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Chief Financial Officer



## **2003 fourth quarter and full year results**

19 February 2004



**ABB**

# ABB Group – further solid progress in Q4

- Strong growth in both Core Divisions\*
  - Orders up 23%
  - Revenues up 13%
  - EBIT up 98%
  - Cash flow up 34%
- Cost reduction program on track
  - Net cost savings of ca. US\$ 235 million
  - 1'400 job reductions
  - Restructuring costs US\$ 72 million
- Divestment program further advanced
  - Reinsurance business, OGP upstream (closing expected in H1 2004)
- Comprehensive US\$ 4 billion three-pillar capital strengthening program completed

\* in US\$

# Power Technologies – Q4 highlights

- Orders up 25%\*
  - China and the Middle East: very strong; Russia: strong; Europe: modest; North America: still weak
  - Improvement in all business areas; Power Systems and High Voltage Technology leading
  - Recovery in large orders (12% of total)
- Revenues up 9%\*
  - High- and Medium Voltage Technology and Transformers higher; lower in Power Systems (reflection of order book)
- EBIT up 83%
  - US\$ 170 versus US\$ 93 million on flat restructuring charges
- EBIT margin up from 4.6% to 7.8%
- Cash flow of US\$ 433 million up from US\$ 352 million

\* in US\$

# Automation Technologies – Q4 highlights

- Orders up 22%\*
  - China and India: very strong; Rest of Asia and Europe: modest to stable; North America slightly down but signs of recovery
  - Strong in all business areas except for Robotics and Manufacturing
  - Recovery of large orders (US\$ 170 million from Poland)
- Revenues up 17%\*
  - Driven by product and service business; mainly Low Voltage Products and Instrumentation, Drives, Motors and Power Electronics Systems
- EBIT up 110%
  - US\$ 225 versus US\$ 107 million on slightly lower restructuring charges
- EBIT margin up from 4.5% to 8.1%
- Cash flow of US\$ 536 million up from US\$ 370 million

\* in US\$



# EBIT - overview

(US\$ million)	Q4 2003	Q4 2002*	2003	2002*
Power Technologies	170	93	563	433
Automation Technologies	225	107	773	517
<b>Core Businesses</b>	<b>395</b>	<b>200</b>	<b>1'336</b>	<b>950</b>
Non-Core Businesses	(62)	(78)	(181)	(181)
Corporate	(146)	(121)	(499)	(423)
<b>Group EBIT</b>	<b>187</b>	<b>1</b>	<b>656</b>	<b>346</b>
<i>Group EBIT Margin</i>	<i>3.7%</i>	<i>0.0%</i>	<i>3.5%</i>	<i>2.0%</i>
<i>Group EBIT Margin (excluding capital gains/losses)</i>	<i>3.8%</i>		<i>3.7%</i>	

- Core divisions EBIT significantly improved both Q4, full year
- Group EBIT burdened by losses in non-core activities, corporate costs

# EBIT - Non-core activities

(US\$ million)	Q4 2003	Q4 2002*	2003	2002**
Equity Ventures	8	5	76	43
Remaining Structured Finance	(6)	9	(65)	96
Building Systems	(43)	(35)	(104)	(113)
New Ventures	5	4	(21)	(37)
Other**	(26)	(61)	(67)	(170)
<b><i>Non-Core EBIT</i></b>	<b>(62)</b>	<b>(78)</b>	<b>(181)</b>	<b>(181)</b>
Restructuring costs (included in above EBIT)	(44)	(17)	(93)	(39)

\* restated

\*\* comprises mainly Group Processes

## ■ Q4 comments

- Building Systems - lower earnings; additional restructuring charges in Germany; loss on sale of activities in several countries
- New Ventures - all of renewable energy activities divested or closed in Q4



# Discontinued operations – net income impact

(US\$ million)	Q4 2003	Q4 2002*	2003	2002
Reinsurance	(162)	45	(97)	22
Asbestos	8	(420)	(145)	(420)
Oil, Gas and Petrochemicals	(245)	(147)	(496)	(141)
Other divested businesses	(42)	(207)	(115)	(319)
<b>Loss from discontinued operations</b>	<b>(441)</b>	<b>(729)</b>	<b>(853)</b>	<b>(858)</b>

\* Restated

## ■ Q4 comments

- Reinsurance result moved from Non-core due to divestment; Q4 result includes book loss on divestment of US\$ 153 million
- Oil, Gas and Petrochemicals includes some US\$ 100 million write-downs, reassessment of over US\$ 120 million deferred taxes
- Other includes US\$ 22 million loss on sale of cable factory in Germany, US\$ 22 million loss on wind energy divestment



# ABB Group – key figures

(US\$ million)	Q4 2003	Q4 2002*	Full Year 2003	Full Year 2002
EBIT	187	1	656	346
Finance net	(77)	(120)	(410)	(126)
Income/(loss) in Continuing operations	54	(99)	86	75
Loss in Discontinuing operations	(441)	(729)	(853)	(858)
Net Loss	(387)	(828)	(767)	(783)

\* restated

## ■ Q4 comments

- Finance net improvement mainly reflects non-recurrence of financial losses in 2002
- Discontinuing operations heavily impacted by mainly non-cash project losses, write-offs and settlements in OGP; book loss on sale of reinsurance

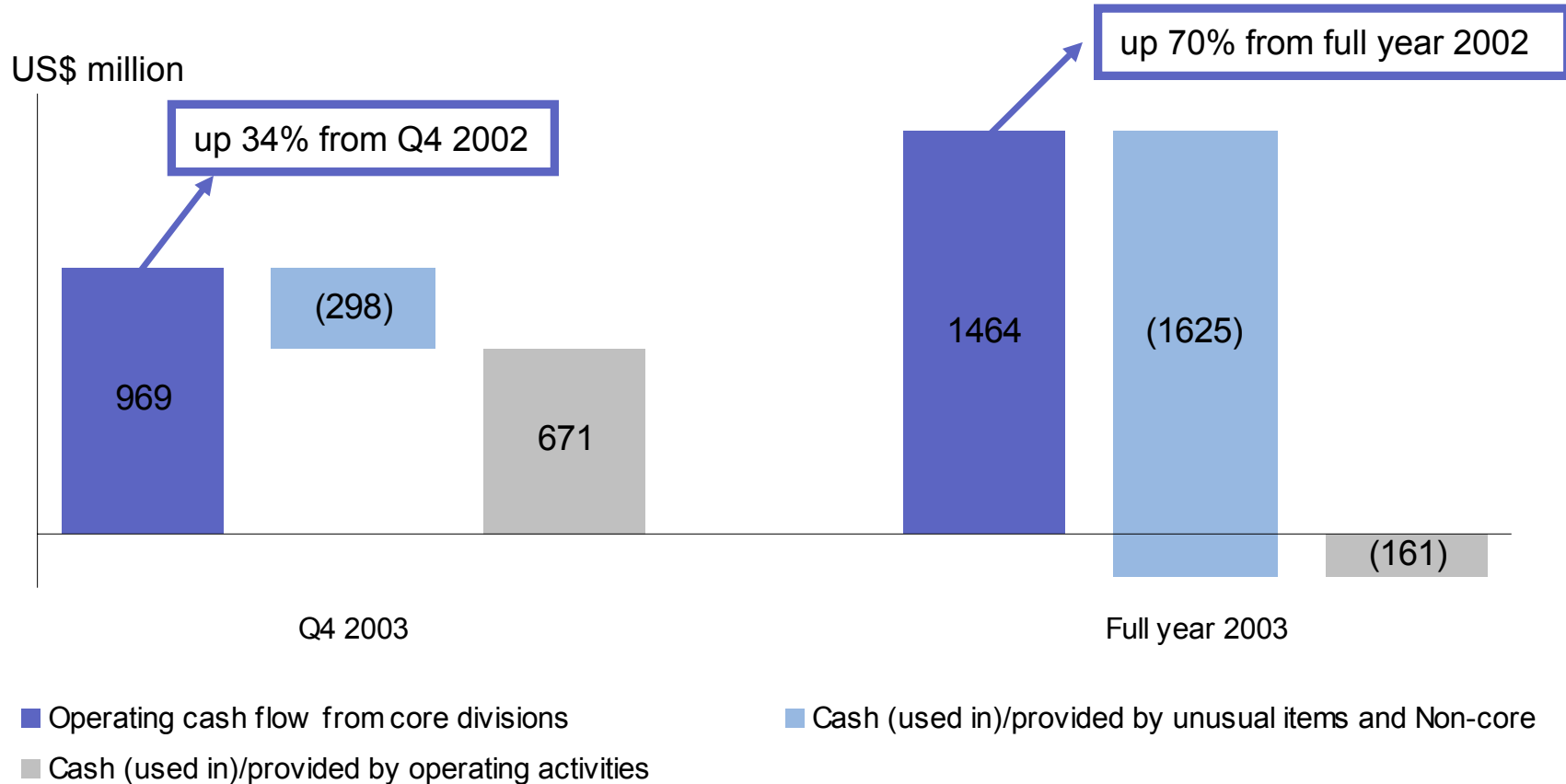
# Cash flow from operating activities

(US\$ million)		Q4 2003	Q4 2002	2003	2002
	<i>Cash-effective earnings</i>	116	(329)	(414)	(399)
	<i>Marketable securities</i>	(16)	0	13	498
	<i>Net operating working capital</i>	571	583	240	(80)
	<b>Net cash (used in)/provided by operating activities</b>	<b>671</b>	<b>254</b>	<b>(161)</b>	<b>19</b>
	<i>Combustion Engineering</i>	(55)	(45)	(388)	(333)
	<i>Discontinued operations (OGP)</i>	16	66	(526)	(251)
	<i>Non-core activities</i>	55	(50)	(239)	224
	<i>Other</i>	(314)	(439)	(472)	(480)
	<b>Cash (used in)/provided by unusual items and Non Core</b>	<b>(298)</b>	<b>(468)</b>	<b>(1'625)</b>	<b>(840)</b>
	<b>Operating cash flow from core divisions</b>	<b>969</b>	<b>722</b>	<b>1'464</b>	<b>859</b>

Significant improvement in core division cash generation offset by cash drain in discontinuing operations, asbestos and Non-Core



# Cash flow from operating activities



Significant improvement in core division cash generation offset by cash drain in discontinuing operations, asbestos and Non-Core

# Capital strengthening programs

## Q3 2003

- CHF 1 billion convertible bond 2010

## Q4 2003

- US\$ 2.5 billion rights issue
- Euro 650 million bond 2011
- US\$ 1 billion unsecured credit facility (stand-by)

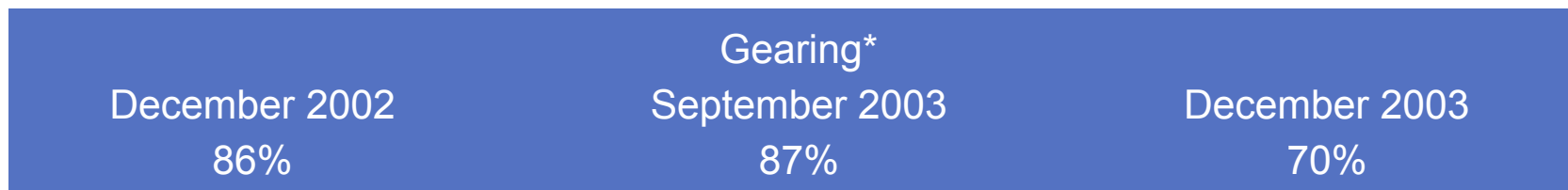
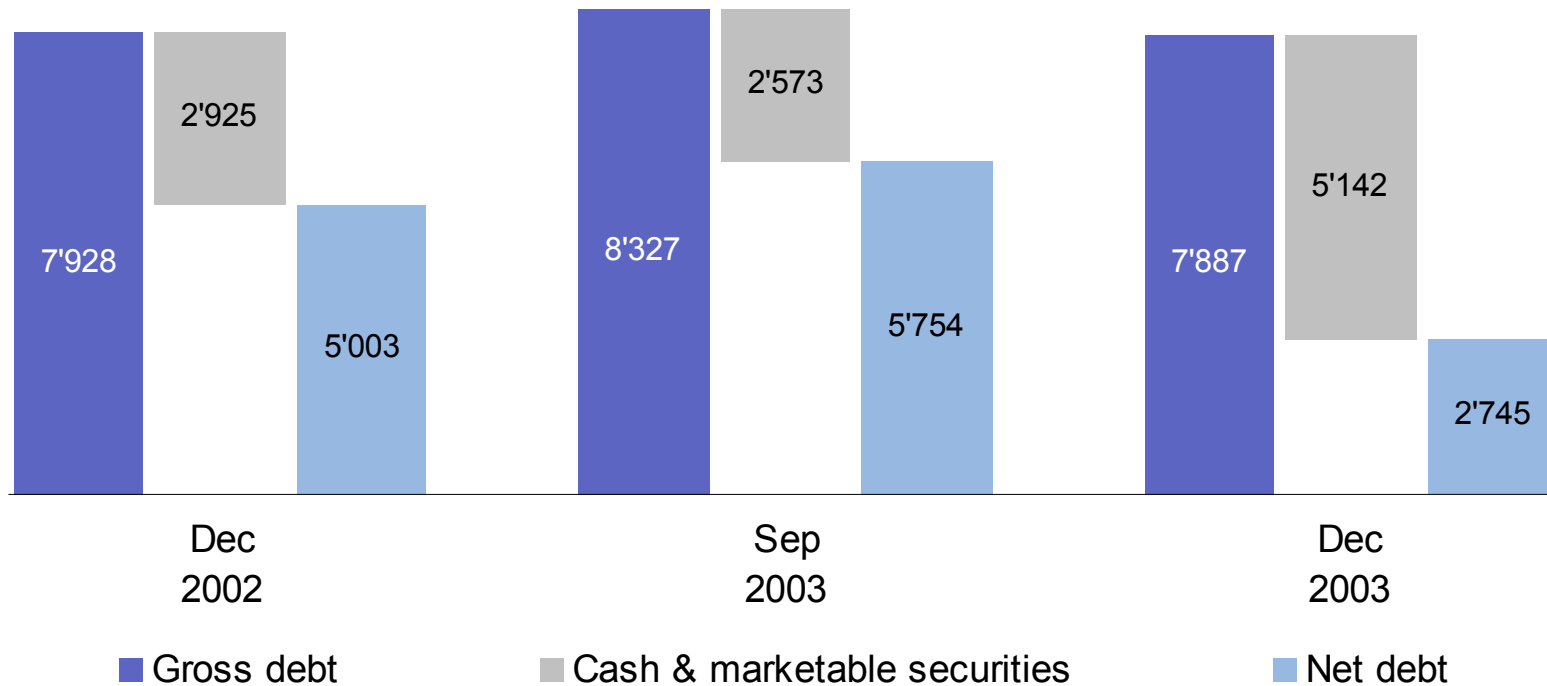
Market reaction to capital strengthening programs is strong vote of renewed confidence in ABB

- Two-step capital strengthening program in 2003
  - Convertible bond launched in August 8x oversubscribed
  - US\$ 4 billion three-pillar program completed in December
  - Rights issue with 99.4% take-up
  - Bond 5x oversubscribed
  - Credit facility as stand-by
- Balance sheet restored to appropriate levels for industrial company
- Liquidity improved



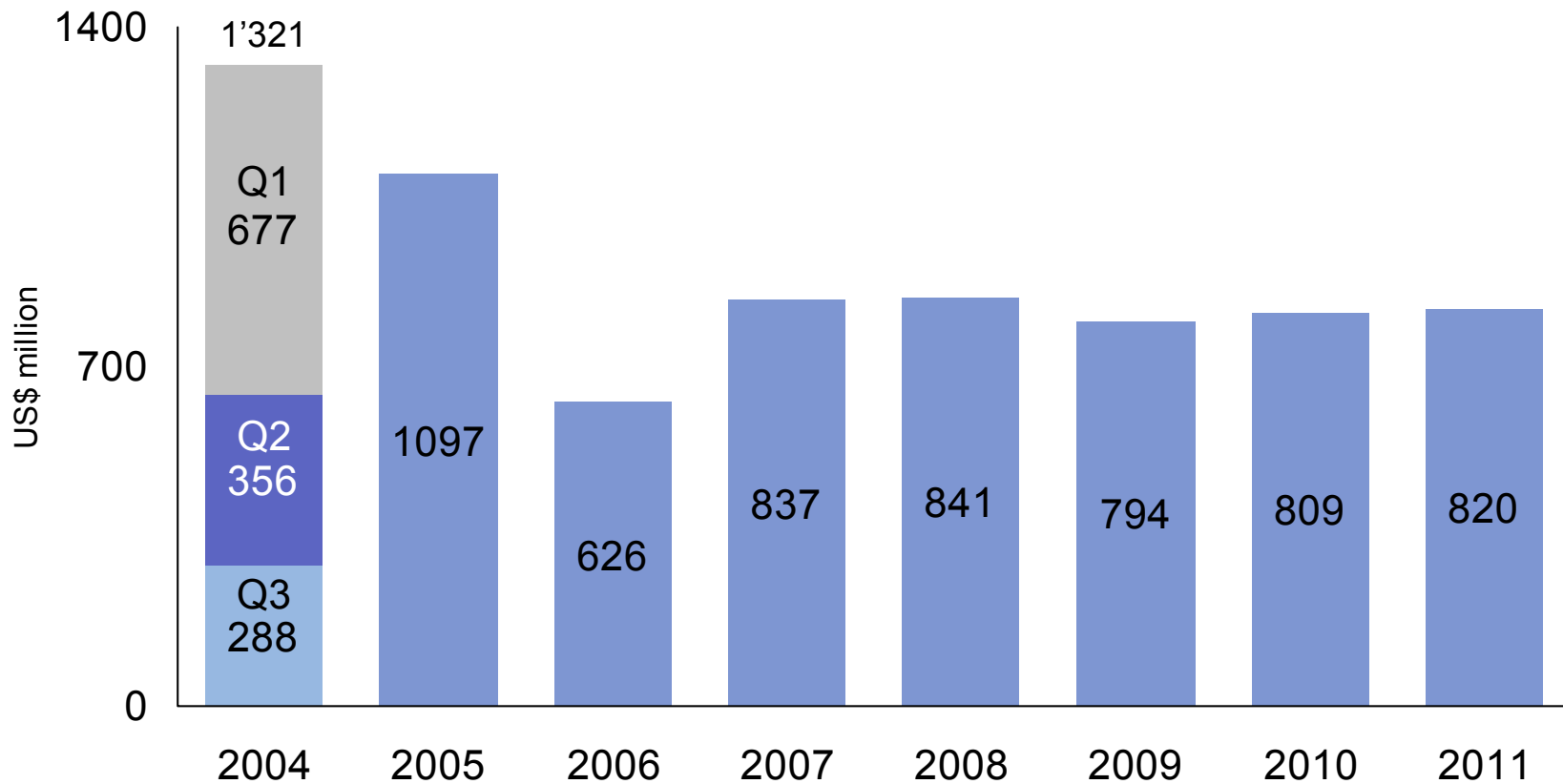
# Net debt and gearing development

US\$ million



# Maturity profile of debt securities (as of December 31, 2003)

Total debt securities of approx. US\$ 7.1 billion



Based on December 31, 2003 FX rates



# Divestment program well advanced

## Divested in 2003

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

Cash proceeds\*:  
US\$ ~1'230 million

## Signed

- Oil, Gas and Petrochemicals
  - sales agreement signed for Upstream for US\$ 925 (plus US\$ 50 million earn-out)
- Insurance
  - US\$ 425 million proceeds

On course to reach proceeds of over US\$ 2 billion once completed

## Still to come

- Building Systems in Switzerland and Germany

\* including US\$ ~570 million from sales out of the remaining Structured Finance leasing and other financial portfolios, machinery and real estate

# Step Change program

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- Fourth quarter 2003
  - Cost savings of ca. US\$ 235 million
  - Restructuring costs US\$ 72 million
  - ca. 1'400 job reductions
- Full year 2003 achievement
  - Cost savings of ca. US\$ 655 million
  - Restructuring costs US\$ 234 million
  - ca. 7'100 job reductions
- 2004 expectations
  - Realization of full US\$ 900 million in savings
  - Total Step Change restructuring costs lower than original US\$ 500 million forecast

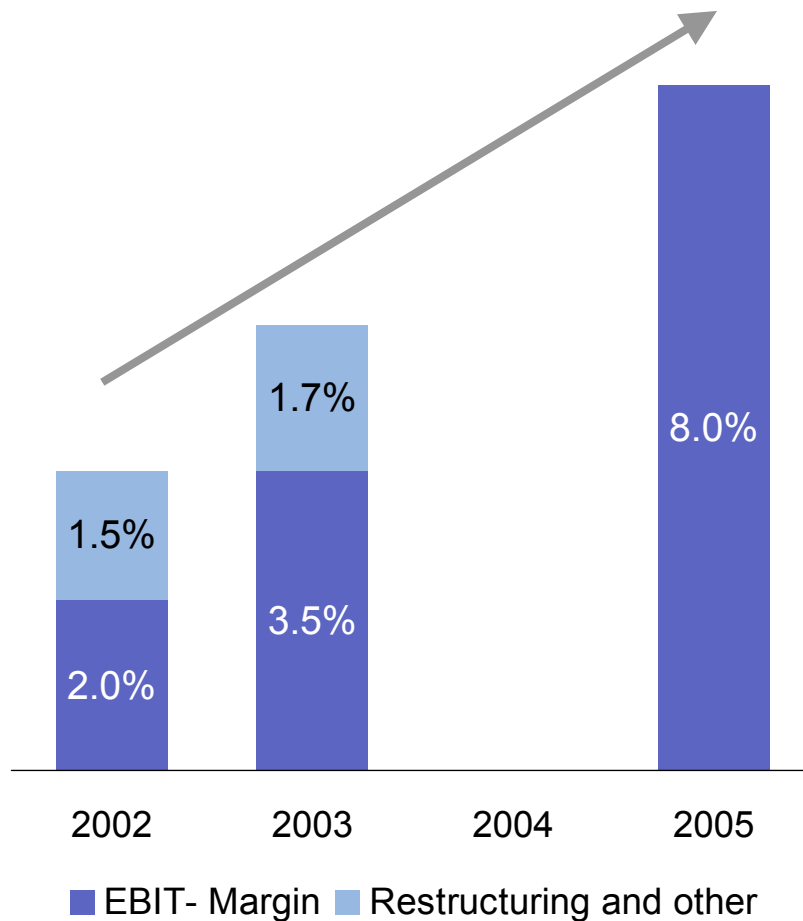
# Update on asbestos

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- Solution of asbestos issue through CE Plan of Reorganization
  - Total value of plan is ca. US\$ 1.2 billion\*
  - Liability is fully provisioned\*
- Progress so far
  - Plan approved by Delaware Bankruptcy Court on 10 July
  - Confirmation by District Court on 8 August
  - 3<sup>rd</sup> Circuit Court of Appeals hearing set for 4 February 2004 postponed
- Confident that plan will be confirmed

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

# On track to reach Group margin target 2005



- Expectations for 2004
  - Growth in market demand to continue
    - Asia remains robust; North America and Europe to pick-up especially in second half
  - Continued focus on operational excellence, completion of Step Change
  - Reduced impact from Non-core activities
  - Further improvement in profitability expected
- Group margin target 2005 confirmed

# ABB 2005 outlook

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

- Revenue growth and EBIT-margin targets for 2005 reaffirmed despite lower revenue growth in 2003
- 2005 total debt unchanged at US\$ 4 billion, gearing of 50%

Excluding major acquisitions/divestments

\*Annual average growth rate 2002 - 2005

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# 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. We have based these forward-looking statements largely on current expectations and projections about future events, financial trends and economic conditions affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions, including among other things, the following: (i) the difficulty of forecasting future market and economic conditions; (ii) the effects of, and changes in, laws, regulations, governmental policies, taxation, or accounting standards and practices; (iii) our ability to dispose of certain of our non-core businesses on terms and conditions acceptable to us; (iv) our ability to further reduce our indebtedness as planned; (v) the resolution of asbestos claims on terms and conditions satisfactory to us; (vi) the effects of competition in the product markets and geographic areas in which we operate; (vii) our ability to anticipate and react to technological change and evolving industry standards in the markets we operate; (viii) the timely development of new products, technologies, and services that are useful for our customers; (ix) unanticipated cyclical downturns in some of the industries that we serve; (x) the risks inherent in large, long-term projects served by parts of our business; (xi) the difficulties encountered in operating in emerging markets; and (xii) other factors described in documents that we may furnish from time to time with the U.S. Securities and Exchange Commission, including our Annual Reports on Form 20-F. Although we believe that the expectations reflected in any such forward-looking statement are based on reasonable assumptions, we can give no assurance that they will be achieved. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise.

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Stabilization/FSA



# ABB Group – achievements in 2003

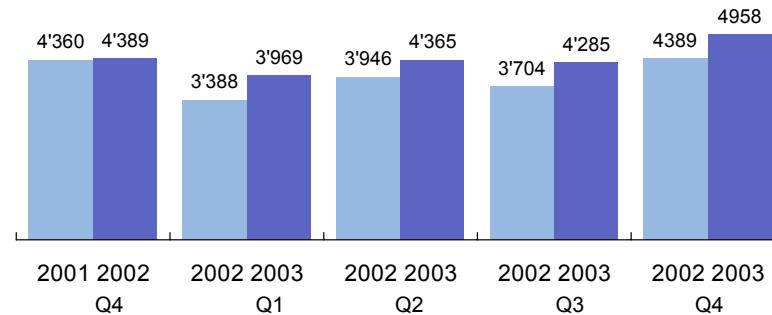
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- Significant improvements in core divisions in challenging year of mixed markets
- Step Change program ahead on cost savings, lower restructuring charges
- Divestment program well advanced; delivering expected gross proceeds of over US\$ 2 billion
- Asbestos solution within reach
- CHF 1 billion convertible bond plus comprehensive US\$ 4 billion capital strengthening program completed
  - Strong vote of renewed shareholder confidence
- Mainly non-cash losses in discontinued operations led to US\$ 767 million net loss

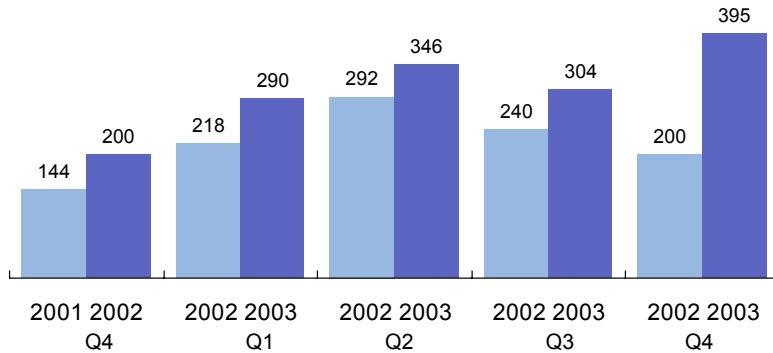
# Continuing improvements in core divisions

Automation Technologies and Power Technologies divisions (MUS\$)

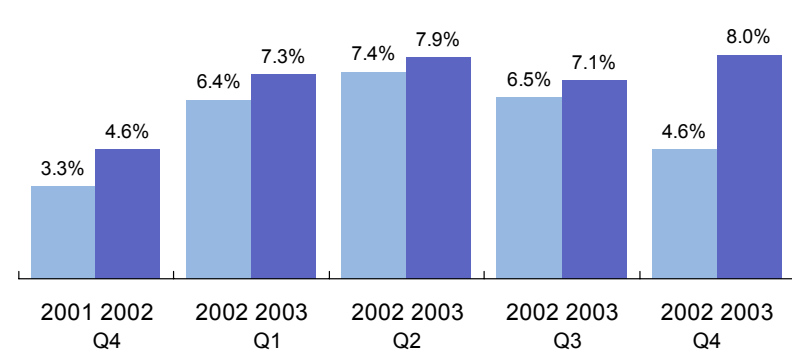
Revenues



EBIT



EBIT Margin



# ABB Group – key figures

(US\$ million)	Q4 2003	Q4 2002*	Full Year 2003	Full Year 2002
Orders	4'674	4'288	18'703	17'352
Revenues	5'081	5'008	18'795	17'466
EBIT	187	1	656	346
Net Interest Expenses	(77)	(120)	(410)	(126)
Income/loss) from Continuing operations	54	(99)	86	75
(Loss) from Discontinued operations	(441)	(729)	(853)	(858)
Net Loss	(387)	(828)	(767)	(783)
Cash from Operations	671	254	(161)	19

\* restated

## ABB Group – key figures (cont)

(US\$ million)	31 Dec 03	30 Sep 03	31 Dec 02
Cash & Marketable Securities**	5'142	2'573	2'925
Gross Debt	7'887	8'327	7'928
Net Debt	2'745	5'754	5'003
Equity (incl. minorities)	3'311	1'268	1'271
Gearing (Total Debt / Total Debt plus Equity)	70%	87%	86%

\* restated

\*\* excluding Insurance

# EBIT - Corporate

(US\$ million)	Q4 2003	Q4 2002*	2003	2002*
Headquarter / Stewardship	(91)	(32)	(342)	(189)
Research & Development	(21)	(24)	(92)	(93)
Other *	(34)	(65)	(65)	(141)
Corporate EBIT	(146)	(121)	(499)	(423)
Restructuring costs (included in above EBIT)	(25)	6	(28)	(32)

\* Restated

\*\* Includes consolidation, Real Estate and Treasury Services

## ■ Q4 comment

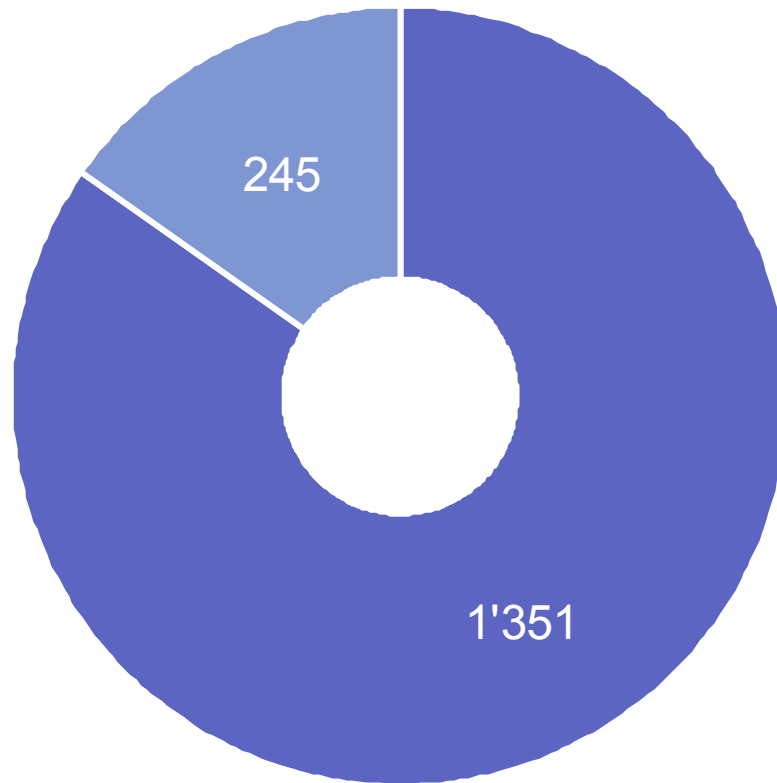
- HQ/Stewardship costs higher versus 2002 quarter on non-recurrence of one-time gains in Q4 2002
- Other reflects cessation of proprietary trading and lower costs in Treasury Services

# Restructuring Charges - EBIT impact

(US\$ million)	Q4 2003	Q4 2002	2003	2002
Power Technologies	(15)	(18)	(64)	(59)
Automation Technologies	(58)	(85)	(140)	(129)
Core Businesses	(73)	(103)	(204)	(188)
Non-Core Businesses	(44)	(17)	(93)	(39)
Corporate	(25)	6	(28)	(32)
Group	(142)	(114)	(325)	(259)

# Composition of short-term debt \* (as of December 31, 2003)

Total short term debt of approx. US\$ 1.6 billion



■ Maturing LT borrowings\*\*

■ Other ST debt

\* Short-term debt = debt maturing prior to December 31, 2004

\*\* The maturing long-term borrowings of US\$1,351 million include debt securities of US\$1,321 million maturing in 2004

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