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Chief financial officer



Annual report 2002

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ABB

Safe-harbor statement

This presentation includes forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. These statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for ABB Ltd and ABB Ltd's lines of business. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects," "believes," "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are major markets for abb's businesses, market acceptance of new products and services, changes in governmental regulations, interest rates, and fluctuation in currency exchange rates. Although ABB Ltd believes that its expectations reflected in any such forward looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Key points



- ✍ Audited figures for 2002
 - ✍ No significant changes to year-end press release
- ✍ Increased disclosure for greater transparency
 - ✍ Annual report reflects 20F standards

Audited figures for 2002

Differences in the annual report vs. year-end press release

- ✍ EBIT increased by 58 MUS\$
 - ✍ Re-reporting of Swedish Export Credit Corp. increased Other income in 2002 and lowered Other income in 2001

- ✍ Income from continuing operations increased by 31 MUS\$
 - ✍ Higher provisions for taxes and net earnings neutral reclassification of interest expense

- ✍ Loss from discontinuing operations decreased by 27 MUS\$
 - ✍ Mainly caused by an additional provision for Oil, Gas & Petrochemicals

Net loss decreased by 4 MUS\$



Audited figures for 2002

Differences in the annual report vs. year-end press release

- ✍ Changes in income statement are consequently reflected in balance sheet and cash flow
- ✍ Operating cash flow was impacted by reclassification of non-cash pension item of 107 MUS\$
- ✍ Pension underfunding for 2002 increased by 100 MUS\$ to 1.9 BUS\$ mainly due to currency impacts

Increased disclosure for greater transparency

- ✍ Commitments and Contingencies section (note 17)
 - ✍ Reflects new disclosure requirements for FIN 45
 - ✍ Provides further information on asbestos settlement

- ✍ Goodwill and other intangible assets section (note 12)
 - ✍ Shows changes in carrying amount of goodwill by division
 - ✍ Break down of intangible assets in software and other

- ✍ Credit facility section (note 14)
 - ✍ Allows better understanding of mechanics of facility
 - ✍ Provides additional information on covenants and pledged assets

Increased disclosure for greater transparency

- ✍ Corporate Governance section fully addresses
 - ✍ Individual compensation and shareholding of members of board of directors and executive committee, and those who resigned
 - ✍ Performance alignment in 2002 for executive committee

- ✍ Introduction of lead director
 - ✍ Newly created position with coordinating role on board
 - ✍ Lead director will act as counselor to chairman

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Appendix: Income statement

	2002 PR	2002 AR	2001 PR	restated 2001 AR
Revenues	18'295	18'295	19'382	19'382
Cost of sales	(13'769)	(13'769)	(14'910)	(14'877)
Gross Profit	4'526	4'526	4'472	4'505
Selling, general and administrative expenses	(4'033)	(4'033)	(3'993)	(3'993)
Amortization expense	(41)	(41)	(195)	(195)
Other income (expense), net	(116)	(58)	(105)	(160)
Earnings before interest and taxes	336	394	179	157
Interest and dividend income	193	193	414	381
Interest and other finance expense	(322)	(336)	(604)	(604)
Income (loss) from continuing operations before taxes and minority interest	207	251	(11)	(66)
Provision for taxes	(70)	(83)	(80)	(63)
Minority interest	(71)	(71)	(36)	(36)
Income (loss) from continuing operations	66	97	(127)	(165)
Loss from discontinuing operations, net of tax	(853)	(880)	(501)	(501)
Cumulative effect of change in accounting principles, net of tax	-	-	(63)	(63)

PR = press release, AR= annual report



Appendix: Balance Sheet

	2002 PR	2002 AR	2001 PR	restated 2001 AR
Cash and cash equivalents	2'478	2'478	2'442	2'442
Marketable securities	2'212	2'135	2'924	2'924
Receivables, net	7'197	7'175	6'692	6'692
Inventories, net	2'377	2'377	2'568	2'568
Prepaid expenses and other	2'694	2'695	2'122	2'122
Assets in discontinued operations	3'095	3'095	5'912	5'912
Total current assets	20'053	19'955	22'660	22'660
Financing receivables, non-current	1'802	1'802	2'086	2'086
Property, plant and equipment, net	2'792	2'792	2'753	2'753
Goodwill	2'321	2'321	2'188	2'188
Other intangible assets, net	591	591	587	587
Prepaid pensions and other related benefits		557		387
Investment and other	1'990 *	1'515	2'070 *	1'644
Total assets	29'549	29'533	32'344	32'305
Accounts payable, trade	2'961	2'961	2'506	2'506
Accounts payable, other	2'195	2'174	2'517	2'517
Short-term borrowings and current maturities of long-term borrowings	2'576	2'576	4'701	4'701
Accrued liabilities and other	8'352	8'319	7'100	7'100
Liabilities in discontinued operations	2'295	2'384	3'342	3'342
Total current liabilities	18'379	18'414	20'166	20'166
Long-term borrowings	5'376	5'376	5'003	5'003
Pension and other related benefits	1'659	1'659	1'617	1'617
Deferred taxes	1'179	1'166	1'049	1'049
Other liabilities	1'647	1'647	2'280	2'280
Total liabilities	28'240	28'262	30'115	30'115
Minority interest	257	258	215	215
Stockholders' equity:				
Capital stock and paid in capital	2'027	2'027	2'028	2'028
Retained earnings	2'648	2'614	3'435	3'397
Accumulated other comprehensive loss	(1'873)	(1'878)	(1'699)	(1'700)
Less: Treasury stock at cost	(1'750)	(1'750)	(1'750)	(1'750)
Total stockholders' equity	1'052	1'013	2'014	1'975
Total liabilities and stockholders' equity	29'549	29'533	32'344	32'305

PR = press release, AR= annual report

* Includes prepaid pensions and other related benefits



Appendix: Cash flow

	2002 PR	2002 AR	2001 PR	2001 AR
Operating activities				
Net income/(loss)	(787)	(783)	(691)	(729)
Adjustments:				
Depreciation and amortization	611	611	787	787
Provisions	(188)	(131)	1'146	1'146
Pension and post-retirement benefits	144	37	1	1
Deferred taxes	(121)	(140)	(89)	(89)
Net gain on sale of property, plant and equipment	(23)	(23)	(23)	(23)
Loss on sale of discontinued operation	-	194	-	-
Other	71	(164)	121	135
Changes in operating assets and liabilities:				
Marketable securities (trading)	498	498	72	72
Trade receivables	605	627	65	65
Inventories	367	367	(106)	(106)
Trade payables	79	79	736	736
Other assets and liabilities, net	(1'130)	(1'153)	(36)	(12)
Net cash provided by operating activities	126	19	1'983	1'983
Investing activities				
Changes in financing receivables	13	264	(907)	(907)
Purchase of marketable securities (other than trading)	(4'184)	(4'377)	(3'280)	(3'280)
Purchase of property, plant and equipment	(602)	(602)	(761)	(761)
Acquisition of business (net of cash acquired)	(144)	(144)	(578)	(578)
Proceeds from sales of marketable securities (other than trading)	4'332	4'525	3'873	3'873
Proceeds from sales of property, plant and equipment	476	476	152	152
Proceeds from sales of business (net of cash disposed)	2'583	2'509	283	283
Net cash provided by (used in) investing activities	2'474	2'651	(1'218)	(1'218)
Financing Activities				
Changes in borrowings with maturities of 90 days or less	(2'815) *	(1'677)	2'639 *	(69)
Increases in other borrowings		9'050		9'357
Repayment of other borrowings		(10'188)		(6'649)
Treasury and capital stock transaction			(1'393)	(1'393)
Dividends paid			(502)	(502)
Other	73	3	(67)	(67)
Net cash provided by (used in) financing activities	(2'742)	(2'812)	677	677
Effects of exchange rate changes on cash and cash equivalents	141	141	(72)	(72)
Adjustment for the net change in cash and equivalents in discontinued operations	37	37	(172)	(172)
Net change in cash and equivalents-continuing operations	36	36	1'198	1'198

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* Includes also increases in other borrowings and repayments of other borrowings

