ABB Group Q4 and full-year results 2003

Press Release

Core divisions post strong results

Significant order, EBIT and cash flow growth in Q4
Core divisions exceed EBIT margin targets for full year
Further write-offs in Discontinued operations lead to Q4, full-year net loss

2003 Q4 and full-year key figures

(US$ in millions)		Q4 03	Q4 02[1]	Change	2003	2002[1]	Change
Orders	**Group**	**4,674**	**4,288**	**9%**	**18,703**	**17,352**	**8%**
	Power Technologies	1,960	1,569	25%	7,708	6,753	14%
	Automation Technologies	2,637	2,169	22%	9,961	8,680	15%
Revenues	**Group**	**5,081**	**5,008**	**1%**	**18,795**	**17,466**	**8%**
	Power Technologies	2,184	2,010	9%	7,680	6,963	10%
	Automation Technologies	2,774	2,379	17%	9,897	8,464	17%
EBIT[2]	**Group**	**187**	**1**	**--**	**656**	**346**	**90%**
	Power Technologies	170	93	83%	563	433	30%
	Automation Technologies	225	107	110%	773	517	50%
	Non-core activities	-62	-78		-181	-181	
	Corporate	-146	-121		-499	-423	
EBIT margin	**Group**	**3.7%**	**0%**		**3.5%**	**2.0%**	
	Power Technologies	7.8%	4.6%		7.3%	6.2%	
	Automation Technologies	8.1%	4.5%		7.8%	6.1%	
Loss from discontinued operations		**-441**	**-729**	**--**	**-853**	**-858**	**--**
Net loss		**-387**	**-828**	**--**	**-767**	**-783**	**--**
Basic loss per share		**-0.28**	**-0.74**	**--**	**-0.63**	**-0.70**	**--**

[1] Adjusted to reflect the move of activities to Discontinued operations in 2003
[2] Earnings before interest and taxes

Zurich, Switzerland, February 19, 2004 – ABB's core divisions, Power Technologies and Automation Technologies, improved their performance in the fourth quarter of 2003 and the full year, delivering significantly higher earnings before interest and taxes (EBIT) and cash flow.

Mainly non-cash losses from Discontinued operations – primarily in the downstream oil and gas business and on the announced sale of the reinsurance business – were the biggest factors in a net loss of $387 million for the fourth quarter. The net loss for the full year was $767 million.

"The core divisions turned in another strong performance in mixed markets," said Jürgen Dormann, ABB chairman and CEO. "They almost doubled EBIT in the quarter as cost reductions continued to pay off, and lifted operating cash flow by more than a third. For the full year, the core divisions generated almost $1.5 billion in cash. Those are significant achievements."

Orders in the core divisions rose strongly in the fourth quarter on continued double-digit growth in Asia, even excluding positive foreign exchange effects of more than ten percentage points. Adjusted for foreign exchange effects, total core division revenues for the quarter were flat.

"Our strengthened capital base gives us the platform we need to execute our strategy of profitable growth with more competitive costs," Dormann said. "Driving operational improvements further and finalizing the divestment program will remain our priorities in 2004."

Q4 and full-year 2003 highlights

Orders: The core divisions reported a solid increase in orders in the fourth quarter in both nominal U.S. dollar terms and in local currencies. Orders in local currencies were up 12 percent in the Power Technologies division and were 8 percent higher in Automation Technologies. The improvement was driven mainly by an increase in large orders (larger than $15 million) and continued strong growth in Asia. Full-year orders were 4 percent higher in local currencies for the Power Technologies division and up 2 percent for Automation Technologies.

Group orders were up 9 percent in the quarter compared to the same period last year (down 5 percent in local currencies), and up 8 percent for the year (down 5 percent in local currencies). Excluding the Building Systems businesses which the company is divesting, group orders for the quarter grew 6 percent in local currencies in the fourth quarter and were flat for the full year compared to 2002.

EBIT: The core divisions almost doubled their combined EBIT in the quarter, to $395 million from $200 million in the year-earlier period. This was primarily the result of ongoing operational improvements, as well as growth in the higher-margin service business. Core division EBIT for the full year was up 41 percent to $1,336 million. Group EBIT for 2003 was $656 million, a 90-percent improvement over 2002.

Cost reduction: ABB's Step change program produced savings of $235 million in the fourth quarter of 2003 and $655 million for the full year, both ahead of target.

Cash flow: The two core divisions generated a combined cash flow from operations in the fourth quarter of $969 million, up 34 percent from the same period in 2002. For the full year, the core divisions increased cash flow from operations to $1,464 million from $859 million in 2002. Net cash used in operations for the group was $161 million for 2003 compared to cash provided by operations of $19 million for 2002.

R&D and order-related development: ABB invested $613 million in R&D and $317 million in order-related development for a total of $930 million in 2003, representing about 5 percent of revenues compared to a total of $795 million in 2002, or 4.5 percent of revenues.

Capital structure: ABB strengthened its capital structure in the fourth quarter of 2003 with a CHF 3.1-billion (approximately $2.5-billion) rights issue, a EUR 650-million straight bond, and a $1-billion unsecured bank facility which remains undrawn. The company also repaid and cancelled its previous $1.5-billion secured bank facility. Shareholders' equity increased to $3,026 million at the end of the year from $1,019 million at the end of September 2003.

2003 targets

Both core divisions surpassed their EBIT margin targets. The Power Technologies (PT) division reported an EBIT margin of 7.3 percent (target: 7.0 percent) while the Automation Technologies (AT) division reported a margin of 7.8 percent (target: 7.1 percent).

The EBIT margin target for the ABB Group was 4 percent for 2003, excluding the impact from major acquisitions and divestments. Including that impact, ABB achieved an EBIT margin in 2003 of 3.7 percent. The shortfall was mainly the result of additional restructuring charges taken to prepare businesses in Non-core activities for disposal.

For revenues, the PT division reported flat growth in local currencies (target: 3 percent) for 2003. On a comparable scope of business (including a number of divestitures and business closures), the PT division increased 2003 revenues in local currencies by 3 percent. The AT division increased revenues in local currencies by 3 percent (target: 2 percent) for the full year.

Excluding the EUR 650 million raised through a bond launched in November (not included in the target), ABB achieved the debt target it set in October of $7.3 billion. Gearing (defined as total debt divided by total debt plus equity) amounted to 70 percent at the end of 2003, also on target.

Summary of fourth quarter 2003 results

Orders received for the core divisions in the fourth quarter of 2003 grew more than 20 percent in U.S. dollar terms and were also higher on a local currency basis – up 12 percent in Power Technologies and 8 percent in Automation Technologies – reflecting an improvement in the overall investment climate. Regionally, the increase was driven by continued double-digit growth in Asia, with additional growth in Europe. Orders were lower in the Americas, the Middle East and Africa. Large orders in the core divisions rose by almost $500 million, led by Europe and Asia, compared to a very low volume of large orders for the same quarter in 2002. Base orders (less than $15 million) were flat to slightly lower in local currency terms in the core divisions.

Group orders amounted to $4,674 million, up 9 percent compared to the same period last year ($4,288 million) and down 5 percent in local currencies.

The order backlog for the core divisions at the end of the fourth quarter of $9,905 million remained at about the same level as at the end of the third quarter 2003. In local currencies, the core division order backlog was slightly lower. The order backlog for the group at the end of the fourth quarter was $10,043 million, 2 percent lower than the end of the third quarter of 2003 (down 7 percent in local currencies), primarily due to divestments of Building Systems businesses, part of Non-core activities.

Revenues rose 9 percent for the Power Technologies division and 17 percent for Automation Technologies in U.S. dollar terms. In local currencies, revenues in the core divisions were flat overall. Local currency revenues were higher in the product and service businesses and lower from large projects. Core division revenues were significantly higher in Asia, slightly higher in the Middle East, Africa and Europe, and lower in the Americas. Group revenues of $5,081 million were flat in U.S. dollar terms and down 11 percent in local currencies, reflecting mainly the divestment of most of the Building Systems business during the year.

EBIT in the core divisions was $395 million, almost doubled from $200 million in the same period in 2002. After losses in Non-core activities of $62 million and Corporate costs of $146 million in the fourth quarter, group EBIT was $187 million ($1 million in the fourth quarter of 2002).

A significant contributor to ABB's improved EBIT was the Step change cost reduction program. Comprising more than 1,400 savings initiatives, the program aims to increase the competitiveness of ABB's core businesses, reduce overhead costs and streamline operations by approximately $900 million on an annual basis by 2005. The program is expected to be complete by the middle of 2004. At the end of 2003, 63 percent of the initiatives had been completed on or ahead of schedule.

Step change yielded savings of $235 million in the fourth quarter of 2003 and $655 million for the full year. Restructuring costs under the program amounted to $72 million in the fourth quarter. For the full year, Step change restructuring costs amounted to $234 million, compared to $300 million forecast at the beginning of 2003. There were slightly more than 1,400 Step change-related job reductions in the fourth quarter for a total of about 7,100 Step change-related job reductions for the full year. Total restructuring costs in the quarter amounted to $142 million, comprising the Step change program and restructuring related mainly to preparing businesses in Non-core activities for disposal.

As of December 31, 2003, ABB employed 116,500 people, compared to 139,100 at the end of 2002. During the year, ABB divested businesses employing about 13,000 people, most of whom were employed in the divested Building Systems businesses (about 11,000 employees).

Included in group EBIT is Other net expense of $128 million in the fourth quarter (for further details, please refer to page 10 of this release).

The group **EBIT margin** in the quarter was 3.7 percent.

Finance net[1] was negative $77 million compared to negative $120 million in the fourth quarter of 2002. The difference reflects the non-recurrence of financial losses in the fourth quarter of 2002, which more than compensated for lower interest and dividend income, higher interest costs and a $5-million expense booked in other finance expense for the mark-to-market effect of the equity conversion option contained in the 2002 convertible bond, compared to a $6 million gain in the same quarter of 2002.

The net loss in **Discontinued operations** amounted to $441 million, compared to a net loss of $729 million in the fourth quarter of 2002. Major items in the result include a $245-million net loss in the Oil, Gas and Petrochemicals business and losses (including operating results) on the discontinuation or anticipated sale of the reinsurance business ($162-million loss after tax), the wind energy venture ($22-million loss) and the cable business in Germany ($22-million loss). (For more details on Discontinued operations, please refer to pages 10 and 11 of this release.)

ABB's **net loss** for the fourth quarter amounted to $387 million, compared to a net loss of $828 million for the same period in 2002.

Balance sheet and debt

Cash and marketable securities at the end of December 2003 amounted to $5,142 million (excluding Discontinued operations), up from $2,573 million at the end of the previous quarter. The change reflects mainly the impact of ABB's rights issue in late 2003 that generated some CHF 3.1 billion (approximately $2.5 billion) in cash.

As a result of the announced sale of the reinsurance business, approximately $1.8 billion in cash and marketable securities have been moved to assets held for sale in the balance sheet.

At the end of December 2003, total debt (defined as total short and long-term borrowings) amounted to $7.9 billion, compared to $8.3 billion three months earlier. Excluding the bond

[1] Finance net is the difference between interest and dividend income and interest and other finance expenses

issued in November, total debt at December 31, 2003 amounted to about $7.1 billion, within the company's total debt target for 2003 of $7.3 billion.

Some $7.1 billion of the $7.9 billion in total debt is in the form of bonds, of which $677 million is due for repayment in the first quarter of 2004. For the full year 2004, bonds of $1.3 billion are due for repayment.

Stockholders' equity at December 31, 2003 amounted to $3,026 million compared to $1,019 million at the end of September 2003.

Cash flow

The two core divisions contributed a combined cash flow from operations in the quarter of $969 million, up 34 percent from $722 million in the same quarter of 2002. Net cash from operations for the group more than doubled to $671 million in the fourth quarter compared to $254 million for the same period a year earlier.

Non-core activities generated cash flow from operations of $55 million in the quarter, largely due to higher dividends received from Equity Ventures and increased collections from customers in the Building Systems business.

Cash outflow from Corporate amounted to $369 million in the fourth quarter and included cash payments to the Settlement Trust for ABB's U.S. subsidiary Combustion Engineering (CE) of $56 million ($369 million for the full year). Total asbestos cash outflows including fees and insurance collections amounted to $55 million in the quarter and $388 million for the year. The Oil, Gas and Petrochemicals business generated a small positive cash flow of $16 million.

Divestments

ABB continued its program of divesting non-core businesses and other assets and using the proceeds to pay down debt. In the fourth quarter, the company announced the sale of its reinsurance business for cash proceeds of about $425 million to be received when the deal is closed, which is expected to be in the second quarter of 2004. As a result, a loss of $162 million was reported in the fourth quarter, including a loss of $153 million on the announced sale (including an interest allocation of $15 million), a positive EBIT of $18 million, and a tax charge of $27 million.

The company continued to divest its Building Systems business and finalized the sale of units in Belgium, the Netherlands, Austria and the U.K., among other countries, recording a loss on the divestments of $27 million (recorded in Non-core activities). ABB also sold its wind energy venture, part of its New Ventures business in Non-core activities.

The sale of the ABB Export Bank for about $50 million, announced in October, was finalized in the fourth quarter.

A preliminary agreement to sell ABB's upstream oil and gas business was announced in October 2003. In January 2004, the final sales agreement was signed with an initial purchase price of $925 million and a potential deferred consideration of an additional amount of up to $50 million. The transaction is expected to be closed by mid-2004, subject to the customary regulatory approvals and closing conditions, as well as the satisfactory completion and disposition of compliance matters under review.

For the full year 2003, disposals of businesses and leasing and other financial portfolios have generated total cash proceeds of about $1.1 billion. Including the announced sale of the upstream oil and gas business and the reinsurance business, ABB is on track to achieve more than $2 billion in divestment proceeds.

Asbestos

On July 31, a U.S. district court approved a pre-packaged Chapter 11 protection plan filed earlier in the year by ABB's U.S. subsidiary, Combustion Engineering, marking further progress towards a settlement of the asbestos issue. Following the court's approval, an appeals period began before the U.S. 3rd Circuit Court of Appeals. All documentation was received by the court on October 7. A hearing date was set for February 4, 2004 but was postponed. The company is currently waiting for a new date and remains confident that the plan will be approved.

Group outlook

Based on current estimates, the company expects demand in most markets to continue to grow in 2004 compared to the year before, especially in the second half of the year. Economic growth in Asia is expected to remain robust, and a recovery is forecast to begin in Europe and the U.S. later in the year.

Management believes that this market development, combined with continued planned cost reductions and divestments, will lead to a further improvement in profitability in 2004 compared to 2003.

In addition, the company confirms its revenue, EBIT and gearing (defined as total debt divided by total debt plus equity) targets for 2005. From 2002 to 2005, ABB is targeting compound average annual revenue growth of 4 percent in local currencies, including 5.3 percent growth in the Power Technologies division and 3.3 percent growth in the Automation Technologies division.

For 2005, the group's target EBIT margin remains 8 percent in U.S. dollars and the company intends to reduce total debt to about $4 billion and gearing to approximately 50 percent.

Revenue and margin targets exclude major acquisitions, divestments and business closures.

Dividend recommendation

Taking into consideration the net loss reported for the year, the board of directors proposes that no dividend be paid for 2003.

Reclassifications

The company adjusted its 2003 and 2002 income statements and balance sheets to reflect the reclassification of various businesses, including its reinsurance business whose sale was announced in December 2003, to Discontinued operations. The reclassification of the reinsurance business reduces the company's 2003 revenues by $782 million and EBIT by $103 million. Also, reinsurance assets (including cash and marketable securities) and liabilities with a value of approximately $3.3 billion and $2.8 billion, respectively, have been moved into assets and liabilities held for sale in the balance sheet. Income statements and balance sheets reflecting these and other reclassifications are provided for the first three quarters of 2003 in the appendix attached to this release.

In addition, substation automation activities in the Automation Technologies division have been transferred to the Power Technologies division, effective January 1, 2004. The impact on full-year revenues for the Automation Technologies division will be a reduction of about $200 million. Due to the elimination of internal transactions, the corresponding revenue impact for the Power Technologies division is expected to be about $80 million. This change will be reflected in the divisional reporting as of the first quarter of 2004.

Divisional performance Q4 2003

Power Technologies

$ in millions (except where indicated)	Q4 2003	Q4 2002[1]	Change
Orders	1,960	1,569	25%
Revenues	2,184	2,010	9%
EBIT	170	93	83%
EBIT margin	7.8%	4.6%	
Restructuring costs (included in EBIT)	-15	-18	

[1] Adjusted to reflect the move of activities to Discontinued operations in 2003

Orders received in the fourth quarter rose 25 percent (12 percent in local currencies) to $1,960 million compared to the year-earlier quarter. The improvement was fueled mainly by growth in China and demand for large projects in the Middle East. Order growth was strong in Russia and modest in the rest of Europe. Demand in North America remained weak while political and financial uncertainties continued to depress markets in Latin America. Last summer's power outages in the U.S. and Europe have raised awareness of the need to upgrade transmission systems in many countries, and investments are expected once the necessary regulatory and political decisions have been taken.

Orders grew in U.S. dollar terms across all business areas. Orders were more than 60 percent higher in Power Systems versus the fourth quarter in 2002. Orders were more than 30 percent higher in High-Voltage Technology, particularly on higher demand in Europe.

Significant orders in the quarter in Power Systems business area included a $26-million order to improve the power supply in Sri Lanka, a $30-million order for power equipment in Algeria and a $24-million transmission line order in Venezuela.

Revenues in the fourth quarter of 2003 were up 9 percent at $2,184 million (3 percent lower in local currencies) than in the same quarter in 2002. Expressed in local currencies, revenues were higher in the product business areas High-Voltage Technology and Medium-Voltage Technology (reflecting higher orders in earlier quarters); lower in Power Transformers (due to the weak U.S. market) and Power Systems (following low orders in the second half of 2002); and flat in Utility Automation and Distribution Transformers. Adjusted for a change in scope of business, mainly two divestments in the U.S. and Poland, revenues in local currencies were flat in the quarter.

Fourth-quarter EBIT increased by 83 percent to $170 million. The increase was mainly driven by continued operational improvements, especially from product and site rationalization programs and savings from the Step change program. The EBIT margin before restructuring increased to 8.5 percent in the fourth quarter from 5.5 percent in the fourth quarter of 2002.

The higher earnings and net working capital improvements lifted cash flow from operations by 23 percent to $433 million compared to the same quarter in 2002.

Effective January 1 2004, the division merged its Power Transformers and Distribution Transformers business areas to accelerate gains in efficiency and productivity. The new business area, called Transformers, is the world's largest transformer manufacturer, with 56 factories in 26 countries. The new business area structure will be reported in the divisional results starting with the first quarter of 2004.

Automation Technologies

$ in millions (except where indicated)	Q4 2003	Q4 2002[1]	Change
Orders	2,637	2,169	22%
Revenues	2,774	2,379	17%
EBIT	225	107	110%
EBIT margin	8.1%	4.5%	
Restructuring costs (included in EBIT)	-58	-85	

[1] Adjusted to reflect the move of activities to Discontinued operations in 2003

Orders received in the Automation Technologies division rose 22 percent in the quarter (8 percent in local currencies) to $2,637 million, driven primarily by growth in the Petroleum and Chemical business area which won a $173-million order for turnkey gas compressors for a pipeline project in Poland. Growth in product and service businesses also contributed to the improvement.

Orders grew strongly in China and India, both at more than 40 percent, led by increased sales of low-voltage products in China and higher orders in the mining and metals sector in both countries, including an $18-million power electronics order for an aluminum smelter in India. Orders were stable in Europe. U.S. orders were slightly down, but the U.S. industrial sector started to show an increase in capital expenditures.

Revenues rose 17 percent (3 percent in local currencies) to $2,774 million compared to the fourth quarter of 2002. The improvement was driven by the product and service businesses (mainly Low-Voltage Products and Instrumentation, and Drives, Motors and Power Electronics Systems) in both U.S. dollars and local currencies. Sales growth in the product businesses came primarily from China and India.

Earnings before interest and taxes (EBIT) more than doubled to $225 million, reflecting continuing improvements in operational excellence (such as continuing to lower the cost base, growth in the higher-margin product and service business as well as better project execution). EBIT and EBIT margin improved in all business areas. The division's EBIT margin before restructuring costs of $58 million increased to 10.2 percent in the fourth quarter of 2003 from 8.1 percent in the same quarter of 2002.

Cash flow from operations for the division rose by 45 percent to $536 million compared to the fourth quarter in 2002, reflecting both improved earnings and net working capital management.

Effective January 1 2004, the division merged its six business areas into three as part of its drive to further simplify and focus the business and to improve efficiency. The new business areas are:

- **Process Automation**, comprising the former business areas Control Platform and Enterprise Products, Petroleum, Chemical and Consumer Industries, and Paper, Minerals, Marine and Turbocharging;
- **Automation Products**, comprising the former business areas Low-Voltage Products and Instrumentation and Drives, Motors and Power Electronics;
- **Manufacturing Automation**, previously called Robotics, Automotive and Manufacturing Industries.

The new business area structure will be reported in the divisional results starting with the first quarter of 2004.

Non-core activities

$ in millions	Revenues		EBIT	
	Q4 2003	**Q4 2002[1]**	**Q4 2003**	**Q4 2002[1]**
Equity Ventures	8	4	8	5
Remaining Structured Finance	9	16	-6	9
Building Systems	269	690	-43	-35
New Ventures	13	8	5	4
Other non-core activities[2]	111	237	-26	-61
Total	**410**	**955**	**-62**	**-78**
Restructuring costs (included in EBIT)			-44	-17

[1] Adjusted to reflect the move of activities to Discontinued operations in 2003
[2] Comprises mainly the former Group Processes division

Revenues from Non-core activities were down 57 percent from the 2002 period. The decrease was mainly the result of ongoing divestments in the Building Systems businesses during the year. Non-core activities reported an EBIT loss of $62 million in the fourth quarter compared to a loss of $78 million in the same period of 2002.

Building Systems reported an EBIT loss in the quarter of $43 million compared to a loss of $35 million in the fourth quarter of 2002, mainly the result of additional restructuring charges in Germany, together with a loss from the disposal of the business in the U.K. ($22 million). ABB intends to sell its remaining Building Systems businesses in Germany and Switzerland in 2004.

Corporate

EBIT ($ in millions)	**Q4 2003**	**Q4 2002[1]**
Headquarters/stewardship	-91	-32
Research and development	-21	-24
Other[2]	-34	-65
Total	**-146**	**-121**
Restructuring costs (included in EBIT)	-25	6

[1] Adjusted to reflect the move of activities to Discontinued operations in 2003
[2] Includes consolidation effects, real estate and Treasury Services

Headquarters and stewardship costs were higher in the fourth quarter of 2003 compared to the same period in 2002, reflecting changes in a number of one-time costs. Other costs were lower, reflecting the cessation of proprietary trading and associated costs in Treasury Services. The improvement also reflects lower elimination of profits on internal transactions.

Other income and expenses, net (included in EBIT)

$ in millions	Q4 2003	Q4 2002[1]
Restructuring charges	-142	-114
Capital gains	6	31
Write-downs of assets	-17	-27
Income from equity-accounted companies, licenses and other	25	52
Total	**-128**	**-58**

[1] Adjusted to reflect the move of activities to Discontinued operations in 2003

Restructuring charges were higher than the year-earlier period as a result of streamlining the Building Systems business in Germany and from lease cancellation costs associated with the closing and divestment of businesses in the U.K. and Germany. Asset write-downs decreased due to the non-recurrence of software write-downs in the former Group Processes division in 2002. Income from equity-accounted companies fell in the fourth quarter as a result of the divestment of ABB's stake in the Swedish Export Credit Corporation in the second quarter of 2003.

Discontinued operations (not included in EBIT)

$ in millions	Q4 2003	Q4 2002[1]
Reinsurance business	-162	45
Asbestos	8	-420
Oil, Gas and Petrochemicals business	-245	-147
Other	-42	-207
Net loss	**-441**	**-729**

[1] Adjusted to reflect the move of activities to Discontinued operations in 2003

The reinsurance business, whose results were reclassified into Discontinued operations following the announcement in December 2003 of its sale, reported 4-percent lower revenues in the fourth quarter to $241 million as a result of lower premium income. A net loss after tax of $162 million was recorded in the quarter on the discontinuation of the business, including the $153-million loss on the announced divestment.

Administrative costs associated with the settlement of the asbestos issue were more than offset by a $14-million gain from the mark-to-market treatment of 30 million ABB shares reserved to cover part of the company's asbestos liabilities. The figure in the fourth quarter of 2002 reflects the large asbestos provision taken during the period.

The line Other improved in the fourth quarter compared to the same period in 2002, when the company recorded a $64-million loss on the disposal of the metering business and a $84-million loss related to the sale of the former Structured Finance business, both including results from operations. In the fourth quarter of 2003, Other consists mainly of losses on the divestment of businesses and includes a $22-million loss on the discontinuation of the wind energy venture and a $22-million loss on the anticipated sale of a cable business in Germany.

Oil, Gas and Petrochemicals

$ in millions	Q4 2003	Q4 2002	Change
Orders	647	1,153	-44%
Revenues	752	982	-23%
Net loss	**-245**	**-147**	

Orders were 44 percent lower in the Oil, Gas and Petrochemicals business (48 percent in local currencies) in the fourth quarter of 2003 compared to the same period in 2002. The decrease was primarily due to a strategic shift from fixed price engineering, procurement and construction contracts towards lower-risk reimbursable contracts that de-emphasize construction. The result is a more selective bidding process aimed at reducing project scope and risks. Therefore, fewer large orders were taken in the quarter. The upstream business booked more than $140 million in orders with Norway-based Statoil, including a $54-million modification and maintenance order for a North Sea oil platform and two frame agreements totaling more than $60 million. Revenues were 23 percent lower (down 26 percent in local currencies), reflecting a lower order backlog in the downstream business. Revenues in the upstream business were flat compared to the year-earlier quarter.

The net loss from the oil and gas business in the quarter amounted to $245 million, primarily from some $100 million of project losses and asset write-downs, most of which were related to three downstream projects in the Netherlands, Italy and Brazil dating from the 1990s and 2000, and an additional tax charge of more than $120 million related to the reassessment of deferred taxes.

To support the strategic shift to narrower-scope, lower-risk projects in the downstream oil and gas business and to prepare these businesses for disposal, the company initiated a more streamlined management structure in October 2003 and gave the group chief financial officer direct management responsibility for the businesses until they are divested.

Summary of full-year 2003 results

Orders received for the core divisions in 2003 grew more than 10 percent in U.S. dollar terms. In local currencies, the Power Technologies division increased orders 4 percent and the Automation Technologies division by 2 percent. The improvement was led by double-digit order growth in Asia and higher orders in the Middle East and Africa. Orders were lower in Europe and the Americas.

Group orders amounted to $18,703 million, up 8 percent compared to 2002 ($17,352 million) and down 5 percent in local currencies. Excluding the effect of the divestment of most of the Building Systems business, group orders received were flat for the year.

Large orders (larger than $15 million) accounted for 9 percent of total core division orders for the full year, up from 6 percent in 2002, mainly on increases in Europe, Asia and the Middle East and Africa. Large orders were down in the Americas. Core division base orders (less than $15 million) for the year grew 12 percent in U.S. dollar terms and were flat in local currencies. Higher base order intake from Asia and in the service business was offset by lower base orders in Europe during the weak first half of the year. The disposal during the year of most of the Building Systems business – part of Non-core activities – reduced the volume of large orders for the group as a whole.

Revenues saw a double-digit increase in the core divisions for 2003 in U.S. dollar terms, with Power Technologies up 10 percent and Automation Technologies 17 percent higher. In local currencies, Power Technologies revenues were flat while Automation Technologies revenues grew 3 percent. Double-digit growth in revenues was recorded in Asia, the Middle East and Africa in local currencies. Revenues in local currencies were flat in Europe and lower in the Americas.

Group revenues were 8 percent higher at $18,795 million (down 6 percent in local currencies). In Non-core activities, revenues were 26 percent lower, again reflecting the disposal of Building Systems businesses in several countries, as well as more selective bidding in Building Systems business.

EBIT for 2003 in the core divisions amounted to $1,336 million, an increase of 41 percent compared to $950 million in 2002. Group EBIT was $656 million, up 90 percent from $346 million in 2002.

Included in group EBIT for the full year is other net expense of $189 million. This consists of restructuring costs of $325 million compared to $259 million in 2002. Other net expense also includes gains of $69 million on the disposal of businesses, compared to capital gains in the year-earlier period of $113 million. Asset write-downs for the full year amounted to $34 million compared to $94 million in 2002, while income from equity-accounted companies, licenses and other items totaled $101 million in 2003 versus $182 million the year before.

The group **EBIT margin** for the full year was 3.5 percent compared to 2.0 percent for the full year 2002. Adjusted for major divestments, the group margin was 3.7 percent.

Finance net[2] for the full year was negative $410 million compared to negative $126 million for the full year 2002. Interest and dividend income fell during the year on lower market interest rates and as divestments reduced dividends. Interest expense increased as a result of higher funding costs associated with the December 2002 credit facility and the repayment of all remaining commercial paper in 2003 (with its low funding costs). The company recorded an expense of $84 million on the line Interest and other finance expense to account for the mark-to-market effect of the equity conversion option contained in the 2002 convertible bond, compared to a gain of $215 million in the same period in the previous year.

The net loss in **Discontinued operations** amounted to $853 million in 2003, compared to a loss of $858 million in 2002. The loss comprises mainly:

- $496 million in project losses and asset write-downs in the Oil, Gas and Petrochemicals business;
- $145 million to cover the company's asbestos liabilities;
- $97 million in after-tax losses on the announced sale of the reinsurance businesses (net of operating results). This reflects a transaction loss of $153 million (including an interest allocation of $15 million) and tax charges of $47 million, partially offset by operational profits of $103 million.

ABB's **net loss** for the full year amounted to $767 million, compared to a net loss of $783 million in 2002.

Cash flow

Net cash used in operations for the group was $161 million for 2003, compared to cash provided by operations of $19 million in 2002. The two core divisions contributed a combined cash flow from operations in the year of $1,464 million, up 70 percent from $859 million in 2002. This was more than offset by cash outflows of $860 million in Corporate activities that were driven by asbestos cash outflows of $388 million and higher interest payments; $239 million from Non-

[2] Finance net is the difference between interest and dividend income and interest and other finance expenses.

core activities, mainly from the Building Systems business; and $526 million from the former Oil, Gas and Petrochemicals division, reflecting lower net income and higher working capital.

Further information

The 2003 Q4 and full-year results press release and presentation slides are available from February 19, 2003 on the ABB Investor Relations homepage at www.abb.com/investorrelations.

ABB will host a press conference and live Webcast and telephone conference today starting at 0930 Central European Time (CET). Journalists can register for the event and find dial-in information by visiting ABB's Web site at www.abb.com.

A conference call and live Webcast for analysts and investors is scheduled to begin at 1230 CET. Callers should dial +41 91 610 56 00 (Europe), or +1 412 858 4600 (from the U.S. and Canada). Callers are requested to phone in ten minutes before the start of the conference call. The audio playback of the conference call will start one hour after the end of the call and be available for 96 hours. Playback numbers: +41 91 612 4330 (Europe) or +1 412 858 1440 (U.S. and Canada). The entry code is 097 followed by the # key.

The Webcast will be available through our Web site at www.abb.com/investorrelations and will be archived approximately two hours after the close of the Webcast for a period of three months.

ABB (www.abb.com) is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs about 115,000 people.

Zurich, February 19, 2004
Jürgen Dormann, chairman and CEO

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Appendix

ABB key figures Q4 and full year 2003

$ in millions		Q4 2003	Q4 2002[1]	% change	
				Nominal	Local
Orders	Group	**4,674**	**4,288**	**9%**	**-5%**
	Power Technologies	1,960	1,569	25%	12%
	Automation Technologies	2,637	2,169	22%	8%
	Non-core activities	292	913		
	Corporate	-215	-363		
Revenues	**Group**	**5,081**	**5,008**	**1%**	**-11%**
	Power Technologies	2,184	2,010	9%	-3%
	Automation Technologies	2,774	2,379	17%	3%
	Non-core activities	410	955		
	Corporate	-287	-336		
EBIT*	**Group**	**187**	**1**	**na**	**na**
	Power Technologies	170	93	83%	
	Automation Technologies	225	107	110%	
	Non-core activities	-62	-78		
	Corporate	-146	-121		
EBIT margin	**Group**	**3.7%**	**0%**		
	Power Technologies	7.8%	4.6%		
	Automation Technologies	8.1%	4.5%		
	Non-core activities	--	--		
	Corporate	--	--		
Net loss		**-387**	**-828**		
		Full year 2003	**Full year 2002[1]**	**% change**	
				Nominal	**Local**
Orders	**Group**	**18,703**	**17,352**	**8%**	**-5%**
	Power Technologies	7,708	6,753	14%	4%
	Automation Technologies	9,961	8,680	15%	2%
	Non-core activities	2,313	3,477		
	Corporate	-1,279	-1,558		
Revenues	**Group**	**18,795**	**17,466**	**8%**	**-6%**
	Power Technologies	7,680	6,963	10%	0%
	Automation Technologies	9,897	8,464	17%	3%
	Non-core activities	2,537	3,447		
	Corporate	-1,319	-1,408		
EBIT*	Group	**656**	**346**	**90%**	
	Power Technologies	563	433	30%	
	Automation Technologies	773	517	50%	
	Non-core activities	-181	-181		
	Corporate	-499	-423		
EBIT margin	**Group**	**3.5%**	**2.0%**		
	Power Technologies	7.3%	6.2%		
	Automation Technologies	7.8%	6.1%		
	Non-core activities	--	--		
	Corporate	--	--		
Net loss		**-767**	**-783**		

* Earnings before interest and taxes. See Summary Financial Information for more information
1 Adjusted to reflect the move of activities to Discontinued operations in 2003

Appendix
(cont'd)

Non-core activities full-year revenues and EBIT 2002-2003

US$ in millions	Revenues		EBIT	
	2003	**2002[1]**	**2003**	**2002[1]**
Equity Ventures	26	19	76	43
Remaining Structured Finance	48	66	-65	96
Building Systems	1,829	2,375	-104	-113
New Ventures	53	50	-21	-37
Other Non-core activities[2]	581	937	-67	-170
Total	**2,537**	**3,447**	**-181**	**-181**

[1] Adjusted to reflect the move of activities to Discontinued operations in 2003

[2] Comprises mainly the former Group Processes division, whose remaining activities will be allocated to the core divisions in 2004 and no longer reported under Non-core activities

Reclassifications

The company has adjusted its 2003 income statement and balance sheet to reflect the reclassification of various businesses, including its reinsurance business whose sale was announced in December 2003, to discontinued operations. The income statements and balance sheets below reflect these reclassifications for the first three quarters of 2003.

ABB income statement Q1-Q3 2003

$ in millions	Q3 2003	Q2 2003	Q1 2003
Revenues	4,554	4,843	4,317
Cost of sales	(3,434)	(3,557)	(3,235)
Gross profit	**1,120**	**1,286**	**1,082**
Selling, general and administrative expenses	(934)	(1,041)	(952)
Amortization expense	(11)	(10)	(10)
Other income (expense), net	59	(95)	(25)
Earnings before interest and taxes	**234**	**140**	**95**
Interest and dividend income	38	29	40
Interest and other finance expense	(160)	(115)	(165)
Income (loss) from continuing operations before taxes and minority interest	**112**	**54**	**(30)**
Provision for taxes	(40)	(19)	11
Minority interest	(26)	(19)	(11)
Income (loss) from continuing operations	**46**	**16**	**(30)**
Loss from discontinued operations, net of tax	(326)	(71)	(15)
Net loss	**(280)**	**(55)**	**(45)**

Appendix
(cont'd)

ABB balance sheet March to September 2003

$ in millions	Sept. 30 2003	June 30 2003	Mar. 31 2003
Cash and equivalents	2,057	1,894	1,634
Marketable securities	516	484	524
Receivables, net	5,309	5,384	5,155
Inventories, net	2,606	2,577	2,459
Prepaid expenses and other	1,928	2,020	1,933
Assets held for sale and in discontinued operations	7,182	7,760	7,549
Total current assets	**19,598**	**20,119**	**19,254**
Financing receivables, non-current	1,515	1,426	1,488
Property, plant and equipment, net	2,776	2,736	2,703
Goodwill	2,285	2,275	2,243
Other intangible assets, net	576	568	577
Prepaid pension and other related benefits	522	533	531
Investments and other	1,277	1,131	1,476
Total non-current assets	**8,951**	**8,669**	**9,018**
Total assets	**28,549**	**28,788**	**28,272**
Accounts payable, trade	2,846	2,890	2,714
Accounts payable, other	1,159	1,258	1,103
Short-term borrowings and current maturities of long-term borrowings	3,083	3,590	3,279
Accrued liabilities and other	5,249	4,898	5,022
Liabilities held for sale and in discontinued operations	5,435	5,979	5,859
Total current liabilities	**17,772**	**18,615**	**17,977**
Long-term borrowings	5,244	4,576	4,851
Pension and other related benefits	1,741	1,674	1,665
Deferred taxes	789	792	902
Other liabilities	1,735	1,640	1,561
Total liabilities	**27,281**	**27,297**	**26,956**
Minority interest	249	214	238
Total stockholders' equity	**1,019**	**1,277**	**1,078**
Total liabilities and stockholders' equity	**28,549**	**28,788**	**28,272**