ZURICH, SWITZERLAND, APRIL 28, 2020

Q1 2020 results

COVID-19 impacts results; weighs on outlook

- Orders $7.3 billion, -4%; comparable +1%
- Revenues $6.2 billion, -9%; comparable -7%[1]
- Income from operations $373 million; margin 6.0%
- Operational EBITA[1] $636 million; margin[1] 10.2%, including 30 basis points stranded costs
- Net income $376 million, -30%
- Basic EPS $0.18, -30%[2]; operational EPS[1] $0.30, -2%
- Cash flow from operating activities -$577 million

"The COVID-19 pandemic impacted our first quarter results, lowering revenues and operating margins in all our businesses, although order growth held up well. We are doing our utmost to ensure the health and safety of our employees while maintaining business continuity, serving our customers and continuing to invest in R&D for the long-term," said Björn Rosengren, CEO of ABB.

"In the second quarter, we expect ABB's operations to be significantly challenged by a sharp drop in demand due to lockdowns in many parts of the world. Nevertheless, we will accelerate our efforts to manage our costs and safeguard liquidity, while moving ahead with decentralizing the group and our target to complete the divestment of Power Grids at the end of the second quarter."

KEY FIGURES			CHANGE	
($ millions, unless otherwise indicated)	Q1 2020	Q1 2019	US$	Comparable
Orders	7,346	7,613	-4%	+1%
Revenues	6,216	6,847	-9%	-7%
Income from operations	373	590	-37%	
Operational EBITA[1]	636	766	-17%	-16%[3]
as % of operational revenues	10.2	11.2	-1.0 pts	
Income from continuing operations, net of tax	326	415	-21%	
Net income attributable to ABB	376	535	-30%	
Basic EPS ($)	0.18	0.25	-30%[2]	
Operational EPS ($)[1]	0.30	0.30	-2%[2]	-1%[2]
Cash flow from operating activities[4]	(577)	(256)	-125%	

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.

[1] For a reconciliation of non-GAAP measures, see "supplemental reconciliations and definitions" in the attached Q1 2020 Financial Information.
[2] EPS growth rates are computed using unrounded amounts. Comparable operational earnings per share is in constant currency (2019 exchange rates not adjusted for changes in the business portfolio).
[3] Constant currency (not adjusted for portfolio changes).
[4] Amount represents total for both continuing and discontinued operations.

Summary

Against the backdrop of COVID-19, orders for the first quarter remained robust, with Motion and Industrial Automation both benefiting from strong large orders. However, revenues declined in all businesses, reflecting a drop in product demand due to the pandemic, at first in China, and then across other parts of the world, with mobility restrictions also constraining system installation and services activities. These developments, in turn, weighed on operating margins in all businesses, reflecting that certain costs remain essential for business continuity.

Orders

Orders were 4 percent lower (up 1 percent comparable) in the quarter compared to the prior year period. Foreign exchange translation effects had a net negative impact of 3 percent and portfolio changes a net negative impact of 2 percent. The order backlog was 1 percent lower (up 8 percent comparable) at the end of the quarter.

Regional overview

- Orders from Europe were 1 percent higher (5 percent comparable), supported by large orders. At the country level, performance was mixed. Sweden, Norway, the Netherlands and the UK were strong, but in Germany, Switzerland, Italy and Spain, where COVID-19 impacted earlier, orders declined when compared to the prior year period. In Germany, orders were 7 percent lower (4 percent comparable).
- Orders from the Americas were steady (up 2 percent comparable), reflecting the later onset of COVID-19 in the region. Orders from the United States were 2 percent higher (up 2 percent comparable).
- In Asia, Middle East and Africa (AMEA), orders were 12 percent lower (7 percent comparable). Orders from India, South Korea, Thailand and Indonesia advanced well while orders from Australia, Singapore and Japan fell back. In China, where the impacts of COVID-19 materialized first, orders declined 21 percent (16 percent comparable).

End-market overview

- In discrete industries, orders were disrupted in most end-markets, while orders from automotive and automotive-sector related industries were materially lower.
- In process industries, ABB saw solid demand from customers in the mining and pulp & paper segments. Unconventional oil & gas and conventional power generation remained challenged.
- In transport & infrastructure, investments were robust, with strong growth in ports, rail and water & wastewater, as well as good order growth in distribution utilities.
- Buildings market activity eased as construction companies faced increased constraints to activities from quarantine efforts.

Revenues

Revenues were 9 percent lower (7 percent comparable) year-on-year. Foreign exchange translation effects had a net negative impact of 1 percent and portfolio changes a net negative impact of 1 percent. The book-to-bill ratio for the quarter was 1.18x[1], compared to 1.11x in the prior year period.

Income from operations and operational EBITA

Income from operations of $373 million declined 37 percent. The result includes a combined $263 million of non-operational items, including $65 million acquisition-related amortization, a net $80 million loss related to timing differences on commodities and foreign exchange, restructuring charges for the ABB-OS simplification program, as well as transaction and separation costs related to the carve-out of Power Grids and the Solar inverters business.

Operational EBITA[1] of $636 million was 17 percent lower (16 percent in local currencies). The operational EBITA margin[1] of 10.2 percent was 100 basis points lower year-on-year. All businesses reported lower margins compared to the prior year period, partly offset by improved Corporate and Other, mainly due to lower non-core and stranded costs. Stranded costs of $21 million were reflected in Corporate and Other.

Net income and basic earnings per share

Net income from continuing operations was $326 million, 21 percent lower year-on-year. Net income from discontinued operations of $54 million was lower, with the business impacted by the transfer of stranded costs, ongoing restructuring costs and net losses related to timing differences on commodities and foreign exchange.

Group net income attributable to ABB was $376 million and basic EPS $0.18, both 30 percent[2] lower year-on-year. The group's effective tax rate was 19.5 percent and includes the positive effects from resolving certain estimated tax contingencies. Operational EPS of $0.30[1] was 2 percent[2] lower compared to the prior year period.

Cash flow from operating activities

Cash flow from operating activities declined to -$577 million, compared to -$256 million in the first quarter of 2019, including $22 million lower cash flow from operating activities from discontinued operations relative to a year ago.

Cash flow from continuing operating activities was impacted versus the prior year period mainly by timing differences on employee incentive payments, which were distributed in the first quarter this year as opposed to the second quarter last year, as well as by lower income from operations and less favorable timing of tax payments. This was partly offset by improvements in working capital management, including better harmonization of payment terms for trade payables. Net working capital as a percent of revenues was 12.3 percent at quarter end.

Q1 2020 Business results

Electrification (EL)

KEY FIGURES			CHANGE	
($ millions, unless otherwise indicated)	Q1 2020	Q1 2019	US$	Comparable
Orders	3,121	3,363	-7%	-2%
Order backlog	4,386	4,394	0%	+9%
Revenues	2,773	3,057	-9%	-7%
Operational EBITA[1]	318	377	-16%	
as % of operational revenues	11.4%	12.4%	-1.0 pts	

- Subdued short-cycle industrial demand and slowing buildings demand drove orders lower, while select markets including distribution utilities and infrastructure proved resilient. By region, in comparable terms, orders were slightly up in Europe, subdued in the Americas and challenged in AMEA, particularly China.
- Revenues were lower due to curtailed project activities and lower product sales arising from production outages, mainly in Asia.
- Margins were held back by lower volumes and weak performance in solar. This was partly mitigated by improving performance in Installation Products and cost initiatives.

Industrial Automation (IA)

KEY FIGURES ($ millions, unless otherwise indicated)	Q1 2020	Q1 2019	CHANGE US$	Comparable
Orders	1,757	1,666	+5%	+8%
Order backlog	5,183	5,139	+1%	+6%
Revenues	1,462	1,518	-4%	-1%
Operational EBITA[1]	144	205	-30%	
as % of operational revenues	9.7%	13.5%	-3.8 pts	

- IA's strong order development was driven by large orders awarded in the mining, pulp and paper and ports segments. Conventional power generation remained challenged while oil & gas, particularly unconventional, slowed. Orders were up in all regions, led by Europe.
- Comparable revenue development reflects ongoing challenges to book-and-bill activities and increasingly curtailed project installation and service activities.
- Margins moved lower due to unfavorable business mix, project execution delays and mobility constrained service activities.

Motion (MO)

KEY FIGURES ($ millions, unless otherwise indicated)	Q1 2020	Q1 2019	CHANGE US$	Comparable
Orders	1,901	1,800	+6%	+8%
Order backlog	3,259	2,942	+11%	+15%
Revenues	1,510	1,605	-6%	-4%
Operational EBITA[1]	230	263	-13%	
as % of operational revenues	15.3%	16.4%	-1.1 pts	

- Strong long-cycle order growth was led by large orders in rail and for water applications. In addition, the business also won orders from new OEM customers and saw a strong end of the quarter in China. These positives outpaced a broad-based deterioration in short-cycle demand, particularly for drives. Order growth was led by Europe and AMEA, while the Americas were steady.
- Revenues reflect lower book-and-bill and postponement of deliveries where customer sites closed.
- Margin contraction was driven by lower volumes and incremental logistics costs, partly offset by cost mitigation.

Robotics & Discrete Automation (RA)

KEY FIGURES			CHANGE	
($ millions, unless otherwise indicated)	Q1 2020	Q1 2019	US$	Comparable
Orders	811	967	-16%	-14%
Order backlog	1,454	1,556	-7%	-2%
Revenues	671	851	-21%	-19%
Operational EBITA[1]	59	95	-38%	
as % of operational revenues	8.8%	11.2%	-2.4 pts	

- Order developments for robotics reflect continued deterioration in the automotive and related industries plus weakening in general industries and 3C demand. Machine automation recorded strong growth, benefiting from prior design wins and customer stockpiling.
- Growth was strong in the Americas, however orders were weak in Europe, and challenged in AMEA.
- Revenues were impacted by lower demand, particularly for systems business and service activities, exacerbated in China because of COVID-19 lockdowns.
- Margin contraction reflects mainly lower volumes, partly mitigated by cost savings.

Corporate and Other

KEY FIGURES			CHANGE
($ millions, unless otherwise indicated)	Q1 2020	Q1 2019	US$
Orders	(244)	(183)	+61
Revenues	(200)	(184)	+16
Income from operations	(173)	(230)	(57)
Operational EBITA[1]	(115)	(174)	(59)

- Corporate and Other operational EBITA improved to -$115 million. Compared to a year ago this reflects lower stranded and non-core costs and lower ongoing corporate costs, partly offset by the absence of gains that benefited the result in the first quarter of 2019.
- In the first quarter of 2020, stranded costs of $21 million were recognized, impacting operational EBITA by 30 basis points.

Corporate and Other orders and revenues primarily represent intersegment eliminations.

COVID-19 response

ABB's primary focus is on securing the health and safety of our employees while maintaining business continuity. ABB is constantly monitoring the evolving situation and taking all necessary precautions, in line with local government and WHO guidelines. With the COVID-19 pandemic ongoing, ABB is working constantly with customers and partners to maintain the supply of goods and services. As part of this response, ABB is maximizing use of remote service tools and ABB Ability™ digital solutions, including free remote services. The majority of ABB's production facilities remain fully or partly operational at this time, with some disruption being experienced at production and service sites in specific countries. Where possible the company is adjusting resources to meet the anticipated slow-down in demand and eliminating non-essential costs.

The Board of Directors and the Executive Committee of ABB are voluntarily taking a 10 percent reduction in board compensation and salary for the duration of the crisis. In addition, ABB will contribute CHF 1 million to the International Committee of the Red Cross (ICRC) COVID-19 effort.

The company and its employees are helping communities, for example by using ABB's resources to deliver protective equipment to hospitals and frontline workers in some of the most badly affected countries, such as China and Italy, as well as through equipment donations and fundraising efforts.

Transformation progress

In preparation for its divestment, Power Grids is fully operational on a stand-alone basis. ABB has eliminated the majority of the ~$290 million annual stranded costs that resulted when Power Grids was deconsolidated. ABB aims to resolve any remaining dis-synergies from the carve-out through the ABB-OS simplification program. The divestment is targeted for completion at the end of the second quarter, as planned, and ABB remains committed to a share buyback program using net cash proceeds from the transaction. ABB is planning to execute this in an efficient and responsible way, taking account of the prevailing circumstances.

Decentralization and the refinement of ABB's operating model through ABB-OS is continuing, enabling the businesses to act quickly to respond to the circumstances around COVID-19 while working towards delivering the cost savings for the Group as planned.

During the quarter, the Electrification business completed the divestment of the solar inverters activities to FIMER SpA on February 29, 2020. On March 17, 2020, ABB Electrification completed the acquisition of a majority stake in Chargedot Shanghai New Energy Technology Co., Ltd. The purchase expands ABB's relationship with leading electric vehicle manufacturers in China and broadens its offering with hardware and software developed specifically for local requirements. Further, ABB Electrification acquired Cylon Controls Ltd, on March 3, 2020, enhancing its Smart Buildings portfolio in the commercial buildings segment.

Short-term outlook

The global economy is expected to contract in 2020 after a rapid deterioration in outlook driven by the COVID-19 pandemic. Despite unprecedented stimuli by governments and central banks around the world and initial signs of recovering economic activity in China, macro-indicators point to a global recession of uncertain duration, as many countries, including the United States, continue to face restrictions with anticipated long-term economic consequences.

The impact of COVID-19, as well as the fall in oil prices, has significantly impacted the short-term outlook in specific end markets such as oil and gas, conventional power generation, automotive and marine. Some end markets such as distribution utilities, data centers, logistics and rail continue to show relative resilience.

ABB is not currently providing guidance for full year 2020. ABB expects its results to be significantly impacted in the second quarter. Orders and revenues are expected to show material sequential decline in all businesses, with Robotics & Discrete Automation expected to decline by more than 30 percent year-on-year. While the company is taking prompt action to adapt its operations and cost base to safeguard profitability, it also expects the loss of volume to further dampen margins. Despite short-term disruptions, ABB is confident in the underlying resilience of its businesses and operating model. The company has a strong balance sheet and is confident that its liquidity needs will be well covered.

More information

The Q1 2020 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 10:00 a.m. CEST (9:00 a.m. BST). To pre-register for the conference call or to join the webcast, please refer to the ABB website: www.abb.com/investorrelations. The recorded session will be available after the event on ABB's website.

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 144,000 employees.

INVESTOR CALENDAR	
CEO first perspectives (webcast)	June 10, 2020
Q2 2020 results	July 22, 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 "COVID-19 response", "Transformation progress" and "Short-term outlook". 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. 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, April 28, 2020

Björn Rosengren, CEO

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