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For your Business Editor

ABB Group Results - First Six Months 1999

Continued Earnings Growth

- Net income up 32 percent including power generation gain
- Revenues up 10 percent, operating margin increases

Zurich, Switzerland, July 21, 1999 - ABB, the international engineering and technology group, said today its net income for the first six months of 1999 amounted to \$ 839 million, 32 percent higher than the same period last year. The company attributed the improvement to increased revenues, stronger operating margins and gains from forming the power generation joint venture.

<i>US\$ in millions unless otherwise stated; Excl. transferred power generation businesses</i>	Jan - June 1999	Jan - June 1998	Percentage change *)
Orders Received	13,119	13,178	0 %
Revenues	11,778	10,697	+ 10 %
Operating Earnings after Depreciation	1,301	939	+ 39 %
Net Income	839	638	+ 32 %
Net Income per Share (US\$)	2.80	2.13	+ 32 %

*) In local currencies, orders, revenues and earnings are approximately 2 percent higher.

Operating earnings after depreciation reached \$ 1,301 million, 39 percent higher compared to the same period last year (1998: \$ 939 million). All business segments showed higher or stable earnings. The transfer of most of ABB's power generation businesses to the new joint venture ABB ALSTOM POWER resulted in a net capital gain of \$ 124 million after taxes (\$ 200 million in operating earnings) and after provisions for restructuring and exposures. Additionally, a mirror gain from this transaction is expected to be booked in the fourth quarter.

"Our results are encouraging, especially considering that industrial demand in many markets is growing only slowly," said ABB President and CEO, Göran Lindahl. "Our second-quarter net income is up 37 percent compared to the first quarter, excluding the gain from the formation of our new power generation joint venture. I expect our profitability will continue to improve as we build up higher margin knowledge- and service-based businesses in all of our segments. We expect 1999 revenues as well as operating earnings, excluding capital gains from the power generation joint venture, to increase compared to the year before," Lindahl said.

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The transfer of ABB's power generation businesses into the new joint venture ABB ALSTOM POWER N.V. is reflected in this report and in the pro forma 1998 figures. Businesses related to nuclear activities, distributed power, renewable energy (excluding hydropower) and the Pow erformer™ remain with ABB. Earnings from the transferred power generation business (see Notes 1 and 9) reached half of last year's level, reflecting mainly the oversupply in the steam power industry and costs associated with the reduction of some 800 employees in the transferred businesses since the beginning of the year. The gas turbine business, particularly in North America, continued to develop positively.

Orders received for the first half year reached \$ 13,119 million, about the same as last year (1998: \$ 13,178 million¹⁾). Power Transmission orders reached last year's level, supported by an order for a high-voltage direct current (HVDC) power link in China and increased service business volume. Power Distribution increased its orders received by 23 percent, including an airport electrification order in Germany. Automation orders increased, but varied by customer industry with good demand in the petrochemical and consumer goods sectors. The integration of Alfa Laval Automation resulted in better than expected synergies and volume improvements. The business segment Oil, Gas and Petrochemicals has not yet benefited from the recent increase in oil prices and orders received were some 40 percent lower compared to the exceptionally high level of the previous year. This segment's 1999 orders received are not expected to reach last year's level. Products and Contracting increased orders received by 2 percent. Its service business volume increased while the demand for low-voltage products in Europe was flat.

The order backlog at the end of June reached \$ 15,841 million, up 6 percent with improved margins compared to the previous year (December 31, 1998: \$ 14,934 million). Base orders were 4 percent higher compared to the first half last year²⁾. After transferring the power generation business, large orders now represent about one-fifth of the total orders received. As a result of lower order intake in Oil, Gas and Petrochemicals, large orders did not reach last year's level.

In ABB's main markets, European industrial demand continued to grow slowly, with Germany showing reduced industrial production. Signs from the European economies do not yet indicate sustained improvement. ABB orders received in Europe increased slightly. North America was still affected by low commodity prices in the automotive, pulp and paper, steel, chemical and petrochemical sectors, whereas deregulation continued to have a positive influence on the power transmission and distribution industries. Industrial production in Latin America has only partly recovered following the recent financial turbulence. As a result, orders received in the Americas did not meet the high level of the previous year. In Asia, the business climate improved somewhat and several countries continued to show increased

¹⁾ Note: Unless stated otherwise, all references to 1998 figures refer to the first six months. As described in the Notes to the Financial Statements, pro forma 1998 figures are adjusted for the power generation businesses related to ABB ALSTOM POWER and the sale of ABB's share in Adtarz (see Note 1). 1999 figures include Eltag Bailey Process Automation acquired in January 1999.

²⁾ Base orders for the second quarter 1999 compared to second quarter 1998 were up 7 percent.

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industrial production Orders in the region rose by 31 percent. Markets in the Middle East and Africa developed positively, particularly in the oil producing countries, and orders were up 3 percent.

Revenues in the first six months increased by 10 percent to \$ 11,778 million (1998: \$ 10,697 million) with increases in all industrial business segments.

Operating margin excluding the gain related to ABB ALSTOM POWER was 9.3 percent (1998: 8.8 percent) as a result of the successful cost base reduction initiated in 1997. Power Transmission reached its highest operating margin ever with 10.5 percent. Both Power Distribution as well as Products and Contracting showed an operating margin increase to almost 7 percent. With the lower added value in the invoicing related to large projects of previous years, Oil, Gas and Petrochemicals showed a lower operating margin. During the second quarter, all measures relating to the integration of Eltag Bailey Automation were initiated, leading to a lower operating margin of 6.6 percent in this segment. The integration is proceeding slightly ahead of schedule and the positive effects will be realized from the year 2000 onwards to reach \$ 200 million in annual synergies by the year 2002.

The net interest expense amounted to \$ -161 million (1998: \$ -131 million) as a consequence of the acquisition of Eltag Bailey. Income before taxes for the first six months amounted to \$ 1,205 million (1998: \$ 926 million), an increase of 30 percent. Excluding the gain related to ABB ALSTOM POWER, return on capital employed reached 18.1 percent.

Net income for the first six months increased by 32 percent to \$ 839 million (1998: \$ 638 million). Excluding the extraordinary gains resulting from the formation of the ABB ALSTOM POWER joint venture, net income increased by 12 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 half of 1999 was \$ -625 million (as reported March 31, 1999: \$ -1,621 million). These figures include the effects of ABB's transfer of most of its power generation businesses to ABB ALSTOM POWER, the acquisition of Eltag Bailey Process Automation and cash compensation from DaimlerChrysler for the 50-percent-stake in Adtranz. Operating cash flow reached \$ 291 million (1998: \$ 162 million) reflecting a positive development of net working capital compared to the same period last year.

ABB's shift into businesses with higher knowledge and service content continued with major transactions during the first half year. The acquisition of Eltag Bailey Process Automation was completed after receiving all of the necessary approvals. ABB divested its stake in Adtranz and last year's figures have been adjusted for this transaction. In addition, ABB has acquired a Brazilian service company with 3,000 people specialized on full-service contracts.

As of June 30, 1999, ABB employed 174,601 people compared to 199,232 as reported at year end 1998. Eltag Bailey Process Automation added 11,000 employees and 37,000 employees have joined ABB ALSTOM POWER from ABB. Adjusted for acquisitions and divestitures, the number of employees decreased by 2 percent.

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After the successful introduction of the new ABB Ltd single-class share, trading began on the Swiss Exchange and the exchanges in Stockholm, London and Frankfurt at the end of June. ABB Ltd issued 300,002,358 registered shares with a nominal value of CHF 10 and with one vote each. The former parent companies are now included in the consolidated financial statements of the ABB Group.

ABB's dependence on industrial demand means that it is typically late in the business cycle. Accordingly, the general market environment for ABB's products and systems is not expected to improve until next year. Full year 1999 revenues and operating earnings are expected to increase compared to 1998, excluding the capital gain from the formation of the power generation joint venture with ALSTOM¹⁾.

Further indications of the ABB's longer-term goals and those of its business segments will be given with the full year results of 1999.

¹⁾ 50 percent of the ABB ALSTOM POWER's income before taxes will in the future be included in ABB's results below operating earnings after depreciation. Consequently, the outlook for the full year is based on operating earnings.

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ABB Group

Consolidated Income Statement

(USD in millions)	Notes	Year to date					
		January - June			April - June		
		1999*	1998* pro forma	1998** restated	1999*	1998* pro forma	1998** restated
Revenues		11,778	10,697	13,725	6,258	5,735	7,519
Material expenses		-4,803	-4,543	-6,221	-2,566	-2,443	-3,479
Personnel expenses		-3,827	-3,602	-4,459	-1,893	-1,826	-2,285
Other expenses		-1,923	-1,804	-2,254	-1,000	-1,012	-1,189
Charges in work in progress and finished goods		214	499	694	-46	197	247
Depreciation of fixed assets		-419	-347	-451	-213	-174	-227
Unusual items	7	281	39	16	233	31	10
Operating Earnings after Depreciation		1,301	939	1,050	773	508	596
Earnings from the defined power generation business ^{a)}	9	51	111	-	46	90	-
Earnings from equity accounted companies		-2	-1	-1	0	0	0
Dividend income		7	5	5	4	5	4
Interest income		192	188	191	111	91	97
Interest expense		-353	-319	-323	-165	-151	-155
Exchange differences		9	3	4	7	3	4
Income before Taxes		1,205	926	926	776	546	546
Income taxes		-356	-283	-283	-230	-160	-160
Net Income before Minority Interests		849	643	643	546	386	386
Minority interests		-10	-5	-5	-9	-6	-6
Net Income		839	638	638	537	380	380
Basic earnings per share (in USD) ^{b)}		2.80	2.13	2.13	1.79	1.27	1.27
Diluted earnings per share (in USD) ^{b)}		2.54	1.93	1.93	1.63	1.15	1.15

*) Refer to Notes 1, 8 and 9.

**) Refer to Notes 1 and 8.

a) Reflects the Income before Taxes of the defined power generation business (refer to Notes 1 and 9) in the respective periods in 1999 and in the pro-forma 1998 columns.

b) Calculation based on new single-class share data: 300,002,358 shares for basic earnings per share and 330,002,358 shares for fully diluted earnings per share.

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Condensed Consolidated Balance Sheet

(USD in millions)	Notes	June 30 1999*	June 30, 1998 restated**	Dec. 31, 1998
Assets				
Cash and cash equivalents		7,027	7,613	7,790
Other current assets		11,767	14,324	15,080
Total current assets		18,794	21,937	22,870
Fixed assets		10,960	8,862	9,513
Total Assets		29,754	30,799	32,383
Liabilities and Equity				
Current liabilities	4	17,627	18,291	17,883
Non-current liabilities	4	6,852	6,891	8,226
Minority interests		338	314	315
Stockholders' equity		4,937	5,303	5,959
Total Liabilities and Equity		29,754	30,799	32,383

*) Refer to Notes 1, 8 and 9.

**) Refer to Notes 1 and 8.

Condensed Statement of Changes in Equity

(USD in millions)	Note	January – June	
		1999	1998
Equity as of December 31, previous year (1998 and 1997, respectively)		5,959	5,283
Inclusion of ABB AB and ABB AG ^{a)}		34	
Charges in accounting principles and other items	2	-893	+6 ^{b)}
Dividend payments ^{c)}		-503	-460
Translation differences	5	-499	-164
Net income (6 months)		839	638
Equity as of June 30		4,937	5,303

a) Net assets of ABB AB and ABB AG other than their holdings in the ABB group contributed to ABB Ltd at June 28, 1999, i.e. after pay-out of ordinary dividends to respective shareholders related to 1998 and a special dividend payment to ABB AG shareholders on June 25, 1999.

b) Introduction of revised IAS 12 on Income Taxes.

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c) Exclusive of the special ABB AG dividend as mentioned in Note a).

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Condensed Consolidated Statement of Cash Flows

(USD in millions)	Year to date January – June		
	1999*	1998* pro forma	1998** restated
Cash Flow from Operating Activities			
Income before taxes ^{a)}	1,154	815	926
Adjustments of earnings to operating cash	-271	123	131
Change in net working capital	-393	-586	-617
Taxes paid	-199	-190	-211
Net Cash Flow from Operating Activities	291	162	229
Cash Flow related to Investing Activities ^{b)}	-148	-454	-413
Cash Flow related to Financing Activities ^{c)}	-568	2,149	2,224
Effects of translation differences on cash and cash equivalents	-338	-65	-78
Net Change in Cash and Cash Equivalents	-763	1,792	1,962
Cash and cash equivalents - beginning of year	7,790	5,320	5,651
Cash and cash equivalents - end of interim period	7,027	7,112	7,613

*) Refer to Notes 1, 8 and 9.

**) Refer to Notes 1 and 8.

a) Excludes the earnings from the defined power generation business of USD 51 million in January-June 1999 and USD 111 million in January-June 1998 pro forma figures.

b) 1999 figure includes:

- USD 1,556 million paid for the acquisition of Elsad Bailey Process Automation;
- USD 1,500 million received in connection with the contribution of net assets of the contributed power generation business;
- USD 472 million received for the sale of the 50-percent share in Adtran.

c) 1999 figure includes the debt of USD 648 million contained in the acquired Elsad Bailey Process Automation

Selected Notes to the Consolidated Financial Statements

Note 1, General and Scope of Consolidation

The Group's accounting principles, based on International Accounting Standards (IAS) and applied in the interim report for the first half 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.

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Charges inscope of consolidation 1999

The half year report 1999 reflects for the first time the scope of consolidation of ABB Ltd formed on June 28, 1999. Compared to the previous scope of ABB Asea Brown Boveri Ltd (applicable in all previous reports of ABB), the former group parents ABB AB and ABB AG are now included in the scope of consolidation of ABB. The effects of this change are immaterial given that the sole holdings of ABB AB and ABB AG were their 50-percent share in ABB Asea Brown Boveri Ltd. Further, the cash surplus contained in ABB AG has been distributed to its shareholders through a special dividend payment prior to the contribution of ABB AG to the new group parent ABB Ltd.

As a consequence of the contribution of the ABB power generation business (hereinafter called "the defined power generation business", refer to page 2) to the newly created ABB ALSTOM POWER joint venture (refer to Note 9), the following charges have been effected:

- The Income Statement excludes the defined power generation business in all positions except for Income before Taxes, Income taxes, Minority Interests and Net Income. Earnings from the defined power generation business up to the transfer are reported as part of Income before Taxes in a specific caption
- The Balance Sheet at June 30, 1999 excludes all assets and liabilities of the defined power generation business and contains ABB's 50-percent share in the equity of the newly created ABB ALSTOM POWER N.V.
- The Statement of Cash Flows excludes all cash flows of the defined power generation business. Cash flows arising from the transfer of the defined power generation business to ABB ALSTOM POWER N.V. are included as investing activities.

1999 figures include operations from Eltag Bailey Process Automation group acquired in January 1999 (refer to Note 6).

Restatements of 1998 reflecting charges inscope of consolidation

Restatement of 1998

1998 figures are adjusted to reflect the sale of ABB's 50-percent participation in Adtranz (refer to Note 8). As a consequence, all Adtranz related items in the Income Statement (except for earnings) and Balance Sheet, formerly included to 50 percent in the ABB Group figures, have been removed (refer to Note 8).

Pro forma 1998

The column "1998 pro forma" in the Income Statement and Statement of Cash Flows represents the 1998 Group figures excluding the defined power generation business and restated to reflect the sale of ABB's 50-percent share in Adtranz. These figures are thus comparable to the corresponding 1999 periods in which these businesses are no longer consolidated.

Note 2, Introduction of Revised IAS 19 on Employee Benefits

ABB has adopted the revised IAS 19 as of January 1, 1999. Related transition effects amounting to a total of USD 1,006 million have been directly reflected in the Balance Sheet as 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 USD 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.

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(USD in millions)

Total increase of pension liabilities and similar	1,006
Deferred taxes	-117
Net charge from transition to revised IAS 19	889

A more detailed presentation is contained in ABB's report for the first three months 1999.

Note 3, Geographic and Segment Information

Data per Region (USD in millions) Period	Orders Received		Revenues	
	January - June		January - June	
	1999	1998	1999	1998
Europe	7,515	7,381	6,697	6,228
The Americas	2,593	3,229	2,768	2,361
Asia	1,710	1,304	1,326	1,298
Middle East and Africa	1,301	1,264	987	810
Total	13,119	13,178	11,778	10,697

All figures exclude the defined power generation business (see Notes 1 and 9).

Data per Business Segment (USD in millions)	Orders Received		Revenues		Operating Earnings after Depreciation	
	January - June		January - June		January - June	
	1999	1998	1999	1998	1999	1998
Power Transmission	2,162	2,136	1,913	1,735	201	170
Power Distribution	1,680	1,363	1,257	1,199	87	72
Automation	4,300	3,516	3,892	3,219	257	263
Oil, Gas and Petrochemicals	1,419	2,543	1,479	1,225	81	76
Products and Contracting	3,425	3,361	3,030	2,941	207	174
Financial Services	365	396	365	396	187	189
Various Activities/Corporate	1,181	1,217	1,190	1,207	281	-5
Sub-total	14,532	14,532	13,126	11,922	1,301	939
Intra-Group Transactions	-1,413	-1,354	-1,348	-1,225	-	-
Total	13,119	13,178	11,778	10,697	1,301	939

Note: 1999 figures for Automation include the figures for Elsas Bailey Process Automation acquired in January 1999 (refer to Note 6). 1998 figures exclude ABB's 50-percent share of Adtranz except for operating earnings through June 30, 1998 and the defined power generation business (refer to Notes 1, 8 and 9). The remaining nuclear business is included in Various Activities in all periods.

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

(USD in millions)	June 30, 1999*	June 30, 1998 Restated**	Dec. 31, 1998
Loans			
Short-term loans	5,187	4,763	3,409
Medium- and long-term loans	2,465	2,448	2,808
Total loans	7,652	7,211	6,217

*) Refer to Notes 1, 8 and 9.

***) Refer to Notes 1 and 8.

Note 5, Main Exchange Rates

		Average January-June		As of June 30		As of December 31
		1999	1998	1999	1998	1998
Euro (1998: ECU)	USD 1.00 = EUR	0.92	0.91	0.97	0.91	0.86
German mark	USD 1.00 = DEM	1.80	1.81	1.89	1.81	1.68
Swedish krona	USD 1.00 = SEK	8.25	7.93	8.47	8.00	8.13
Swiss franc	USD 1.00 = CHF	1.47	1.49	1.55	1.52	1.38

For the first half of 1999, changes in exchange rates had a negative effect of approximately 2 percent on the reported Income Statement items compared to the same period last year. The balance sheet figures were reduced on average approximately by 7 percent due to the strengthening of the dollar when compared to December 31, 1998 and 4 percent when comparing to June 30, 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 USD 1,556 million related to the purchase of shares and stock options and USD 648 million related to the acquired debt. The Eltag Bailey business is part of the Automation segment and is included in the 1999 accounts using the purchase method of accounting. The goodwill related to the acquisition of Eltag Bailey Process Automation amounted to USD 2,158 million.

Note 7, Unusual items

The 1999 figures reflect a capital gain of USD 124 million net of taxes, related to the contribution of ABB's power generation business to ABB ALSTOM POWER in exchange for a 50-percent participation in that company and USD 1,500 million in cash (refer to Note 9). An additional minor amount is expected to be booked in the fourth quarter.

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The mentioned figures represent the net gain from the transaction after providing for ABB's 50-percent share of a EUR 700 million (USD 723 million) restructuring provision set up in the opening balance sheet of ABB ALSTOM POWER N.V., as well as adequate coverage of exposures.

Note 8, 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 half 1998 have been restated to exclude Adtranz from the ABB Group consolidation and the segment presentation, except for earnings. The main difference to the income statement figures published in the previous year's accounts concerns revenues whereas earnings have not changed:

(USD in millions)	January – June, 1998 as restated 1999	January – June, 1998 as reported 1998*
Revenues	13,725	14,487

*) Adtranz was included through proportional (50 percent) consolidation in the ABB Group.

More details on the effects of the discontinuation of Adtranz are contained in the Annual Report 1998.

Note 9, Transfer of the ABB power generation business and formation of ABB ALSTOM POWER N.V.

On June 30, 1999, ABB transferred its power generation business (excluding the nuclear part) to ABB ALSTOM POWER (refer to page 2). As a consequence those operations are no longer contained in the Income Statement and Balance Sheet of ABB as from the first half report 1999. Summarized below are the figures of the defined power generation business which were excluded from 1999 and the 1998 pro forma presentation of ABB's Financial Statements.

Income Statement (USD in millions)	Year to date January - June	
	1999	1998
Revenues		
Revenues	3,460	3,360
Expenses, charges in work in progress, depreciation	-3,375	-3,226
Unusual items	-31	-23
Operating Earnings after Depreciation	54	111
Finance net	-3	-
Income/ loss before Taxes	51	111
Taxes and minority interests	-15	-35
Net Income	36	76

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Balance Sheet (USD in millions)	December 31 1998
Current assets	6,823
Fixed assets	2,124
Total Assets	8,947
Current liabilities	5,214
Non-current liabilities	2,155
Stockholders' equity	1,578
Total Liabilities and Equity	8,947

The new joint venture ABB ALSTOM POWER is equity accounted as at June 30, 1999 by ABB according to its 50-percent share. As a result, ABB ALSTOM POWER's orders, revenues, number of employees and balance sheet items are not included in ABB's Financial Statements as stated in the pertinent footnotes.

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