



Summary Financial Information

Year Ended December 2002

ABB Ltd
Summary Consolidated Income Statements (unaudited)

	January - December		October - December	
	2002	2001	2002	2001
	----- all amounts are unaudited -----			
	(in millions, except per share data)			
Revenues	\$ 18,295	\$ 19,382	\$ 5,268	\$ 5,530
Cost of sales	(13,769)	(14,910)	(4,122)	(4,557)
Gross profit	4,526	4,472	1,146	973
Selling, general and administrative expenses	(4,033)	(3,993)	(1,052)	(1,154)
Amortization expense	(41)	(195)	(11)	(51)
Other income (expense), net	(116)	(105)	(83)	(206)
Earnings before interest and taxes	336	179	--	(438)
Interest and dividend income	193	414	3	101
Interest and other finance expense	(322)	(604)	(164)	(158)
Income (loss) from continuing operations before taxes and minority interest	207	(11)	(161)	(495)
Provision for taxes	(70)	(80)	55	61
Minority interest	(71)	(36)	(22)	(21)
Income (loss) from continuing operations	66	(127)	(128)	(455)
Loss from discontinued operations, net of tax	(853)	(501)	(710)	(525)
Cumulative effect of change in accounting principles (SFAS 133), net of tax	--	(63)	--	--
Net loss	\$ (787)	\$ (691)	\$ (838)	\$ (980)
Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$ 0.06	\$ (0.11)	\$ (0.12)	\$ (0.41)
Net loss	\$ (0.71)	\$ (0.61)	\$ (0.75)	\$ (0.88)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.10)	\$ (0.11)	\$ (0.12)	\$ (0.41)
Net loss	\$ (0.84)	\$ (0.61)	\$ (0.75)	\$ (0.88)

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



ABB Ltd
Summary Consolidated Balance Sheets (unaudited)

	At December 31 2002	At September 30 2002	At December 31 2001
	----- all amounts are unaudited -----		
	(in millions)		
Cash and equivalents	\$ 2,478	\$ 1,597	\$ 2,442
Marketable securities	2,212	1,896	2,924
Receivables, net	7,197	6,513	6,692
Inventories, net	2,377	2,883	2,568
Prepaid expenses and other	2,694	2,097	2,122
Assets in discontinued operations	3,095	7,124	5,912
Total current assets	20,053	22,110	22,660
Financing receivables, non-current	1,802	1,996	2,086
Property, plant and equipment, net	2,792	2,657	2,753
Goodwill	2,321	2,333	2,188
Other intangible assets, net	591	594	587
Investments and other	1,990	2,237	2,070
Total assets	\$ 29,549	\$ 31,927	\$ 32,344
Accounts payable, trade	\$ 2,961	\$ 2,495	\$ 2,506
Accounts payable, other	2,195	2,410	2,517
Short-term borrowings and current maturities of long-term borrowings	2,576	3,641	4,701
Accrued liabilities and other	8,352	7,038	7,100
Liabilities in discontinued operations	2,295	3,664	3,342
Total current liabilities	18,379	19,248	20,166
Long-term borrowings	5,376	5,475	5,003
Pension and other related benefits	1,659	1,829	1,617
Deferred taxes	1,179	1,088	1,049
Other liabilities	1,647	2,085	2,280
Total liabilities	28,240	29,725	30,115
Minority interest	257	270	215
Capital stock and additional paid-in capital (1,280,009,432 shares authorized, 1,200,009,432 shares issued)	2,027	2,027	2,028
Retained earnings	2,648	3,486	3,435
Accumulated other comprehensive loss	(1,873)	(1,831)	(1,699)
Treasury stock, at cost (86,830,312 shares at December 31, 2002)	(1,750)	(1,750)	(1,750)
Total stockholders' equity	1,052	1,932	2,014
Total liabilities and stockholders' equity	\$ 29,549	\$ 31,927	\$ 32,344

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



ABB Ltd
Summary Consolidated Statements of Cash Flows (unaudited)

	January - December		October - December	
	2002	2001	2002	2001
----- all amounts are unaudited ----- (in millions)				
Operating activities				
Net loss	\$ (787)	\$ (691)	\$ (838)	\$ (980)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>				
Depreciation and amortization	611	787	169	204
Change in provisions*	(188)	1,146	230	1,149
Pension and other related benefits	144	1	75	(13)
Deferred taxes	(121)	(89)	(72)	(102)
Net gain from sale of property, plant and equipment	(23)	(23)	(3)	(10)
Other	71	121	213	119
Changes in operating assets and liabilities:				
Marketable securities (trading)	498	72	--	(7)
Trade receivables	605	65	231	199
Inventories	367	(106)	502	443
Trade payables	79	736	132	292
Other assets and liabilities, net	(1,130)	(36)	(278)	502
Net cash provided by operating activities	126	1,983	361	1,796
Investing activities				
Changes in financing receivables	13	(907)	(99)	198
Purchases of marketable securities (other than trading)	(4,184)	(3,280)	(1,848)	(1,032)
Purchases of property, plant and equipment	(602)	(761)	(158)	(201)
Acquisitions of businesses (net of cash acquired)	(144)	(578)	(45)	(3)
Proceeds from sales of marketable securities (other than trading)	4,332	3,873	1,696	1,105
Proceeds from sales of property, plant and equipment	476	152	86	72
Proceeds from sales of businesses (net of cash disposed)	2,583	283	2,326	252
Net cash provided by (used in) investing activities	2,474	(1,218)	1,958	391
Financing activities				
Changes in borrowings	(2,815)	2,639	(1,796)	(1,661)
Treasury and capital stock transactions	--	(1,393)	--	40
Dividends paid	--	(502)	--	--
Other	73	(67)	140	(6)
Net cash provided by (used in) financing activities	(2,742)	677	(1,656)	(1,627)
Effects of exchange rate changes on cash and equivalents	141	(72)	91	(25)
Net change in cash and equivalents	(1)	1,370	754	535
Cash and equivalents (beginning of period - restated)	2,442	1,244	1,597	1,964
Cash and equivalents (beginning of period - assets in discontinued operations)	325	153	415	268
Cash and equivalents (beginning of period - total)	2,767	1,397	2,012	2,232
Cash and equivalents (end of period - restated)	2,478	2,442	2,478	2,442
Cash and equivalents (end of period - assets in discontinued operations)	288	325	288	325
Cash and equivalents (end of period - total)	\$ 2,766	\$ 2,767	\$ 2,766	\$ 2,767
Interest paid	\$ 475	\$ 702	\$ 30	\$ 123
Taxes paid	\$ 298	\$ 273	\$ 96	\$ 10

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

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

ABB Ltd notes to summary consolidated financial statements (unaudited)
(US\$ in millions, except per share amounts)

Note 1 Developments in the year ended December 31, 2002:

- Annual general meeting
At the Company's annual general meeting held on March 12, 2002, the Company's shareholders approved the resolution to not pay a dividend in 2002. In addition, shareholders approved the resolution to not effect a capital reduction of 24 million shares purchased during the first half of 2001, as a result of changed market conditions.
- Restructuring program

2001 program

In July 2001, the Company announced a restructuring program anticipated to extend over 18 months. This restructuring program was initiated in an effort to simplify product lines, reduce multiple location activities and perform other downsizing in response to consolidation of major customers in certain industries.

In 2002, the Company recognized total restructuring charges and related asset write-downs of \$187 million. Charges of \$166 million were related to workforce reductions and charges of \$38 million were related to lease terminations and other exit costs associated with this restructuring program. These costs are included in other income (expense), net. Based on analysis, Management's estimate has been revised resulting in a \$31 million reduction in the amounts accrued for workforce reductions, lease terminations and other exit costs. This revision is recognized as a component of other income (expense), net. Termination benefits of \$176 million were paid to approximately 4,000 employees and \$29 million was paid to cover costs associated with lease terminations and other exit costs. Workforce reductions include production, managerial and administrative employees. At December 31, 2002, accrued liabilities included \$78 million for termination benefits and \$49 million for lease terminations and other exit costs.

As a result of the 2001 restructuring program, certain assets have been identified as impaired or will no longer be used in continuing operations. The company recorded \$14 million to write down these assets to fair value. These costs are included in other income (expense), net.

Step Change Program

In October 2002 the company announced The Step Change program to reduce ABB's cost base and increase competitiveness, and pave the way for a change of culture. It is scheduled to cut at least \$800 million over an 18-month period.

In 2002, the Company recognized total restructuring charges and related asset write-downs of \$79 million. Charges of \$51 million were related to workforce reductions and charges of \$26 million were related to lease terminations and other exit costs associated with this restructuring program. These costs are included in other income (expense), net. Termination benefits of \$13 million were paid to approximately 200 employees and \$1 million was paid to cover costs associated with lease terminations and other exit costs. Workforce reductions include production, managerial and administrative employees. At December 31, 2002, accrued liabilities included \$38 million for termination benefits and \$25 million for lease terminations and other exit costs.

As a result of Step Change program, certain assets have been identified as impaired or will no longer be used in continuing operations. The company recorded \$2 million to write down these assets to fair value. These costs are included in other income (expense), net.

- Borrowings
The Company's total borrowings outstanding at December 31, 2002 and 2001, amounted to \$7,952 million and \$9,704 million respectively (after reclassification to liabilities in discontinued operations of \$86 million at December 31, 2001 in connection with the discontinuation of certain businesses). Of the total outstanding, \$478 million at December 31, 2002 and \$3,297 million at December 31, 2001 was in the form of commercial paper with an average interest rate of 4.8% and 2.7% respectively.

In March 2002, the Company drew down \$2,845 million of a \$3 billion committed bank facility established in December 2001. A portion of these proceeds was used to repay commercial paper borrowings, which were reduced to \$1,760 million at March 31, 2002. In the second quarter of 2002, primarily as a result of amounts maturing, the outstanding commercial paper borrowings were further reduced to \$349 million at June 30, 2002. Following the issuance of additional commercial paper in the third quarter of 2002, there was a net increase in commercial paper outstanding to \$674 million at September 30, 2002.

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 approximately 85 million shares of the Company.

Also in May 2002, the Company issued bonds due in 2009 with an aggregate principal amount of 200 million pound sterling, or approximately \$292 million, which pay interest semi-annually in arrears at 10% per annum. In addition, the Company issued in May 2002, bonds due 2008 with an aggregate principal amount of 500 million euro, or approximately \$466 million, which pay interest annually in arrears at 9.5% per annum. In line with the Company's policy of reducing its interest rate and currency exposure, a cross currency and an interest rate swap, respectively, have been used to modify the characteristics of these bonds.

Pursuant to the terms of the Company's \$3 billion committed bank facility, amended in April 2002, the proceeds from the convertible bonds, the sterling-denominated bonds and the euro-denominated bonds were used to repay and reduce the amount available under the facility to \$1,315 million at June 30, 2002. Also in line with the terms of the facility, the proceeds from the sale of the Company's Swedish real estate property announced in the second quarter of 2002, were used to repay and further reduce the amount available and outstanding under the facility to \$1,000 million by September 30, 2002. This amount was repaid in the fourth quarter of 2002 and the facility closed.

In December 2002, the Company established a new \$1.5 billion 364-day revolving credit facility. As of December 31, 2002, nothing had been drawn under this new facility. Up to a maximum amount of \$750 million may be extended for up to a further 364 days in the form of term loans.

The facility is secured by a package of ABB assets, including a portion of the Oil, Gas and Petrochemicals division, which is earmarked for divestment in 2003 and is included in assets and liabilities in discontinued operations.

The facility also 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
As described above, in May 2002, the Company issued \$968 million aggregate principal amount of convertible unsubordinated bonds due 2007.

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*, a component of the convertible bonds must be accounted for as a derivative, with changes in fair value recorded through earnings. As a result of the decline in the Company's share price since issuance of the bonds, the Company has recorded a net gain of \$215 million in interest and other finance expense from the decrease in fair value of the derivative liability, with a corresponding reduction in long-term borrowings on the balance sheet.

- Discontinued operations
In November 2002, the Company sold the majority of its Structured Finance business to GE Commercial Finance for total cash proceeds of approximately \$2.3 billion. The Structured Finance portfolio divested includes global infrastructure financing, equipment leasing and financing businesses. The Company recognized losses of approximately \$190 million on the disposal of the Structured Finance business. 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 net debt.

Also in December 2002, the Company sold its Metering business to Ruhrgas Industries GmbH of Germany, for approximately \$244 million on a cash and debt free basis. The Company recognized losses of approximately \$54 million on the disposal of the Metering business. 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.

In addition, the Company has discontinued a minor operation in its Power Technology Products division and another minor operation in the New Ventures business area.

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

These divestments and discontinuations are treated as discontinued operations pursuant to 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 assets and liabilities in discontinued operations and as discontinued operations. In the statement of cash flows the effects of the discontinued operations are not segregated, as permitted by Statement of Financial Accounting Standards No. 95, Statement of Cash Flows.

The loss from discontinued operations, including taxes, of \$853 million recorded in 2002 includes revenues of \$3,947 million.

At December 31, 2002, the major classes of assets in discontinued operations are: cash, cash equivalents and marketable securities for \$300 million; receivables for \$1,285 million; inventories for \$397 million; prepaid expenses and other for \$152 million; financing receivables for \$41 million; goodwill for \$502 million, other intangible assets for \$59 million; property, plant and equipment for \$121 million; and investments and other for \$238 million. At December 31, 2002, the major classes of liabilities in discontinued operations are: accounts payable for \$1,677 million; borrowings for \$45 million; accrued liabilities and other for \$315 million; pension and post-retirement benefits for \$90 million; deferred tax liabilities for \$40 million; and other liabilities for \$129 million.

- 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 the 2002 and 2001 periods presented, as their inclusion would have been antidilutive. In the full year 2002 period, the potential common shares from the convertible bonds were included in the computation of diluted earnings (loss) per share for the period they were outstanding, while they were excluded from the computation of diluted earning (loss) per share in the fourth quarter of 2002, as their inclusion would have been antidilutive.



Basic earnings (loss) per share	January - December		October - December	
	2002	2001	2002	2001
	(in millions, except per share data)			
Income (loss) from continuing operations	\$ 66	\$ (127)	\$ (128)	\$ (455)
Loss from discontinued operations, net of tax	(853)	(501)	(710)	(525)
Cumulative effect of change in accounting principles (SFAS 133), net of tax	–	(63)	–	–
Net loss	\$ (787)	\$ (691)	\$ (838)	\$ (980)

Weighted average number of shares outstanding	1,113	1,132	1,113	1,113
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Basic earnings (loss) per share:				
Income (loss) from continuing operations	\$ 0.06	\$ (0.11)	\$ (0.12)	\$ (0.41)
Loss from discontinued operations, net of tax	(0.77)	(0.44)	(0.63)	(0.47)
Cumulative effect of change in accounting principles (SFAS 133), net of tax	–	(0.06)	–	–
Net loss	\$ (0.71)	\$ (0.61)	\$ (0.75)	\$ (0.88)

Diluted earnings (loss) per share	January - December		October - December	
	2002	2001	2002	2001
	(in millions, except per share data)			
Income (loss) from continuing operations	\$ 66	\$ (127)	\$ (128)	\$ (455)
Effect of dilution:				
Convertible bonds, net of tax	(187)	–	–	–
Income (loss) from continuing operations, adjusted	(121)	(127)	(128)	(455)
Loss from discontinued operations, net of tax	(853)	(501)	(710)	(525)
Cumulative effect of change in accounting principles (SFAS 133), net of tax	–	(63)	–	–
Net loss	\$ (974)	\$ (691)	\$ (838)	\$ (980)

Weighted average number of shares outstanding	1,113	1,132	1,113	1,113
Dilution from convertible bonds	53	--	–	--
Diluted weighted average number of shares outstanding	1,166	1,132	1,113	1,113

Diluted earnings (loss) per share:				
Income (loss) from continuing operations	\$ (0.10)	\$ (0.11)	\$ (0.12)	\$ (0.41)
Loss from discontinued operations, net of tax	\$ (0.74)	\$ (0.44)	\$ (0.63)	\$ (0.47)
Cumulative effect of change in accounting principles (SFAS 133), net of tax	\$ –	\$ (0.06)	\$ –	\$ –
Net loss	\$ (0.84)	\$ (0.61)	\$ (0.75)	\$ (0.88)

- Commitments and contingencies

Asbestos related claims

In 2002, 34,568 claims against U.S. subsidiary Combustion Engineering (CE) were settled, 26 percent more than in the same period in 2001. More than 33 percent were settled without payment. Around 79,200 new claims were filed in 2002, compared to 2001. Settlement costs prior to insurance reimbursement were US\$ 206 million (US\$ 136 million in 2001).

In the fourth quarter of 2002, new asbestos claims (33,880) increased by 114 percent over the third quarter of 2002, while claims settled (8,332) went up by 10 percent. At the end of December 2002, 136,648 claims were pending (111,052 end of September 2002). All of these claims are covered in the pre-packaged Chapter 11 proceedings.

On February 17, 2003, ABB announced that CE has filed for a pre-packaged Chapter 11 in the U.S. bankruptcy courts. Voting on the pre-packaged plan ended on Feb. 19. Although the vote is subject to review and confirmation by the court, CE has confirmed that it has received more than 75 percent of claimant votes in favor of the plan, representing more than two-thirds of the total value of claims as required for approval by eligible claimants.

ABB remains confident the court will approve the plan.



Note 2 Significant Accounting Policies

The summary consolidated financial information is prepared on the basis of United States (US) generally accepted accounting principles (USGAAP) and is presented in U.S. dollars (\$) unless otherwise stated. These figures are still subject to final audit clearance. Data for orders and number of employees are shown as additional information and are not a required disclosure under USGAAP.

Par value of capital stock is denominated in Swiss francs. The summary financial information as of December 31, 2002, should be read in conjunction with the December 31, 2001, financial statements contained in the Company's Annual Report and the Form 20-F.

New accounting standards

In 2001, the Company accounted for the adoption of Statement of Financial Accounting Standards No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, as amended, as a change in accounting principle. Based on the Company's derivative positions at January 1, 2001, the Company recognized the cumulative effect of the accounting change as a loss of \$63 million, net of tax, in the consolidated income statement and a reduction of \$41 million, net of tax, in accumulated other comprehensive income (loss).

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, *Business Combinations*, and Statement of Financial Accounting Standards No. 142 (SFAS 142), *Goodwill and Other Intangible Assets*, which modified the accounting for business combinations, goodwill and identifiable intangible assets. All business combinations initiated after June 30, 2001, must be accounted for by the purchase method. Goodwill from acquisitions completed after that date is not amortized, but will be charged to operations when specified tests indicate that the goodwill is impaired, that is, when the goodwill's fair value is lower than its carrying value. Certain intangible assets will be recognized separately from goodwill, and will be amortized over their useful lives. During 2002, all goodwill was required to be tested for impairment as of January 1, 2002, with a transition adjustment recognized for any impairment found. The Company completed this test in the second quarter of 2002 and determined that no impairment of goodwill existed at January 1, 2002. All goodwill amortization also ceased at that date. The Company recognized goodwill amortization expense of \$191 million and \$55 million in the year and three months ended December 31, 2001, respectively. Accordingly, income from continuing operations and net loss would have been \$28 million (\$0.02 per share) and \$500 million (\$0.44 per share), respectively, in the year ended December 31, 2001, and loss from continuing operations and net loss would have been \$411 million (\$0.37 per share) and \$925 million (\$0.83 per share), respectively, in the three months ended December 31, 2001, if the Company had not recognized amortization expense for goodwill that is no longer being amortized in accordance with SFAS 142.

In June 2001, the Financial Accounting Standards Board issued SFAS 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. After management review of existing third party contracts, lease agreements and other similar agreements and initial estimation of the fair value of identified asset retirement obligations, the Company came to a conclusion that application of the new rules will not result in any material increase in property and equipment or increase in liabilities, and a cumulative effect on net income and stockholder's equity is not expected to be significant.

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 several businesses and group of assets as discontinued operations for all periods presented. 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 \$12 million and of \$6 million, net of tax, recorded as extraordinary items in the fourth quarter of 2001 and in the first quarter of 2002, respectively, have been reclassified and included in income from continuing operations.

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 is to be applied to restructuring plans initiated after that date. The Company does not expect SFAS 146 to have a material impact on its results of operations.

Note 3 Summary of Consolidated Stockholders' Equity

(in millions)	
Stockholders' equity at January 1, 2002	\$ 2,014
Comprehensive loss:	
Net loss	(787)
Foreign currency translation adjustments	(111)
Foreign currency translation adjustments related to discontinued operations	(90)
Unrealized gain on available-for-sale securities, net of tax	3
Minimum pension liability adjustment, net of tax	(107)
Derivatives qualifying as hedges (SFAS 133), net of tax	131
Total comprehensive loss	(961)
Other	(1)
Stockholders' equity at December 31, 2002 (unaudited)	\$ 1,052

Note 4 Segment and Geographic Data

During 2001, the Company realigned its worldwide enterprise around customer groups, replacing its former business segments with four end-user divisions, two channel partner divisions, and a financial services division. The four end-user divisions – Utilities, Process Industries, Manufacturing and Consumer Industries, and Oil, Gas and Petrochemicals – serve end-user customers with products, systems and services. The two channel partner divisions – Power Technology Products and Automation Technology Products – serve external channel partners such as wholesalers, distributors, original equipment manufacturers and system integrators directly and end-user customers indirectly through the end-user divisions. The Financial Services division provides services and project support for the Company as well as for external customers.

In April 2002, the Company merged its Process Industries division and its Manufacturing and Consumer Industries division to form a new Industries division, consisting of the following business areas: Automotive Industries; Manufacturing; Electronics and Consumer Industries; Marine and Turbocharging; Paper, Printing, Metals and Minerals; and Petroleum, Chemicals and Life Sciences. Segment data are presented below to reflect this change and prior period data have been restated accordingly.

- The Utilities division serves electric, gas and water utilities - whether state-owned or private, global or local, operating in liberalized or regulated markets - with a portfolio of products, services and systems. The division's principal customers are generators of power, owners and operators of power transmission systems, energy traders and local distribution companies.
- The Industries division serves the automotive, cement, chemical, distribution, electronics, food and beverage, life sciences, marine, metals, mining, paper, petroleum, printing and telecommunications industries with application-specific power and automation technology.
- The Power Technology Products division covers the entire spectrum of technology for power transmission and



power distribution including transformers, switchgear, breakers, capacitors and cables as well as other products, platforms and technologies for high- and medium-voltage applications. Power technology products are used in industrial, commercial and utility applications. They are sold through the Company's end user divisions as well as through external channel partners, such as distributors, contractors and original equipment manufacturers and system integrators.

- The Automation Technology Products division provides products, software and services for the automation and optimization of industrial and commercial processes. Key technologies include measurement and control, instrumentation, process analysis, drives and motors, power electronics, robots, and low voltage products, all geared toward one common industrial IT architecture for real-time automation and information solutions throughout a business. These technologies are sold to customers through the end-user divisions as well as through external channel partners such as wholesalers, distributors, original equipment manufacturers and system integrators.
- The Non-core activities division was created to group the following activities of the Company: Equity Ventures, Insurance, the remaining Structured Finance business, Building Systems, Semiconductors, Customer Service, Group Processes, Air Handling, Logistic Systems, and New Ventures.

In order to streamline the Company's structure and improve operational performance, the Company is, as of January 1, 2003, putting into place two divisions: Power Technologies, which will combine the Power Technology Products and Utilities divisions; and Automation Technologies, which will combine the Automation Technology Products and Industries divisions.

The Company evaluates performance of its divisions based on earnings before interest and taxes (EBIT), which excludes interest and dividend income, interest expense, provision for taxes, minority interest, and income 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 EBIT, all of which have been restated to reflect the changes to the Company's internal structure. For the 2001 periods presented, division revenues and EBIT are presented as if certain historical third-party sales by subsidiaries in the product divisions had been routed through other divisions.

Segment data

(in millions)	Orders received			
	January - December		October - December	
	2002	2001	2002	2001
Utilities	\$ 4,458	\$ 6,436	\$ 805	\$ 1,620
Industries	4,614	4,865	1,166	1,071
Power Technology Products	4,387	4,221	1,064	949
Automation Technology Products	5,074	4,669	1,339	1,073
Non-core activities	4,161	5,072	1,091	1,340
Corporate ⁽¹⁾	(4,582)	(5,591)	(964)	(1,160)
Total	\$ 18,112	\$ 19,672	\$ 4,501	\$ 4,893

(in millions)	Revenues			
	January - December		October - December	
	2002	2001	2002	2001
Utilities	\$ 4,826	\$ 5,634	\$ 1,288	\$ 1,672
Industries	4,412	4,995	1,339	1,406
Power Technology Products	4,355	3,961	1,179	1,140
Automation Technology Products	5,035	4,756	1,394	1,196
Non-core activities	4,186	5,130	1,166	1,560
Corporate ⁽¹⁾	(4,519)	(5,094)	(1,098)	(1,444)
Total	\$ 18,295	\$ 19,382	\$ 5,268	\$ 5,530

(in millions)	EBIT (operating income) ⁽²⁾			
	January - December		October - December	
	2002	2001	2002	2001
Utilities	\$ 75	\$ 158	\$ (10)	\$ 36
Industries	145	151	16	20
Power Technology Products	353	234	101	44
Automation Technology Products	373	364	91	44
Non-core activities	(217)	(397)	(110)	(480)
Corporate ⁽¹⁾	(393)	(331)	(88)	(102)
Total	\$ 336	\$ 179	\$ 0	\$ (438)

(in millions)	Depreciation and amortization ⁽²⁾			
	January - December		October - December	
	2002	2001	2002	2001
Utilities	\$ 52	\$ 73	\$ 14	\$ 19
Industries	56	94	17	25
Power Technology Products	117	119	31	31
Automation Technology Products	158	218	38	49
Non-core activities	113	120	34	34
Corporate	77	86	25	25
Total	\$ 573	\$ 710	\$ 159	\$ 183

(in millions)	Net operating assets	
	December 31, 2002	December 31, 2001
Utilities	\$ 992	\$ 790
Industries	1,129	924
Power Technology Products	1,389	1,283
Automation Technology Products	2,278	2,287
Non-core activities	3,759	3,525
Corporate	1,634	1,974
Total	\$ 11,181	\$ 10,783

	Number of employees ⁽³⁾	
	December 31, 2002	December 31, 2001
Utilities	14,774	15,745
Industries	23,257	23,392
Power Technology Products	26,392	27,555
Automation Technology Products	33,343	39,462
Non-core activities	26,441	33,953
Oil, Gas and Petrochemicals	11,915	13,471
Corporate	2,929	3,287
Total	139,051	156,865

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

(2) The Company recognized, in its operating segments, the following amortization expense for goodwill in 2001 and the fourth quarter of 2001, respectively: Utilities, \$24 million and \$6 million; Industries, \$41 million and \$11 million; Power Technology Products, \$6 million and \$2 million; Automation Technology Products, \$58 million and \$16 million. The Company's total amortization expense for goodwill in 2001 and the fourth quarter of 2001 was \$191 million and \$55 million, respectively.

(3) Includes businesses in discontinued operations.

Geographic Information

(in millions)	Orders received ⁽⁴⁾			
	January – December		October – December	
	2002	2001	2002	2001
Europe	\$ 10,191	\$ 10,748	\$ 2,609	\$ 2,466
The Americas	3,993	4,972	858	1,484
Asia	2,528	2,700	732	585
Middle East and Africa	1,400	1,252	302	358
Total	\$ 18,112	\$ 19,672	\$ 4,501	\$ 4,893

(in millions)	Revenues ⁽⁴⁾			
	January – December		October – December	
	2002	2001	2002	2001
Europe	\$ 10,264	\$ 10,852	\$ 2,958	\$ 3,087
The Americas	4,101	4,863	1,068	1,367
Asia	2,603	2,435	804	724
Middle East and Africa	1,327	1,232	438	352
Total	\$ 18,295	\$ 19,382	\$ 5,268	\$ 5,530

⁽⁴⁾ Orders received and revenues have been reflected in the regions based on the location of the customer.

Appendix

Key financial figures by division (new structure) Q1-Q4 2002, full-year 2001 Unaudited

Please note that this is a preliminary restatement. The figures may change depending on adjustments to the scope of activities within each division.

Orders Received

US\$ in millions	Oct.-Dec. 2002	July-Sep. 2002	April-June 2002	Jan.-Mar. 2002	Full year 2001
Automation Technologies	2,177	2,036	2,322	2,164	8,319
Power Technologies	1,589	1,514	1,809	1,931	7,474
Non-core activities	1,091	1,105	1,023	942	5,072
Corporate	-356	-406	-487	-342	-1,193
Total	4,501	4,249	4,667	4,695	19,672

Revenues

US\$ in millions	Oct.-Dec. 2002	July-Sep. 2002	April-June 2002	Jan.-Mar. 2002	Full year 2001
Automation Technologies	2,386	2,064	2,171	1,861	8,508
Power Technologies	2,047	1,743	1,786	1,527	6,873
Non-core activities	1,166	1,113	1,040	867	5,130
Corporate	-331	-395	-440	-310	-1,129
Total	5,268	4,525	4,557	3,945	19,382

Earnings before interest and taxes

US\$ in millions	Oct.-Dec. 2002	July-Sep. 2002	April-June 2002	Jan.-Mar. 2002	Full year 2001
Automation Technologies	107	141	162	108	515
Power Technologies	91	97	130	110	392
Non-core activities ¹⁾	-110	-72	-12	-23	-397
Corporate ¹⁾	-88	-154	-166	15	-331
Total	0	12	114	210	179

1) See next page for detailed breakdown of EBIT for these activities

Depreciation and amortization

US\$ in millions	Oct.-Dec. 2002	July-Sep. 2002	April-June 2002	Jan.-Mar. 2002	Full year 2001
Automation Technologies	55	52	54	53	312
Power Technologies	45	42	38	44	192
Non-core activities	34	31	24	24	120
Corporate	25	17	15	20	86
Total	159	142	131	141	710

Restructuring

US\$ in millions	Full year 2002	Full year 2001
Automation Technologies	-129	-81
Power Technologies	-60	-76
Non-core activities	-52	-22
Corporate	-20	-41
Total	-261	-220

Restructuring and related asset write-downs

US\$ in millions	Oct.-Dec. 2002	July-Sep. 2002	April-June 2002	Jan.-Mar. 2002	Full year 2001
Automation Technologies	-89	-10	-16	-18	-83
Power Technologies	-24	-12	-5	-24	-76
Non-core activities	-30	-45	-7	-17	-91
Corporate	-3	-9	-54	9	-61
Total	-146	-76	-82	-50	-311

Capital expenditure

US\$ in millions	Full year 2002	Full year 2001
Automation Technologies	146	157
Power Technologies	117	132
Non-core activities	54	145
Corporate	143	173
Total	460	607

Number of Employees

	Full year 2002	Full year 2001
Automation Technologies	56,600	62,854
Power Technologies	41,166	43,300
Non-core activities	26,441	33,953
Corporate	2,929	3,287
Oil, Gas and Petrochemicals	11,915	13,471
Total	139,051	156,865

Earnings before interest and taxes (EBIT) for Non-core activities, Corporate

US\$ in millions	Oct.-Dec. 2002	July-Sep. 2002	April-June 2002	Jan.-Mar. 2002	Full year 2001
Non-core activities	-110	-72	-12	-23	-397
Equity Ventures	8	-1	17	14	76
Remaining Structured Finances	-14	43	19	10	82
Insurance	-3	12	14	17	-342
Building Systems	-42	-42	-22	-8	20
Other activities	-59	-84	-40	-56	-233
Corporate	-88	-154	-166	15	-331
HQ/Stewardship	7	-115	-77	29	-137
Research & development	-24	-24	-27	-18	-103
Other	-71	-15	-62	4	-91



Summary Consolidated Income Statements (unaudited)

US\$ in millions	Oct.-Dec. 2002	July-Sep. 2002	April-June 2002	Jan.-Mar. 2002	Full year 2001
Revenues	5,268	4,525	4,557	3,945	19,382
Cost of sales	(4,122)	(3,478)	(3,326)	(2,843)	(14,910)
Gross profit	1,146	1,047	1,231	1,102	4,472
Selling, general and administrative expenses	(1,052)	(984)	(1,090)	(907)	(3,993)
Amortization expense	(11)	(10)	(10)	(10)	(195)
Other income (expense), net	(83)	(41)	(17)	25	(105)
Earnings (loss) before interest and taxes	0	12	114	210	179
Finance, net	(161)	177	(87)	(58)	(190)
Income (loss) from continuing operations before taxes and minority interest	(161)	189	27	152	(11)
Provision for taxes	55	(64)	(9)	(52)	(80)
Minority interest	(22)	(22)	(14)	(13)	(36)
Income (loss) from continuing operations	(128)	103	4	87	(127)
Income (loss) from discontinued operations, net of tax	(710)	(173)	3	27	(501)
Cumulative effect of change in accounting principles (SFAS 133), net of tax	--	--	--	--	(63)
Net income (loss)	(838)	(70)	7	114	(691)



Summary Consolidated Balance Sheet (unaudited)

US\$ in millions	At Dec. 31 2002	At Sept. 30 2002	At June 30 2002	At Mar. 31 2002	At Dec. 31 2001
Cash and equivalents	2,478	1,597	2,040	3,670	2,442
Marketable securities	2,212	1,896	2,212	2,578	2,924
Receivables, net	7,197	6,513	6,980	6,395	6,692
Inventories, net	2,377	2,883	2,914	2,675	2,568
Prepaid expenses and other	2,694	2,097	2,257	1,757	2,122
Assets in discontinued operations	3,095	7,124	7,157	6,137	5,912
Total current assets	20,053	22,110	23,560	23,212	22,660
Financing receivables, non-current	1,802	1,996	2,033	2,143	2,086
Property, plant and equipment, net	2,792	2,657	2,829	2,792	2,753
Goodwill	2,321	2,333	2,295	2,186	2,188
Other intangible assets, net	591	594	601	573	587
Investments and other	1,990	2,237	2,253	2,133	2,070
Total assets	29,549	31,927	33,571	33,039	32,344
Accounts payable, trade	2,961	2,495	2,567	2,569	2,506
Accounts payable, other	2,195	2,410	2,600	2,267	2,517
Short-term borrowings and current maturities of long-term borrowings	2,576	3,641	3,945	6,626	4,701
Accrued liabilities and other	8,352	7,038	7,297	6,618	7,100
Liabilities in discontinued operations	2,295	3,664	3,857	3,080	3,342
Total current liabilities	18,379	19,248	20,266	21,250	20,166
Long-term borrowings	5,376	5,475	5,789	4,367	5,003
Pension and other related benefits	1,659	1,829	1,812	1,612	1,617
Deferred taxes	1,179	1,088	1,072	1,069	1,049
Other liabilities	1,647	2,085	2,170	2,285	2,280
Total liabilities	28,240	29,725	31,109	30,583	30,115
Minority interest	257	270	218	217	215
Capital stock and additional paid-in capital (1,280,009,432 shares authorized, 1,200,009,432 shares issued)	2,027	2,027	2,027	2,028	2,028
Retained earnings	2,648	3,486	3,556	3,549	3,435
Accumulated other comprehensive loss	(1,873)	(1,831)	(1,589)	(1,588)	(1,699)
Treasury stock, at cost	(1,750)	(1,750)	(1,750)	(1,750)	(1,750)

(86,830,312)					
Total stockholders' equity	1,052	1,932	2,244	2,239	2,014
Total liabilities and stockholders' equity	29,549	31,927	33,571	33,039	32,344

Summary Consolidated Statements of Cash Flows (unaudited)

US\$ in millions	Oct-Dec 2002	July-Sept 2002	April-June 2002	Jan-Mar 2002	Full year 2001
Operating Activities					
Net income (loss)	(838)	(70)	7	114	(691)
<i>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</i>					
Depreciations and amortization	169	151	139	152	787
Change in provisions ¹⁾	230	(89)	(183)	(146)	1,146
Pension and other related benefits	75	40	28	1	1
Deferred taxes	(72)	(27)	(28)	6	(89)
Net gain from sale of property, plant and equipment	(3)	(9)	(8)	(3)	(23)
Other	213	(158)	56	(40)	121
Changes in operating assets and liabilities:					
Marketable securities (trading)	--	35	397	66	72
Trade receivables	231	161	(134)	347	65
Inventories	502	67	(38)	(164)	(106)
Trade payables	132	(131)	111	(33)	736
Other assets and liabilities, net	(278)	(109)	(262)	(481)	(36)
Net cash provided by (used in) operating activities	361	(139)	85	(181)	1,983
Investing activities					
Changes in financing receivables	(99)	192	73	(153)	(907)
Purchases of marketable securities (other than trading)	(1,848)	(792)	(708)	(836)	(3,280)
Purchases of property, plant and equipment	(158)	(147)	(145)	(152)	(761)
Acquisitions of businesses (net of cash acquired)	(45)	(35)	(54)	(10)	(578)
Proceeds from sales of marketable securities (other than trading)	1,696	797	736	1,103	3,873
Proceeds from sales of property, plant and equipment	86	47	320	23	152
Proceeds of sales from businesses (net of cash disposed)	2,326	28	59	170	283
Net cash provided by (used in) investing activities	1,958	90	281	145	(1,218)

1) Restated to reflect the change in all provisions (previously this line comprised restructuring provisions only)

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Summary Consolidated Statements of Cash Flows (unaudited)

(cont'd)

US\$ in millions	Oct-Dec 2002	July-Sept 2002	April-June 2002	Jan-Mar 2002	Full year 2001
Financing activities					
Changes in borrowings	(1,796)	(272)	(2,083)	1,336	2,639
Treasury and capital stock transactions	--	--	--	--	(1,393)
Dividends paid	--	--	--	--	(502)
Other	140	(16)	18	(69)	(67)
Net cash provided by (used in) financing activities	(1,656)	(288)	(2,065)	1,267	677
Effects of exchange rate changes on cash and cash equivalents	91	(34)	90	(6)	(72)
Net change in cash and cash equivalents	754	(371)	(1,609)	1,225	1,370
Cash and equivalents (beginning of period – restated)	1,597	2,041	3,670	2,442	1,244
Cash and equivalents (end of period – assets in discontinued operations)	415	342	322	325	153
Cash and equivalents (beginning of period – total)	2,012	2,383	3,992	2,767	1,397
Cash and equivalents (end of period – restated)	2,478	1,597	2,041	3,670	2,442
Cash and equivalents (end of period – assets in discontinued operations)	288	415	342	322	325
Cash and equivalents (end of period – total)	2,766	2,012	2,383	3,992	2,767
Interest paid	30	169	139	137	702
Taxes paid	96	62	97	43	273