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Chief Executive Officer



**Electrical Products Group**  
**Spring 2005**

Longboat Key, FL



**ABB**

# Content

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- Q1 summary
- Review of results
- Outlook 2005

# ABB Group - Q1 2005 summary

## “A good start into 2005”

- Continued strong Group top-line growth
  - Orders up 3%\* (8%)\*\*
  - Orders of core divisions up 11% (16%), both large and base orders contributing to strong growth, weaker Europe more than offset by Americas, Asia, Middle East
  - Revenues up 6% (12%) on solid order backlog
- Group EBIT up 58%\*\* to \$391 mill.
  - All activities improved vs 2004
  - Strongest contribution from Automation Technologies
  - Corporate cost reductions making progress
- Group EBIT margin at 7.7% from 5.5%
  - Big increase in Automation Technologies to 10.9% from 8.6%
  - Power Technologies at 7.6%, slightly lower from 8.0%

\* local currency change    \*\* (in US\$)



# ABB Group - Q1 2005 summary (cont'd)

- Good \$199 mill. net income due to higher EBIT, reduced finance net and significantly lower losses in Discontinued operations
  - Net debt up vs year-end 2004 from seasonal effects and continued growth. Total debt and gearing continue to decrease.
  - Asbestos: A decisive step towards final resolution ...
  - Group targets 2005 reaffirmed, in particular 7.7-percent group EBIT target. However, 10-percent EBIT margin target for Power Technologies division can no longer be reaffirmed
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- Challenges for 2005
    - Maintain growth, albeit at somewhat reduced rate
    - Continue to drive operating performance, incl. Corporate cost
    - Manage operating issues at PT, esp. raw material exposure
    - Progress toward final asbestos resolution

# Power Technologies – Q1 summary

- Orders up 10%\* (15%)\*\*; led by Middle East, Asia (India) and Americas, lower orders in Europe (especially eastern Europe)
- Growth in both base and large orders
- Revenues up 12% (17%), higher in both business areas
- EBIT up 12%\*\* to \$163 mill. but EBIT margin lower at 7.6% from 8.0%
  - Steep rise in raw materials (mainly electrical steel, transformer oil) reduced EBIT by \$15 million vs. Q1 2004, plus other operational issues in transformers
  - Offsets higher EBIT margin in systems, lower restructuring costs
- Cash outflow of \$73 million: seasonal patterns, greater working capital requirements

\* local currency change \*\* (in US\$)



# Automation Technologies – Q1 summary

- Orders up 11%\* (18%)\*\* led by Americas, Middle East and Africa, higher orders in Europe led by eastern Europe, modest growth in Asia (significant in India)
- Base order growth continues, large orders up substantially
- Revenues grow 7% (13%), higher in all business areas in U.S. dollars and local currencies
- EBIT\*\* up 42% at \$307 million on higher revenues, improved productivity, lower restructuring costs
- EBIT margin at 10.9% from 8.6% in Q1 2004
- Cash flow of \$67 million down \$30 million on higher working capital requirements

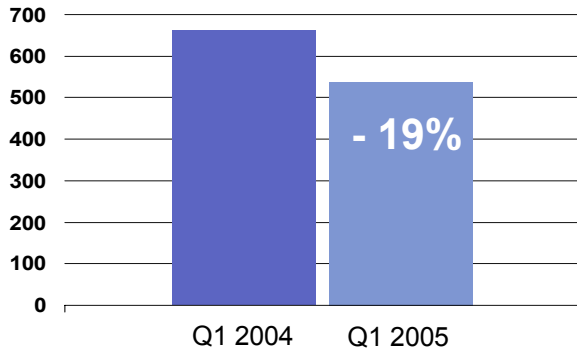
\* local currency change \*\* (in US\$)



# Improved order performance in Q1 2005

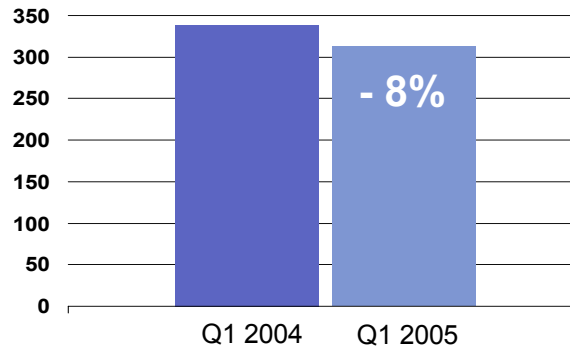
Nominal rates – core division numbers

## China



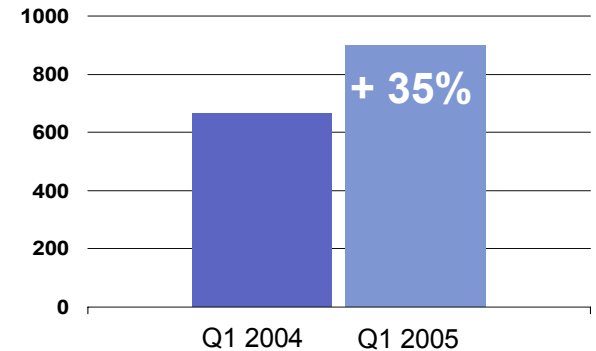
- Q1 2004 extremely strong & lower base orders in PT

## Central/Eastern Europe



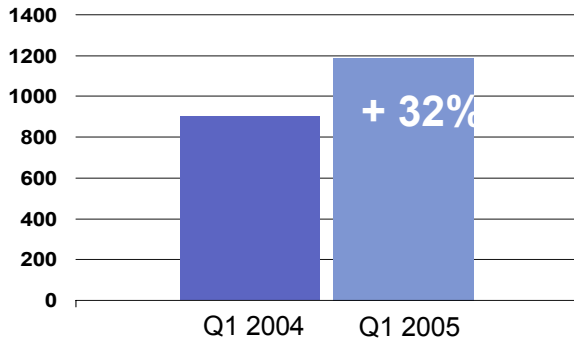
- Increase in metals/minerals & Services in AT; no large orders in PT

## Asia excl. China



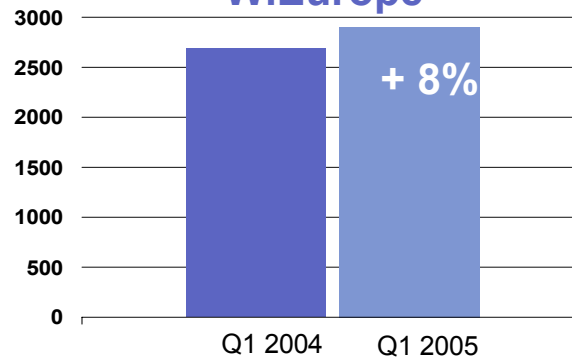
- Strong growth in India

## Americas



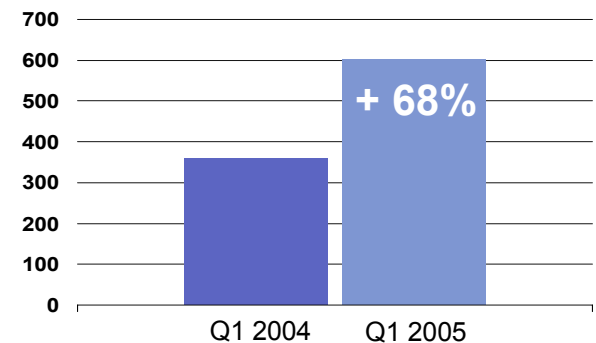
- Strong increase in North America; South America also up

## W.Europe



- Strong large order growth in AT; base order growth in PT

## MEA



- Large order growth in PT; AT driven by Products and Process Automation



# EBIT\* - overview

| \$ million               | Q1 2005 | Q1 2004 |
|--------------------------|---------|---------|
| Power Technologies       | 163     | 146     |
| Automation Technologies  | 307     | 216     |
| Core businesses          | 470     | 362     |
| Non-core activities      | 9       | 0       |
| Corporate                | (88)    | (115)   |
| Group EBIT               | 391     | 247     |
| <i>Group EBIT margin</i> | 7.7%    | 5.5%    |

- Strong quarter for Automation Technologies
- Non-core positive contribution from OGP improvement
- Corporate EBIT improved by lower HQ/Stewardship costs and capital gains on real estate

\* EBIT: Earnings before interest and taxes



# ABB Group – key figures

|                                   |       |       |
|-----------------------------------|-------|-------|
| Finance net                       | (41)  | (79)  |
| Income from continuing operations | 215   | 89    |
| Loss from discontinued operations | (16)  | (88)  |
| Net income                        | 199   | 1     |
| Cash flow from operations         | (235) | (128) |

- Finance net improves mainly on non-recurrence of \$35-million bifurcation expense on dollar-convertible bond in Q1 2004 (\$28 million net impact)
- Discontinued operations includes \$18 million expense on mark-to-market valuation of ABB shares reserved for asbestos trust
- Cash used in operations increased on higher working capital and cash outflow for non-core related to provisions and upstream OGP



# Update on asbestos

- Term-sheet agreement announced March 21 2005
- Basis for an amended Chapter 11 Plan of Reorganization for U.S. subsidiaries Combustion Engineering (CE) and ABB Lummus Global
- Brings plan into conformity with U.S. 3<sup>rd</sup> Circuit Court ruling of December 2004
- Additional \$232 million to pay present and future claimants, according to US GAAP booked in 2004 accounts
- April 5 status hearing with bankruptcy court
- Two months to submit documentation for amended plan
- Preparations ongoing



# 2005 outlook

- Markets: Continued demand growth in both divisions expected, however no longer at double-digit rate
- AT on track to meet 10.7% EBIT margin target
- Non-core activities and Corporate also on target
- PT goal of 10% EBIT margin has become unlikely; due to current unpredictability of raw material prices, new target issued with Q2 earnings announcement
- Main goal in reshaping debt on balance sheet is to maximize economic value, e.g., securitization vs. interest-bearing debt

Targets exclude major acquisitions, divestments and business closures



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**Appendix**

# EBIT\* - Non-core activities

| \$ million                  | Q1 2005  | Q1 2004  |
|-----------------------------|----------|----------|
| Oil, Gas and Petrochemicals | 9        | 1        |
| Building Systems            | (19)     | (17)     |
| Equity Ventures             | 23       | 22       |
| Other non-core activities   | (4)      | (6)      |
| <b>Non-core EBIT</b>        | <b>9</b> | <b>0</b> |

## Q1 comment

- Higher EBIT in OGP on 23% increase in revenues
- Building Systems: Restructuring in Germany (weak market), costs to wind down some activities
- Other – Remaining Structured Finance, New Ventures, Logistics Systems with small impact

\* EBIT: Earnings before interest and taxes



# EBIT\* - Corporate

| \$ million                 | Q1 2005     | Q1 2004      |
|----------------------------|-------------|--------------|
| Headquarters / Stewardship | (79)        | (99)         |
| Research & Development     | (23)        | (21)         |
| Other *                    | 14          | 5            |
| <b>Corporate EBIT</b>      | <b>(88)</b> | <b>(115)</b> |

\* includes consolidation, Real Estate and Treasury Services

## Q1 comment

- Headquarters / Stewardship lower costs reflect ongoing initiatives
- Other costs include capital gains of \$17 million from real estate
- Most of 2005 Sarbanes-Oxley costs still to come

\* EBIT: Earnings before interest and taxes



# Discontinued operations – Net income impact

| \$ million  | Q1 2005 | Q1 2004 |
|-------------|---------|---------|
| Asbestos    | (19)    | (27)    |
| Power lines | (3)     | (9)     |
| Other       | 6       | (52)    |
| Net loss    | (16)    | (88)    |

## Q1 comment

- Asbestos includes \$18 million expense on mark-to-market valuation of ABB shares reserved for asbestos trust
- Other includes \$30-mill. loss in reinsurance in 2004, provision release on metering disposal in 2005



# ABB Group – Key figures

| \$ million                                | Q1 2005 | Q1 2004 |
|---|---------|---------|
| Orders                                    | 6'261   | 5'777   |
| Revenues                                  | 5'088   | 4'528   |
| EBIT (earnings before interest and taxes) | 391     | 247     |
| Finance net                               | (41)    | (79)    |
| Discontinued operations                   | (16)    | (88)    |
| Net income / (loss)                       | 199     | 1       |
| Cash flow from operating activities       | (235)   | (128)   |

|   | 31 Mar 05 | 31 Dec 04 | 30 Sep 04 |
|---|-----------|-----------|-----------|
| Cash & marketable securities  | 3'651     | 4'200     | 3'708     |
| Total debt (LT borrowings plus ST borrowings)                         | 5'161     | 5'534     | 5'194     |
| Net debt (total debt minus cash & marketable securities)              | 1'510     | 1'334     | 1'486     |
| Equity (incl. minority interest)                                      | 3'299     | 3'121     | 3'363     |
| Gearing (total debt / total debt plus equity incl. minority interest) | 61.0%     | 63.9%     | 60.7%     |



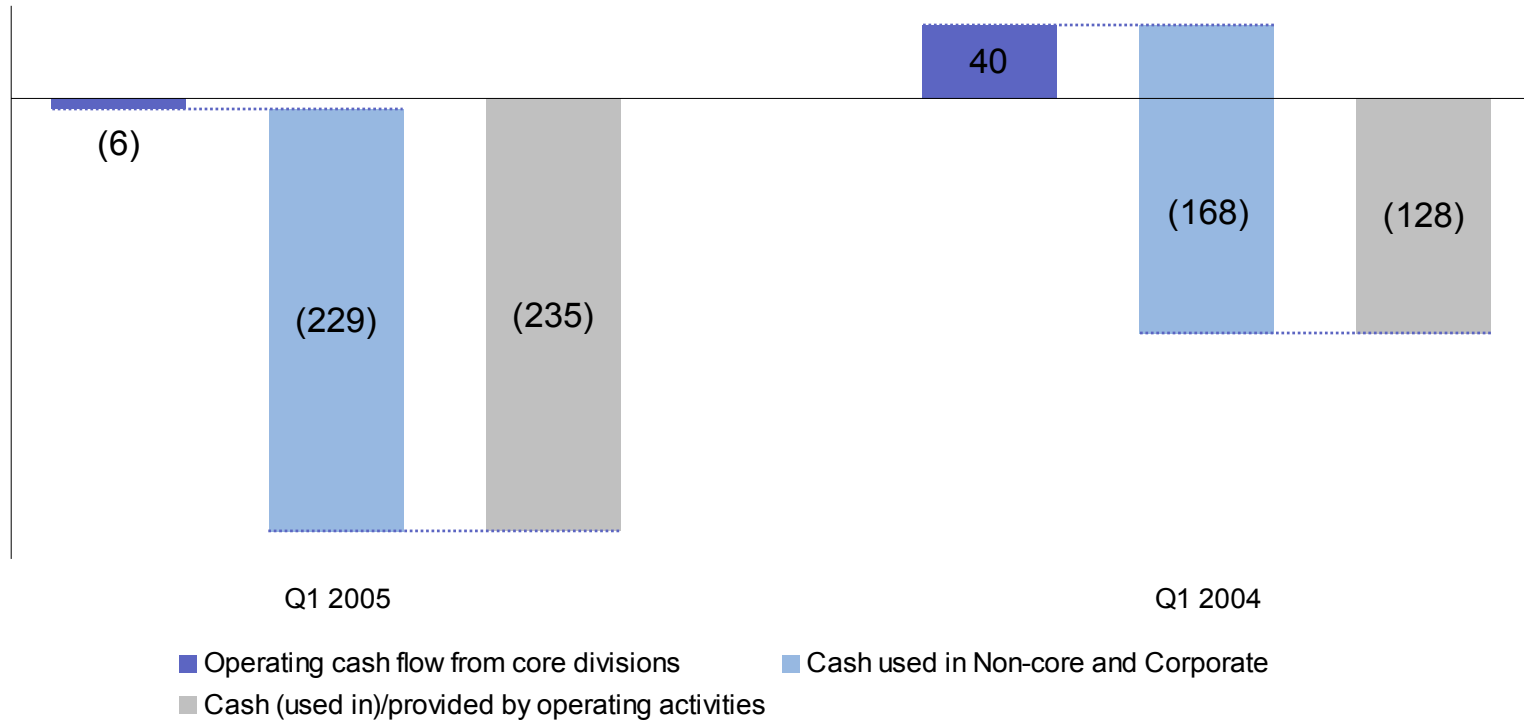
# Cash Flow from operating activities

| \$ million |  | Q1<br>2005 | Q1<br>2004 |
|------------|--|------------|------------|
|            | <i>Cash-effective earnings</i>                               | 320        | 139        |
|            | <i>Marketable securities</i>                                 | 1          | 41         |
|            | <i>Net operating working capital</i>                         | (556)      | (308)      |
|            | <b>Net cash from operating activities</b>                    | (235)      | (128)      |
|            | <i>Combustion Engineering</i>                                | (1)        | (21)       |
|            | <i>Non-core activities</i>                                   | (124)      | 7          |
|            | <i>Corporate and other<sup>1</sup></i>                       | (104)      | (154)      |
|            | <b>Cash used in Non-core and Corporate</b>                   | (229)      | (168)      |
|            | <b>Cash flow from operating activities of core divisions</b> | (6)        | 40         |

<sup>1</sup> incl. Treasury activities

# Cash flow from operating activities

US\$ million



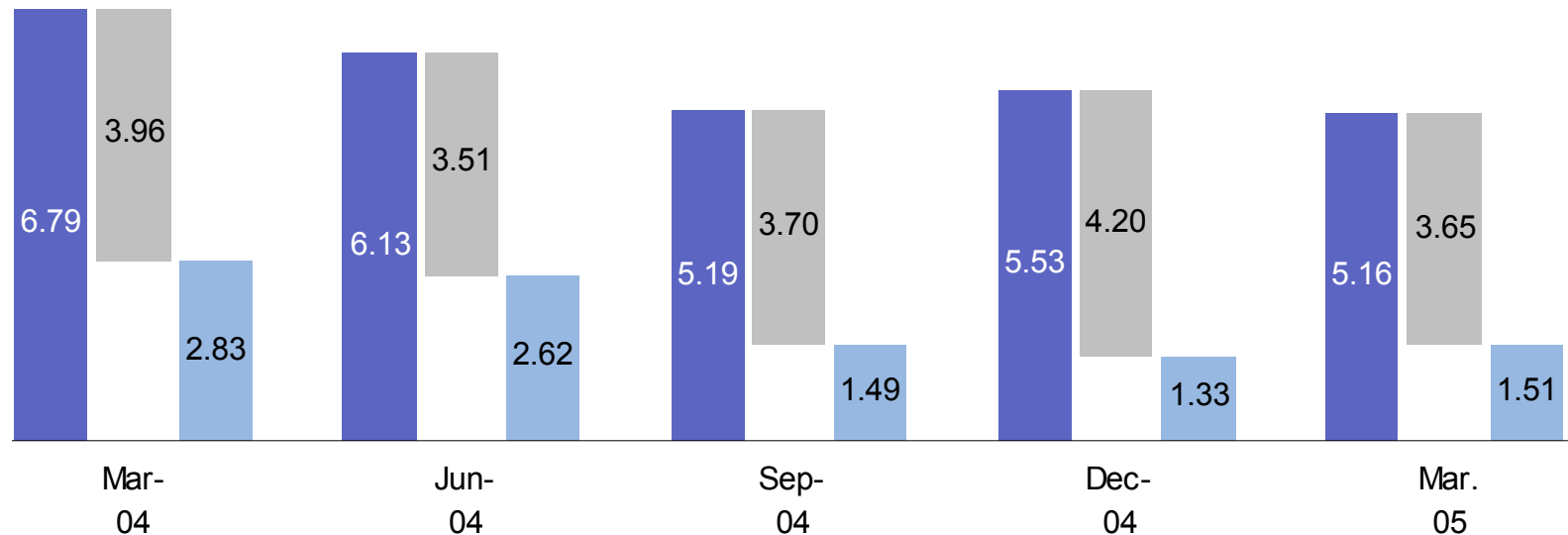
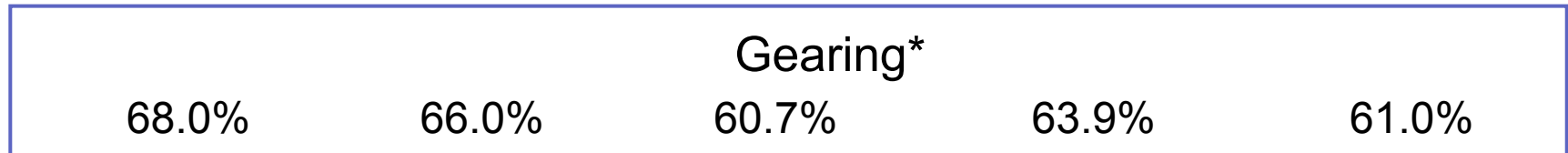
## Q1 comment

- Higher working capital requirements in divisions to support growth
- Higher cash outflow from Non-core (provisions, upstream OGP)



# Net debt and gearing development

\$ billion



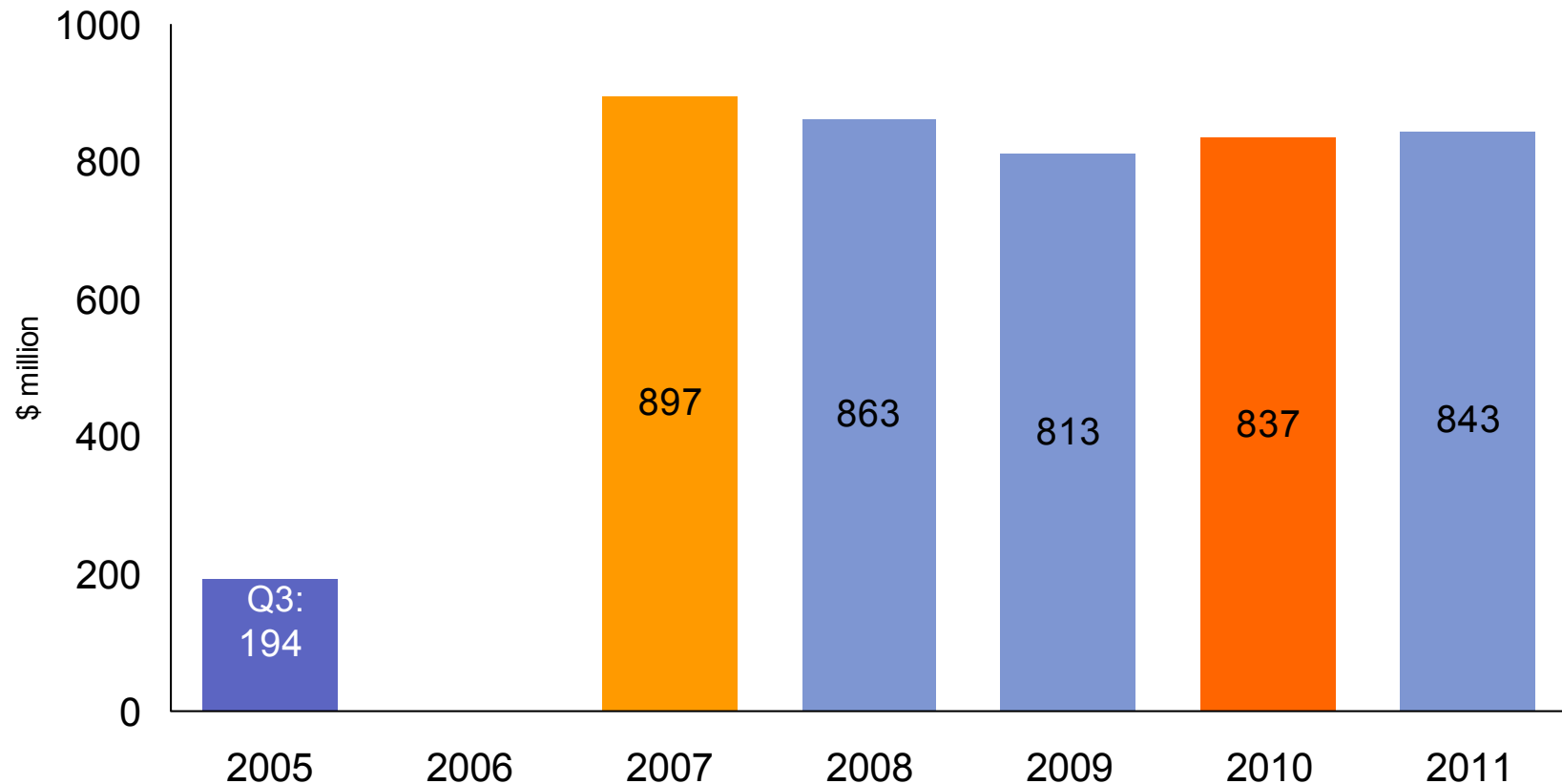
- Net debt (total debt minus cash & marketable securities)
- Cash & marketable securities
- Total debt (LT borrowings plus ST borrowings)

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



# Maturity profile of debt securities\* (as of March 31, 2005)

Total debt securities of approx. \$4.447 billion



■ \$ 4.625% Convertible bond (conversion price of \$9.03)

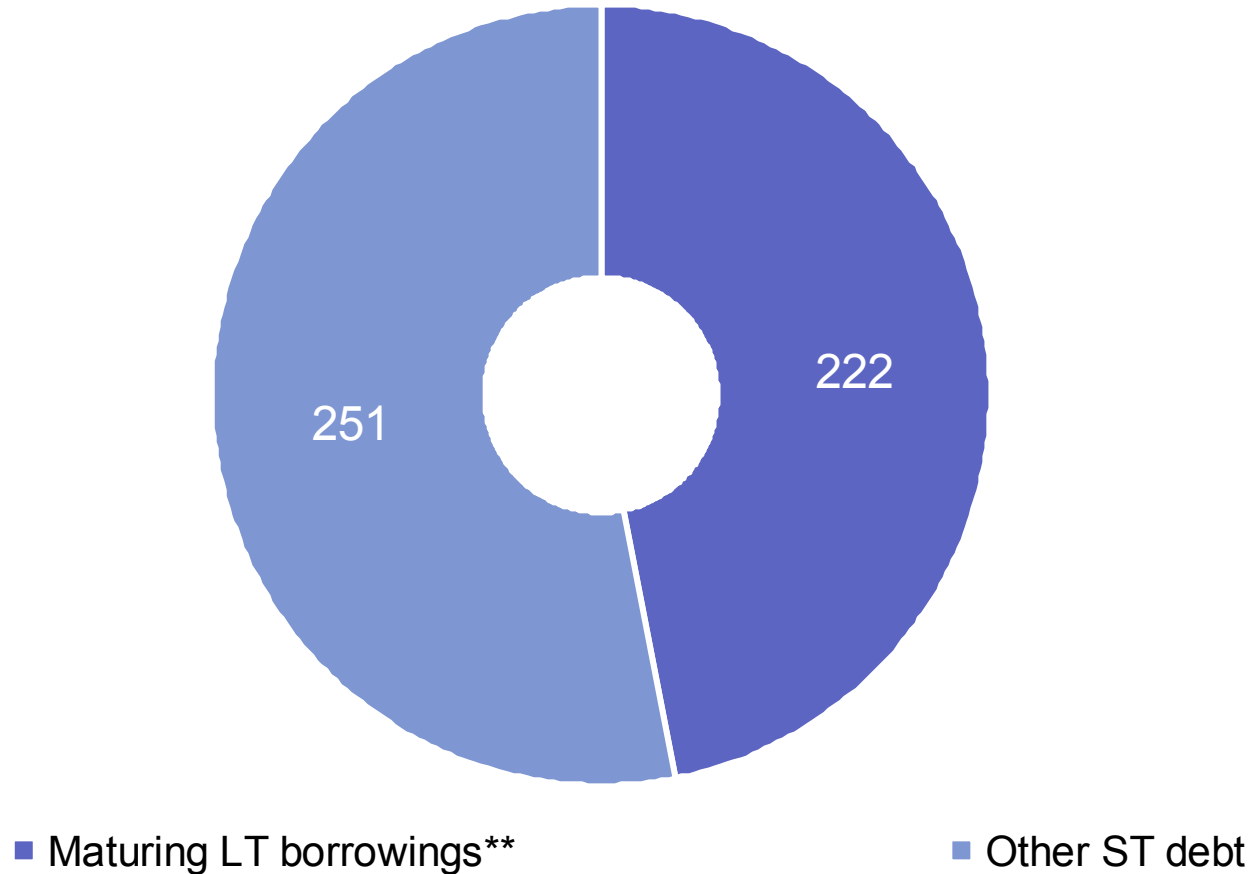
■ CHF 3.5% Convertible bond (conversion price of CHF 9.53)

\* based on March 31, 2005 FX rates



# Composition of short-term debt \* (as of March 31, 2005)

Total short-term debt of \$ 473 million



\* Short-term debt = debt maturing prior to March 31, 2006

\*\* Maturing long-term borrowings incl. debt securities of \$194 million maturing in Q3 2005



# AT 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



# PT market expectations for 2005

## Regions

- **W. Europe:** Utility investments mixed, depending on regulatory and political factors
- **E. Europe:** Strong growth led by need for infrastructure upgrade
- **Americas:** Reliability concerns drive U.S. transmission investments, increased investments in Latin America
- **Asia:** Continued strong demand, led by India
- **Middle East and Africa:** Positive market environment continuing

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## Business Areas

- **Power Technology Products:** Growing demand for high-voltage and medium-voltage products and transformers in Asia, Middle East, North America and Europe; increased demand for service and retrofit in mature markets
- **Power Technology Systems:** Increased demand for interconnections, especially in Asia, Middle East and Eastern Europe, continued high demand for distribution substations



# 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.



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