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Executive Committee,  
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Technologies Division



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

**Automation Technologies**



# Safe-harbor statement

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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.

# Outline

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- Introduction and market review
- Financial results
- Strategic priorities
- Conclusions

# Overview: Automation Technologies



## Our offerings

- Products, services and solutions
  - Low voltage products
  - Electrical motors and drives
  - Controls and instrumentation
  - Robotics and peripherals
  - Automation software
  - Process and discrete solutions
  - Aftermarket and optimizing services

## Our markets

- Industry and utility segments
  - Chemicals and life sciences
  - Automotive and manufacturing
  - Metals and minerals
  - Pulp and paper
  - Energy: utilities, oil and gas
  - Marine and turbocharging
  - Independent channel partners

## Our resources

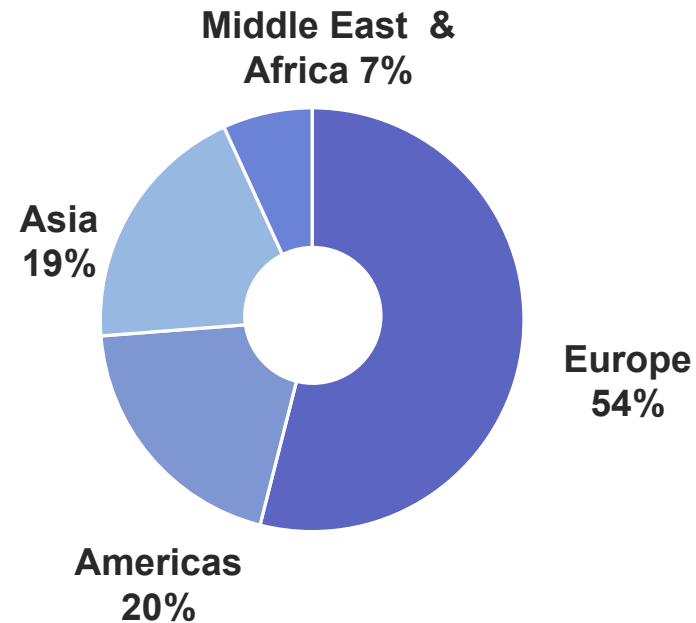
- 150 manufacturing, software and application centers
- 55,300 employees, plus channel partners (wholesalers, distributors, systems integrators, installers, OEMs)

# Market demand review 2003

## By region

- Continued growth in eastern Europe
- Mixed in western Europe
- Low in North America, but signs of upturn in Q4
- Latin America steady at low levels
- Continued strong growth in Asia, Middle East and Africa

## Revenues by end destination

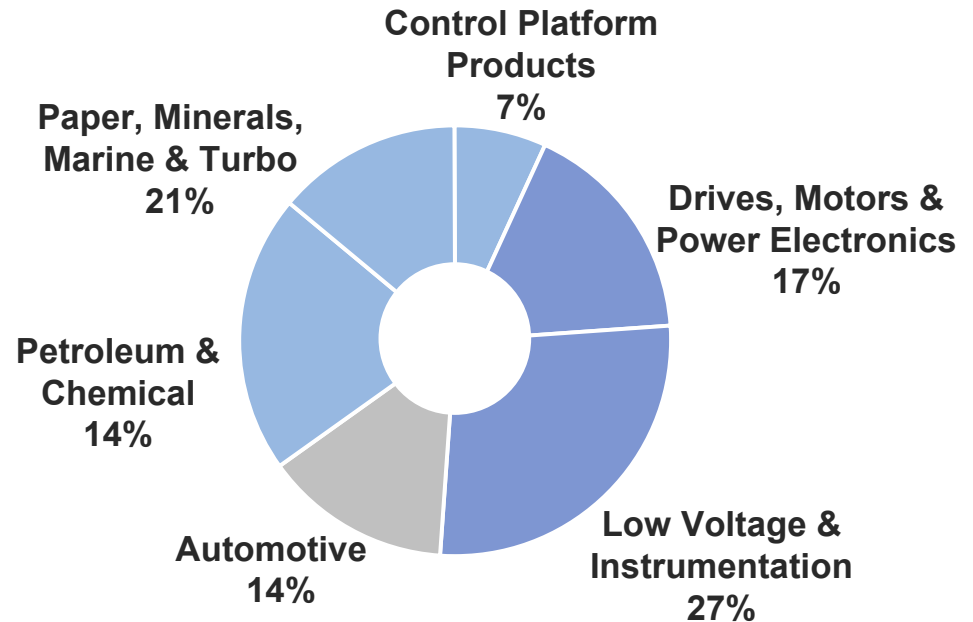


# Market demand review 2003

## By industries served

- Consumer / Life Sciences slightly up
- Oil & Gas up
- Petroleum / Chemicals flat
- Minerals / Mining down, price pressure
- Paper, Marine, Turbochargers flat
- Automotive still down, price pressure

## Revenues by business area\*



\* Before eliminations



**Process Automation**  
42%



**Manufacturing Automation**  
14%



**Automation Products**  
44%

Main activities based on 2003 revenues



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# 2003 Q4 summary - Automation Technologies

US\$ millions	2003	2002	Change*	Local
Orders	2,637	2,169	22%	8%
Revenues	2,774	2,379	17%	3%
EBIT	225	107	110%	90%
EBIT Margin	8.1%	4.5%		
Restructuring	(58)	(85)		
EBIT Margin (excl. restructuring)	10.2%	8.1%		
Cash flow from operations	536	370	45%	

- Strong order bookings in China and India (both >40%) with signs of recovery in the US
- Revenues fueled by Products and Services business
- Strong earnings improvement reflected our success in productivity improvement program and push for higher gross margin
- Cash flow from operations fueled by higher earnings

\* Nominal



# 2003 FY summary – Automation Technologies

US\$ millions	2003	2002	Change*	Local
Orders	9,961	8,680	15%	2%
Revenues	9,897	8,464	17%	3%
EBIT	773	517	50%	33%
EBIT Margin	7.8%	6.1%		
Restructuring	(140)	(129)		
EBIT Margin (excl. restructuring)	9.2%	7.6%		
Cash flow from operations	848	524	62%	

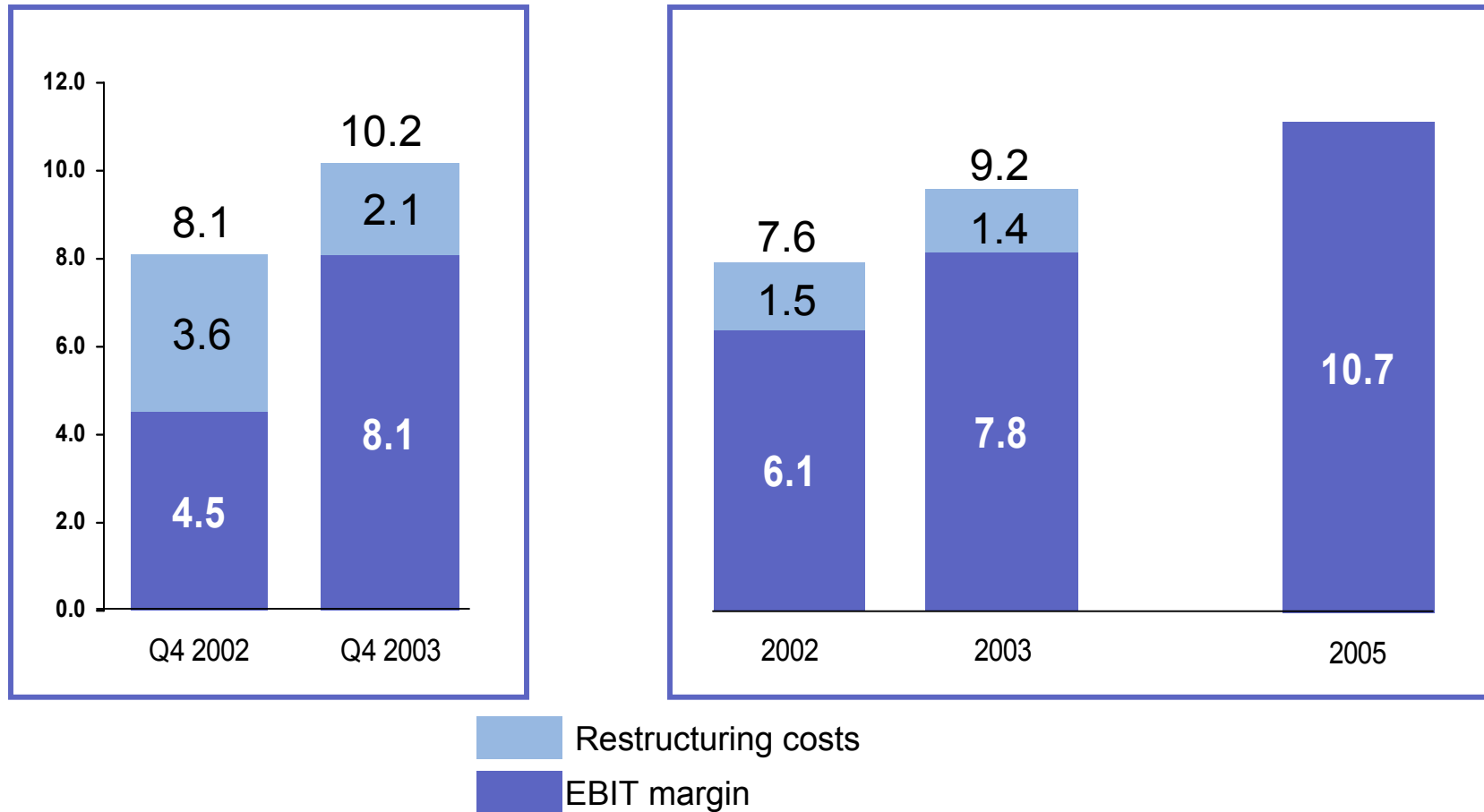
- Exceeded all financial targets
- Very strong growth in emerging markets, led by automation products
- Double digit growth in Service business

\* Nominal



# EBIT margin performance

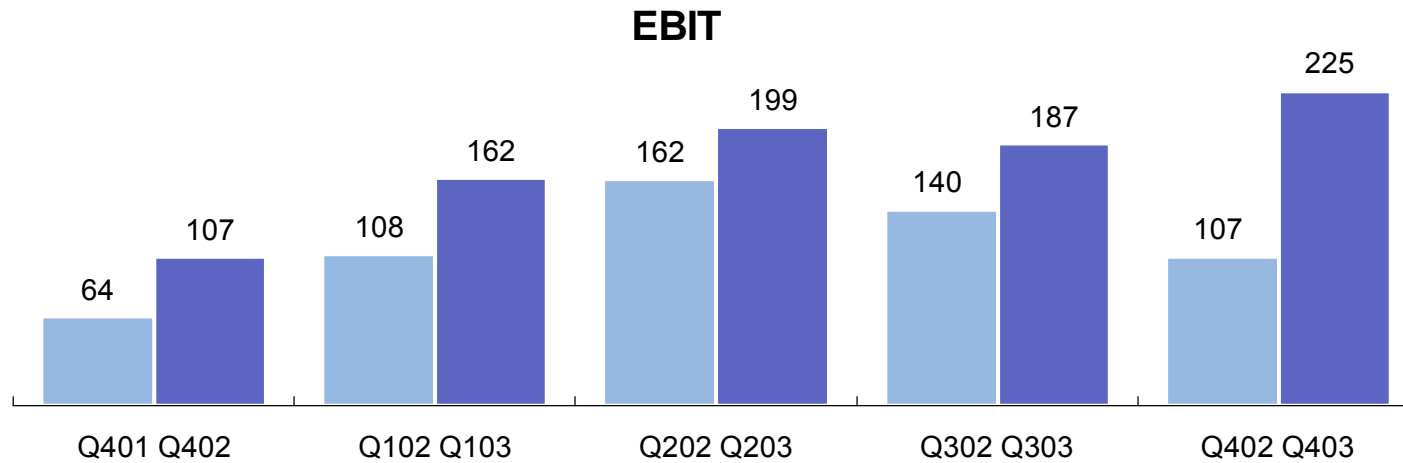
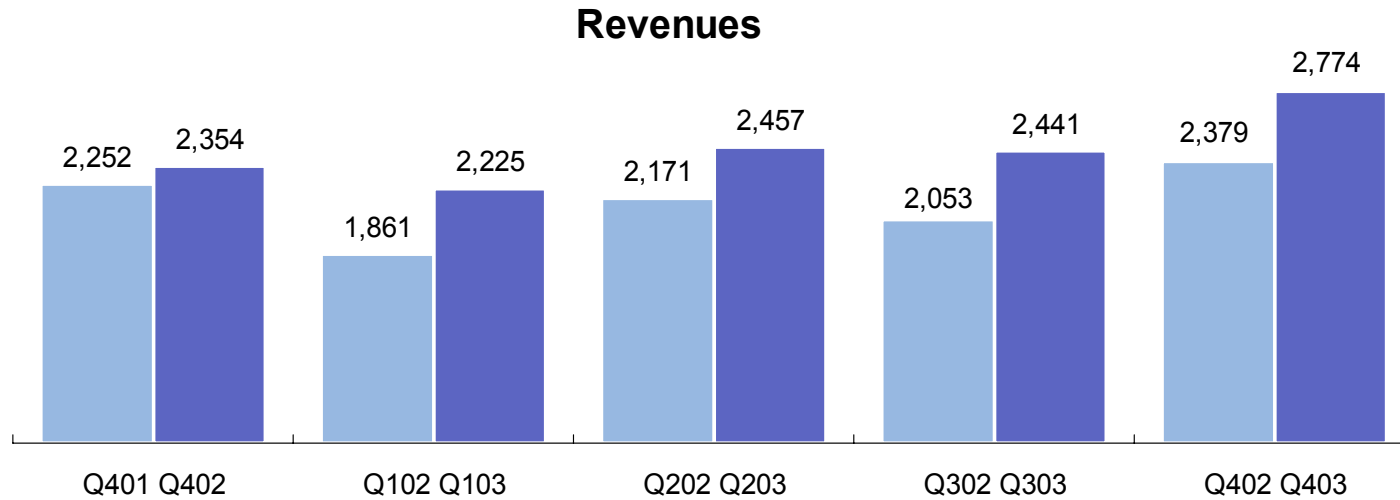
EBIT margin before and after restructuring



- Continuous improvements; exceeding our 2003 targets



# Five straight quarters of top and bottom line growth



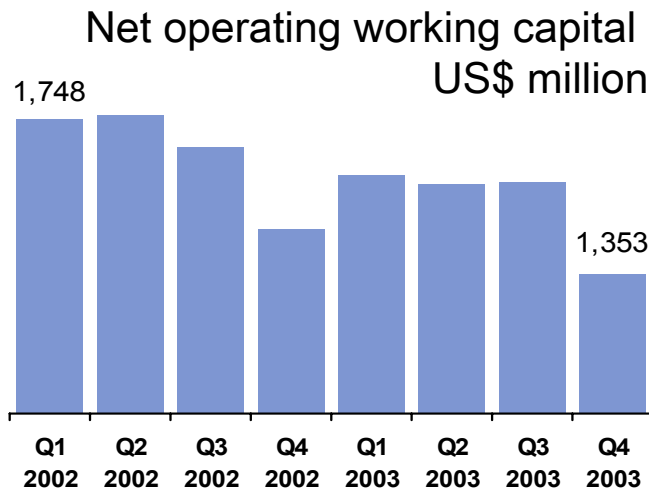
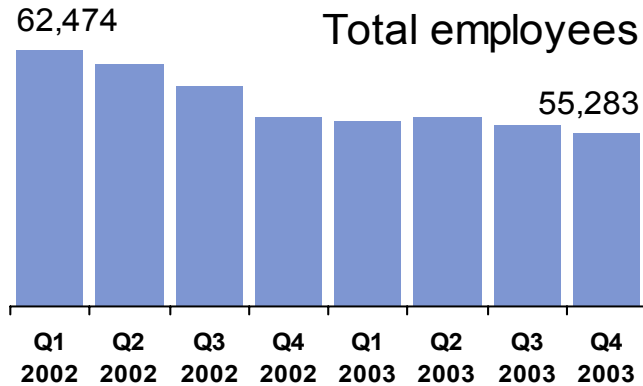
# Sustainable cost reduction

## US\$ 245 million result improvement from productivity improvement measures (Step Change)\*

- US\$ 105 million reduction in overhead cost
- US\$ 77 million savings from engineering and manufacturing rationalization
- US\$ 27 million savings from supply chain management
- US\$ 22 million reduction in sales cost
- US\$ 14 million savings from R&D rationalization
- 5% reduction in permanent employees
  - 3 percentage point reduction in personnel expenses

\* Before restructuring costs

# Continuing operational improvement



## Productivity

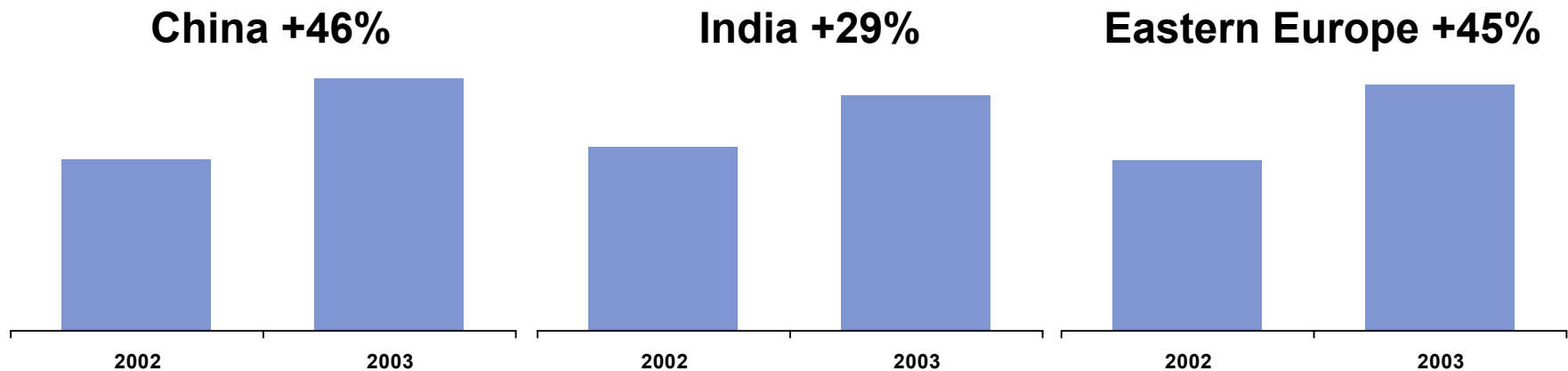
- Revenue productivity up 10%
- Jobs reduction of 12%

## Working capital

- Year-on-year average quarterly net operating working capital is down by US\$ 129 million in local currencies, or 2% of revenues
- Reduced trade receivables by 1.4 points as a percentage of revenues
- Reduced inventory 1 point as a percentage of revenues

# Strong performance in emerging markets

*Revenues year-on-year*



## **ABB China**

- Metals Center of Excellence for Asia Pacific
- Global supplier of low-voltage motors

## **ABB India**

- Cement center of excellence for Asia Pacific
- Large motors (machines) factory opened in 2003
- Moving legacy control products to India in 2004

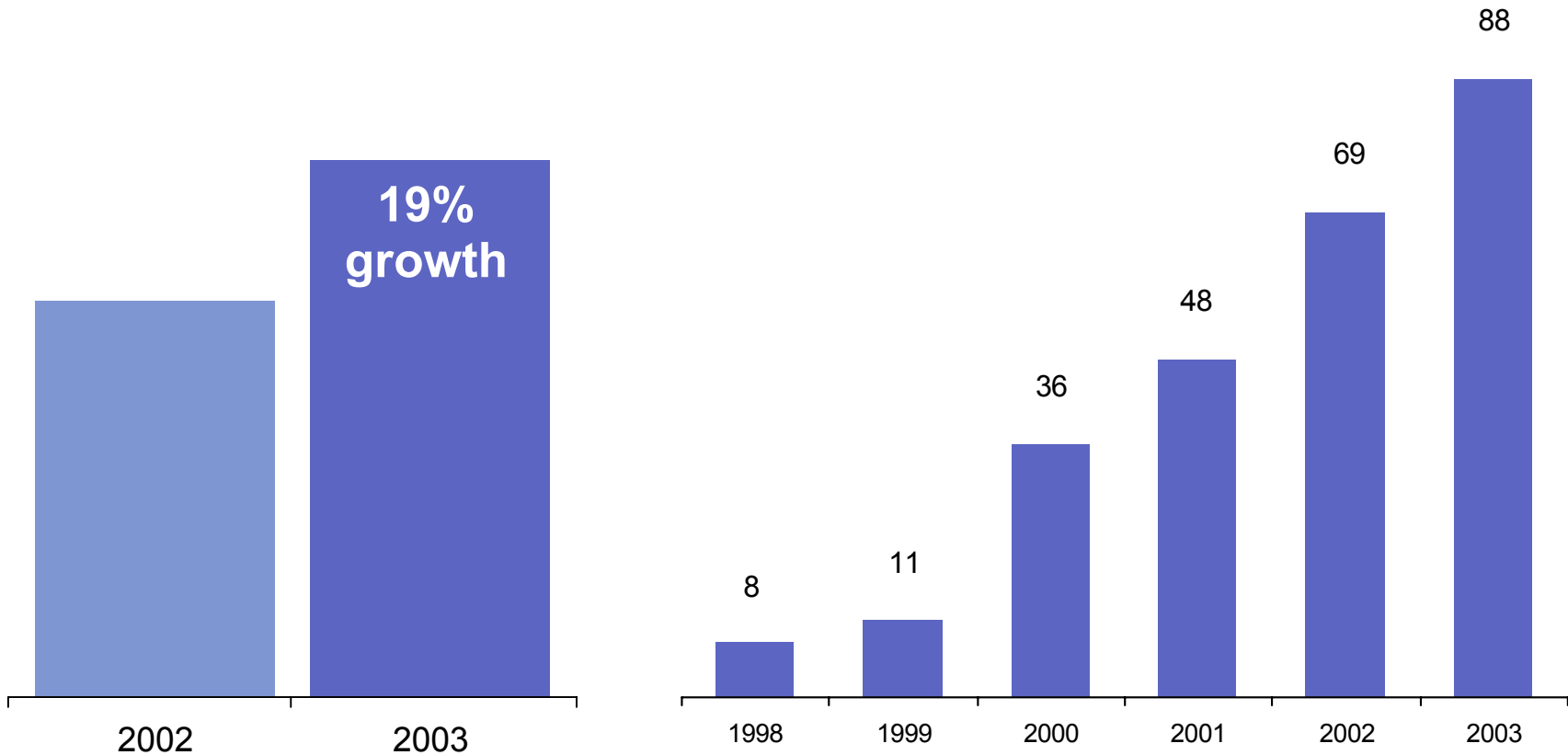
## **ABB Eastern Europe**

- 100% increase in 3<sup>rd</sup> party sales channels network

# Improved focus on strategic customers

■ Growth in Automation Technologies group accounts

■ Growth in Automation Technologies frame agreements



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# Strategic priorities 2004

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- Continue cost and productivity improvements, including savings from simplified management structure
- Continue aggressive service approach to huge installed base
- Leverage US\$ 20 billion process automation base through new common Industrial IT platform
- Execute regional strategies in Asia and Americas
- Continue recognized track record for innovation

# Dramatic simplification

## 2002: Products and Industries Divisions

Rev = 8.5 BUSD, EBIT = 6.1%

Control and Force Measurement
Drives and Power Electronics
Electrical Machines
Instrumentation and Metering
Low-Voltage Products
Robotics
Automotive Industries
Manufacturing, Electronics and Consumer
Marine and Turbocharging
Paper, Printing, Metals and Minerals
Petroleum, Chemical and Life Sciences

- **11 Business Areas**

## 2003: Original Automation Technologies Division

Rev = 9.9 BUSD, EBIT = 7.8%

Low Voltage Products and Instruments
Drives, Motors and Power Electronics
Robotics and Automotive
Control & Software Products
Petroleum, Chemical and Consumer
Paper, Minerals, Marine and Turbocharging

- **6 Business Areas**
- **43% reduction of managers**

## 2004: Simplified Automation Technologies Division

Process Automation	(42%)
Automation Products	(44%)
Manufacturing Automation	(14%)

- **3 Business Areas**
- **46% expected reduction of managers**

14 months

# Service growth with performance-based offering



**Customer equipment makes its own call for ABB Service . . .**

- ABB's Asset Optimizer constantly scans equipment for problems
- Variations from standard are reported to ABB remote experts
- ABB "on duty" around the clock!

Services as percentage of revenues



2002



2003



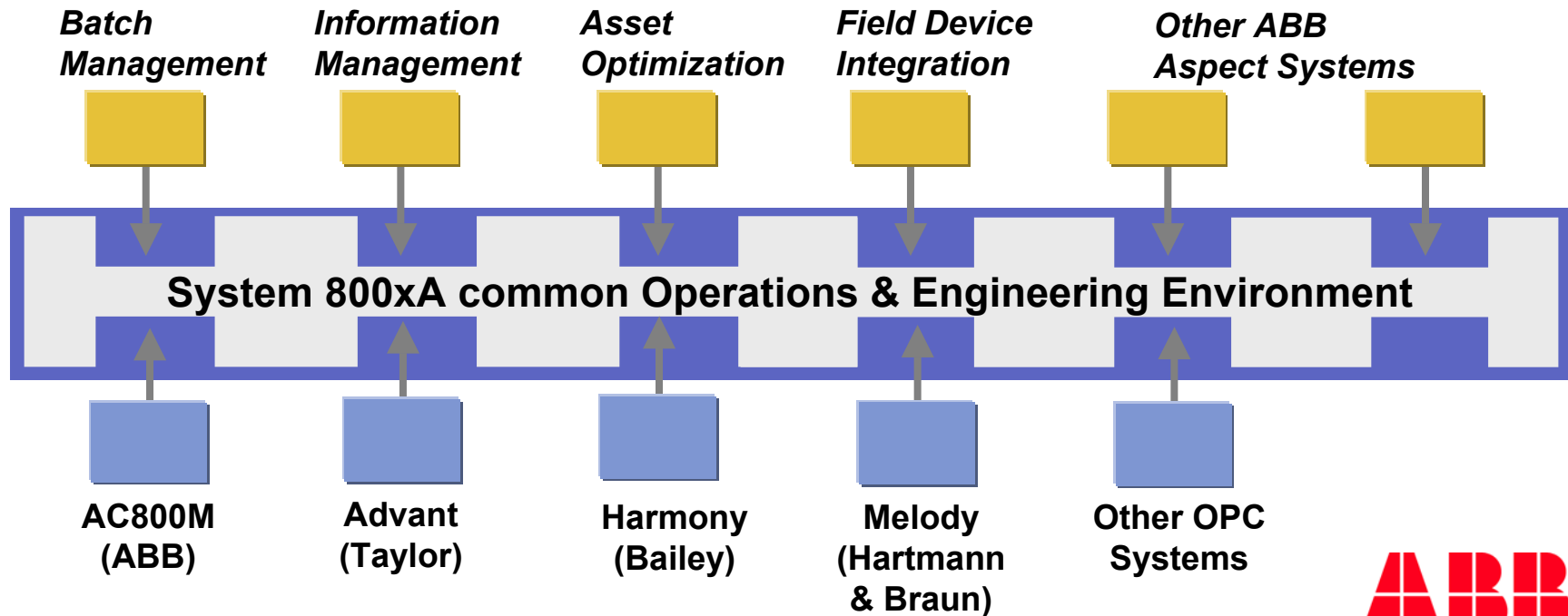
2005



# A powerful new control system for installed base



- New common platform for all process automation software and user interfaces
- Advanced software products plug into the System 800xA base platform
- Legacy systems plug into common user environment



# Regional strategy highlights



## North America

- Key management moved to US to strengthen growth focus
- Automation businesses in “North America” region of Canada, US, Mexico managed and measured as single P&L



## Asia

- Stronger R&D and manufacturing presence, especially China and India
- Market benchmarking under way to optimize value chain and product requirements
- China: Metals center of excellence and global supplier of Low Voltage Motors
- India: Cement center of excellence and new HV Motors factory for local and export markets

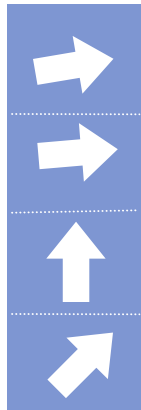
# Seizing opportunities through innovation



- Only 5% of the world's electric motors are equipped with energy-saving drives
  - Size, cost, complexity barriers
- Our newest drives are 50% smaller and easier to operate, with 75% fewer parts
  - ACS 800 Series
  - ACS 550 Series
- 50% of our AC Drives portfolio is now less than 12 months old

# Improved market prospects for 2004

## ■ Regions



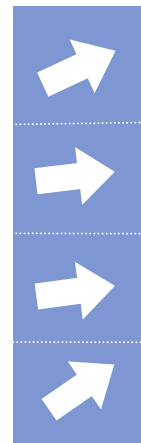
Europe to begin recovery

Upturn begins in N. America, Latin America flat

Asia continued strong growth

Middle East and Africa higher

## ■ Industries



Healthy growth in chemicals and life sciences

Gradual recovery in marine, minerals and paper

Activity to pick up in automotive

General industry growth somewhat greater than in 2003

# Revenue growth and EBIT margin targets\*

	2003A	2005
Revenue growth (local)	3.1%	3.3%**
EBIT margin (nominal)	7.8%	10.7%

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

\*\* Compound annual growth rate 2002 - 2005.



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# Conclusions

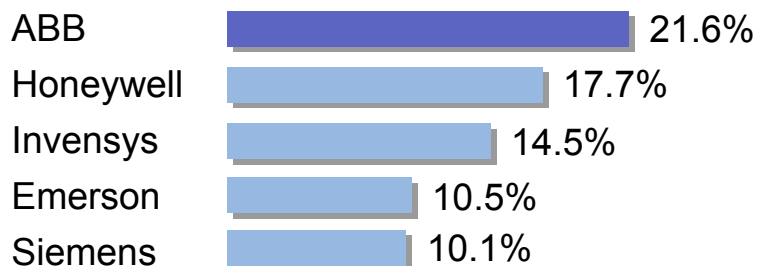
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- **Solid performance in 2003 confirms strategy**
  - Five consecutive quarters of earnings and revenue growth
  - Cost reductions and productivity gains ahead of plans
  - Strong cash flow from improved earnings
- **Continued focus in 2004 on operational excellence**
  - Productivity with cost reduction and portfolio focus
  - Expanded service offerings for large installed base
  - Further build on strong position in developing markets
  - Continue regional strategy focus in Asia and North America

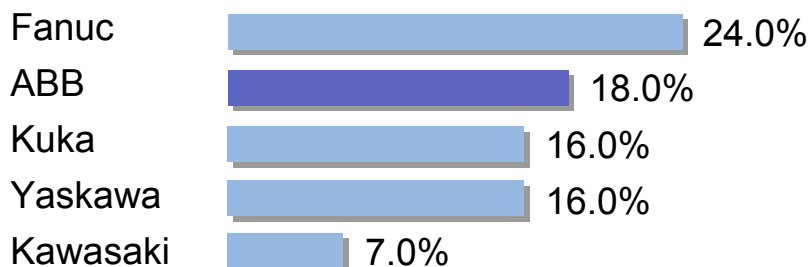
**ABB**

# Selected product market positions

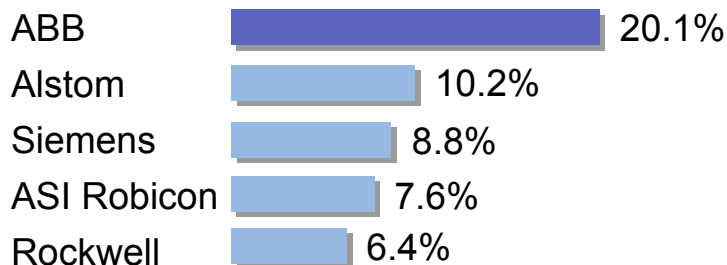
## Distributed Control Systems



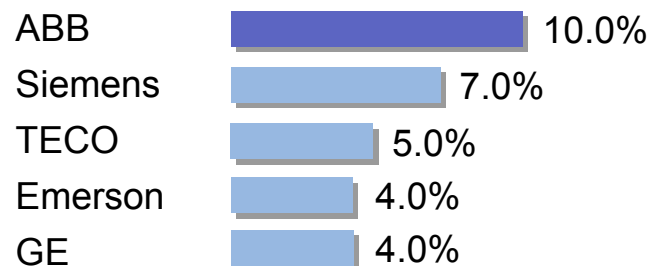
## Robotics



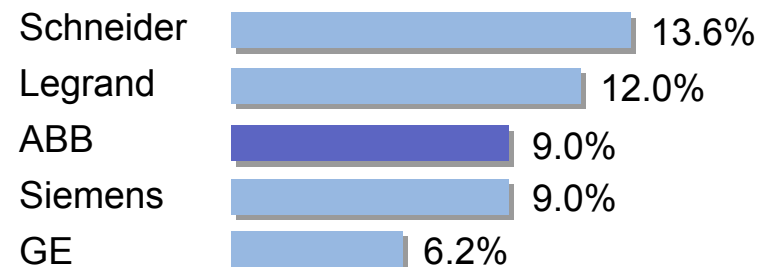
## High-Power AC Drives



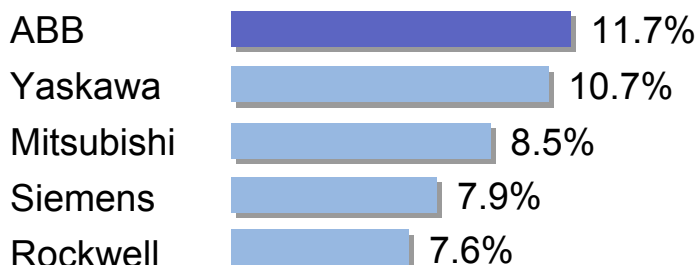
## Electrical Machines



## Low Voltage Products

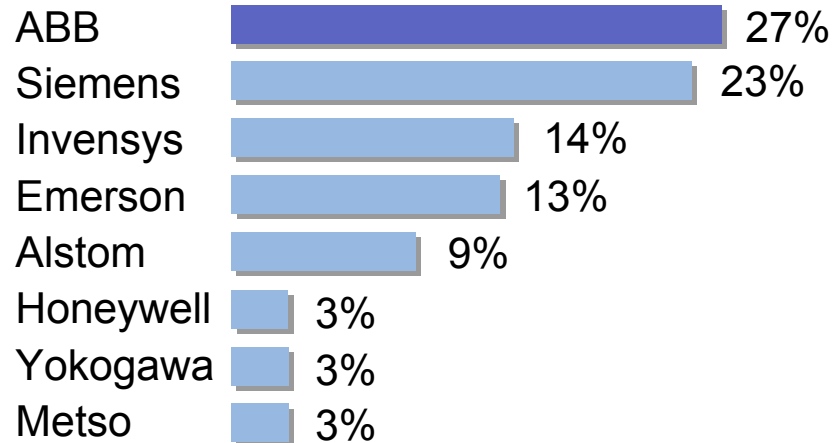


## Low-Power AC Drives

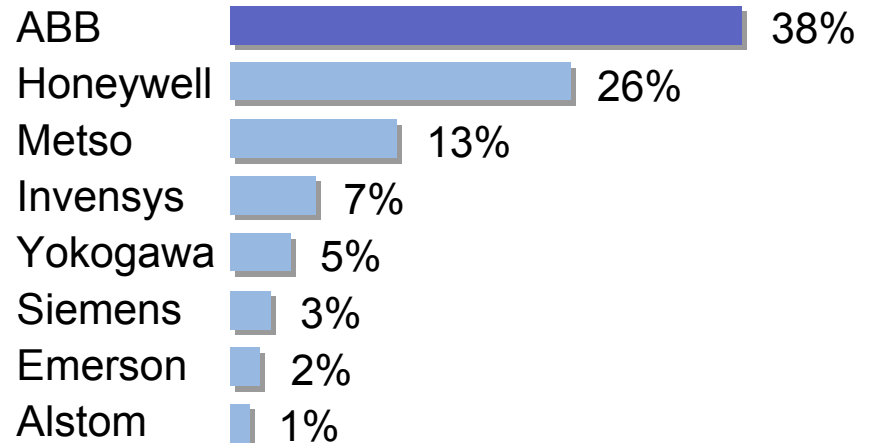


# Selected industry market positions

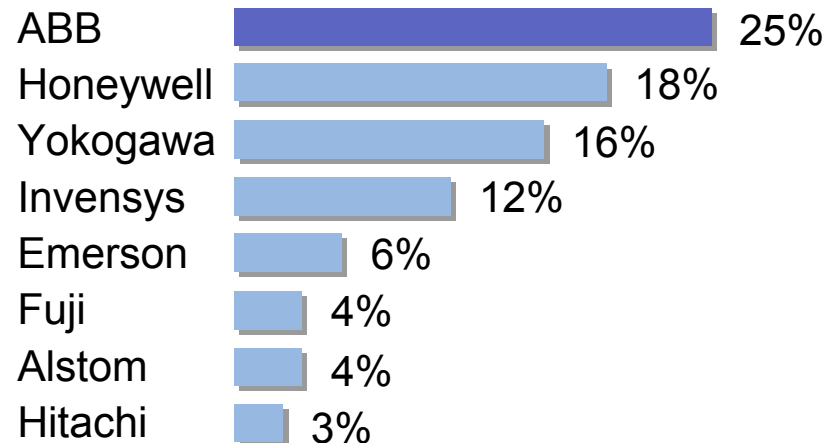
## Power Industry



## Pulp & Paper



## Metals & Mining



## Oil & Gas

