# 2004 first quarter results

29 April 2004

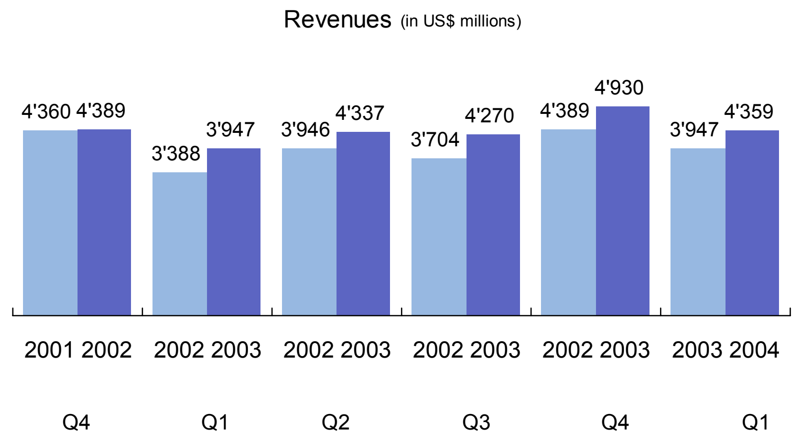
ABB

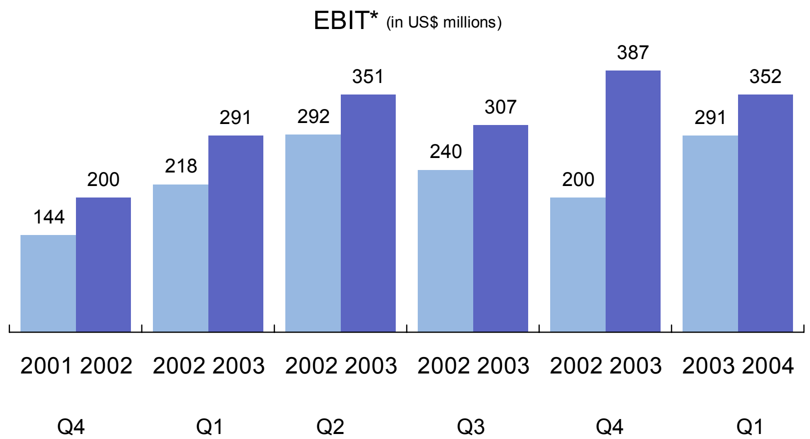
# Safe-harbor statement

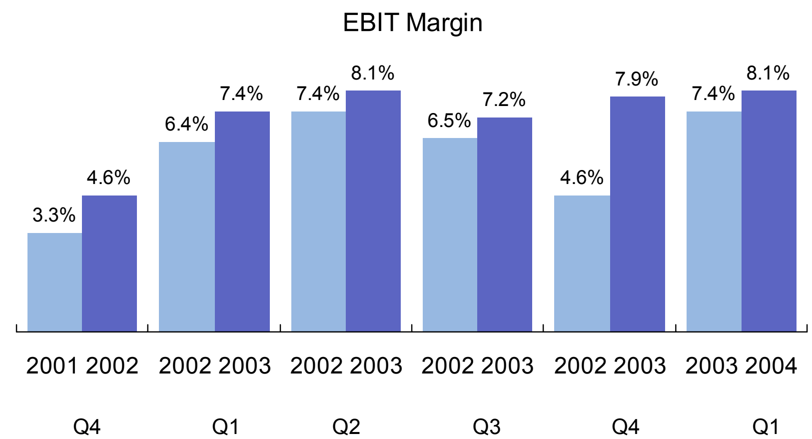
This presentation includes forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. These statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions 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.

# Continuing improvements in core divisions

*Automation Technologies and Power Technologies divisions*




* EBIT: Earnings before interest and taxes

# ABB Group – Q1 2004 highlights

- Core Divisions advance further *
  - Orders up 20%
  - Revenues up 10%
  - EBIT** up 21%
  - Positive Cash flow from operating activities of $26 million (negative $193 million in Q1 2003)
- Cost reduction program Step change near completion
  - Net cost savings of approx. $240 million realized
  - Job reduction of ~1’100 employees
  - Restructuring costs $18 million
- Debt reduction program on track
  - Combination of cancellation of maturing securities and some buy-backs
- Gearing down to 67% from 70% at year-end

* in US$      ** EBIT: Earnings before interest and taxes

# Power Technologies – Q1 2004 highlights

- Orders up 17%*
  - Continued strong growth in Asia,eastern Europe; modest growth in western Europe, North America; Middle East down (large orders in 2003); Latin America still burdened by financial, political uncertainty
  - Double digit growth in High- and Medium-Voltage Products, Transformers and Utility Automation (large Russian order); Power Systems slightly up (lack of large orders offset by strong base orders)
- Revenues up 5%*
  - Double digit growth in High- and Medium-Voltage Products and Transformers; higher in Utility Automation and lower in Power Systems (on weak orders intake from late 2002, first half of 2003)
- EBIT** up 2%
  - $139 million vs. $136 million, despite higher restructuring charges
- EBIT margin slightly down to 7.5% from 7.7%
- Cash flow improved to $(71) million from $(119) million

* in US$ ** EBIT: Earnings before interest and taxes

# Automation Technologies – Q1 2004 highlights

- Orders up 24%*
  - Asia up strongly again (China and India +50%): higher demand in both eastern and western Europe; flat in North America (signs of recovery continue from Q4 2003)
  - Automation Products, Process Automation with double-digit growth; Manufacturing Automation flat (US, European automotive sector still weak)
  - Growth in both base and large orders
- Revenues up 15%*
  - Automation Products main driver; Process Automation and Manufacturing Automation also up in dollar terms
- EBIT** up 37%
  - $ 213 versus $155 million
- EBIT margin up to 8.5% from 7.1%
- Positive cash flow of $97 million vs. $(74) million

* in US$ ** EBIT: Earnings before interest and taxes

# EBIT* - Overview

| (US$ million) | Q1 2004 | Q1 2003** |
|---|---|---|
| Power Technologies | 139 | 136 |
| Automation Technologies | 213 | 155 |
| Core businesses | 352 | 291 |
| Non-core Activities | (2) | (55) |
| Corporate | (117) | (141) |
| Group EBIT | 233 | 95 |
| *Group EBIT Margin* | *5.3%* | *2.2%* |

** reclassified

- Continued improvement of core divisions' EBIT in Q1
- Reduced losses in Non-core and Corporate activities

* EBIT: Earnings before interest and taxes

# EBIT*- Non-core activities

| (US$ million) | Q1 2004 | Q1 2003** |
|---|---|---|
| Equity Ventures | 22 | 22 |
| Remaining Structured Finance | (9) | (37) |
| Building Systems | (17) | (33) |
| New Ventures | 0 | (2) |
| Other | 2 | (5) |
| Non-core EBIT | (2) | (55) |

** reclassified

- Q1 comment
  - Building Systems – reduced losses due to operational improvements in Germany
  - Equity Ventures – Stable income pattern from remaining eight ventures
  - Remaining Structured Finance – mainly transaction costs related to 2003 divestments



* EBIT: Earnings before interest and taxes

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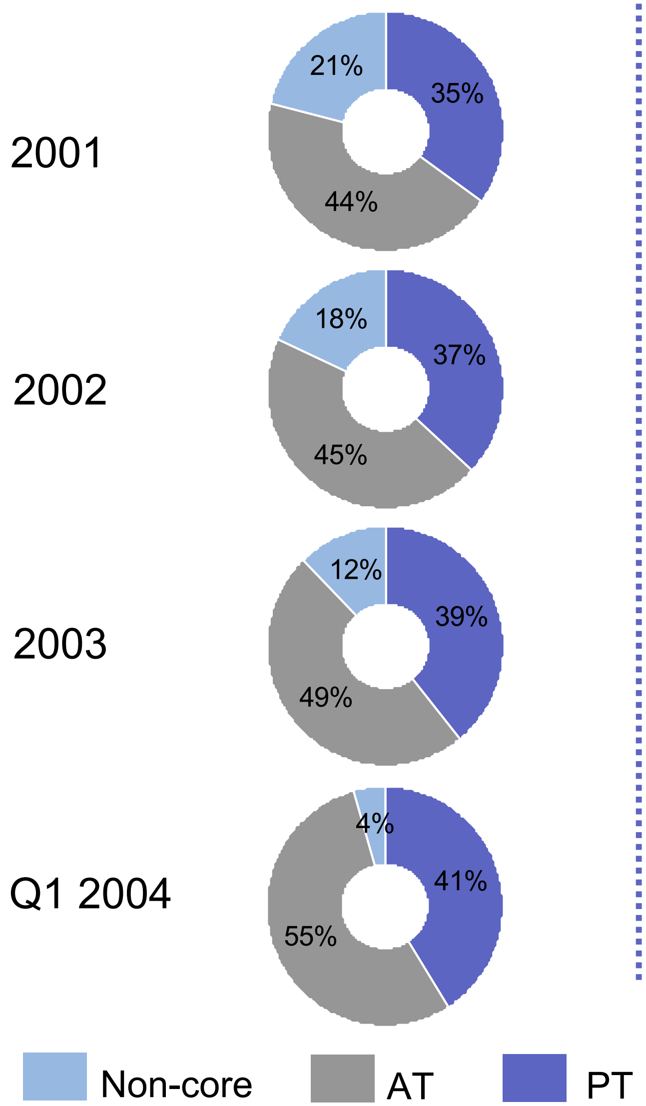
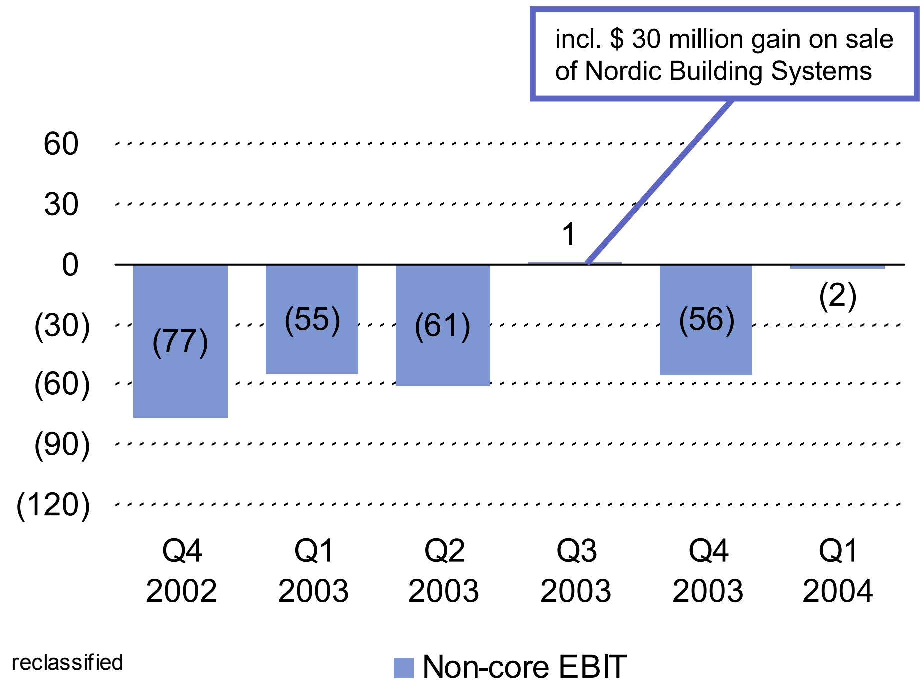
# Distortions from Non-core declining

*% of revenues**




*EBIT** $ millions*






* Non-consolidated

** EBIT: Earnings before interest and taxes

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# EBIT* - Corporate

| (US$ million) | Q1 2004 | Q1 2003** |
|---|---|---|
| Headquarters / Stewardship | (99) | (114) |
| Research & Development | (21) | (21) |
| Other *** | 3 | (6) |
| Corporate EBIT | (117) | (141) |

* reclassified

** includes consolidation, Real Estate and Treasury Services

- Q1 comment
  - Lower personnel-related cost in the US head office (Headquarters / Stewardship), cessation of proprietary trading and associated costs in Treasury Services (other)

** EBIT: Earnings before interest and taxes

# Discontinued Operations – Net income impact

| (US$ million) | Q1 2004 | Q1 2003* |
|---|---|---|
| Insurance | (30) | (8) |
| Asbestos | (27) | 4 |
| Oil, Gas and Petrochemicals | (17) | (12) |
| Other | (2) | 1 |
| Loss from discontinued operations | (76) | (15) |

* reclassified

- Q1 comment
  - Insurance – loss reflects a currency translation adjustment (CTA) on equity value of the business
  - Oil, Gas and Petrochemicals – break even on EBIT line; net loss mainly due to costs associated with compliance review and transaction costs on planned upstream divestment
  - Asbestos – Mark-to-market adjustment of some 30 million ABB shares reserved for contribution to Asbestos PI trust

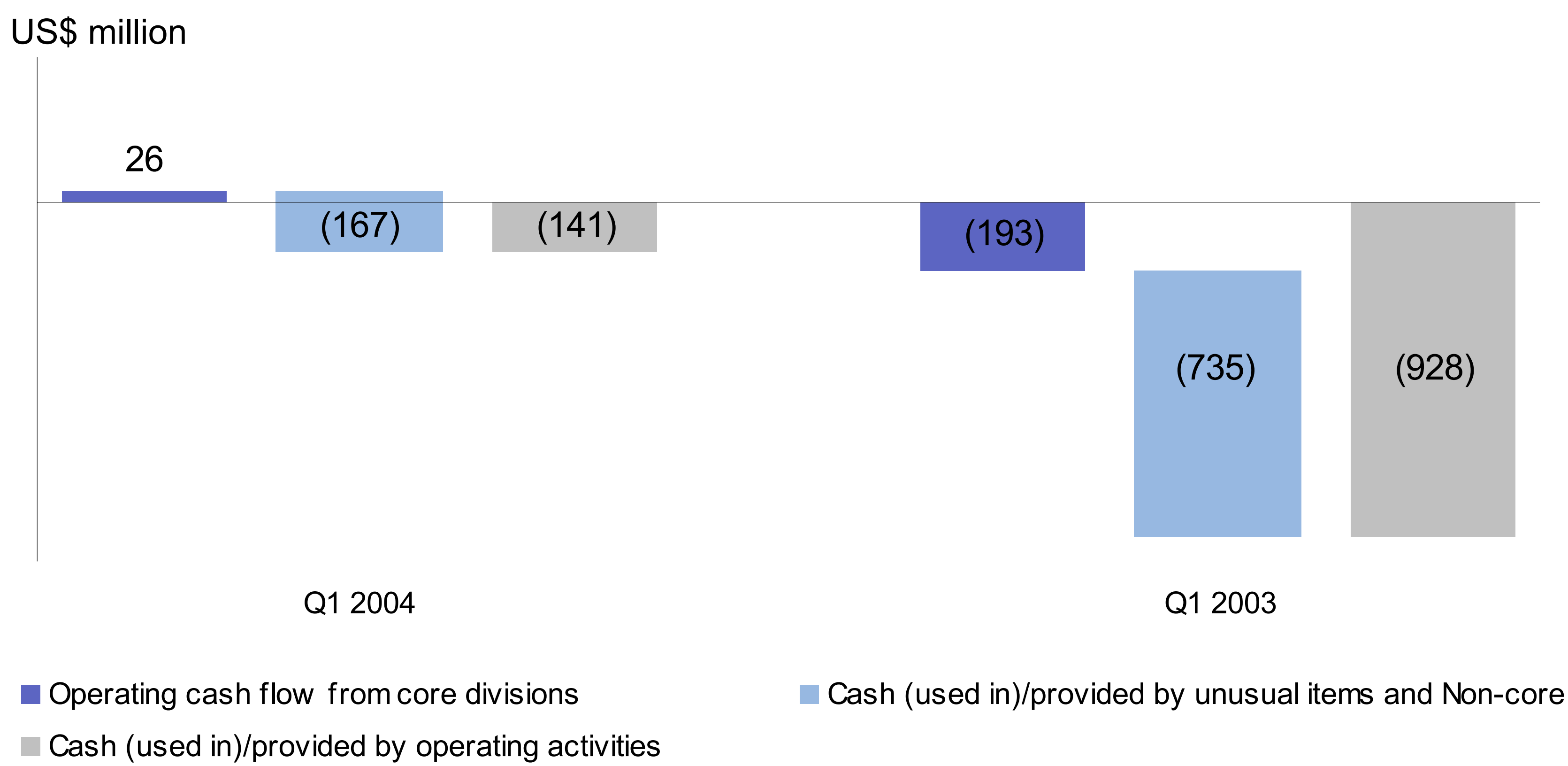
# ABB Group – key figures

| $ million | Q1 2004 | Q1 2003* |
|---|---|---|
| EBIT | 233 | 95 |
| Finance net | (76) | (125) |
| Income / (loss) from Continuing operations | 80 | (30) |
| Loss from Discontinuing operations | (76) | (15) |
| Net income / (loss) | 4 | (45) |

* reclassified

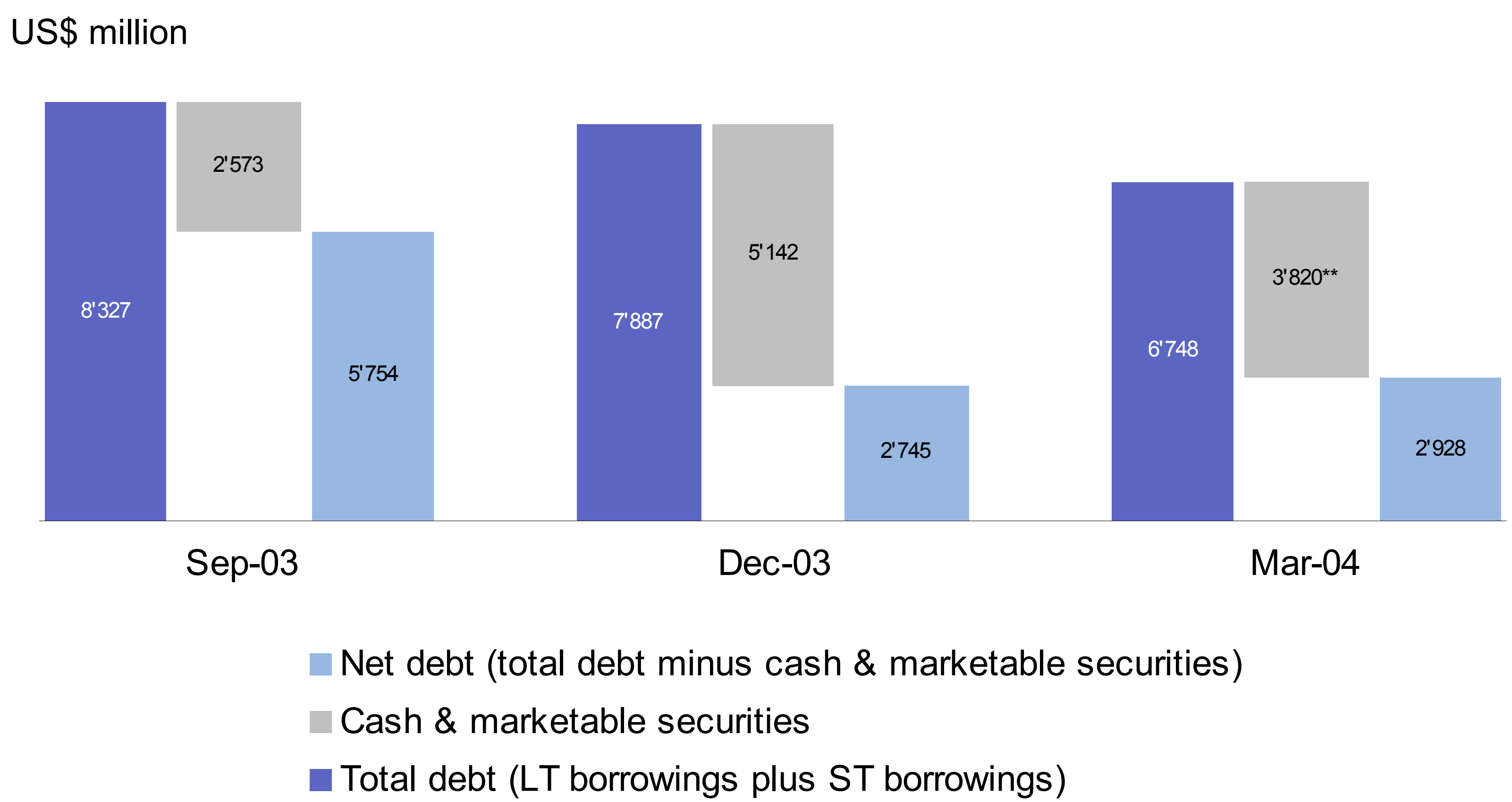
- Q1 comments
  - Finance net improvement mainly reflects lower financing cost; non-recurrence of $30 million securities write-down in Q1 2003

# Cash flow from operating activities




Further decrease in quarterly cash flow volatility in core divisions leads to positive result in historically negative first quarter

# Net debt and gearing development



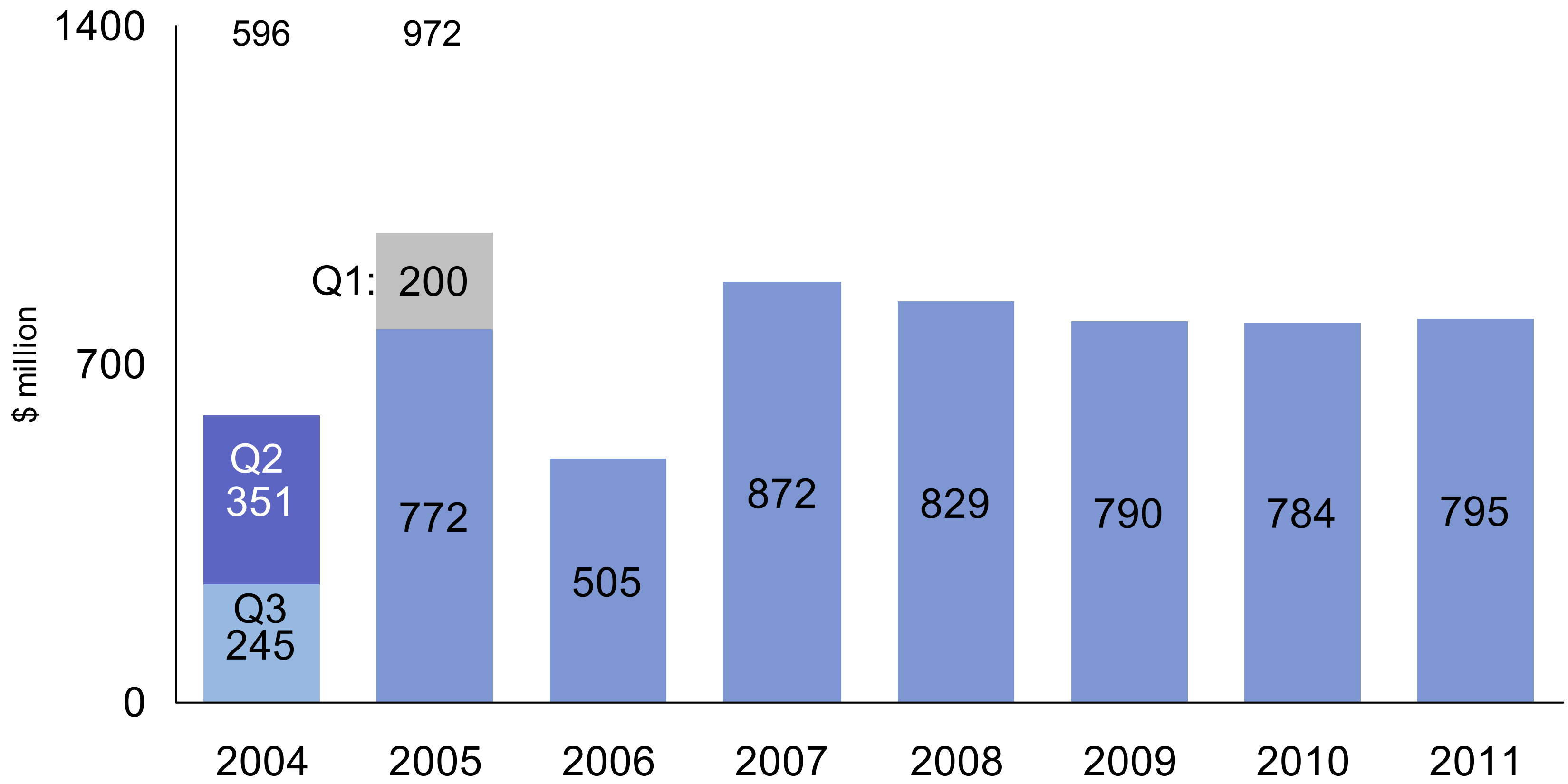

| Gearing* | | |
|---|---|---|
| September 2003 | December 2003 | March 2004 |
| 87% | 70% | 67% |

* Total debt/(total debt plus equity incl. minorities)

** excluding divestment proceeds of some $430 million from sale of insurance activities (received in April 2004)

# Maturity profile of debt securities (as of March 31, 2004)

Total debt securities of approx. $6.1 billion




Based on March 31, 2004 FX rates

# Update on asbestos

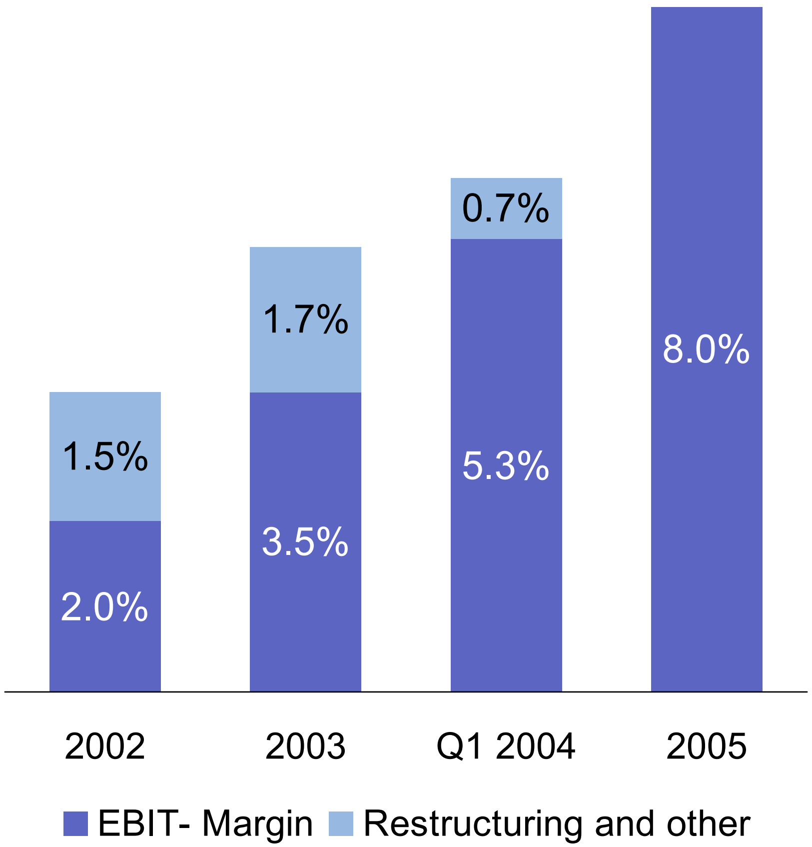
- Solution of asbestos issue through CE Plan of Reorganization
  - Total plan value approx. $1.2 billion*
  - Liability fully provisioned in ABB's balance sheet*
- Progress so far
  - Plan approved by Delaware Bankruptcy Court on July 10, 2003
  - Confirmation by District Court on August 8, 2003
  - 3rd Circuit Court of Appeals hearing scheduled for June 3, 2004
- Confident that plan will be confirmed

*excluding contingent liability of $100 million (NPV of $50 million booked to P&L in Q3 2003) and mark to market effect on shares to be contributed

# Priorities for 2004

- Continue operational excellence focus in core divisions
- Finalize remaining Step change measures
- Progress further in divestment program
  - close OGP upstream sale by mid-year 2004
- Close the asbestos issue
- Continue to reduce total debt
- Stabilize quarterly cash flow further

# On track to reach Group margin target 2005




Expectations for 2004

- Continued market growth
  - Asia, Middle East, eastern Europe robust; North America, western Europe to pick-up, especially in H2
- Operational excellence key focus
  - Complete Step change
  - Reduce Non-core impact
- Progress in divestments
- Ongoing improvement in profitability

- Group margin target 2005 confirmed

# ABB 2005 outlook

| | 2005E | | |
|---|---|---|---|
| | Group | AT | PT |
| Revenue Growth* (local currencies) | 4.0% | 3.3% | 5.3% |
| EBIT Margin (nominal) | 8.0% | 10.7% | 10.0% |

- Revenue growth and EBIT margin targets for 2005 reaffirmed
  - Large order development in Power Technologies during 2004 is key for growth target
- 2005 total debt target unchanged at $4 billion, gearing of 50%

Excluding major acquisitions/divestments and business closures

*Annual average growth rate 2002 - 2005

Back-up

# ABB Group – Key figures

| $ million | Q1 2004 | Q1 2003* |
|---|---|---|
| Orders | 5'379 | 4'929 |
| Revenues | 4'356 | 4'317 |
| EBIT (earnings before interest and taxes) | 233 | 95 |
| Finance net | (76) | (125) |
| Discontinued operations | (76) | (15) |
| Net income / (loss) | 4 | (45) |
| Cash flow from operating activities | (141) | (928) |
| | 31 Mar 04 | 31 Dec 03 |
| Cash & marketable securities ** | 3'820 | 5'142 |
| Total debt (LT borrowings plus ST borrowings) | 6'748 | 7'887 |
| Net debt (total debt minus cash & marketable securities) | 2'928 | 2'745 |
| Gearing (total debt / total debt plus equity incl. minorities) | 67% | 70% |

* reclassified

** excluding insurance activities

# Cash Flow from operating activities

| $ million | | Q1 2004 | | Q1 2003 |
|---|---|---|---|---|
| *Cash-effective earnings* | 144 | | (353) | |
| *Marketable securities* | 41 | | 46 | |
| *Net operating working capital* | (326) | | (621) | |
| Net cash used in operating activities | | (141) | | (928) |
| *Combustion Engineering* | (21) | | (226) | |
| *Discontinued operations (OGP)* | (57) | | (253) | |
| *Non-core activities* | 64 | | (176) | |
| *Other* | (153) | | (80) | |
| Cash used in unusual items and Non Core | | (167) | | (735) |
| Cash flow from operating activities of core divisions | | 26 | | (193) |

Further decrease in quarterly cash flow volatility in Core activities leads to positive result in historically negative first quarter

# Divestment program well advanced (as of April 2004)

## Divested in 2003

- Aircraft and car leasing portfolio ~$110 million (VIE)
- Building Systems ~$230 million
- Stake in Swedish Export Credit Corp. ~$150 million
- Shares in Sinopec ~$80 million
- Two Equity Ventures in Australia ~$90 million

## Divested in 2004

- Building Systems Switzerland
- Insurance for ~$430 million (April 2004)

Cash proceeds*:
~$1'650 million

## Signed

- Oil, Gas and Petrochemicals
  - Upstream sales agreement signed for $925 million (plus $50 million earn-out)

Overall divestment program yields proceeds of over $2 billion

## Still to come

- Building Systems in Germany

* including ~$600 million from sales out of the remaining Structured Finance leasing and other financial portfolios, machinery and real estate



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# Step change program

- Q1 2004 development
  - Net cost savings of approx. $240 million realized
  - Restructuring costs $18 million
  - Job reduction of ~1’100 employees
- Achievement since Q4 2002
  - Annualized cost savings of approx. $820 million realized
  - Restructuring costs of $331million
  - Job reduction of ~8’800 employees
- Overall Step change expectations
  - Realization of full $900 million in savings per 2005
  - Total restructuring costs of Step change significantly lower than originally anticipated $500 million



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# Restructuring Charges – EBIT* impact

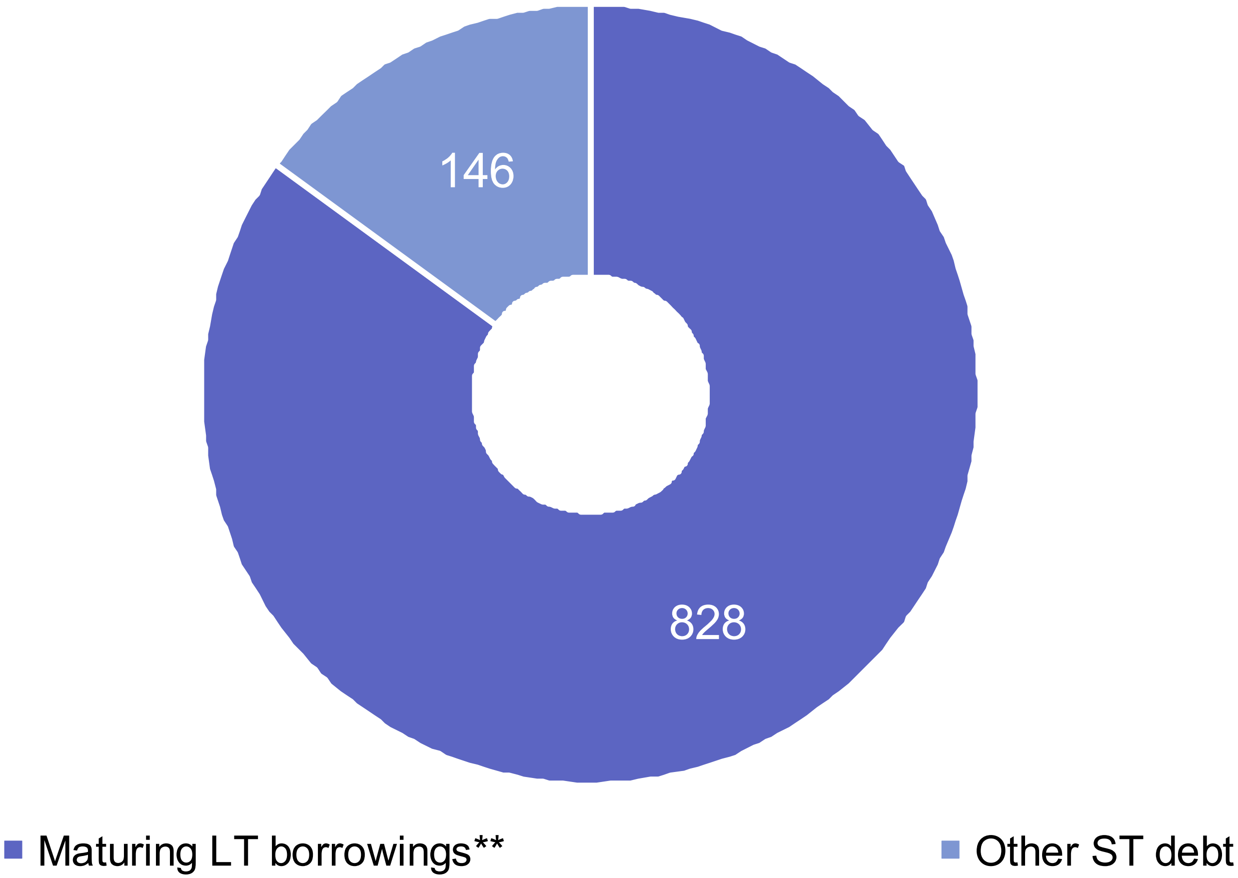
| $ million | Q1 2004 | Q1 2003** |
|---|---|---|
| Power Technologies | (17) | (11) |
| Automation Technologies | (9) | (16) |
| Core businesses | (26) | (27) |
| Non-core activities | (3) | (2) |
| Corporate | (3) | (4) |
| Group | (32) | (33) |

* Earnings before interest and taxes

** reclassified

# Composition of short-term debt * (as of March 31, 2004)

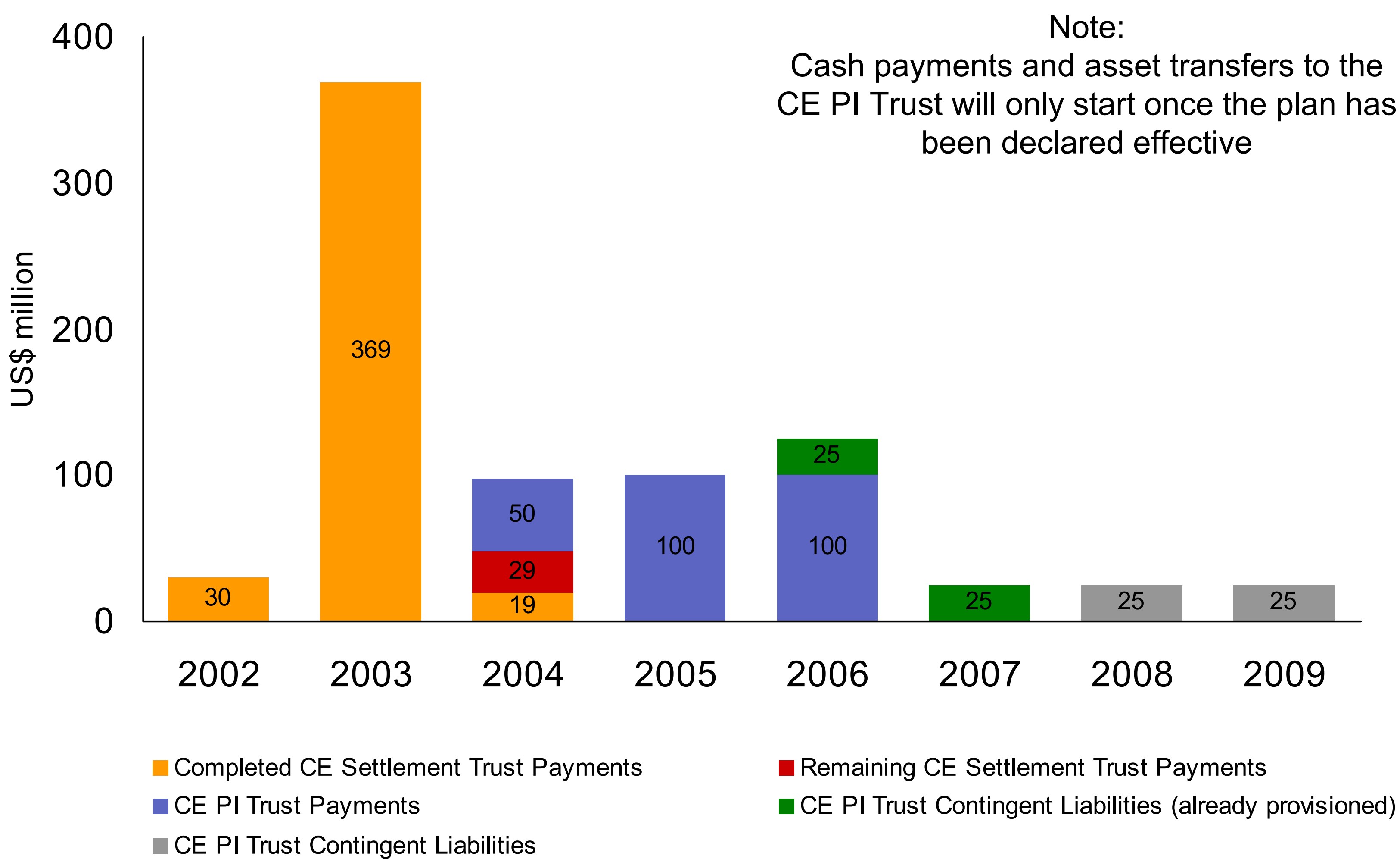
Total short-term debt approx. $974 million




* Short-term debt = debt maturing prior to March 31, 2005

** The maturing long-term borrowings of $828 million include debt securities of $796 million maturing in 2004 and the first quarter of 2005

# Asbestos trusts cash payments *




* Excluding fees, the $20 million term note with a maximum term of 10 years, the $28 million payment of Lummus, the $10 million payment of Basic payable over 12 years

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