Summary Financial Information
Nine Months Ended September 2003

ABB Ltd
Summary Consolidated Income Statements

	January - September 2003	January - September 2002 (restated)	July - September 2003	July - September 2002 (restated)
	-------- all amounts are unaudited -------- (in millions, except per share data)			
Revenues	**$ 14,344**	$ 12,957	**$ 4,798**	$ 4,491
Cost of sales	**(10,718)**	(9,601)	**(3,605)**	(3,435)
Gross profit	**3,626**	3,356	**1,193**	1,056
Selling, general and administrative expenses	**(2,984)**	(2,988)	**(953)**	(997)
Amortization expense	**(31)**	(30)	**(10)**	(10)
Other income (expense), net	**(91)**	(8)	**32**	(135)
Earnings before interest and taxes	**520**	330	**262**	(86)
Interest and dividend income	**108**	146	**38**	42
Interest and other finance expense	**(455)**	(164)	**(166)**	68
Income from continuing operations before taxes and minority interest	**173**	312	**134**	24
Provision for taxes	**(59)**	(96)	**(45)**	(8)
Minority interest	**(55)**	(50)	**(25)**	(23)
Income (loss) from continuing operations	**59**	166	**64**	(7)
Loss from discontinued operations, net of tax	**(438)**	(121)	**(343)**	(141)
Net income (loss)	**$ (379)**	$ 45	**$ (279)**	$ (148)
Basic earnings (loss) per share:				
Income (loss) from continuing operations	**$ 0.05**	$ 0.15	**$ 0.05**	$ (0.01)
Net income (loss)	**$ (0.32)**	$ 0.04	**$ (0.23)**	$ (0.13)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	**$ 0.05**	$ 0.03	**$ 0.05**	$ (0.10)
Net income (loss)	**$ (0.32)**	$ (0.07)	**$ (0.23)**	$ (0.22)

ABB Ltd
Summary Consolidated Balance Sheets

	At September 30 2003	At June 30 2003	At December 31 2002
	---------- all amounts are unaudited ---------- (in millions, except share data)		
Cash and equivalents	**$ 2,184**	$ 2,010	$ 2,441
Marketable securities	**2,079**	2,088	2,135
Receivables, net	**6,850**	7,086	6,912
Inventories, net	**2,660**	2,625	2,303
Prepaid expenses and other	**2,006**	2,083	2,676
Assets held for sale and in discontinued operations	**3,567**	3,973	3,745
Total current assets	**19,346**	19,865	20,212
Financing receivables, non-current	**1,556**	1,461	1,639
Property, plant and equipment, net	**2,835**	2,796	2,756
Goodwill	**2,361**	2,351	2,291
Other intangible assets, net	**580**	572	590
Prepaid pension and other related benefits	**522**	533	537
Investments and other	**1,349**	1,210	1,508
Total assets	**$ 28,549**	$ 28,788	$ 29,533
Accounts payable, trade	**$ 2,910**	$ 2,967	$ 2,820
Accounts payable, other	**1,864**	2,025	2,102
Short-term borrowings and current maturities of long-term borrowings	**3,089**	3,596	2,575
Accrued liabilities and other	**7,077**	6,837	8,177
Liabilities held for sale and in discontinued operations	**2,484**	2,860	2,827
Total current liabilities	**17,424**	18,285	18,501
Long-term borrowings	**5,257**	4,589	5,370
Pension and other related benefits	**1,768**	1,701	1,643
Deferred taxes	**1,089**	1,074	1,152
Other liabilities	**1,742**	1,648	1,596
Total liabilities	**27,280**	27,297	28,262
Minority interest	**250**	214	258
Stockholders' equity:			
Capital stock and additional paid-in capital (1,600,009,432 authorized, contingent and issued shares; 1,200,009,432 shares issued at September 30, 2003)	**571**	571	2,027
Retained earnings	**2,235**	2,514	2,614
Accumulated other comprehensive loss	**(1,649)**	(1,670)	(1,878)
Less: Treasury stock, at cost (6,830,312 shares at September 30, 2003)	**(138)**	(138)	(1,750)
Total stockholders' equity	**1,019**	1,277	1,013
Total liabilities and stockholders' equity	**$ 28,549**	$ 28,788	$ 29,533

ABB Ltd
Summary Consolidated Statements of Cash Flows

	January - September 2003	January - September 2002 (restated)	July - September 2003	July - September 2002 (restated)
	-------- all amounts are unaudited -------- (in millions)			
Operating activities				
Net income (loss)	**$ (379)**	$ 45	**$ (279)**	$ (148)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	**435**	442	**145**	151
Provisions*	**(722)**	(422)	**(82)**	(81)
Pension and post-retirement benefits	**23**	69	**73**	40
Deferred taxes	**(129)**	(78)	**(44)**	(50)
Net gain from sale of property, plant and equipment	**(23)**	(20)	**(11)**	(9)
Other	**265**	(106)	**103**	(68)
Changes in operating assets and liabilities:				
Marketable securities (trading)	**29**	498	**(6)**	35
Trade receivables	**(151)**	374	**(107)**	161
Inventories	**(109)**	(125)	**16**	77
Trade payables	**(60)**	(53)	**(13)**	(131)
Other assets and liabilities, net	**(11)**	(859)	**326**	(203)
Net cash provided by (used in) operating activities	**(832)**	(235)	**121**	(226)
Investing activities				
Changes in financing receivables	**181**	112	**22**	261
Purchases of marketable securities (other than trading)	**(2,309)**	(2,336)	**(424)**	(792)
Purchases of property, plant and equipment	**(391)**	(444)	**(161)**	(147)
Acquisitions of businesses (net of cash acquired)	**(49)**	(99)	**(5)**	(35)
Proceeds from sales of marketable securities (other than trading)	**2,482**	2,636	**479**	797
Proceeds from sales of property, plant and equipment	**96**	390	**34**	47
Proceeds from sales of businesses (net of cash disposed)	**465**	257	**208**	28
Net cash provided by investing activities	**475**	516	**153**	159
Financing activities				
Changes in borrowings	**(231)**	(1,019)	**(179)**	(185)
Treasury and capital stock transactions	**156**	--	**--**	--
Other	**22**	(67)	**(20)**	(85)
Net cash used in financing activities	**(53)**	(1,086)	**(199)**	(270)
Effects of exchange rate changes on cash and equivalents	**95**	50	**34**	(34)
Adjustment for the net change in cash and equivalents in discontinued operations	**58**	(90)	**65**	(66)
Net change in cash and equivalents - continuing operations	**(257)**	(845)	**174**	(437)
Cash and equivalents beginning of period	**2,441**	2,412	**2,010**	2,004
Cash and equivalents end of period	**$ 2,184**	$ 1,567	**$ 2,184**	$ 1,567
Interest paid	**$ 324**	$ 445	**$ 98**	$ 169
Taxes paid	**$ 157**	$ 202	**$ 51**	$ 63

* Reclassified to reflect the change in all provisions (previously this line was comprised of restructuring provisions only)

ABB Ltd notes to summary consolidated financial statements (unaudited)

(US$ in millions, except per share data)

Note 1 The Summary Consolidated Financial Statements

The summary consolidated financial information is prepared on the basis of accounting principles generally accepted in the United States (USGAAP) and is presented in US dollars ($) unless otherwise stated. Data for orders and number of employees are shown as additional information and are not required disclosure under USGAAP. The accompanying summary financial information is unaudited; however, in the opinion of management it includes all normal adjustments necessary for a fair presentation of the unaudited financial position of the Company at September 30, 2003, and the consolidated results of its operations and cash flows for the three and nine months ended September 30, 2003 and 2002. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

Par value of capital stock is denominated in Swiss francs.

The summary financial information as of September 30, 2003, should be read in conjunction with the December 31, 2002, financial statements contained in the ABB Group Annual Report 2002 and the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2002, as amended. The audit report on the Company's consolidated financial statements included in the Company's Annual Report on Form 20-F contains an explanatory paragraph that describes conditions that raise substantial doubt about the Company's ability to continue as a going concern.

The Company considers earnings before interest and taxes (operating income), which excludes interest and dividend income, interest and other finance expense, provision for taxes, minority interest and income (loss) from discontinued operations, net of tax, to be the most relevant measure of the Company's and its divisions' financial and operational performance. Accordingly, the Company evaluates itself and its divisions based on earnings before interest and taxes (operating income).

Note 2 Developments in the Nine Months Ended September 30, 2003:

- Annual general meeting

  At the Company's annual general meeting held on May 16, 2003, the Company's shareholders approved amendments to its articles of incorporation providing for authorized share capital and an extension in contingent share capital.

  The amendments include the creation of CHF 250 million in authorized share capital, replacing CHF 100 million that expired in June 2001. This entitles the Company's board of directors to issue up to 100 million new ABB shares, of which some 30 million are reserved for use with the pre-packaged plan of reorganization of the Company's U.S. subsidiary, Combustion Engineering, Inc.

  The amendments also include an increase of contingent capital from CHF 200 million to CHF 750 million, allowing the issue of up to a further 300 million new ABB shares.

- Sale of treasury shares

  In March 2003, the Company sold approximately 80 million treasury shares in two transactions for approximately $156 million.

- Significant divestitures

In March 2003, the Company sold its aircraft leasing business for approximately $90 million. Following the introduction of Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities*, the Company determined that it is the primary beneficiary of the variable interest entity established by the buyer and accordingly consolidated this entity.

In May 2003, the Company sold its interest in Sinopec Corp. in China, previously recorded as marketable securities, for approximately $82 million, resulting in a loss on sale of $40 million recorded in interest and other finance expense.

In June 2003, the Company sold its interests in certain investees in Australia for approximately $90 million, resulting in a gain on sale of $28 million recorded in other income (expense), net.

In June 2003, the Company sold its entire 35% interest in Swedish Export Credit Corporation to the Government of Sweden for SEK 1,240 million, resulting in net proceeds of approximately $149 million and a loss on sale of $87 million recorded in other income (expense), net.

In August 2003, the Company completed the sale of its Building Systems business in Sweden, Norway, Denmark, Finland, Russia and the Baltics to YIT Corporation of Helsinki, Finland for approximately $185 million, resulting in a gain on sale of $95 million recorded in other income (expense) net.

In September 2003, the Company sold its Building Systems business in several other countries, principally Belgium and the Netherlands for aggregate proceeds of approximately $15 million, resulting in an immaterial gain on sale.

- Reclassifications and restatements

Amounts in prior periods have been reclassified to conform to the Company's current presentation.

On April 17, 2003, Swedish Export Credit Corporation, an equity accounted investee of the Company, filed an amendment to its Annual Report on Form 20-F for the fiscal year ended December 31, 2001, to correct an error in its accounting for the fair value of certain financial instruments. Amounts presented in these summary consolidated financial statements include the effect of adjustments recorded by Swedish Export Credit Corporation in the period ended September 30, 2002, to properly account for such instruments in accordance with accounting principles generally accepted in the United States. The effect of such adjustments resulted in a gain of $29 million in the first nine months of 2002 and a loss of $90 million in the third quarter of 2002. These adjustments are recorded in other income (expense), net, and were not reflected in previously disclosed 2002 summary financial information.

In February 2003, the United States Securities and Exchange Commission provided the Company with clarification regarding a component of the Company's convertible bonds, issued in May 2002, which must be accounted for as a derivative. Amounts presented in these summary consolidated financial statements include a gain of $208 million and of $182 million in interest and other finance expense in the first nine months and third quarter of 2002, respectively, to properly account for such derivatives in accordance with the clarification. These adjustments were not reflected in the September 30, 2002, summary financial information released on October 24, 2002. See also "Accounting for the convertible bonds".

- Restructuring program

The 2001 program initiated in July 2001 in an effort to improve productivity, reduce cost base, simplify product lines, reduce multiple location activities and perform other downsizing in response to weakening markets and consolidation of major customers in certain industries continues to be paid out in 2003.

In the first nine months of 2003, the Company paid termination benefits of $81 million to approximately 2,102 employees and $13 million to cover costs associated with lease terminations and other exit costs related to the 2001 program. Based on changes in management's original estimate a $5 million decrease in the amounts accrued for workforce reductions, lease terminations and other exit costs have been included in other income (expense), net. Currency fluctuations resulted in a $19 million increase in the liabilities accrued for workforce reductions, lease terminations and other exit costs. At September 30, 2003, accrued liabilities included $13 million for termination benefits and $53 million for lease terminations and other exit costs. The 2001 program was substantially completed during 2002 and the remaining liability will be substantially paid out through 2003.

In October 2002, the Company announced the Step change program. The Company estimates that restructuring charges under the Step change program will be approximately $300 million and $200 million, in 2003 and 2004, respectively. The goals of the Step change program are to increase competitiveness of the Company's core businesses, reduce overhead costs and streamline operations by approximately $900 million on an annual basis by 2005. The Step change program is expected to be completed by mid-2004.

In the first nine months of 2003, related to the Step change program, the Company recognized restructuring charges of $126 million related to workforce reductions and $39 million related to lease terminations and other exit costs associated with the Step change program. Based on changes in management's original estimate a $3 million decrease in the amounts accrued for workforce reductions, lease terminations and other exit costs have been included in other income (expense), net. Termination benefits of $90 million were paid to approximately 722 employees and $19 million were paid to cover costs associated with lease terminations and other exit costs. Workforce reductions include production, managerial and administrative employees. Currency fluctuations resulted in a $2 million increase in the liabilities accrued for workforce reductions, lease terminations and other exit costs. At September 30, 2003, accrued liabilities included $74 million for termination benefits and $44 million for lease terminations and other exit costs.

With respect to other restructuring programs, in the first nine months of 2003 the Company recognized restructuring charges of $27 million related to workforce reductions, lease terminations and other exit costs. $16 million were paid to cover employee termination benefits and costs associated with lease terminations and other exit costs. Termination benefits were paid to approximately 251 employees. Workforce reductions include production, managerial and administrative employees. Currency fluctuations resulted in a $4 million decrease in the liabilities accrued for workforce reductions, lease terminations and other exit costs. At September 30, 2003, accrued liabilities included $25 million for termination benefits and $5 million for lease terminations and other exit costs.

- Borrowings

The Company's total borrowings outstanding at September 30, 2003, and December 31, 2002, amounted to $8,346 million and $7,945 million, respectively. In December 2002, the Company established a new $1.5 billion 364-day revolving credit facility. This facility includes a 364-day term-out option whereby up to a maximum amount of $750 million (less a defined amount from the issuance of the CHF 1,000 million convertible bond) may be extended for up to a further 364 days in the form of term loans. As of December 31, 2002, nothing had been drawn under this new facility. In 2003, amounts have been drawn under the facility within the facility's monthly drawing limits until September when the amount drawn was reduced, and at September 30, 2003, an amount of $753 million was outstanding under the facility.

The facility is secured by a package of ABB assets, including the shares of the Oil, Gas and Petrochemicals division (which is earmarked for divestment and is included in assets and liabilities held for sale and in discontinued operations), specific stand-alone businesses and certain regional holding companies. The facility is also secured by certain intra-group loans.

The facility contains certain financial covenants including minimum interest coverage, maximum gross debt level, a minimum level of consolidated net worth as well as minimum levels of disposal proceeds for specified assets and businesses during 2003.

- Accounting for the convertible bonds

In May 2002, the Company issued $968 million aggregate principal amount of convertible unsubordinated bonds due 2007. The bonds pay interest semi-annually in arrears at a fixed annual rate of 4.625% and are convertible into 84,940,935 fully paid ordinary shares of the Company at an initial conversion price of 18.48 Swiss francs (converted into U.S. dollars at a fixed conversion rate of 1.6216 Swiss francs per U.S. dollar). The conversion price is subject to adjustment provisions to protect against dilution or change in control. The Company's shares to be issued if the bonds are converted are denominated and traded in Swiss francs while the bonds are denominated in U.S. dollars. Therefore, under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, and as clarified in discussions between the Company and the United States Securities and Exchange Commission, a component of the convertible bonds must be accounted for as a derivative. A portion of the issuance proceeds is deemed to relate to the value of the derivative on issuance and subsequent changes in value of the derivative are recorded through earnings and as an adjustment to the carrying value of the bond. The allocation of a portion of the proceeds to the derivative creates a discount on issuance which is amortized to earnings over the life of the bond. Through December 31, 2002, as a result of the decline in the Company's share price since issuance of the bonds, the Company recorded a gain from the change in fair value of the derivative, partially offset by amortization of the effective discount, resulting in a net decrease to interest and other finance expense of $215 million, with a corresponding reduction in long-term borrowings. At September 30, 2003, as a result of an increase in the value of the derivative since the year-end, combined with the continued amortization of the discount on issuance, there was a charge to earnings of $79 million for the first nine months of 2003 and a corresponding increase in long-term borrowings, when compared to the December 31, 2002 balance.

In September 2003, the Company issued CHF 1,000 million aggregate principal amount of convertible unsubordinated bonds due 2010. The bonds pay interest annually in arrears at a fixed annual rate of 3.5% and are convertible into 83,682,008 fully paid ordinary shares of the Company at an initial conversion price of CHF 11.95. The conversion price is subject to adjustment provisions to protect against dilution or change in control.

- Discontinued operations and businesses held for sale

The following divestments and discontinuations are accounted for in accordance with Statement of Financial Accounting Standards No. 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*, issued in August 2001 by the Financial Accounting Standards Board. The balance sheet and income statement data for all periods presented have been restated to present the financial position and results of operations of the businesses meeting the criteria of SFAS 144 as discontinued operations. In addition the balance sheet data for all periods presented have been restated to present the financial position of the businesses meeting the criteria of SFAS 144 as assets and liabilities held for sale. In the statement of cash flows the effects of the assets and liabilities held for sale and in discontinued operations are not segregated, as permitted by Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows*.

In November 2002, the Company sold the majority of its Structured Finance business to GE Commercial Finance for total cash proceeds of approximately $2.0 billion. The Structured Finance portfolio divested includes global infrastructure financing, equipment leasing and financing businesses. The divestment of this activity is in line with the Company's strategy to focus on power and automation technologies for industry and utility customers. In addition, the sale of Structured Finance was an important step in the Company's ongoing program to strengthen the balance sheet and reduce total debt. The results of operations of this business are reflected as discontinued operations.

In December 2002, the Company sold its Metering business to Ruhrgas Industries GmbH of Germany, for total cash proceeds of approximately $223 million. Water and electricity metering is no longer a core business for the Company, and its divestment was part of the Company's strategy to focus on power and

automation technologies for industry and utility customers. The results of operations of this business are reflected as discontinued operations.

In the fourth quarter of 2002, the Company committed to sell its Oil, Gas and Petrochemical business which has been reflected as discontinued operations as of December 31, 2002. Subsequent to September 30, 2003, the Company signed a preliminary agreement to sell most of its upstream business in the Oil, Gas and Petrochemicals division to a private equity consortium consisting of Candover Partners Limited, JP Morgan Partners LLC and 3i Group PLC. The price range is between $925 million and $975 million.

As a continuation of its divestment of the Structured Finance business, the Company has reached an agreement in the third quarter of 2003 to sell Export Bank.

In addition, the Company has also discontinued certain other minor operations and projects.

The loss from discontinued operations, including taxes, of $438 million recorded in the first nine months of 2003 includes revenues of $2,651 million.

At September 30, 2003, the major classes of assets held for sale and in discontinued operations were: $283 million of cash, cash equivalents and marketable securities; $1,454 million of receivables; $426 million of inventories; $205 million of prepaid expenses and other; $173 million of financing receivables; $163 million of property, plant and equipment; $500 million of goodwill, $91 million of other intangible assets; $43 million of prepaid pension and other related benefits; and $229 million of investments and other. At September 30, 2003, the major classes of liabilities held for sale and in discontinued operations were: $1,694 million of accounts payable; $164 million of borrowings; $392 million of accrued liabilities and other; $95 million of pension and post-retirement benefits; $47 million of deferred tax liabilities; and $92 million of other liabilities.

- Earnings per share

The potential common shares from the warrants and options outstanding in connection with the Company's management incentive plan were excluded from the computation of diluted earnings (loss) per share in all periods presented, as their inclusion would have been antidilutive. The potential common shares from the convertible bonds were excluded from the computation of diluted earning (loss) per share in the three and nine months ended September 30, 2003, as their inclusion would have been antidilutive.

Basic earnings (loss) per share	January - September		July - September	
	2003	2002	2003	2002
	(in millions, except per share data)			
Income (loss) from continuing operations	$ 59	$ 166	$ 64	$ (7)
Loss from discontinued operations, net of tax	(438)	(121)	(343)	(141)
Net income (loss)	$ (379)	$ 45	$ (279)	$ (148)
Weighted average number of shares outstanding	1,171	1,113	1,193	1,113
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.05	$ 0.15	$ 0.05	$ (0.01)
Loss from discontinued operations, net of tax	(0.37)	(0.11)	(0.28)	(0.12)
Net income (loss)	$ (0.32)	$ 0.04	$ (0.23)	$ (0.13)

Diluted earnings (loss) per share	**January - September**		**July - September**	
	2003	**2002**	**2003**	**2002**
	(in millions, except per share data)			
Income (loss) from continuing operations	**$ 59**	$ 166	**$ 64**	$ (7)
Effect of dilution:				
Convertible bonds, net of tax	**--**	(128)	**--**	(114)
Income (loss) from continuing operations, adjusted	**59**	38	**64**	(121)
Loss from discontinued operations, net of tax	**(438)**	(121)	**(343)**	(141)
Net loss, adjusted	**$ (379)**	$ (83)	**$ (279)**	$ (262)
Weighted average number of shares outstanding	**1,171**	1,113	**1,193**	1,113
Dilution from convertible bonds	**--**	43	**--**	85
Diluted weighted average number of shares outstanding	**1,171**	1,156	**1,193**	1,198
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	**$ 0.05**	$ 0.03	**$ 0.05**	$ (0.10)
Loss from discontinued operations, net of tax	**$ (0.37)**	$ (0.10)	**$ (0.28)**	$ (0.12)
Net loss, adjusted	**$ (0.32)**	$ (0.07)	**$ (0.23)**	$ (0.22)

- Stock-based compensation

The Company maintains a management incentive plan under which it offers stock warrants to key employees, for no consideration. The Company accounts for the warrants using the intrinsic value method of APB Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*, as permitted by Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock Based Compensation*. All warrants were issued with exercise prices greater than the market prices of the stock on the dates of grant. Accordingly, the Company has recorded no compensation expense related to the warrants, except in circumstances when a participant ceases to be employed by a consolidated subsidiary, such as after a divestment by the Company. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation. Fair value of the warrants was determined on the date of grant by using the Binomial option model.

	January - September		July - September	
	2003	2002	2003	2002
	(in millions, except per share data)			
Net income (loss), as reported	$ (379)	$ 45	$ (279)	$ (148)
Less: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(10)	(16)	(1)	(5)
Pro forma net income (loss)	$ (389)	$ 29	$ (280)	$ (153)
Basic and diluted earnings (loss) per share:				
Basic - as reported	$ (0.32)	$ 0.04	$ (0.23)	$ (0.13)
Basic - pro forma	$ (0.33)	$ 0.03	$ (0.23)	$ (0.14)
Diluted - as reported	$ (0.32)	$ (0.07)	$ (0.23)	$ (0.22)
Diluted - pro forma	$ (0.33)	$ (0.09)	$ (0.23)	$ (0.22)

- Commitments and contingencies

Asbestos

During the third quarter of 2003, the Company recorded a provision of $41 million to cover the net present value of the first two $25 million asbestos payments, previously considered contingent. The payments for 2008 and 2009 remain contingent. There is no change to the plan of reorganization nor to the Company's total asbestos liability

On July 31, a U.S. district court approved a pre-packaged Chapter 11 protection plan filed earlier in the year by a U.S. subsidiary of the Company, Combustion Engineering, marking further progress towards a settlement of the asbestos issue. Following the court's approval, an appeals period began on a fast-track basis before the U.S. 3rd Circuit Court of Appeals. All documentation was received by the court on October 7 and a hearing date has been set for December 16, 2003. The Company remains confident that the plan will be approved.

Note 3 New Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 (SFAS 143), *Accounting for Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2002, and requires that the fair value of a legal obligation associated with the retirement of tangible long-lived assets be recognized in the period in which it is incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and allocated to expense over its useful life. The Company adopted SFAS 143 effective January 1, 2003. The adoption of SFAS 143 did not have a material impact on the Company's results of operations.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement supersedes Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-lived Assets to Be Disposed Of*, while retaining many of its requirements regarding impairment loss recognition and measurement. In addition, the new Statement broadens the presentation of discontinued operations

to include more sold and abandoned businesses. The Company adopted this statement effective January 1, 2002, and, as a result, reflected the assets, liabilities and results of operations of certain businesses and groups of assets as discontinued operations and also reflected the assets and liabilities of certain businesses and groups of assets as assets and liabilities held for sale for all periods presented to the extent these businesses and groups of assets meet the new criteria. Disposals and abandonments in previous years were not re-evaluated or reclassified.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections*, which rescinds previous requirements to reflect all gains and losses from debt extinguishment as extraordinary. The Company elected to early adopt the new standard effective April 1, 2002, and, as a result, the gains from extinguishment of debt of $6 million recorded as extraordinary items in the first quarter of 2002 are no longer reflected in extraordinary items.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The standard is effective January 1, 2003, and has been applied to restructuring plans initiated after that date.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 requires the guarantor to recognize a liability for the non-contingent component of a guarantee; that is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at its inception. The recognition of the liability is required even if it is not probable that payments will occur under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. FIN 45 also requires additional disclosures related to guarantees. The Company has adopted the disclosure requirements of FIN 45 as of December 31, 2002. The recognition measurement provisions of FIN 45 are effective for all guarantees entered into or modified after December 31, 2002. The Company has adopted the accounting and measurement requirements of FIN 45 as of January 1, 2003.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148 (SFAS 148), *Accounting for Stock-Based Compensation – Transition and Disclosure. An Amendment of FASB Statement No. 123*. The Company has elected to continue with its current practice of applying the recognition and measurement principles of APB No. 25, *Accounting for Stock Issued to Employees*. The Company has adopted the disclosure requirements of SFAS 148 as of December 31, 2002.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. FIN 46 requires existing unconsolidated variable interest entities (VIEs) to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among the parties involved. FIN 46 applies immediately to VIEs created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. For VIEs in which an enterprise holds a variable interest that was acquired before February 1, 2003, the Company need not apply the provisions of FIN 46 until the end of the first interim or annual period ending after December 15, 2003. As of September 30, 2003, the Company consolidated a VIE that was created after January 31, 2003, resulting in an increase in total assets of $231 million and an increase in borrowings of $110 million. The Company continues its assessment of the effects of the adoption of FIN 46 for all VIEs created before February 1, 2003, and it does not expect such effects to be material to its consolidated financial position.

In November 2002, the Emerging Issues Task Force of the Financial Accounting Standards Board issued Emerging Issues Task Force No. 00-21 (EITF 00-21), *Accounting for Revenue Arrangements with Multiple Deliverables*, which was amended in January 2003 and requires that (a) revenue should be recognized separately for separate units of accounting in multiple deliverables arrangement, (b) revenue for a separate unit of accounting should be recognized only when the arrangement consideration is reliably measurable and the earnings process is substantially complete, and (c) consideration should be allocated among the separate units of accounting based on their relative fair value. EITF 00-21 is applicable to transactions entered into after June 30, 2003. The adoption of EITF 00-21 did not have a material impact on the Company's financial position as of September 30, 2003, or on its results of operations for the three and nine months then ended.

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 150 (SFAS 150), *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS 150 establishes how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement requires that an issuer classify a financial

instrument that is within the scope of the statement as a liability. SFAS 150 applies to all financial instruments entered into or modified after May 31, 2003, and otherwise became effective for the Company on July 1, 2003. Due to the complexity of this standard, the Company continues to assess its potential impact on the Company's consolidated financial position and results of operations in anticipation of the FASB's additional guidance.

Note 4 Summary of Consolidated Stockholders' Equity

(in millions)		
Stockholders' equity at January 1, 2003		$ 1,013
Comprehensive loss:		
Net loss	(379)	
Foreign currency translation adjustments	129	
Unrealized gain on available-for-sale securities, net of tax	73	
Unrealized gain of cash flow hedge derivatives, net of tax	27	
Total comprehensive loss		(150)
Sale of treasury stock		156
Stockholders' equity at September 30, 2003 (unaudited)		**$ 1,019**

Note 5 Segment and Geographic Data

In order to streamline the Company's structure and improve operational performance, the Company has, as of January 1, 2003, put into place two new divisions: Power Technologies, which combines the former Power Technology Products and Utilities divisions; and Automation Technologies, which combines the former Automation Technology Products and Industries divisions.

- The Power Technologies division serves electric, gas and water utilities, as well as industrial and commercial customers, with a broad range of products, systems and services for power transmission, distribution and power plant automation.

- The Automation Technologies division blends a product, system and service portfolio with end-user expertise and global presence to deliver solutions for control, motion, protection, and plant optimization across the full range of process, discrete and utility industries.

- The Non-Core Activities division was created in the fourth quarter of 2002 to group the following activities and businesses of the Company: Insurance, Equity Ventures, the remaining Structured Finance business, Building Systems, New Ventures, Air Handling, Customer Service, Group Processes, Logistic Systems, and Semiconductors.

The Company evaluates performance of its divisions based on earnings before interest and taxes (operating income), which excludes interest and dividend income, interest and other finance expense, provision for taxes, minority interest, and income (loss) from discontinued operations, net of tax. In accordance with Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information*, the Company presents division revenues, depreciation and amortization, and earning before interest and taxes (operating income), all of which have been restated to reflect the changes to the Company's internal structure.

Segment data

(in millions)	Orders received			
	January - September		July - September	
	2003	2002	**2003**	2002
Power Technologies	**$ 5,798**	$ 5,243	**$ 1,830**	$ 1,509
Automation Technologies	**7,328**	6,522	**2,361**	2,036
Non-Core Activities	**2,361**	3,044	**430**	1,061
Corporate(1)	**(1,076)**	(1,222)	**(208)**	(366)
Total	**$ 14,411**	$ 13,587	**$ 4,413**	$ 4,240

(in millions)	Revenues			
	January - September		July - September	
	2003	2002	**2003**	2002
Power Technologies	**$ 5,591**	$ 5,041	**$ 1,873**	$ 1,739
Automation Technologies	**7,135**	6,096	**2,442**	2,064
Non-Core Activities	**2,691**	2,920	**707**	1,049
Corporate(1)	**(1,073)**	(1,100)	**(224)**	(361)
Total	**$ 14,344**	$ 12,957	**$ 4,798**	$ 4,491

(in millions)	Earnings before interest and taxes (operating income)			
	January - September		July - September	
	2003	2002	**2003**	2002
Power Technologies	**$ 388**	$ 337	**$ 113**	$ 97
Automation Technologies	**541**	411	**181**	141
Non-Core Activities	**(55)**	(145)	**47**	(191)
Corporate(1)	**(354)**	(273)	**(79)**	(133)
Total	**$ 520**	$ 330	**$ 262**	$ (86)

(in millions)	Depreciation and amortization			
	January - September		July - September	
	2003	2002	**2003**	2002
Power Technologies	**$ 135**	$ 124	**$ 45**	$ 42
Automation Technologies	**188**	159	**65**	63
Non-Core Activities	**62**	77	**16**	27
Corporate	**50**	54	**19**	10
Total	**$ 435**	$ 414	**$ 145**	$ 142

(in millions)	Capital expenditures			
	January - September		July - September	
	2003	2002	**2003**	2002
Power Technologies	**$ 78**	$ 78	**$ 28**	$ 25
Automation Technologies	**100**	98	**51**	34
Non-Core Activities	**51**	73	**40**	24
Corporate	**30**	119	**3**	30
Total	**$ 259**	$ 368	**$ 122**	$ 113

	Number of employees[2]	
	September 30, 2003	December 31, 2002
Power Technologies	**39,200**	41,200
Automation Technologies	**55,900**	56,600
Non-Core Activities	**10,800**	26,500
Oil, Gas and Petrochemicals	**11,300**	11,900
Corporate	**2,700**	2,900
Total	**119,900**	139,100

Geographic Information

(in millions)	Orders received [3]			
	January - September		July - September	
	2003	2002	**2003**	2002
Europe	**$ 8,028**	$ 7,651	**$ 2,273**	$ 2,484
The Americas	**2,544**	3,208	**841**	958
Asia	**2,362**	1,790	**894**	661
Middle East and Africa	**1,477**	938	**405**	137
Total	**$ 14,411**	$ 13,587	**$ 4,413**	$ 4,240

(in millions)	Revenues [3]			
	January - September		July - September	
	2003	2002	**2003**	2002
Europe	**$ 8,049**	$ 7,309	**$ 2,673**	$ 2,595
The Americas	**2,817**	2,988	**958**	956
Asia	**2,401**	1,792	**808**	631
Middle East and Africa	**1,077**	868	**359**	309
Total	**$ 14,344**	$ 12,957	**$ 4,798**	$ 4,491

(1) Includes adjustments to eliminate inter-company transactions.

(2) Includes businesses in discontinued operations.

(3) Orders received and revenues have been reflected in the regions based on the location of the customers.