

# First quarter results 2003

April 29, 2003



**ABB**

# Safe-harbor statement

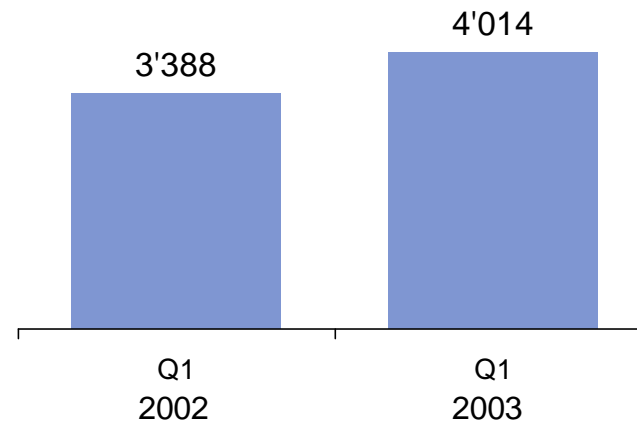
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This presentation includes forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. These statements are based on current expectations, estimates and projections about global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

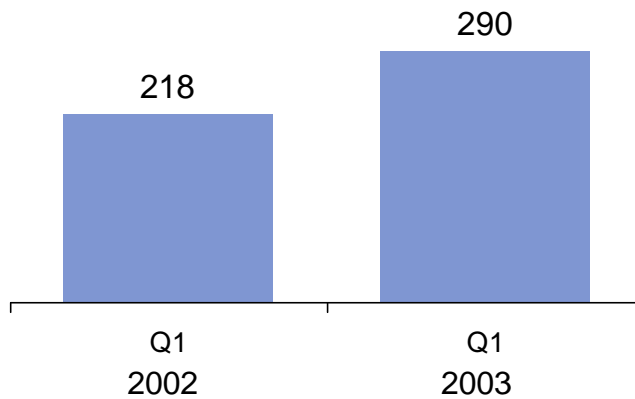
# Core divisions Q1 2002 and Q1 2003

*Power Technologies and Automation Technologies divisions (MUS\$)*

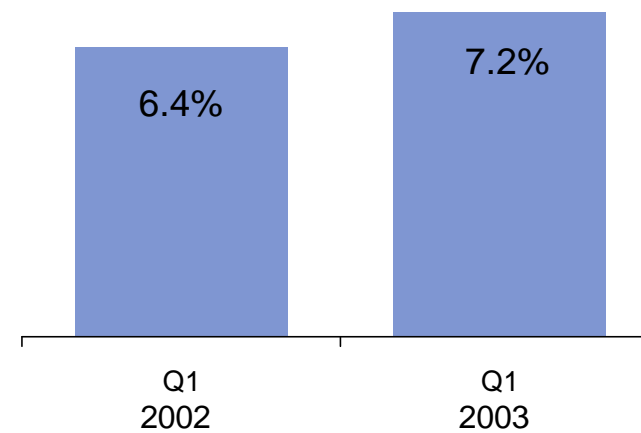
## Revenues



## EBIT



## EBIT margins



# Priorities 2003

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- ✍ Further strengthen core divisions
- ✍ Continue to cut costs and losses in Non Core and Corporate activities
- ✍ Execute planned divestments in 2003 with expected gross proceeds in excess of US\$ 2 billion to reduce debt
- ✍ Stabilize quarterly cash flow
- ✍ Solve the asbestos issue

# Power Technologies - first quarter highlights

- ✍ Orders down 3% local currencies (up 6% in US\$)\*
  - ✍ Double digit growth in Medium-Voltage Products business area
  - ✍ Largest export order from ABB India
  - ✍ Order intake improvements in Asia, Middle East, Eastern Europe
- ✍ Revenues up 6% (up 17%)\*
- ✍ EBIT up from US\$ 110 to US\$ 128 million
- ✍ EBIT margin remained at 7.2%

\* in local currencies (in nominal currency)

# Automation Technologies - first quarter highlights

- ✍ Orders slightly up in local currencies (up 15% in US\$)\*
  - ✍ Orders increased in Petroleum, Chemical and Consumer business areas
  - ✍ Two major service orders Italy and Germany, total value US\$ 217 million
  - ✍ Order growth from Europe and Asia (China and India)
- ✍ Revenues up 5% (up 20%)\*
- ✍ EBIT up from US\$ 108 to US\$ 162 million
- ✍ EBIT margin up from 5.8% to 7.3%

\* in local currencies (in nominal currency)

# Group – first quarter key figures



(MUS\$)	First quarter 2003	First quarter 2002
Orders	5,081	4,695
Revenues	4,495	3,951
EBIT	92	272
Net interest expense	-130	-58
Discontinued operations	-10	22
Net loss/income	-45	155
Net cash from operations	-928	-181
Gross debt	8,156	7,952*

\* At December 31, 2002



# Group - first quarter highlights

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## Divestments

-  Aircraft leasing portfolio
-  ABB Export Bank's car leasing assets sold

## Cost reduction program realized

-  Step Change program realized net cost savings of app. US\$ 70 million (restructuring costs US\$ 33 million)
-  Step Change job reductions of ~1,700 (overall ~ 4,000 jobs fewer)

## Progress on asbestos settlement

-  Well above 75 percent of claimants in favor
-  Pre-packaged Chapter 11 filed
-  Confirmation court hearing started on April 24 and will continue on May 1-2
-  ABB remains confident that the plan will be approved

# EBIT

(MUS\$)

	First quarter 2003	First quarter 2002
Power Technologies	128	110
Automation Technologies	162	108
<b>Core businesses</b>	<b>290</b>	<b>218</b>
Non-core activities	-64	39
Corporate	-134	15
<b>Group EBIT</b>	<b>92</b>	<b>272</b>
EBIT margin	2.0%	6.9%

# Non Core Activities - EBIT

(MUS\$)

	First quarter 2003	First quarter 2002**
Insurance	-2	17
Equity Ventures	22	14
Remaining Structured Finance	-28	72
Building Systems	-33	-8
New Ventures	-4	-19
Other non-core activities*	-19	-37
<b>Total</b>	<b>-64</b>	<b>39</b>

✍ **Insurance** - write-down of marketable securities US\$ 13 million

✍ **Remaining Structured Finance** - loss on divested aircraft leasing portfolio approx. US\$ 30 million, lower earnings of US\$ 77 million in Swedish Export Credit

✍ **Building Systems** - write-down and lower earnings

\* Includes Group Processes, Logistic Systems and Repair Workshops

\*\* Restated



# Corporate - EBIT

(MUS\$)	First quarter 2003	First quarter 2002
Headquarters/Stewardship	-106	29
Research and development	-21	-18
Other*	-7	4
<b>Total</b>	<b>-134</b>	<b>15</b>

- ✍ One-time positive items in Q1 2002 like capital gains on sale of Air Handling business and CEO pension recoveries

\* Includes consolidation, Treasury services and real estate

# Discontinued Operations – Net income impact

(MUS\$)	First quarter 2003	First quarter 2002
Oil, Gas and Petrochemicals	-12	16
Structured Finance	0	16
Metering	-3	11
Asbestos	4	0
Other divested businesses	0	-3
Abandoned businesses/Other	1	-18
<b>Income (loss) from discontinued operations</b>	<b>-10</b>	<b>22</b>

✍ Provision for project costs in Oil, Gas & Petrochemicals

# Cash flow from operating activities

(MUS\$)		First quarter 2003
Cash-effective earnings		-353
Marketable securities		46
Net operating working capital		-621
<b>Net cash used in operating activities</b>		<b>-928</b>
<b>Less cash flow from unusual items and Non Core</b>		<b>-736</b>
Including:		
[Combustion Engineering	-226]	
[Discontinued operations (OGP)	-254]	
[Non-core activities	-162]	
[Restructuring charges	-57]	
[Other	-37]	
<b>Operating cash flow from core divisions</b>		<b>-192</b>

Operating cash flow from core divisions of US\$ –192 million is in line with seasonal working capital increase



# Medium-term financing goals

## 2003

- ✍ Reduce total debt from US\$ 8.2 billion at March 2003 to about US\$ 6.5 billion, gearing  $[\text{total debt}/(\text{total debt} + \text{equity})]$  to approximately 70 percent
  - ✍ Proceeds from divestment of Oil, Gas and Petrochemicals division, Building Systems and other businesses will significantly reduce debt by year-end 2003

## 2005

- ✍ Reduce total debt to approximately US\$ 4 billion, gearing to approximately 50 percent
  - ✍ Debt reduction to come primarily through increased operational cash-effective earnings

# Priorities 2003

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- ✍ Further strengthen core divisions
- ✍ Continue to cut costs and losses in non-core and corporate activities
- ✍ Execute planned divestments in 2003 to reduce debt with expected gross proceeds in excess of US\$ 2 billion
- ✍ Reduce volatility in core divisions' quarterly cash flow
- ✍ Solve the asbestos issue

# ABB 2003 - 2005 Outlook

	2003			2005E		
	Group	AT	PT	Group	AT	PT
<b>Revenues</b> (local currencies)	4%	3%	5.3%	*4%	*3.3%	*5.3%
<b>EBIT margin</b> (nominal currency)	4%	7.1%	7%	8%	10.7%	10%

Excluding major acquisitions/divestments

2005 EBIT margin target on estimated revenues of approximately US\$ 17.5 billion

\*Annual average growth rate 2002 - 2005



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# Asbestos

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## Accounting implications

-  Cash outflow of US\$ 226 to fund Asbestos Trust

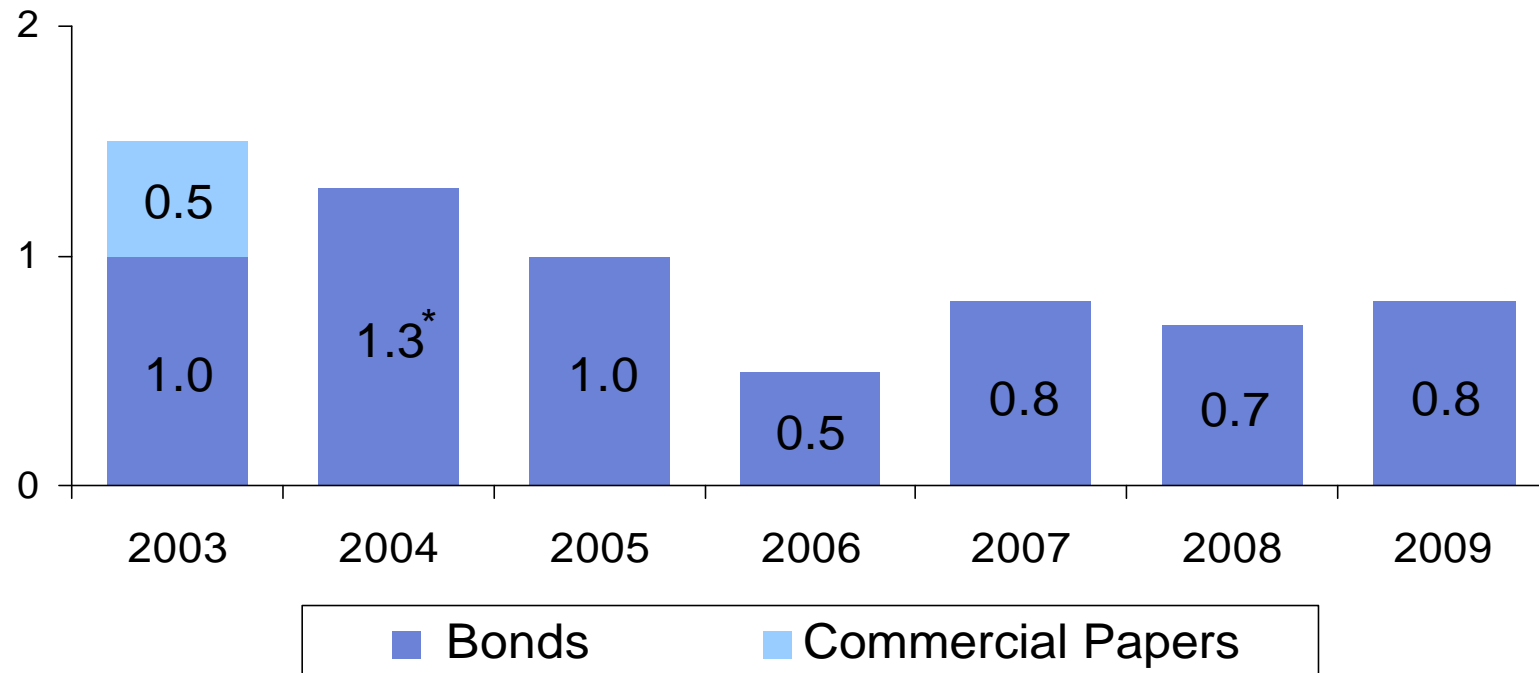
## Update

-  Announced in February 2003 that CE filed for a pre-packaged Chapter 11 in the US. bankruptcy courts
-  Voting plan ended on February 19
-  Well over 75 percent of claimants votes in favor of the plan
-  Confirmation court hearing started on April 24<sup>th</sup> and will continue on May 1-2
-  ABB remains confident that the plan will be approved

# Maturity profile of debt securities at March 31, 2003

(BUS\$)

Total debt securities of app. US\$ 6.6 billion

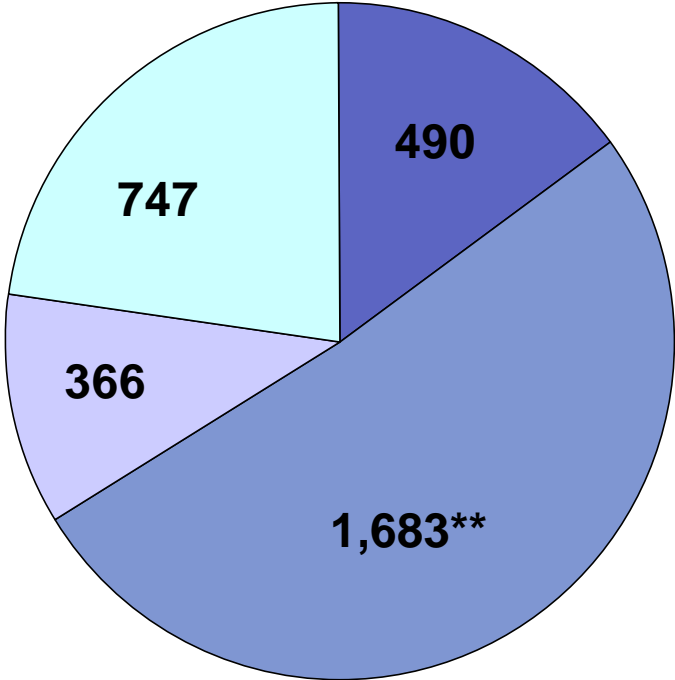


\* US\$ 0.6 bn matures prior to March 31, 2004 and is shown as short-term debt

based on March 31, 2003 FX

# Composition of short-term debt\* at March 31, 2003

Total ST debt: MUS\$ 3,286



all figures in MUS\$

■ Commercial paper   ■ Maturing LT borrowings   ■ Other ST debt   ■ Credit facility

\* short-term represents debt maturing prior to March 31, 2004

\*\* includes US\$ 1.6 bn of bonds maturing prior to March 31, 2004

