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**2004 Q4 and full-year  
results**

**Automation Technologies**



# Safe-harbor statement

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# Outline

- Market review and financial results
- Strategy and Outlook 2005



# 2004 Q4 and full-year developments

## Fourth quarter

- Strong base order growth, offset by reduced large orders
- All key financial metrics higher than Q4 03
- US Robotics orders up 38%
- Released version 4.0 System 800xA adding integrated safety capability – Awarded best product of 2004 by *Control Engineering* magazine
- Strong cash from operations due to higher earnings and improved working capital management

## Full year

- Orders up significantly in North America, helped by large robotics orders
- System 800xA orders up double-digit
- Revenues and EBIT up in all businesses
- Continued strong revenue and earnings growth in China and India
- 15% revenue growth with EBIT margin up 1.6 percentage points to 9.3%
- 39% growth in EBIT: EBIT and Cash from Operations both > 1 BUSD



# Q4 business overview: Growth in all BAs



## Automation Products

- Increase in orders in all regions
- China demand grew across all major product groups
- 20% revenue growth led by drives, machines, motors and power electronics



## Process Automation

- Base order growth offset by reduced large orders
- Revenue growth in oil and gas, chem/pharma and products
- 50% increase in Asian revenues



## Manufacturing Automation

- Business area orders are up 30%, Asia up almost 70%
- Growth in North American automotive market
- European market still flat
- Revenues up slightly

# 2004 Q4 summary - Automation Technologies

US\$ millions	Q4 2004	Q4 2003	Change Nominal	Change Local
Orders	2,722	2,570	6%	-2%
Revenues	3,168	2,684	18%	10%
EBIT	281*	218	29%	
EBIT Margin	8.9%	8.1%		
Restructuring	(38)	(58)		
Cash flow from operations	529	526		

- 5% Orders increase in local currency with the exclusion of one time large order \$173M booked in Q403
- Strong earnings improvement from higher volumes and lower cost base, reflecting successful Operational Excellence programs
- US, China and India recorded most improved EBIT margins
- Inventory cycle was reduced by 8 days in the quarter

\* Includes \$22 million non-recurring cost to streamline operations



# Full-year business overview



## Automation Products

- 40% increase in earnings and 40% increase in Cash from Operations
- 21% increase in Orders. Growth in all regions
- 17% increase in Revenue. Growth driven by drives, motors and machines



## Process Automation

- 55% increase in Earnings and 47% increase in Cash from Operations
- 11% increase in Orders. Development from both base and large orders
- 13% increase in revenue. Growth driven regionally by Asia and oil & gas



## Manufacturing Automation

- 38% increase in Earnings due to Operational Excellence initiatives
- 23% increase in Orders
- Revenues only up slightly due to low order backlog entering 2004

# 2004 FY summary – Automation Technologies

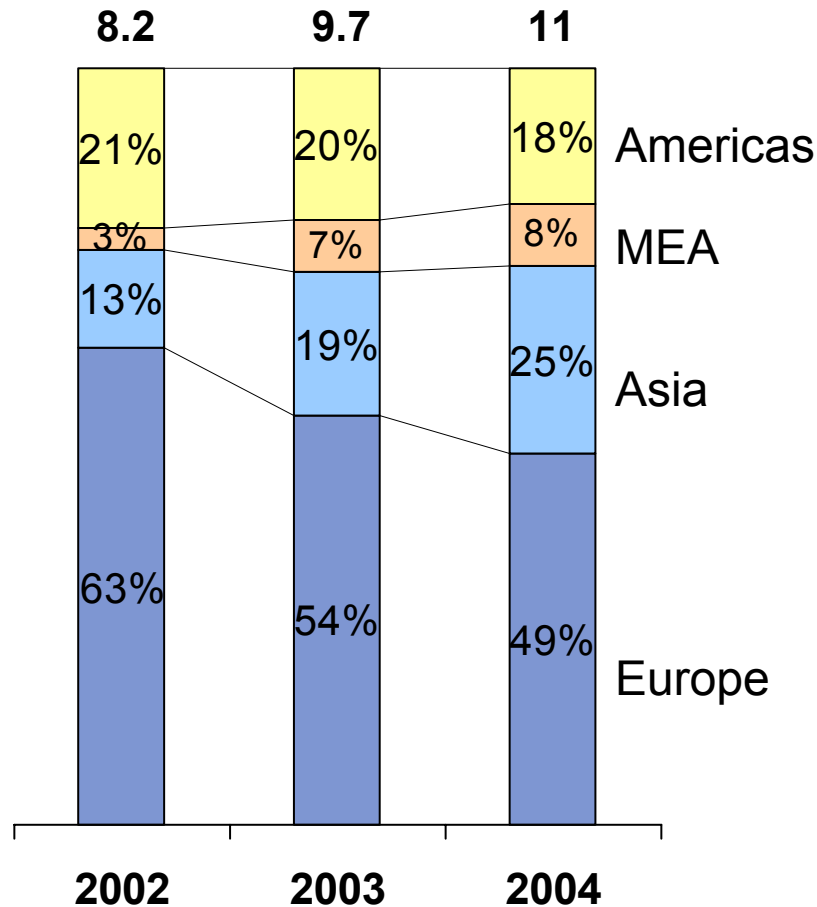
US\$ millions	2004	2003	Change Nominal	Change Local
Orders	11,334	9,691	17%	9%
Revenues	11,030	9,628	15%	7%
EBIT	1,027	738	39%	
EBIT Margin	9.3%	7.7%		
Restructuring	(72)	(139)		
Cash flow from operations	1,090	814		

- Strong earnings improvement reflected successful Operational Excellence programs and push for higher gross margins
- Significant improvements in EBIT margins in most major countries
- Cash flow from operations fueled by higher earnings and improved working capital management
- Third party overdues were reduced significantly and inventory cycle reduced 8 days

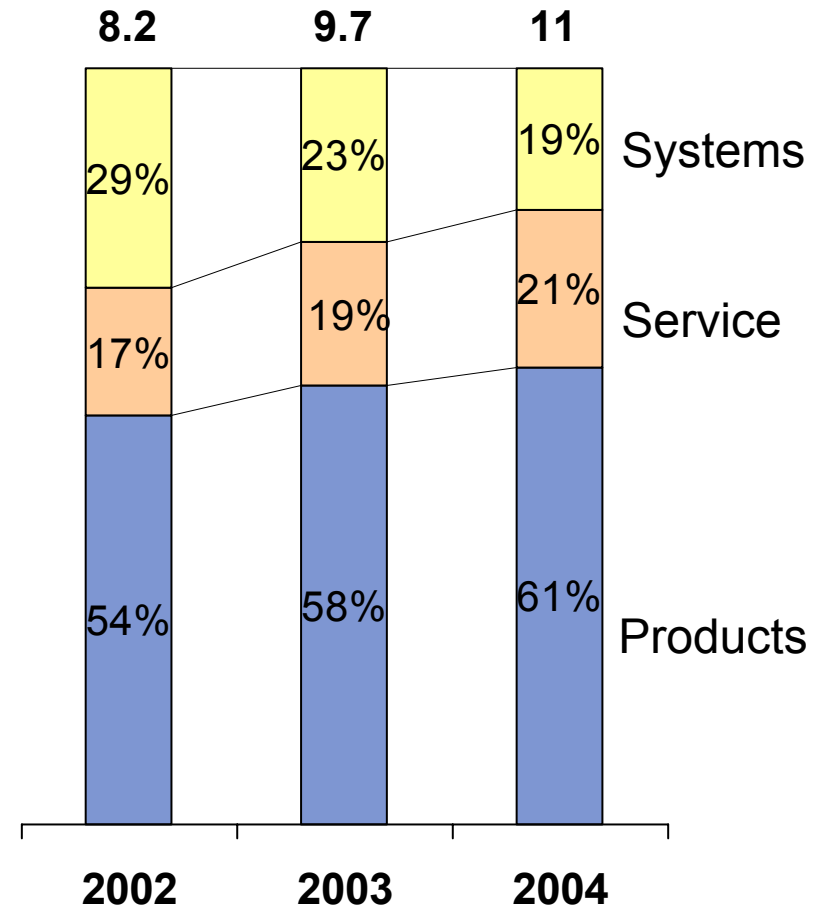


# Revenue by region and offering

## Estimate by region, \$Billions



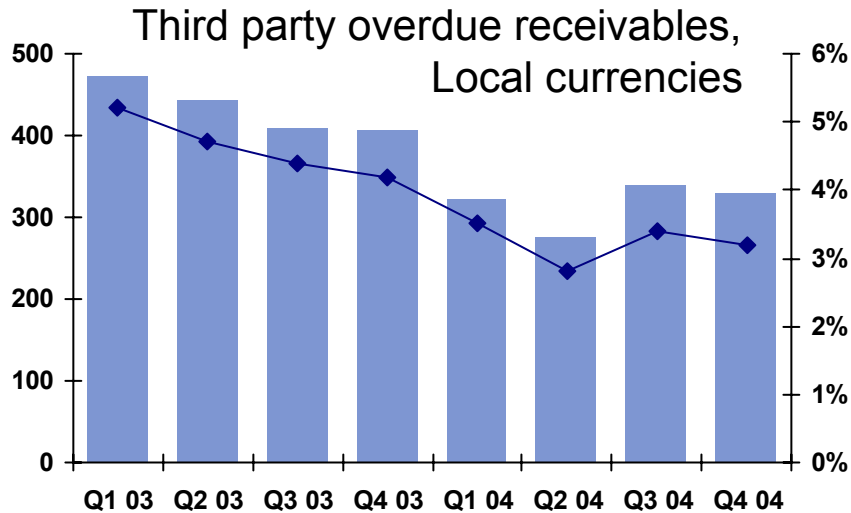
## Offerings, \$Billions



Portfolio mix development and strategic geographic growth is per the business plan finalized in 4Q02



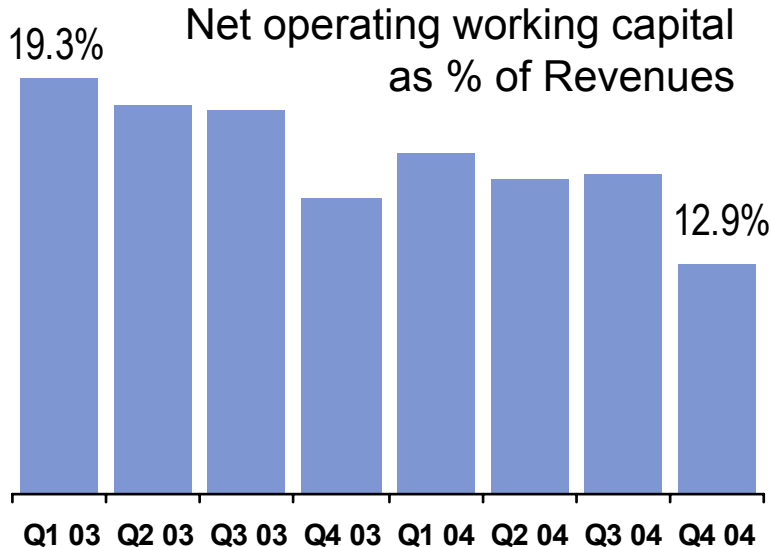
# Operational Excellence – working capital



- Third party overdue receivables down:
  - 19% during 2004, freeing up \$76M
  - 30% during 2 years, freeing up \$143M

■ Overdues (MUSD) ◆ Overdues as % of Revenues

- Inventory turnover improved, cut 8 days year-on-year



- Rolling four-quarter net operating working capital down by \$163 million in local currencies, or 1.6% of revenues



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# Update on strategic initiatives

- Continued Operational Excellence, leading to productivity gains, cost migration, and a simplified management structure
  - Over \$200 million in P&L effective savings in 2004
  - 12 new factories are being opened in emerging countries
  - 11 existing factories are being expanded in emerging countries
  - Global Engineering Center in India
  - Cranes Center of Excellence in China
  - Robotics R&D Center in China
- Leverage installed base
  - 2004 service revenues continue strong growth
  - System 800xA orders up double digit
- Turned loss-making businesses profitable: Instrumentation, LV Systems
- Executed regional strategies in Asia and Americas
  - >20% order growth in the Americas and Asia

# Market expectations for 2005

## Regions

- **W. Europe:** Modest growth across most customer segments; automotive to remain flat
- **E. Europe:** Continued strong growth
- **Americas:** Higher demand seen in most sectors in North America; strong growth in Latin America
- **Asia:** In China and India, strong demand continues in most sectors, although some slowdown compared to 2004 growth rate
- **Middle East and Africa:** Growth, especially in minerals and chemicals

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## Business Areas

- **Automation Products:** Steady demand improvement across most industries; building industry remains sluggish in Europe
- **Process Automation:** Strongest sectors will be Marine, Minerals, Chemicals, and Pharmaceuticals; Oil & Gas to remain on current high level; Pulp & Paper still flat
- **Manufacturing Automation:** U.S. and Asia automotive to maintain momentum, little improvement seen in Europe



# Revenue growth and EBIT margin targets\*

## Automation Technologies

	2003	2004	Target 2005
Revenue growth <i>(local)</i>	2.8%	6.6%	3.3%**
EBIT margin <i>(nominal)</i>	7.7%	9.3%	10.7%

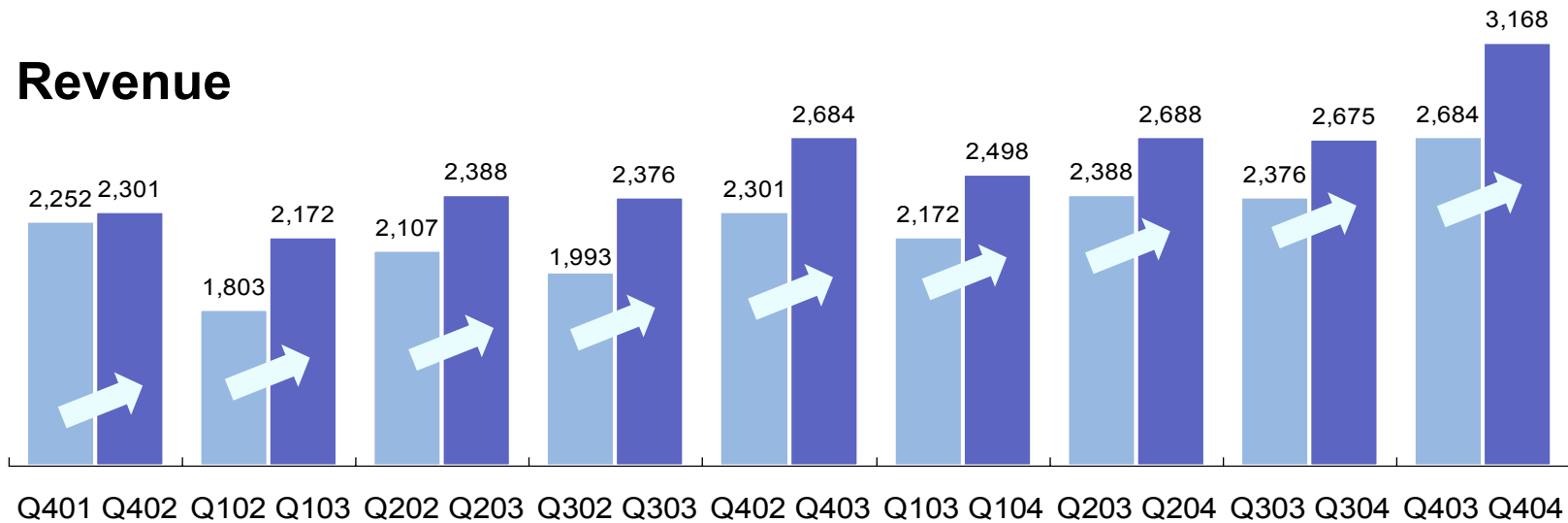
\* Targets exclude major acquisitions, divestments and business closures.

\*\* Compound annual growth rate 2002-2005

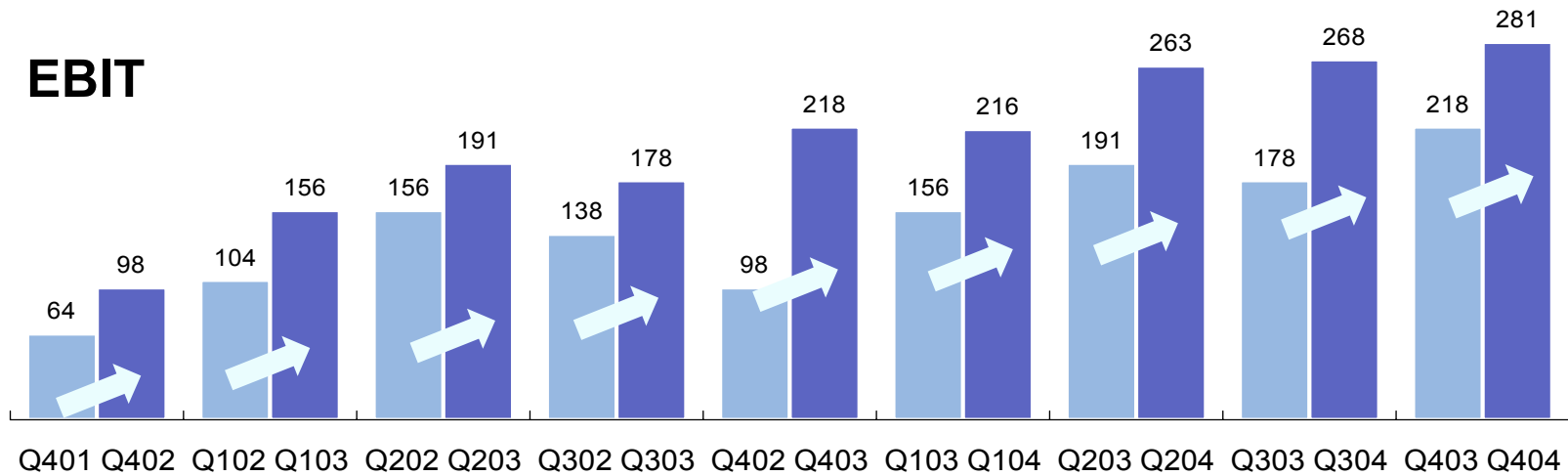


# Validating our strategy across nine straight quarters

## Revenue



## EBIT



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