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2002 results



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Outline

Automation Technologies



- Markets
- Financial results
- Strategy
- Targets
- Conclusions

A stronger, more focused automation business

Automation Technologies

Former Automation BAs

- Control and Force Measurement
- Drives and Power Electronics
- Electrical Machines
- Instrumentation and Metering
- Low-Voltage Products
- Robotics

Former Industries BAs

- Automotive Industries
- Manufacturing, Electronics and Consumer
- Marine and Turbocharging
- Paper, Printing, Metals and Minerals
- Petroleum, Chemical, Life Sciences

New Automation Technologies division

Business Areas with market position

	Drives and Motors	#1
	Control & Enterprise Products	#1
	Low-Voltage & Instruments	#2-3
	Paper, Minerals, Marine, Turbo.	#1
	Robotics, Automotive & Mfg.	#1-2
	Petroleum, Chemical, Consumer	#2-3

- 150 manufacturing, software and application centers
- 56,600 employees

Automation Technologies orders by market - 2002

Automation Technologies

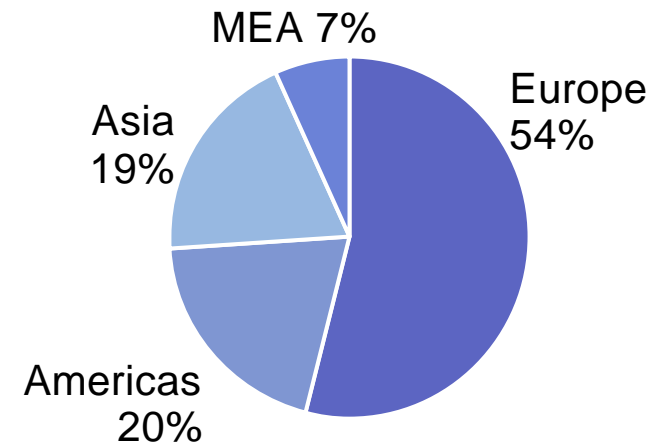
■ All regions up except Americas

- Up 50 percent in Middle East and Africa
- Up 23 percent in Asia
- Up 3 percent in Europe
- Down 9 percent in Americas

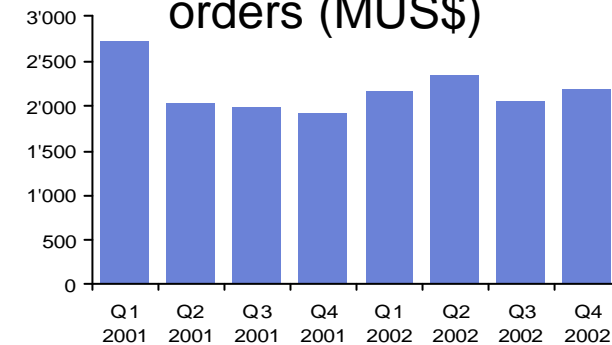
■ Industries up or flat except automotive

- Up 13 percent in chemicals and life sciences
- Up 5 percent in residential construction
- Up 3 percent in general industry
- Flat in marine, minerals and paper
- Down 7 percent in automotive

Orders by destination



Stable quarterly orders (MUS\$)



Fourth quarter highlights



- Orders up 11 percent
 - Former Automation Technology Products and Industries divisions orders both up - showing growth in base products, services, and systems.
 - World's largest paper company awarded US\$ 50 million asset management contract in Asia Pacific
- Revenues up 1 percent
- EBIT up from US\$ 64 million to US\$ 107 million (67%) as productivity programs begin impacting results
 - Base EBIT margins improved from 6.5 percent to 8.8 percent
- Operating cash flow* is greater than EBIT
- Simplified and integrated 11 global businesses into 6

Fourth quarter 2002

Automation Technologies

(MUS\$)	Old AT	Old IN	New AT division*		Change
	2002	2002	2002	2001	
Orders	1,339	1,166	2,177	1,958	+ 11 %
Revenues	1,394	1,339	2,386	2,354	+ 1%
EBIT	91	16	107	64	+ 67%
Base EBIT**	132	78	210	154	+ 36%
Base EBIT margin	9.5%	5.8%	8.8%	6.5%	

- Orders up – simplified customer access to our offering by realigning our core portfolio
- Revenues up – leveraging the value of services to our installed base
- Base EBIT up – productivity plans begin to show effect

* Reflects various adjustments, see appendix.

** Definition of base EBIT, see appendix



2002 full-year highlights



- Orders up 4.6 percent despite weak economy, low industrial investment
 - Service orders up by 13 percent
 - Double-digit growth in China (32%) and India (21%)
- Backlog grew 12 percent, year-over-year
- Revenues flat
- Operating cash flow exceeded target
 - US\$ 678 million in 2002
 - More than 50 percent above EBIT on a two-year cycle
- 8 percent jobs reduction in 2002, 14 percent since June 2001 (18 months)
- Technology leadership in products, services and systems attracts significant external partners

Full-year 2002

Automation Technologies

(MUS\$)	Old AT 2002	Old IN 2002	New AT division* 2002	2001	Change
Orders	5,074	4,614	8,699	8,319	+ 4.6%
Revenues	5,036	4,412	8,482	8,508	- 0.3%
EBIT	373	145	518	515	0.6%
Base EBIT**	444	223	667	682	- 2.2%
Base EBIT margin	8.8%	5.1%	7.9%	8.0%	- 0.1%

- Orders up – actions to align portfolio with customer industries showing positive effects
- Revenues – slight decrease due to low order intake in 2001 and weak U.S. manufacturing sector
- Base EBIT – decreased due to greater R&D costs in control and instrumentation products

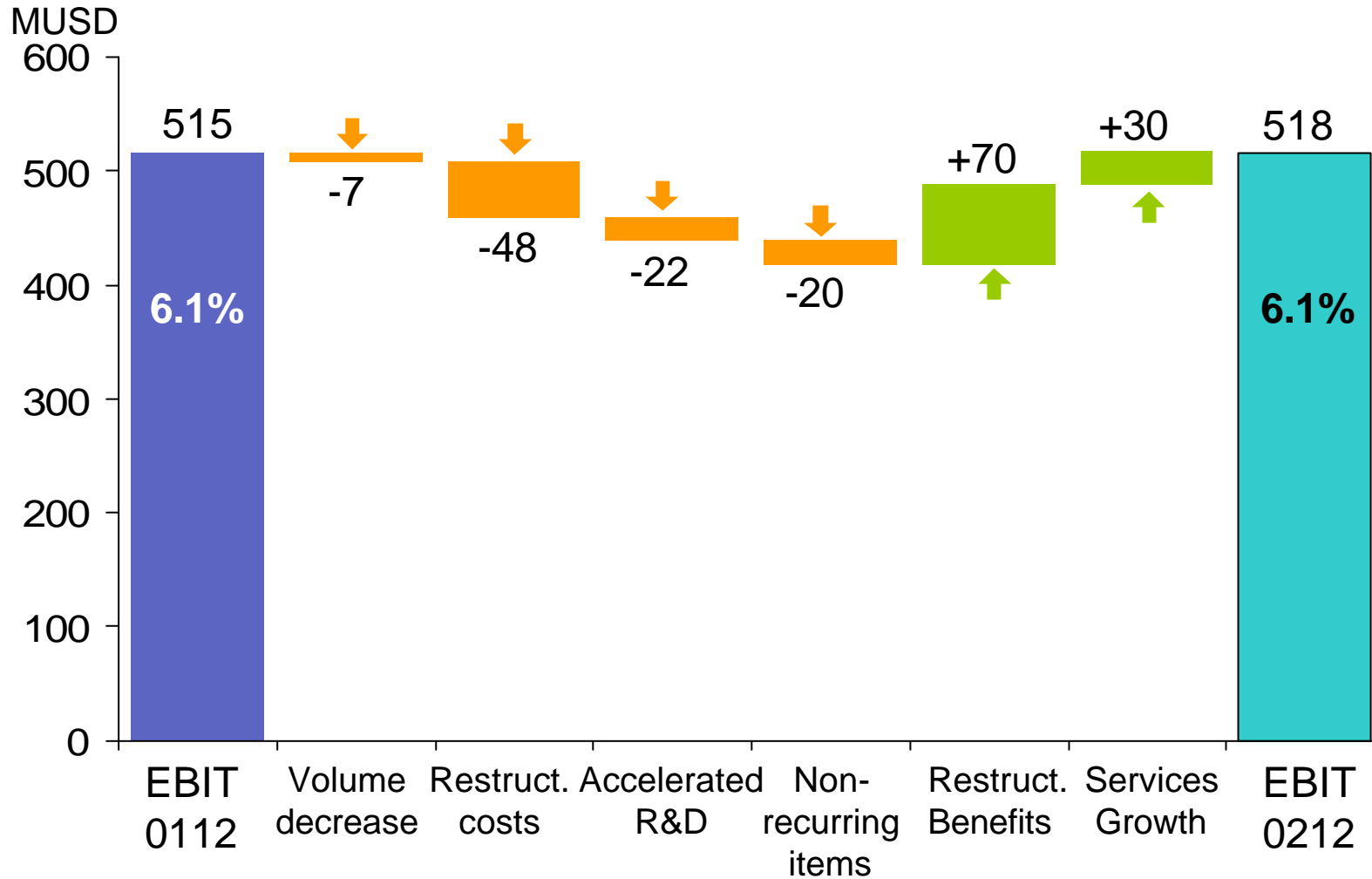
* Reflects various adjustments, see appendix.

** Definition of base EBIT, see appendix



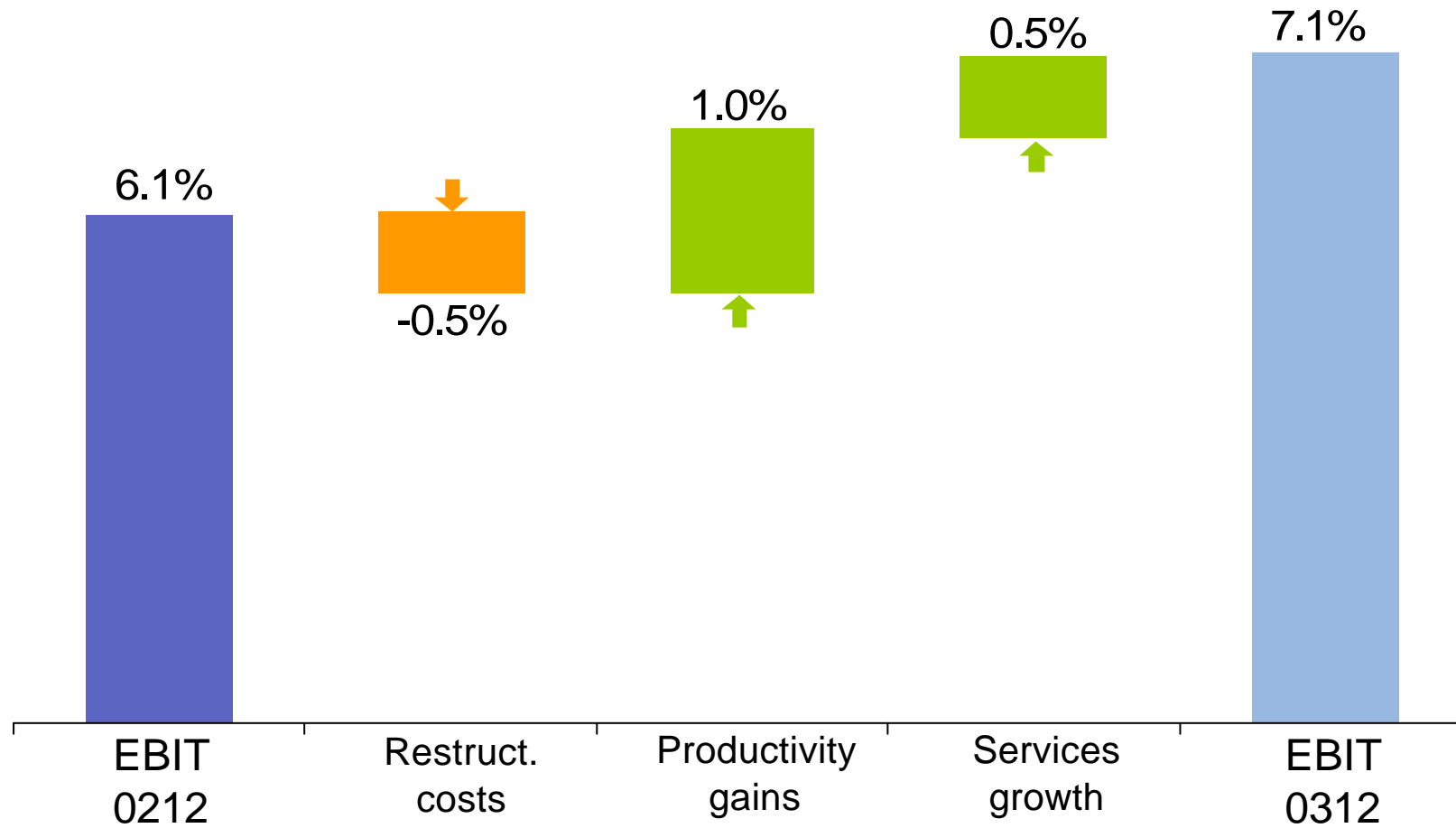
Full-year 2002 EBIT reconciliation

Automation Technologies



2003 EBIT development

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2003 strategic priorities

Automation Technologies

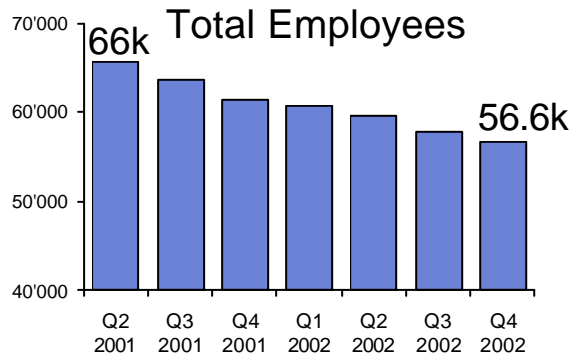
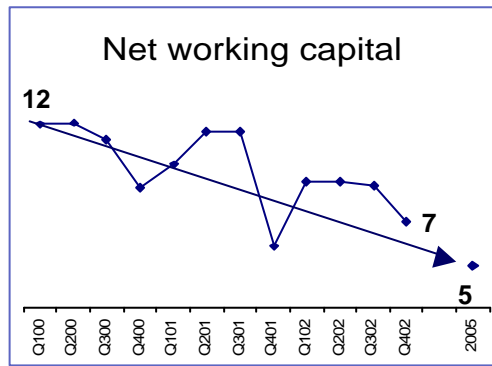
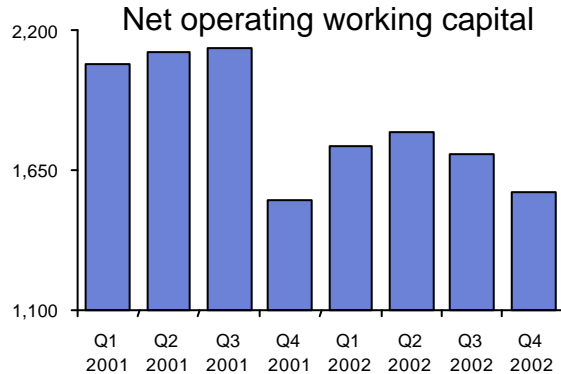
- Continue optimizing the business
 - Reduce cost structure (Step Change)
 - Portfolio (Rationalize overlapping products and processes)
 - Productivity (Fewer focused engineering centers)

- Continue building on a strong base
 - Penetration (Account and channel management)
 - Double-digit service growth

- Continue expansion and innovation
 - Products through Industrial IT
 - Services through performance-based offerings
 - Systems through value-chain penetration



Continued portfolio and productivity focus



■ Productivity

- Capital productivity: Year-over-year average quarterly net operating working capital is down by US\$ 250 million
- Focused factories: closed 3 additional facilities

■ Cash flow management

- Focus on advance payments (~7% of revenues)
- Targeting 2 percentage point net inventory reduction (15% of revenues)
- Targeting 10 percent days sales outstanding reduction (62 days)

■ Portfolio management

- Divested Metering, N-C Marine, Flakt Drying,
- Jobs reduced by 14 percent over last 18 months



Step Change: Implementation under way

A sustainable, 18-month productivity and culture change program to reduce costs by 4 percent of 2002 revenues by June 2004

- Corporate AT cost structure is being slashed by 30 percent globally
- More than 500 bottom-up initiatives approved and under way in design, manufacturing, product management, supply management, and more
- Focused Engineering centers implementation under way, reducing sites from 32 to 10 by end of 2004
- Eliminate over 0.5 million sq. meters of real estate by 4Q 2004

Innovation: A winning product portfolio



Quiet and efficient ABB motors for Hollywood special effects.

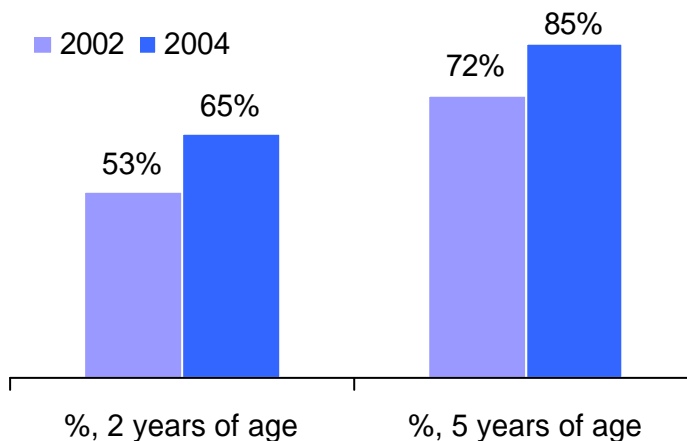


Wireless ABB sensors **reduce costs** for in-plant cabling by 20 percent
WSJ Gold award



JIT drives production: 10,000 possible variants; **cycle time slashed** from days to hours.

Product portfolio



- Hundreds of new products in the pipeline to be introduced in next three years
- Entire product portfolio to be Industrial IT Enabled at higher levels for common platform



Channels: Supporting a robust products business

- Channel partners (wholesalers, distributors, OEM's) account for more than **US\$ 3.5 billion** of division volume
 - Secure revenue stream with low risk profile
 - Lower working capital needs and sales cost
- **Value example: Low-voltage product wholesalers . . .**
 - A **highly efficient** channel for ABB products. Typical lead times 1-3 days. Delivery **reliability** up to 97% through web-based transactions



Driving profitable growth through services

2002 service revenue



2005 service revenue



Double-digit service revenue
and EBIT growth for each of
the last two years



Selling performance and sustainability

- Customer: Carter Holt Harvey (NZ)

“This contract will play an important role in giving the mill a sustainable future.”

*Peter Springford
CEO
Carter Holt Harvey*



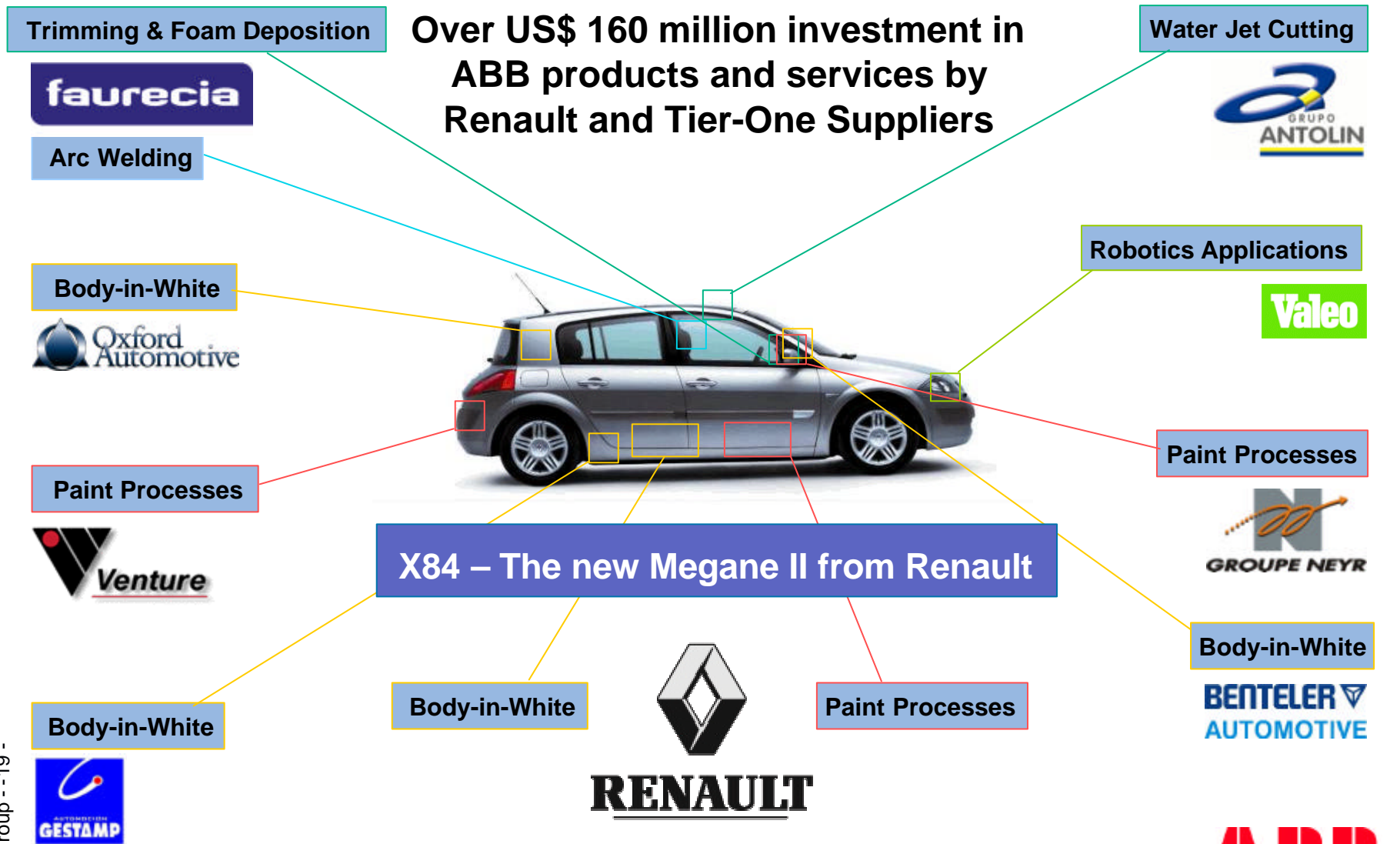
- A subsidiary of world’s largest paper company - International Paper
- Five year, US\$ 50 million agreement for total maintenance (electrical maintenance, spare parts and inventory management)

- Strengthening our global asset management services

- New alliance with EMCOR, world’s largest provider of facility service outsourcing



Solutions: Reaching deeper into the OEM value chain



Our Automotive Tier-One strategy → 37% order growth



Industry leaders come on board for Industrial^{IT}

We put the best heads in the business together for enterprise integration...



Imagine a business where every link in the value chain comes bundled with its own real-time shortcuts for "plug and produce" integration, operation, and lifecycle care. Built-in documentation, configuration and connectivity tools are just the beginning. Secure, object-based process optimization, decision support and collaboration add to the rewards.

Our alliance was built to help you tap the shared vision of the industry's best brains in automation and information: A dynamic portfolio of Industrial IT Enabled solution building blocks from automation and power leader ABB. Proven enterprise systems integration know-how from the world's leading consulting and technology services company, Accenture. Robust computing and networking solutions from Intel, building block supplier to the Internet economy. And Microsoft's agile and mission-critical applications and server platforms based on the .NET architecture.

We're ready to open your eyes to some new ideas for optimizing performance, productivity and asset utilization through Industrial IT agility from shop floor to top floor. Meet us at www.IndustrialITalliance.com for details.

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- Built-in documentation and tools **saving millions of pages** compared to conventional methods
- Built-in web links to **service and complementary products** in every box
- A powerful new alliance among **ABB, Accenture, Intel, Microsoft** for reusable, open solutions
 - Branding power
 - Resources
 - Validation

Customer confidence continues

Products:

- ABB power electronics won every major rectifier/converter contract in 2002

Kestrel (Dubai) – **US\$ 19 million** Aloutte (Canada) – **US\$ 8 million**

Hillside (S.Africa) – **US\$ 7 million** Tomago (Australia) – **US\$ 4 million**

Services:

- International Paper, New Zealand. **US\$ 50 million**, 5-year contract for asset management services
- ENI Group, Italy. **US\$ 82 million**, 4-year contract for asset management services

Solutions:

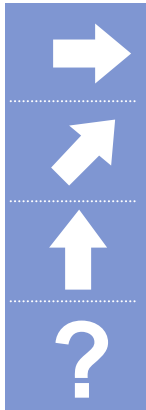
- BP, Azerbaijan. **US\$ 34 million** control and data management for the world's longest oil pipeline
- DaimlerChrysler, U.S. **US\$ 15 million** for power-train automation



Overall outlook flat for 2003

Automation Technologies

■ Regions



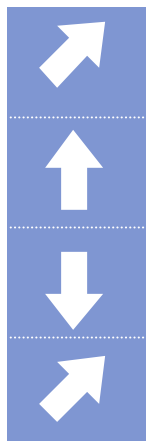
Europe flat

Americas slightly up

Asia continued growth

Middle East and Africa *uncertain*

■ Industries



Automotive

Chemicals and life sciences

Marine, minerals and paper

General industry



Revenue growth and EBIT margin targets

Automation Technologies

	2002A	2003	2005
Revenue growth	-0.3%	3.0%	3.3%*
EBIT margin	6.1%	7.1%	10.7%

EBIT growth in 2003 is more than 20%

* – CAGR 2002-2005



Conclusions

- Weak markets expected to continue through 2003
- New division highly focused on core automation business with simpler and faster organization:
 - Additional 4 percent cost reduction with permanent productivity gains
 - A clear, measurable plan is in place to achieve our targets
- Customer confidence and large orders continue
- Opportunities to expand service and product business through strong installed base, expanded portfolio



A global leader in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact

Automation Technologies pro-forma orders

MUS\$	12/ '02	12/ '01	Q4'02	Q4'01
Reported orders				
Former Automation Technology Products	5,074	4,669	1,339	1,073
Former Industries division	4,614	4,865	1,166	1,071
Elimination of inter-company transactions	-989	-1,215	-328	-186
Pro-forma orders				
New Automation Technologies division	8,699	8,319	2,177	1,958

Automation Technologies pro-forma revenues

MUS\$	12/ '02	12/ '01	Q4'02	Q4'01
Reported revenues				
Former Automation Technology Products	5,035	4,756	1,394	1,196
Former Industries division	4,412	4,995	1,339	1,406
Elimination of inter-company transactions	-965	-1,243	-347	-248
Pro-forma revenues				
New Automation Technologies division	8,482	8,508	2,386	2,354

Automation Technologies pro-forma EBIT

MUS\$	12/ '02	12/ '01	Q4'02	Q4'01
Reported EBIT				
Former Automation Technology Products div.	373	369	91	44
Former Industries division	142	151	16	20
Pro-forma EBIT				
New Automation Technologies division	518	515	107	64



Automation Technologies base EBIT

MUS\$	12/'02	12/'01	Q4'02	Q4'01
Pro-forma EBIT	518	515	107	64
Adjusted for one-time items:				
Restructuring costs	129	81	84	75
Capital gains			-1	-6
Non recurring costs	20	-13	20	-5
Adjusted for non-recurring amortization		99		26
Base EBIT				
New Automation Technologies div.	667	682	210	154



A global leader in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact