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**Q2 2003 results**  
**ABB Power Technologies**



# Safe-harbor statement

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# ABB: World No. 1 in Power Technologies



High Voltage  
Products



Medium Voltage  
Products



Power  
Transformers



Distribution  
Transformers



Utility  
Automation  
Systems



Power  
Systems

- 37,000 employees, 145 plants in more than 70 countries

# Second quarter business highlights

Q2  
2003

- More than US\$ 100 million in orders for new AC transmission technology
- Breakthrough HV gas-insulated switchgear (GIS) order in Russia
- Large power distribution orders for China metro lines
- Inaugurated second Industrial IT factory (Germany)
- Greenfield high-voltage products factory (U.S.)
- Focused Factory on track, platform ready for Focused Engineering

# Second quarter results highlights

Q2  
2003

(MUS\$)	Q2 2003	Q2 2002	Change nominal	Change local curr.
Orders	1924	1809	6%	-3%
Revenues	1939	1786	9%	-2%
EBIT	146	130	12%	5%
EBIT margin	7.5%	7.3%		

- Orders: Product growth in E. Europe, Asia, MEA; systems down vs. strong H1 2002
- Revenues: double-digit growth in Medium-Voltage Equipment, Power Transformers, Asia
- EBIT: Up 12% on continuing operational improvements; margin up to 7.5% despite higher restructuring costs (8.5% before restructuring from 7.6%)
- Net cash from operating activities (CFO): US\$ 229 mill. vs. US\$ -31 mill. mainly from lower working capital

# Asia, Europe offset weakness in Americas

*Nominal revenues by region (destination)*

H1/2002

**Asia Pacific 17%**  
**US\$ 565 mill.**

Middle East/  
Africa  
12%

Latin America  
7%

**North America 25%**  
**US\$ 837 mill.**

**Europe 39%**  
**US\$ 1,282 mill.**

**Revenues: US\$ 3,313 mill.**

H1/2003

**Asia Pacific 23%**  
**US\$ 857 mill.**

Middle East/  
Africa  
12%

Latin America  
4%

**North America 20%**  
**US\$ 760 mill.**

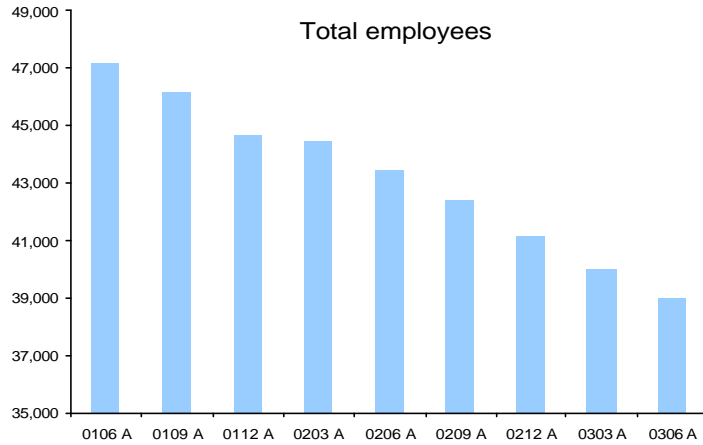
**Europe 41%**  
**US\$ 1,511 mill.**

**Revenues: US\$ 3,723 mill.**

# Step Change cost reduction program 2003

- 498 measures in 43 countries
  - Biggest savings in CH, DE, SE, US
- Major cost savings include:
  - Supply chain management
  - Restructuring payback (reduced personnel cost)
  - Overhead cost reduction
- Realized cost savings January-June: US\$ 106 mill.
- Expected cost savings 2003: more than US\$ 200 mill.
- EBIT improvement 2003: more than US\$ 100 mill. (net of US\$ 75 mill. restructuring costs)
- Target to eliminate cost equal to 4% of revenues by June 2004

# Productivity, job reductions









## 12-months achievements:

- Productivity up 8% based on value added
- Jobs reduced by 11% (scope adjusted)

## Restructuring scenario 2003-2004

- Anticipated restructuring: up to 1% of revenues p.a.
- Average payback: 18 months
- Target: 7-8% productivity improvement p.a.

# Build on strong market leadership

<i>Business Area</i>	<i>Market share</i>	<i>ABB market position</i>
 <p>High voltage products</p>	<b>18%</b>	<b>No.1</b> Larger than No. 2 (Siemens) and No. 3 (Alstom) together
 <p>Medium voltage products</p>	<b>14%</b>	<b>No.1</b> No. 2 (Schneider) follows with 9%
 <p>Power Transformers</p>	<b>23%</b>	<b>No.1</b> Double the size of No. 2 (Alstom)
 <p>Distribution Transformers</p>	<b>14%</b>	<b>No.1</b> Larger than No. 2 (Howard) and No. 3 (Schneider) together
 <p>Utility Automation Systems</p>	<b>18%</b>	<b>No.1</b> No. 2 (Siemens) follows with 13%, No. 3 (Alstom) with 7%
 <p>Power Systems</p>	<b>17%</b>	<b>No.1</b> Larger than No. 2 (Alstom) and No. 3 (Siemens) together

# Market prospects for rest of 2003

- **Europe:** Mixed, growth in east
- **N. America:** Weak U.S. seen higher towards end of H2
- ↗ **Latin America:** Slightly higher, esp. in large infrastructure projects
- ↑ **Asia:** Continued strong growth, led by China, India
- ↗ **Middle East, Africa:** Continued growth

- ↗ **Utilities:** Driven by Asia, other emerging markets
- **Industries:** In line with slow growth in W. Europe, U.S.
- ↗ **EPCs:** Mainly in emerging markets
- ↗ **OEMs:** Signs of recovery in all regions

# Priorities 2003

- Continue to reduce costs, lift productivity
- Continue to implement Focused Factories plus Focused Engineering to increase speed and efficiency
- Capitalize on #1 market position, complete portfolio, balanced geographic scope
- Deliver on 2003 targets



A leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impacts.