ZURICH, SWITZERLAND, JULY 25, 2019

Q2 2019 results

Continued growth despite market headwinds; transformation progressing

- Total orders +1%[1], order backlog +7%
- Revenues +2%, book-to-bill[2] 1.03x
- Operational EBITA margin[2] 11.5%, impacted 60 basis points by GEIS dilution and additional 90 basis points by stranded costs
- Net income $64 million, includes $455 million charge related to planned exit of solar inverter business
- Operational EPS[2] $0.34, -10%[3]
- Cash flow from operating activities zero, solid cash delivery expected for the full year
- Announced sale of solar inverter business to streamline portfolio

---

“ABB continued to generate top-line momentum during the second quarter despite macroeconomic headwinds and geopolitical uncertainty,” said Peter Voser, Chairman and CEO of ABB. “Going forward we will drive long-term growth across our businesses, while staying focused on costs and portfolio management. We are instilling a new culture of empowerment to build ABB into a stronger and more agile group.”

“Overall total orders and revenues continued to grow, led by Electrification and Motion while Robotics and Discrete Automation in particular felt the downturn in automotive and machine building,” said Timo Ihamuotila, CFO of ABB. “At the same time, we are making good progress with the carve-out of our Power Grids business, the integration of GEIS and the roll-out of our ABB-OS operating model, which all are planned to make ABB more profitable.”

KEY FIGURES

($ in millions, unless otherwise indicated)	Q2 2019	Q2 2018	CHANGE US$	CHANGE Comparable[1]	H1 2019	H1 2018	CHANGE US$	CHANGE Comparable[1]
Orders	7,401	7,133	+4%	+1%	15,014	14,688	+2%	+2%
Revenues	7,171	6,731	+7%	+2%	14,018	13,172	+6%	+3%
Income from operations	123	708	-83%		713	1,334	-47%	
Operational EBITA[2]	825	855	-4%	+1%[4]	1,591	1,607	-1%	+5%[4]
as % of operational revenues	11.5%	12.6%	-1.1pts		11.4%	12.2%	-0.8pts	
Income (loss) from continuing operations, net of tax	-54	524	n.a.		361	938	-62%	
Net income attributable to ABB	64	681	-91%		599	1,253	-52%	
Basic EPS ($)	0.03	0.32	-91%[3]		0.28	0.59	-52%[3]	
Operational EPS ($)[2]	0.34	0.38	-10%[3]	-10%[3]	0.64	0.69	-7%[3]	-4%[3]
Cash flow from operating activities[5]	0	1,010	n.a.		-256	492	n.a.	

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 Q2 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 growth in the US is more sustained. Global markets overall remain affected by geopolitical uncertainties.

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.

Q2 2019 Group results

Orders

Orders grew 1 percent (4 percent in US dollars) in the quarter compared to the prior year period. Growth from Electrification and Motion was dampened by lower demand in Robotics & Discrete Automation and lower large orders in Industrial Automation. The order backlog rose 7 percent (3 percent lower in US dollars), ending the quarter at $14.0 billion.

Service orders represented 20 percent of total orders, growing in the second quarter by 3 percent (2 percent lower in US dollars).

Changes in the business portfolio including impacts from the acquisition of GE Industrial Solutions ("GEIS") and from the establishment of the Linxon Joint Venture ("JV") resulted in a net positive impact of 8 percent on total orders. Foreign exchange translation effects had a net negative impact of 5 percent on total orders.

Market overview

Regional performance was varied during the quarter:

– Orders from Europe were stable (3 percent lower in US dollars). Strong growth in France, the Netherlands and Spain, plus robust growth from Germany was more than offset by lower order levels from Italy, the UK, Finland and Sweden. In Germany, orders were up 1 percent (2 percent lower in US dollars).
– Orders from the Americas increased 7 percent (30 percent in US dollars). Orders developed particularly well across South America including Brazil and Chile. Orders from the United States rose 1 percent (29 percent in US dollars).
– In Asia, Middle East and Africa (AMEA), orders were 3 percent lower (6 percent in US dollars). Lower order levels from countries including Japan, Saudi Arabia and China outweighed strong growth from South Korea, South Africa and Australia and solid growth in India. In China, orders were 1 percent lower (3 percent lower in US dollars).

Demand was mixed across ABB's key customer segments:

– In process industries, ongoing opex driven demand for electrification, automation and digitalization solutions reflected in continued order growth from oil and gas, mining and pulp and paper customers.
– Traditional automotive and automotive-sector related industries, as well as 3C and machine builders, were particularly challenged during the quarter, which impacted ABB's growth. Discrete industries softened during the quarter although select end-markets such as food and beverage and logistics proved resilient.
– In the transport and infrastructure sectors, investments in rail and specialty marine vessels continued. Orders for ABB's e-mobility offering and for data center infrastructure grew well. Buildings demand was stable.

Revenues

Revenues improved 2 percent (7 percent in US dollars), with growth in Electrification, Industrial Automation and Motion outweighing a softer performance from Robotics & Discrete Automation.

Service revenues were up 1 percent (4 percent in US dollars). Services represented 19 percent of total revenues.

Business portfolio changes including impacts from the acquisition of GEIS and from the establishment of the Linxon JV contributed a net positive of 9 percent to reported revenues. Changes in exchange rates resulted in a negative translation impact on reported revenues of 4 percent.

The book-to-bill ratio for the quarter was 1.03x compared to 1.06x in the previous year period.

Against a backdrop of more subdued activity 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 EBITA of $825 million was 4 percent down in US dollars (up 1 percent in local currencies). The operational EBITA margin of 11.5 percent was 110 basis points lower year-on-year.

Drivers of the margin include an approximately 60 basis points impact from GEIS dilution and a further 90 basis points impact from stranded costs. 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 $66 million were recognized in the Corporate and Other operational EBITA result, $12 million lower than in the second quarter of 2018.

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 loss from continuing operations was $54 million. The result includes a $455 million charge recorded in the quarter further to the announced agreement to divest the solar inverter business. Net income from discontinued operations was $142 million.

Group net income attributable to ABB was $64 million. Basic earnings per share was $0.03, 91 percent lower year on year. Operational earnings per share of $0.34 was 10 percent lower.

Cash flow from operating activities

Cash flow from operating activities of $0 million compares to $1,010 million in the second quarter of 2018. Versus the prior year period, cash flow from operating activities in continuing operations declined to -$69 million from $686 million, while cash flow from discontinued operations fell to $69 million from $324 million.

Relative to a year ago, cash flow from continuing operating activities primarily reflects timing of employee incentive payments, paid in the second quarter this year, which in 2018 were paid in the first quarter. As well, cash flow was impacted by less favorable movement in accounts payable compared to the same period last year. Net working capital as a percentage of revenues was 13.6 percent. ABB expects solid cash delivery for the full year, not including cash outflows for the simplification program and carve-out activities and associated cash tax impacts.

Q2 business performance

($ in millions, unless otherwise indicated)	Orders	CHANGE US$	CHANGE Comparable[1]	Revenues	CHANGE US$	CHANGE Comparable[1]	Op EBITA	CHANGE
Electrification	3,339	+22%	+5%	3,272	+22%	+4%	13.5%	-2.5pts
Industrial Automation	1,622	-8%	-4%	1,580	-2%	+3%	12.1%	-2.2pts
Motion	1,762	+0%	+4%	1,641	+1%	+5%	16.7%	+0.4pts
Robotics & Discrete Automation	883	-14%	-9%	845	-9%	-3%	12.3%	-2.6pts
Corporate & Other	(205)			(167)			(185)	
ABB Group	**7,401**	**+4%**	**+1%**	**7,171**	**+7%**	**+2%**	**11.5%**	**-1.1pts**

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

Total orders were up 5 percent (22 percent in US dollars). Order growth benefited from strong demand for solutions, including excellent growth in key segments such as rail, data centers, wind and EV infrastructure. Demand for buildings remained stable. On a regional basis, orders grew well in the Americas and AMEA regions, incl. China, and were up in Europe. Revenues improved 4 percent (22 percent in US dollars). Operational EBITA margin was 250 basis points lower year-on-year at 13.5 percent, reflecting 200 basis points dilution from GEIS. Excluding GEIS, margins reflect a shift in Electrification's business mix.

Industrial Automation

Total orders were 4 percent lower (8 percent in US dollars). Order development was impacted by lower large orders in Europe and Middle East against a tough comparison with the prior year period. Growth showed good momentum across process industries and oil and gas, dampened in particular by weakness in conventional power generation. The order backlog was steady (2 percent lower in US dollars) at quarter-end compared to the prior year period. Revenues were 3 percent higher (2 percent lower in US dollars). The operational EBITA margin at 12.1 percent, 220 basis points lower year-on-year, reflects project mix impacts and higher costs due to under-absorption and investments in growth.

Motion

Total orders were up 4 percent (steady in US dollars) driven by good order growth particularly in drives and services including some larger orders for traction equipment. On a regional basis, orders were strong in Europe, and stable elsewhere. The order backlog ended the quarter up 5 percent (4 percent in US dollars). Revenues grew 5 percent (1 percent in US dollars) while the operational EBITA margin at 16.7 percent expanded 40 basis points compared to the prior year period, primarily due to favorable volumes and ongoing cost management.

Robotics & Discrete Automation

Total orders were 9 percent lower (14 percent in US dollars), reflecting a tough comparison base and a challenging market. Weakness was most evident in the automotive, 3C and machine builders markets, especially in short-cycle activities. Demand remained strong for logistics automation, and the business continued to benefit from orders for its automotive solutions. The regional result shows growth in Europe and the Americas burdened by weakness from the AMEA region, particularly China. The order backlog ended the quarter up 10 percent (8 percent in US dollars). Revenues were 3 percent lower (9 percent in US dollars). The operational EBITA margin of 12.3 percent was 260 basis points below the prior year level, reflecting lower volumes and adverse mix.

Q2 business and transformation progress

ABB's four businesses became effective in the new structure as of April 1, 2019 and continue to drive growth with a strong focus on costs and portfolio management.

The reorganization to the new operating model is advancing. The group functions of marketing and sales, operations and services were integrated in the businesses during the quarter. The transfer of country resources in to the businesses, following local labor relations, has also commenced.

As a result of implementing ABB-OS, ABB expects a total of ~$500 million annual run-rate cost reductions across the group and 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 is ongoing. Approximately two-thirds of the legal structures required have been incorporated, while country and functional teams are making good progress with the scoping and implementation of the separation in accordance with local laws and requirements. ABB expects to close the transaction in the first half of 2020.

GEIS' integration with Electrification is progressing well. Among other actions, the Electrification business showcased the new ABB + GEIS combined portfolio during the quarter and announced plans to optimize its combined US-based medium-voltage manufacturing assets.

On July 9, ABB announced an agreement to sell its solar inverter business to FIMER S.p.A, the Italian solar company, evidencing ABB's commitment to streamlining its portfolio. The transaction is anticipated to close in the first quarter of 2020, subject to certain conditions, and is expected to support Electrification's progress toward its 15-19 percent target margin corridor.

More information

The Q2 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 2:00 p.m. CEST (1:00 p.m. BST, 08:00 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 pioneering technology leader with a comprehensive offering for digital industries. With a history of innovation spanning more than 130 years, ABB is today a leader in digital industries with four customer-focused, globally leading businesses: Electrification, Industrial Automation, Motion, and Robotics & Discrete Automation, supported by its common ABB Ability™ digital platform. ABB's market-leading 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

Q3 2019 results	October 23, 2019
Electrification investor event	November 5, 2019
Q4 2019 results	February 5, 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", "Cash flow from operating activities" and "Q2 business 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, July 25, 2019

Peter Voser, Chairman and CEO

—

For more information, please contact:

Media Relations
Phone: +41 43 317 71 11
E-mail: media.relations@ch.abb.com

Investor Relations
Phone: +41 43 317 71 11
E-mail: investor.relations@ch.abb.com

ABB Ltd
Affolternstrasse 44
8050 Zurich
Switzerland