Press Release

ABB Group Q2 results 2003

ABB reports solid progress in Q2

- Double-digit EBIT growth
- Cost reduction program yields savings of US$ 160 million
- Net income burdened by discontinued operations, capital losses from divestments
- Core divisions' operating cash flow at US$ 381 million

ABB Q2 2003 key figures (US$ millions)

		April-June 2003	April-June 2002[1]	% change nominal
Orders	**Group**	**4,929**	**4,667**	**+6%**
	Power Technologies	1,923	1,809	+6%
	Automation Technologies	2,473	2,322	+7%
Revenues	**Group**	**5,061**	**4,534**	**+12%**
	Power Technologies	1,939	1,786	+9%
	Automation Technologies	2,463	2,171	+13%
EBIT*	**Group**	**171**	**150**	**+14%**
	Power Technologies	146	130	+12%
	Automation Technologies	198	162	+22%
	Non-core activities	-33	12	
EBIT margin	**Group**	**3.4%**	**3.3%**	
	Power Technologies	7.5%	7.3%	
	Automation Technologies	8.0%	7.5%	
Income/(loss) from discontinued operations		**-87**	**-3**	
Net income/(loss)		**-55**	**38**	

* Earnings before interest and taxes, see Summary Financial Information for more information
[1] Restated to reflect the move of businesses to discontinued operations, a restatement filed by the Swedish Export Credit Corp., and the impact of the equity conversion option (bifurcation) on the convertible bond issued in May 2002. See Summary Financial Information for more information

Zurich, Switzerland, July 29, 2003 – A strong performance by ABB's core Power and Automation Technologies divisions lifted the company's second-quarter earnings before interest and taxes by 14 percent (11 percent in local currencies). Operating cash flow from the core divisions improved and the company again lowered costs while increasing margins. Losses in discontinued operations and capital losses from divestments contributed to a net loss of US$ 55 million.

"We're clearly moving in the right direction," said Jürgen Dormann, ABB chairman and CEO. "We achieved solid earnings, margins and cash flow performance in our core divisions and a steady reduction in our cost base. There is hard work ahead, but our company is now in much better shape than it was a year ago."

Continued growth in Asia and in the service business partly offset lower capital spending in a number of customer industries and weak demand in the Americas. "We held revenues steady despite difficult market conditions in the quarter and we expect higher orders and revenues in the second half," Dormann said. "We therefore confirm our targets."

The company cleared another hurdle toward settling its asbestos liabilities with a positive U.S. court ruling on July 10 at the bankruptcy court level, and continued its program of divestments aimed at reducing total debt by the end of the year to about US$ 6.5 billion.

Summary of group results

Order development varied widely depending on region and industrial sector. Orders were mainly lower in the Americas, flat in western Europe and higher in eastern Europe, Asia, the Middle East and Africa, in line with demand patterns seen at the beginning of the year. Service orders continued to grow, while capital expenditure by customers remained cautious in many sectors. Investment in large power infrastructure projects have been delayed to the second half of the year.

The translation of local currency transactions into U.S. dollars for reporting purposes positively impacted reported orders and revenues by about 10 percent as the the U.S. dollar weakened against the euro and the Swiss franc during the second quarter..

For the second quarter of 2003, ABB reported a 6-percent increase in orders to US$ 4,929 million (down 6 percent in local currencies), compared to US$ 4,667 million in the same period last year. Core division orders grew 6 percent to US$ 4,396 million (down 5 percent in local currencies). Base orders (orders below US$ 15 million) amounted to US$ 4,572 million, or 93 percent of total orders, the same percentage as a year earlier. Orders for Non-core activities and discontinued operations (the Oil, Gas and Petrochemicals division) were lower, both in U.S. dollars and local currencies, compared to the same quarter in 2002.

The combined order backlog for the core divisions rose to US$ 10,052 million from US$ 9,872 million at the end of the first quarter. The order backlog for the group at the end of the second quarter was US$ 10,785 million, flat compared to the first quarter (US$ 10,684 million on March 31, 2003).

Total revenues in the second quarter were 12 percent higher at US$ 5,061 million (down 2 percent in local currencies). Core division revenues rose 11 percent to US$ 4,402 million from US$ 3,957 in the same quarter a year ago (down 1 percent in local currencies). Revenues were slightly higher in Non-core activities.

Group EBIT was US$ 171 million, up 14 percent from the second quarter of 2002 (up 11 percent in local currencies), while core division EBIT amounted to US$ 344 million compared to US$ 292 million in the same quarter last year. Group earnings were affected by a US$ 46-million loss in Building Systems (part of Non-core activities). Group EBIT included restructuring costs of US$ 82 million in the quarter, compared to US$ 51 million in the same quarter a year ago, and a US$ 87-million loss on the divestment of ABB's 35-percent stake in the Swedish Export Credit Corporation (SEK). The company reported a gain of US$ 28 million on the divestment of two holdings in its Equity Ventures portfolio. The EBIT margin was 3.4 percent, up from 3.3 percent in the same quarter last year. Excluding net capital losses of US$ 69 million in the quarter, the EBIT margin amounted to 4.7 percent.

Finance net (the difference between interest and dividend income and interest and other finance expense) was negative US$ 92 million compared to negative US$ 74 million in the second quarter of 2002.

Discontinued operations reported a loss of US$ 87 million compared to a loss of US$ 3 million in the second quarter of 2002, including a loss of US$ 43 million in the Oil, Gas and

Petrochemicals division compared to income of US$ 30 million in the same period last year. Also included in the discontinued operations result is a US$ 30-million non-cash loss reflecting a mark-to-market adjustment of the value of some 30 million ABB Ltd shares committed to cover part of the company's asbestos liabilities.

The ABB Group's second quarter net loss amounted to US$ 55 million, compared to net income of US$ 38 million for the same period in 2002.

Cost reduction
ABB realized savings of about US$ 160 million in the second quarter (US$ 230 million in the first half of the year) from its business improvement program, called Step change. Introduced in late 2002, the goals of the program are to increase competitiveness of ABB's core businesses, reduce overhead costs and streamline operations by approximately $900 million (revised from US$ 800 million) on an annual basis by 2005. The Step change program is expected to be completed by mid-2004.

Major cost-saving projects implemented so far include improved supply management in Sweden, streamlined IT activities in the U.S., Germany and Switzerland, and closures of production facilities in various countries. As a result of the Step change program, the company reduced some 3,800 jobs in the first half of the year.

As part of the initiative to streamline operations, ABB and IBM yesterday announced a ten-year agreement to outsource to IBM close to 90 percent of ABB's information systems infrastructure operations, including the transfer to IBM of 780 employees, in a deal valued at US$ 1.1 billion. ABB expects the outsourcing agreement to result in annual savings of at least US$ 50 million.

As of June 30, 2003, ABB employed 133,200 people, compared to 139,100 at the end of 2002.

Cash flow
The combined cash flow from operations in the two core divisions in the quarter amounted to US$ 381 million. This was more than offset by asbestos-related cash payments of US$ 51 million by U.S. subsidiary Combustion Engineering, US$ 88 million used by discontinued operations (Oil, Gas and Petrochemicals division), US$ 27 million used in Non-core activities, and other movements of some US$ 240 million. As a result, net cash from operating activities in the quarter amounted to negative US$ 25 million.

Divestments
ABB continued its program of divesting non-core businesses and other assets. The company received cash proceeds of US$ 149 million for the 35-percent stake in SEK (reporting a loss on sale in other income (expense), net, of US$ 87 million) and about US$ 90 million for two projects in the Equity Ventures portfolio – a power plant project and a power transmission project, both in Australia – on which ABB recorded a gain on sale in other income (expense), net, of US$ 28 million. The company also sold its shares in the China National Petrochemical Corporation (Sinopec) for US$ 82 million (reporting a loss on sale of US$ 40 million in interest and other finance expense). As a result of these transactions, and minor losses on the

sale of other businesses, income for the second quarter was affected by losses of US$ 110 million.

Since the end of the second quarter, ABB has announced an agreement to sell its Nordic Building Systems business (primarily Sweden, Norway, Denmark and Finland) to YIT of Finland for US$ 233 million. ABB also intends to sell the Building Systems business in Switzerland this year and in Germany in 2004. Talks are continuing with potential buyers of the Oil, Gas and Petrochemicals division, which ABB intends to sell in 2003.

Balance sheet and debt

Cash and marketable securities at the end of June amounted to US$ 4,113 million compared to US$ 3,781 million at the end of the previous quarter. Total debt (short-term and long-term borrowings) amounted to US$ 8,304 million, compared to US$ 8,155 million three months earlier, in line with ABB's financial planning. Included in total debt are aggregate borrowings of approximately US$ 1.5 billion under the revolving credit facility negotiated in December 2002.

Stockholders' equity increased to US$ 1,277 million from US$ 1,078 million at the end of March 2003. The net loss for the quarter was more than offset by positive foreign exchange translation effects and unrealized gains on available-for-sale securities.

Asbestos

On July 10, a U.S. bankruptcy court recommended for confirmation a pre-packaged Chapter 11 protection plan filed earlier in the year by a U.S. subsidiary of ABB, Combustion Engineering, marking further progress towards a settlement of the asbestos issue. Following the court's recommendation, an appeals period began before a U.S. district court. The district court has scheduled a hearing for July 31. ABB remains confident that the district court will confirm the plan.

Group outlook

The outlook remains unchanged. From 2002 through 2005, ABB expects compound average annual revenue growth of about 4 percent in local currencies. For 2003, ABB aims to achieve an EBIT margin of 4 percent in U.S. dollars. For 2005, the Group's target EBIT margin is 8 percent in U.S. dollars. Revenue and margin targets exclude major acquisitions and divestments.

By year-end 2003, ABB intends to reduce total debt to about US$ 6.5 billion, and gearing (total debt divided by total debt plus stockholders' equity) to about 70 percent. For 2005, ABB intends to reduce total debt to about US$ 4 billion, and gearing to approximately 50 percent.

Divisional performance Q2 2003

Power Technologies division

US$ in millions (except where indicated)	April-June 2003	April-June* 2002	Change
Orders	1,923	1,809	+6%
Revenues	1,939	1,786	+9%
EBIT	146	130	+12%
EBIT margin	7.5%	7.3%	
Restructuring costs (included in above EBIT figure)	-18	-5	

* Restated

Double-digit growth in Asia and higher orders in Europe were offset by weakness in the U.S. market, where excess power capacity and low energy prices reduced utility investments. Orders were higher in Medium-Voltage Products and Utility Automation Systems. Due to reduced investments by customers in the U.S., orders were lower in High-Voltage Products and Power Transformers, and flat in Distribution Transformers. ABB expects to finalize some larger orders in the High-Voltage Products and Power Systems business areas in the second half of the year. Second-quarter orders were up 6 percent (down 3 percent in local currencies).

Significant orders in the quarter included more than US$ 100 million for flexible AC (alternating current) transmission technology in Saudi Arabia, the U.S. and Australia (booked by the High-Voltage Products and Power Systems business areas). The division won power distribution equipment orders for two metro systems in China and reported the first order for 500-kilovolt high-voltage gas-insulated switchgear in Russia.

Revenue growth in Asia and Europe, plus a solid order backlog, combined to offset the weak U.S. market. High-Voltage Products, Utility Automation Systems and Distribution Transformers reported lower revenues from the weaker U.S. market. Revenues grew in Medium-Voltage Products and Power Transformers, and were flat in Power Systems. Revenues rose 9 percent in the quarter (down 2 percent in local currencies). The strong order backlog is expected to support revenue growth in the second half of the year.

EBIT grew 12 percent in the second quarter, despite significantly higher restructuring costs. The EBIT margin, excluding restructuring, increased from 7.6 percent to 8.5 percent. The division continued to reap benefits from product and site rationalization and improved margins in most product and systems businesses.

Automation Technologies division

US$ in millions (except where indicated)	April-June 2003	April-June* 2002	Change
Orders	2,473	2,322	+7%
Revenues	2,463	2,171	+13%
EBIT	198	162	+22%
EBIT margin	8.0%	7.5%	
Restructuring costs (included in above EBIT figure)	-26	-17	

* Restated

Double-digit order growth in Asia and Europe was slightly offset by weakness in the Americas. The introduction of several new automation products early in the year supported higher orders in most product categories. Growth in product orders was accompanied by a reduced dependence on large system contracts.

Orders for low-voltage drives, sometimes seen as a leading indicator of industrial recovery, increased strongly in the quarter. Higher oil prices lifted investments for oil and gas production systems while demand in chemicals and petrochemicals remained weak. Orders slipped in the metal and minerals area and remained flat in the marine sector as customers postponed some investments. Despite lower demand from the automotive sector in the Americas, orders for robotics solutions increased. Overall, orders for the division grew 7 percent in the quarter compared to the same quarter last year (down 7 percent in local currencies).

Key orders in the quarter included a US$ 34-million contract extension with Statoil of Norway, providing service and maintenance to all of its installations.

Both the product and service businesses achieved double-digit revenue growth, and revenues were higher in Asia and Europe. Revenues were down in Paper, Minerals, Marine and Turbocharging, higher in Robotics, Automotive and Manufacturing, as well as Petroleum, Chemical and Consumer Industries, and flat in the remaining business areas. Overall divisional revenues were 13 percent higher compared to the second quarter of 2002 (flat in local currencies).

EBIT improved by 22 percent, despite higher restructuring costs, reflecting productivity improvements. Excluding restructuring, the EBIT margin increased to 9.1 percent. The division continued to focus on improving the gross profit margin on orders and reducing the overall cost base. Continued good growth in the service business, combined with strict project management, contributed to higher second-quarter EBIT margins.

Non-core activities

US$ in millions	April-June 2003	April-June** 2002
EBIT	**-33**	**12**
Insurance	44	-17
Equity Ventures	44	17
Remaining Structured Finance	-51	76
Building Systems	-46	-22
New Ventures	-15	-15
Other non-core activities*	-9	-27
Restructuring costs (included in above EBIT figure)	-38	-5

* Comprises mainly former Group Processes division
** Restated

Non-core activities recorded an EBIT loss for the second quarter of US$ 33 million compared to a profit of US$ 12 million in the same period last year.

The Insurance business benefited from higher premium income and a stronger performance in the investment portfolio to lift both revenues and earnings. This more than offset losses ceded in the run-off of the Scandinavian Reinsurance unit.

Equity Ventures, consisting mainly of equity-accounted investments, improved earnings mainly as the result of a US$ 28-million gain from the sale of investments in a power plant project and a power transmission network, both in Australia.

The loss in the remaining Structured Finance activities includes a loss of US$ 87 million on the sale of the company's 35-percent stake in SEK, and reflects lower operational earnings in the second quarter of this year compared to the same quarter in 2002. Including earnings in the first half of the year, the net impact from SEK on EBIT in 2003 is negative US$ 60 million.

In Building Systems, revenues in the quarter were flat in a difficult market, especially in Europe. Operational losses in Germany and Sweden, plus further restructuring costs in Germany, led to a loss for the quarter of US$ 46 million.

New Ventures continued its restructuring activities, and losses remained at the same level as the second quarter of 2002.

Corporate

US$ in millions	April-June 2003	April-June 2002
EBIT	**-140**	**-154**
Headquarters/Stewardship	-98	-65
Research and development	-23	-28
Other*	-19	-61
Restructuring costs (included in above EBIT figure)	0	-24

* includes consolidation, real estate and Treasury Services.

Total corporate costs decreased to US$ 140 million. Headquarters and stewardship costs, which reflect the operating costs of the global head office and parts of local holding companies in some 60 countries, increased in the quarter. Research and development costs were lower, reflecting benefits from restructuring undertaken in 2002. Other costs were sharply lower, mainly the result of cost reductions in treasury services related to the ending of proprietary trading in June 2002.

Other income and expenses (included in EBIT)

US$ in millions	April-June 2003	April-June 2002
	-97	**46**
Restructuring charges	-82	-51
Capital gains/(losses)	-69	12
Write-downs of assets	-3	-31
Income from equity accounted companies, licenses and other	57	116

Discontinued operations (not included in EBIT)

US$ in millions	April-June 2003	April-June 2002
Net income (loss)	**-87**	**-3**
Oil, Gas and Petrochemicals	-43	30
Asbestos	-36	n.a.
Other	-8	-33

See page 2 for a discussion of the results from discontinued operations.

Oil, Gas and Petrochemicals

US$ in millions (except where indicated)	Apr-June 2003	Apr-June 2002	Change
Orders	845	1,493	-43%
Revenues	1,056	1,004	+5%
Net income	-43	30	

Orders for the Oil, Gas and Petrochemicals division decreased 43 percent in the quarter (down 51 percent in local currencies), mainly the result of the strong second quarter in 2002 when ABB won a US$ 980-million order in Russia. Revenues were 5 percent higher (up 2 percent in local currencies) as sales were recorded on large downstream projects. Sales were lower in the upstream business, reflecting the strategic move away from lump-sum engineering, procurement and construction (EPC) contracts. Income decreased due to higher project costs caused by delays in two large contracts in Europe and Latin America, and increased interest expense.

ABB Q2 and first-half 2003 key figures (US$ millions)

		Apr.-June 2003	Apr.-June 2002[1]	% change Nominal	% change Local
Orders	**Group**	**4,929**	**4,667**	**6%**	**-6%**
	Power Technologies	1,923	1,809	6%	-3%
	Automation Technologies	2,473	2,322	7%	-7%
	Non-core activities	911	1,023		
	Corporate	-378	-487		
Revenues	**Group**	**5,061**	**4,534**	**12%**	**-2%**
	Power Technologies	1,939	1,786	9%	-2%
	Automation Technologies	2,463	2,171	13%	0%
	Non-core activities	1,050	1,017		
	Corporate	-391	-440		
EBIT*	**Group**	**171**	**150**	**14%**	
	Power Technologies	146	130	12%	
	Automation Technologies	198	162	22%	
	Non-core activities	-33	12		
	Corporate	-140	-154		
EBIT margin	**Group**	**3.4%**	**3.3%**		
	Power Technologies	7.5%	7.3%		
	Automation Technologies	8.0%	7.5%		
	Non-core activities	-3.1%	1.2%		
	Corporate	n.a.	n.a.		
Net income/loss		**-55**	**38**		
		Jan.-June 2003	Jan.-June 2002[1]	% change Nominal	% change Local
Orders	**Group**	**10,010**	**9,362**	**7%**	**-5%**
	Power Technologies	3,974	3,740	6%	-3%
	Automation Technologies	4,967	4,486	11%	-4%
	Non-core activities	1,938	1,965		
	Corporate	-869	-829		
Revenues	**Group**	**9,556**	**8,485**	**13%**	**-1%**
	Power Technologies	3,723	3,313	12%	3%
	Automation Technologies	4,693	4,032	16%	1%
	Non-core activities	1,992	1,890		
	Corporate	-852	-750		
EBIT*	**Group**	**263**	**422**	**-38%**	
	Power Technologies	274	240	14%	
	Automation Technologies	360	270	33%	
	Non-core activities	-97	51		
	Corporate	-274	-139		
EBIT margin	**Group**	**2.8%**	**5.0%**		
	Power Technologies	7.4%	7.2%		
	Automation Technologies	7.7%	6.7%		
	Non-core activities	-4.9%	2.7%		
	Corporate	n.a.	n.a.		
Net income/loss		**-100**	**193**		

* Earnings before interest and taxes, see Summary Financial Information for more information
[1] Restated to reflect the move of businesses to discontinued operations, a restatement filed by the Swedish Export Credit Corp., and the impact of the equity conversion option (bifurcation) on the convertible bond issued in May 2002.

More information

The 2003 Q2 results press release and presentation slides are available from July 29, 2003 on the ABB News Center at www.abb.com/news and on the Investor Relations homepage at www.abb.com/investorrelations.

ABB will host a telephone conference for journalists today starting at 1000 Central European Time (CET). Callers should dial +41 91 610 56 00 (from Europe excluding Sweden), +46 8 5069 2105 (from Sweden), or +1 866 291 4166 (from the U.S.). Lines will be open 15 minutes before the start of the conference.

The audio playback of the conference call will start one hour after the end of the call and be available for 72 hours : Playback numbers: +41 91 612 4330 (Europe) or +1 412 858 1440 (U.S.). The code is 086, which needs to be confirmed by pressing the # key.

A conference call for analysts and investors is scheduled to begin at 1500 CET. Callers should dial +41 91 610 56 00 (Europe), +1 866 291 4166 (from the U.S.). 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 72 hours. Playback numbers: +41 91 612 4330 (Europe) or +1 412 858 1440 (U.S.). The code is 744 followed by the # key.

Further reporting dates in 2003 are October 28 (Q3).

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 133,000 people.

For more information please contact:

Media Relations, Zurich:
Thomas Schmidt, Wolfram Eberhardt
Tel: +41 43 317 6492, +41 43 317 6512
Fax: +41 43 317 7958
media.relations@ch.abb.com

Investor Relations
Switzerland: Tel. + 41 43 317 3804
Sweden: Tel. + 46 21 325 719
USA: Tel: +1 203 750 7743
investor.relations@ch.abb.com