
Press Release 99/14 (15 pages)

For your Business Editor

ABB Group Results - First Three Months 1999

Net income stronger, outlook maintained for 1999

- Net income up 17 percent
- Revenues up 11 percent
- Earnings per share up 17 percent for ABB AB and 12 percent for ABB AG

Zurich, Switzerland, April 21, 1999 - ABB, the international engineering and technology group, said today its first-quarter net income rose to \$ 302 million, up 17 percent compared to the same period last year supported by increased revenues and a stronger operating margin.

<i>US\$ in millions unless otherwise stated</i>	Jan-Mar 1999	Jan-Mar 1998	% change
Orders Received	8,823	8,447	+ 4 %
Revenues	6,891	6,206	+ 11 %
Operating Earnings after Depreciation	534	454	+ 18 %
Net Income	302	258	+ 17 %
ABB AB			
Net Income per share	SEK 1.29	SEK 1.10	+ 17 %
ABB AG			
Net Income per bearer share	CHF 23.55	CHF 21.10	+ 12 %

First quarter operating earnings after depreciation reached \$ 534 million, an increase of 18 percent compared to the same period last year (1998: \$ 454 million). The higher earnings reflect both increased revenues and continued success in lowering ABB's cost base. Power Transmission, Power Distribution and Products and Contracting contributed with the strongest percentage increases. Oil, Gas and Petrochemicals also increased its earnings and Financial Services reached the same high level as last year. Automation showed overall higher operating earnings with a neutral impact on earnings from Eltag Bailey.

"This result confirms our strategy to transform ABB into a company delivering more knowledge- and service-based solutions, with fewer heavy assets, higher operating margins and a better return on investments," said ABB President and CEO, Göran Lindahl. "Based on what we see in the first quarter, we confirm our full-year outlook with net income expected to exceed the level of 1998."

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ABB's parent companies' net income per share were higher; up 17 percent for ABB AB to SEK 1.29 and 12 percent higher for ABB AG bearer shares to CHF 23.55. ABB started the process to establish a new single-class share structure for the Group to replace the present four classes of shares.

Orders received for the first quarter increased by 4 percent to \$ 8,823 million (1998: \$ 8,447 million¹⁾). Almost all segments reported increased orders compared to the previous year. Demand for standard products (base orders) was in line with expectations and 4 percent lower compared to last year. Large orders received in the first quarter increased by 13 percent, including a high-voltage power transmission link in China and gas-fired combined-cycle power plants in the U.K., Japan and Australia. Orders received increased by 70 percent in Asia compared to the first quarter of last year. Orders received in the Americas also developed strongly. In Europe, orders were on the same level as last year. As expected, orders received in the first quarter did not reach the previous year's exceptionally high level in the Middle East and Africa.

Overall, growth in industrial production continued to be slow in several industrialized and emerging countries. Europe showed some demand growth in certain industries, but only to a limited extent in the area of industrial products. Industrial demand remained mixed in North America for sectors such as automotive, pulp and paper, chemical, petrochemical, steel, and oil mainly due to low commodity prices. On the other hand, industries such as power generation and distribution benefited from deregulation. Economies in South America softened and infrastructure projects were postponed. Some Southeast Asian countries showed signs of improvement and markets in the Middle East and Africa continued to develop positively.

Revenues for the first quarter increased by 11 percent to \$ 6,891 million (1998: \$ 6,206 million). Practically all segments contributed to that increase.

The order backlog – an indicator of future revenues – at the end of March reached \$ 27,523 million (March 31, 1998: \$ 27,267 million).

In spite of higher interest expense related to the financing of the Eltag Bailey acquisition, income before taxes for the first three months improved to \$ 429 million (1998: \$ 380 million), an increase of 13 percent.

¹⁾ Note: Unless stated otherwise, all references to 1998 figures refer to the first three months. 1998 figures are adjusted to reflect the sale of ABB's 50-percent share in Adtranz, see Note 7 to the Financial Statements. 1999 figures include Eltag Bailey Process Automation acquired in January 1999.

Net income for the first three months increased by 17 percent to \$ 302 million compared to the same period last year (1998: \$ 258 million). Following the financing of Elsag Bailey Process Automation, return on capital employed reached 15.7 percent (March 31, 1998: 16.7 percent).

ABB's net cash position (defined as cash and cash equivalents minus short-, medium-, and long-term loans) at the end of the first quarter of 1999 was \$ -1,621 million (March 31, 1998: \$ 715 million). This figure includes the effects of the acquisition of Elsag Bailey Process Automation, dividend payments to ABB's parent companies earlier than last year and cash compensation from DaimlerChrysler for the 50-percent-stake in Adtranz.

ABB's shift into businesses with higher knowledge and service content continued with major transactions during the first quarter. The acquisition of Elsag Bailey Process Automation was completed after receiving all of the necessary approvals and is reflected in this report. ABB also divested its stake in Adtranz and last year's figures have been adjusted for this transaction.

ABB and ALSTOM announced the intention to merge their power generation businesses in a 50-50 joint company to be called ABB ALSTOM POWER, subject to the customary approvals. The first quarter is not affected by this planned transaction.

As of March 31, 1999, ABB employed 209,353 people compared to 199,232 at year-end 1998, including 11,000 employees from Elsag Bailey Process Automation.

ABB has adopted the revised International Accounting Standard (IAS) related to pension accounting as from the beginning of 1999. A total amount of \$ 1,006 million has been directly reflected in the balance sheet as pension liabilities. The equivalent amount after consideration of deferred taxes, amounting to \$ 889 million, has been charged to equity. As a result of higher net income and the mentioned accounting charges, return on equity reached 23.3 percent (March 31, 1998: 19.3 percent).

ABB, with its focus on industrial solutions, is typically late in the business cycle and therefore the general market environment for ABB's products and systems is not expected to improve until next year. For the full year of 1999, net income is expected to exceed the level of 1998.

ABB Group

Consolidated Income Statement

(US\$ in millions)	Year to date	
	January – March	
	1999	1998
Revenues	6,891	6,206
Material expenses	-3,103	-2,741
Personnel expenses	-2,388	-2,174
Other expenses	-1,134	-1,065
Charges in work in progress and finished goods	488	447
Depreciation of fixed assets	-256	-224
Unusual items	36	5
Operating Earnings after Depreciation	534	454
Earnings from equity accounted companies	-2	-1
Dividend income	3	1
Interest income	76	94
Interest expense	-184	-168
Exchange differences	2	0
Income before Taxes	429	380
Income taxes	-126	-123
Net Income before Minority Interests	303	257
Minority interests	-1	1
Net Income	302	258

ABB Group

Condensed Consolidated Balance Sheet

(US\$ in millions)	Notes	March 31 1999	March 31 1998	December 31 1998
Assets				
Cash and cash equivalents		7,625	7,880	7,790
Other current assets		15,896	13,830	15,080
Fixed assets		11,125	8,791	9,513
Total Assets		34,646	30,501	32,383
Liabilities and Equity				
Current liabilities	4	21,204	17,995	17,883
Non-current liabilities	4	8,732	6,751	8,226
Minority interests		292	314	315
Stockholders' equity		4,418	5,441	5,959
Total Liabilities and Equity		34,646	30,501	32,383

Condensed Statement of Changes in Equity

(US\$ in millions)	Note	January - March	
		1999	1998
Equity as of December 31, previous year		5,959	5,283
Charges in accounting principles and other items	2	-921	+36 ¹⁾
Dividend payments to ABB AB and ABB AG		-498	-
Translation differences		-424	-136
Net income (3 months)		302	258
Equity as of March 31		4,418	5,441

¹⁾ Introduction of revised IAS 12 on Income Taxes.

ABB Group

Condensed Consolidated Statement of Cash Flows

(US\$ in millions)	Year to date	
	January - March	
	1999	1998
Cash flow from Operating Activities:		
Income before taxes	429	380
Adjustments of earnings to cash	-94	-17
Change in net working capital	-561	-546
Taxes paid	-90	-116
Cash Flow from Operating Activities	-316	-299
Cash Flow related to Investing Activities ¹⁾	-1,171	-147
Cash Flow related to Financing Activities ²⁾	1,526	2,753
Effects of translation differences on cash and cash equivalents	-204	144
Net Change in Cash and Cash Equivalents	-165	2,451
Cash and cash equivalents - beginning of year	7,790	5,790
Cash and cash equivalents - end of interim period	7,625	8,241

1) 1999 figure includes \$ 1,534 million paid for the acquisition of Eltag Bailey Process Automation and compensation for the sale of the 50-percent share in Adtranz.

2) The first quarter 1999 contains dividend payments to the parent companies of \$ 498 million whereas in 1998 the corresponding payments were made in the second quarter.

ABB Group

Notes to the Consolidated Financial Statements

Note 1, General

The Group's accounting principles, based on International Accounting Standards (IAS) and applied in the interim report for the first quarter 1999, are described in the 1998 year-end Financial Statements of ABB, except for the introduction of revised IAS 19, Employee Benefits (refer to Note 2). The interim report and notes are unaudited.

1998 figures are adjusted to reflect the sale of ABB's 50-percent share in Adtran, see Note 7 to the Financial Statements. 1999 figures include Elsag Bailey Process Automation acquired in January 1999.

Note 2, Introduction of Revised IAS 19 on Employee Benefits

ABB has adopted the revised IAS 19 as from January 1, 1999. Related transition effects amounting to a total of \$ 1,006 million have been directly reflected in the balance sheet in the position pension liabilities. The transition effects represent remaining unamortized benefit obligations under the original IAS 19 and revaluations in connection with changes of actuarial assumptions under revised IAS 19. The equivalent amount after consideration of deferred taxes - amounting to \$ 889 million - has been charged to equity as a charge in accounting principles (refer to Statement of Charges in Equity).

The following is a summary of main items considered at January 1, 1999 for the transition to the revised IAS 19.

(US\$ in millions)	
Previously unrecognized actuarial losses (net)	652
Previously unrecognized past service costs	97
Other previously unrecognized obligations (mainly medicare)	257
Total increase of pension liabilities and similar	1,006
Deferred taxes	-117
Net change from transition to revised IAS 19	889

Note 3, Geographic and Segment Information

Data per Region (US\$ in millions)	Orders Received		Revenues	
	January - March		January - March	
	1999	1998	1999	1998
Europe	4,115	4,085	3,470	3,331
The Americas	2,462	1,866	1,831	1,359
Asia	1,649	970	884	930
Middle East and Africa	597	1,526	706	586
Total	8,823	8,447	6,891	6,206

Data per Business Segment (US\$ in millions)	Orders Received		Revenues		Operating Earnings after Depreciation	
	January- March		January - March		January - March	
	1999	1998	1999	1998	1999	1998
Power Generation	2,312	2,177	1,653	1,489	12	24
Power Transmission	1,127	902	870	781	70	57
Power Distribution	833	729	588	584	30	24
Automation	2,251	1,809	1,815	1,545	114	105
Oil, Gas and Petrochemicals	802	1,019	680	519	37	35
Products and Contracting	1,746	1,706	1,471	1,391	78	67
Financial Services	161	164	161	164	89	90
Various Activities/Corporate	526	778	448	439	104	52
Total	9,758	9,284	7,686	6,912	534	454
Intra-Group transactions	-935	-837	-795	-706	-	-
Net Total	8,823	8,447	6,891	6,206	534	454

Note: 1998 orders received and revenue figures exclude ABB's 50-percent share of Adtranz. 1999 figures include the figures for Eltag Bailey Process Automation acquired in January 1999 (see Note 6) and the \$ 41 million capital gain for the sale of Adtranz.

Note 4, Short-, medium-, long-term loans

(US\$ in millions)	March 31 1999	March 31 1998	December 31 1998
Loans			
Short-term loans	6,704	4,692	3,409
Medium- and long-term loans	2,542	2,473	2,808
Total loans	9,246	7,165	6,217

Note 5, Main Exchange Rates

		Average January-March		As of December 31	As of March 31	
		1999	1998	1998	1999	1998
Euro (1998: ECU)	US\$ 1.00 = XEU	0.89	0.92	0.86	0.93	0.93
German mark	US\$ 1.00 = DEM	1.75	1.82	1.68	1.82	1.85
Swedish krona	US\$ 1.00 = SEK	8.08	7.99	8.13	8.24	7.97
Swiss franc	US\$ 1.00 = CHF	1.43	1.48	1.38	1.48	1.52

For the first three months of 1999, changes in exchange rates had negligible effects on the reported profit and loss accounts compared to the same period last year. The balance sheet figures were reduced on average by

5 percent due to the strengthening of the dollar when compared to December 31, 1998 and 2 percent when comparing to March 31, 1998.

Note 6, Effects of the integration of Eltag Bailey Process Automation

In January 1999, ABB completed the acquisition of Eltag Bailey Process Automation. The total purchase price was comprised of \$ 1,534 million related to the purchase of shares and \$ 648 million related to the acquired debt. ABB owns more than 99 percent of the outstanding share capital of Eltag Bailey on a fully diluted basis. The Eltag Bailey business is part of the Automation segment and is included in the 1999 accounts using the purchase method of accounting. As a condition of the U.S. Federal Trade Commission and the European Commission approval, ABB has agreed to divest Eltag Bailey's gas chromatograph and mass spectrometer business. This business, whose main location is in Bartlesville, Oklahoma, has annual revenues of about \$ 50 million and employs some 340 people.

The goodwill related to the acquisition of Eltag Bailey Process Automation amounted to \$ 2,035 million of which \$ 420 million was carried in Eltag Bailey's books at December 31, 1998 and \$ 1,615 million originated from the acquisition.

Note 7, Effects of the discontinuation of the ABB Daimler-Benz Transportation Group (Adtranz)

Following the discontinuation of the Adtranz business in the 1998 year-end accounts, figures for the first quarter 1998 have been restated to exclude Adtranz from the ABB Group consolidation and the segment presentation, except for earnings (see Note 3). The comparison with previous year's figures is as follows:

(US\$ in millions)	January – March, 1998 as restated 1999	January – March, 1998 as reported 1998
Order backlog	27,267	32,598
Orders received	8,447	9,008
Revenues	6,206	6,513
Operating earnings after depreciation	454	454
Income before taxes	380	380
Net income	258	258

Note 8, Formation of ABB ALSTOM POWER

ABB has announced on March 23, 1999 the merger of its power generation business (excluding its nuclear and distributed power businesses) with the corresponding business of ALSTOM in a 50-50 joint company called ABB ALSTOM POWER. The final formation of the company is subject to customary approvals and expected to be completed within 3-4 months from the date of the announcement.

The first quarter 1999 accounts are not affected by this transaction.

Parent Companies Financial Results

ABB AB (Sweden) and ABB AG (Switzerland) are the two sole owners in equal parts of ABB Asea Brown Boveri Ltd, Zurich (Switzerland), which is the holding company of the ABB Group. Their income and stockholders' equity come from their respective 50-percent shares of the ABB Group income and equity. ABB Companies throughout the world report their financial results in local currencies, which are then translated to U.S. dollars to establish the ABB Group's consolidated accounts. For a full report on the development of the ABB Group, please refer to the first part of this report. In order to compute the income of the two parent companies, ABB AB (Sweden) and ABB AG (Switzerland), their 50-percent shares of ABB Group income are translated from U.S. dollars to Swedish krona (SEK) and Swiss francs (CHF), respectively.

Parent Companies Financial Results First Three Months ABB AB (Sweden) and associated company

ABB AB and associated company

ABB AB's share of ABB Group income before taxes and after minority interests for the first three months of 1999 was US\$ 213 million, an increase of 12 percent (1998: US\$ 190 million). The average rate of the U.S. dollar has increased slightly against the Swedish krona which had a positive effect when translating ABB AB's share in ABB Group earnings into Swedish krona. After translation, ABB AB's share of ABB Group earnings before taxes and after minority interests increased to SEK 1,725 million (1998: SEK 1,518 million). ABB AB's income before taxes, including associated company, amounted to SEK 1,722 million, an increase of 14 percent (1998: SEK 1,517 million). Net income amounted to SEK 1,217 million, an increase of 18 percent (1998: SEK 1,029 million).

ABB AB's net income per share amounted to SEK 1.29 (1998: SEK 1.10).

ABB AB, parent company

Net income amounted to SEK -3 million (1998: SEK -1 million). The dividend for the fiscal year 1998 was anticipated in the 1998 accounts.

The results for the first six months of 1999 of ABB Group will be published on July 21, 1999 and the full year results for 1999 on February 3, 2000. The Annual General Meeting of ABB will take place on March 16, 2000.

ABB AB and Associated Company ¹⁾
Condensed Income Statement

(SEK in millions)	January - March	
	1999	1998
Administrative expenses	-5	-3
Share in ABB Group income before taxes and after minority interests	1,725	1,518
Interest income	2	2
Interest expense	0	0
Income before taxes	1,722	1,517
Income taxes	-505	-488
Net income	1,217	1,029
Basic and diluted earnings per share (in SEK):		
- Series A shares	1.29	1.10
- Series B shares	1.29	1.10

ABB AB and Associated Company ¹⁾
Condensed Balance Sheet

(SEK in millions)	March 31 1999	March 31 1998	December 31 1998
Assets			
Shares and participations	18,202	21,682	24,223
Financing receivables	-	1	-
Other current receivables	716	3	2
Cash and cash equivalents	1,466	184	140
Total Assets	20,384	21,870	24,365
Liabilities and Equity			
Stockholders' equity	18,336	21,866	24,363
Short-, medium- and long-term loans	2,046	4	2
Accrued expenses	2	0	0
Total Liabilities and Equity	20,384	21,870	24,365

¹⁾ ABB AB's participation in the ABB Group recognized according to the equity method.

ABB AB and Associated Company ¹⁾**Condensed Statement of Changes in Equity**

(SEK in millions)	January - March	
	1999	1998
Equity as of December 31, previous year	24,363	21,053
Charges in accounting principles and other items	-3,794	143
Dividends	-2,045	-
Translation differences	-1,405	-359
Net income (3 months)	1,217	1,029
Equity as of March 31	18,336	21,866

ABB AB and Associated Company ¹⁾**Condensed Statement of Cash Flows**

(SEK in millions)	January - March	
	1999	1998
Cash flow from Operating Activities:		
Income before taxes	1,722	1,517
Adjustment for earnings in equity accounted companies	108	-1,030
Change in net working capital	1	-1
Taxes paid	-505	-488
Cash Flow from Operating Activities	1,326	-2
Cash Flow from Investing Activities	0	0
Cash Flow from Financing Activities	0	0
Net Change in Cash and Cash Equivalents	1,326	-2
Cash and cash equivalents - beginning of year	140	186
Cash and cash equivalents - end of interim period	1,466	184

¹⁾ ABB AB's participation in the ABB Group recognized according to the equity method.

ABB AB Notes to the Financial Statements**Auditors' Examination**

The interim report and notes are unaudited.

Earnings per Share

Number of shares outstanding and fully diluted:

668,197,570	Series A shares of	SEK 5 nominal value
269,715,450	Series B shares of	SEK 5 nominal value

Parent Companies Financial Results First Three Months
ABB AG (Switzerland) and associated company

ABB AG and associated company

ABB AG's share of ABB Group income before taxes and after minority interests for the first three months of 1999 was US\$ 213 million, an increase of 12 percent (1998: US\$ 190 million). The average rate of the U.S. dollar has weakened slightly against the Swiss franc which had a negative effect when translating ABB AG's share in ABB Group earnings into Swiss franc. After translation, ABB AG's share of ABB Group earnings before taxes and after minority interests increased to CHF 305 million (1998: CHF 281 million). ABB AG's income before taxes, including associated company, amounted to CHF 308 million, an increase of 8 percent (1998: CHF 286 million). Net income amounted to CHF 218 million, an increase of 12 percent (1998: CHF 195 million).

ABB AG's net income per bearer share amounted to CHF 23.55 (1998: CHF 21.10).

ABB AG, parent company

Net income amounted to CHF 2 million (1998: CHF 4 million). The dividend for the fiscal year 1998 was anticipated in the 1998 accounts.

ABB AG and Associated Company ¹⁾

Condensed Income Statement

(CHF in millions)	January - March	
	1999	1998
Share of ABB Group income before taxes and after minority interests	305	281
Other income items	4	7
Expenses	-1	-2
Income before taxes	308	286
Income taxes	-90	-91
Net income	218	195
Basic and diluted earnings per share (in CHF):		
- Bearer shares	23.55	21.10
- Registered shares	4.71	4.22

¹⁾ ABB AG's participation in the ABB Group accounted for according to the equity method.

ABB AG and Associated Company ¹⁾
Condensed Balance Sheet

(CHF in millions)	March 31 1999	March 31 1998	December 31 1998
Assets			
Cash and cash equivalents	537	450	290
Other current receivables	137	11	11
Shareholding in ABB Asea Brown Boveri Ltd	3,269	4,135	4,111
Other fixed assets	9	15	15
Total Assets	3,952	4,611	4,427
Liabilities and Equity			
Short, medium- and long-term loans	0	150	0
Other liabilities	390	12	16
Stockholders' equity	3,562	4,449	4,411
Total Liabilities and Equity	3,952	4,611	4,427

ABB AG and Associated Company ¹⁾
Condensed Statement of Changes in Equity

(CHF in millions)	January - March	
	1999	1998
Equity as of December 31, previous year	4,411	4,140
Charges in accounting principles and other items	-681	27
Dividends	-379	-
Translation differences	-7	87
Net income (3 months)	218	195
Equity as of March 31	3,562	4,449

¹⁾ ABB AG's participation in the ABB Group accounted for according to the equity method.

ABB AG and Associated Company ¹⁾**Condensed Statement of Cash Flows**

(CHF in millions)	January - March	
	1999	1998
Cash flow from Operating Activities:		
Income before taxes	308	286
Adjustment for earnings (equity accounted company)	-305	-281
Change in net working capital	240	-3
Taxes paid	-2	-2
Cash Flow from Operating Activities	241	0
Cash Flow from Investing Activities	6	0
Cash Flow from Financing Activities	0	0
Net Change in Cash and Cash Equivalents	247	0
Cash and cash equivalents - beginning of year	290	450
Cash and cash equivalents - end of interim period	537	450

¹⁾ ABB AG's participation in the ABB Group accounted for according to the equity method.

ABB AG Notes to the Financial Statements**Auditors' Examination**

The interim report and notes are unaudited.

Earnings per Share

Number of shares outstanding and fully diluted:

8,159,470	Bearer shares of	CHF 50 nominal value
5,470,750	Registered shares of	CHF 10 nominal value

The ABB Group results for the first six months of 1999 will be published on July 21, 1999 and the full year results for 1999 on February 3, 2000. The next Annual General Meeting of ABB will take place on March 16, 2000 in Switzerland.

(END)