

ABB delivers strong order growth and cash in Q2

- Orders up 13%¹; book-to-bill ratio² of 1.04x
- Group operational EBITDA³ impacted by loss in Power Systems (PS)
- Decisive step change actions implemented in PS
- Cash from operations up by more than \$300 million
- Successful execution of announced portfolio pruning

Zurich, Switzerland, July 23, 2014 – ABB today reported strong order growth, stable revenues and a significant increase in cash from operations for the second quarter of 2014. The lower operational EBITDA margin mainly reflects ongoing project-related challenges in the Power Systems (PS) division.

Orders⁴ of \$10.6 billion were 14 percent higher (13 percent on a like-for-like basis²) compared with the same quarter in 2013. Base orders accelerated and large orders grew more than 70 percent. The positive growth momentum was supported across all regions.

“Last October we said that we will drive organic growth through penetration, innovation and expansion and now we are delivering results,” said ABB Chief Executive Officer Ulrich Spiesshofer. “Our focused actions are paying off and support overall increased order momentum. In the second quarter we saw encouraging growth in our two largest markets, the US and China.”

The strong order intake resulted in a positive book-to-bill ratio of 1.04x. ABB delivered steady revenues of \$10.2 billion despite the lower opening order backlog.

Group operational EBITDA was impacted by a loss in the PS division related to ongoing project charges in large engineering, procurement and construction (EPC) projects for offshore wind and solar power generation. New management has taken strict actions to de-risk the PS portfolio and adjust capacity. In addition to the exit from the solar EPC business, ABB is implementing a new business model for offshore wind EPC. “As said previously, PS is likely to weigh on earnings in the coming quarters. Spiesshofer said. “We are driving the PS turnaround as a top priority and made good progress in lowering the exposure.”

Operational EBITDA margin² was stable to higher for the remaining divisions, excluding the expected dilutive impact of the Power-One acquisition in Discrete Automation and Motion. Cash from operations improved by more than 60 percent to \$888 million in the quarter.

ABB successfully executed on its announced strategic portfolio pruning of businesses that have limited synergies with the rest of the portfolio. “Since October last year, we have moved quickly on our commitment to optimize the portfolio in a value-creating way and to strengthen the focus on the core,” Spiesshofer said.

“For the second half of the year we will continue to push hard on our organic growth initiatives in a mixed market environment,” he said. “We will drive our relentless execution on cash and further step up the momentum on cost savings. We are confident that our balanced growth and execution initiatives will yield positive results for our shareholders.”

ABB will host a capital markets day on September 9 in London to communicate its new strategy and financial targets as well as priorities for value creation and capital allocation.

2014 Q2 and half-year key figures

	Q2 14	Q2 13	Change			H1 14	H1 13	Change		
<i>\$ millions unless otherwise indicated</i>			US\$	Local	Like-for-like ²			US\$	Local	Like-for-like ²
Orders	10'567	9'312	13%	14%	13%	20'925	19'804	6%	7%	6%
Order backlog (end June)	27'089	28'292	-4%	-5%						
Revenues	10'190	10'225	0%	0%	-1%	19'661	19'940	-1%	0%	-1%
Income from operations	1'052	1'188	-11%			1'907	2'240	-15%		
as % of revenues	10.3%	11.6%				9.7%	11.2%			
Operational EBITDA	1'331	1'561	-15%			2'602	3'019	-14%		
as % of operational revenues ²	13.0%	15.2%				13.2%	15.1%			
Net income	636	763	-17%			1'180	1'427	-17%		
Basic earnings per share (\$)	0.28	0.33				0.51	0.62			
Cash from operating activities	888	543	64%			843	320	163%		

Summary of Q2 results

Growth overview

Demand for power distribution systems and equipment from utility customers remained steady in the quarter while utility investments in power transmission remained selective. Industrial demand varied by region and end market, with positive trends in sectors such as oil and gas and general industry and continued weakness in mining. Infrastructure markets were also mixed. Construction markets were mainly flat to slightly weaker while rail and marine transportation demand was positive.

Total orders received were up 14 percent in the quarter (13 percent on a like-for-like basis). Approximately half of the increase resulted from higher large orders (above \$15 million), particularly the \$400-million HVDC (high-voltage direct current) power link order won in Canada. Base orders (below \$15 million) were up 9 percent (7 percent like-for-like) on growth in most of ABB's early-cycle product businesses. Large orders represented 14 percent of total orders received in the quarter, compared to 9 percent in the same quarter in 2013.

Service orders increased 12 percent and represented 17 percent of total orders, unchanged versus the year-earlier quarter.

Revenues were flat in the second quarter (down 1 percent like-for-like). Higher revenues in the Discrete Automation and Motion division compensated a revenue decline in Process Automation and Power Systems divisions where opening order backlogs were lower compared to the same quarter a year earlier. Service revenues were flat and represented 16 percent of total revenues, unchanged compared to the same quarter a year earlier.

The order backlog at the end of June amounted to \$27.1 billion, a decrease of 5 percent compared to the end of the same quarter in 2013 but 5 percent higher than at the end of 2013.

Orders received and revenues by region

	Orders received			Change		Revenues		Change		
	Q2 14	Q2 13	US\$	Local	Like-for-like	Q2 14	Q2 13	US\$	Local	Like-for-like
Europe	3'262	3'149	4%	1%	-1%	3'615	3'421	6%	3%	3%
The Americas	3'531	2'736	29%	33%	31%	2'939	3'052	-4%	-1%	-3%
Asia	2'798	2'494	12%	14%	13%	2'698	2'783	-3%	-1%	-2%
Middle East and Africa	976	933	5%	5%	5%	938	969	-3%	-3%	-3%
ABB Group	10'567	9'312	13%	14%	13%	10'190	10'225	0%	0%	-1%

Orders were mixed across Europe. For example, orders increased in Russia, the Netherlands and Germany and declined in Norway, the UK and France.

The strong order development in the Americas partly reflects the large power transmission order won in Canada in the quarter, as well as a double-digit order increase in the US and a significant increase in Brazil compared with the low levels of 2013.

Asian order growth was led by double-digit increases in China—especially in Power Products and Discrete Automation and Motion—Indonesia, and South Korea. Orders decreased in India.

Orders increased in the Middle East and Africa—including strong double-digit growth in Saudi Arabia—mainly on higher demand in the power divisions.

Orders received and revenues by division

\$ millions unless otherwise indicated	Orders received					Revenues				
	Q2 2014	Q2 2013	Change			Q2 2014	Q2 2013	Change		
			US\$	Local currency	Like- for-like			US\$	Local currency	Like- for-like
Discrete Automation and Motion	2'667	2'392	11%	11%	7%	2'543	2'362	8%	7%	3%
Low Voltage Products	1'939	1'980	-2%	-1%	0%	1'936	1'929	0%	1%	3%
Process Automation	2'044	1'788	14%	15%	16%	2'012	2'130	-6%	-5%	-2%
Power Products	2'766	2'596	7%	7%		2'662	2'781	-4%	-3%	
Power Systems	1'767	1'307	35%	39%		1'810	1'962	-8%	-7%	
Corporate and other (incl. inter-division eliminations)	(616)	(751)				(773)	(939)			
ABB Group	10'567	9'312	13%	14%	13%	10'190	10'225	0%	0%	-1%

Discrete Automation and Motion: A combination of growth initiatives and higher demand in early-cycle businesses serving general industry and discrete manufacturing drove order growth in the quarter, led by a solid increase in base orders. Large orders were lower. Increased revenues in robotics and service more than offset the impact of a lower opening order backlog in large motors and medium-voltage drives compared to the same quarter in 2013.

Low Voltage Products: Orders were stable compared with the same period a year earlier and, excluding the previously-announced divestments, the remaining ongoing business improved. Revenue growth was driven mainly by product businesses and systems.

Process Automation: Both large and base orders improved in the second quarter, driven mainly by the strength of the marine and pulp and paper sectors. Demand from the mining industry was up but remained at low levels. Orders grew in the Americas and Asia. Orders were flat in Europe and down slightly in the Middle East and Africa. Revenues were lower as the execution of the strong order backlog in oil and gas was offset mainly by a decline in marine and mining revenues. Increased lifecycle service revenues in the quarter were offset by lower full service revenues.

Power Products: Both large and base orders increased in the second quarter, supported by the distribution and industry sectors and continued selective investments on large transmission projects. Order growth was driven by emerging markets, including China, India and Brazil. Orders also increased in North America but were lower in Europe. The lower revenues in the quarter mainly reflect the lower opening order backlog.

Power Systems: An increase in large orders, mainly the \$400-million HVDC (high-voltage direct current) link project in Canada, drove the strong order improvement in the second quarter, although base orders also grew at a double-digit pace. Utilities remain cautious in their power transmission investments and ABB continues to be selective, focusing on margin and pull-through. Revenues were lower than the previous year impacted by the lower opening order backlog and the execution delays in selected projects.

Earnings overview

Operational EBITDA

Operational EBITDA in the second quarter of 2014 amounted to \$1.3 billion, 15 percent below the year-earlier period, primarily the result of the continued weak operational performance in Power Systems, mainly related to EPC projects in offshore wind and solar power generation. The operational EBITDA margin was steady to higher in all other divisions (excluding the dilutive impact of the Power-One acquisition in the Discrete Automation and Motion division).

Cost savings and further productivity improvements more than compensated pricing pressures.

Net income

Net income for the quarter amounted to \$636 million and included \$333 million of depreciation and amortization, of which approximately \$100 million of amortization was related to acquisitions. Restructuring-related charges amounted to \$40 million.

Net income also includes after-tax gains of approximately \$60 million from divestitures in the quarter.

Basic earnings per share amounted to \$0.28 in the second quarter compared to \$0.33 in the same quarter a year earlier.

Earnings and cash flows by division

	Operational EBITDA			Operational EBITDA margin		Cash flows from operating activities		
	Q2 2014	Q2 2013	Change US\$	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Change US\$
Discrete Automation and Motion	443	428	4%	17.4%	18.1%	374	326	15%
Low Voltage Products	364	367	-1%	18.8%	19.0%	273	255	7%
Process Automation	248	252	-2%	12.3%	11.8%	206	163	26%
Power Products	393	409	-4%	14.8%	14.7%	189	223	-15%
Power Systems	(24)	159	n/a	-1.3%	7.9%	54	(151)	n/a
Corporate and other (incl. inter-division eliminations)	(93)	(54)				(208)	(273)	
ABB Group	1'331	1'561	-15%	13.0%	15.2%	888	543	64%

Discrete Automation and Motion: The operational EBITDA increased on higher revenues while the operational EBITDA margin decline reflects the dilutive impact from Power-One, acquired in the third quarter of 2013. Excluding that impact, the division's operational EBITDA margin was slightly higher than in the year-earlier period.

Low Voltage Products: Operational EBITDA margin declined due to an unfavorable revenue mix and increased investments to drive organic sales growth.

Process Automation: The operational EBITDA margin improvement reflects solid project execution out of the order backlog in the oil and gas business and continued strict cost control.

Power Products: The operational EBITDA margin was maintained at a steady level as a result of continued cost savings and solid execution.

Power Systems: The operational EBITDA loss reflects the continued impact of project-related charges, mainly in engineering, procurement and construction (EPC) contracts in solar power generation and in offshore wind. Lower revenues also affected earnings.

Balance sheet and cash flow

Total debt² at the end of the second quarter amounted to around \$9 billion, approximately \$1 billion higher than at the end of 2013, reflecting increased short-term borrowing. Net debt² at the end of the second quarter increased to approximately \$3 billion compared with \$1.5 billion at the end of 2013.

ABB reported cash flow from operations of \$888 million in the second quarter, an increase of more than \$300 million compared with the second quarter in 2013. Cash flow from the divisions improved by \$280 million as the result of successful net working capital management efforts, especially in receivables and inventory management. Net working capital as a share of revenues² amounted to 17 percent, as in the second quarter of 2013.

Divestitures

In line with its strategy to continuously optimize the portfolio and to focus on driving profitable growth in the core automation and power businesses, ABB announced in June an agreement to divest Thomas & Betts' steel structures business for \$600 million in an all-cash transaction. The deal is expected to be closed in the third quarter of 2014, subject to regulatory clearances. ABB also divested the Power Solutions business of Power-One for approximately \$120 million and completed the previously-announced sale of Thomas & Betts' heating, ventilation and air conditioning business for approximately \$260 million.

Outlook

The long-term demand outlook for ABB's businesses remains clearly positive. The need for efficient and reliable electricity transmission and distribution will continue to increase, driven by factors such as: accelerating urbanization in emerging markets; actions to address global warming; the rapidly increasing power needs from digitization; and the refurbishment of aging power grids. At the same time, demand for industrial automation solutions will grow as customers strive to improve productivity, efficiency, product quality, and safety. ABB is well positioned to tap these opportunities for long-term profitable growth with its strong market presence, broad geographic and business scope, technology leadership and financial strength.

In the short term, there are positive early-cycle macroeconomic signs, for example, in the US. However, there remain uncertainties related to the speed and strength of economic development in some emerging markets. Growth in Europe is expected to continue the pattern seen in the second quarter and to vary by country and sector.

In this market environment, ABB's management team aims to systematically drive profitable organic growth through increased market penetration, generating more revenues from our pipeline of new product innovations, and expanding into new attractive market segments. In addition, management intends to accelerate business-led collaboration, such as further developing the service business, driving the successful integration of acquired businesses and increasing ABB's productivity by focusing stronger on the needs of customers. A third priority is relentless execution, especially in the areas of cost savings, cash flow generation and returning the Power Systems division to higher and more consistent returns.

More information

The 2014 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.

ABB will host a media conference call starting at 9:30 a.m. Central European Time (CET). The event will be accessible by conference call. U.K. callers should dial +44 203 059 58 62. From Sweden, the number is +46 85 051 00 31, and from the rest of Europe, +41 58 310 50 00. Callers from the US and Canada should dial +1 866 291 41 66 (toll-free) or +1 631 570 56 13 (local tariff). Lines will be open 15 minutes before the start of the conference. Audio playback of the call will start one hour after the call ends and will be available for 24 hours: Playback numbers: +44 207 108 6233 (U.K.), +41 91 612 4330 (rest of Europe) or +1 631 982 4566 (U.S./Canada). The code is 18397, followed by the # key.

A conference call for analysts and investors is scheduled to begin today at 2:00 p.m. CET (1:00 p.m. BST, 8:00 a.m. EDT). Callers should dial +1 866 291 41 66 from the US/Canada (toll-free), +1 631 570 5613 (US/Canada local tariff), +44 203 059 58 62 from the U.K., +46 8 5051 00 31 from Sweden or +41 58 310 50 00 from the rest of the world. Callers are requested to phone in 10 minutes before the start of the call. The recorded session will be available as a podcast one hour after the end of the conference call and can be downloaded from our website.

Investor calendar 2014

Capital Markets Day	September 9, 2014
Third-quarter 2014 results	October 22, 2014
Fourth-quarter 2014 results	February 5, 2015

ABB (www.abb.com) is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs about 145,000 people.

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. 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 "expects," "believes," "estimates," "targets," "plans", "is likely" 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, raw materials availability and prices, 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 23, 2014

Ulrich Spiesshofer, CEO

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Press Release



Key figures

\$ millions unless otherwise indicated		Q2 14	Q2 13	Change			H1 14	H1 13	Change		
				US\$	Local	Like-for-like ²			US\$	Local	Like-for-like ²
Orders	ABB Group	10'567	9'312	13%	14%	13%	20'925	19'804	6%	7%	6%
	Discrete Automation and Motion	2'667	2'392	11%	11%	7%	5'483	4'877	12%	13%	8%
	Low Voltage Products	1'939	1'980	-2%	-1%	0%	3'914	3'914	0%	1%	1%
	Process Automation	2'044	1'788	14%	15%	16%	4'048	4'288	-6%	-4%	1%
	Power Products	2'766	2'596	7%	7%		5'491	5'455	1%	2%	
	Power Systems	1'767	1'307	35%	39%		3'257	2'944	11%	14%	
	Corporate and other (incl. inter-division eliminations)	(616)	(751)				(1'268)	(1'674)			
Revenues	ABB Group	10'190	10'225	0%	0%	-1%	19'661	19'940	-1%	0%	-1%
	Discrete Automation and Motion	2'543	2'362	8%	7%	3%	4'924	4'689	5%	5%	1%
	Low Voltage Products	1'936	1'929	0%	1%	3%	3'818	3'706	3%	4%	4%
	Process Automation	2'012	2'130	-6%	-5%	-2%	3'955	4'108	-4%	-2%	1%
	Power Products	2'662	2'781	-4%	-3%		5'053	5'270	-4%	-3%	
	Power Systems	1'810	1'962	-8%	-7%		3'418	4'013	-15%	-13%	
	Corporate and other (incl. inter-division eliminations)	(773)	(939)				(1'507)	(1'846)			
Income from operations	ABB Group	1'052	1'188	-11%			1'907	2'240	-15%		
	Discrete Automation and Motion	349	361	-3%			675	698	-3%		
	Low Voltage Products	400	262	53%			656	494	33%		
	Process Automation	217	233	-7%			436	457	-5%		
	Power Products	319	346	-8%			591	629	-6%		
	Power Systems	(90)	108	n/a			(192)	213	n/a		
	Corporate and other (incl. inter-division eliminations)	(143)	(122)				(259)	(251)			
Income from operations %	ABB Group	10.3%	11.6%				9.7%	11.2%			
	Discrete Automation and Motion	13.7%	15.3%				13.7%	14.9%			
	Low Voltage Products	20.7%	13.6%				17.2%	13.3%			
	Process Automation	10.8%	10.9%				11.0%	11.1%			
	Power Products	12.0%	12.4%				11.7%	11.9%			
	Power Systems	-5.0%	5.5%				-5.6%	5.3%			
Operational EBITDA	ABB Group	1'331	1'561	-15%			2'602	3'019	-14%		
	Discrete Automation and Motion	443	428	4%			838	844	-1%		
	Low Voltage Products	364	367	-1%			710	687	3%		
	Process Automation	248	252	-2%			512	511	0%		
	Power Products	393	409	-4%			747	781	-4%		
	Power Systems	(24)	159	n/a			(53)	328	n/a		
	Corporate and other (incl. inter-division eliminations)	(93)	(54)				(152)	(132)			
Operational EBITDA %	ABB Group	13.0%	15.2%				13.2%	15.1%			
	Discrete Automation and Motion	17.4%	18.1%				17.1%	18.0%			
	Low Voltage Products	18.8%	19.0%				18.6%	18.5%			
	Process Automation	12.3%	11.8%				12.9%	12.4%			
	Power Products	14.8%	14.7%				14.8%	14.8%			
	Power Systems	-1.3%	7.9%				-1.5%	8.1%			

Orders received and revenues by region

\$ millions		Orders received			Change			Revenues			Change		
		H1 14	H1 13	US\$	Local	Like-for-like ²		H1 14	H1 13	US\$	Local	Like-for-like ²	
Europe		7'126	7'033	1%	0%	1%		6'969	6'798	3%	1%	0%	
The Americas		6'294	5'534	14%	18%	16%		5'671	5'876	-3%	0%	-2%	
Asia		5'529	5'309	4%	6%	5%		5'146	5'327	-3%	-1%	-2%	
Middle East and Africa		1'976	1'928	2%	5%	4%		1'875	1'939	-3%	-2%	-3%	
Group total		20'925	19'804	6%	7%	6%		19'661	19'940	-1%	0%	-1%	

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Operational EBITDA

\$ millions unless otherwise indicated

	ABB		Discrete Automation and Motion		Low Voltage Products		Process Automation		Power Products		Power Systems	
	Q2 14	Q2 13	Q2 14	Q2 13	Q2 14	Q2 13	Q2 14	Q2 13	Q2 14	Q2 13	Q2 14	Q2 13
Revenues	10'190	10'225	2'543	2'362	1'936	1'929	2'012	2'130	2'662	2'781	1'810	1'962
FX/commodity timing differences on Revenues	56	76	(4)	1	2	-	5	13	1	-	52	63
Operational revenues	10'246	10'301	2'539	2'363	1'938	1'929	2'017	2'143	2'663	2'781	1'862	2'025
Income from operations	1'052	1'188	349	361	400	262	217	233	319	346	(90)	108
Depreciation	215	204	41	35	45	51	18	17	48	44	23	21
Amortization	118	114	38	31	31	31	4	5	7	8	24	24
<i>including total acquisition-related amortization of</i>	<i>96</i>	<i>93</i>	<i>35</i>	<i>28</i>	<i>33</i>	<i>30</i>	<i>3</i>	<i>3</i>	<i>5</i>	<i>5</i>	<i>14</i>	<i>22</i>
Restructuring and restructuring-related expenses	40	35	13	3	4	2	4	9	15	20	5	-
Gains and losses on sale of businesses, acquisition-related expenses and certain non-operational items	(114)	28	2	5	(108)	3	2	1	6	-	(9)	1
FX/commodity timing differences in income from operations	20	(8)	-	(7)	(8)	18	3	(13)	(2)	(9)	23	5
Operational EBITDA	1'331	1'561	443	428	364	367	248	252	393	409	(24)	159
Operational EBITDA margin (%)	13.0%	15.2%	17.4%	18.1%	18.8%	19.0%	12.3%	11.8%	14.8%	14.7%	-1.3%	7.9%

¹ Orders up 13 percent on a like-for-like basis. See the "Supplemental Financial Information" attachment to the press release.

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

³ See reconciliation of operational EBITDA to Income from continuing operations before taxes in Note 13 to the Interim Consolidated Financial Information (unaudited)

⁴ Management discussion of orders and revenues focuses on local currency changes. U.S. dollar changes are reported in the results tables.