

ZURICH, SWITZERLAND, OCTOBER 23, 2019

Q3 2019 results

Holding course in tougher markets

- Total orders -1%¹, order backlog +3%
- Steady revenues and book-to-bill²
- Operational EBITA margin² 11.7%, +20 basis points; impacted 70 basis points by stranded costs
- Income from continuing operations, net of tax \$422 million, -1%
- Net income \$515 million, -15%
- Operational EPS² \$0.33, -7%³
- Cash flow from operating activities \$670 million, +19%, solid cash delivery expected for the full year
- Björn Rosengren appointed Chief Executive Officer, effective March 1, 2020

“The Group delivered a robust performance for the quarter in the face of weaker macroeconomic conditions impacting some of our customer markets, above all robotics and automation,” said Peter Voser, Chairman and CEO of ABB.

He added: “We are holding course and pursuing long-term growth, staying firmly focused on managing costs in response to softer demand while progressing our transformation agenda. We continue to drive the strategy forward while instilling a culture of empowerment and high performance.”

KEY FIGURES (\$ in millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q3 2019	Q3 2018	US\$	Compa- rable ¹	9M 2019	9M 2018	US\$	Compa- rable ¹
Orders	6,688	6,917	-3%	-1%	21,702	21,605	0%	+1%
Revenues	6,892	7,095	-3%	0%	20,910	20,267	+3%	+2%
Income from operations	577	617	-6%		1,290	1,951	-34%	
Operational EBITA ²	806	814	-1%	0% ⁴	2,397	2,421	-1%	+3% ⁴
as % of operational revenues	11.7%	11.5%	+0.2pts		11.5%	11.9%	-0.4pts	
Income (loss) from continuing operations, net of tax	422	427	-1%		783	1,365	-43%	
Net income attributable to ABB	515	603	-15%		1,114	1,856	-40%	
Basic EPS (\$)	0.24	0.28	-15% ³		0.52	0.87	-40% ³	
Operational EPS (\$) ²	0.33	0.34	-3% ³	-7% ³	0.98	1.03	-6% ³	-5% ³
Cash flow from operating activities ⁵	670	565	+19%		414	1,057	-61%	

On December 17, 2018, ABB announced an agreed sale of its Power Grids business. Consequently, the results of the Power Grids business are presented as discontinued operations. The company's results for all periods have been adjusted accordingly.

¹ Growth rates for orders, order backlog and revenues are on a comparable basis (local currency adjusted for acquisitions and divestitures).

² For a reconciliation of non-GAAP measures, see “supplemental reconciliations and definitions” in the attached Q3 2019 Financial Information

³ EPS growth rates are computed using unrounded amounts. Comparable operational earnings per share is in constant currency (2014 exchange rates not adjusted for changes in the business portfolio).

⁴ Constant currency (not adjusted for portfolio changes).

⁵ Amount represents total for both continuing and discontinued operations.

Short-term outlook

Macroeconomic indicators are mixed in Europe and China, while they weaken in the US. Global markets overall remain affected by geopolitical uncertainties.

Compared to the macroeconomic indicators the end-markets ABB operates in are showing resilience, with headwinds in some markets, particularly discrete industries. Oil prices and foreign exchange translation effects are expected to continue to influence the company's results.

Q3 2019 Group results

"The Group delivered a solid result in Electrification and Motion while holding up against strong headwinds in Robotics and Discrete Automation. We recognized a negative impact from revaluing a large project in Industrial Automation," said Timo Ihamuotila, CFO of ABB.

"For the year as a whole we continue to expect slight revenue growth and improved operating margins. We are encouraged to see the integration of GEIS and the roll-out of our ABB-OS operating model starting to improve the performance of the Group for the long-term."

Group results summary

In the quarter, the Industrial Automation business had a specific project revaluation which reduced total revenues by 1 percent. Operational EBITA margin of 11.7 percent was impacted by a combined 190 basis points, including approximately 90 basis points due to the specific project revaluation in Industrial Automation, approximately 70 basis points from stranded costs and approximately 30 basis points from a charge in the legacy non-core business.

Continuing operations otherwise reflected resilient performance from the businesses, despite headwinds in the Robotics & Discrete Automation business. Compared to the prior year period, the result benefited from a lower run-rate in Corporate & Other operational EBITA consistent with savings delivered through the simplification program, ongoing elimination of stranded costs and improvement in the non-core business.

Net income was, in addition, impacted by lower net income from discontinued operations.

Orders

Orders were 1 percent lower (3 percent in US dollars) in the quarter compared to the prior year period. Moderate growth in Industrial Automation and slight growth in Electrification and Motion was outweighed by weaker demand in Robotics & Discrete Automation. Foreign exchange translation effects had a net negative impact of 1 percent on orders and portfolio changes had a net negative impact of 1 percent.

Service orders, which represented 19 percent of total orders, were 2 percent lower (5 percent in US dollars) on a year-on-year basis. Large orders made up 5 percent of orders, down 1 percent on the prior year period.

The order backlog rose 3 percent (3 percent lower in US dollars).

Market overview

On a regional basis:

- Orders from Europe were 2 percent lower (6 percent in US dollars). Large country markets including Sweden and Italy held steady. Orders from France, the UK and Spain advanced, while in Switzerland, Finland and Norway orders declined when compared to the prior year period. In Germany, orders were 1 percent lower (5 percent in US dollars).
- Orders from the Americas were 1 percent lower (1 percent in US dollars), with good order development from Canada but mixed performance elsewhere. Orders from the United States were 1 percent lower (1 percent in US dollars).
- In Asia, Middle East and Africa (AMEA), orders were up 1 percent (3 percent lower in US dollars). Orders were lower in China and South Korea, but grew well in India, Japan, Singapore and the UAE. In China, orders were 5 percent lower (7 percent lower in US dollars).

In ABB's key customer segments:

- In process industries, ongoing operational expenditure, particularly from oil and gas and chemicals customers, was reflected in solid order growth. Conventional power generation markets were subdued.
- In discrete industries, traditional automotive and automotive-sector related industries as well as 3C and machine builders' markets faced ongoing headwinds which dampened ABB's growth. ABB continued to see strong growth in warehouse automation.
- In the transport and infrastructure sectors, investments in rail and marine and ports continued, absent the large orders that benefited the comparative period. Strong demand was evident in data centers, e-mobility and renewables markets. Building activity was robust, with strong growth in building automation solutions.

Revenues

Revenues were steady (3 percent lower in US dollars). Motion and Electrification were up, however revenues were lower in Industrial Automation and Robotics & Discrete Automation. The Industrial Automation business had a specific project revaluation which reduced total revenues by 1 percent. Changes in exchange rates resulted in a negative translation impact on reported revenues of 2 percent and portfolio changes also had a negative impact of 1 percent.

Service revenues increased 5 percent (3 percent in US dollars). Services represented 19 percent of total revenues.

The book-to-bill ratio for the quarter was 0.97x², the same level as in the previous year period.

Against a backdrop of continued weakness in some end-markets, ABB expects slight growth in annual revenues on a comparable basis in 2019, supported by its order backlog.

Operational EBITA

Operational EBITA² of \$806 million was 1 percent lower in US dollars (steady in local currencies). The operational EBITA margin² of 11.7 percent expanded 20 basis points year-on-year.

Revaluation of an Industrial Automation project lowered the Group operational EBITA margin by approximately 90 basis points in the quarter.

The margin was impacted approximately 70 basis points by stranded costs recognition. Stranded costs are services provided by the Group to Power Grids that do not qualify to be reported as discontinued operations and which the Group expects to be predominantly transferred to Power Grids or eliminated by the closing of the transaction. Stranded costs of \$52 million were recognized in the Corporate and Other operational EBITA result, \$19 million lower than in the third quarter of 2018.

Also booked in the Corporate & Other operational EBITA result is a charge in non-core activities that had an approximately 30 basis points impact on Group operational EBITA margin.

ABB expects annual operational EBITA margins to improve in 2019, aided by an improved GEIS performance, ongoing stranded cost elimination, non-core improvement and ABB's simplification program.

Net income, basic and operational earnings per share

Net income from continuing operations was \$422 million, 1 percent lower year-on-year.

Net income from discontinued operations was \$97 million, weighed by approximately \$80 million of pre-tax project revaluations of certain large projects in the Power Grids backlog. ABB anticipates a significant improvement in the performance of its discontinued operations from the fourth quarter of 2019 onwards.

Group net income attributable to ABB was \$515 million, impacted by lower net income from discontinued operations. Basic earnings per share was \$0.24, 15 percent lower year-on-year. Operational earnings per share of \$0.33² declined 7 percent³ year-on-year.

Cash flow from operating activities

Cash flow from operating activities of \$670 million compares to \$565 million in third quarter of 2018. Versus the prior year period, cash flow from operating activities in continuing operations declined to \$611 million from \$625 million, while cash flow from discontinued operations improved to \$59 million from -\$60 million.

Relative to a year ago, cash flow from continuing operating activities reflects higher restructuring payments, partially mitigated by more favorable timing of cash tax payments and working capital developments compared to the same period last year. Net working capital as a percentage of revenues was 12.8 percent.

ABB expects solid cash delivery for the full year from continuing operating activities, not including cash outflows for the simplification program and carve-out activities and associated cash tax impacts.

Continues on page 5.

Q3 business performance

(\$ in millions, unless otherwise indicated)	Orders	CHANGE		Revenues	CHANGE		Op EBITA	CHANGE
		US\$	Compa-rable ¹		US\$	Compa-rable ¹		
Electrification	3,188	-1%	+1%	3,161	-1%	+1%	14.2%	+0.7pts
Industrial Automation	1,438	+1%	+3%	1,492	-3%	-2%	9.0%	-5.2pts
Motion	1,618	-1%	+1%	1,630	+1%	+3%	17.8%	+0.5pts
Robotics & Discrete Automation	709	-18%	-16%	831	-6%	-3%	12.9%	-2.3pts
Corporate & Other	(265)			(222)			(176)	
ABB Group	6,688	-3%	-1%	6,892	-3%	0%	11.7%	+0.2pts

Effective October 1, 2018, the Power Grids business was moved from continuing to discontinued operations. All previously reported amounts have been restated consistent with these portfolio changes. Corporate & Other result is inclusive of intersegment eliminations.

Electrification

Orders were up 1 percent (1 percent lower in US dollars), as demand in Europe offset softness in China. Orders benefited from higher large orders compared to the prior year period, with strong demand for distribution solutions and from the buildings market. Revenues grew 1 percent (1 percent lower in US dollars). The operational EBITA margin expanded 70 basis points year-on-year to 14.2 percent, supported by GEIS integration, cost productivity and pricing actions.

Industrial Automation

Orders grew 3 percent (1 percent in US dollars). Order growth was strongest in AMEA and the Americas, supported by solid demand from process industries including oil and gas, dampened by weakness in conventional power generation. The order backlog held steady (4 percent lower in US dollars). Revenues were 2 percent lower (3 percent lower in US dollars). Operational EBITA margin of 9.0 percent was 520 basis points lower.

Industrial Automation results were impacted by the revaluation of a project in South Africa, which is part of its power generation business and was awarded in 2015. This revaluation lowered orders by 2 percent, revenues by 5 percent and operational EBITA margin by approximately 400 basis points.

In addition, margin development was impacted by unfavorable mix and the absence of one-time effects that benefited the comparative period.

Motion

Orders rose 1 percent (1 percent lower in US dollars). On a regional basis, Europe was solid and AMEA grew slightly while the Americas slowed. The order backlog increased 4 percent (1 percent in US dollars). Revenues were up 3 percent (1 percent in US dollars). Operational EBITA margin expanded 50 basis points compared to the prior year period, reaching 17.8 percent, due to strong project execution and ongoing cost management.

Robotics & Discrete Automation

Orders were 16 percent lower (18 percent in US dollars), reflecting a tough comparison base and challenging markets in all regions. Headwinds remained particularly strong for robotics in the traditional automotive and automotive-sector related industries, while machine automation was less impacted. The order backlog was up 2 percent (2 percent lower in US dollars). Revenues were 3 percent lower (6 percent in US dollars), supported by strong backlog execution. The operational EBITA margin of 12.9 percent was 230 basis points below the prior year level, reflecting lower volumes and adverse mix, partly mitigated by cost measures.

Transformation progress

The transformation of ABB into a simpler, agile and more customer-focused organization is well underway. A key focus of ABB Operating System (ABB-OS) work in the year to date has been to redefine the way ABB is organized. The reassignment of Group employees in functions and countries to the businesses was fully defined by October 1, 2019. The dismantling of the Group's regional structure is expected to be largely completed by year end.

From implementing the simplification program, ABB expects a total of ~\$500 million annual run-rate cost reductions across the Group. It expects to meet the \$150-200 million run-rate targeted during 2019 and the full run-rate targeted during 2021.

Work to carve-out Power Grids continues. The majority of former Group employees in functions or countries that will support the future organization are in the process of being transferred. ABB expects Power Grids to be operational on a stand-alone basis within ABB from January 1, 2020. ABB is on track to close the transaction in the first half of 2020.

More information

The Q3 results press release and presentation slides are available on the ABB News Center at www.abb.com/news and on the Investor Relations homepage at www.abb.com/investorrelations. A conference call and webcast for analysts and investors is scheduled to begin today at 10.30 a.m. CEST (9:30 a.m. BST, 04:30 a.m. EDT). To pre-register for the conference call or to join the webcast, please refer to the ABB website: new.abb.com/investorrelations/. A recorded session will be available as a webcast one hour after the end of the conference call.

ABB (ABBN: SIX Swiss Ex) is a technology leader that is driving the digital transformation of industries. With a history of innovation spanning more than 130 years, ABB has four, customer-focused, globally leading businesses: Electrification, Industrial Automation, Motion, and Robotics & Discrete Automation, supported by the ABB Ability™ digital platform. ABB's Power Grids business will be divested to Hitachi in 2020. ABB operates in more than 100 countries with about 147,000 employees. www.abb.com

INVESTOR CALENDAR 2019/20

Electrification investor event	November 5, 2019
Q4 2019 results	February 5, 2020
Annual General Meeting	March 26, 2020
Q1 2020 results	April 28, 2020

Important notice about forward-looking information

This press release includes forward-looking information and statements as well as other statements concerning the outlook for our business, including those in the sections of this release titled “Short-term outlook”, “Revenues”, “Operational EBITA”, “Net income, basic and operational earnings per share”, “Cash flow from operating activities” and “Transformation progress”. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, the economic conditions of the regions and industries that are major markets for ABB Ltd. These expectations, estimates and projections are generally identifiable by statements containing words such as “anticipates”, “expects,” “believes,” “estimates,” “plans”, “targets” or similar expressions. However, there are many risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this press release and which could affect our ability to achieve any or all of our stated targets. The important factors that could cause such differences include, among others, business risks associated with the volatile global economic environment and political conditions, costs associated with compliance activities, market acceptance of new products and services, changes in governmental regulations and currency exchange rates and such other factors as may be discussed from time to time in ABB Ltd’s filings with the U.S. Securities and Exchange Commission, including its Annual Reports on Form 20-F. Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Zurich, October 23, 2019

Peter Voser, Chairman and CEO

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