual will not be subject to any Dutch taxes on income or capital gains in respect of any payment under the ACBV Instruments or in respect of any gain realized on the disposal of ACBV Instruments, provided that (a) if such Non-Resident holder of ACBV Instruments derives profits from an enterprise that is either managed in the Netherlands or, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or as a holder of securities), the ACBV Instruments are not attributable to such enterprise, and (b) such Non-Resident holder of ACBV Instruments does not have a Substantial Interest (*aanmerkelijk belang*) (as defined below) in ACBV.

A person other than an individual has a Substantial Interest in ACBV (x) if it has a Relevant Substantial Interest in ACBV (as defined above) or (y) if it does not have a Relevant Substantial Interest in ACBV, it has a deemed substantial interest in ACBV. A deemed substantial interest is present if its shares, profit participating certificates or rights to acquire shares or profit participating certificates in ACBV have been acquired by such person or are deemed to be acquired by such person on a non-recognition basis.

Gift and inheritance taxes

A person who acquires ACBV Instruments as a gift, in form or in substance, or who acquires or is deemed to acquire ACBV Instruments on the death of an individual, will not be subject to Dutch gift tax or to Dutch inheritance tax, as the case may be, unless:

(i) the donor or the deceased is resident or deemed to be resident in the Netherlands for purposes of gift or inheritance tax, as the case may be; or

(ii) the ACBV Instruments are or were attributable to an enterprise or part of an enterprise that the donor or the deceased carried on through a permanent establishment or a permanent representative in the Netherlands at the time of the gift or of the death of the deceased; or

(iii) the donor makes a gift of the ACBV Instruments, then becomes a resident or deemed resident of the Netherlands, and dies as a resident or deemed resident of the Netherlands within 180 days after the date of the gift.

If the donor or the deceased is an individual who holds Dutch nationality, he will be deemed to be resident in the Netherlands for purposes of Dutch gift and inheritance taxes if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. If the donor is an individual who does not hold Dutch nationality or an entity, he or it will be deemed to be resident in the Netherlands for purposes of Dutch gift tax if he or it has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Furthermore, in exceptional circumstances, the donor or the deceased will be deemed to be resident in the Netherlands for purposes of Dutch gift and inheritance taxes if the beneficiary of the gift or all beneficiaries under the estate jointly, as the case may be, make an election to that effect.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by a holder of ACBV Instruments in the Netherlands in respect of or in connection with the execution (*ondertekening*), delivery (*overhandiging*) and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of ACBV Instruments or the performance by ACBV of its obligations thereunder or under ACBV Instruments.

GENERAL INFORMATION

1. Instruments issued under the Programme may be submitted for listing on the Luxembourg Stock Exchange. Prior to listing of any Instruments, the certificate of registration of AIFLTD, the articles of association of ACBV and the certificate of incorporation and by-laws of AFI and the legal notice relating to the issue will be registered with the Registrar of the District Court in Luxembourg (Greffier en chef du Tribunal d'Arrondissement de et à Luxembourg), where copies of these documents may be obtained upon request.

2. The establishment of the Programme was authorized by:

(i) in the case of AIFLTD, resolutions of the Board of Managing Directors of AIFLTD adopted on August 10, 1992 and November 24, 1992, and the increase in the authorized amount of the Programme was authorized by a resolution of the Board of Directors of AIFLTD dated September 24, 1999;

(ii) in the case of AFI, a resolution of the Board of Directors of AFI adopted on August 10, 1992, and the increase in the authorized amount of the Programme was authorized by a resolution of the Board of Directors of AFI dated September 24, 1999; and

(iii) in the case of ACBV, a resolution of the Board of Managing Directors of ACBV adopted on August 10, 1992, and the increase in the authorized amount of the Programme was authorized by a resolution of the Board of Directors of ACBV dated September 24, 1999.

3. Neither the Issuers nor ABB Ltd and its subsidiaries taken as a whole are involved in any litigation or arbitration proceedings which, if adversely determined, would be expected to have a material adverse effect on the business of the ABB Group taken as a whole nor, so far as any Issuer is aware, is any such litigation or arbitration pending or threatened.

4. Since December 31, 2001, save as disclosed herein, there has been no material adverse change in the financial position of the relevant Issuer or in the financial position of ABB Ltd and its subsidiaries taken as a whole.

5. Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and International Securities Identification Number, if any, in relation to the Instruments of a particular Tranche and any other clearing system as shall have accepted the relevant Instruments for clearance will be specified in the relevant Pricing Supplement.

6. Settlement arrangements will be agreed between the relevant Issuer, the relevant Dealer and the Fiscal Agent or, as the case may be, the Registrar in relation to each Tranche.

7. Each Temporary Global Instrument, Permanent Global Instrument, Definitive Instrument and Coupon will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code". The following sentence will be added to the legend if so specified in the relevant Pricing Supplement. *"[This Instrument/The Coupon/The Instruments] represented hereby may not be offered, sold or delivered to residents of the United States".*

8. The following documents will be available during usual business hours on any weekday (Saturday and public holidays excepted) for inspection at the specified office of the Paying Agent in Luxembourg:

(i) the Fiscal Agency Agreement;

(ii) the Dealership Agreement;

(iii) the Keep-Well Agreements;

(iv) the Deeds of Covenant;

(v) the articles of association of ACBV, the articles of incorporation of AIFLTD and the certificate of incorporation and by-laws of AFI;

(vi) each Pricing Supplement. In the case of any Instruments in relation to which application has not been made for listing on the Luxembourg Stock Exchange or any other stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (as defined in the relevant Deed of Covenant) in respect of such Instruments;

(vii) any amendment or supplement to this Information Memorandum or further Information Memorandum;

(viii) the most recent publicly available audited financial statements of each Issuer beginning with such financial statements for the years ended December 31, 2000 and December 31, 2001 in respect of AFI, ACBV and AIFLTD;

(ix) the most recent publicly available audited consolidated financial statements of ABB Ltd beginning with such financial statements for the years ended December 31, 2000 and December 31, 2001; and

(x) the most recent publicly available interim unaudited consolidated financial reports of ABB Ltd beginning with such financial reports for the first quarter ended March 31, 2002 which contain comparable figures for the first quarter ended March 31, 2001.

The documents referred to in (vi), (vii), (viii), (ix) and (x) above will be obtainable free of charge.

The documents referred to in (ix) and (x) above will be made available for the sole purpose of providing background information relevant to the Keep-Well Agreements and ABB Ltd and the ABB Group.

None of the Issuers publish interim financial statements.

9. As at the date stated on the front of this Information Memorandum no audited accounts of any Issuer or ABB Ltd have been published in respect of any period subsequent to December 31, 2001.

10. The Luxembourg Stock Exchange has allocated to the Programme the number 2258 for listing purposes.

HEAD OR REGISTERED OFFICE OF THE ISSUERS

ABB International Finance Limited
Suite 3
Weighbridge House
The Pollet
St. Peter Port
Guernsey GY1 1WL
Channel Islands

ABB Capital B.V.
Burgemeester Haspelslaan 65, 5F
1181 Amstelveen
The Netherlands

ABB Finance Inc.
1209 Orange Street
Wilmington, DE 19801
United States of America

DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 5BB
England

Credit Suisse First Boston (Europe) Limited
One Cabot Square
Canary Wharf
London E14 4QA
England

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
England

J.P. Morgan Securities Ltd.
125 London Wall
London EC4Y 5AJ
England

Lehman Brothers International (Europe)
One Broadgate
London EC2M 7HA
England

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
England

Salomon Brothers International Limited
Citigroup Centre
33 Canada Square
London E14 5LB
England

UBS AG, acting through its business group UBS Warburg
1 Finsbury Avenue
London EC2M 2PP
England

FISCAL AGENT AND PRINCIPAL REGISTRAR

Banque Générale du Luxembourg S.A.
50, Avenue J. F. Kennedy
L-2951 Luxembourg

ALTERNATIVE REGISTRAR

JPMorgan Chase Bank
15th Floor
450 West 33rd Street, 15th Floor
New York, N.Y. 10001 2697
United States of America

PAYING AGENT

Banque MeesPierson BGL S.A.
57 Rennweg
CH-8023 Zurich
Switzerland

AUDITORS

To AIFLTD
Ernst & Young LLP
14 New Street
St. Peter Port
Guernsey GY1 4AF
Channel Islands

To ACBV
Ernst & Young Accountants
Marten Meesweg 51
NL-3068 AV Rotterdam
The Netherlands

To AFI
KPMG LLP
757 Third Avenue
New York, N.Y. 10017
United States of America

To ABB Ltd
Ernst & Young AG
Bleicherweg 21
CH-8022 Zurich
Switzerland

LEGAL ADVISERS

to the Issuers
To AIFLTD
As to the Laws of Guernsey
Ozannes
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP
Channel Islands

To AFI
As to the Laws of the United States
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, N.Y. 10017
United States of America

To ACBV
As to the Laws of The Netherlands
Clifford Chance Limited Liability Partnership
Droogbak 1A
1013 GE Amsterdam
The Netherlands

to the Dealers
As to English Law
Clifford Chance Limited Liability Partnership
200 Aldersgate Street
London EC1A 4JJ
England

LISTING AGENT

Banque Générale du Luxembourg S.A.
50, Avenue J. F. Kennedy
L-2951 Luxembourg

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