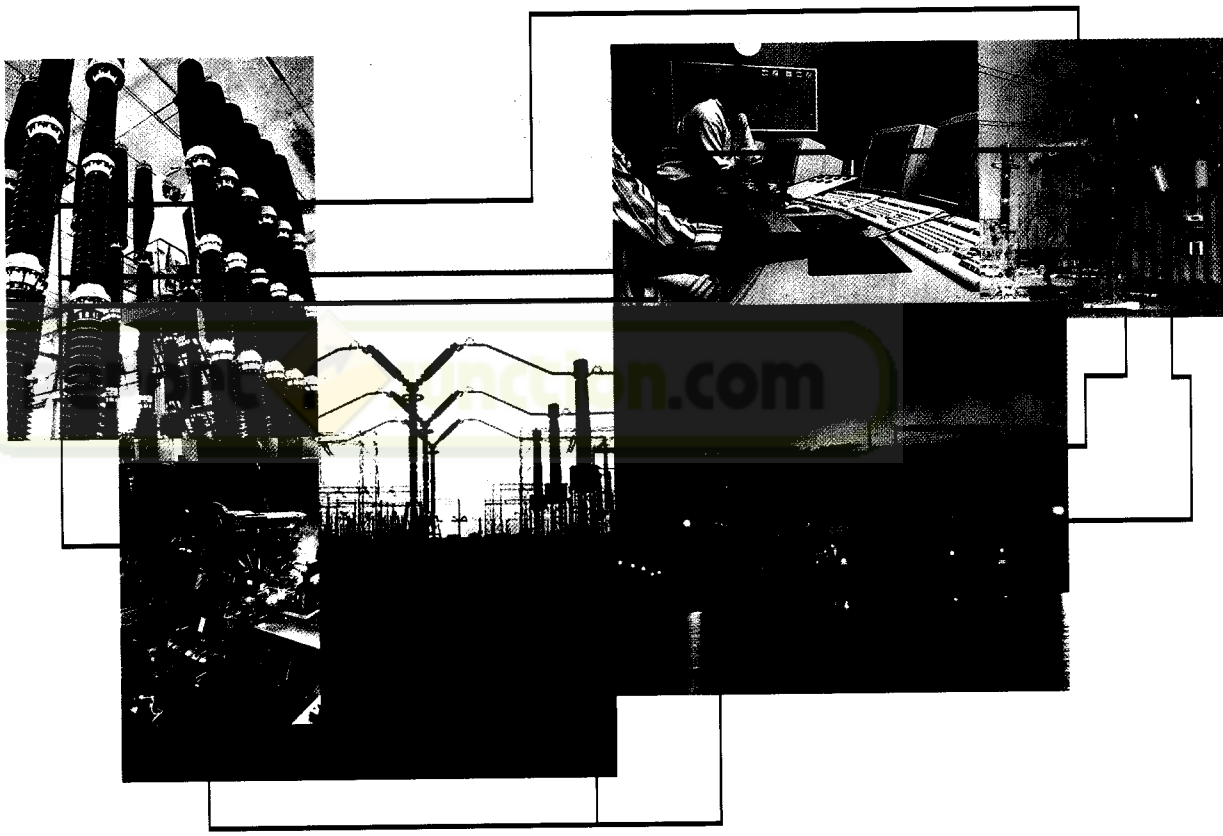
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Annual Report 1999



Asea Brown Boveri Limited

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Asea Brown Boveri Limited
Report and Accounts – 1999

Board of Directors

K.N. Shenoy, Chairman
K.K. Kaura, Managing Director
Aloke Mookherjea, Whole-time Director
Vijay Karan
Bo Martin Waern
Jakob Disch
J.S. Zala

Secretary

Naina R. Desai

Bankers

Union Bank of India
Bank of Baroda
American Express Bank Limited
ANZ Grindlays Bank Limited
Canara Bank
Deutsche Bank
Hongkong & Shanghai Banking Corporation Limited
State Bank of India
Indian Overseas Bank
ICICI Bank Limited

Solicitors

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Crawford Bayley & Co.

Auditors

Bharat S Raut & Co.

Registrar & Share Transfer Agents

Tata Consultancy Services
Lotus House
6, New Marine Lines
Sir Vithaldas Thackersey Marg
Mumbai – 400 020

Registered Office

Plot No. 22-A, Shah Industrial Estate, 1st Floor
Off Veera Desai Road
Andheri (West)
Mumbai – 400 053

Corporate Office

Gurunanak Foundation Building
15-16, Qutab Institutional Area
New Delhi – 110 067

Works

Bangalore
Calcutta
Chennai
Faridabad
Mumbai
Nashik
Vadodara

Marketing/Other Offices

Bangalore
Bhopal
Bhubaneshwar
Calcutta
Chandigarh
Chennai
Coimbatore
Hyderabad
Jaipur
Jamshedpur
Kochi
Lucknow
Mumbai
Nagpur
New Delhi
Pune
Vadodara
Vishakhapatnam

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5 Year Highlights

(Rs in Millions)

Description	1999	1998	1997	1996	1995
Sources of Funds					
Share Capital	**414.2**	414.2	414.2	310.6	310.6
* Reserves	**3,192.2**	4,099.0	3,949.5	3,632.4	2,331.7
* Net Worth	**3,606.4**	4,513.2	4,363.7	3,943.0	2,642.3
Borrowings	**418.2**	175.0	456.7	600.6	488.1
* Funds Employed	**4,024.6**	4,688.2	4,820.4	4,543.6	3,130.4
Income and Profits					
Sales & Other Income	**7,933.5**	8,934.1	10,841.6	11,855.6	9,185.1
Operating Profit Before Interest and Depreciation	**751.2**	764.9	1,131.3	1,525.9	1,211.2
Profit Before Taxation	**532.0**	492.3	863.5	2,034.2	1,002.8
Taxation	**160.0**	115.0	215.0	485.0	377.5
Profit After Taxation	**372.0**	377.3	648.5	1,549.2	625.3
Dividends	**231.9**	227.8	227.8	248.5	124.3
Retained Earnings	**140.1**	149.5	420.7	1,300.7	501.0
Other Data					
* Gross Fixed Assets	**2,253.5**	2,771.3	2,599.4	1,865.1	1,460.7
* Debt Equity Ratio	**0.12:1**	0.04:1	0.10:1	0.15:1	0.18:1
* Net Worth Per Equity Share - Rs	**87.1**	109.0	105.4	126.9	85.1
Earnings Per Equity Share - Rs	**9.0**	9.1	15.7	26.6**	20.1
Equity Dividend - %	**50.0**	50.0	50.0	80.0	40.0
* Profit After Taxes as % to Average Net Worth	**9.2**	8.5	15.6	47.0	26.1

* Excludes revaluation of fixed assets/revaluation reserve
** Without considering extraordinary income
Dividend includes corporate dividend tax and surcharge thereon
Net worth and earnings per equity share of Rs 10/-

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The ABB Group

The ABB Group <www.ABB.com> is a global technology group employing approximately 165,000 employees in over 100 countries with an order intake of 25 billion US Dollars in 1999.

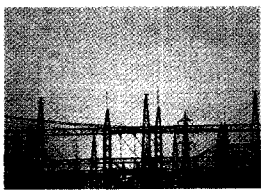
The focus worldwide of the group is to be a high-tech service and solution provider for the emerging and new globally inter-connected market-place by expanding its knowledge and service based business.

Asea Brown Boveri Ltd. - business operations in India

The activities of Asea Brown Boveri Ltd. in India fall into five primary Business Segments:

- Power Transmission
- Power Distribution
- Automation
- Building Technologies
- Financial Services

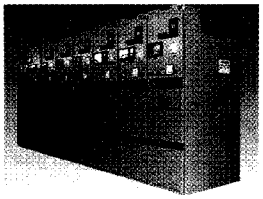
Power Transmission



Transmission equipment manufactured and supplied by the company over the past decades has been an integral part of the power systems spread across the country. These equipment form the heart of a system which facilitates the flow of electrical power from the generating stations, transmitting through the long cross-country power lines and ultimately delivering it at the door step of Industrial customers, drawing high tension power from the power utilities.

The customer profile spreads across a wide spectrum with State Electricity Boards and other large public utility organisations at one end and Industrial units and various consumers at the other. The services rendered to customers include delivering the substation as a package at their plant.

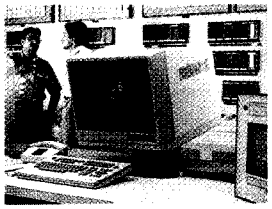
Power Distribution



ABB's Power Distribution segment serves customers to bring electric power from high-voltage substations to the end user as well as industrial and commercial end users. ABB delivers complete solutions: its aim is to play a key role in electrification and energy projects - both new and retrofit - for urban and rural utilities as well as industrial and commercial clients

The customers are widely spread across the cross section of all the Industrial segments, including Steel, Cement, Paper, Fertiliser, Petrochemical, Chemical and Engineering sectors.

Automation

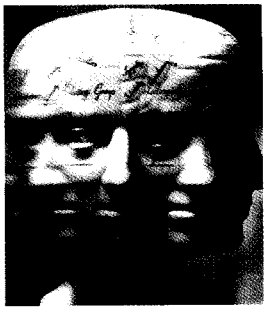


In today's context of the globally inter-connected market place, improved efficiencies is the key to competitiveness, ABB provides its customers innovative solutions which integrate measurement, control and application of information technology to manage processes, equipment and complex systems. The segments offerings include solutions which seamlessly integrate these with other business and management systems.

ABB India is uniquely placed with its single source capability in providing complete solutions for industries, as different in nature as, Electric Power, Pulp and Paper,

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Metals, Cement, Mining, Consumer, Chemicals, Petrochemicals, Refineries and the Automobile sectors. It provides solutions, which are backed by world class platforms including process control & automation, drives, switchgear, robotics, motors and other electricals.

Building Technologies



Given the Industry's global aspirations in India, it is clear that technology alone is not sufficient. The customer, today, needs a reliable partner who understands his special business needs. ABB's Building Technologies segment is organised to serve these very needs. The segment offers standalone products for a wide range of requirements for electrical, ventilation and air conditioning systems. It also provides total solutions in terms of design and execution of complete installations for industrial and commercial buildings, service of industrial equipment and processes to cater to overall needs of its customers. The offerings include facility contracting, total maintenance and service of all equipment in a plant with guaranteed reliability and efficiency.

Financial Services

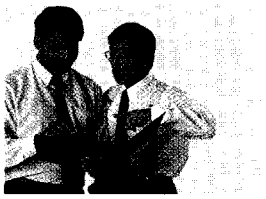


ABB offers a comprehensive range of financial products and services to its customers including project development and equity financing of projects, project underwriting and debt financing, asset based financing and financial consulting services. The products and services offered to customers are based on "performance-based" project financing, in which payments may be linked to the achievement of pre-set efficiency improvement targets.

Business focus



The "New" ABB is now focussing on expanding its knowledge and service based business in a bid to provide integrated customer solutions. ABB aims to be a hi –tech service provider for the now globally inter-connected market place which requires foreseeing customer needs and making them ever more competitive in their operation.

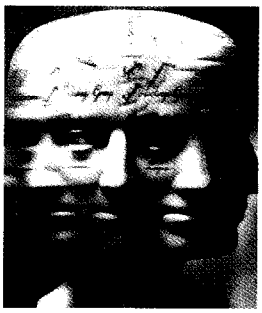
ABB continues to target an increase in order intake and revenues in an evolving and challenging business environment. The top line growth is expected to come from a focus on areas such as the service business, exports, new products in transmission & distribution and finally from a deeper penetration in the domestic market. With the acquisition of new technologies by the ABB group in the recent past, the company is now in a position, in its automation business to cater to many more customer segments for Industrial IT solutions covering a wider spectrum of applications in diverse industries. In addition, thrust in improving the marketing process and channels, is expected to increase the company's market share in different areas.

In the medium term, the opportunities arising out of developments such as corporatisation and privatisation of transmission & distribution sectors and large infrastructure projects including new airports and bulk power transmission will offer ABB strong prospects for growth.

ABB will continue to focus on efforts to

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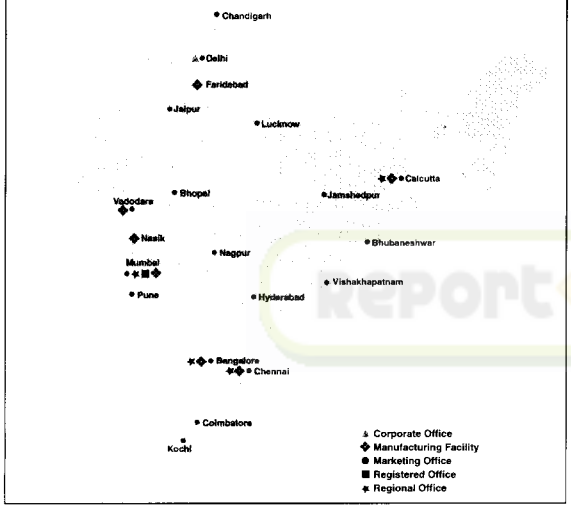
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enhance its competitiveness by ongoing initiatives in supply chain management, ERP implementation and quality improvement. The company also continues to focus on

ABB in India

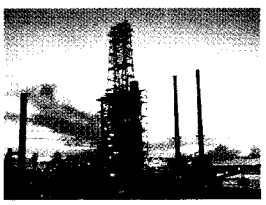
Committed to enhance customer value through a wide manufacturing and marketing network.



improved people management as a key to increase its competitiveness. Presently the company employs over 3500 people spread across 7 manufacturing facilities and 20 marketing and sales offices.

Globally sourced business

Oil, Gas and Petrochemicals



The Oil, Gas and Petrochemicals segment serves customers in the exploration, extraction and refining of oil and gas. In India, this segment is a globally sourced business, through which customers are served by the Group's global resources having expertise in this business. The segment excels as a leading technology provider and in project management in downstream activities and has a very high growth potential.

ABB and Society

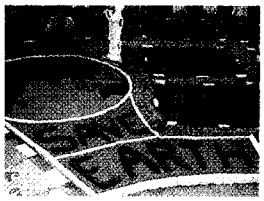


ABB in India, in line with its strong global commitment towards sustainable development, has consistently focussed on and supported programmes in the area of social responsibility. In pursuance of our values of sustainable development, ABB India's facilities at Maneja, Maheshtala, Chennai and Faridabad were certified ISO 14001 compliant in 1999. Remaining units are due to be certified in a phased manner by the end of the year 2000.

Ongoing activities covering other areas of social responsibilities include:

Planting and maintaining trees to bring down the high levels of carbon di oxide and carbon mono oxide in New Delhi's atmosphere; supporting Calcutta Municipal Corporation's effort to monitor the ambient air quality in Calcutta; helping small scale foundries in Howrah reduce their emissions in conjunction with Swiss Development Corporation and Tata Energy Research Institute (TERI).

Sponsorship of a study by an NGO (TERI) titled Green India 2047 aimed at studying the changes in India's natural resources over the past fifty years and projecting the levels of natural resources fifty years into the future.

Community development activities such as adult education, environmental awareness, health education, free medical camps and environmental education for children are run throughout the country in association with some leading local NGOs.

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Notice to Members

NOTICE is hereby given that the fiftieth Annual General Meeting of the Members of Asea Brown Boveri Limited will be held at Patkar Hall, S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Mumbai 400 020, on Tuesday, the 2nd May, 2000 at 3.00 p.m. (S.T.) to transact the following business:-

1. To receive, consider and adopt the Balance Sheet as at 31st December, 1999 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors.

2. To declare a dividend on equity shares.

3. To appoint a Director in place of Mr. K.N.Shenoy who retires by rotation, and, is eligible for re-appointment.

4. To appoint a Director in place of Mr. Vijay Karan who retires by rotation, and, is eligible for re-appointment.

5. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

   "RESOLVED THAT Messrs. Bharat S. Raut & Co., Chartered Accountants, be and are hereby appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at and for such remuneration as may be fixed by the Board of Directors of the Company in addition to reimbursement of travel and out-of-pocket expenses incurred by them."

By Order of the Board
Naina R.Desai
General Manager & Secretary

Mumbai
11 February, 2000

Registered Office:
Plot No. 22A, Shah Industrial Estate,
1st Floor, Off Veera Desai Road
Andheri (W)
Mumbai 400 053.

Notes:

1. ***A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself, and a proxy need not be a member.***
2. The Register of Members and the Transfer Books of the Company will remain closed from Tuesday, the 18th April, 2000 to Tuesday, the 2nd May, 2000 (both days inclusive).
3. The dividend on the equity shares when declared will be payable on or after 19th May, 2000 to those members, whose names appear in the Register of Members (every person holding equity share capital of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company) on 2nd May, 2000 or to their mandatees subject to the provisions of Section 206A of the Companies Act, 1956.
4. Members are requested to advise, indicating their folio number, the change of their addresses, if any, to Messrs. Tata Consultancy Services, Unit : Asea Brown Boveri Limited, Lotus House, Sir Vithaldas Thackersey Marg, Mumbai 400 020, the Registrar and Transfer Agents of the Company or to their respective Depository participant as the case may be.
5. In order to provide protection against fraudulent encashment of dividend warrants, the members were requested by the Company to provide their bank account number, name and address of the bank branch to enable the company to incorporate the said details in the Dividend Warrants. Although, several members responded to the request in the past, a large number of them have not yet provided such information. Such members are again requested to provide the aforesaid details, quoting their folio numbers/beneficiary A/c numbers so as to reach the Company on or before 18th April, 2000, to enable the Company to incorporate the same in the dividend warrants. Members will appreciate that the Company will not be responsible for any loss arising out of such fraudulent encashment of dividend warrants.
6. Furthermore, the members are requested to immediately intimate the changes/ corrections/modifications in information pertaining to the bank account, if any, furnished by them earlier to the Company.

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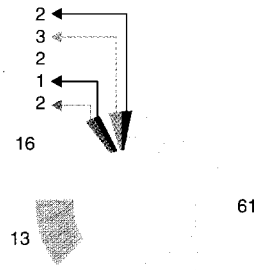
Directors' Report

The Directors have pleasure in presenting their Fiftieth Annual Report and Accounts for the year ended 31 December, 1999.

Financial Results

	(Rs in Thousands) For the year ended 31 December, 1999	For the year ended 31 December, 1998
Profit Before Taxation	**531,956**	492,343
Less: Provision for Taxation-Income Tax	**160,000**	115,000
Profit After Taxation	**371,956**	377,343
Less:Transfer to Foreign Projects Reserve Account	**34,900**	10,000
Balance Brought Forward from Last Year	**200,573**	250,031
Amount available for Appropriation	**537,629**	617,374

Income Distribution - %



Appropriations

General Reserve	**60,000**	189,000
Proposed Dividend	**207,092**	207,092
Corporate Dividend Tax thereon	**22,780**	20,709
Surcharge on Corporate Dividend Tax (1998 Dividend)	**2,071**	—
Balance Carried Forward	**245,686**	200,573
	537,629	617,374

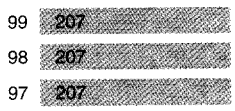
Dividend

The Directors recommend payment of following dividend:

A dividend at the rate of Rs 5 per share for the year ended 31 December, 1999 on 41,418,356 equity shares of Rs 10 each (Previous year at the rate of Rs 5 per share).

	207,092	207,092
Corporate Dividend Tax thereon	**22,780**	20,709

Total Dividend
(Rs in Millions)



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Demerger of Power Generation Business

The Honorable High Court of Judicature at Bombay vide its Order dated 1 October, 1999 sanctioned the Arrangement as embodied in the Scheme of Arrangement ('the Scheme') between the Company and Asea Brown Boveri Management Limited (POWERCO) as approved by the shareholders and creditors of the Company in the Court convened meeting held on 20 August, 1999 for demerger and transfer of the Power Generation business of the Company to POWERCO. The name of Asea Brown Boveri Management Limited has since been changed to ABB ALSTOM POWER India Limited. On complying the requisite conditions by the Company and POWERCO as per the Scheme, the Scheme has become effective from 1 December, 1999 retrospectively from the Appointed Date i.e. 1 April, 1999. Further details of the effect of the Scheme are provided in Note 2 of Schedule 17 – Notes to the Accounts.

Pursuant to the Scheme of Arrangement becoming effective and in consideration of the demerger and transfer of the Undertaking in favour of ABB ALSTOM POWER India Limited, ABB ALSTOM POWER India Limited has on 30 December, 1999, without any further act or deed and without any further payment, issued and allotted to each member of the Company holding equity shares as on the Record date (i.e. 9 December, 1999) one equity share of face value Rs.10/- each credited as fully paid-up in cash for every one fully paid-up equity share of face value of Rs.10/-each held by such member in the Company.

Performance Review

Operations

The performance of the Company in the year 1999 continued to be affected by lower demand, high competition, delays in decisions by customers and delays in financing. Sales and other income for the year was Rs.7,934 million (Rs. 8,934 million for the previous year). In the year 1999 the revenues of Rs.222 million of power generation business have been accounted for only first 3 months of 1999 i.e., till Appointed Date of Demerger (Previous year's figures included sales of Rs.1,033 million pertaining to Power Generation business for the full year).

Results and Profitability

Profit before taxation was higher at Rs 532 million compared to Rs.492 million. The profits for the year 1999 included restructuring costs and initial under absorption of the new Transformer manufacturing facility in its first year of operation. To minimise the adverse impact of lower revenues and profits, management initiated certain actions which included restructuring, supply management, customer value enhancement etc.

The profit after taxation was Rs.372 million (Rs.377 million in 1998) after providing Rs.160 million for taxation (Rs.115 million in 1998). The cash flow from operating activities during the year continued to be adversely affected by delays in payment by the customers.

Order Book

Declining trend of earlier 2 years in order receipt was reversed during 1999. Total orders received at Rs.7,410 million excluding Power Generation Segment, were 17% higher compared to previous year. Order backlog at the end of 1999 was Rs.4,154 million.

Segment Analysis

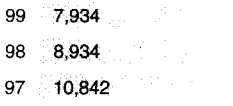
Business segments of the Company were realigned in 1999 in line with ABB Group providing more customer oriented structure. Business analysis of each of the segment is as under:

Power Transmission and Distribution Segment

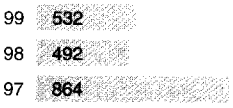
This Segment achieved significant growth in orders compared to previous year inspite of the difficult market conditions and delays in decision making. A new thrust was given for increasing business potential in Renovation and Modernisation (R&M) opportunities as well as distribution substation business. The Segment received orders for R&M of substation of Hydel Projects in Karnataka and West Bengal. Further spares & service business also registered high growth compared to previous year. Bechtel International awarded repeat order for 400 kV Switchyard for Dabhol Power Project Phase 2.

First Traction Transformer to CLW for three phase locomotive and first 100 MVA, 220 kV class Power Transformer to GEB were delivered from the new Power Transformer factory. MV Switchgear factory delivered 140 Nos. 36 kV Vacuum breakers designed and developed locally.

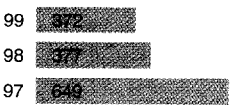
Income
(Rs. in Millions)



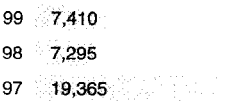
Profit Before Tax
(Rs. in Millions)



Profit After Tax
(Rs. in Millions)



Orders Received
(Rs. in Millions)



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