



Q1 2021

First three months Press release

ZURICH, SWITZERLAND, APRIL 27, 2021

Q1 2021 results

Strong start to the year

- Orders \$7.8 billion, +6%; comparable¹ +1%
- Revenues \$6.9 billion, +11%; comparable +7%
- Income from operations \$797 million; margin 11.5%
- Operational EBITA¹ \$959 million; margin¹ 13.8%
- Basic EPS \$0.25; +41%²
- Cash flow from operating activities \$543 million; cash flow from operating activities in continuing operations \$523 million

KEY FIGURES

(\$ millions, unless otherwise indicated)	Q1 2021	Q1 2020	CHANGE	
			US\$	Comparable ¹
Orders	7,756	7,346	6%	1%
Revenues	6,901	6,216	11%	7%
Gross Profit	2,268	1,910	19%	
as % of revenues	32.9%	30.7%	+2.2 pts	
Income from operations	797	373	114%	
Operational EBITA ¹	959	636	51%	40% ³
as % of operational revenues ¹	13.8%	10.2%	+3.6 pts	
Income from continuing operations, net of tax	551	326	69%	
Net income (loss) attributable to ABB	502	376	34%	
Basic earnings per share (\$)	0.25	0.18	41% ²	
Cash flow from operating activities ⁴	543	(577)	n.a.	
Cash flows from operating activities in continuing operations	523	(396)	n.a.	

¹ For a reconciliation of non-GAAP measures, see "supplemental reconciliations and definitions" in the attached Q1 2021 Financial Information.

² EPS growth rates are computed using unrounded amounts.

³ Constant currency (not adjusted for portfolio changes).

⁴ Amount represents total for both continuing and discontinued operations.

"After a busy year of creating the right set-up for the Group, we are now starting to show the real potential of our underlying businesses. Through greater accountability, transparency and speed, we increasingly create value for our stakeholders."

Björn Rosengren, CEO



CEO summary

Market activity continued to recover from its lowest point during the summer 2020. Demand was especially strong in the short-cycle business, beyond our expectations. The increased customer activity, in combination with the impact from previously implemented cost measures, resulted in double-digit growth in Operational EBITA, and a very high first quarter margin of 13.8%. I am pleased to see good performance also in cash flow, which was high for a first quarter at \$523 million. That said, while there was no material impact on results in the period, the progressively tighter supply of certain components such as semiconductors and plastics, is a concern. We anticipate prolonged delivery lead-times to customers in parts of our businesses in the coming quarter. On a separate note, we made the important launch of our new collaborative robot families. Through this expansion of our offering, we aim to unlock customer groups with currently a low level of automation.

In total, we registered order growth of 6% (1% comparable), supported by a broad recovery in most of our short-cycle businesses. To some extent, demand is likely to have been driven by a stock build-up related to supply chain concerns. On the downside, growth was hampered by a weak development in the cruising and oil & gas segments - albeit initial signs of stabilization were noted. Overall, orders increased slightly in Europe and AMEA, with the latter supported by a stellar growth in China. Underlying business momentum improved in the Americas, driven by the US, although the region faced high comparable numbers in the previous period, which put pressure on growth rates.

I am pleased about the progress toward our 2023 margin target, with all business areas increasing operational EBITA margin by more than 100 basis points. That said, we are taking actions to further improve operational performance in Process Automation, which should also benefit from an anticipated improvement in end markets during the latter part of the year.

We made good progress with the divestment process for the three previously announced divisions and I expect us to sign the first deal during the second half of the year. Furthermore, we have turned our E-mobility business into a separate division and initiated a carve out into a separate legal structure. These steps will allow us to prepare for a possible public listing, creating a platform for accelerated growth and value creation in this business.

We held the Annual General Meeting at which the proposed dividend of CHF 0.80 was approved. Furthermore, we announced an additional share buyback program of up to \$4.3 billion, whereby re-confirming the intention to return \$7.8 billion of cash proceeds from the Power Grids divestment to shareholders.



Björn Rosengren
CEO

Outlook

Based on the current market situation, ABB anticipates growth rates in the **second quarter of 2021** to reflect the low level of business activity in Q2 2020. Comparable orders and revenues are expected to grow >10%, with orders growing more than revenues.

The Operational EBITA margin for the Group is expected to significantly improve year-on-year, to approximately 14%.

As announced in the recent trading update, ABB anticipates comparable revenue growth of ~5% or higher for **full-year 2021**, with the process industry related part of the business expected to recover during the second half of the year.

In 2021, ABB expects a steady pace of improvement from 2020 toward the 2023 Operational EBITA margin target of upper half of the 13%-16% range. This excludes the combined adverse impact related to the Kusile project and stranded costs, which weighed on margin in 2020.

Orders and revenues

The overall demand for ABB products and services improved both year-on-year and sequentially, reflecting strength in the short-cycle business supported by positive developments in most customer segments. Demand related to process industries was subdued. In total, orders for the ABB Group amounted to \$7,756 million, increasing by 6% (1% comparable).

On a sequential basis, the underlying general business environment was positive in all three regions. Compared with the corresponding period last year, growth in the Americas was stable as the year-earlier period did not include any significant adverse impacts from COVID-19, and also benefited from higher large orders received. Asia, Middle East and Africa (AMEA) improved by 8% (2% comparable), driven by a sharp increase of 34% (24% comparable) in China. Orders in Europe increased 10% (3% comparable), with a resilient performance in Germany.

Orders grew strongly in the machine builders, consumer electronics and food & beverage segments as well as in general industries overall. The automotive segment

declined, as the adverse development in the relatively larger OEM business more than offset the growth noted in the tier-1 customer segment.

In the process related businesses, oil & gas declined, although there were signs of improving customer activity. A largely stable development was registered in the pulp & paper, mining and power generation segments. However, customer activity in the areas of chemicals as well as water & wastewater was high.

In transport and infrastructure, there was a very strong order development across the renewables, data centers and e-mobility segments. Also, the buildings segment improved with the residential segment outperforming non-residential. In the marine segment however, orders declined, due to weak demand in the cruising segment.

Revenues amounted to \$6,901 million, increasing by 11% (7% comparable). Three out of four business areas reported revenue increases with only Process Automation declining.

Growth

Change year-on-year	Q1 Orders	Q1 Revenues
Comparable	1%	7%
FX	5%	5%
Portfolio changes	0%	-1%
Total	6%	11%

Orders by region

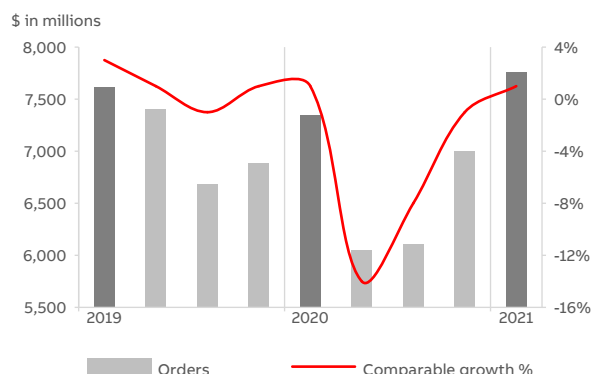
(\$ in millions, unless otherwise indicated)	Q1 2021	Q1 2020	CHANGE	
			US\$	Comparable
Europe	3,102	2,813	10%	3%
The Americas	2,247	2,240	0%	0%
Asia, Middle East and Africa	2,407	2,230	8%	2%
Intersegment ¹	–	63		
ABB Group	7,756	7,346	6%	1%

Revenues by region

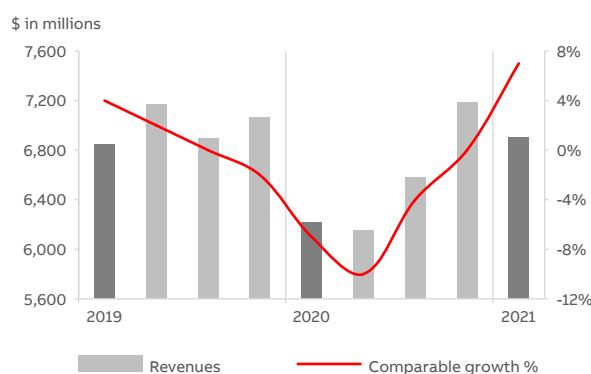
(\$ in millions, unless otherwise indicated)	Q1 2021	Q1 2020	CHANGE	
			US\$	Comparable
Europe	2,551	2,371	8%	1%
The Americas	2,043	2,092	-2%	-2%
Asia, Middle East and Africa	2,307	1,706	35%	30%
Intersegment ¹	–	47		
ABB Group	6,901	6,216	11%	7%

¹ Intersegment orders/revenues until June 30, 2020, include sales to the Power Grids business which is presented as discontinued operations and thus these sales are not eliminated from total orders/revenues.

Orders



Revenues



Earnings

Gross profit

Gross margin increased to 32.9%, up 220 basis points year-on-year, supported by the revenue growth and structural improvements. Gross margin increased in three out of four business areas. Gross profit improved by 19% and amounted to \$2,268 million.

Income from operations

Income from operations amounted to \$797 million and more than doubled from the year-earlier period driven by stronger operational profit, lower negative impacts from hedging timing differences and lower costs associated with the divestment of Power Grids. Results include restructuring activities progressing according to plan with restructuring and restructuring related expenses of \$35 million in the period, primarily related to Electrification.

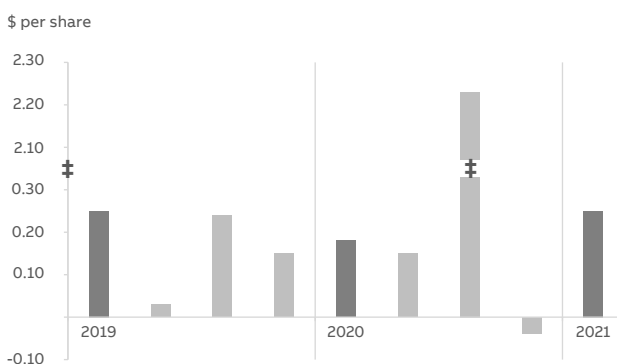
Operational EBITA

Operational EBITA showed a steep improvement of 51% (40% constant currency) year-on-year, increasing the margin by 360 basis points to 13.8%. The stronger performance was driven by increased revenues in combination with improved gross margin, the impact from earlier implemented cost measures and general stringent cost control, with some additional support from the impact of exchange rate movements. Costs relating to selling, general and administrative (SG&A) expenses remained broadly stable, however the ratio in relation to revenues declined to 18.3%, from 20.1% in the year-earlier period. SG&A expenses increased by 1%

Gross profit & Gross margin



Basic EPS



(-4% constant currency), partially held back by the abnormally low travel and sales activities on the back of COVID-19 restrictions. R&D expenses increased by 13% (6% constant currency). Corporate and Other Operational EBITA improved by \$14 million to - \$101 million, with the underlying ongoing corporate EBITA largely stable at -\$79 million.

Net finance expenses

The net finance expenses amounted to \$44 million, higher than the \$4 million in 2020. While interest costs on debt were significantly lower, 2020 included a reduction in interest expense due to changes in tax contingencies. Net finance expenses for 2021 is still estimated at \$130 million.

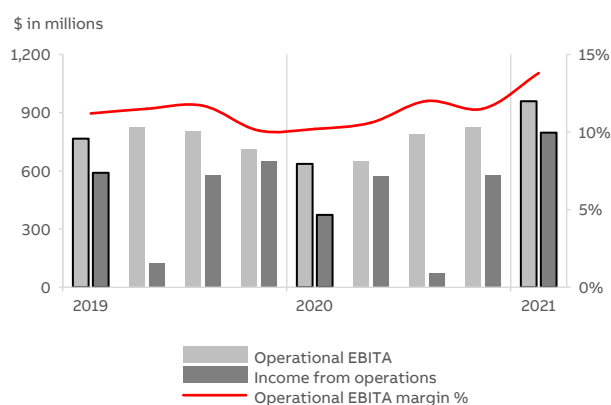
Income tax

Income tax expense was \$252 million with a tax rate of 31.4% compared with 19.5% in the prior year, mostly due to that 2020 included the impact of a favourable resolution of a tax contingency. Tax rate for 2021 is still estimated at 26%.

Net income and earnings per share

Net income attributable to ABB was \$502 million and increased by 34% year-on-year. Basic earnings per share was \$0.25 and increased by 41% year-on-year, including the adverse impact of \$0.01 from discontinued operations.

Income from operations & Operational EBITA



Balance sheet & Cash flow

Net working capital

Net working capital amounted to \$2,904 million, and decreased 12% year-on-year, while it increased from \$2,718 million in the prior quarter primarily due to higher contract assets and inventories as well as lower accrual for employee bonuses. Net working capital as a percentage of revenues was 10.8%, compared with 12.3% in the corresponding period last year.

Capital expenditures

Purchases of property, plant and equipment and intangible assets in the quarter amounted to \$142 million.

Net debt

Net debt totalled \$1,233 million, a significant reduction compared with last year's level of \$6,221 million and a sequential increase from \$112 million. The sequential increase reflects the impacts of the share buybacks during the quarter as well as the initial dividend payment in the period. The net debt to EBITDA ratio declined to 0.4 from 2.3 reported for the same period last year, while it increased sequentially from 0.04.

Cash flows

Cash flow from operating activities in continuing operations was \$523 million, very strong for a first quarter which normally is seasonally weak, and a significant improvement of \$919 million compared with the corresponding period last year. All business areas contributed to the increase which primarily related to the contribution from a higher operational result, a lower build-up of working capital and more favorable timing of tax payments.

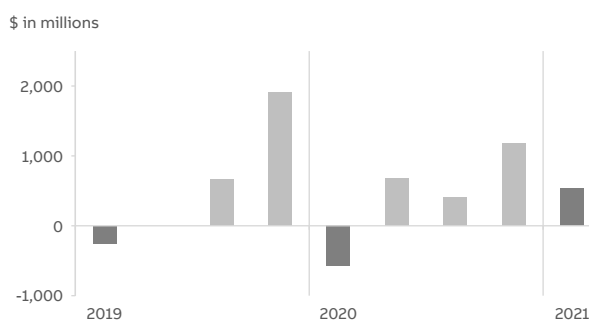
Share buyback program

As announced earlier, ABB intends to return \$7.8 billion of cash proceeds from the Power Grids divestment to shareholders through share buybacks. After completion of the initial program, a further share buyback program of up to \$4.3 billion was launched on April 9. It is being executed on a second trading line on the SIX Swiss Exchange and is planned to run until the company's 2022 Annual General Meeting. ABB intends to request shareholders to approve the cancellation of the remaining shares purchased but not approved for cancellation under the initial program as well as those purchased under this new program at its 2022 AGM.

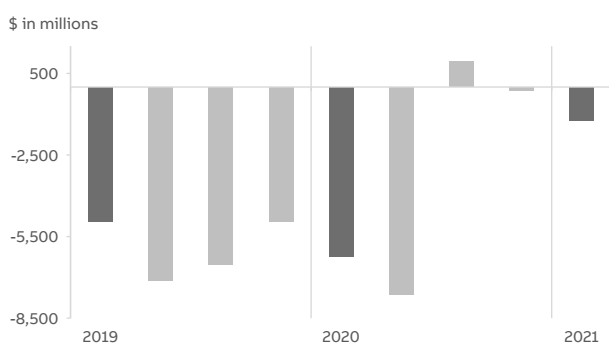
(\$ millions, unless otherwise indicated)	Mar. 31 2021	Mar. 31 2020	Dec. 31 2020
Short term debt and current maturities of long-term debt	1,336	5,913	1,293
Long-term debt	5,619	6,830	4,828
Total debt	6,955	12,743	6,121
Cash & equivalents	3,466	5,971	3,278
Restricted cash - current	72	–	323
Marketable securities and short-term investments	1,884	551	2,108
Restricted cash - non-current	300	–	300
Cash and marketable securities	5,722	6,522	6,009
Net debt*	1,233	6,221	112
Net debt* to EBITDA ratio	0.4	2.3	0.04
Net debt* to Equity ratio	0.09	0.52	0.01

* net debt excludes net pension liabilities \$871 million

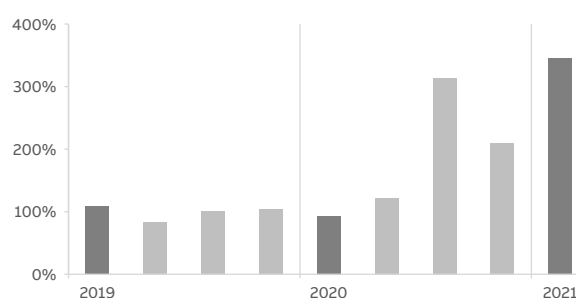
Cash flow from operating activities



Net Cash (Net Debt) position



Free cash flow conversion to net income¹, R12M



Electrification



Orders and revenues

Order intake reached a high level of \$3,531 million, a solid increase of 13% (9% comparable). Revenues at \$3,140 million grew 13% (11% comparable) with strength noted in most segments.

- Strong demand was further supported by customers stock-building to manage the rising constraints of component availability. Additionally, some accelerated orders from customers due to expected price increases driven by rising commodity prices also supported demand, although to a smaller extent.
- Demand improved in the buildings segment, with the residential business outpacing the non-residential. Customer activity was also high for the data centers, food & beverage, rail and e-mobility segments. Activity in oil & gas was muted, albeit the initial signs of a pick-up for the service business was noted.
- Growth in AMEA was supported by stellar growth in China. Orders grew strongly in both Europe and the Americas.

Growth

	Q1	Q1
Change year-on-year	Orders	Revenues
Comparable	9%	11%
FX	5%	5%
Portfolio changes	-1%	-3%
Total	13%	13%

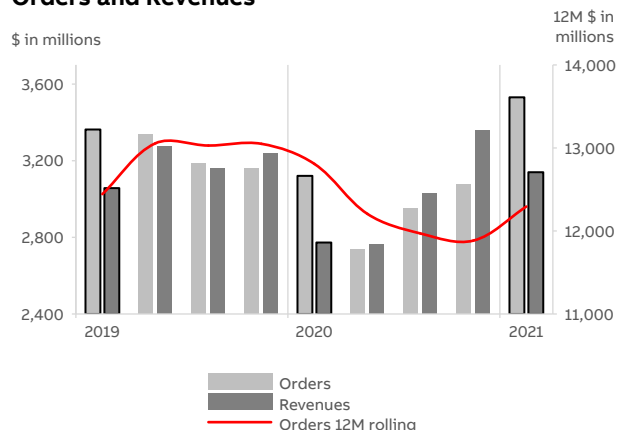
Profit

All of the larger divisions improved both Operational EBITA and margin, hence the business area result improved by 61% and margin increased by 480 basis points to 16.2%.

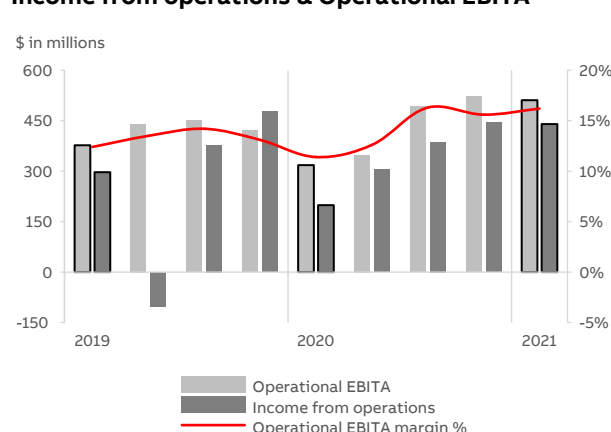
- The strong performance reflects the impact from higher utilization of fixed assets on increased volumes, improved pricing, earlier implemented cost measures as well as general stringent cost controls and constrained travel expenses.
- While the adverse impact from rising raw material costs was very limited in the period, this is expected to have an increasingly negative impact in the coming quarters as commodities bought at higher rates are moved out of inventories.

(\$ millions, unless otherwise indicated)	Q1 2021	Q1 2020	CHANGE	
			US\$	Comparable
Orders	3,531	3,121	13%	9%
Order backlog	4,699	4,386	7%	3%
Revenues	3,140	2,773	13%	11%
Operational EBITA	511	318	61%	
as % of operational revenues	16.2%	11.4%	+4.8 pts	
Cash flow from operating activities	319	13	n.a.	
No. of employees (FTE equiv.)	50,990	52,710		

Orders and Revenues



Income from operations & Operational EBITA



Motion



Orders and revenues

In total, order intake was at a high level and amounted to \$1,917 million which increased by 1% (-4% comparable), although the high comparable from the prior period weighed on the growth rate. Revenues amounted to \$1,667 million, representing growth of 10% (6% comparable).

- Customer activity was high in all segments except oil & gas, where activity declined. Order intake was driven by the short-cycle business, however there were initial signs of improving demand for projects.
- While orders declined in both AMEA and Europe due to high comparables, it increased in the Americas.

The concept of the “Energy Efficiency Movement” was launched, calling upon governments and industries to accelerate the adoption of high-efficiency motors and variable speed drives to combat climate change. This

Growth

	Q1 Orders	Q1 Revenues
Change year-on-year		
Comparable	-4%	6%
FX	5%	4%
Portfolio changes	0%	0%
Total	1%	10%

puts the technology leadership in focus, supporting Motion’s long-term growth opportunities.

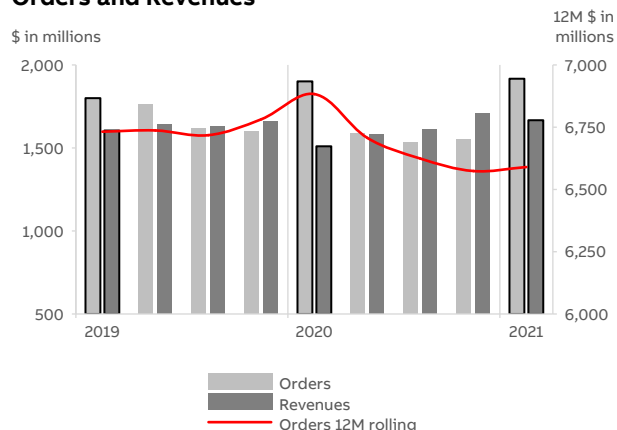
Profit

Operational EBITA margin of 17.1% is a very high first-quarter level, and the Operational EBITA increased by 26%, relative to the same period last year.

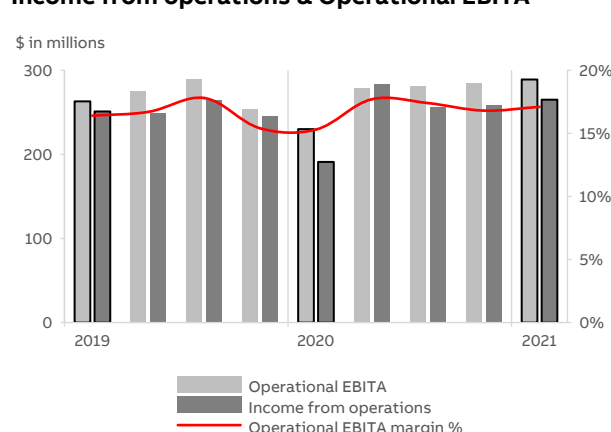
- Operational EBITA and margin improvements were supported by higher sales volumes, improved divisional mix, stringent cost scrutiny and input costs still covered by favorable hedging.
- Although a tightening supply of semiconductors was noted in the industry, there was no material impact on customer deliveries or results.

(\$ millions, unless otherwise indicated)	Q1 2021	Q1 2020	CHANGE	
			US\$	Comparable
Orders	1,917	1,901	1%	-4%
Order backlog	3,419	3,259	5%	-1%
Revenues	1,667	1,510	10%	6%
Operational EBITA	289	230	26%	
as % of operational revenues	17.1%	15.3%	+1.8 pts	
Cash flow from operating activities	324	152	113%	
No. of employees (FTE equiv.)	20,980	20,820		

Orders and Revenues



Income from operations & Operational EBITA



Process Automation



Orders and revenues

Customer activity in the process related segments was low and orders and revenues declined year-on-year in most divisions. Order intake amounted to \$1,656 million, a decrease of 6% (11% comparable). Revenues amounted to \$1,407 million, declining by 4% (9% comparable).

- On the back of a lower demand for products, systems as well as services, the marine and oil & gas segments weighed on the total business area growth. This more than offset the somewhat positive developments in pulp & paper, ports, chemicals and water & wastewater.
- Orders declined in all divisions, except for a slight growth in the short-cycle related business of Measurement & Analytics.
- Revenues declined, mainly reflecting the subdued service business, timing in execution of the order backlog and cruise operators operating significantly below normal levels.

Growth

	Q1	Q1
Change year-on-year	Orders	Revenues
Comparable	-11%	-9%
FX	5%	5%
Portfolio changes	0%	0%
Total	-6%	-4%

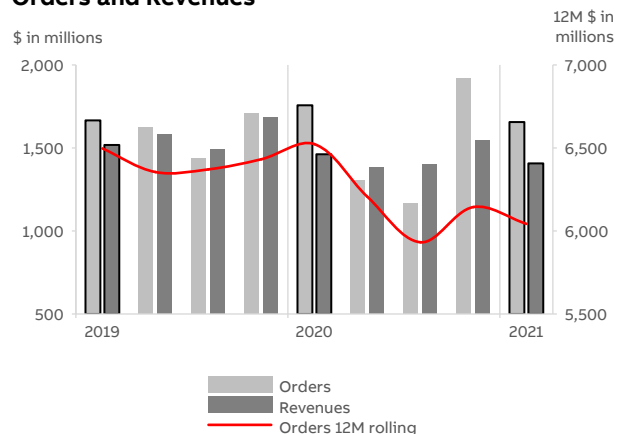
Profit

Despite the decline in revenues the margin improved by 130 basis points year-on-year to 11.0% on improved operational performance. Operational EBITA increased by 8%.

- The negative volume development had an adverse impact on the Operational EBITA, however this was offset by the positive impact from earlier implemented cost measures, stronger operational execution and positive impact from currency movements.
- There was no material impact from the rising constraints of semiconductors supply.
- To take the next step in operational performance, a management change at the head of the Measurement & Analytics division was made.

(\$ millions, unless otherwise indicated)	Q1 2021	Q1 2020	CHANGE	
			US\$	Comparable
Orders	1,656	1,757	-6%	-11%
Order backlog	5,900	5,183	14%	6%
Revenues	1,407	1,462	-4%	-9%
Operational EBITA	155	144	8%	
as % of operational revenues	11.0%	9.7%	+1.3 pts	
Cash flow from operating activities	233	(26)	n.a.	
No. of employees (FTE equiv.)	22,000	22,980		

Orders and Revenues



Income from operations & Operational EBITA



Robotics & Discrete Automation



Orders and revenues

In total, order intake amounted to \$841 million, 4% higher (-3% comparable) year-on-year. Revenues grew strongly, increasing 27% (19% comparable) and amounted to \$853 million, supported by a strong execution of deliveries from the order backlog as well as a generally strong development in the short-cycle business.

- Demand from machine builders was strong, driving a steep order increase in Machine Automation, partially due to some inventory build-up. Robotics orders improved in most customer segments, except in the automotive segment where the growth rate was also pressured by the impact from the ongoing strategic selective order approach, aimed at improving long-term profitability.
- Orders grew in the AMEA region, outperforming the declines in both the Americas and Europe.

Growth

Change year-on-year	Q1 Orders	Q1 Revenues
Comparable	-3%	19%
FX	7%	8%
Portfolio changes	0%	0%
Total	4%	27%

The collaborative robot portfolio was expanded with two new cobot families offering higher payloads and speeds. Importantly, they are intuitively designed so customers need not rely on in-house programming specialists. The launch aims to unlock customer groups who currently have low levels of automation.

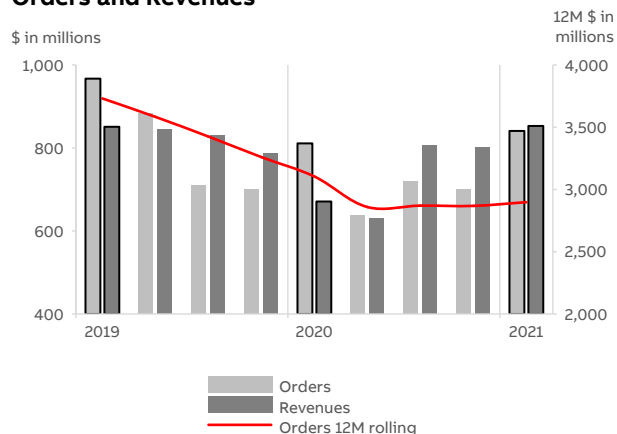
Profit

Operational EBITA increased by 78% year-on-year and the margin increased by 360 basis points to 12.4% with similar improvements in both the Robotics and Machine Automation divisions.

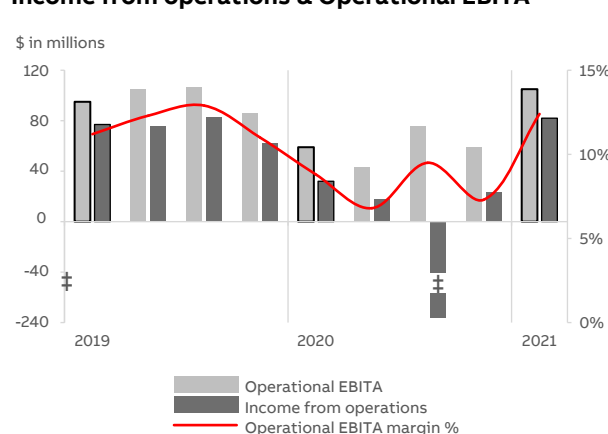
- The margin improvement was primarily driven by the better cost absorption from higher volumes, a positive divisional mix, improved performance in the service business and impacts from previously implemented cost measures.

(\$ millions, unless otherwise indicated)	Q1 2021	Q1 2020	CHANGE	
			US\$	Comparable
Orders	841	811	4%	-3%
Order backlog	1,362	1,454	-6%	-12%
Revenues	853	671	27%	19%
Operational EBITA	105	59	78%	
as % of operational revenues	12.4%	8.8%	+3.6 pts	
Cash flow from operating activities	111	66	68%	
No. of employees (FTE equiv.)	10,290	10,340		

Orders and Revenues



Income from operations & Operational EBITA



Sustainability



ABB took important steps in the first quarter of 2021 to establish the governance of its new ambitious 2030 sustainability strategy, which was launched in November 2020. There is a clear focus on areas with the biggest impact – enabling a low-carbon society by reducing emissions, preserving resources, and promoting social progress underpinned by a strong commitment to integrity and transparency.

Quarterly highlights

- ABB recorded a 22% year-on-year reduction of CO₂ emissions in its own operations mainly due to increased use of renewable electricity. This was underlined by the unveiling of a new solar power generation and renewable energy integration system at its low-voltage products manufacturing site in Beijing.
- Reduction in LTIFR, defined below, of 31% year-on-year partially due to the extra COVID-19 measures in addition to our focus on safety overall at our sites. ABB is also engaging in several initiatives to address mental health issues, including rolling out business-led mental wellbeing programs such as “Are you OK?”
- ABB Switzerland was awarded the “Swiss LGBTI-Label” for the next three years on the basis of criteria such as strategy, HR policy and quality management.

Q1 outcome

- 22% reduction of CO₂ emissions in own operations mainly due to higher use of renewable electricity
- 31% reduction in LTIFR through COVID-19 related safety measures
- Diversity & Inclusion initiative strengthened through Swiss LGBTI certification

Furthermore, ABB has set itself the target of increasing the share of women in senior management roles to 25% by 2030.

- ABB published its Annual Sustainability Report 2020, achieving most of its targets and reducing greenhouse gas emissions by 58% since 2013.
- ABB was named one of the world’s most sustainable companies by Corporate Knights, an international media and research organization. Ranked 33, ABB significantly improved its score versus last year’s ranking.

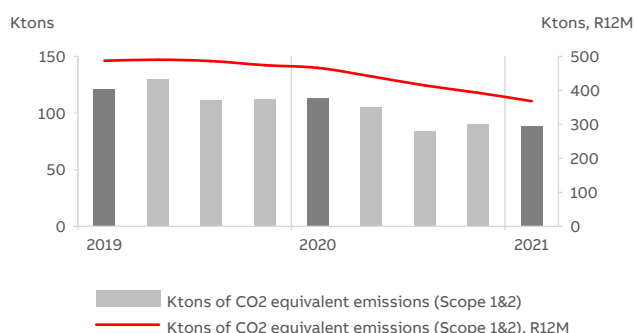
Story of the quarter

In early March, ABB’s Motion business area called upon governments and industry to accelerate the adoption of high-efficiency motors and variable speed drives to combat climate change. Motor and drive technologies have seen exceptionally rapid advancement in the past decade. However, a significant number of industrial electric motor-driven systems in operation today – in the region of 300 million globally – are inefficient or consume much more power than required, resulting in monumental energy wastage. Independent research estimates that if these systems were replaced with optimized, high-efficiency equipment, the gains to be realized could reduce global electricity consumption by up to 10 percent. Read more at <https://www.energyefficiencymovement.com>

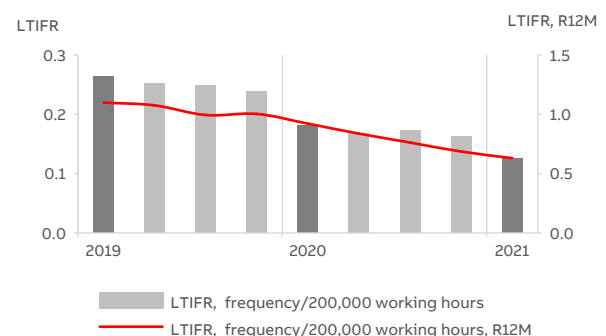
	Q1 2021	Q1 2020	CHANGE	12M ROLLING
CO ₂ e own operations emissions, kt scope 1 and 2 ¹	89	113	-22%	92
Lost Time Injury Frequency Rate (LTIFR), frequency / 200,000 working hours	0.126	0.182	-31%	0.149
Share of females in senior management positions, %	14.3	12.3	+2.0pts	13.4

¹ Data is for the end of previous quarter

CO₂ Scope 1&2



Lost Time Injury Frequency Rate



Significant events

During Q1 2021

- On February 24, ABB announced it is expanding its collaborative robot (cobot) portfolio with the new GoFa™ and SWIFTI™ cobot families. These offer higher payloads and speeds and complement YuMi® and Single Arm YuMi® in ABB's cobot line-up. These stronger, faster and more capable cobots will accelerate the company's expansion in high-growth segments including electronics, healthcare, consumer goods, logistics and food and beverage, amongst others, meeting the growing demand for automation across multiple industries.
- On March 25, ABB announced it had completed its initial share buyback program that was launched in July 2020 as part of the company's plan to return to shareholders cash proceeds from the Power Grids divestment of \$7.8 billion. Through the initial buyback program, ABB repurchased a total of 128,620,589 shares – equivalent to 5.93% of its issued share capital at launch of the buyback program – for a total amount of approximately \$3.5 billion.

At the Annual General Meeting (AGM) shareholders approved the cancellation of 115 million shares purchased under the initial share buyback program.

Consistent with ABB's capital structure optimization program, ABB's Board of Directors approved a further share buyback program of up to \$4.3 billion.

- On March 25, at the 2021 AGM, Peter Voser was confirmed as Chairman of the company's Board of Directors with 92.9 percent of the votes. With the exception of Matti Alahuhta, who as announced earlier did not stand for re-election, all other members of the Board were re-elected for another term: Jacob Wallenberg, Gunnar Brock, David Constable, Frederico Fleury Curado, Lars Förberg, Jennifer Xin-Zhe Li, Geraldine Matchett, David Meline and Satish Pai.

After Q1 2021

- On April 9, ABB launched its previously announced follow-up share buyback program of up to \$4.3 billion. Based on the share price at launch of the program this represented a maximum of approximately 137 million shares. The maximum number of shares that may be repurchased under this new program on any given trading day is 1,543,644.
- On April 15, ABB issued a trading update following better-than-anticipated performance in Q1. Additionally, it raised its revenue guidance for full year 2021 outlook to anticipating comparable revenue growth of ~5% or higher (previously: comparable revenue growth to be broadly in line with its long-term target range), including an anticipated recovery in the process industry related part of the business during the second half of the year.
- On April 27, ABB announced it has separated the E-mobility business into its own division and initiated a carve out into a separate legal structure. These steps will allow for preparation for a possible public listing and create a platform for accelerated growth and value creation in this business.

Acquisitions and divestments, last twelve months

Acquisitions	Company/unit	Closing date	Revenues, \$ million ¹	No. of employees
2020				
Robotics & Discrete Automation	Codian Robotics B.V.	1-Oct	9	16

Divestments	Company/unit	Closing date	Revenues, \$ million ¹	No. of employees
2020				
Power Grids	Power Grids	1-Jul	9,200	36,000

Note: comparable growth calculation includes acquisitions and divestments with revenues of greater than \$50 million.

¹ Represents the estimated annual revenues for the period prior to the announcement of the respective acquisition/divestment.

Additional figures

ABB Group	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021
EBITDA, \$ in million	600	799	302	807	2,508	1,024
Return on Capital Employed, %	n.a.	n.a.	n.a.	n.a.	10.3%	n.a.
Net debt/Equity	0.50	0.60	(0.10)	0.01	0.01	0.09
Net debt/ EBITDA 12M rolling	2.3	2.5	(0.4)	0.04	0.04	0.4
Net working capital, % of 12M rolling revenues	12.3%	12.6%	12.5%	10.5%	10.5%	10.8%
Earnings per share, basic, \$	0.18	0.15	2.14	(0.04)	2.44	0.25
Earnings per share, diluted, \$	0.18	0.15	2.14	(0.04)	2.43	0.25
Dividend per share, CHF	n.a.	n.a.	n.a.	n.a.	0.80	n.a.
Share price at the end of period, CHF	17.01	21.33	23.45	24.71	24.71	28.56
Share price at the end of period, \$	17.26	22.56	25.45	27.96	27.96	30.47
Number of employees (FTE equivalents)	143,320	142,310	106,420	105,520	105,520	105,330
No. of shares outstanding at end of period (in millions)	2,134	2,135	2,092	2,031	2,031	2,024

Additional 2021 guidance

(\$ in millions, unless otherwise stated)	FY 2021	Q2 2021
Corporate and Other Operational costs	~(425) ¹ unchanged	~(110)
Non-operating items		
Restructuring and restructuring related	~(200) unchanged	~(40)
GEIS integration costs	~(20) from ~(30)	~(10)
PPA-related amortization	~(255) unchanged	~(65)
Certain other income and expenses related to PG divestment ²	~(40) unchanged	~(15)

(\$ in millions, unless otherwise stated)	FY 2021	Q2 2021
Net finance expenses	~(130) ¹ unchanged	~(30)
Non-operational pension (cost) / credit	~180 unchanged	~45
Effective tax rate	~26% unchanged	~26%
Capital Expenditures	~(750) unchanged	~(185)

¹ Excluding two main operational exposures that are ongoing in the non-core business and for which exit timing is dependent on circumstances beyond ABB's control such as legal proceedings.

² Excluding share of net income from JV.

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 “Outlook”, “CEO Summary”, “Share buyback program” and “Sustainability”. 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 “intends” “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.

Q1 results presentation on April 27, 2021

The Q1 2021 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.

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.

Financial calendar

2021

July 22	Q2 results
October 21	Q3 results

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ABB (ABBN: SIX Swiss Ex) is a leading global technology company that energizes the transformation of society and industry to achieve a more productive, sustainable future. By connecting software to its electrification, robotics, automation and motion portfolio, ABB pushes the boundaries of technology to drive performance to new levels. With a history of excellence stretching back more than 130 years, ABB’s success is driven by about 105,000 talented employees in over 100 countries.

A short, solid red horizontal line is positioned above the date.

April 27, 2021

Q1 2021

Financial information

Financial Information

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Key Figures

(\$ in millions, unless otherwise indicated)	Q1 2021	Q1 2020	CHANGE	
			US\$	Comparable ⁽¹⁾
Orders	7,756	7,346	6%	1%
Order backlog (end March)	14,750	13,698	8%	2%
Revenues	6,901	6,216	11%	7%
Income from operations	797	373	114%	
Operational EBITA ⁽¹⁾	959	636	51%	40% ⁽²⁾
as % of operational revenues ⁽¹⁾	13.8%	10.2%	+3.6 pts	
Income from continuing operations, net of tax	551	326	69%	
Net income attributable to ABB	502	376	34%	
Basic earnings per share (\$)	0.25	0.18	41% ⁽³⁾	
Cash flow from operating activities ⁽⁴⁾	543	(577)	n.a.	

(1) For a reconciliation of non-GAAP measures see "[Supplemental Reconciliations and Definitions](#)" on page 33.

(2) Constant currency (not adjusted for portfolio changes).

(3) EPS growth rates are computed using unrounded amounts.

(4) Cash flow from operating activities includes both continuing and discontinued operations.

(\$ in millions, unless otherwise indicated)		Q1 2021	Q1 2020	CHANGE		
				US\$	Local	Comparable
Orders	ABB Group	7,756	7,346	6%	1%	1%
	Electrification	3,531	3,121	13%	8%	9%
	Motion	1,917	1,901	1%	-4%	-4%
	Process Automation	1,656	1,757	-6%	-11%	-11%
	Robotics & Discrete Automation	841	811	4%	-3%	-3%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(189)	(244)			
Order backlog (end March)	ABB Group	14,750	13,698	8%	2%	2%
	Electrification	4,699	4,386	7%	3%	3%
	Motion	3,419	3,259	5%	-1%	-1%
	Process Automation	5,900	5,183	14%	6%	6%
	Robotics & Discrete Automation	1,362	1,454	-6%	-12%	-12%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(630)	(584)			
Revenues	ABB Group	6,901	6,216	11%	6%	7%
	Electrification	3,140	2,773	13%	8%	11%
	Motion	1,667	1,510	10%	6%	6%
	Process Automation	1,407	1,462	-4%	-9%	-9%
	Robotics & Discrete Automation	853	671	27%	19%	19%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(166)	(200)			
Income from operations	ABB Group	797	373			
	Electrification	440	199			
	Motion	265	191			
	Process Automation	147	124			
	Robotics & Discrete Automation	82	32			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(137)	(173)			
Income from operations %	ABB Group	11.5%	6.0%			
	Electrification	14.0%	7.2%			
	Motion	15.9%	12.6%			
	Process Automation	10.4%	8.5%			
	Robotics & Discrete Automation	9.6%	4.8%			
Operational EBITA	ABB Group	959	636	51%	40%	
	Electrification	511	318	61%	47%	
	Motion	289	230	26%	18%	
	Process Automation	155	144	8%	-1%	
	Robotics & Discrete Automation	105	59	78%	59%	
	<i>Corporate and Other⁽¹⁾</i> <i>(incl. intersegment eliminations)</i>	(101)	(115)			
Operational EBITA %	ABB Group	13.8%	10.2%			
	Electrification	16.2%	11.4%			
	Motion	17.1%	15.3%			
	Process Automation	11.0%	9.7%			
	Robotics & Discrete Automation	12.4%	8.8%			
Cash flow from operating activities⁽²⁾	ABB Group	543	(577)			
	Electrification	319	13			
	Motion	324	152			
	Process Automation	233	(26)			
	Robotics & Discrete Automation	111	66			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(464)	(601)			
	<i>Discontinued operations</i>	20	(181)			

(1) Corporate and Other includes Stranded corporate costs of \$21 million for the three months ended March 31, 2020.

(2) Commencing Q3 2020, taxes and interest previously allocated to each individual operating segment are now fully allocated to Corporate and Other, and commencing Q1 2021, depreciation relating to certain real estate assets, previously reported in Corporate and Other, has been reallocated to the individual operating segments utilizing these assets. Comparatives have been restated to reflect both changes.

Operational EBITA

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions, unless otherwise indicated)	Q1 21	Q1 20	Q1 21	Q1 20	Q1 21	Q1 20	Q1 21	Q1 20	Q1 21	Q1 20
Revenues	6,901	6,216	3,140	2,773	1,667	1,510	1,407	1,462	853	671
Foreign exchange/commodity timing differences in total revenues	33	25	10	10	19	(3)	5	17	(3)	(2)
Operational revenues	6,934	6,241	3,150	2,783	1,686	1,507	1,412	1,479	850	669
Income from operations	797	373	440	199	265	191	147	124	82	32
Acquisition-related amortization	65	65	29	28	13	13	1	1	20	19
Restructuring, related and implementation costs	35	40	17	15	1	2	3	3	5	7
Changes in obligations related to divested businesses	2	–	–	–	–	–	–	–	–	–
Changes in pre-acquisition estimates	6	–	6	–	–	–	–	–	–	–
Gains and losses from sale of businesses	3	1	3	1	–	–	–	–	–	–
Fair value adjustment on assets and liabilities held for sale	–	19	–	19	–	–	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	10	11	6	11	3	–	1	–	–	–
Other income/expense relating to the Power Grids joint venture	17	–	–	–	–	–	–	–	–	–
Certain other non-operational items	12	47	(6)	–	–	5	–	–	–	1
Foreign exchange/commodity timing differences in income from operations	12	80	16	45	7	19	3	16	(2)	–
Operational EBITA	959	636	511	318	289	230	155	144	105	59
Operational EBITA margin (%)	13.8%	10.2%	16.2%	11.4%	17.1%	15.3%	11.0%	9.7%	12.4%	8.8%

Depreciation and Amortization

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions)	Q1 21	Q1 20	Q1 21	Q1 20	Q1 21	Q1 20	Q1 21	Q1 20	Q1 21	Q1 20
Depreciation ⁽¹⁾	144	145	64	68	32	31	19	17	13	12
Amortization	83	82	37	34	14	14	3	2	21	20
including total acquisition-related amortization of:	65	65	29	28	13	13	1	1	20	19

(1) Commencing Q1 2021, depreciation related to certain real estate assets, previously reported in Corporate and Other, has been reallocated to the individual operating segments utilizing these assets. Comparatives have been restated.

Orders received and revenues by region

(\$ in millions, unless otherwise indicated)	Orders received			CHANGE		Revenues			CHANGE	
	Q1 21	Q1 20	US\$	Local	Com-parable	Q1 21	Q1 20	US\$	Local	Com-parable
Europe	3,102	2,813	10%	2%	3%	2,551	2,371	8%	0%	1%
The Americas	2,247	2,240	0%	0%	0%	2,043	2,092	-2%	-3%	-2%
of which United States	1,679	1,710	-2%	-2%	-2%	1,532	1,615	-5%	-5%	-4%
Asia, Middle East and Africa	2,407	2,230	8%	2%	2%	2,307	1,706	35%	28%	30%
of which China	1,199	898	34%	24%	24%	1,176	667	76%	64%	69%
Intersegment orders/revenues ⁽¹⁾	–	63				–	47			
ABB Group	7,756	7,346	6%	1%	1%	6,901	6,216	11%	6%	7%

(1) Intersegment orders/revenues during the three months ended March 31, 2020, include sales to the Power Grids business which is presented as discontinued operations and thus these sales are not eliminated from Total orders/revenues.

Consolidated Financial Information

ABB Ltd Interim Consolidated Income Statements (unaudited)

(\$ in millions, except per share data in \$)	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Sales of products	5,707	4,993
Sales of services and other	1,194	1,223
Total revenues	6,901	6,216
Cost of sales of products	(3,924)	(3,575)
Cost of services and other	(709)	(731)
Total cost of sales	(4,633)	(4,306)
Gross profit	2,268	1,910
Selling, general and administrative expenses	(1,263)	(1,252)
Non-order related research and development expenses	(293)	(259)
Other income (expense), net	85	(26)
Income from operations	797	373
Interest and dividend income	11	18
Interest and other finance expense	(55)	(22)
Non-operational pension (cost) credit	50	36
Income from continuing operations before taxes	803	405
Income tax expense	(252)	(79)
Income from continuing operations, net of tax	551	326
Income (loss) from discontinued operations, net of tax	(28)	54
Net income	523	380
Net income attributable to noncontrolling interests	(21)	(4)
Net income attributable to ABB	502	376
Amounts attributable to ABB shareholders:		
Income from continuing operations, net of tax	530	325
Income (loss) from discontinued operations, net of tax	(28)	51
Net income	502	376
Basic earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.26	0.15
Income (loss) from discontinued operations, net of tax	(0.01)	0.02
Net income	0.25	0.18
Diluted earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.26	0.15
Income (loss) from discontinued operations, net of tax	(0.01)	0.02
Net income	0.25	0.18
Weighted-average number of shares outstanding (in millions) used to compute:		
Basic earnings per share attributable to ABB shareholders	2,015	2,134
Diluted earnings per share attributable to ABB shareholders	2,034	2,138

Due to rounding, numbers presented may not add to the totals provided.

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Condensed Consolidated Statements of Comprehensive Income (unaudited)

(\$ in millions)	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Total comprehensive income (loss), net of tax	325	(127)
Total comprehensive (income) loss attributable to noncontrolling interests, net of	(24)	4
Total comprehensive income (loss) attributable to ABB shareholders, net of tax	301	(123)

Due to rounding, numbers presented may not add to the totals provided.

See Notes to the Interim Consolidated Financial Information

ABB Ltd Consolidated Balance Sheets (unaudited)

(\$ in millions)	Mar. 31, 2021	Dec. 31, 2020
Cash and equivalents	3,466	3,278
Restricted cash	72	323
Marketable securities and short-term investments	1,884	2,108
Receivables, net	6,663	6,820
Contract assets	1,044	985
Inventories, net	4,475	4,469
Prepaid expenses	241	201
Other current assets	637	760
Current assets held for sale and in discontinued operations	241	282
Total current assets	18,723	19,226
Restricted cash, non-current	300	300
Property, plant and equipment, net	4,034	4,174
Operating lease right-of-use assets	972	969
Investments in equity-accounted companies	1,760	1,784
Prepaid pension and other employee benefits	362	360
Intangible assets, net	1,936	2,078
Goodwill	10,744	10,850
Deferred taxes	812	843
Other non-current assets	577	504
Total assets	40,220	41,088
Accounts payable, trade	4,453	4,571
Contract liabilities	1,855	1,903
Short-term debt and current maturities of long-term debt	1,336	1,293
Current operating leases	234	270
Provisions for warranties	1,012	1,035
Dividends payable to shareholders	874	–
Other provisions	1,471	1,519
Other current liabilities	3,921	4,181
Current liabilities held for sale and in discontinued operations	601	644
Total current liabilities	15,757	15,416
Long-term debt	5,619	4,828
Non-current operating leases	769	731
Pension and other employee benefits	1,158	1,231
Deferred taxes	678	661
Other non-current liabilities	1,992	2,025
Non-current liabilities held for sale and in discontinued operations	188	197
Total liabilities	26,161	25,089
<i>Commitments and contingencies</i>		
Stockholders' equity:		
Common stock, CHF 0.12 par value (2,168 million shares issued at March 31, 2021, and December 31, 2020)	188	188
Additional paid-in capital	–	83
Retained earnings	21,582	22,946
Accumulated other comprehensive loss	(4,203)	(4,002)
Treasury stock, at cost (144 million and 137 million shares at March 31, 2021, and December 31, 2020, respectively)	(3,876)	(3,530)
Total ABB stockholders' equity	13,691	15,685
Noncontrolling interests	368	314
Total stockholders' equity	14,059	15,999
Total liabilities and stockholders' equity	40,220	41,088

Due to rounding, numbers presented may not add to the totals provided.

See Notes to the Consolidated Financial Information

ABB Ltd Consolidated Statements of Cash Flows (unaudited)

(\$ in millions)	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Operating activities:		
Net income	523	380
Loss (income) from discontinued operations, net of tax	28	(54)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	227	227
Pension and other employee benefits	(50)	(49)
Deferred taxes	59	44
Net loss from derivatives and foreign exchange	20	73
Net gain from sale of property, plant and equipment	(11)	(8)
Fair value adjustment on assets and liabilities held for sale	–	19
Share-based payment arrangements	11	7
Other	34	13
Changes in operating assets and liabilities:		
Trade receivables, net	(2)	(61)
Contract assets and liabilities	(90)	(41)
Inventories, net	(168)	(301)
Accounts payable, trade	42	(67)
Accrued liabilities	(76)	(59)
Provisions, net	1	(53)
Income taxes payable and receivable	(50)	(218)
Other assets and liabilities, net	25	(248)
Net cash provided by (used in) operating activities – continuing operations	523	(396)
Net cash provided by (used in) operating activities – discontinued operations	20	(181)
Net cash provided by (used in) operating activities	543	(577)
Investing activities:		
Purchases of investments	(309)	(242)
Purchases of property, plant and equipment and intangible assets	(142)	(163)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(4)	(73)
Proceeds from sales of investments	391	393
Proceeds from maturity of investments	80	–
Proceeds from sales of property, plant and equipment	20	23
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	(2)	(140)
Net cash from settlement of foreign currency derivatives	(61)	(129)
Other investing activities	(8)	(15)
Net cash used in investing activities – continuing operations	(35)	(346)
Net cash used in investing activities – discontinued operations	(44)	(37)
Net cash used in investing activities	(79)	(383)
Financing activities:		
Net changes in debt with original maturities of 90 days or less	87	1,545
Increase in debt	991	2,247
Repayment of debt	(47)	(180)
Delivery of shares	760	–
Purchase of treasury stock	(1,386)	–
Dividends paid	(844)	–
Dividends paid to noncontrolling shareholders	(1)	(2)
Other financing activities	(36)	(104)
Net cash provided by (used in) financing activities – continuing operations	(476)	3,506
Net cash provided by (used in) financing activities – discontinued operations	–	(8)
Net cash provided by (used in) financing activities	(476)	3,498
Effects of exchange rate changes on cash and equivalents and restricted cash	(51)	(111)
Net change in cash and equivalents and restricted cash	(63)	2,427
Cash and equivalents and restricted cash, beginning of period	3,901	3,544
Cash and equivalents and restricted cash, end of period	3,838	5,971
Supplementary disclosure of cash flow information:		
Interest paid	12	16
Income taxes paid	256	266

Due to rounding, numbers presented may not add to the totals provided.

See Notes to the Consolidated Financial Information

ABB Ltd Consolidated Statements of Changes in Stockholders' Equity (unaudited)

(\$ in millions)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total ABB stockholders' equity	Non-controlling interests	Total stockholders' equity
Balance at January 1, 2020	188	73	19,640	(5,590)	(785)	13,526	454	13,980
Adoption of accounting standard update			(78)			(78)	(9)	(87)
Comprehensive income:								
Net income			376			376	4	380
Foreign currency translation adjustments, net of tax of \$0				(589)		(589)	(8)	(597)
Effect of change in fair value of available-for-sale securities, net of tax of \$3				9		9		9
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$25				90		90		90
Change in derivative instruments and hedges, net of tax of \$0				(9)		(9)		(9)
Total comprehensive loss						(123)	(4)	(127)
Changes in noncontrolling interests		(3)				(3)	22	19
Dividends to noncontrolling shareholders						–	(2)	(2)
Dividends to shareholders			(1,758)			(1,758)		(1,758)
Share-based payment arrangements		8				8		8
Delivery of shares		(2)			2	–		–
Balance at March 31, 2020	188	75	18,180	(6,089)	(784)	11,570	462	12,032
Balance at January 1, 2021	188	83	22,946	(4,002)	(3,530)	15,685	314	15,999
Comprehensive income:								
Net income			502			502	21	523
Foreign currency translation adjustments, net of tax of \$3				(273)		(273)	3	(270)
Effect of change in fair value of available-for-sale securities, net of tax of \$(3)				(12)		(12)		(12)
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$(2)				81		81		81
Change in derivative instruments and hedges, net of tax of \$(1)				3		3		3
Total comprehensive income						301	24	325
Changes in noncontrolling interests		(37)				(37)	34	(3)
Dividends to noncontrolling shareholders						–	(4)	(4)
Dividends to shareholders			(1,730)			(1,730)		(1,730)
Share-based payment arrangements		11				11		11
Purchase of treasury stock					(1,300)	(1,300)		(1,300)
Delivery of shares		(58)	(136)		954	760		760
Balance at March 31, 2021	188	–	21,582	(4,203)	(3,876)	13,691	368	14,059

Due to rounding, numbers presented may not add to the totals provided.

See Notes to the Consolidated Financial Information

Notes to the Consolidated Financial Information (unaudited)

Note 1

The Company and basis of presentation

ABB Ltd and its subsidiaries (collectively, the Company) together form a leading global technology company, connecting software to its electrification, robotics, automation and motion portfolio to drive performance to new levels.

The Company's Consolidated Financial Information is prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP) for interim financial reporting. As such, the Consolidated Financial Information does not include all the information and notes required under U.S. GAAP for annual consolidated financial statements. Therefore, such financial information should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report for the year ended December 31, 2020.

The preparation of financial information in conformity with U.S. GAAP requires management to make assumptions and estimates that directly affect the amounts reported in the Consolidated Financial Information. These accounting assumptions and estimates include:

- growth rates, discount rates and other assumptions used to determine impairment of long-lived assets and in testing goodwill for impairment,
- estimates to determine valuation allowances for deferred tax assets and amounts recorded for unrecognized tax benefits,
- assumptions used in determining inventory obsolescence and net realizable value,
- estimates and assumptions used in determining the initial fair value of retained noncontrolling interest and certain obligations in connection with divestments,
- estimates and assumptions used in determining the fair values of assets and liabilities assumed in business combinations,
- assumptions used in the determination of corporate costs directly attributable to discontinued operations,
- estimates of loss contingencies associated with litigation or threatened litigation and other claims and inquiries, environmental damages, product warranties, self-insurance reserves, regulatory and other proceedings,
- estimates used to record expected costs for employee severance in connection with restructuring programs,
- estimates related to credit losses expected to occur over the remaining life of financial assets such as trade and other receivables, loans and other instruments,
- assumptions used in the calculation of pension and postretirement benefits and the fair value of pension plan assets, and
- assumptions and projections, principally related to future material, labor and project-related overhead costs, used in determining the percentage-of-completion on projects, as well as the amount of variable consideration the Company expects to be entitled to.

The actual results and outcomes may differ from the Company's estimates and assumptions.

A portion of the Company's activities (primarily long-term construction activities) has an operating cycle that exceeds one year. For classification of current assets and liabilities related to such activities, the Company elected to use the duration of the individual contracts as its operating cycle. Accordingly, there are accounts receivable, contract assets, inventories and provisions related to these contracts which will not be realized within one year that have been classified as current.

Basis of presentation

In the opinion of management, the unaudited Consolidated Financial Information contains all necessary adjustments to present fairly the financial position, results of operations and cash flows for the reported periods. Management considers all such adjustments to be of a normal recurring nature. The Consolidated Financial Information is presented in United States dollars (\$) unless otherwise stated. Due to rounding, numbers presented in the Consolidated Financial Information may not add to the totals provided.

Certain amounts reported in the Interim Consolidated Financial Information for prior periods have been reclassified to conform to the current year's presentation. These changes primarily relate to the reallocation of certain real estate assets, previously reported within Corporate and Other, into the operating segments which utilize the assets.

Note 2

Recent accounting pronouncements

Applicable for current periods

Simplifying the accounting for income taxes

In January 2021, the Company adopted a new accounting standard update, which enhances and simplifies various aspects of the income tax accounting guidance related to intraperiod tax allocations, ownership changes in investments and certain aspects of interim period tax accounting. Depending on the amendment, the adoption was applied on either a retrospective, modified retrospective, or prospective basis. This update does not have a significant impact on the Company's Consolidated Financial Statements.

Applicable for future periods

Facilitation of the effects of reference rate reform on financial reporting

In March 2020, an accounting standard update was issued which provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This update, along with clarifications outlined in a subsequent update issued in January 2021, can be adopted and applied no later than December 31, 2022, with early adoption permitted. The Company is currently evaluating the impact of adopting this optional guidance on its Consolidated Financial Statements.

Note 3

Discontinued operations

Divestment of the Power Grids business

On July 1, 2020, the Company completed the sale of 80.1 percent of its Power Grids business to Hitachi Ltd (Hitachi). The transaction was executed through the sale of 80.1 percent of the shares of Hitachi ABB Power Grids Ltd ("Hitachi ABB PG"). Cash consideration received at the closing date was \$9,241 million net of cash disposed. Further, for accounting purposes, the 19.9 percent ownership interest retained by the Company is deemed to have been both divested and reacquired at its fair value on July 1, 2020 (see Note 4). Certain amounts relating to the sale price for the Power Grids business are currently estimated or otherwise subject to change in value and, as a result, the Company will record additional adjustments to the gain in future periods which are not expected to have a material impact on the consolidated financial statements.

At the date of the divestment, the Company recorded an initial liability in discontinued operations for estimated future costs and other cash payments of \$487 million for various contractual items relating to the sale of the business including required future cost reimbursements payable to Hitachi ABB PG, costs incurred by the Company for the direct benefit of Hitachi ABB PG, and an amount due to Hitachi Ltd in connection with the expected purchase price finalization of the closing debt and working capital balances. From the date of the disposal through March 31, 2021, \$77 million of these liabilities had been paid and are reported as reductions in the cash consideration received, of which \$44 million was paid during the three months ended March 31, 2021. At March 31, 2021, the remaining amount recorded was \$397 million.

Certain entities of the Power Grids business for which the legal process or other regulatory delays resulted in the Company not yet having transferred legal titles to Hitachi have been accounted for as being sold since control of the business as well as all risks and rewards of the business have been fully transferred to Hitachi ABB PG. The proceeds for these entities are included in the cash proceeds described above and certain funds have been placed in escrow pending completion of the transfer process. At March 31, 2021, current restricted cash includes \$53 million in respect of these funds.

Upon closing of the sale, the Company entered into various transition services agreements (TSAs). Pursuant to these TSAs, the Company and Hitachi ABB PG provide to each other, on an interim, transitional basis, various services. The services provided by the Company primarily include finance, information technology, human resources and certain other administrative services. Under the current terms, the TSAs will continue for up to 3 years, and can only be extended on an exceptional basis for business-critical services for an additional period which is reasonably necessary to avoid a material adverse impact on the business. In the three months ended March 31, 2021, the Company has recognized within its continuing operations, general and administrative expenses incurred to perform the TSA, offset by \$47 million in TSA-related income for such services that is reported in Other income and expense, net.

Discontinued operations

As a result of the sale of the Power Grids business, substantially all Power Grids-related assets and liabilities have been sold. As this divestment represented a strategic shift that would have a major effect on the Company's operations and financial results, the results of operations for this business have been presented as discontinued operations and the assets and liabilities are presented as held for sale and in discontinued operations for all periods presented. Certain of the business contracts in the Power Grids business continue to be executed by subsidiaries of the Company for the benefit/risk of Hitachi ABB PG. Assets and liabilities relating to, as well as the net financial results of, these contracts will continue to be included in discontinued operations until they have been completed or otherwise transferred to Hitachi ABB PG.

Prior to the divestment, interest expense that was not directly attributable to or related to the Company's continuing business or discontinued business was allocated to discontinued operations based on the ratio of net assets to be sold less debt that was required to be paid as a result of the planned disposal transaction to the sum of total net assets of the Company plus consolidated debt. General corporate overhead was not allocated to discontinued operations.

Operating results of the discontinued operations, are summarized as follows:

(\$ in millions)	Three months ended	
	Mar. 31, 2021	Mar. 31, 2020
Total revenues	–	1,941
Total cost of sales	–	(1,471)
Gross profit	–	470
Expenses	(4)	(394)
Change to net gain recognized on sale of the Power Grids business	(24)	–
Income (loss) from operations	(28)	76
Net interest and other finance expense	–	(3)
Non-operational pension (cost) credit	–	3
Income (loss) from discontinued operations before taxes	(28)	76
Income tax	–	(22)
Income (loss) from discontinued operations, net of tax	(28)	54

Of the total Income (loss) from discontinued operations before taxes in the table above, \$(28) million and \$72 million in the three months ended March 31, 2021 and 2020, respectively, are attributable to the Company, while the remainder is attributable to noncontrolling interests.

Until the date of the divestment, Income from discontinued operations before taxes excluded stranded costs which were previously able to be allocated to the Power Grids operating segment. As a result, for the three months ended March 31, 2020, \$21 million of allocated overhead and other management costs, which were previously included in the measure of segment profit for the Power Grids operating segment are reported as part of Corporate and Other. In the table above, Net interest and other finance expense in the three months ended March 31, 2020, included \$9 million of interest expense which was recorded on an allocated basis in accordance with the Company's accounting policy election until the divestment date. In addition, as required by U.S. GAAP, subsequent to December 17, 2018, (the date of the original agreement to sell the Power Grids business) the Company has not recorded depreciation or amortization on the property, plant and equipment, and intangible assets reported as discontinued operations.

Included in the reported Total revenues of the Company for the three months ended March 31, 2020, are revenues for sales from the Company's operating segments to the Power Grids business of \$47 million, which represent intercompany transactions that, prior to Power Grids being classified as a discontinued operation, were eliminated in the Company's consolidated financial statements (see Note 17). Subsequent to the divestment, sales to Hitachi ABB PG are reported as third-party revenues.

In addition, the Company also has retained obligations (primarily for environmental and taxes) related to other businesses disposed or otherwise exited that qualified as discontinued operations. Changes to these retained obligations are also included in Income (loss) from discontinued operations, net of tax, above.

The major components of assets and liabilities held for sale and in discontinued operations in the Company's Consolidated Balance Sheets are summarized as follows:

(\$ in millions)	Mar. 31, 2021 ⁽¹⁾	Dec. 31, 2020 ⁽¹⁾
Receivables, net	235	280
Inventories, net	4	1
Other current assets	2	1
Current assets held for sale and in discontinued operations	241	282
Accounts payable, trade	187	188
Other liabilities	414	456
Current liabilities held for sale and in discontinued operations	601	644
Other non-current liabilities	188	197
Non-current liabilities held for sale and in discontinued operations	188	197

(1) At March 31, 2021 and December 31, 2020, the balances reported as held for sale and in discontinued operations pertain to Power Grids activities and other obligations which will remain with the Company until such time as the obligation is settled or the activities are fully wound down.

Note 4

Divestments and equity-accounted companies

Investments in equity-accounted companies

In connection with the divestment of its Power Grids business to Hitachi (see Note 3), the Company retained a 19.9 percent interest in the business and obtained an option, exercisable commencing April 2023, granting it the right to require Hitachi to purchase this investment at fair value, subject to a minimum floor price equivalent to a 10 percent discount compared to the price paid for the initial 80.1 percent. The Company has concluded that based on its continuing involvement with the Power Grids business, including membership in its governing board of directors, it has significant influence over Hitachi ABB PG. As a result, the investment (including the value of the option) is accounted for using the equity method.

At the date of the divestment of the Power Grids business, the fair value of Hitachi ABB PG exceeded the book value of the underlying net assets. At March 31, 2021 and December 31, 2020, the reported value of the investment in Hitachi ABB PG includes \$1,577 million and \$1,597 million, respectively, for the Company's 19.9 percent share of this basis difference. The Company amortizes its share of these differences over the estimated remaining useful lives of the underlying assets that gave rise to this difference, recording the amortization, net of related deferred tax benefit, as a reduction of income from equity accounted companies. As of March 31, 2021, the Company determined that no impairment of its equity accounted investments existed.

The carrying value of the Company's investments in equity-accounted companies and respective percentage of ownership is as follows:

(\$ in millions, expect ownership share in %)	Ownership as of	Carrying value at	
	March 31, 2021	March 31, 2020	December 31, 2020
Hitachi ABB Power Grids Ltd	19.9%	1,678	1,710
Others		82	74
Total		1,760	1,784

In the three months ended March 31, 2021 and 2020, the Company recorded its share of the earnings of investees accounted for under the equity method of accounting in Other income (expense), net, as follows:

(\$ in millions)	Three months ended March 31,	
	2021	2020
Loss from equity-accounted companies, net of taxes	(3)	–
Basis difference amortization (net of deferred income tax benefit)	(32)	–
Loss from equity-accounted companies	(35)	–

Divestment of the solar inverters business

In February 2020, the Company completed the sale of its solar inverters business for no consideration. Under the agreement, which was reached in July 2019, the Company was required to transfer \$143 million of cash to the buyer on the closing date. In addition, payments totaling EUR 132 million (\$145 million) are required to be transferred to the buyer from 2020 through 2025. In the year ended December 31, 2019, the Company recorded a loss of \$421 million, representing the excess of the carrying value, which includes a loss of \$99 million arising from the cumulative translation adjustment, over the estimated fair value of this business. During the three months ended March 31, 2020, a loss of \$19 million was included in “Other income (expense), net” for changes in fair value of this business. The loss in 2020 includes the \$99 million reclassification from other comprehensive income of the currency translation adjustment related to the business.

The fair value was based on the estimated current market values using Level 3 inputs, considering the agreed-upon sale terms with the buyer. The solar inverters business, which includes the solar inverters business acquired as part of the Power-One acquisition in 2013, was part of the Company’s Electrification segment.

As this divestment does not qualify as a discontinued operation, the results of operations for this business prior to its disposal are included in the Company’s continuing operations for all periods presented.

Including the above loss of \$19 million, in the three months ended March 31, 2020, Income from continuing operations before taxes includes net losses of \$33 million from the solar inverters business prior to its sale.

Note 5

Cash and equivalents, marketable securities and short-term investments

Cash and equivalents, marketable securities and short-term investments consisted of the following:

(\$ in millions)	March 31, 2021					Marketable securities and short-term investments
	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents and restricted cash	
Changes in fair value recorded in net income						
Cash	2,056			2,056	2,056	
Time deposits	1,783			1,783	1,782	1
Equity securities	1,586	13		1,599		1,599
	5,425	13	–	5,438	3,838	1,600
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	194	11	(2)	203		203
European government obligations	10			10		10
Corporate	69	3	(1)	71		71
	273	14	(3)	284	–	284
Total	5,698	27	(3)	5,722	3,838	1,884
Of which:						
Restricted cash, current					72	
Restricted cash, non-current					300	

December 31, 2020						
(\$ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents and restricted cash	Marketable securities and short-term investments
Changes in fair value recorded in net income						
Cash	2,388			2,388	2,388	
Time deposits	1,513			1,513	1,513	
Equity securities	1,704	12		1,716		1,716
	5,605	12	–	5,617	3,901	1,716
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	274	19		293		293
European government obligations	24			24		24
Corporate	69	6		75		75
	367	25	–	392	–	392
Total	5,972	37	–	6,009	3,901	2,108
Of which:						
Restricted cash, current					323	
Restricted cash, non-current					300	

Note 6

Derivative financial instruments

The Company is exposed to certain currency, commodity, interest rate and equity risks arising from its global operating, financing and investing activities. The Company uses derivative instruments to reduce and manage the economic impact of these exposures.

Currency risk

Due to the global nature of the Company's operations, many of its subsidiaries are exposed to currency risk in their operating activities from entering into transactions in currencies other than their functional currency. To manage such currency risks, the Company's policies require its subsidiaries to hedge their foreign currency exposures from binding sales and purchase contracts denominated in foreign currencies. For forecasted foreign currency denominated sales of standard products and the related foreign currency denominated purchases, the Company's policy is to hedge up to a maximum of 100 percent of the forecasted foreign currency denominated exposures, depending on the length of the forecasted exposures. Forecasted exposures greater than 12 months are not hedged. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in foreign currencies. In addition, within its treasury operations, the Company primarily uses foreign exchange swaps and forward foreign exchange contracts to manage the currency and timing mismatches arising in its liquidity management activities.

Commodity risk

Various commodity products are used in the Company's manufacturing activities. Consequently it is exposed to volatility in future cash flows arising from changes in commodity prices. To manage the price risk of commodities, the Company's policies require that its subsidiaries hedge the commodity price risk exposures from binding contracts, as well as at least 50 percent (up to a maximum of 100 percent) of the forecasted commodity exposure over the next 12 months or longer (up to a maximum of 18 months). Primarily swap contracts are used to manage the associated price risks of commodities.

Interest rate risk

The Company has issued bonds at fixed rates. Interest rate swaps and cross-currency swaps are used to manage the interest rate and foreign currency risk associated with certain debt and generally such swaps are designated as fair value hedges. In addition, from time to time, the Company uses instruments such as interest rate swaps, interest rate futures, bond futures or forward rate agreements to manage interest rate risk arising from the Company's balance sheet structure but does not designate such instruments as hedges.

Equity risk

The Company is exposed to fluctuations in the fair value of its warrant appreciation rights (WARs) issued under its management incentive plan. A WAR gives its holder the right to receive cash equal to the market price of an equivalent listed warrant on the date of exercise. To eliminate such risk, the Company has purchased cash-settled call options, indexed to the shares of the Company, which entitle the Company to receive amounts equivalent to its obligations under the outstanding WARs.

Volume of derivative activity

In general, while the Company's primary objective in its use of derivatives is to minimize exposures arising from its business, certain derivatives are designated and qualify for hedge accounting treatment while others either are not designated or do not qualify for hedge accounting.

Foreign exchange and interest rate derivatives

The gross notional amounts of outstanding foreign exchange and interest rate derivatives (whether designated as hedges or not) were as follows:

Type of derivative (\$ in millions)	Total notional amounts at		
	March 31, 2021	December 31, 2020	March 31, 2020
Foreign exchange contracts	11,229	12,610	14,654
Embedded foreign exchange derivatives	1,313	1,134	975
Cross currency swaps	973	–	–
Interest rate contracts	3,122	3,227	4,195

Derivative commodity contracts

The Company uses derivatives to hedge its direct or indirect exposure to the movement in the prices of commodities which are primarily copper, silver and aluminum. The following table shows the notional amounts of outstanding derivatives (whether designated as hedges or not), on a net basis, to reflect the Company's requirements for these commodities:

Type of derivative	Unit	Total notional amounts at		
		March 31, 2021	December 31, 2020	March 31, 2020
Copper swaps	metric tonnes	42,448	39,390	45,438
Silver swaps	ounces	2,217,821	1,966,677	2,075,488
Aluminum swaps	metric tonnes	7,450	8,112	9,770

Equity derivatives

At March 31, 2021, December 31, 2020, and March 31, 2020, the Company held 18 million, 22 million and 38 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of \$30 million, \$21 million and \$7 million, respectively.

Cash flow hedges

As noted above, the Company mainly uses forward foreign exchange contracts to manage the foreign exchange risk of its operations, commodity swaps to manage its commodity risks and cash-settled call options to hedge its WAR liabilities. The Company applies cash flow hedge accounting in only limited cases. In these cases, the effective portion of the changes in their fair value is recorded in "Accumulated other comprehensive loss" and subsequently reclassified into earnings in the same line item and in the same period as the underlying hedged transaction affects earnings. For the three months ended March 31, 2021 and 2020, there were no significant amounts recorded for cash flow hedge accounting activities.

Fair value hedges

To reduce its interest rate exposure arising primarily from its debt issuance activities, the Company uses interest rate swaps and cross-currency swaps. Where such instruments are designated as fair value hedges, the changes in the fair value of these instruments, as well as the changes in the fair value of the risk component of the underlying debt being hedged, are recorded as offsetting gains and losses in "Interest and other finance expense".

The effect of derivative instruments, designated and qualifying as fair value hedges, on the Consolidated Income Statements was as follows:

Type of derivative designated as a fair value hedge (\$ in millions)	Three months ended March 31, 2021			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location		Location	
Interest rate contracts	Interest and other finance expense	(14)	Interest and other finance expense	15
Cross-currency swaps	Interest and other finance expense	(23)	Interest and other finance expense	22
Total		(37)		37

Type of derivative designated as a fair value hedge (\$ in millions)	Three months ended March 31, 2020			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location		Location	
Interest rate contracts	Interest and other finance expense	24	Interest and other finance expense	(25)
Total		24		(25)

Derivatives not designated in hedge relationships

Derivative instruments that are not designated as hedges or do not qualify as either cash flow or fair value hedges are economic hedges used for risk management purposes. Gains and losses from changes in the fair values of such derivatives are recognized in the same line in the income statement as the economically hedged transaction.

Furthermore, under certain circumstances, the Company is required to split and account separately for foreign currency derivatives that are embedded within certain binding sales or purchase contracts denominated in a currency other than the functional currency of the subsidiary and the counterparty.

The gains (losses) recognized in the Consolidated Income Statements on derivatives not designated in hedging relationships were as follows:

Type of derivative not designated as a hedge (\$ in millions)	Location	Gains (losses) recognized in income	
		Three months ended March 31,	
		2021	2020
Foreign exchange contracts	Total revenues	(60)	(134)
	Total cost of sales	(4)	76
	SG&A expenses ⁽¹⁾	7	8
	Non-order related research and development	(1)	(1)
	Interest and other finance expense	(106)	(106)
Embedded foreign exchange contracts	Total revenues	(14)	32
	Total cost of sales	(1)	(4)
Commodity contracts	Total cost of sales	36	(66)
Other	Interest and other finance expense	–	(1)
Total		(143)	(196)

(1) SG&A expenses represent “Selling, general and administrative expenses”.

The fair values of derivatives included in the Consolidated Balance Sheets were as follows:

(\$ in millions)	March 31, 2021			
	Derivative assets		Derivative liabilities	
	Current in “Other current assets”	Non-current in “Other non-current assets”	Current in “Other current liabilities”	Non-current in “Other non-current liabilities”
Derivatives designated as hedging instruments:				
Foreign exchange contracts	–	2	1	2
Interest rate contracts	4	65	–	–
Cross currency swaps	–	–	–	61
Cash-settled call options	15	15	–	–
Total	19	82	1	63
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	105	21	111	25
Commodity contracts	67	1	10	–
Interest rate contracts	1	–	2	–
Embedded foreign exchange derivatives	11	3	18	13
Total	184	25	141	38
Total fair value	203	107	142	101

(\$ in millions)	December 31, 2020			
	Derivative assets		Derivative liabilities	
	Current in “Other current assets”	Non-current in “Other non-current assets”	Current in “Other current liabilities”	Non-current in “Other non-current liabilities”
Derivatives designated as hedging instruments:				
Foreign exchange contracts	–	1	2	4
Interest rate contracts	6	78	–	–
Cash-settled call options	10	11	–	–
Total	16	90	2	4
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	221	22	106	26
Commodity contracts	59	–	7	–
Interest rate contracts	2	–	2	–
Embedded foreign exchange derivatives	10	2	28	16
Total	292	24	143	42
Total fair value	308	114	145	46

Close-out netting agreements provide for the termination, valuation and net settlement of some or all outstanding transactions between two counterparties on the occurrence of one or more pre-defined trigger events.

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at March 31, 2021, and December 31, 2020, have been presented on a gross basis.

The Company's netting agreements and other similar arrangements allow net settlements under certain conditions. At March 31, 2021, and December 31, 2020, information related to these offsetting arrangements was as follows:

(\$ in millions)	March 31, 2021				
Type of agreement or similar arrangement	Gross amount of recognized assets	Derivative liabilities eligible for set-off in case of default	Cash collateral received	Non-cash collateral received	Net asset exposure
Derivatives	296	(151)	–	–	145
Total	296	(151)	–	–	145

(\$ in millions)	March 31, 2021				
Type of agreement or similar arrangement	Gross amount of recognized liabilities	Derivative liabilities eligible for set-off in case of default	Cash collateral pledged	Non-cash collateral pledged	Net liability exposure
Derivatives	212	(151)	–	–	61
Total	212	(151)	–	–	61

(\$ in millions)	December 31, 2020				
Type of agreement or similar arrangement	Gross amount of recognized assets	Derivative liabilities eligible for set-off in case of default	Cash collateral received	Non-cash collateral received	Net asset exposure
Derivatives	410	(106)	–	–	304
Total	410	(106)	–	–	304

(\$ in millions)	December 31, 2020				
Type of agreement or similar arrangement	Gross amount of recognized liabilities	Derivative liabilities eligible for set-off in case of default	Cash collateral pledged	Non-cash collateral pledged	Net liability exposure
Derivatives	147	(106)	–	–	41
Total	147	(106)	–	–	41

Note 7

Fair values

The Company uses fair value measurement principles to record certain financial assets and liabilities on a recurring basis and, when necessary, to record certain non-financial assets at fair value on a non-recurring basis, as well as to determine fair value disclosures for certain financial instruments carried at amortized cost in the financial statements. Financial assets and liabilities recorded at fair value on a recurring basis include foreign currency, commodity and interest rate derivatives, as well as cash-settled call options and available-for-sale securities. Non-financial assets recorded at fair value on a non-recurring basis include long-lived assets that are reduced to their estimated fair value due to impairments.

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation techniques including the market approach (using observable market data for identical or similar assets and liabilities), the income approach (discounted cash flow models) and the cost approach (using costs a market participant would incur to develop a comparable asset). Inputs used to determine the fair value of assets and liabilities are defined by a three-level hierarchy, depending on the nature of those inputs. The Company has categorized its financial assets and liabilities and non-financial assets measured at fair value within this hierarchy based on whether the inputs to the valuation technique are observable or unobservable. An observable input is based on market data obtained from independent sources, while an unobservable input reflects the Company's assumptions about market data.

The levels of the fair value hierarchy are as follows:

- Level 1:** Valuation inputs consist of quoted prices in an active market for identical assets or liabilities (observable quoted prices). Assets and liabilities valued using Level 1 inputs include exchange-traded equity securities, listed derivatives which are actively traded such as commodity futures, interest rate futures and certain actively traded debt securities.
- Level 2:** Valuation inputs consist of observable inputs (other than Level 1 inputs) such as actively quoted prices for similar assets, quoted prices in inactive markets and inputs other than quoted prices such as interest rate yield curves, credit spreads, or inputs derived from other observable data by interpolation, correlation, regression or other means. The adjustments applied to quoted prices or the inputs used in valuation models may be both observable and unobservable. In these cases, the fair value measurement is classified as Level 2 unless the unobservable portion of the adjustment or the unobservable input to the valuation model is significant, in which case the fair value measurement would be classified as Level 3. Assets and liabilities valued or disclosed using Level 2 inputs include investments in certain funds, certain debt securities that are not actively traded, interest rate swaps, cross-currency interest rate swaps, commodity swaps, cash-settled call options, forward foreign exchange contracts, foreign exchange swaps and forward rate agreements, time deposits, as well as financing receivables and debt.
- Level 3:** Valuation inputs are based on the Company's assumptions of relevant market data (unobservable input).

Whenever quoted prices involve bid-ask spreads, the Company ordinarily determines fair values based on mid-market quotes. However, for the purpose of determining the fair value of cash-settled call options serving as hedges of the Company's management incentive plan, bid prices are used.

When determining fair values based on quoted prices in an active market, the Company considers if the level of transaction activity for the financial instrument has significantly decreased or would not be considered orderly. In such cases, the resulting changes in valuation techniques would be disclosed. If the market is considered disorderly or if quoted prices are not available, the Company is required to use another valuation technique, such as an income approach.

Recurring fair value measures

The fair values of financial assets and liabilities measured at fair value on a recurring basis were as follows:

(\$ in millions)	March 31, 2021			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Securities in "Marketable securities and short-term investments":				
Equity securities		1,599		1,599
Debt securities—U.S. government obligations	203			203
Debt securities—European government obligations	10			10
Debt securities—Corporate		71		71
Securities in "Other non-current assets":				
Debt securities—U.S. government obligations	80			80
Derivative assets—current in "Other current assets"		203		203
Derivative assets—non-current in "Other non-current assets"		107		107
Total	293	1,980	—	2,273
Liabilities				
Derivative liabilities—current in "Other current liabilities"		142		142
Derivative liabilities—non-current in "Other non-current liabilities"		101		101
Total	—	243	—	243

(\$ in millions)	December 31, 2020			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Securities in "Marketable securities and short-term investments":				
Equity securities		1,716		1,716
Debt securities—U.S. government obligations	293			293
Debt securities—European government obligations	24			24
Debt securities—Corporate		75		75
Derivative assets—current in "Other current assets"		308		308
Derivative assets—non-current in "Other non-current assets"		114		114
Total	317	2,213	—	2,530
Liabilities				
Derivative liabilities—current in "Other current liabilities"		145		145
Derivative liabilities—non-current in "Other non-current liabilities"		46		46
Total	—	191	—	191

The Company uses the following methods and assumptions in estimating fair values of financial assets and liabilities measured at fair value on a recurring basis:

- **Securities in "Marketable securities and short-term investments" and "Other non-current assets":** If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs; however, when markets are not active, these inputs are considered Level 2. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for non-performance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.
- **Derivatives:** The fair values of derivative instruments are determined using quoted prices of identical instruments from an active market, if available (Level 1 inputs). If quoted prices are not available, price quotes for similar instruments, appropriately adjusted, or present value techniques, based on available market data, or option pricing models are used. Cash-settled call options hedging the Company's WAR liability are valued based on bid prices of the equivalent listed warrant. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.

Non-recurring fair value measures

During the three months ended March 31, 2020, the Company recorded a \$19 million fair value adjustment for the solar inverters business which met the criteria to be classified as held for sale in June 2019 and was sold in February 2020 (see Note 4 for details).

Apart from the transaction above, there were no additional significant non-recurring fair value measurements during the three months ended March 31, 2021 and 2020.

Disclosure about financial instruments carried on a cost basis

The fair values of financial instruments carried on a cost basis were as follows:

	March 31, 2021				
(\$ in millions)	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding securities with original maturities up to 3 months):					
Cash	1,684	1,684			1,684
Time deposits	1,782		1,782		1,782
Restricted cash	72	72			72
Restricted cash, non-current	300	300			300
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)	1,311	417	894		1,311
Long-term debt (excluding finance lease obligations)	5,447	5,610	84		5,694

	December 31, 2020				
(\$ in millions)	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding securities with original maturities up to 3 months):					
Cash	1,765	1,765			1,765
Time deposits	1,513		1,513		1,513
Restricted cash	323	323			323
Restricted cash, non-current	300	300			300
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)	1,266	497	769		1,266
Long-term debt (excluding finance lease obligations)	4,668	4,909	89		4,998

The Company uses the following methods and assumptions in estimating fair values of financial instruments carried on a cost basis:

- Cash and equivalents (excluding securities with original maturities up to 3 months), Restricted cash, current and non-current, and Marketable securities and short-term investments (excluding securities): The carrying amounts approximate the fair values as the items are short-term in nature or, for cash held in banks, are equal to the deposit amount.
- Short-term debt and current maturities of long-term debt (excluding finance lease obligations): Short-term debt includes commercial paper, bank borrowings and overdrafts. The carrying amounts of short-term debt and current maturities of long-term debt, excluding finance lease obligations, approximate their fair values.
- Long-term debt (excluding finance lease obligations): Fair values of bonds are determined using quoted market prices (Level 1 inputs), if available. For bonds without available quoted market prices and other long-term debt, the fair values are determined using a discounted cash flow methodology based upon borrowing rates of similar debt instruments and reflecting appropriate adjustments for non-performance risk (Level 2 inputs).

Note 8

Contract assets and liabilities

The following table provides information about Contract assets and Contract liabilities:

(\$ in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Contract assets	1,044	985	1,038
Contract liabilities	1,855	1,903	1,665

Contract assets primarily relate to the Company's right to receive consideration for work completed but for which no invoice has been issued at the reporting date. Contract assets are transferred to receivables when rights to receive payment become unconditional.

Contract liabilities primarily relate to up-front advances received on orders from customers as well as amounts invoiced to customers in excess of revenues recognized, primarily for long-term projects. Contract liabilities are reduced as work is performed and as revenues are recognized.

The significant changes in the Contract assets and Contract liabilities balances were as follows:

(\$ in millions)	Three months ended March 31,			
	2021		2020	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognized, which was included in the Contract liabilities balance at Jan 1, 2021/2020		(497)		(513)
Additions to Contract liabilities - excluding amounts recognized as revenue during the period		493		526
Receivables recognized that were included in the Contract asset balance at Jan 1, 2021/2020	(275)		(276)	

At March 31, 2021, the Company had unsatisfied performance obligations totaling \$14,750 million and, of this amount, the Company expects to fulfill approximately 66 percent of the obligations in 2021, approximately 21 percent of the obligations in 2022 and the balance thereafter.

Note 9

Debt

The Company's total debt at March 31, 2021, and December 31, 2020, amounted to \$6,955 million and \$6,121 million, respectively.

Short-term debt and current maturities of long-term debt

The Company's "Short-term debt and current maturities of long-term debt" consisted of the following:

(\$ in millions)	March 31, 2021	December 31, 2020
Short-term debt	239	153
Current maturities of long-term debt	1,097	1,140
Total	1,336	1,293

Short-term debt primarily represented issued commercial paper and short-term bank borrowings from various banks. At March 31, 2021, and December 31, 2020, \$167 million and \$32 million, respectively, was outstanding under the \$2 billion commercial paper program in the United States. No amount was outstanding under the \$2 billion Euro-commercial paper program at March 31, 2021, or December 31, 2020.

Long-term debt

The Company's long-term debt at March 31, 2021, and December 31, 2020, amounted to \$5,619 million and \$4,828 million, respectively.

Outstanding bonds (including maturities within the next 12 months) were as follows:

	March 31, 2021				December 31, 2020			
(in millions)	Nominal outstanding		Carrying value ⁽¹⁾		Nominal outstanding		Carrying value ⁽¹⁾	
Bonds:								
4.0% USD Notes, due 2021	USD	650	\$	650	USD	650	\$	649
2.25% CHF Bonds, due 2021	CHF	350	\$	375	CHF	350	\$	403
2.875% USD Notes, due 2022	USD	1,250	\$	1,274	USD	1,250	\$	1,280
0.625% EUR Instruments, due 2023	EUR	700	\$	835	EUR	700	\$	875
0.75% EUR Instruments, due 2024	EUR	750	\$	901	EUR	750	\$	946
0.3% CHF Notes, due 2024	CHF	280	\$	296	CHF	280	\$	317
3.8% USD Notes, due 2028 ⁽²⁾	USD	383	\$	381	USD	383	\$	381
1.0% CHF Notes, due 2029	CHF	170	\$	180	CHF	170	\$	192
0% EUR Notes, due 2030	EUR	800	\$	907				–
4.375% USD Notes, due 2042 ⁽²⁾	USD	609	\$	589	USD	609	\$	589
Total			\$	6,388			\$	5,632

(1) USD carrying values include unamortized debt issuance costs, bond discounts or premiums, as well as adjustments for fair value hedge accounting, where appropriate.

(2) Prior to completing a cash tender offer in November 2020, the original principal amount outstanding, on each of the 3.8% USD Notes, due 2028, and the 4.375% USD Notes, due 2042, was USD750 million.

In January 2021, the Company issued zero percent notes having a principal amount of EUR 800 million and due in 2030. The Company recorded net proceeds (after underwriting fees) of EUR 791 million (equivalent to \$960 million on the date of issuance). In line with the Company's policy of reducing its currency and interest rate exposures, cross-currency interest rate swaps have been used to modify the characteristics of the EUR 800 million Notes, due 2030. After considering the impact of these cross-currency interest rate swaps, the EUR Notes, due 2030, effectively became a floating rate U.S. dollar obligation.

Note 10

Commitments and contingencies

Contingencies—Regulatory, Compliance and Legal

Regulatory

As a result of an internal investigation, the Company self-reported to the Securities and Exchange Commission (SEC) and the Department of Justice (DoJ) in the United States as well as to the Serious Fraud Office (SFO) in the United Kingdom concerning certain of its past dealings with Unaoil and its subsidiaries, including alleged improper payments made by these entities to third parties. In May 2020, the SFO closed its investigation, which it originally announced in February 2017, as the case did not meet the relevant test for prosecution. The Company continues to cooperate with the U.S. authorities as requested. At this time, it is not possible for the Company to make an informed judgment about the outcome of this matter.

Based on findings during an internal investigation, the Company self-reported to the SEC and the DoJ, in the United States, to the Special Investigating Unit (SIU) and the National Prosecuting Authority (NPA) in South Africa as well as to various authorities in other countries potential suspect payments and other compliance concerns in connection with some of the Company's dealings with Eskom and related persons. Many of those parties have expressed an interest in, or commenced an investigation into, these matters and the Company is cooperating fully with them. The Company paid \$104 million to Eskom in December 2020 as part of a full and final settlement with Eskom and the Special Investigating Unit relating to improper payments and other compliance issues associated with the Controls and Instrumentation Contract, and its Variation Orders for Units 1 and 2 at Kusile. The Company continues to cooperate fully with the National Prosecuting Authority in South Africa as well as other authorities in their review of the Kusile project. Although the Company believes that there could be an unfavorable outcome in one or more of these ongoing reviews, at this time it is not possible for the Company to make an informed judgment about the possible financial impact.

General

The Company is aware of proceedings, or the threat of proceedings, against it and others in respect of private claims by customers and other third parties with regard to certain actual or alleged anticompetitive practices. Also, the Company is subject to other claims and legal proceedings, as well as investigations carried out by various law enforcement authorities. With respect to the above-mentioned claims, regulatory matters, and any related proceedings, the Company will bear the related costs, including costs necessary to resolve them.

Liabilities recognized

At March 31, 2021, and December 31, 2020, the Company had aggregate liabilities of \$98 million and \$100 million, respectively, included in "Other provisions" and "Other non-current liabilities", for the above regulatory, compliance and legal contingencies, and none of the individual liabilities recognized was significant. As it is not possible to make an informed judgment on, or reasonably predict, the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be adverse outcomes beyond the amounts accrued.

Guarantees

General

The following table provides quantitative data regarding the Company's third-party guarantees. The maximum potential payments represent a "worst-case scenario", and do not reflect management's expected outcomes.

Maximum potential payments (\$ in millions)	March 31, 2021	December 31, 2020
Performance guarantees	5,815	6,726
Financial guarantees	344	339
Indemnification guarantees ⁽¹⁾	127	177
Total⁽²⁾	6,286	7,242

(1) Certain indemnifications provided to Hitachi in connection with the divestment of Power Grids are without limit.

(2) Maximum potential payments include amounts in both continuing and discontinued operations.

The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations. In respect of the above guarantees, the carrying amounts of liabilities at March 31, 2021, and December 31, 2020, amounted to \$127 million and \$135 million, respectively, which is included in discontinued operations.

The Company is party to various guarantees providing financial or performance assurances to certain third parties. These guarantees, which have various maturities up to 2035, mainly consist of performance guarantees whereby (i) the Company guarantees the performance of a third party's product or service according to the terms of a contract and (ii) as member of a consortium/joint-venture that includes third parties, the Company guarantees not only its own performance but also the work of third parties. Such guarantees may include guarantees that a project will be completed within a specified time. If the third party does not fulfill the obligation, the Company will compensate the guaranteed party in cash or in kind. The original maturity dates for the majority of these performance guarantees range from one to ten years.

In conjunction with the divestment of the high-voltage cable and cables accessories businesses, the Company has entered into various performance guarantees with other parties with respect to certain liabilities of the divested business. At March 31, 2021, and December 31, 2020, the maximum potential payable under these guarantees amounts to \$945 million and \$994 million, respectively, and these guarantees have various maturities ranging from one to ten years.

The Company retained obligations for financial, performance and indemnification guarantees related to the Power Grids business sold on July 1, 2020 (see Note 3 for details). The performance and financial guarantees have been indemnified by Hitachi, at the same proportion of its ownership in Hitachi ABB Power Grids (80.1 percent). These guarantees, which have various maturities up to 2035, primarily consist of bank guarantees, standby letters of credit, business performance guarantees and other trade-related guarantees, the majority of which have original maturity dates ranging from one to ten years. The maximum amount payable under the guarantees at March 31, 2021, and December 31, 2020, are approximately \$4.7 billion and \$5.5 billion, respectively, and the carrying amounts of liabilities (recorded in discontinued operations) at March 31, 2021, and December 31, 2020 amounted to \$127 million and \$135 million, respectively.

Commercial commitments

In addition, in the normal course of bidding for and executing certain projects, the Company has entered into standby letters of credit, bid/performance bonds and surety bonds (collectively "performance bonds") with various financial institutions. Customers can draw on such performance bonds in the event that the Company does not fulfill its contractual obligations. The Company would then have an obligation to reimburse the financial institution for amounts paid under the performance bonds. At March 31, 2021, and December 31, 2020, the total outstanding performance bonds aggregated to \$4.0 billion and \$4.3 billion, respectively, of which \$0.3 billion and \$0.3 billion, respectively, relate to discontinued operations. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the three months ended March 31, 2021 and 2020.

Product and order-related contingencies

The Company calculates its provision for product warranties based on historical claims experience and specific review of certain contracts. The reconciliation of the "Provisions for warranties", including guarantees of product performance, was as follows:

(\$ in millions)	2021	2020
Balance at January 1,	1,035	816
Net change in warranties due to acquisitions, divestments and liabilities held for sale ⁽¹⁾	1	7
Claims paid in cash or in kind	(54)	(52)
Net increase in provision for changes in estimates, warranties issued and warranties expired	63	28
Exchange rate differences	(33)	(29)
Balance at March 31,	1,012	770

(1) Includes adjustments to the initial purchase price allocation recorded during the measurement period.

Note 11

Income taxes

In calculating income tax expense, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstance known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the year and each interim period thereafter.

The effective tax rate of 31.4 percent in the three months ended March 31, 2021, was higher than the effective tax rate of 19.5 percent in three months ended March 31, 2020, primarily because 2020 included a net benefit from a favorable resolution of an uncertain tax position partially offset by increases to the valuation allowance in certain countries.

Note 12

Employee benefits

The Company operates defined benefit pension plans, defined contribution pension plans, and termination indemnity plans, in accordance with local regulations and practices. These plans cover a large portion of the Company's employees and provide benefits to employees in the event of death, disability, retirement, or termination of employment. Certain of these plans are multi-employer plans. The Company also operates other postretirement benefit plans including postretirement health care benefits, and other employee-related benefits for active employees including long-service award plans. The measurement date used for the Company's employee benefit plans is December 31. The funding policies of the Company's plans are consistent with the local government and tax requirements.

The following tables include amounts relating to defined benefit pension plans and other postretirement benefits for both continuing and discontinued operations.

Net periodic benefit cost of the Company's defined benefit pension and other postretirement benefit plans consisted of the following:

(\$ in millions)	Defined pension benefits				Other postretirement	
	Switzerland		International		benefits	
	2021	2020	2021	2020	2021	2020
Three months ended March 31,						
Operational pension cost:						
Service cost	15	22	10	27	–	–
Operational pension cost	15	22	10	27	–	–
Non-operational pension cost (credit):						
Interest cost	(1)	–	18	32	–	1
Expected return on plan assets	(29)	(31)	(47)	(63)	–	–
Amortization of prior service cost (credit)	(2)	(4)	–	1	–	(1)
Amortization of net actuarial loss	–	2	17	25	–	(1)
Curtailments, settlements and special termination benefits	–	–	(6)	–	–	–
Non-operational pension cost (credit)	(32)	(33)	(18)	(5)	–	(1)
Net periodic benefit cost (credit)	(17)	(11)	(8)	22	–	(1)

The components of net periodic benefit cost other than the service cost component are included in the line "Non-operational pension (cost) credit" in the income statement. Net periodic benefit cost includes \$12 million for the three months ended March 31, 2020, related to discontinued operations.

Employer contributions were as follows:

(\$ in millions)	Defined pension benefits				Other postretirement	
	Switzerland		International		benefits	
	2021	2020	2021	2020	2021	2020
Three months ended March 31,						
Total contributions to defined benefit pension and other postretirement benefit plans	15	24	(3)	21	1	1
Of which, discretionary contributions to defined benefit pension plans	–	–	(9)	–	–	–

The Company expects to make contributions totaling approximately \$165 million and \$8 million to its defined pension plans and other postretirement benefit plans, respectively, for the full year 2021.

Note 13

Stockholder's equity

At the Annual General Meeting of Shareholders (AGM) on March 25, 2021, shareholders approved the proposal of the Board of Directors to distribute 0.80 Swiss francs per share to shareholders. The declared dividend amounted to \$1,730 million, with the Company disbursing a portion in March and the remaining amounts in April.

In March 2021, the Company completed its initial share buyback program which was launched in July 2020. The share buyback program was executed on a second trading line on the SIX Swiss Exchange. Through this buyback program, the Company purchased a total of approximately 129 million shares for approximately \$3.5 billion, of which 20 million shares were purchased in the first quarter of 2021 (resulting in an increase in Treasury stock of \$628 million). At the AGM on March 25, 2021, shareholders approved the cancellation of 115 million of the shares purchased under this buyback program.

In addition to the initial share buyback program, the Company purchased 22 million of its own shares on the open market in the first quarter of 2021, mainly for use in connection with its employee share plans, resulting in an increase in Treasury stock of \$672 million.

During the first quarter of 2021, the Company delivered, out of treasury stock, 35 million shares in connection with its Management Incentive Plan.

In March 2021, the Company announced a follow-up share buyback program of up to \$4.3 billion. This buyback program, which was launched in April 2021, is being executed on a second trading line on the SIX Swiss Exchange and is planned to run until the Company's AGM in March 2022. At the March 2022 AGM, the Company intends to request shareholder approval to cancel the shares purchased through this follow-up share buyback program as well as those shares purchased under the initial share buyback program that were not proposed for cancellation at the Company's AGM in March 2021.

Note 14

Earnings per share

Basic earnings per share is calculated by dividing income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing income by the weighted-average number of shares outstanding during the period, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise outstanding written call options, and outstanding options and shares granted subject to certain conditions under the Company's share-based payment arrangements.

Basic earnings per share

(\$ in millions, except per share data in \$)	Three months ended March 31,	
	2021	2020
Amounts attributable to ABB shareholders:		
Income from continuing operations, net of tax	530	325
Income (loss) from discontinued operations, net of tax	(28)	51
Net income	502	376
Weighted-average number of shares outstanding (in millions)	2,015	2,134
Basic earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.26	0.15
Income (loss) from discontinued operations, net of tax	(0.01)	0.02
Net income	0.25	0.18

Diluted earnings per share

(\$ in millions, except per share data in \$)	Three months ended March 31,	
	2021	2020
Amounts attributable to ABB shareholders:		
Income from continuing operations, net of tax	530	325
Income (loss) from discontinued operations, net of tax	(28)	51
Net income	502	376
Weighted-average number of shares outstanding (in millions)	2,015	2,134
Effect of dilutive securities:		
Call options and shares	19	4
Adjusted weighted-average number of shares outstanding (in millions)	2,034	2,138
Diluted earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.26	0.15
Income (loss) from discontinued operations, net of tax	(0.01)	0.02
Net income	0.25	0.18

Note 15

Reclassifications out of accumulated other comprehensive loss

The following table shows changes in "Accumulated other comprehensive loss" (OCI) attributable to ABB, by component, net of tax:

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
Balance at January 1, 2020	(3,450)	10	(2,145)	(5)	(5,590)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(696)	9	74	(19)	(632)
Amounts reclassified from OCI	99	–	16	10	125
Total other comprehensive (loss) income	(597)	9	90	(9)	(507)
Less:					
Amounts attributable to noncontrolling interests	(8)	–	–	–	(8)
Balance at March 31, 2020	(4,039)	19	(2,055)	(14)	(6,089)

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
Balance at January 1, 2021	(2,460)	17	(1,556)	(3)	(4,002)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(270)	(11)	56	12	(213)
Amounts reclassified from OCI	–	(1)	25	(9)	15
Total other comprehensive (loss) income	(270)	(12)	81	3	(198)
Less:					
Amounts attributable to noncontrolling interests	3	–	–	–	3
Balance at March 31, 2021	(2,733)	5	(1,475)	–	(4,203)

The following table reflects amounts reclassified out of OCI in respect of Foreign currency translation adjustments and Pension and other postretirement plan adjustments:

(\$ in millions)		Three months ended March 31,	
Details about OCI components	Location of (gains) losses reclassified from OCI	2021	2020
Foreign currency translation adjustments:			
Translation loss on solar inverters business (see Note 4)	Other income (expense), net	–	99
Pension and other postretirement plan adjustments:			
Amortization of prior service cost	Non-operational pension (cost) credit ⁽¹⁾	(2)	(4)
Amortization of net actuarial loss	Non-operational pension (cost) credit ⁽¹⁾	11	26
Total before tax		9	22
Tax	Provision for taxes	16	(6)
Amounts reclassified from OCI		25	16

(1) Amounts include total credits of \$3 million for the three months ended March 31, 2020, reclassified from OCI to Income from discontinued operations.

The amounts in respect of Unrealized gains (losses) on available-for-sale securities and Derivative instruments and hedges were not significant for the three months ended March 31, 2021 and 2020.

Note 16

Restructuring and related expenses

OS program

From December 2018 to December 2020, the Company executed a two-year restructuring program with the objective to simplify the Company's business model and structure through the implementation of a new organizational structure driven by its businesses. The program resulted in the elimination of the country and regional structures within the previous matrix organization, including the elimination of the three regional Executive Committee roles. The operating businesses are now responsible for both their customer-facing activities and business support functions, while the remaining Group-level corporate activities primarily focus on Group strategy, portfolio and performance management and capital allocation.

As of December 31, 2020, the Company had incurred substantially all costs related to the OS program.

Liabilities associated with the OS program are included primarily in Other provisions. The following table shows the activity from the beginning of the program to March 31, 2021, by expense type:

(\$ in millions)	Employee severance costs	Contract settlement, loss order and other costs	Total
Liability at January 1, 2018	–	–	–
Expenses	65	–	65
Liability at December 31, 2018	65	–	65
Expenses	111	1	112
Cash payments	(44)	(1)	(45)
Change in estimates	(30)	–	(30)
Exchange rate differences	(3)	–	(3)
Liability at December 31, 2019	99	–	99
Expenses	119	17	136
Cash payments	(91)	(15)	(106)
Change in estimates	(10)	–	(10)
Exchange rate differences	4	–	4
Liability at December 31, 2020	121	2	123
Expenses	8	1	9
Cash payments	(29)	(1)	(30)
Change in estimates	(3)	–	(3)
Exchange rate differences	(4)	–	(4)
Liability at March 31, 2021	93	2	95

The following table outlines the costs incurred in the three months ended March 31, 2020, and the cumulative net costs incurred to December 31, 2020:

(\$ in millions)	Net cost incurred Three months ended March 31, 2020	Cumulative net cost incurred up to December 31, 2020
Electrification	2	85
Motion	–	25
Process Automation ⁽¹⁾	–	61
Robotics & Discrete Automation	6	18
Corporate and Other	10	114
Total	18	303

(1) Formerly named the Industrial Automation operating segment.

The Company recorded the following expenses, net of changes in estimates, under this program:

(\$ in millions)	Three months ended March 31, 2020 ⁽¹⁾	Cumulative costs incurred up to December 31, 2020
Employee severance costs	15	255
Estimated contract settlement, loss order and other costs	2	18
Inventory and long-lived asset impairments	1	30
Total	18	303

(1) Of which \$3 million was recorded in Total cost of sales and \$15 million in Other Income (expense), net.

Other restructuring-related activities

In addition, during 2021 and 2020, the Company executed various other restructuring-related activities and incurred the following charges, net of changes in estimates:

(\$ in millions)	Three months ended March 31,	
	2021	2020
Employee severance costs	20	4
Estimated contract settlement, loss order and other costs	9	1
Inventory and long-lived asset impairments	–	1
Total	29	6

Expenses associated with these activities are recorded in the following line items in the Consolidated Income Statements:

(\$ in millions)	Three months ended March 31,	
	2021	2020
Total cost of sales	14	–
Selling, general and administrative expenses	2	5
Other income (expenses), net	13	1
Total	29	6

At March 31, 2021, and December 31, 2020, \$222 million and \$233 million, respectively, were recorded for other restructuring-related liabilities and were included primarily in Other provisions.

Note 17

Operating segment data

The Chief Operating Decision Maker (CODM) is the Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment using the information outlined below. The Company is organized into the following segments, based on products and services: Electrification, Motion, Process Automation, and Robotics & Discrete Automation. The remaining operations of the Company are included in Corporate and Other.

Effective January 1, 2021, the Industrial Automation segment was renamed the Process Automation segment. In addition, the Company changed its method of allocating real estate assets to its operating segments whereby these assets are now accounted for directly in the individual operating segment which utilizes the asset rather than as a cost recharged to the operating segment from Corporate and Other. As a result, while this change had no impact on segment revenues or profits (Operational EBITA), certain real estate assets previously reported within Corporate and Other have been allocated to the total segment assets of each individual operating segment. Total assets at December 31, 2020, has been recast to reflect this allocation change.

A description of the types of products and services provided by each reportable segment is as follows:

- **Electrification:** manufactures and sells electrical products and solutions which are designed to provide safe, smart and sustainable electrical flow from the substation to the socket. The portfolio of increasingly digital and connected solutions includes electric vehicle charging infrastructure, renewable power solutions, modular substation packages, distribution automation products, switchboard and panelboards, switchgear, UPS solutions, circuit breakers, measuring and sensing devices, control products, wiring accessories, enclosures and cabling systems and intelligent home and building solutions, designed to integrate and automate lighting, heating, ventilation, security and data communication networks. The products and services are delivered through six operating Divisions: Distribution Solutions, Smart Power, Smart Buildings, E-mobility, Installation Products and Power Conversion.
- **Motion:** manufactures and sells drives, motors, generators, traction converters and mechanical power transmission products that are driving the low-carbon future for industries, cities, infrastructure and transportation. These products, digital technology and related services enable industrial customers to increase energy efficiency, improve safety and reliability, and achieve precise control of their processes. Building on over 130 years of cumulative experience in electric powertrains, the Business Area combines domain expertise and technology to deliver the optimum solution for a wide range of applications in all industrial segments. In addition, the Business Area, along with partners, has an unmatched global service presence. These products and services are delivered through eight operating Divisions: Large Motors and Generators, IEC LV Motors, NEMA Motors, Drive Products, System Drives, Service, Traction and Mechanical Power Transmission.
- **Process Automation:** develops and sells a broad range of industry-specific, integrated automation and electrification systems and solutions, as well as digital solutions, lifecycle services and artificial intelligence applications for the process and hybrid industries. Products and solutions include process and discrete control technologies, advanced process control software and manufacturing execution systems, sensing, measurement and analytical instrumentation, electric ship propulsion systems and large turbochargers. In addition, the Business Area offers a comprehensive range of services ranging from repair to advanced services such as remote monitoring, preventive maintenance, asset performance management and cybersecurity services. The products and services are delivered through five operating Divisions: Energy Industries, Process Industries, Marine & Ports, Turbocharging, and Measurement & Analytics.

- **Robotics & Discrete Automation:** delivers its products, solutions and services through two operating Divisions: Robotics and Machine Automation. Robotics includes: industrial robots, software, robotic solutions and systems, field services, spare parts, and digital services. Machine Automation specializes in solutions based on its programmable logic controllers (PLC), industrial PCs (IPC), servo motion, transport systems and machine vision. Both Divisions offer engineering and simulation software as well as a comprehensive range of digital solutions.

Corporate and Other: includes headquarters, the Company's corporate real estate activities, Corporate Treasury Operations, historical operating activities of certain divested businesses and other non-core operating activities.

The primary measure of profitability on which the operating segments are evaluated is Operational EBITA, which represents income from operations excluding:

- Amortization expense on intangibles arising upon acquisition (acquisition-related amortization),
- restructuring, related and implementation costs,
- changes in the amount recorded for obligations related to divested businesses occurring after the divestment date (changes in obligations related to divested businesses),
- changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates),
- gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale),
- acquisition- and divestment-related expenses and integration costs,
- other income/expense relating to the Power Grids joint venture,
- certain other non-operational items, as well as
- foreign exchange/commodity timing differences in income from operations consisting of: (a) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives), (b) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (c) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities).

Certain other non-operational items generally includes certain regulatory, compliance and legal costs, certain asset write downs/impairments and certain other fair value changes, as well as other items which are determined by management on a case-by-case basis.

The CODM primarily reviews the results of each segment on a basis that is before the elimination of profits made on inventory sales between segments. Segment results below are presented before these eliminations, with a total deduction for intersegment profits to arrive at the Company's consolidated Operational EBITA. Intersegment sales and transfers are accounted for as if the sales and transfers were to third parties, at current market prices.

The following tables present disaggregated segment revenues from contracts with customers, Operational EBITA, and the reconciliations of consolidated Operational EBITA to Income from continuing operations before taxes for the three months ended March 31, 2021 and 2020, as well as total assets at March 31, 2021, and December 31, 2020.

Three months ended March 31, 2021						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	1,100	469	563	418	1	2,551
The Americas	1,058	588	290	106	1	2,043
of which: United States	800	494	163	75	–	1,532
Asia, Middle East and Africa	929	503	542	326	7	2,307
of which: China	488	264	175	249	–	1,176
	3,087	1,560	1,395	850	9	6,901
Product type						
Products	2,620	1,349	382	526	7	4,884
Systems	269	–	348	204	2	823
Services and other	198	211	665	120	–	1,194
	3,087	1,560	1,395	850	9	6,901
Third-party revenues	3,087	1,560	1,395	850	9	6,901
Intersegment revenues	53	107	12	3	(175)	–
Total revenues⁽²⁾	3,140	1,667	1,407	853	(166)	6,901

Three months ended March 31, 2020						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	964	451	577	353	26	2,371
The Americas	1,031	569	390	103	–	2,092
of which: United States	801	492	247	70	–	1,610
Asia, Middle East and Africa	678	368	459	198	3	1,706
of which: China	283	154	110	119	–	666
	2,673	1,388	1,426	654	28	6,169
Product type						
Products	2,362	1,198	306	387	25	4,278
Systems	112	–	396	157	3	668
Services and other	199	190	724	110	–	1,223
	2,673	1,388	1,426	654	28	6,169
Third-party revenues	2,673	1,388	1,426	654	28	6,169
Intersegment revenues ⁽¹⁾	100	122	36	17	(228)	47
Total revenues⁽²⁾	2,773	1,510	1,462	671	(200)	6,216

(1) Intersegment revenues during three months ended March 31, 2020, include sales to the Power Grids business which is presented as discontinued operations and therefore these sales are not eliminated from total revenues.

(2) Due to rounding, numbers presented may not add to the totals provided.

(\$ in millions)	Three months ended March 31,	
	2021	2020
Operational EBITA:		
Electrification	511	318
Motion	289	230
Process Automation	155	144
Robotics & Discrete Automation	105	59
Corporate and Other		
– Non-core business activities	(22)	(11)
– Stranded corporate costs	–	(21)
– Corporate costs and intersegment elimination	(79)	(83)
Total	959	636
Acquisition-related amortization	(65)	(65)
Restructuring, related and implementation costs ⁽¹⁾	(35)	(40)
Changes in obligations related to divested businesses	(2)	–
Changes in pre-acquisition estimates	(6)	–
Gains and losses from sale of businesses	(3)	(1)
Fair value adjustment on assets and liabilities held for sale	–	(19)
Acquisition- and divestment-related expenses and integration costs	(10)	(11)
Other income/expense relating to the Power Grids joint venture	(17)	–
Foreign exchange/commodity timing differences in income from operations:		
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(48)	(74)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	2	(4)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	34	(2)
Certain other non-operational items:		
Costs for divestment of Power Grids	(3)	(44)
Regulatory, compliance and legal costs	(2)	–
Business transformation costs ⁽²⁾	(20)	(7)
Assets write downs/impairments & certain other fair value changes	18	–
Other non-operational items	(5)	4
Income from operations	797	373
Interest and dividend income	11	18
Interest and other finance expense	(55)	(22)
Non-operational pension (cost) credit	50	36
Income from continuing operations before taxes	803	405

(1) Amount includes implementation costs in relation to the OS program of \$16 million for the three months ended March 31, 2020.

(2) Amount includes ABB Way process transformation costs of \$15 million for the three months ended March 31, 2021.

(\$ in millions)	Total assets ^{(1), (2)}	
	March 31, 2021	December 31, 2020
Electrification	12,775	12,800
Motion	6,481	6,495
Process Automation	4,881	5,008
Robotics & Discrete Automation	4,658	4,794
Corporate and Other	11,425	11,991
Consolidated	40,220	41,088

(1) Total assets are after intersegment eliminations and therefore reflect third-party assets only.

(2) At March 31, 2021, and December 31, 2020, respectively, Corporate and Other includes \$241 million and \$282 million of assets in the Power Grids business which is reported as discontinued operations (see Note 3). In addition, at March 31, 2021, and December 31, 2020, Corporate and Other includes \$1,678 million and \$1,710 million, respectively, related to the equity investment in Hitachi ABB Power Grids Ltd (see Note 4).

Supplemental Reconciliations and Definitions

The following reconciliations and definitions include measures which ABB uses to supplement its Consolidated Financial Information (unaudited) which is prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). Certain of these financial measures are, or may be, considered non-GAAP financial measures as defined in the rules of the U.S. Securities and Exchange Commission (SEC).

While ABB's management believes that the non-GAAP financial measures herein are useful in evaluating ABB's operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP. Therefore these measures should not be viewed in isolation but considered together with the Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the three months ended March 31, 2021.

On January 1, 2020, the Company adopted a new accounting update for the measurement of credit losses on financial instruments. Consistent with the method of adoption elected, comparable information has not been restated to reflect the adoption of this new standard and accounting update and continues to be measured and reported under the accounting standard in effect for those periods presented.

Comparable growth rates

Growth rates for certain key figures may be presented and discussed on a "comparable" basis. The comparable growth rate measures growth on a constant currency basis. Since we are a global company, the comparability of our operating results reported in U.S. dollars is affected by foreign currency exchange rate fluctuations. We calculate the impacts from foreign currency fluctuations by translating the current-year periods' reported key figures into U.S. dollar amounts using the exchange rates in effect for the comparable periods in the previous year.

Comparable growth rates are also adjusted for changes in our business portfolio. Adjustments to our business portfolio occur due to acquisitions, divestments, or by exiting specific business activities or customer markets. The adjustment for portfolio changes is calculated as follows: where the results of any business acquired or divested have not been consolidated and reported for the entire duration of both the current and comparable periods, the reported key figures of such business are adjusted to exclude the relevant key figures of any corresponding quarters which are not comparable when computing the comparable growth rate. Certain portfolio changes which do not qualify as divestments under U.S. GAAP have been treated in a similar manner to divestments. Changes in our portfolio where we have exited certain business activities or customer markets are adjusted as if the relevant business was divested in the period when the decision to cease business activities was taken. We do not adjust for portfolio changes where the relevant business has annualized revenues of less than \$50 million.

The following tables provide reconciliations of reported growth rates of certain key figures to their respective comparable growth rate.

Comparable growth rate reconciliation by Business Area

Business Area	Q1 2021 compared to Q1 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	13%	-5%	1%	9%	13%	-5%	3%	11%
Motion	1%	-5%	0%	-4%	10%	-4%	0%	6%
Process Automation	-6%	-5%	0%	-11%	-4%	-5%	0%	-9%
Robotics & Discrete Automation	4%	-7%	0%	-3%	27%	-8%	0%	19%
ABB Group	6%	-5%	0%	1%	11%	-5%	1%	7%

Regional comparable growth rate reconciliation

Region	Q1 2021 compared to Q1 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	10%	-8%	1%	3%	8%	-8%	1%	1%
The Americas	0%	0%	0%	0%	-2%	-1%	1%	-2%
Asia, Middle East and Africa	8%	-6%	0%	2%	35%	-7%	2%	30%
ABB Group	6%	-5%	0%	1%	11%	-5%	1%	7%

Order backlog growth rate reconciliation

Business Area	March 31, 2021 compared to March 31, 2020			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	7%	-4%	0%	3%
Motion	5%	-6%	0%	-1%
Process Automation	14%	-8%	0%	6%
Robotics & Discrete Automation	-6%	-6%	0%	-12%
ABB Group	8%	-6%	0%	2%

Other growth rate reconciliations

	Q1 2021 compared to Q1 2020			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Service orders	-2%	-4%	0%	-6%
Service revenues	-2%	-5%	0%	-7%

Operational EBITA as % of operational revenues (Operational EBITA margin)

Definition

Operational EBITA margin

Operational EBITA margin is Operational EBITA as a percentage of Operational revenues.

Operational EBITA

Operational earnings before interest, taxes and acquisition-related amortization (Operational EBITA) represents Income from operations excluding:

- acquisition-related amortization (as defined below),
- restructuring, related and implementation costs,
- changes in the amount recorded for obligations related to divested businesses occurring after the divestment date (changes in obligations related to divested businesses),
- changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates),
- gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale),
- acquisition- and divestment-related expenses and integration costs,
- other income/expense relating to the Power Grids joint venture,
- certain other non-operational items, as well as
- foreign exchange/commodity timing differences in income from operations consisting of: (a) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives), (b) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (c) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities).

Certain other non-operational items generally includes certain regulatory, compliance and legal costs, certain asset write downs/impairments (including impairment of goodwill) and certain other fair value changes, as well as other items which are determined by management on a case-by-case basis.

Operational EBITA is our measure of segment profit but is also used by management to evaluate the profitability of the Company as a whole.

Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

Restructuring, related and implementation costs

Restructuring, related and implementation costs consists of restructuring and other related expenses, as well as internal and external costs relating to the implementation of group-wide restructuring programs.

Other income/expense relating to the Power Grids joint venture

Other income/expense relating to the Power Grids joint venture consists of amounts recorded in Income from continuing operations before taxes relating to the divested Power Grids business including the income/loss under the equity method for the investment in Hitachi ABB Power Grids Ltd. (Hitachi ABB PG), amortization of deferred brand income as well as changes in value of other obligations relating to the divestment.

Operational revenues

The Company presents Operational revenues solely for the purpose of allowing the computation of Operational EBITA margin. Operational revenues are total revenues adjusted for foreign exchange/commodity timing differences in total revenues of: (i) unrealized gains and losses on derivatives, (ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (iii) unrealized foreign exchange movements on receivables (and related assets). Operational revenues are not intended to be an alternative measure to Total revenues, which represent our revenues measured in accordance with U.S. GAAP.

Reconciliation

The following tables provide reconciliations of consolidated Operational EBITA to Net Income and Operational EBITA Margin by business.

Reconciliation of consolidated Operational EBITA to Net Income

(\$ in millions)	Three months ended March 31,	
	2021	2020
Operational EBITA	959	636
Acquisition-related amortization	(65)	(65)
Restructuring, related and implementation costs ⁽¹⁾	(35)	(40)
Changes in obligations related to divested businesses	(2)	–
Changes in pre-acquisition estimates	(6)	–
Gains and losses from sale of businesses	(3)	(1)
Fair value adjustment on assets and liabilities held for sale	–	(19)
Acquisition- and divestment-related expenses and integration costs	(10)	(11)
Other income/expense relating to the Power Grids joint venture	(17)	–
Certain other non-operational items	(12)	(47)
Foreign exchange/commodity timing differences in income from operations	(12)	(80)
Income from operations	797	373
Interest and dividend income	11	18
Interest and other finance expense	(55)	(22)
Non-operational pension (cost) credit	50	36
Income from continuing operations before taxes	803	405
Income tax expense	(252)	(79)
Income from continuing operations, net of tax	551	326
Income (loss) from discontinued operations, net of tax	(28)	54
Net income	523	380

(1) Amounts include implementation costs in relation to the OS program of \$16 million for the three months ended March 31, 2020.

Reconciliation of Operational EBITA margin by business

Three months ended March 31, 2021						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and	Consolidated
					Intersegment elimination	
Total revenues	3,140	1,667	1,407	853	(166)	6,901
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	29	27	12	5	4	77
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	(2)	(1)	–	(3)
Unrealized foreign exchange movements on receivables (and related assets)	(19)	(8)	(5)	(7)	(2)	(41)
Operational revenues	3,150	1,686	1,412	850	(164)	6,934
Income (loss) from operations	440	265	147	82	(137)	797
Acquisition-related amortization	29	13	1	20	2	65
Restructuring, related and implementation costs	17	1	3	5	9	35
Changes in obligations related to divested businesses	–	–	–	–	2	2
Changes in pre-acquisition estimates	6	–	–	–	–	6
Gains and losses from sale of businesses	3	–	–	–	–	3
Acquisition- and divestment-related expenses and integration costs	6	3	1	–	–	10
Other income/expense relating to the Power Grids joint venture	–	–	–	–	17	17
Certain other non-operational items	(6)	–	–	–	18	12
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	25	14	10	1	(2)	48
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	(1)	–	(1)	(2)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(9)	(7)	(6)	(3)	(9)	(34)
Operational EBITA	511	289	155	105	(101)	959
Operational EBITA margin (%)	16.2%	17.1%	11.0%	12.4%	n.a.	13.8%

In the three months ended March 31, 2021, Certain other non-operational items in the table above includes the following:

Three months ended March 31, 2021						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
					and Other	
Certain other non-operational items:						
Costs for divestment of Power Grids	–	–	–	–	3	3
Regulatory, compliance and legal costs	–	–	–	–	2	2
Asset write downs/impairments and certain other fair value changes	(9)	–	–	–	(9)	(18)
Business transformation costs ⁽¹⁾	3	–	–	–	17	20
Other non-operational items	(1)	–	1	–	5	5
Total	(7)	–	1	–	18	12

(1) Amounts include ABB Way process transformation costs of \$15 million for the three months ended March 31, 2021.

Three months ended March 31, 2020						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	2,773	1,510	1,462	671	(200)	6,216
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	38	10	29	6	3	86
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	–	8	–	(2)	7
Unrealized foreign exchange movements on receivables (and related assets)	(29)	(13)	(20)	(8)	2	(68)
Operational revenues	2,783	1,507	1,479	669	(197)	6,241
Income (loss) from operations	199	191	124	32	(173)	373
Acquisition-related amortization	28	13	1	19	4	65
Restructuring, related and implementation costs	15	2	3	7	13	40
Gains and losses from sale of businesses	1	–	–	–	–	1
Fair value adjustment on assets and liabilities held for sale	19	–	–	–	–	19
Acquisition- and divestment-related expenses and integration costs	11	–	–	–	–	11
Certain other non-operational items	–	5	–	1	41	47
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	42	19	18	2	(7)	74
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	6	–	(2)	4
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	3	–	(8)	(2)	9	2
Operational EBITA	318	230	144	59	(115)	636
Operational EBITA margin (%)	11.4%	15.3%	9.7%	8.8%	n.a.	10.2%

In the three months ended March 31, 2020, Certain other non-operational items in the table above includes the following:

Three months ended March 31, 2020						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Costs for planned divestment of Power Grids	–	–	–	–	44	44
Business transformation costs	–	4	–	1	2	7
Other non-operational items	–	1	–	–	(5)	(4)
Total	–	5	–	1	41	47

Net debt

Definition

Net debt

Net debt is defined as Total debt less Cash and marketable securities.

Total debt

Total debt is the sum of Short-term debt and current maturities of long-term debt, and Long-term debt.

Cash and marketable securities

Cash and marketable securities is the sum of Cash and equivalents, Restricted cash (current and non-current) and Marketable securities and short-term investments.

Reconciliation

(\$ in millions)	March 31, 2021	December 31, 2020
Short-term debt and current maturities of long-term debt	1,336	1,293
Long-term debt	5,619	4,828
Total debt (gross debt)	6,955	6,121
Cash and equivalents	3,466	3,278
Restricted cash - current	72	323
Marketable securities and short-term investments	1,884	2,108
Restricted cash - non-current	300	300
Cash and marketable securities	5,722	6,009
Net debt	1,233	112

Net debt/EBITDA Ratio

Definition

Net debt/EBITDA

Net debt/EBITDA is defined as Net debt divided by EBITDA.

EBITDA

EBITDA is defined as Income from operations for the trailing twelve months preceding the balance sheet date before depreciation and amortization for the same trailing twelve-month period.

Reconciliation

(\$ in millions, unless otherwise indicated)	March 31, 2021	March 31, 2020
Income from operations for the three months ended		
March 31, 2021/2020	797	373
December 31, 2020/2019	578	648
September 30, 2020/2019	71	577
June 30, 2020/2019	571	123
Depreciation and Amortization for the three months ended		
March 31, 2021/2020	227	227
December 31, 2020/2019	229	246
September 30, 2020/2019	231	235
June 30, 2020/2019	228	249
EBITDA	2,932	2,678
Net debt (as defined above)	1,233	6,221
Net debt / EBITDA	0.4	2.3

(\$ in millions, unless otherwise indicated)	June 30, 2020
Income from operations for the three months ended	
June 30, 2020	571
March 31, 2020	373
December 31, 2019	648
September 30, 2019	577
Depreciation and Amortization for the three months ended	
June 30, 2020	228
March 31, 2020	227
December 31, 2019	246
September 30, 2019	235
EBITDA	3,105
Net debt (as defined above)	7,615
Net debt / EBITDA	2.5

Net debt/Equity Ratio

Definition

Net debt/Equity

Net debt/Equity is defined as Net debt divided by Equity.

Equity

Equity is defined as Total stockholders' equity.

Reconciliation

(\$ in millions, unless otherwise indicated)	Q1 2021	Q1 2020	Q2 2020	Q3 2020	Q4, 2020
Total stockholders equity	14,059	12,032	12,575	17,030	15,999
Net debt (as defined above)	1,233	6,221	7,615	(935)	112
Net debt / Equity	0.09	0.52	0.61	-0.05	0.01

Net working capital as a percentage of revenues

Definition

Net working capital as a percentage of revenues

Net working capital as a percentage of revenues is calculated as Net working capital divided by Adjusted revenues for the trailing twelve months.

Net working capital

Net working capital is the sum of (i) receivables, net, (ii) contract assets, (iii) inventories, net, and (iv) prepaid expenses; less (v) accounts payable, trade, (vi) contract liabilities, and (vii) other current liabilities (excluding primarily: (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, (d) payables under the share buyback program and (e) liabilities related to the divestment of the Power Grids business); and including the amounts related to these accounts which have been presented as either assets or liabilities held for sale but excluding any amounts included in discontinued operations.

Adjusted revenues for the trailing twelve months

Adjusted revenues for the trailing twelve months includes total revenues recorded by ABB in the twelve months preceding the relevant balance sheet date adjusted to eliminate revenues of divested businesses and the estimated impact of annualizing revenues of certain acquisitions which were completed in the same trailing twelve-month period.

Reconciliation

(\$ in millions, unless otherwise indicated)	March 31, 2021	March 31, 2020
Net working capital:		
Receivables, net	6,663	6,288
Contract assets	1,044	1,038
Inventories, net	4,475	4,358
Prepaid expenses	241	266
Accounts payable, trade	(4,453)	(4,170)
Contract liabilities	(1,855)	(1,665)
Other current liabilities ⁽¹⁾	(3,211)	(2,797)
Net working capital	2,904	3,318
Total revenues for the three months ended:		
March 31, 2021 / 2020	6,901	6,216
December 31, 2020 / 2019	7,182	7,068
September 30, 2020 / 2019	6,582	6,892
June 30, 2020 / 2019	6,154	7,171
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	–	(404)
Adjusted revenues for the trailing twelve months	26,819	26,943
Net working capital as a percentage of revenues (%)	10.8%	12.3%

(1) Amounts exclude \$710 million and \$717 million at March 31, 2021 and 2020, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits and (d) liabilities related to the divestment of the Power Grids business.

Free cash flow conversion to net income

Definition

Free cash flow conversion to net income

Free cash flow conversion to net income is calculated as free cash flow divided by Adjusted net income attributable to ABB

Adjusted net income attributable to ABB

Adjusted net income attributable to ABB is calculated as net income attributable to ABB adjusted for: (i) impairment of goodwill, (ii) losses from extinguishment of debt, and (iii) gain on the sale of the Power Grids business included in discontinued operations.

Free cash flow

Free cash flow is calculated as net cash provided by operating activities adjusted for: (i) purchases of property, plant and equipment and intangible assets, and (ii) proceeds from sales of property, plant and equipment.

Free cash flow for the trailing twelve months

Free cash flow for the trailing twelve months includes free cash flow recorded by ABB in the twelve months preceding the relevant balance sheet date.

Net income for the trailing twelve months

Net income for the trailing twelve months includes net income recorded by ABB (as adjusted) in the twelve months preceding the relevant balance sheet date.

Free cash flow conversion to net income

(\$ in millions, unless otherwise indicated)	Twelve months to	
	March 31, 2021	December 31, 2020
Net cash provided by operating activities – continuing operations	2,794	1,875
Adjusted for the effects of continuing operations:		
Purchases of property, plant and equipment and intangible assets	(673)	(694)
Proceeds from sale of property, plant and equipment	111	114
Free cash flow from continuing operations	2,232	1,295
Net cash provided by (used in) operating activities – discontinued operations	19	(182)
Adjusted for the effects of discontinued operations:		
Purchases of property, plant and equipment and intangible assets	(75)	(108)
Proceeds from sale of property, plant and equipment	–	1
Free cash flow	2,176	1,006
Adjusted net income attributable to ABB⁽¹⁾	628	478
Free cash flow conversion to net income	346%	210%

(1) Adjusted net income attributable to ABB for the year ended December 31, 2020, is adjusted to exclude goodwill impairment charges of \$311 million, loss from extinguishment of debt of \$162 million and the gain on the sale of the Power Grids business included in discontinued operations of \$5,141 million.

Reconciliation of the trailing twelve months to March 31, 2021

(\$ in millions)	Continuing operations			Discontinued operations			
	Net cash provided by continuing operating activities	Purchases of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Net cash provided by discontinued operating activities	Purchases of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Adjusted net income attributable to ABB ⁽¹⁾
Q2 2020	648	(140)	4	32	(60)	–	319
Q3 2020	398	(129)	41	10	–	–	(479)
Q4 2020	1,225	(262)	46	(43)	(15)	–	262
Q1 2021	523	(142)	20	20	–	–	526
Total for the trailing twelve months to March 31, 2021	2,794	(673)	111	19	(75)	–	628

(1) Adjusted net income attributable to ABB for Q3 2020 is adjusted to exclude goodwill impairment charges of \$311 million, and the gain on the sale of the Power Grids business included in discontinued operations of \$5,320 million. Q4 2020 is adjusted to exclude the loss from extinguishment of debt of \$162 million and the adjustment to the gain on the sale of Power Grids of \$179 million. Q1 2021 is adjusted to exclude the adjustment to the gain on the sale of Power Grids of \$24 million.

Net finance expenses

Definition

Net finance expenses is calculated as Interest and dividend income less Interest and other finance expense and Losses from extinguishment of debt.

Reconciliation

(\$ in millions)	Three months ended March 31,	
	2021	2020
Interest and dividend income	11	18
Interest and other finance expense	(55)	(22)
Net finance expenses	(44)	(4)

Book-to-bill ratio

Definition

Book-to-bill ratio is calculated as Orders received divided by Total revenues.

Reconciliation

(\$ in millions, unless otherwise indicated)	Three months ended March 31,					
	2021			2020		
	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	3,531	3,140	1.12	3,121	2,773	1.13
Motion	1,917	1,667	1.15	1,901	1,510	1.26
Process Automation	1,656	1,407	1.18	1,757	1,462	1.20
Robotics & Discrete Automation	841	853	0.99	811	671	1.21
Corporate and Other <i>(incl. intersegment eliminations)</i>	(189)	(166)	n.a.	(244)	(200)	n.a.
ABB Group	7,756	6,901	1.12	7,346	6,216	1.18

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