

ZURICH, SWITZERLAND, OCTOBER 25, 2018: THIRD QUARTER HIGHLIGHTS

Sustained growth

- Total orders +9%¹, up in all divisions and regions
- Base orders +7%, up in all divisions and regions
- Revenues +3%; service revenue up 11%
- Operational EBITA margin² 12.1% impacted by GEIS dilution
- Operational EPS² +4%³
- Net income \$603 million, +6%
- Cash flow from operating activities \$565 million, solid cash delivery for the full year expected

“We demonstrated sustained growth, with total and base orders improving in all regions and all divisions”, said ABB CEO Ulrich Spiesshofer. “The continued execution of our strategy and steadily growing customer demand for our ABB Ability™ digital offering is driving order growth and increased revenues.”

“Our pioneering technology leadership is delivering solid results across all businesses, particularly in Robotics and Motion and Industrial Automation. Following the GE Industrial Solutions acquisition, Electrification Products is benefitting from a stronger presence in the important US market whilst the initial integration is dampening the operational EBITA margin as expected. Power Grids continues its transformation with good order momentum and is now at the target margin corridor of 10-14%.”

KEY FIGURES (\$ in millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q3 2018	Q3 2017	US\$	Compa- rable ¹	9M 2018	9M 2017	US\$	Compa- rable ¹
Orders	8,941	8,157	+10%	+9%	28,196	24,909	+13%	+7%
Revenues	9,257	8,724	+6%	+3%	26,773	25,032	+7%	+2%
Operational EBITA ²	1,118	1,124	-1%	+4% ⁴	3,345	3,109	+8%	+5% ⁴
as % of operational revenues	12.1%	12.9%	-0.8pts		12.5%	12.5%	0.0pts	
Net income	603	571	+6%		1,856	1,820	+2%	
Basic EPS (\$)	0.28	0.27	+6% ³		0.87	0.85	+2% ³	
Operational EPS ² (\$)	0.34	0.34	+0% ³	+4% ³	1.03	0.92	+12% ³	+12% ³
Cash flow from operating activities	565	954	-41%		1,057	1,930	-45%	

Short-term outlook

Macroeconomic signs remain robust in Europe and are trending positively in the United States, with growth expected to continue in China. The overall global market is growing, with rising geopolitical uncertainties in various parts of the world. Oil prices and foreign exchange translation effects are expected to continue to influence the company's results.

¹ Growth rates for orders, third-party base orders and revenues are on a comparable basis (local currency adjusted for acquisitions and divestitures). US\$ growth rates are presented in Key Figures table.

² For non-GAAP measures, see the “Supplemental Financial Information” attachment to the press release.

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).

Q3 2018 Group results

Orders

Total orders rose 9 percent (10 percent in US dollars), up in all divisions and regions compared to a year ago. Base orders (classified as orders below \$15 million) increased 7 percent (12 percent in US dollars), up in all divisions and regions and supported by ABB's comprehensive digital offering, ABB Ability™. Large orders represented 7 percent of total orders, compared to 9 percent in the same quarter of 2017. The order backlog was up 2 percent (flat in US dollars) compared to a year ago.

Service orders were up 8 percent (10 percent in US dollars). Service orders represent 18 percent of total orders, compared to 18 percent in the prior year period.

Changes in the business portfolio including impact from the acquisition of GE Industrial Solutions resulted in a net positive impact of 4 percent on total reported orders. Foreign exchange translation effects had a 3 percent negative impact on reported orders.

Market overview

ABB saw robust demand from all regions in the quarter:

- Total orders from Europe rose 15 percent (10 percent in US dollars), with positive contributions from Germany, Italy, Sweden and Switzerland outpacing lower contributions from the United Kingdom and Russia. Base orders rose 6 percent (7 percent in US dollars).
- Total orders from the Americas increased 9 percent (23 percent in US dollars). Orders from the United States rose 10 percent (31 percent in US dollars), and orders were also higher in Brazil. Base orders from the Americas increased 9 percent (24 percent in US dollars).
- In Asia, Middle East and Africa (AMEA), total orders grew 4 percent (1 percent lower in US dollars) with strong orders from China, India, Vietnam and Egypt being dampened by lower demand from South Korea, Saudi Arabia and the UAE. In China, total orders increased 13 percent (15 percent in US dollars). Base orders for AMEA increased 5 percent (7 percent in US dollars).

Demand grew in the majority of ABB's key customer segments:

- Utility demand was robust in the third quarter. Investments were driven by integration of renewables into the grid, digital solutions for smarter grid, and increasing focus on efficiency and reliability. A significant order was received in the quarter to enable integration and High Voltage Direct Current (HVDC) transmission of clean hydropower across Central Asia.
- Solid demand was seen across a broad spectrum of industries during the quarter. Investments by process industries, including mining and oil and gas, continued while orders from discrete industries such as food & beverage were healthy. Demand was strong for automation and robotics solutions, including from the automotive industry.
- Transport and infrastructure demand was positive, with data center investments growing well and continued investments in rail and specialty marine vessels. Construction demand was robust, with investment in commercial buildings such as hospitals and resorts.

Revenues

Revenues were up 3 percent (6 percent in US dollars), supported by continued strong growth in Robotics and Motion and good momentum in Electrification Products and Industrial Automation, while revenues in Power Grids remained steady. Service revenues were up 11 percent (14 percent in US dollars), bolstered by ABB's leading digital portfolio, ABB Ability™ solutions. Services represented 18 percent of total revenues, up from 17 percent in the prior year period.

Business portfolio changes including impact from the acquisition of GE Industrial Solutions contributed a net positive of 6 percent to reported revenues. Changes in exchange rates resulted in a translation impact on reported revenues of minus 3 percent.

The book-to-bill ratio increased to 0.97x at the end of the quarter compared with 0.94x in the previous year.

Operational EBITA

Operational EBITA of \$1,118 million was steady in US dollars (up 4 percent in local currencies) in the third quarter compared to the prior year period. The operational EBITA margin of 12.1% was impacted 80 basis points by the acquisition of GE Industrial Solutions (GEIS) and also included an impact of 40 basis points from a charge related to the legacy non-core train retrofit business.

Net income, basic and operational earnings per share

Net income was \$603 million, 6 percent higher year-on-year. ABB's operational net income² was steady at \$727 million. Basic earnings per share of \$0.28 was 6 percent higher year-on-year. Operational earnings per share of \$0.34 was steady, and 4 percent better in constant currency terms³.

Cash flow from operating activities

The cash flow from operating activities result of \$565 million compares to \$954 million in the third quarter of 2017. Relative to a year ago, cash flow reflects reductions in payables, timing of tax payments, as well as higher inventories and receivables due to order and revenue growth momentum. Cash delivery for the full year is expected to be solid overall while reflecting higher working capital in support of growth and due to the timing of project cash flows which are also impacted by the EPC business model change.

Q3 divisional performance

(\$ in millions, unless otherwise indicated)	Orders	CHANGE		3 rd party base orders	CHANGE		Revenues	CHANGE		Op EBITA %	CHANGE
		US\$	Compa-rable ¹		US\$	Compa-rable ¹		US\$	Compa-rable ¹		
Power Grids	2,207	+7%	+11%	1,802	+9%	+13%	2,336	-5%	+0%	10.0%	-0.6pts
Electrification Products	3,215	+26%	+6%	3,008	+25%	+3%	3,199	+23%	+3%	13.5%	-2.6pts
Industrial Automation	1,643	+3%	+7%	1,451	+1%	+4%	1,758	-1%	+3%	14.1%	+0.7pts
Robotics and Motion	2,276	+12%	+15%	2,012	+8%	+12%	2,281	+4%	+7%	17.0%	+0.6pts
Corporate & other	(400)			(2)			(317)				
ABB Group	8,941	+10%	+9%	8,271	+12%	+7%	9,257	+6%	+3%	12.1%	-0.8pts

Effective January 1, 2018, management responsibility and oversight of certain remaining engineering, procurement and construction (EPC) business, previously included in the Power Grids, Industrial Automation, Robotics and Motion operating segments, were transferred to a new non-core operating business within Corporate and Other. Previously reported amounts have been reclassified consistent with this new structure.

Power Grids

Continued order momentum in the quarter, with total orders rising 11 percent (7 percent higher in US dollars) and third-party base orders increasing 13 percent (9 percent higher in US dollars), was supported by Power Up initiatives. Orders included a large HVDC project, good orders from ABB Ability™ and Grid Automation as well as for services. The order backlog ended the third quarter 1 percent lower (5 percent lower in US dollars) year-on-year. Revenues were steady (5 percent lower in US dollars), with good service momentum mitigating the lower opening order backlog. The division delivered an operational EBITA margin of 10.0 percent, supported by cost reduction efforts and strong project execution.

Electrification Products

Total orders increased 6 percent (26 percent in US dollars) and third-party base orders rose 3 percent (25 percent in US dollars). Growth was broad-based, with good orders for data centers in the quarter. Demand from process industries improved, and building orders were robust globally. Revenues improved 3 percent (23 percent in US dollars), driven mainly by growth in product revenues. Operational EBITA margin was 260 basis points lower year-on-year at 13.5 percent. The integration of GEIS diluted margins by 270 basis points, in line with expectations. Excluding GEIS, operating margins were supported by volume growth, pricing actions and ongoing cost control.

Industrial Automation

Total orders improved 7 percent (3 percent in US dollars), while third-party base orders grew 4 percent (1 percent in US dollars) compared to the prior year period. Recovery in process industries continued, with ongoing demand for ABB Ability™ enabled automation and control solutions. In addition, order activity for specialty marine vessels was strong. The order backlog ended the third quarter 2 percent lower (5 percent lower in US dollars) year-on-year. Revenues increased 3 percent (1 percent lower in US dollars), driven by strong book-and-bill business. Operational EBITA margins expanded by 70 basis points year-on-year to 14.1 percent, due to positive net savings, strong project execution and positive one-time effects.

Robotics and Motion

Order momentum was strong with total orders up 15 percent (12 percent in US dollars) and third-party base orders up 12 percent (8 percent in US dollars). Order growth was achieved across all businesses and regions, with double-digit growth in China and good demand from rail, process industries, automotive and food and beverage. Revenues improved 7 percent (4 percent in US dollars). Operational EBITA margin at 17.0 percent expanded 60 basis points year-on-year, driven by volume, mix and ongoing cost efforts.

Next Level strategy

ABB has been executing its Next Level strategy since 2014 through three focus areas: profitable growth, relentless execution, and business-led collaboration.

Profitable growth

ABB Ability™, the market leading industrial digital solutions offering, continues to power growth at ABB within its four entrepreneurial divisions. During the quarter, ABB Ability™ solutions were recognized as global leaders in Distributed Control Systems and Enterprise Asset Management software.

Large orders received in the quarter included a substantial order to supply HVDC converter stations that will transmit renewable energy from the Kyrgyz Republic and Tajikistan to Pakistan, and over \$100 million of orders to supply state-of-the-art traction equipment to Swiss train manufacturer Stadler.

ABB continues to shift its center of gravity through ongoing portfolio management, driving towards greater competitiveness, higher growth and lower risk. In September, ABB acquired Intrion, which is headquartered in the Benelux. The transaction will advance ABB's logistics robotics offering to gain a stronger foothold in a market that the International Federation of Robotics expects to grow at an annual rate of 20 to 25 percent from 2018 to 2020. In August, ABB sold its terminal block business in line with its ongoing active portfolio management.

The acquisition of GEIS was completed on June 30, 2018. It is expected that the integration of this business, now well underway, will have an approximately 30 basis points negative impact on ABB Group operating EBITA margins for the full year 2018 and approximately 130 basis points on the Electrification Products (EP) operating EBITA margin. ABB aims to bring the margin for the EP division, after the initial dampening effect, back into its operational EBITA margin target range of 15 to 19 percent during 2020.

Relentless execution

Throughout the third quarter, our focus on relentless execution continued to deliver net savings through ongoing cost management and productivity efforts.

Business-led collaboration

In the third quarter, ABB transferred its turnkey AC Substation business to Linxon, a new joint-venture with SNC-Lavalin. This move delivers on ABB's new business model for engineering, procurement and construction.

As part of the company's brand development actions, Thomas & Betts, one of 20 ABB-owned brands, was officially migrated in the ABB global brand.

ABB was once again listed as the number one employer of choice in engineering sciences by Universum's Swiss Student Research 2018. In the survey, ABB was pleased to have strengthened its position and increased its lead over competitors.

ABB is planning to provide a strategic update alongside its full year results on February 6, 2019.

Short- and long-term outlook

Macroeconomic signs remain robust in Europe and are trending positively in the United States, with growth expected to continue in China. The overall global market is growing, with rising geopolitical uncertainties in various parts of the world. Oil prices and foreign exchange translation effects are expected to continue to influence the company's results.

The attractive long-term demand outlook in ABB's three major customer sectors – utilities, industry and transport & infrastructure – is driven by the Energy and Fourth Industrial Revolutions. ABB is well-positioned to tap into these opportunities for long-term profitable growth with its market-leading digital offering ABB Ability™, strong market presence, broad geographic and business scope, technology leadership and financial strength.

More information

The Q3 2018 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.

ABB will host a media call today starting at 10:00 a.m. Central European Time (CET) (9:00 a.m. BST, 4:00 a.m. EST). The event will be accessible by conference call. The media conference call dial-in numbers are:

UK +44 207 107 0613

Sweden +46 8 5051 0031

Rest of Europe, +41 58 310 5000

US and Canada +1 866 291 4166 (toll-free) or +1 631 570 5613 (long-distance charges)

Lines will be open 10-15 minutes before the start of the call.

A conference call and webcast for analysts and investors is scheduled to begin today at 2:00 p.m. CET (1:00 p.m. BST, 8:00 a.m. EST). The webcast will be accessible on the ABB website at: new.abb.com/investorrelations/. Callers are requested to phone in 10 minutes before the start of the call. The analyst and investor conference call dial-in numbers are:

UK +44 207 107 0613

Sweden +46 8 5051 0031

Rest of Europe +41 58 310 5000

US and Canada +1 866 291 4166 (toll-free) or +1 631 570 5613 (long-distance charges)

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 in power grids, electrification products, industrial automation and robotics and motion, serving customers in utilities, industry and transport & infrastructure globally. Continuing a history of innovation spanning more than 130 years, ABB today is writing the future of industrial digitalization with two clear value propositions: bringing electricity from any power plant to any plug and automating industries from natural resources to finished products. As title partner in ABB Formula E, the fully electric international FIA motorsport class, ABB is pushing the boundaries of e-mobility to contribute to a sustainable future. ABB operates in more than 100 countries with about 147,000 employees. www.abb.com

Fourth quarter and full year 2018 results	February 6, 2019
Annual General Meeting	March 28, 2019

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”, “Cash flow from operating activities”, “Next Level strategy” and “Short- and long-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 Ltd. These expectations, estimates and projections are generally identifiable by statements containing words such as “aims”, “expects”, “believes”, “estimates”, “targets”, “plans”, “is likely”, “intends” 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 25, 2018

Ulrich Spiesshofer, CEO

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