

Q2 2021

First six months

Press Release

Ad hoc Announcement pursuant to Art. 53 Listing Rules of SIX Swiss Exchange

ZURICH, SWITZERLAND, JULY 22, 2021

Q2 2021 results

Strong performance in a recovery quarter

- Orders \$8.0 billion, +32%; comparable¹ +24%
- Revenues \$7.4 billion, +21%; comparable +14%
- Income from operations \$1,094 million; margin 14.7%
- Operational EBITA¹ \$1,113 million; margin¹ 15.0%
- Basic EPS \$0.37; +150%²
- Cash flow from operating activities and from operating activities continuing operations was \$663 million

KEY FIGURES

(\$ millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q2 2021	Q2 2020	US\$	Comparable ¹	H1 2021	H1 2020	US\$	Comparable ¹
Orders	7,989	6,054	32%	24%	15,745	13,400	18%	11%
Revenues	7,449	6,154	21%	14%	14,350	12,370	16%	11%
Gross Profit	2,508	1,987	26%		4,776	3,897	23%	
as % of revenues	33.7%	32.3%	+1.4 pts		33.3%	31.5%	+1.8 pts	
Income from operations	1,094	571	92%		1,891	944	100%	
Operational EBITA ¹	1,113	651	71%	59% ³	2,072	1,287	61%	50% ³
as % of operational revenues ¹	15.0%	10.6%	+4.4 pts		14.4%	10.4%	+4 pts	
Income from continuing operations, net of tax	789	395	100%		1,340	721	86%	
Net income (loss) attributable to ABB	752	319	136%		1,254	695	80%	
Basic earnings per share (\$)	0.37	0.15	150% ²		0.62	0.33	91% ²	
Cash flow from operating activities ⁴	663	680	-3%		1,206	103	n.a.	
Cash flows from operating activities in continuing operations	663	648	2%		1,186	252	n.a.	

¹ For a reconciliation of non-GAAP measures, see "supplemental reconciliations and definitions" in the attached Q2 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.

"I am very encouraged that we have delivered a clearly improved performance. The strong upturn in Operational EBITA margin reflects the recovery in demand in combination with increased internal efficiency and the strength of ABB's electrification and automation offerings. We will continue to sharpen our focus on profitability through innovation, sustainability and digitalization, while actively managing our portfolio."

Björn Rosengren, CEO



CEO summary

The underlying customer activity in the second quarter increased slightly on a sequential basis. However, orders and revenues increased significantly compared with last year's low levels, when the adverse business impact of the COVID-19 pandemic was at its peak. Double-digit order growth was reported in all business areas driven by a broad-based improvement across most short-cycle customer segments and a positive development in several process-related businesses. Growth was to some extent supported by customers stock-building.

We improved Operational EBITA by 71% and the Operational EBITA margin increased to the high level of 15.0%, up 440 basis points, year-on-year. Results were supported by the recovery in demand in combination with the impact from earlier implemented cost measures, as well as ongoing restricted travel spending. An additional effect was derived from proactive price measures taken to mitigate the expected increase in headwinds from higher commodity prices. I am pleased to see how well the team has handled certain component shortages, whereby managing to limit the impact on customer deliveries. Despite active management of the situation the tight supply of certain components, such as semiconductors, is expected to continue in the coming quarter. The strong earnings converted into cash flow from operating activities in continuing operations of \$663 million, improving slightly from last year. I am pleased with how the team managed to keep net working capital broadly stable year-on-year in this strong growth environment. Our strong cash generation in the first half of the year provides a good base to deliver on our guidance of a solid cash flow in 2021.

During the second quarter Robotics & Discrete Automation broadened its automation offering to the construction segment. Robotic automation is not yet widely used in this industry and we see potential to increase efficiency in areas such as fabrication of modular homes, welding and material handling. Additionally, it was good to receive the prestigious Innovation and Entrepreneurship in Robotics &

Automation (IERA) award for our PixelPaint robotic non-overspray technology for the automotive industry.

We made further progress toward our long-term sustainability target of reducing emissions and achieving carbon neutrality in our own operations by 2030 by joining three initiatives led by the international non-profit Climate Group. They include electrifying our fleet of more than 10,000 vehicles, sourcing 100% renewable electricity, as well as establishing energy efficiency targets and continuing to deploy energy management systems at our sites. Furthermore, our targets have received approval by the Science Based Targets initiative (SBTi) confirming they are in line with the Paris Agreement. ABB also joined the Business Ambition for 1.5°C Campaign, a global coalition of UN agencies, business and industry leaders, led by the UN Global Compact (UNGC).

I am pleased to see that our increased focus on acquired growth resulted in Robotics & Discrete Automation acquiring ASTI, after the close of the second quarter. It is a leading global mobile robotics manufacturer and this transaction will expand our offering to make ABB the only company to offer a holistic automation portfolio for the entire value chain, helping customers replace today's linear production lines with fully flexible networks. Going forward, I expect to see more of these small- to mid-sized bolt-on deals as the divisions fill up their target pipelines. We have also made good progress with the announced portfolio changes and I expect to announce an agreement for a divestment during the third quarter.



Björn Rosengren
CEO

Outlook

ABB anticipates growth rates in the **third quarter** of 2021 to reflect the low level of business activity in Q3 2020. Based on the current market situation, comparable revenues are expected to grow ~10%, with orders growing more than revenues.

In the **third quarter**, higher demand and service revenues should be supportive to the Operational EBITA margin year-on-year, however some sequential adverse impact is expected from rising raw material costs, component shortages as well as increasing travel spend as pandemic-related restrictions ease.

ABB anticipates comparable revenue growth of just below 10% (update from ~5% or more) 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 strong (update from steady) pace of improvement from 2020 toward the 2023 operational EBITA margin target of the upper half of the 13%-16% range.

Orders and revenues

Demand increased significantly compared with the prior year period, when the adverse business effects of the COVID-19 pandemic were at their peak. In total, orders amounted to \$7,989 million, increasing by 32% (24% comparable), including a 28% (20% comparable) step-up in the service business. Revenues amounted to \$7,449 million, increasing by 21% (14% comparable). On a sequential basis, the customer demand improved.

Orders grew strongly in the machine builders, consumer electronics and food & beverage segments as well as in general industries overall. Orders in the automotive segment declined, mainly due to the strategic selective order approach aimed at improving long-term profitability.

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 a positive development for both the residential and non-residential segments. The marine segment recovered, including a slight positive development in the cruise segment with customers initiating service spend in anticipation of upcoming cruising activities.

The process-related business improved slightly overall supported by positive developments in pulp & paper, mining, water & wastewater and chemicals. Demand in the oil & gas segment recovered primarily due to a somewhat positive development in the Americas. Customer activity improved in power generation, albeit from a low level.

On a sequential basis, the general business environment improved slightly in all three regions. Compared with the corresponding period last year, growth was very strong in all three regions reflecting the recovery from last year's low levels due to the impact from the pandemic. In the Americas orders improved by 44% (41% comparable) including growth in the United States of 39% (39% comparable). Europe improved by 33% (23% comparable) with growth in all of the most significant countries. In Asia, Middle East and Africa (AMEA) where business had already started to recover in the second quarter of 2020, orders improved more moderately by 25% (15% comparable), including 26% (15% comparable) in China.

Growth

	Q2 Orders	Q2 Revenues
Change year-on-year		
Comparable	24%	14%
FX	8%	7%
Portfolio changes	0%	0%
Total	32%	21%

Orders by region

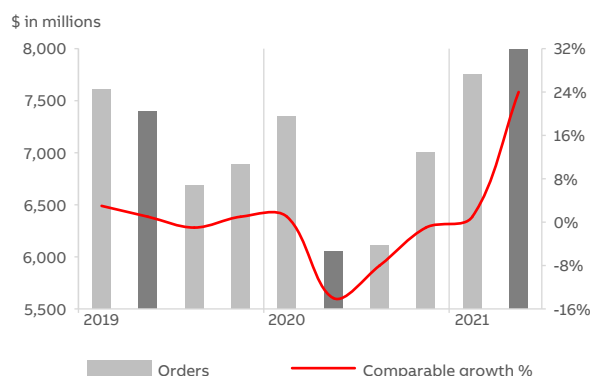
(\$ in millions, unless otherwise indicated)	Q2 2021	Q2 2020	CHANGE	
			US\$	Comparable
Europe	2,954	2,219	33%	23%
The Americas	2,473	1,720	44%	41%
Asia, Middle East and Africa	2,562	2,056	25%	15%
Intersegment ¹	–	59		
ABB Group	7,989	6,054	32%	24%

Revenues by region

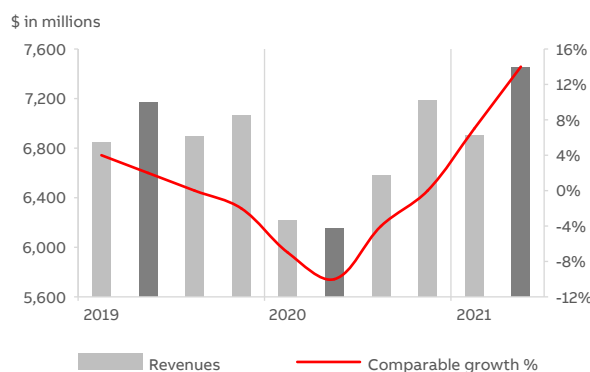
(\$ in millions, unless otherwise indicated)	Q2 2021	Q2 2020	CHANGE	
			US\$	Comparable
Europe	2,697	2,217	22%	12%
The Americas	2,284	1,872	22%	19%
Asia, Middle East and Africa	2,468	2,004	23%	15%
Intersegment ¹	–	61		
ABB Group	7,449	6,154	21%	14%

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 33.7%, up 140 basis points year-on-year, supported by the revenue growth and structural improvements. Gross margins were higher in three out of four business areas. Gross profit improved by 26% and amounted to \$2,508 million.

Income from operations

Income from operations amounted to \$1,094 million and close to doubled from the year-earlier period driven primarily by stronger Operational EBITA, lower restructuring related expenses and a positive impact from fair value adjustments of equity investments of \$96 million. Results include restructuring activities with restructuring and restructuring related expenses of \$18 million, primarily related to Process Automation.

Operational EBITA

Operational EBITA of \$1,113 million was 71% higher (59% constant currency) year-on-year. The margin improved by 440 basis points to 15.0%. Three out of four business areas improved their margin, with Motion remaining stable at an already high level. 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 additional support from the impacts of exchange rate movements. Selling, general and administrative (SG&A) expenses increased by 11% (4% in local currency), driven by higher sales expenses. However, the ratio in relation

to revenues declined to 17.6%, from 19.2% in the year-earlier period. R&D expenses increased by 18% (9% constant currency). Corporate and Other Operational EBITA improved by \$42 million to -\$92 million, reflecting primarily the elimination of stranded costs and our new decentralized operating model. The underlying ongoing corporate Operational EBITA was -\$85 million, compared to -\$107 million last year.

Net finance expenses

The net finance expenses¹ amounted to \$21 million, reflecting lower interest costs on debt and lower costs on uncertain tax positions compared with last year. Net finance expenses for 2021 are still expected at \$130 million.

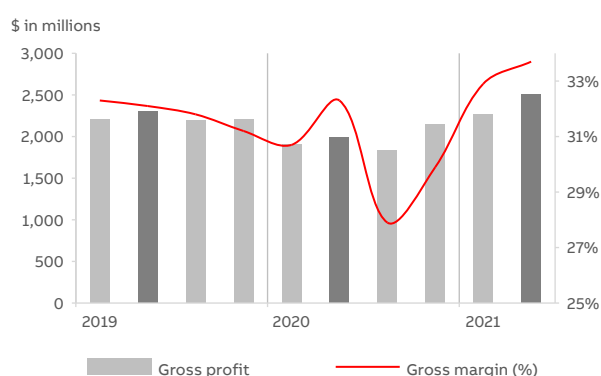
Income tax

Income tax expense was \$322 million with a tax rate of 29.0% compared with 24.8% in the prior year. The higher rate is primarily due to timing differences between tax recognition and underlying profit. Tax rate for 2021 is still estimated at 26%⁵.

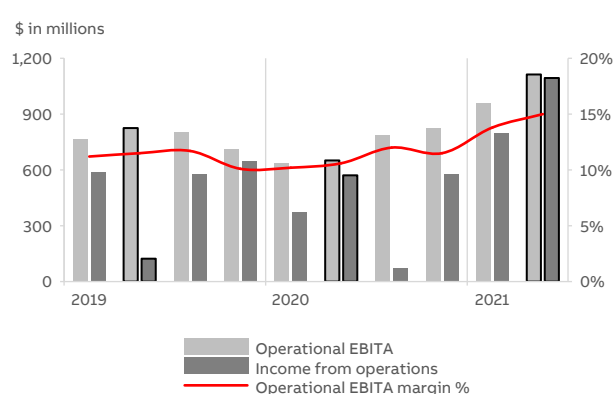
Net income and earnings per share

Net income attributable to ABB was \$752 million and increased by 136% with last year's second quarter being the period most severely impacted by the pandemic. Basic earnings per share was \$0.37 and increased by 150%.

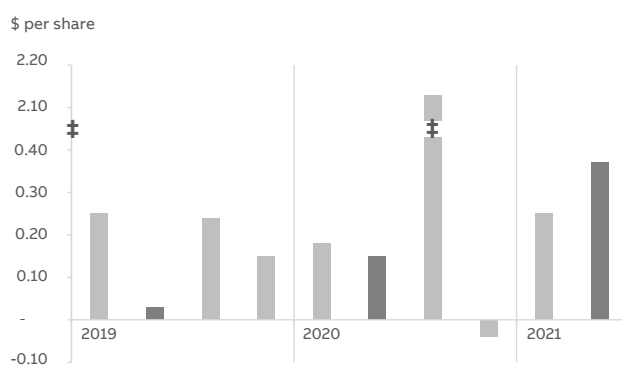
Gross profit & Gross margin



Income from operations & Operational EBITA



Basic EPS



⁵ Excludes impact of acquisitions or divestments or any significant non-operational items

Balance sheet & Cash flow

Net working capital

Net working capital amounted to \$3,251 million, remaining broadly stable year-on-year. However, it increased from \$2,904 million in the prior quarter, primarily due to receivables from higher business volumes. In total, the reduction of net working capital in Process Automation partially offset the increase in the other three business areas. Net working capital as a percentage of revenues¹ was 11.6%.

Capital expenditures

Purchases of property, plant and equipment and intangible assets amounted to \$151 million.

Net debt

Net debt¹ totaled \$2,259 million, a significant reduction compared with last year's level of \$7,615 million and a sequential increase from \$1,233 million. The sequential increase reflects the impacts of the share buybacks during the quarter as well as the remaining payment of the annual dividend payment. The net debt to EBITDA ratio¹ declined to 0.7 from 2.5 reported for the same period last year, while it increased sequentially from 0.4.

(\$ millions, unless otherwise indicated)	Jun. 30 2021	Jun. 30 2020	Dec. 31 2020
Short term debt and current maturities of long-term debt	2,117	6,383	1,293
Long-term debt	4,375	6,237	4,828
Total debt	6,492	12,620	6,121
Cash & equivalents	2,860	2,518	3,278
Cash and equivalents in discontinued operations	–	609	–
Restricted cash - current	71	–	323
Marketable securities and short-term investments	1,002	1,878	2,108
Restricted cash - non-current	300	–	300
Cash and marketable securities	4,233	5,005	6,009
Net debt*	2,259	7,615	112
Net debt* to EBITDA ratio	0.7	2.5	0.04
Net debt* to Equity ratio	0.16	0.61	0.01

* net debt excludes net pension liabilities \$871 million

Cash flows

Cash flow from operating activities in continuing operations was \$663 million, a slight improvement of \$15 million compared with the corresponding period last year. Three out of four business areas contributed to the improvement which was driven by higher earnings and included a sequential build-up of net working capital reflecting the increase in customer deliveries.

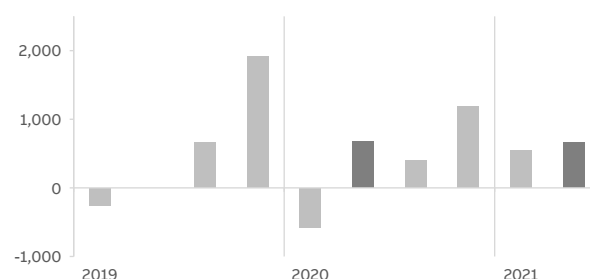
Share buyback program

As approved at the Annual General Meeting, 115,000,000 shares repurchased under the initial share buyback program were cancelled. The total number of ABB Ltd's issued shares is 2,053,148,264, compared with 2,168,148,264 before the cancellation. At the end of the period, ABB holding of treasury shares amounted to 47,370,987 which corresponds to 2.3% of the total number of issued shares of which 28,554,689 have been purchased for cancellation in connection with share buyback activities on the second trading line.

The previously announced follow-up share buyback program of up to \$4.3 billion was launched in early April. This follow-up program is part of the plan to return \$7.8 billion of cash proceeds from the Power Grids divestment to shareholders. Under the initial program a total of 128,620,589 shares were repurchased for an amount of approximately \$3.5 billion. In Q2 a total of 14,934,100 shares were repurchased on the second trading line.

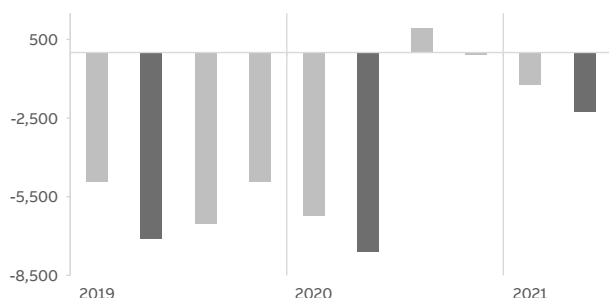
Cash flow from operating activities

\$ in millions

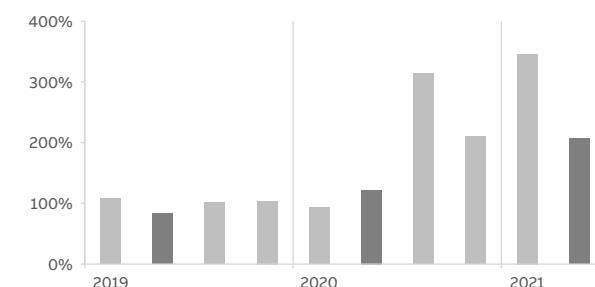


Net Cash (Net Debt) position

\$ in millions



Free cash flow conversion to net income¹, R12M



Electrification



Orders and revenues

Demand recovered from the low levels in the year-earlier period when business activities were the most affected by the effects of the pandemic. Orders increased to the high level of \$3,693 million, an increase of 35% (28% comparable). Revenues amounted to \$3,406 million, up by 23% (17% comparable).

- Strong comparable order growth represents a double-digit growth rate in all divisions.
- Demand improved in the buildings segment, with a positive development for both residential and non-residential business. Customer activity was also high for the data centers, food & beverage, rail and e-mobility segments. Activity in oil & gas was moderate.
- Orders increased at double-digit rates in all three regions although at a higher pace of >40% (>30% comparable) in the Americas and Europe while AMEA increased by 20% (11% comparable).
- Comparable growth was to some extent supported by customers stock-building to manage the constraints of

Growth

Change year-on-year	Q2 Orders	Q2 Revenues
Comparable	28%	17%
FX	7%	6%
Portfolio changes	0%	0%
Total	35%	23%

component availability as well as solid pricing execution. While component shortages had no material impact on customer deliveries in the period, delays are expected in the coming quarter.

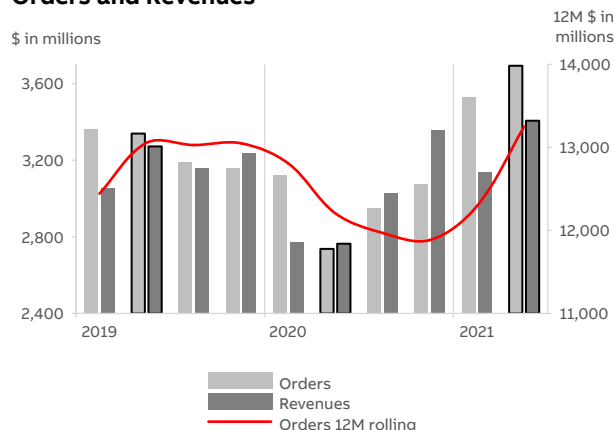
Profit

All of the larger divisions improved both Operational EBITA and margin, hence the business area result improved by 70% and margin increased by 480 basis points to 17.4%.

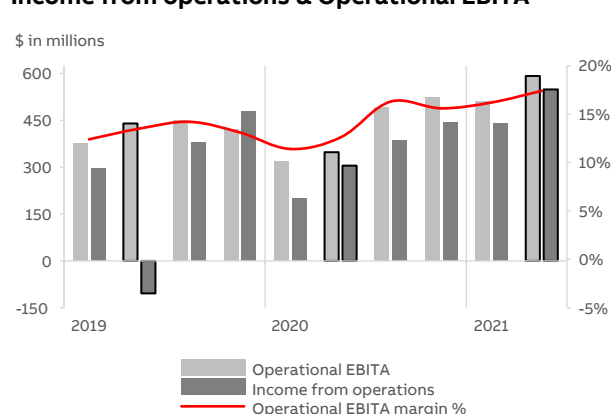
- The strong performance reflects the impact from higher volumes, capacity utilization, improved pricing, cost controls and constrained travel expenses.
- While the adverse impact from rising raw material costs was limited in the period, it is expected to have an increasingly negative impact in the coming quarters as commodities bought at higher rates are used in production. Some increase in travel expenses is also expected, as pandemic-related travel restrictions ease.

(\$ millions, unless otherwise indicated)	Q2 2021	Q2 2020	CHANGE		H1 2021	H1 2020	CHANGE	
			US\$	Comparable			US\$	Comparable
Orders	3,693	2,737	35%	28%	7,224	5,858	23%	18%
Order backlog	5,029	4,465	13%	9%	5,029	4,465	13%	9%
Revenues	3,406	2,764	23%	17%	6,546	5,537	18%	14%
Operational EBITA	592	348	70%		1,103	666	66%	
as % of operational revenues	17.4%	12.6%	+4.8 pts		16.8%	12.0%	+4.8 pts	
Cash flow from operating activities	511	402	27%		830	415	100%	
No. of employees (FTE equiv.)	51,700	51,700	0%					

Orders and Revenues



Income from operations & Operational EBITA



Motion



Orders and revenues

Both orders and revenues were at high absolute levels, and growth was additionally supported by low comparables in the year-earlier period. In total, order intake amounted to \$1,947 million, up by 23% (16% comparable). Revenues amounted to \$1,850 million, representing growth of 17% (11% comparable).

- Customer activity improved in all segments. Order intake was driven by the short-cycle product business as well as service, with emerging signs of improving demand for projects.
- Orders increased in all three regions, with the Americas outperforming Europe and AMEA.

Profit

Operational EBITA margin of 17.7% remained stable compared with the high comparable from last year. Operational EBITA increased by 16%, relative to the same

Growth

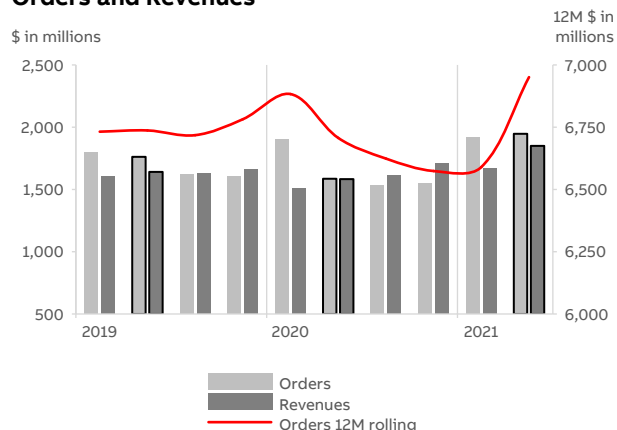
	Q2 Orders	Q2 Revenues
Change year-on-year		
Comparable	16%	11%
FX	7%	6%
Portfolio changes	0%	0%
Total	23%	17%

period last year and reached the high quarterly level of \$325 million.

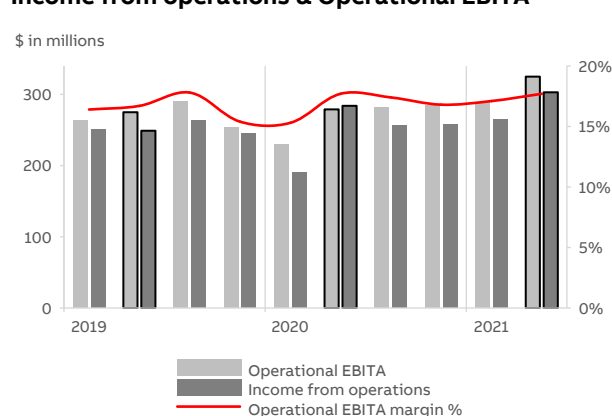
- Operational EBITA margin was supported by the impact of higher sales volumes, however there was an offsetting effect from the geographical mix from the strong recovery in both Europe and the Americas.
- Although a tightening supply of semiconductors was noted in the industry, there was no material impact on customer deliveries or results. However, longer lead-times in customer deliveries are anticipated in the coming quarter.
- While the adverse impact from rising raw material costs was limited in the period, it is expected to have an increasingly negative impact in the coming quarters as commodities bought at higher rates are used in production.

(\$ millions, unless otherwise indicated)	Q2 2021	Q2 2020	CHANGE				CHANGE			
			US\$	Comparable	H1 2021	H1 2020	US\$	Comparable		
Orders	1,947	1,586	23%	16%	3,864	3,487	11%	5%		
Order backlog	3,558	3,384	5%	1%	3,558	3,384	5%	1%		
Revenues	1,850	1,583	17%	11%	3,517	3,093	14%	8%		
Operational EBITA	325	279	16%		614	509	21%			
as % of operational revenues	17.7%	17.7%	0 pts		17.4%	16.5%	+0.9 pts			
Cash flow from operating activities	223	328	-32%		547	480	14%			
No. of employees (FTE equiv.)	21,500	20,700	4%							

Orders and Revenues



Income from operations & Operational EBITA



Process Automation



Orders and revenues

Orders improved in all segments and divisions, although from the low level in the year-earlier period when demand was significantly impacted by the spread of the pandemic. Order intake amounted to \$1,555 million, an increase of 19% (11% comparable). Revenues turned to growth and amounted to \$1,540 million, up by 11% (4% comparable).

- In total, both the products and service business improved in orders year-on-year.
- The process-related business improved overall supported by positive developments in pulp & paper, mining, water & wastewater and chemicals. Demand in the oil & gas segment recovered primarily due to a positive development in the Americas. Customer activity improved in power generation, albeit from a low level.
- The marine segment improved, including a slight positive development in the cruise segment with

Growth

	Q2 Orders	Q2 Revenues
Change year-on-year		
Comparable	11%	4%
FX	8%	7%
Portfolio changes	0%	0%
Total	19%	11%

customers initiating service spend in anticipation of upcoming cruising activities.

- The increase in revenues reflects the low comparable from last year, backlog execution and a broad-based recovery in demand with all divisions reporting stable to positive growth.

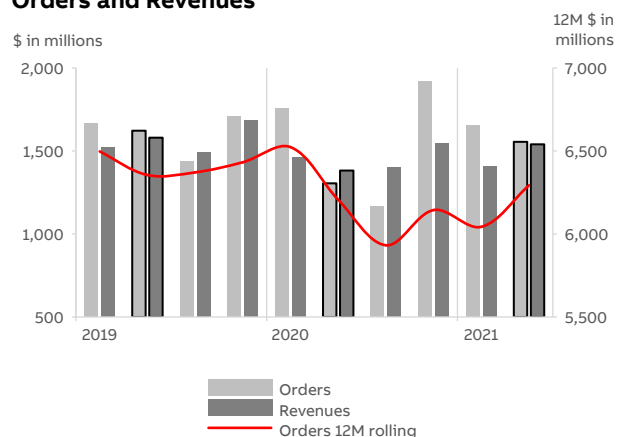
Profit

All divisions improved their Operational EBITA and margin year-on-year. In total, profit increased by 67% and margin rose by 410 basis points to 12.5%.

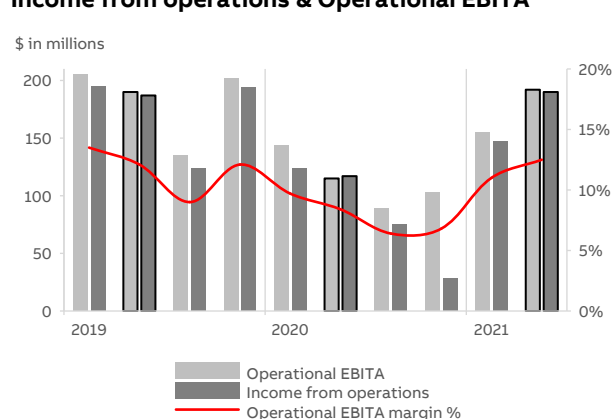
- The result was supported by positive volume development, improved mix from higher share of service revenues, impact from earlier implemented cost measures and impact from currency movements.
- There was no material impact from the rising constraints of semiconductors supply.

(\$ millions, unless otherwise indicated)	Q2 2021	Q2 2020	CHANGE		H1 2021	H1 2020	CHANGE	
			US\$	Comparable			US\$	Comparable
Orders	1,555	1,305	19%	11%	3,211	3,062	5%	-2%
Order backlog	5,980	5,210	15%	9%	5,980	5,210	15%	9%
Revenues	1,540	1,382	11%	4%	2,947	2,844	4%	-3%
Operational EBITA	192	115	67%		347	259	34%	
as % of operational revenues	12.5%	8.4%	+4.1 pts		11.8%	9.1%	+2.7 pts	
Cash flow from operating activities	228	120	90%		461	94	390%	
No. of employees (FTE equiv.)	21,900	22,900	-5%					

Orders and Revenues



Income from operations & Operational EBITA



Robotics & Discrete Automation



Orders and revenues

Both divisions contributed strongly to the total order growth of 52% (41% comparable) from last year's low level. In total, orders amounted to \$968 million. Revenues increased by 32% (22% comparable) to \$832 million, to some degree adversely impacted by extended lead times in customer deliveries. This was due to component shortages which are anticipated to persist near-term.

- Robotics orders improved significantly in all customer segments, except in automotive where orders were adversely impacted by the ongoing strategic selective order approach, aimed at improving long-term profitability. Demand from machine builders was very strong with orders to some extent supported by inventory build-up.
- All regions improved strongly, with the Americas and Europe outgrowing the AMEA region.

Growth

Change year-on-year	Q2 Orders	Q2 Revenues
Comparable	41%	22%
FX	11%	10%
Portfolio changes	0%	0%
Total	52%	32%

After the close of the second quarter, the acquisition of ASTI Mobile Robotics Group (ASTI) was announced. It is a leading global autonomous mobile robotics (AMR) manufacturer with a portfolio across all major applications enabled by the company's software suite. The acquisition adds to Robotics and Machine Automation solutions to deliver a unique automation portfolio, further expanding into new industry segments.

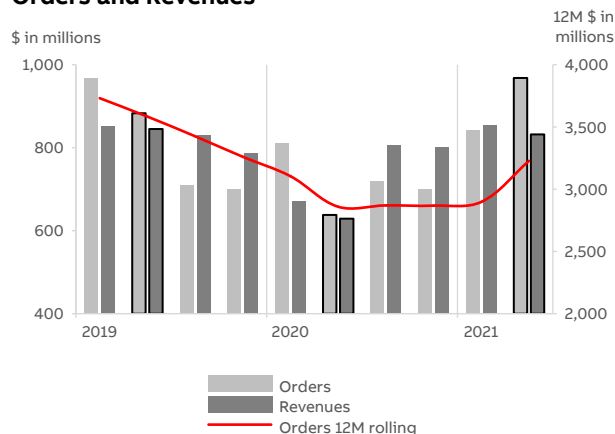
Profit

Operational EBITA more than doubled year-on-year and the margin increased by 470 basis points to 11.5% with substantial improvement in both divisions.

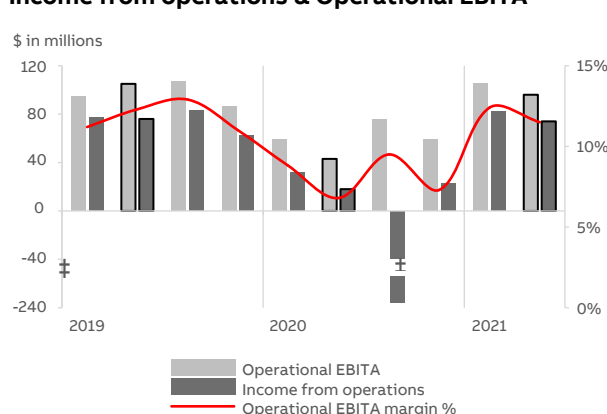
- The margin improvement was primarily driven by the better cost absorption from higher volumes. Mix improved through higher service revenues and a positive divisional mix as well as additional support from previously implemented cost measures.

(\$ millions, unless otherwise indicated)	Q2 2021	Q2 2020	CHANGE				CHANGE	
			US\$	Comparable	H1 2021	H1 2020	US\$	Comparable
Orders	968	638	52%	41%	1,809	1,449	25%	16%
Order backlog	1,501	1,478	2%	-4%	1,501	1,478	2%	-4%
Revenues	832	629	32%	22%	1,685	1,300	30%	20%
Operational EBITA	96	43	123%		201	102	97%	
as % of operational revenues	11.5%	6.8%	+4.7 pts		11.9%	7.8%	+4.1 pts	
Cash flow from operating activities	78	68	15%		189	134	41%	
No. of employees (FTE equiv.)	10,300	10,300	0%					

Orders and Revenues



Income from operations & Operational EBITA



Sustainability



Quarterly highlights

- ABB is launching a gender-neutral global parental leave program granting 12 weeks of paid leave for primary caregivers and 4 weeks for secondary caregivers across the global organization.
- As part of its new Sustainability Strategy and its ambition to enable a low-carbon society, ABB joined three initiatives led by the international non-profit Climate Group in line with its action plan and focus areas identified to reduce its own emissions: EV 100: ABB commits to electrifying its fleet of more than 10,000 vehicles by 2030. RE 100: ABB commits to sourcing 100 percent renewable electricity by 2030. EP 100: ABB commits to establishing energy efficiency targets and continue deploying energy management systems at the company's sites. Furthermore, the company's own reduction targets have now also received approval by the Science Based Targets initiative (SBTi) confirming that they are in line with the 1.5°C scenario of the Paris Agreement. ABB also joined the Business Ambition for 1.5°C Campaign, a global coalition of UN agencies, business and industry leaders, led by the UN Global Compact (UNGC).
- ABB Azipod® electric propulsion technology celebrated in April 30 years of excellence at sea. From its creation three decades ago to its market leading position in global shipping today, Azipod® propulsion

Q2 outcome

- 14% reduction of CO₂ emissions in own operations mainly due to continuation of renewable energy and energy efficiency programs
- 13% year on year decline in LTIFR but a slight increase sequentially due to easing Covid-19 restrictions
- Diversity & Inclusion initiative strengthened through celebration of Pride Month in June

has revolutionized marine transport with its unparalleled performance, efficiency, sustainability and reliability.

- ABB has become the Official Global Partner of the FIA Girls on Track – ABB Formula E Project – a grassroots program to inspire the next generation of women.

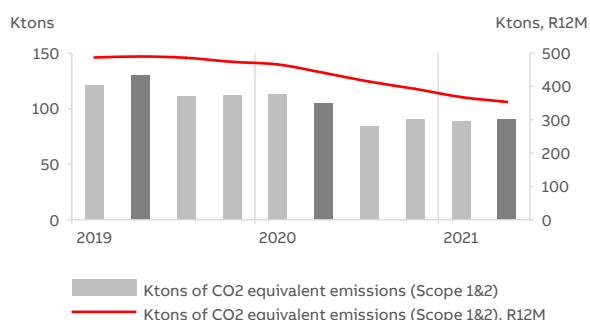
Story of the quarter

In the Pride Month of June, ABB highlighted the real strides it has made with respect to LGBTQ+, including governance and policy, inclusive leadership and culture, and partnerships. It has already signed the Standards of Conduct for Business Tackling Discrimination against Lesbian, Gay, Bisexual, Trans and Intersex People, put forth by the Office of the United Nations High Commissioner for Human Rights. Additionally, partnerships with Stonewall and Open for Business have been established. ABB has instituted mandatory training on how to interrupt unconscious bias for all leaders on a worldwide basis. Also, "Count on us!" campaigns have been initiated to support LGBTQ+ employees in coming out. In recent months, LGBTQ+ Employee Resource Groups (ERGs) have been launched in Europe, the United States, Latin America and Poland. Collectively, LGBTQ+ ERGs across ABB now boast more than 400 members, creating a critical mass of committed people working to support education, foster empathy and drive engagement on this important topic.

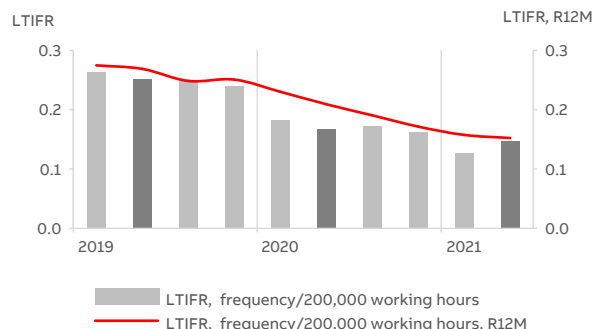
	Q2 2021	Q2 2020	CHANGE	12M ROLLING
CO2e own operations emissions, kt scope 1 and 2 ¹	90	105	-14%	88
Lost Time Injury Frequency Rate (LTIFR), frequency / 200,000 working hours	0.147	0.168	-13%	0.153
Share of females in senior management positions, %	13.9	12.5	+1.4 pts	13.8

1 From energy use, previous quarter

CO₂ Scope 1&2



Lost Time Injury Frequency Rate



Significant events

During Q2 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 this follow-up program this represents 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 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.

After Q2 2021

- On 20 July, ABB announced the acquisition of ASTI Mobile Robotics Group to drive next generation of flexible automation with Autonomous Mobile Robots. ASTI is global leader in high growth Autonomous Mobile Robot (AMR) market with broad portfolio of vehicles and software. Acquisition adds to RA's solutions to deliver a unique automation portfolio further expanding into new industry segments. Since 2015, the company has enjoyed close to 30% annual growth and is targeting approximately \$50 million in revenue in 2021.

First six months 2021

In the first six months of 2021, demand for ABB's products increased strongly from the low level in the previous year period when the adverse business impact of the COVID-19 pandemic was at its peak. Orders amounted to \$15,745 million and improved by 18% (11% comparable) and revenues amounted to \$14,350 million up by 16% (11% comparable), implying a book-to-bill of 1.10. The recovery was mostly driven by the short-cycle business as from the first quarter, while the process-related business predominantly picked up during the second quarter. In the period demand increased in both the product and the service business. Additionally, exchange rates had a positive impact on order intake and revenues.

Income from operations amounted to \$1,891 million and doubled from the year-earlier period driven primarily by stronger Operational EBITA. Results include restructuring activities progressing according to plan with restructuring and restructuring-related expenses of \$53 million.

Operational EBITA improved by 61% year on year to \$2,072 million and the Operational EBITA margin increased by 400 basis points to 14.4%. 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 additional support from the impacts of exchange rate movements. While revenues increased by 16%, the expenses related to selling, general and administrative (SG&A) increased by a more limited 6%, driven by higher sales expenses. The ratio in relation to revenues declined to 18.0%, from 19.7% in the year-earlier period. R&D expenses increased by 15%. Corporate and Other Operational EBITA improved by \$56 million to -\$193 million. The net finance expenses amounted to -\$65 million.

Income tax expense was \$574 million with a tax rate of 30.0%.

Net income attributable to ABB was \$1,254 million and increased by 80% with last year's period being the period most severely impacted by the pandemic. Basic earnings per share was \$0.62 and increased by 91%.

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
2021				
Electrification	Enervalis (majority stake)	26-Apr	1	22
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	Q2 2021
EBITDA, \$ in million	600	799	302	807	2,508	1,024	1,324
Return on Capital Employed, %	n.a.	n.a.	n.a.	n.a.	10.3%	n.a.	n.a.
Net debt/Equity	0.52	0.61	(0.05)	0.01	0.01	0.09	0.16
Net debt/ EBITDA 12M rolling	2.3	2.5	(0.4)	0.04	0.04	0.4	0.7
Net working capital, % of 12M rolling revenues	12.3%	12.6%	12.5%	10.5%	10.5%	10.8%	11.6%
Earnings per share, basic, \$	0.18	0.15	2.14	(0.04)	2.44	0.25	0.37
Earnings per share, diluted, \$	0.18	0.15	2.14	(0.04)	2.43	0.25	0.37
Dividend per share, CHF	n.a.	n.a.	n.a.	n.a.	0.80	n.a.	n.a.
Share price at the end of period, CHF	17.01	21.33	23.45	24.71	24.71	28.56	31.39
Share price at the end of period, \$	17.26	22.56	25.45	27.96	27.96	30.47	33.99
Number of employees (FTE equivalents)	143,320	142,310	106,420	105,520	105,520	105,330	106,370
No. of shares outstanding at end of period (in millions)	2,134	2,135	2,092	2,031	2,031	2,024	2,006

Additional 2021 guidance

(\$ in millions, unless otherwise stated)	FY 2021	Q3 2021
Corporate and Other Operational costs	~(400) ¹ from ~(425)	~(100)
Non-operating items		
Restructuring and restructuring related	~(150) from ~(200)	~(40)
GEIS integration costs	~(20) unchanged	~(5)
Separation costs ²	~(130) new	~(50)
PPA-related amortization	~(255) unchanged	~(65)
Certain other income and expenses related to PG divestment ³	~(40) unchanged	~(15)

(\$ in millions, unless otherwise stated)	FY 2021	Q3 2021
Net finance expenses	~(130) ¹ unchanged	~(30)
Non-operational pension (cost) / credit	~180 unchanged	~40
Effective tax rate⁴	~26% unchanged	<26%
Capital Expenditures	~(750) unchanged	~(200)

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 Costs relating to the announced exits and the potential E-mobility listing.

³ Excluding share of net income from JV.

⁴ Excludes impact of acquisitions or divestments or any significant non-operational items.

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.

Q2 results presentation on July 22, 2021

The Q2 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

September 28-29	ABB Motion CMD in Helsinki
October 21	Q3 results
December 7	ABB Group CMD in Zurich

2022

February 3	Q4 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.



July 22, 2021

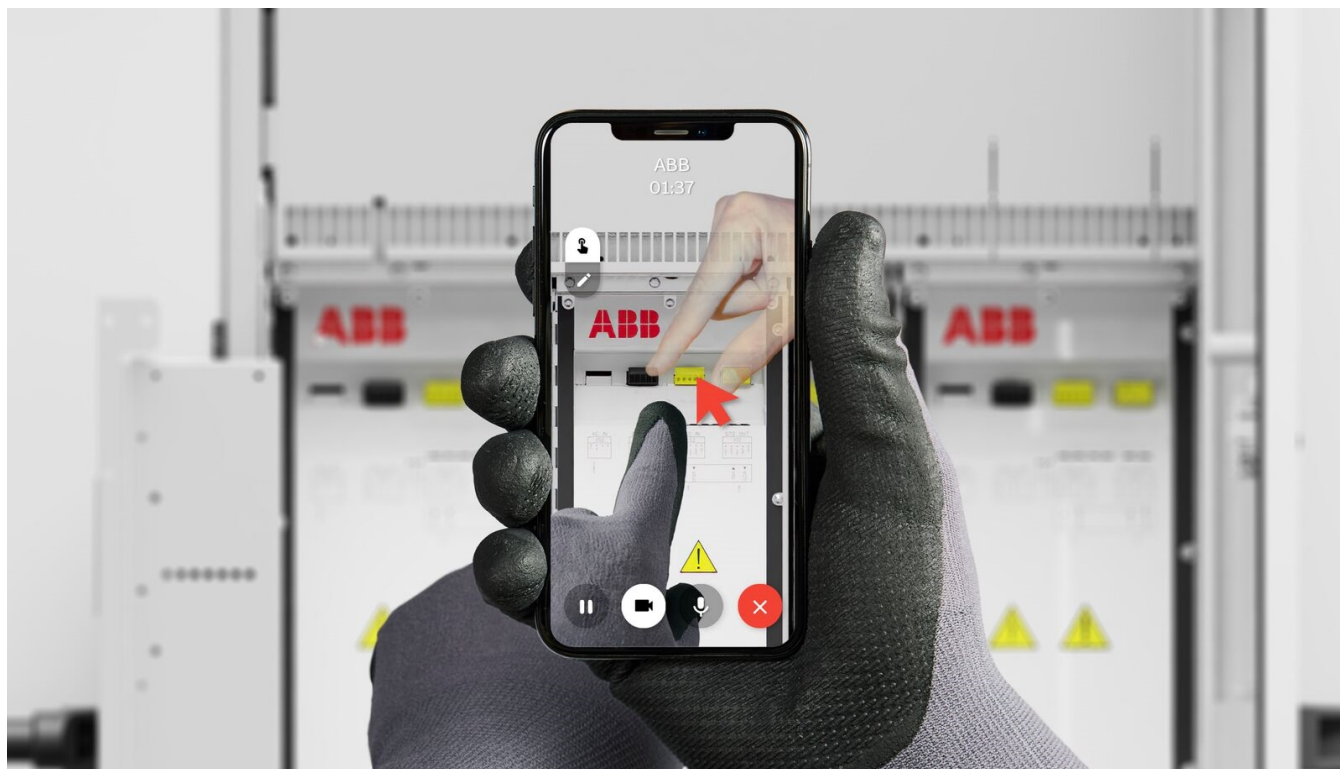
Q2 2021

Financial information

Financial Information

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08 – 35	Consolidated Financial Information (unaudited)
36 – 48	Supplemental Reconciliations and Definitions



Key Figures

(\$ in millions, unless otherwise indicated)	Q2 2021	Q2 2020	CHANGE	
			US\$	Comparable ⁽¹⁾
Orders	7,989	6,054	32%	24%
Order backlog (end June)	15,424	13,917	11%	6%
Revenues	7,449	6,154	21%	14%
Gross Profit	2,508	1,987	26%	
as % of revenues	33.7%	32.3%	+1.4 pts	
Income from operations	1,094	571	92%	
Operational EBITA ⁽¹⁾	1,113	651	71%	59% ⁽²⁾
as % of operational revenues ⁽¹⁾	15.0%	10.6%	+4.4 pts	
Income from continuing operations, net of tax	789	395	100%	
Net income attributable to ABB	752	319	136%	
Basic earnings per share (\$)	0.37	0.15	150% ⁽³⁾	
Cash flow from operating activities ⁽⁴⁾	663	680	-3%	
Cash flows from operating activities in continuing operations	663	648	2%	

(\$ in millions, unless otherwise indicated)	H1 2021	H1 2020	CHANGE	
			US\$	Comparable ⁽¹⁾
Orders	15,745	13,400	18%	11%
Revenues	14,350	12,370	16%	11%
Gross Profit	4,776	3,897	23%	
as % of revenues	33.3%	31.5%	+1.8 pts	
Income from operations	1,891	944	100%	
Operational EBITA ⁽¹⁾	2,072	1,287	61%	50% ⁽²⁾
as % of operational revenues ⁽¹⁾	14.4%	10.4%	+4 pts	
Income from continuing operations, net of tax	1,340	721	86%	
Net income attributable to ABB	1,254	695	80%	
Basic earnings per share (\$)	0.62	0.33	91% ⁽³⁾	
Cash flow from operating activities ⁽⁴⁾	1,206	103	n.a.	
Cash flow from operating activities in continuing operations	1,186	252	n.a.	

(1) For a reconciliation of non-GAAP measures see "Supplemental Reconciliations and Definitions" on page 36.

(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)		Q2 2021	Q2 2020	CHANGE		
				US\$	Local	Comparable
Orders	ABB Group	7,989	6,054	32%	24%	24%
	Electrification	3,693	2,737	35%	28%	28%
	Motion	1,947	1,586	23%	16%	16%
	Process Automation	1,555	1,305	19%	11%	11%
	Robotics & Discrete Automation	968	638	52%	41%	41%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(174)	(212)			
Order backlog (end June)	ABB Group	15,424	13,917	11%	6%	6%
	Electrification	5,029	4,465	13%	8%	9%
	Motion	3,558	3,384	5%	1%	1%
	Process Automation	5,980	5,210	15%	9%	9%
	Robotics & Discrete Automation	1,501	1,478	2%	-4%	-4%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(644)	(620)			
Revenues	ABB Group	7,449	6,154	21%	14%	14%
	Electrification	3,406	2,764	23%	16%	17%
	Motion	1,850	1,583	17%	11%	11%
	Process Automation	1,540	1,382	11%	4%	4%
	Robotics & Discrete Automation	832	629	32%	22%	22%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(179)	(204)			
Income from operations	ABB Group	1,094	571			
	Electrification	549	305			
	Motion	303	284			
	Process Automation	190	117			
	Robotics & Discrete Automation	74	18			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(22)	(153)			
Income from operations %	ABB Group	14.7%	9.3%			
	Electrification	16.1%	11.0%			
	Motion	16.4%	17.9%			
	Process Automation	12.3%	8.5%			
	Robotics & Discrete Automation	8.9%	2.9%			
Operational EBITA	ABB Group	1,113	651	71%	59%	
	Electrification	592	348	70%	55%	
	Motion	325	279	16%	9%	
	Process Automation	192	115	67%	52%	
	Robotics & Discrete Automation	96	43	123%	107%	
	<i>Corporate and Other⁽¹⁾</i> <i>(incl. intersegment eliminations)</i>	(92)	(134)			
Operational EBITA %	ABB Group	15.0%	10.6%			
	Electrification	17.4%	12.6%			
	Motion	17.7%	17.7%			
	Process Automation	12.5%	8.4%			
	Robotics & Discrete Automation	11.5%	6.8%			
Cash flow from operating activities⁽²⁾	ABB Group	663	680			
	Electrification	511	402			
	Motion	223	328			
	Process Automation	228	120			
	Robotics & Discrete Automation	78	68			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(377)	(270)			
	<i>Discontinued operations</i>	-	32			

(1) Corporate and Other includes Stranded corporate costs of \$19 million for the three months ended June 30, 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.

(\$ in millions, unless otherwise indicated)		H1 2021	H1 2020	CHANGE		
				US\$	Local	Comparable
Orders	ABB Group	15,745	13,400	18%	11%	11%
	Electrification	7,224	5,858	23%	17%	18%
	Motion	3,864	3,487	11%	5%	5%
	Process Automation	3,211	3,062	5%	-2%	-2%
	Robotics & Discrete Automation	1,809	1,449	25%	16%	16%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(363)	(456)			
Order backlog (end June)	ABB Group	15,424	13,917	11%	6%	6%
	Electrification	5,029	4,465	13%	8%	9%
	Motion	3,558	3,384	5%	1%	1%
	Process Automation	5,980	5,210	15%	9%	9%
	Robotics & Discrete Automation	1,501	1,478	2%	-4%	-4%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(644)	(620)			
Revenues	ABB Group	14,350	12,370	16%	10%	11%
	Electrification	6,546	5,537	18%	13%	14%
	Motion	3,517	3,093	14%	8%	8%
	Process Automation	2,947	2,844	4%	-3%	-3%
	Robotics & Discrete Automation	1,685	1,300	30%	20%	20%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(345)	(404)			
Income from operations	ABB Group	1,891	944			
	Electrification	989	504			
	Motion	568	475			
	Process Automation	337	241			
	Robotics & Discrete Automation	156	50			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(159)	(326)			
Income from operations %	ABB Group	13.2%	7.6%			
	Electrification	15.1%	9.1%			
	Motion	16.2%	15.4%			
	Process Automation	11.4%	8.5%			
	Robotics & Discrete Automation	9.3%	3.8%			
Operational EBITA	ABB Group	2,072	1,287	61%	50%	
	Electrification	1,103	666	66%	52%	
	Motion	614	509	21%	13%	
	Process Automation	347	259	34%	23%	
	Robotics & Discrete Automation	201	102	97%	79%	
	<i>Corporate and Other⁽¹⁾</i> <i>(incl. intersegment eliminations)</i>	(193)	(249)			
Operational EBITA %	ABB Group	14.4%	10.4%			
	Electrification	16.8%	12.0%			
	Motion	17.4%	16.5%			
	Process Automation	11.8%	9.1%			
	Robotics & Discrete Automation	11.9%	7.8%			
Cash flow from operating activities⁽²⁾	ABB Group	1,206	103			
	Electrification	830	415			
	Motion	547	480			
	Process Automation	461	94			
	Robotics & Discrete Automation	189	134			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(841)	(871)			
	<i>Discontinued operations</i>	20	(149)			

(1) Corporate and Other includes Stranded corporate costs of \$40 million for the six months ended June 30, 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)	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20
Revenues	7,449	6,154	3,406	2,764	1,850	1,583	1,540	1,382	832	629
Foreign exchange/commodity timing differences in total revenues	(13)	(16)	2	–	(11)	(4)	(4)	(18)	2	4
Operational revenues	7,436	6,138	3,408	2,764	1,839	1,579	1,536	1,364	834	633
Income from operations	1,094	571	549	305	303	284	190	117	74	18
Acquisition-related amortization	64	65	29	29	13	13	1	1	21	19
Restructuring, related and implementation costs	18	67	4	29	4	9	10	13	–	4
Changes in obligations related to divested businesses	4	1	–	–	–	–	–	–	–	–
Changes in pre-acquisition estimates	2	–	2	–	–	–	–	–	–	–
Gains and losses from sale of businesses	(12)	4	1	4	(1)	–	(13)	–	–	–
Acquisition- and divestment-related expenses and integration costs	20	16	12	16	4	–	3	–	–	–
Other income/expense relating to the Power Grids joint venture	2	–	–	–	–	–	–	–	–	–
Certain other non-operational items	(86)	–	(9)	(7)	1	4	2	1	–	1
Foreign exchange/commodity timing differences in income from operations	7	(73)	4	(28)	1	(31)	(1)	(17)	1	1
Operational EBITA	1,113	651	592	348	325	279	192	115	96	43
Operational EBITA margin (%)	15.0%	10.6%	17.4%	12.6%	17.7%	17.7%	12.5%	8.4%	11.5%	6.8%

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions, unless otherwise indicated)	H1 21	H1 20	H1 21	H1 20	H1 21	H1 20	H1 21	H1 20	H1 21	H1 20
Revenues	14,350	12,370	6,546	5,537	3,517	3,093	2,947	2,844	1,685	1,300
Foreign exchange/commodity timing differences in total revenues	20	9	12	10	8	(7)	1	(1)	(1)	2
Operational revenues	14,370	12,379	6,558	5,547	3,525	3,086	2,948	2,843	1,684	1,302
Income from operations	1,891	944	989	504	568	475	337	241	156	50
Acquisition-related amortization	129	130	58	57	26	26	2	2	41	38
Restructuring, related and implementation costs	53	107	21	44	5	11	13	16	5	11
Changes in obligations related to divested businesses	6	1	–	–	–	–	–	–	–	–
Changes in pre-acquisition estimates	8	–	8	–	–	–	–	–	–	–
Gains and losses from sale of businesses	(9)	5	4	5	(1)	–	(13)	–	–	–
Fair value adjustment on assets and liabilities held for sale	–	19	–	19	–	–	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	30	27	18	27	7	–	4	–	–	–
Other income/expense relating to the Power Grids joint venture	19	–	–	–	–	–	–	–	–	–
Certain other non-operational items	(74)	47	(15)	(7)	1	9	2	1	–	2
Foreign exchange/commodity timing differences in income from operations	19	7	20	17	8	(12)	2	(1)	(1)	1
Operational EBITA	2,072	1,287	1,103	666	614	509	347	259	201	102
Operational EBITA margin (%)	14.4%	10.4%	16.8%	12.0%	17.4%	16.5%	11.8%	9.1%	11.9%	7.8%

Depreciation and Amortization

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions)	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20	Q2 21	Q2 20
Depreciation ⁽¹⁾	148	147	68	71	32	32	19	17	15	12
Amortization	82	81	39	34	15	13	3	3	21	19
including total acquisition-related amortization of:	64	65	29	29	13	13	1	1	21	19

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions)	H1 21	H1 20	H1 21	H1 20	H1 21	H1 20	H1 21	H1 20	H1 21	H1 20
Depreciation ⁽¹⁾	292	292	132	139	64	63	38	34	28	24
Amortization	165	163	76	68	29	27	6	5	42	39
including total acquisition-related amortization of:	129	130	58	57	26	26	2	2	41	38

(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		
	Q2 21	Q2 20	US\$	Local	Com-parable	Q2 21	Q2 20	US\$	Local	Com-parable
Europe	2,954	2,219	33%	23%	23%	2,697	2,217	22%	12%	12%
The Americas	2,473	1,720	44%	41%	41%	2,284	1,872	22%	19%	19%
of which United States	1,846	1,327	39%	39%	39%	1,676	1,469	14%	14%	14%
Asia, Middle East and Africa	2,562	2,056	25%	16%	15%	2,468	2,004	23%	14%	15%
of which China	1,322	1,049	26%	15%	15%	1,313	1,012	30%	18%	19%
Intersegment orders/revenues ⁽¹⁾	–	59				–	61			
ABB Group	7,989	6,054	32%	24%	24%	7,449	6,154	21%	14%	14%

(\$ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	H1 21	H1 20	US\$	Local	Com-parable	H1 21	H1 20	US\$	Local	Com-parable
Europe	6,056	4,994	21%	13%	13%	5,248	4,588	14%	6%	6%
The Americas	4,720	3,998	18%	17%	17%	4,327	3,964	9%	7%	8%
of which United States	3,525	3,037	16%	16%	16%	3,208	3,079	4%	4%	5%
Asia, Middle East and Africa	4,969	4,286	16%	8%	8%	4,775	3,710	29%	21%	22%
of which China	2,521	1,947	29%	19%	19%	2,489	1,678	48%	36%	38%
Intersegment orders/revenues ⁽¹⁾	–	122				–	108			
ABB Group	15,745	13,400	18%	11%	11%	14,350	12,370	16%	10%	11%

(1) Intersegment orders/revenues during the six months ended 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.

Consolidated Financial Information

ABB Ltd Consolidated Income Statements (unaudited)

(\$ in millions, except per share data in \$)	Six months ended		Three months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Sales of products	11,874	10,028	6,167	5,035
Sales of services and other	2,476	2,342	1,282	1,119
Total revenues	14,350	12,370	7,449	6,154
Cost of sales of products	(8,108)	(7,039)	(4,184)	(3,464)
Cost of services and other	(1,466)	(1,434)	(757)	(703)
Total cost of sales	(9,574)	(8,473)	(4,941)	(4,167)
Gross profit	4,776	3,897	2,508	1,987
Selling, general and administrative expenses	(2,577)	(2,432)	(1,314)	(1,180)
Non-order related research and development expenses	(601)	(521)	(308)	(262)
Other income (expense), net	293	–	208	26
Income from operations	1,891	944	1,094	571
Interest and dividend income	26	27	15	9
Interest and other finance expense	(91)	(112)	(36)	(90)
Non-operational pension (cost) credit	88	71	38	35
Income from continuing operations before taxes	1,914	930	1,111	525
Income tax expense	(574)	(209)	(322)	(130)
Income from continuing operations, net of tax	1,340	721	789	395
Income (loss) from discontinued operations, net of tax	(36)	5	(8)	(49)
Net income	1,304	726	781	346
Net income attributable to noncontrolling interests	(50)	(31)	(29)	(27)
Net income attributable to ABB	1,254	695	752	319
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,290	703	760	378
Income (loss) from discontinued operations, net of tax	(36)	(8)	(8)	(59)
Net income	1,254	695	752	319
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.64	0.33	0.38	0.18
Income (loss) from discontinued operations, net of tax	(0.02)	0.00	0.00	(0.03)
Net income	0.62	0.33	0.37	0.15
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.63	0.33	0.37	0.18
Income (loss) from discontinued operations, net of tax	(0.02)	0.00	0.00	(0.03)
Net income	0.62	0.33	0.37	0.15
Weighted-average number of shares outstanding (in millions) used to compute:				
Basic earnings per share attributable to ABB shareholders	2,015	2,134	2,016	2,134
Diluted earnings per share attributable to ABB shareholders	2,033	2,137	2,031	2,137

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

See Notes to the Consolidated Financial Information

ABB Ltd Condensed Consolidated Statements of Comprehensive Income (unaudited)

(\$ in millions)	Six months ended		Three months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Total comprehensive income, net of tax	1,206	484	881	611
Total comprehensive income attributable to noncontrolling interests, net of tax	(55)	(27)	(31)	(31)
Total comprehensive income attributable to ABB shareholders, net of tax	1,151	457	850	580

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

See Notes to the Consolidated Financial Information

ABB Ltd Consolidated Balance Sheets (unaudited)

(\$ in millions)	Jun. 30, 2021	Dec. 31, 2020
Cash and equivalents	2,860	3,278
Restricted cash	71	323
Marketable securities and short-term investments	1,002	2,108
Receivables, net	7,158	6,820
Contract assets	1,087	985
Inventories, net	4,700	4,469
Prepaid expenses	229	201
Other current assets	579	760
Current assets held for sale and in discontinued operations	192	282
Total current assets	17,878	19,226
Restricted cash, non-current	300	300
Property, plant and equipment, net	4,079	4,174
Operating lease right-of-use assets	983	969
Investments in equity-accounted companies	1,719	1,784
Prepaid pension and other employee benefits	400	360
Intangible assets, net	1,877	2,078
Goodwill	10,798	10,850
Deferred taxes	828	843
Other non-current assets	559	504
Total assets	39,421	41,088
Accounts payable, trade	4,708	4,571
Contract liabilities	1,846	1,903
Short-term debt and current maturities of long-term debt	2,117	1,293
Current operating leases	233	270
Provisions for warranties	1,012	1,035
Other provisions	1,454	1,519
Other current liabilities	4,029	4,181
Current liabilities held for sale and in discontinued operations	548	644
Total current liabilities	15,947	15,416
Long-term debt	4,375	4,828
Non-current operating leases	779	731
Pension and other employee benefits	1,144	1,231
Deferred taxes	748	661
Other non-current liabilities	1,972	2,025
Non-current liabilities held for sale and in discontinued operations	190	197
Total liabilities	25,155	25,089
<i>Commitments and contingencies</i>		
Stockholders' equity:		
Common stock, CHF 0.12 par value (2,053 million and 2,168 million shares issued at June 30, 2021, and December 31, 2020, respectively)	178	188
Additional paid-in capital	10	83
Retained earnings	19,185	22,946
Accumulated other comprehensive loss	(4,104)	(4,002)
Treasury stock, at cost (47 million and 137 million shares at June 30, 2021, and December 31, 2020, respectively)	(1,337)	(3,530)
Total ABB stockholders' equity	13,932	15,685
Noncontrolling interests	334	314
Total stockholders' equity	14,266	15,999
Total liabilities and stockholders' equity	39,421	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)	Six months ended		Three months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Operating activities:				
Net income	1,304	726	781	346
Loss (income) from discontinued operations, net of tax	36	(5)	8	49
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	457	455	230	228
Changes in fair values of investments	(113)	(61)	(103)	(66)
Pension and other employee benefits	(94)	(82)	(44)	(33)
Deferred taxes	109	(1)	50	(45)
Net loss (gain) from derivatives and foreign exchange	44	25	24	(48)
Net loss (gain) from sale of property, plant and equipment	(15)	(4)	(4)	4
Fair value adjustment on assets and liabilities held for sale	–	19	–	–
Other	86	64	31	49
Changes in operating assets and liabilities:				
Trade receivables, net	(414)	66	(412)	127
Contract assets and liabilities	(147)	(87)	(57)	(46)
Inventories, net	(293)	(199)	(125)	102
Accounts payable, trade	309	(200)	267	(133)
Accrued liabilities	53	(8)	129	51
Provisions, net	(60)	(60)	(61)	(7)
Income taxes payable and receivable	(56)	(157)	(6)	61
Other assets and liabilities, net	(20)	(239)	(45)	9
Net cash provided by operating activities – continuing operations	1,186	252	663	648
Net cash provided by (used in) operating activities – discontinued operations	20	(149)	–	32
Net cash provided by operating activities	1,206	103	663	680
Investing activities:				
Purchases of investments	(347)	(1,614)	(38)	(1,372)
Purchases of property, plant and equipment and intangible assets	(293)	(303)	(151)	(140)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(28)	(80)	(24)	(7)
Proceeds from sales of investments	1,321	455	930	62
Proceeds from maturity of investments	80	–	–	–
Proceeds from sales of property, plant and equipment	23	27	3	4
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	47	(142)	49	(2)
Net cash from settlement of foreign currency derivatives	(72)	(76)	(11)	53
Other investing activities	(14)	(14)	(6)	1
Net cash provided by (used in) investing activities – continuing operations	717	(1,747)	752	(1,401)
Net cash used in investing activities – discontinued operations	(70)	(110)	(26)	(73)
Net cash provided by (used in) investing activities	647	(1,857)	726	(1,474)
Financing activities:				
Net changes in debt with original maturities of 90 days or less	274	3,582	187	(146)
Increase in debt	1,004	315	13	251
Repayment of debt	(750)	(568)	(703)	(388)
Delivery of shares	766	–	6	–
Purchase of treasury stock	(1,971)	–	(585)	–
Dividends paid	(1,726)	(1,736)	(882)	(1,736)
Dividends paid to noncontrolling shareholders	(92)	(71)	(91)	(69)
Other financing activities	6	(104)	42	–
Net cash provided by (used in) financing activities – continuing operations	(2,489)	1,418	(2,013)	(2,088)
Net cash provided by financing activities – discontinued operations	–	17	–	25
Net cash provided by (used in) financing activities	(2,489)	1,435	(2,013)	(2,063)
Effects of exchange rate changes on cash and equivalents and restricted cash	(34)	(98)	17	13
Adjustment for the net change in cash and equivalents and restricted cash in discontinued operations	–	(609)	–	(609)
Net change in cash and equivalents and restricted cash	(670)	(1,026)	(607)	(3,453)
Cash and equivalents and restricted cash, beginning of period	3,901	3,544	3,838	5,971
Cash and equivalents and restricted cash, end of period	3,231	2,518	3,231	2,518
Supplementary disclosure of cash flow information:				
Interest paid	58	102	46	86
Income taxes paid	543	462	287	196

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			(82)			(82)	(9)	(91)
Comprehensive income:								
Net income			695			695	31	726
Foreign currency translation adjustments, net of tax of \$(2)				(283)		(283)	(4)	(287)
Effect of change in fair value of available-for-sale securities, net of tax of \$4				15		15		15
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$7				34		34		34
Change in derivative instruments and hedges, net of tax of \$0				(4)		(4)		(4)
Total comprehensive income						457	27	484
Changes in noncontrolling interests		(16)				(16)	36	20
Dividends to noncontrolling shareholders						–	(88)	(88)
Dividends to shareholders			(1,758)			(1,758)		(1,758)
Share-based payment arrangements		30				30		30
Delivery of shares		(24)			24	–		–
Balance at June 30, 2020	188	62	18,495	(5,828)	(761)	12,156	419	12,575
Balance at January 1, 2021	188	83	22,946	(4,002)	(3,530)	15,685	314	15,999
Comprehensive income:								
Net income			1,254			1,254	50	1,304
Foreign currency translation adjustments, net of tax of \$2				(166)		(166)	5	(161)
Effect of change in fair value of available-for-sale securities, net of tax of \$(3)				(8)		(8)		(8)
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$(3)				71		71		71
Change in derivative instruments and hedges, net of tax of \$0				–		–		–
Total comprehensive income						1,151	55	1,206
Changes in noncontrolling interests		(37)	(20)			(57)	57	–
Dividends to noncontrolling shareholders						–	(92)	(92)
Dividends to shareholders			(1,730)			(1,730)		(1,730)
Cancellation of treasury shares	(10)	(17)	(3,130)		3,157	–		–
Share-based payment arrangements		37				37		37
Purchase of treasury stock					(1,924)	(1,924)		(1,924)
Delivery of shares		(58)	(136)		960	766		766
Other		2				2		2
Balance at June 30, 2021	178	10	19,185	(4,104)	(1,337)	13,932	334	14,266

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.

Adjustment related to prior periods

In the three months ended June 30, 2020, the Company recorded a cumulative adjustment to increase the value of certain privately-held equity investments to fair value based on observable market price changes for an identical or similar investment of the same issuer (Level 2 inputs). These changes in fair value primarily occurred in 2019 and 2018. The correction resulted in a gain of \$58 million being recorded in Other income (expense) in the Interim Consolidated Income Statements for the three months ended June 30, 2020. The Company evaluated the impact of the correction on both a quantitative and qualitative basis under the guidance of ASC 250, Accounting Changes and Error Corrections, and determined that there were no material impacts on the trend of net income, cash flows or liquidity for previously issued annual financial statements.

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 June 30, 2021, \$103 million of these liabilities had been paid and are reported as reductions in the cash consideration received, of which \$70 million and \$26 million was paid during the six months and three months ended June 30, 2021, respectively. At June 30, 2021, the remaining amount recorded was \$381 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 June 30, 2021, current restricted cash includes \$51 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 six and three months ended June 30, 2021, the Company has recognized within its continuing operations, general and administrative expenses incurred to perform the TSA, offset by \$88 million and \$41 million, respectively, in TSA-related income for such services that is reported in Other income (expense).

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)	Six months ended		Three months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Total revenues	–	4,008	–	2,067
Total cost of sales	–	(3,058)	–	(1,587)
Gross profit	–	950	–	480
Expenses	(9)	(780)	(5)	(386)
Change to net gain recognized on sale of the Power Grids business	(27)	–	(3)	–
Income (loss) from operations	(36)	170	(8)	94
Net interest and other finance expense	–	(5)	–	(2)
Non-operational pension (cost) credit	–	(94)	–	(97)
Income (loss) from discontinued operations before taxes	(36)	70	(8)	(6)
Income tax	–	(65)	–	(43)
Income (loss) from discontinued operations, net of tax	(36)	5	(8)	(49)

Of the total income (loss) from discontinued operations before taxes in the table above, \$(36) million and \$55 million in the six months ended June 30, 2021 and 2020, respectively, and \$(8) million and \$(17) million in the three months ended June 30, 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 six and three months ended June 30, 2020, \$40 million and \$19 million, respectively, 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 six and three months ended June 30, 2020, included \$20 million and \$11 million, respectively, 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 six and three months ended June 30, 2020, are revenues for sales from the Company's operating segments to the Power Grids business of \$108 million and \$61 million, respectively, 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)	Jun. 30, 2021 ⁽¹⁾	Dec. 31, 2020 ⁽¹⁾
Receivables, net	187	280
Inventories, net	4	1
Other current assets	1	1
Current assets held for sale and in discontinued operations	192	282
Accounts payable, trade	144	188
Other liabilities	404	456
Current liabilities held for sale and in discontinued operations	548	644
Other non-current liabilities	190	197
Non-current liabilities held for sale and in discontinued operations	190	197

(1) At June 30, 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 June 30, 2021 and December 31, 2020, the reported value of the investment in Hitachi ABB PG includes \$1,547 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 June 30, 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	
	June 30, 2021	June 30, 2021	December 31, 2020
Hitachi ABB Power Grids Ltd	19.9%	1,660	1,710
Others		59	74
Total		1,719	1,784

In the six and three months ended June 30, 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)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Income from equity-accounted companies, net of taxes	4	4	8	4
Basis difference amortization (net of deferred income tax benefit)	(61)	-	(30)	-
Loss from equity-accounted companies	(57)	4	(22)	4

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 six months ended June 30, 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 six months ended June 30, 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:

June 30, 2021						
(\$ 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	1,975			1,975	1,975	
Time deposits	1,267			1,267	1,256	11
Equity securities	679	16		695		695
	3,921	16	–	3,937	3,231	706
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	196	12	(1)	207		207
European government obligations	15			15		15
Corporate	72	3	(1)	74		74
	283	15	(2)	296	–	296
Total	4,204	31	(2)	4,233	3,231	1,002
Of which:						
Restricted cash, current					71	
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		
	June 30, 2021	December 31, 2020	June 30, 2020
Foreign exchange contracts	9,309	12,610	16,505
Embedded foreign exchange derivatives	893	1,134	982
Cross currency swaps	951	–	–
Interest rate contracts	3,553	3,227	4,335

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		
		June 30, 2021	December 31, 2020	June 30, 2020
Copper swaps	metric tonnes	37,340	39,390	38,935
Silver swaps	ounces	2,306,804	1,966,677	2,063,142
Aluminum swaps	metric tonnes	7,325	8,112	7,698

Equity derivatives

At June 30, 2021, December 31, 2020, and June 30, 2020, the Company held 15 million, 22 million and 37 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of \$34 million, \$21 million and \$21 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 six and three months ended June, 30, 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	Six months ended June 30, 2021			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location		Location	
(\$ in millions)				
Interest rate contracts	Interest and other finance expense	(27)	Interest and other finance expense	28
Cross-currency swaps	Interest and other finance expense	(25)	Interest and other finance expense	24
Total		(52)		52

Type of derivative designated as a fair value hedge	Six months ended June 30, 2020			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location		Location	
(\$ in millions)				
Interest rate contracts	Interest and other finance expense	26	Interest and other finance expense	(27)
Total		26		(27)

Type of derivative designated as a fair value hedge	Three months ended June 30, 2021			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location		Location	
(\$ in millions)				
Interest rate contracts	Interest and other finance expense	(13)	Interest and other finance expense	13
Cross-currency swaps	Interest and other finance expense	(2)	Interest and other finance expense	2
Total		(15)		15

Type of derivative designated as a fair value hedge	Three months ended June 30, 2020			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location		Location	
(\$ in millions)				
Interest rate contracts	Interest and other finance expense	2	Interest and other finance expense	(2)
Total		2		(2)

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	Location	Gains (losses) recognized in income			
		Six months ended June 30,		Three months ended June 30,	
		2021	2020	2021	2020
(\$ in millions)					
Foreign exchange contracts	Total revenues	(10)	(67)	50	67
	Total cost of sales	(24)	43	(20)	(33)
	SG&A expenses ⁽¹⁾	(1)	4	(8)	(4)
	Non-order related research and development	(1)	(1)	–	–
	Interest and other finance expense	(119)	(32)	(13)	74
Embedded foreign exchange contracts	Total revenues	(13)	6	1	(26)
	Total cost of sales	(2)	(2)	(1)	2
Commodity contracts	Total cost of sales	63	(12)	27	54
Other	Interest and other finance expense	1	1	1	2
Total		(106)	(60)	37	136

(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)	June 30, 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	1	1	2	2
Interest rate contracts	24	32	–	–
Cross currency swaps	–	–	–	53
Cash-settled call options	17	17	–	–
Total	42	50	2	55
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	69	11	86	6
Commodity contracts	47	–	7	–
Interest rate contracts	1	–	2	–
Embedded foreign exchange derivatives	8	2	23	4
Total	125	13	118	10
Total fair value	167	63	120	65

(\$ 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 June 30, 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 June 30, 2021, and December 31, 2020, information related to these offsetting arrangements was as follows:

(\$ in millions)	June 30, 2021				
	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	220	(94)	–	–	126
Total	220	(94)	–	–	126

(\$ in millions)	June 30, 2021				
	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	158	(94)	–	–	64
Total	158	(94)	–	–	64

(\$ 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)	June 30, 2021			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Securities in “Marketable securities and short-term investments”:				
Equity securities		695		695
Debt securities—U.S. government obligations	207			207
Debt securities—European government obligations	15			15
Debt securities—Corporate		74		74
Debt securities—Other				
Securities in “Other non-current assets”:				
Debt securities—U.S. government obligations	80			80
Derivative assets—current in “Other current assets”		167		167
Derivative assets—non-current in “Other non-current assets”		63		63
Total	302	999	–	1,301
Liabilities				
Derivative liabilities—current in “Other current liabilities”		120		120
Derivative liabilities—non-current in “Other non-current liabilities”		65		65
Total	–	185	–	185

(\$ 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

The Company elects to record private equity investments without readily determinable fair values at cost, less impairment, adjusted by observable price changes. The Company reassesses at each reporting period whether these investments continue to qualify for this treatment. In the three months ended June 30, 2021 and 2020, the Company recognized, in Other income (expense), net increases in fair value of \$99 million and \$58 million, respectively, related to certain of its private equity investments based on observable market price changes for an identical or similar investment of the same issuer (see Note 1 for additional details). The fair values of these investments at June 30, 2021 and 2020, totaled \$146 million and \$81 million, respectively, and were determined using level 2 inputs.

During the six months ended June 30, 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 transactions above, there were no additional significant non-recurring fair value measurements during the six and three months ended June 30, 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:

	June 30, 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	1,604	1,604			1,604
Time deposits	1,256		1,256		1,256
Restricted cash	71	71			71
Restricted cash, non-current	300	300			300
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)	2,093	1,672	421		2,093
Long-term debt (excluding finance lease obligations)	4,202	4,407	75		4,482

	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)	June 30, 2021	December 31, 2020	June 30, 2020
Contract assets	1,087	985	1,110
Contract liabilities	1,846	1,903	1,703

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)	Six months ended June 30,			
	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		(818)		(600)
Additions to Contract liabilities - excluding amounts recognized as revenue during the period		785		633
Receivables recognized that were included in the Contract asset balance at Jan 1, 2021/2020	(411)		(373)	

At June 30, 2021, the Company had unsatisfied performance obligations totaling \$15,424 million and, of this amount, the Company expects to fulfill approximately 56 percent of the obligations in 2021, approximately 29 percent of the obligations in 2022 and the balance thereafter.

Note 9 Debt

The Company's total debt at June 30, 2021, and December 31, 2020, amounted to \$6,492 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)	June 30, 2021	December 31, 2020
Short-term debt	423	153
Current maturities of long-term debt	1,694	1,140
Total	2,117	1,293

Short-term debt primarily represented issued commercial paper and short-term bank borrowings from various banks. At June 30, 2021, and December 31, 2020, \$365 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 June 30, 2021, or December 31, 2020.

On June 15, 2021, the Company repaid at maturity its USD 650 million 4.0% Notes.

Long-term debt

The Company's long-term debt at June 30, 2021, and December 31, 2020, amounted to \$4,375 million and \$4,828 million, respectively.

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

(in millions)	June 30, 2021			December 31, 2020		
	Nominal outstanding		Carrying value ⁽¹⁾	Nominal outstanding		Carrying value ⁽¹⁾
Bonds:						
4.0% USD Notes, due 2021				USD	650	\$ 649
2.25% CHF Bonds, due 2021	CHF	350	\$ 381	CHF	350	\$ 403
2.875% USD Notes, due 2022	USD	1,250	\$ 1,270	USD	1,250	\$ 1,280
0.625% EUR Instruments, due 2023	EUR	700	\$ 843	EUR	700	\$ 875
0.75% EUR Instruments, due 2024	EUR	750	\$ 910	EUR	750	\$ 946
0.3% CHF Notes, due 2024	CHF	280	\$ 303	CHF	280	\$ 317
3.8% USD Notes, due 2028 ⁽²⁾	USD	383	\$ 381	USD	383	\$ 381
1.0% CHF Notes, due 2029	CHF	170	\$ 184	CHF	170	\$ 192
0% EUR Notes, due 2030	EUR	800	\$ 917			–
4.375% USD Notes, due 2042 ⁽²⁾	USD	609	\$ 589	USD	609	\$ 589
Total			\$ 5,778			\$ 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.

Subsequent events

As of July 21, 2021, under its \$2 billion Euro-commercial paper program, the Company has issued commercial paper with an aggregate value of EUR300 million (equivalent to \$354 million on the date of issue). There was no significant change in the \$2 billion commercial paper program in the United States.

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 June 30, 2021, and December 31, 2020, the Company had aggregate liabilities of \$97 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)	June 30, 2021	December 31, 2020
Performance guarantees	5,695	6,726
Financial guarantees	313	339
Indemnification guarantees ⁽¹⁾	129	177
Total⁽²⁾	6,137	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 June 30, 2021, and December 31, 2020, amounted to \$129 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 June 30, 2021, and December 31, 2020, the maximum potential payable under these guarantees amounts to \$960 million and \$994 million, respectively, and these guarantees have various maturities ranging from five 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 June 30, 2021, and December 31, 2020, are approximately \$4.6 billion and \$5.5 billion, respectively, and the carrying amounts of liabilities (recorded in discontinued operations) at June 30, 2021, and December 31, 2020, amounted to \$129 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 June 30, 2021, and December 31, 2020, the total outstanding performance bonds aggregated to \$3.9 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 six and three months ended June 30, 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	7
Claims paid in cash or in kind	(127)	(100)
Net increase in provision for changes in estimates, warranties issued and warranties expired	122	67
Exchange rate differences	(19)	(13)
Balance at June 30,	1,012	777

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 30.0 percent in the six months ended June 30, 2021, was higher than the effective tax rate of 22.5 percent in the six months ended June 30, 2020, primarily because 2020 included a net benefit from a favorable resolution of an uncertain tax position in the first quarter, 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 benefits	
	Switzerland		International		benefits	
Six months ended June 30,	2021	2020	2021	2020	2021	2020
Operational pension cost:						
Service cost	30	45	22	50	–	–
Operational pension cost	30	45	22	50	–	–
Non-operational pension cost (credit):						
Interest cost	(2)	1	37	60	1	1
Expected return on plan assets	(58)	(65)	(91)	(133)	–	–
Amortization of prior service cost (credit)	(5)	(7)	(1)	1	(1)	(1)
Amortization of net actuarial loss	–	5	35	55	(1)	(2)
Curtailments, settlements and special termination benefits ⁽¹⁾	–	–	(2)	108	–	–
Non-operational pension cost (credit)	(65)	(66)	(22)	91	(1)	(2)
Net periodic benefit cost (credit)	(35)	(21)	–	141	(1)	(2)

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2021	2020	2021	2020	2021	2020
Three months ended June 30,						
Operational pension cost:						
Service cost	15	23	12	23	–	–
Operational pension cost	15	23	12	23	–	–
Non-operational pension cost (credit):						
Interest cost	(1)	1	19	28	1	–
Expected return on plan assets	(29)	(34)	(44)	(70)	–	–
Amortization of prior service cost (credit)	(3)	(3)	(1)	–	(1)	–
Amortization of net actuarial loss	–	3	18	30	(1)	(1)
Curtailments, settlements and special termination benefits ⁽¹⁾	–	–	4	108	–	–
Non-operational pension cost (credit)	(33)	(33)	(4)	96	(1)	(1)
Net periodic benefit cost (credit)	(18)	(10)	8	119	(1)	(1)

(1) In both the six and three months ended June 30, 2020, amounts include \$101 million in discontinued operations for the settlement of the pension plan in Sweden.

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 \$121 million and \$109 million, for the six and three months ended June 30, 2020, respectively, related to discontinued operations.

Employer contributions were as follows:

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2021	2020	2021	2020	2021	2020
Six months ended June 30,						
Total contributions to defined benefit pension and other postretirement benefit plans	31	48	13	190	3	3
Of which, discretionary contributions to defined benefit pension plans	–	–	(9)	143	–	–

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2021	2020	2021	2020	2021	2020
Three months ended June 30,						
Total contributions to defined benefit pension and other postretirement benefit plans	16	24	16	169	2	2
Of which, discretionary contributions to defined benefit pension plans	–	–	–	143	–	–

The Company expects to make contributions totaling approximately \$175 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 and the cancellation was completed in the second quarter of 2021, resulting in a decrease in Treasury stock of \$3,157 million and a corresponding total decrease in Capital stock, Additional paid-in capital and Retained earnings.

Also 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. Through this follow-up buyback program, the Company purchased, in the second quarter of 2021, approximately 15 million shares, resulting in an increase in Treasury stock of \$501 million. 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.

In addition to the share buyback programs, the Company purchased 26 million of its own shares on the open market in the first half of 2021, mainly for use in connection with its employee share plans, resulting in an increase in Treasury stock of \$795 million.

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

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

	Six months ended June 30,		Three months ended June 30,	
(\$ in millions, except per share data in \$)	2021	2020	2021	2020
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,290	703	760	378
Loss from discontinued operations, net of tax	(36)	(8)	(8)	(59)
Net income	1,254	695	752	319
Weighted-average number of shares outstanding (in millions)	2,015	2,134	2,016	2,134
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.64	0.33	0.38	0.18
Loss from discontinued operations, net of tax	(0.02)	0.00	0.00	(0.03)
Net income	0.62	0.33	0.37	0.15

Diluted earnings per share

	Six months ended June 30,		Three months ended June 30,	
(\$ in millions, except per share data in \$)	2021	2020	2021	2020
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,290	703	760	378
Loss from discontinued operations, net of tax	(36)	(8)	(8)	(59)
Net income	1,254	695	752	319
Weighted-average number of shares outstanding (in millions)	2,015	2,134	2,016	2,134
Effect of dilutive securities:				
Call options and shares	18	3	15	3
Adjusted weighted-average number of shares outstanding (in millions)	2,033	2,137	2,031	2,137
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.63	0.33	0.37	0.18
Loss from discontinued operations, net of tax	(0.02)	0.00	0.00	(0.03)
Net income	0.62	0.33	0.37	0.15

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:

	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
(\$ in millions)					
Balance at January 1, 2020	(3,450)	10	(2,145)	(5)	(5,590)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(386)	18	(89)	(6)	(463)
Amounts reclassified from OCI	99	(3)	123	2	221
Total other comprehensive (loss) income	(287)	15	34	(4)	(242)
Less:					
Amounts attributable to noncontrolling interests	(4)	—	—	—	(4)
Balance at June 30, 2020	(3,733)	25	(2,111)	(9)	(5,828)

(\$ 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	(161)	(7)	34	14	(120)
Amounts reclassified from OCI	–	(1)	37	(14)	22
Total other comprehensive (loss) income	(161)	(8)	71	–	(98)
Less:					
Amounts attributable to noncontrolling interests	5	–	–	–	5
Balance at June 30, 2021⁽¹⁾	(2,625)	9	(1,485)	(3)	(4,104)

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

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)	Location of (gains) losses reclassified from OCI	Six months ended June 30,		Three months ended June 30,	
Details about OCI components		2021	2020	2021	2020
Foreign currency translation adjustments:					
Translation loss on solar inverters business (see Note 4)	Other income (expense), net	–	99	–	–
Amounts reclassified from OCI		–	99	–	–
Pension and other postretirement plan adjustments:					
Amortization of prior service cost (credit)	Non-operational pension (cost) credit ⁽¹⁾	(7)	(7)	(5)	(3)
Amortization of net actuarial loss	Non-operational pension (cost) credit ⁽¹⁾	34	58	23	32
Net gain (loss) from pension settlements and curtailments	Non-operational pension (cost) credit ⁽¹⁾	(2)	108	(2)	108
Total before tax		25	159	16	137
Tax	Income tax expense	12	(36)	(4)	(30)
Amounts reclassified from OCI		37	123	12	107

(1) Amounts include total credits of \$94 million and \$97 million for the six and three months ended June 30, 2020, respectively, 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 six and three months ended June 30, 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 June 30, 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	10	1	11
Cash payments	(50)	(1)	(51)
Change in estimates	(5)	–	(5)
Exchange rate differences	(4)	–	(4)
Liability at June 30, 2021	72	2	74

The following table outlines the costs incurred in the six and three months ended June 30, 2020, and the cumulative net costs incurred to December 31, 2020:

(\$ in millions)	Net cost incurred		Cumulative net cost incurred up to December 31, 2020
	Six months ended	Three months ended	
	June 30, 2020	June 30, 2020	
Electrification	18	16	85
Motion	5	5	25
Process Automation ⁽¹⁾	6	6	61
Robotics & Discrete Automation	7	1	18
Corporate and Other	21	11	114
Total	57	39	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)	Cumulative costs	
	Six months ended	Three months ended
	June 30, 2020 ⁽¹⁾	June 30, 2020 ⁽²⁾
Employee severance costs	36	21
Estimated contract settlement, loss order and other costs	4	2
Inventory and long-lived asset impairments	17	16
Total	57	39

(1) Of which \$11 million was recorded in Total cost of sales and \$39 million in Other Income (expense), net.

(2) Of which \$8 million was recorded in Total cost of sales and \$24 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)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Employee severance costs	33	6	13	2
Estimated contract settlement, loss order and other costs	12	12	3	11
Inventory and long-lived asset impairments	2	2	2	1
Total	47	20	18	14

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

(\$ in millions)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Total cost of sales	24	2	10	2
Selling, general and administrative expenses	5	8	3	3
Other income (expense), net	18	10	5	9
Total	47	20	18	14

At June 30, 2021, and December 31, 2020, \$211 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 other fair value changes and certain asset impairments, 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 six and three months ended June 30, 2021 and 2020, as well as total assets at June 30, 2021, and December 31, 2020.

Six months ended June 30, 2021						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	2,266	1,020	1,142	814	6	5,248
The Americas	2,221	1,223	658	224	1	4,327
of which: United States	1,655	1,029	363	161	–	3,208
Asia, Middle East and Africa	1,950	1,047	1,125	642	11	4,775
of which: China	1,053	577	376	483	–	2,489
	6,437	3,290	2,925	1,680	18	14,350
Product type						
Products	5,557	2,845	800	1,058	10	10,270
Systems	450	–	760	386	8	1,604
Services and other	430	445	1,365	236	–	2,476
	6,437	3,290	2,925	1,680	18	14,350
Third-party revenues	6,437	3,290	2,925	1,680	18	14,350
Intersegment revenues	109	227	22	5	(363)	–
Total revenues⁽²⁾	6,546	3,517	2,947	1,685	(345)	14,350

Six months ended June 30, 2020						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	1,842	937	1,126	652	31	4,588
The Americas	1,971	1,115	689	187	2	3,964
of which: United States	1,550	955	445	128	1	3,079
Asia, Middle East and Africa	1,513	797	959	428	13	3,710
of which: China	761	370	268	279	–	1,678
	5,326	2,849	2,774	1,267	46	12,262
Product type						
Products	4,636	2,444	634	754	41	8,509
Systems	289	–	800	317	5	1,411
Services and other	401	405	1,340	196	–	2,342
	5,326	2,849	2,774	1,267	46	12,262
Third-party revenues	5,326	2,849	2,774	1,267	46	12,262
Intersegment revenues ⁽¹⁾	211	244	70	33	(450)	108
Total revenues⁽²⁾	5,537	3,093	2,844	1,300	(404)	12,370

Three months ended June 30, 2021						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	1,166	551	579	396	5	2,697
The Americas	1,163	635	368	118	–	2,284
of which: United States	855	535	200	86	–	1,676
Asia, Middle East and Africa	1,021	544	583	316	4	2,468
of which: China	565	313	201	234	–	1,313
	3,350	1,730	1,530	830	9	7,449
Product type						
Products	2,937	1,496	418	532	3	5,386
Systems	181	–	412	182	6	781
Services and other	232	234	700	116	–	1,282
	3,350	1,730	1,530	830	9	7,449
Third-party revenues	3,350	1,730	1,530	830	9	7,449
Intersegment revenues	56	120	10	2	(188)	–
Total revenues⁽²⁾	3,406	1,850	1,540	832	(179)	7,449

Three months ended June 30, 2020						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	878	486	549	299	5	2,217
The Americas	940	546	299	84	3	1,872
of which: United States	749	463	198	58	1	1,469
Asia, Middle East and Africa	835	429	500	230	10	2,004
of which: China	478	216	158	160	1	1,012
	2,653	1,461	1,348	613	18	6,093
Product type						
Products	2,274	1,246	328	367	16	4,231
Systems	177	–	404	160	2	743
Services and other	202	215	616	86	–	1,119
	2,653	1,461	1,348	613	18	6,093
Third-party revenues	2,653	1,461	1,348	613	18	6,093
Intersegment revenues ⁽¹⁾	111	122	34	16	(222)	61
Total revenues⁽²⁾	2,764	1,583	1,382	629	(204)	6,154

(1) Intersegment revenues until June 30, 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)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Operational EBITA:				
Electrification	1,103	666	592	348
Motion	614	509	325	279
Process Automation	347	259	192	115
Robotics & Discrete Automation	201	102	96	43
Corporate and Other				
– Non-core and divested businesses	(29)	(19)	(7)	(8)
– Stranded corporate costs	–	(40)	–	(19)
– Corporate costs and Other Intersegment elimination	(164)	(190)	(85)	(107)
Total	2,072	1,287	1,113	651
Acquisition-related amortization	(129)	(130)	(64)	(65)
Restructuring, related and implementation costs ⁽¹⁾	(53)	(107)	(18)	(67)
Changes in obligations related to divested businesses	(6)	(1)	(4)	(1)
Changes in pre-acquisition estimates	(8)	–	(2)	–
Gains and losses from sale of businesses	9	(5)	12	(4)
Fair value adjustment on assets and liabilities held for sale	–	(19)	–	–
Acquisition- and divestment-related expenses and integration costs	(30)	(27)	(20)	(16)
Other income/expense relating to the Power Grids joint venture	(19)	–	(2)	–
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(56)	7	(8)	81
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	9	(3)	7	1
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	28	(11)	(6)	(9)
Certain other non-operational items:				
Costs for divestment of Power Grids	–	(99)	–	(55)
Regulatory, compliance and legal costs	(2)	–	–	–
Business transformation costs ⁽²⁾	(39)	(12)	(19)	(5)
Favorable resolution of an uncertain purchase price adjustment	–	8	–	8
Certain other fair value changes, including asset impairments	114	58	96	58
Other non-operational items	1	(2)	9	(6)
Income from operations	1,891	944	1,094	571
Interest and dividend income	26	27	15	9
Interest and other finance expense	(91)	(112)	(36)	(90)
Non-operational pension (cost) credit	88	71	38	35
Income from continuing operations before taxes	1,914	930	1,111	525

(1) Amount includes implementation costs in relation to the OS program of \$30 million and \$14 million for the six and three months ended June 30, 2020, respectively.

(2) Amount includes ABB Way process transformation costs of \$33 million and \$18 million for the six and three months ended June 30, 2021, respectively.

(\$ in millions)	Total assets ^{(1), (2)}	
	June 30, 2021	December 31, 2020
Electrification	13,098	12,800
Motion	6,771	6,495
Process Automation	4,968	5,008
Robotics & Discrete Automation	4,751	4,794
Corporate and Other	9,833	11,991
Consolidated	39,421	41,088

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

(2) At June 30, 2021, and December 31, 2020, respectively, Corporate and Other includes \$192 million and \$282 million of assets in the Power Grids business which is reported as discontinued operations (see Note 3). In addition, at June 30, 2021, and December 31, 2020, Corporate and Other includes \$1,660 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 six and three months ended June 30, 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	Q2 2021 compared to Q2 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	35%	-7%	0%	28%	23%	-6%	0%	17%
Motion	23%	-7%	0%	16%	17%	-6%	0%	11%
Process Automation	19%	-8%	0%	11%	11%	-7%	0%	4%
Robotics & Discrete Automation	52%	-11%	0%	41%	32%	-10%	0%	22%
ABB Group	32%	-8%	0%	24%	21%	-7%	0%	14%

Business Area	H1 2021 compared to H1 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	23%	-6%	1%	18%	18%	-6%	2%	14%
Motion	11%	-6%	0%	5%	14%	-6%	0%	8%
Process Automation	5%	-7%	0%	-2%	4%	-7%	0%	-3%
Robotics & Discrete Automation	25%	-9%	0%	16%	30%	-10%	0%	20%
ABB Group	18%	-7%	0%	11%	16%	-6%	1%	11%

Regional comparable growth rate reconciliation

Regional comparable growth rate reconciliation for ABB Group - Quarter

Q2 2021 compared to Q2 2020								
Region	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	33%	-10%	0%	23%	22%	-10%	0%	12%
The Americas	44%	-3%	0%	41%	22%	-3%	0%	19%
of which: United States	39%	0%	0%	39%	14%	0%	0%	14%
Asia, Middle East and Africa	25%	-9%	-1%	15%	23%	-9%	1%	15%
of which: China	26%	-11%	0%	15%	30%	-12%	1%	19%
ABB Group	32%	-8%	0%	24%	21%	-7%	0%	14%

Regional comparable growth rate reconciliation by Business Area - Quarter

Q2 2021 compared to Q2 2020								
Region	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	44%	-11%	0%	33%	29%	-10%	0%	19%
The Americas	41%	-2%	0%	39%	23%	-3%	0%	20%
of which: United States	35%	-1%	0%	34%	14%	0%	0%	14%
Asia, Middle East and Africa	20%	-9%	0%	11%	18%	-9%	1%	10%
of which: China	17%	-10%	0%	7%	15%	-10%	0%	5%
Electrification	35%	-7%	0%	28%	23%	-6%	0%	17%

Q2 2021 compared to Q2 2020								
Region	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	11%	-8%	0%	3%	11%	-7%	0%	4%
The Americas	41%	-3%	0%	38%	15%	-1%	0%	14%
of which: United States	37%	0%	0%	37%	15%	0%	0%	15%
Asia, Middle East and Africa	19%	-9%	0%	10%	25%	-10%	0%	15%
of which: China	23%	-11%	0%	12%	41%	-13%	0%	28%
Motion	23%	-7%	0%	16%	17%	-6%	0%	11%

Q2 2021 compared to Q2 2020								
Region	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	7%	-9%	0%	-2%	3%	-9%	0%	-6%
The Americas	39%	-5%	0%	34%	22%	-5%	0%	17%
of which: United States	44%	-1%	0%	43%	0%	-1%	0%	-1%
Asia, Middle East and Africa	22%	-8%	0%	14%	14%	-7%	0%	7%
of which: China	37%	-11%	0%	26%	27%	-11%	0%	16%
Process Automation	19%	-8%	0%	11%	11%	-7%	0%	4%

Q2 2021 compared to Q2 2020								
Region	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	60%	-13%	0%	47%	27%	-11%	0%	16%
The Americas	80%	-2%	0%	78%	40%	-6%	0%	34%
of which: United States	91%	0%	0%	91%	45%	0%	0%	45%
Asia, Middle East and Africa	32%	-11%	0%	21%	37%	-11%	0%	26%
of which: China	28%	-11%	0%	17%	45%	-13%	0%	32%
Robotics & Discrete Automation	52%	-11%	0%	41%	32%	-10%	0%	22%

Regional comparable growth rate reconciliation for ABB Group – Year to date

Region	H1 2021 compared to H1 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	21%	-8%	0%	13%	14%	-8%	0%	6%
The Americas	16%	0%	0%	16%	4%	0%	1%	5%
of which: United States	16%	0%	0%	16%	4%	0%	1%	5%
Asia, Middle East and Africa	29%	-10%	0%	19%	48%	-12%	2%	38%
of which: China	29%	-10%	0%	19%	48%	-12%	2%	38%
ABB Group	18%	-7%	0%	11%	16%	-6%	1%	11%

Regional comparable growth rate reconciliation by Business Area – Year to date

Region	H1 2021 compared to H1 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	26%	-10%	1%	17%	19%	-9%	1%	11%
The Americas	23%	-1%	0%	22%	12%	-1%	1%	12%
of which: United States	19%	0%	0%	19%	6%	0%	0%	6%
Asia, Middle East and Africa	21%	-8%	1%	14%	25%	-8%	3%	20%
of which: China	35%	-11%	0%	24%	36%	-11%	0%	25%
Electrification	23%	-6%	1%	18%	18%	-6%	2%	14%

Region	H1 2021 compared to H1 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	7%	-8%	0%	-1%	5%	-7%	0%	-2%
The Americas	21%	-2%	0%	19%	9%	-1%	0%	8%
of which: United States	19%	0%	0%	19%	7%	0%	0%	7%
Asia, Middle East and Africa	5%	-7%	0%	-2%	30%	-9%	0%	21%
of which: China	22%	-11%	0%	11%	54%	-13%	0%	41%
Motion	11%	-6%	0%	5%	14%	-6%	0%	8%

Region	H1 2021 compared to H1 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	12%	-10%	0%	2%	-1%	-9%	0%	-10%
The Americas	-5%	-2%	0%	-7%	-5%	-2%	0%	-7%
of which: United States	-7%	-1%	0%	-8%	-19%	0%	0%	-19%
Asia, Middle East and Africa	4%	-6%	0%	-2%	15%	-6%	0%	9%
of which: China	15%	-9%	0%	6%	40%	-11%	0%	29%
Process Automation	5%	-7%	0%	-2%	4%	-7%	0%	-3%

Region	H1 2021 compared to H1 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	26%	-10%	0%	16%	20%	-9%	0%	11%
The Americas	27%	-1%	0%	26%	19%	-2%	0%	17%
of which: United States	29%	0%	0%	29%	25%	0%	0%	25%
Asia, Middle East and Africa	22%	-9%	0%	13%	49%	-11%	0%	38%
of which: China	22%	-10%	0%	12%	72%	-14%	0%	58%
Robotics & Discrete Automation	25%	-9%	0%	16%	30%	-10%	0%	20%

Order backlog growth rate reconciliation

Business Area	June 30, 2021 compared to June 30, 2020			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	13%	-4%	0%	9%
Motion	5%	-4%	0%	1%
Process Automation	15%	-6%	0%	9%
Robotics & Discrete Automation	2%	-6%	0%	-4%
ABB Group	11%	-5%	0%	6%

Other growth rate reconciliations

Business Area	Q2 2021 compared to Q2 2020							
	Service orders growth rate				Services revenues growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	28%	-7%	0%	21%	15%	-6%	0%	9%
Motion	25%	-8%	0%	17%	8%	-6%	0%	2%
Process Automation	25%	-9%	0%	16%	14%	-8%	0%	6%
Robotics & Discrete Automation	66%	-10%	0%	56%	36%	-10%	0%	26%
ABB Group	28%	-8%	0%	20%	15%	-8%	0%	7%

Business Area	H1 2021 compared to H1 2020							
	Service orders growth rate				Services revenues growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	7%	-5%	0%	2%	7%	-4%	0%	3%
Motion	11%	-6%	0%	5%	10%	-6%	0%	4%
Process Automation	10%	-7%	0%	3%	2%	-6%	0%	-4%
Robotics & Discrete Automation	33%	-8%	0%	25%	20%	-6%	0%	14%
ABB Group	11%	-6%	0%	5%	6%	-6%	0%	0%

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 other fair value changes and certain asset impairments (including impairment of goodwill), 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)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Operational EBITA	2,072	1,287	1,113	651
Acquisition-related amortization	(129)	(130)	(64)	(65)
Restructuring, related and implementation costs ⁽¹⁾	(53)	(107)	(18)	(67)
Changes in obligations related to divested businesses	(6)	(1)	(4)	(1)
Changes in pre-acquisition estimates	(8)	–	(2)	–
Gains and losses from sale of businesses	9	(5)	12	(4)
Fair value adjustment on assets and liabilities held for sale	–	(19)	–	–
Acquisition- and divestment-related expenses and integration costs	(30)	(27)	(20)	(16)
Other income/expense relating to the Power Grids joint venture	(19)	–	(2)	–
Certain other non-operational items	74	(47)	86	–
Foreign exchange/commodity timing differences in income from operations	(19)	(7)	(7)	73
Income from operations	1,891	944	1,094	571
Interest and dividend income	26	27	15	9
Interest and other finance expense	(91)	(112)	(36)	(90)
Non-operational pension (cost) credit	88	71	38	35
Income from continuing operations before taxes	1,914	930	1,111	525
Income tax expense	(574)	(209)	(322)	(130)
Income from continuing operations, net of tax	1,340	721	789	395
Income (loss) from discontinued operations, net of tax	(36)	5	(8)	(49)
Net income	1,304	726	781	346

(1) Amounts include implementation costs in relation to the OS program of \$30 million and \$14 million for the six and three months ended June 30, 2020, respectively.

Reconciliation of Operational EBITA margin by business

Three months ended June 30, 2021						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	3,406	1,850	1,540	832	(179)	7,449
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	(7)	(14)	2	–	–	(19)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	–	(5)	–	(1)	(7)
Unrealized foreign exchange movements on receivables (and related assets)	10	3	(1)	2	(1)	13
Operational revenues	3,408	1,839	1,536	834	(181)	7,436
Income (loss) from operations	549	303	190	74	(22)	1,094
Acquisition-related amortization	29	13	1	21	–	64
Restructuring, related and implementation costs	4	4	10	–	–	18
Changes in obligations related to divested businesses	–	–	–	–	4	4
Changes in pre-acquisition estimates	2	–	–	–	–	2
Gains and losses from sale of businesses	1	(1)	(13)	–	1	(12)
Acquisition- and divestment-related expenses and integration costs	12	4	3	–	1	20
Other income/expense relating to the Power Grids joint venture	–	–	–	–	2	2
Certain other non-operational items	(9)	1	2	–	(80)	(86)
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	4	(2)	2	–	4	8
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	1	(2)	(1)	(4)	(7)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	1	2	(1)	2	2	6
Operational EBITA	592	325	192	96	(92)	1,113
Operational EBITA margin (%)	17.4%	17.7%	12.5%	11.5%	n.a.	15.0%

In the three months ended June 30, 2021, Certain other non-operational items in the table above includes the following:

Three months ended June 30, 2021						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Certain other fair values changes, including asset impairments	(10)	–	–	–	(86)	(96)
Business transformation costs ⁽¹⁾	1	–	–	–	18	19
Other non-operational items	–	1	2	–	(12)	(9)
Total	(9)	1	2	–	(80)	(86)

(1) Amounts include ABB Way process transformation costs of \$18 million for the three months ended June 30, 2021.

Three months ended June 30, 2020						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	2,764	1,583	1,382	629	(204)	6,154
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	(23)	(13)	(30)	(3)	(1)	(70)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	(1)	1	–	–
Unrealized foreign exchange movements on receivables (and related assets)	23	9	13	6	3	54
Operational revenues	2,764	1,579	1,364	633	(202)	6,138
Income (loss) from operations	305	284	117	18	(153)	571
Acquisition-related amortization	29	13	1	19	3	65
Restructuring, related and implementation costs	29	9	13	4	12	67
Changes in obligations related to divested businesses	–	–	–	–	1	1
Gains and losses from sale of businesses	4	–	–	–	–	4
Acquisition- and divestment-related expenses and integration costs	16	–	–	–	–	16
Certain other non-operational items	(7)	4	1	1	1	–
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(30)	(30)	(23)	(2)	4	(81)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	–	–	1	(1)	(1)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	3	(1)	6	2	(1)	9
Operational EBITA	348	279	115	43	(134)	651
Operational EBITA margin (%)	12.6%	17.7%	8.4%	6.8%	n.a.	10.6%

In the three months ended June 30, 2020, Certain other non-operational items in the table above includes the following:

Three months ended June 30, 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	–	–	–	–	55	55
Certain other fair values changes, including asset impairments	–	–	–	–	(58)	(58)
Business transformation costs	1	4	–	1	(1)	5
Favorable resolution of an uncertain purchase price adjustment	(8)	–	–	–	–	(8)
Other non-operational items	–	–	1	–	5	6
Total	(7)	4	1	1	1	–

Six months ended June 30, 2021						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	6,546	3,517	2,947	1,685	(345)	14,350
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	22	13	14	5	4	58
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	–	(7)	(1)	(1)	(10)
Unrealized foreign exchange movements on receivables (and related assets)	(9)	(5)	(6)	(5)	(3)	(28)
Operational revenues	6,558	3,525	2,948	1,684	(345)	14,370
Income (loss) from operations	989	568	337	156	(159)	1,891
Acquisition-related amortization	58	26	2	41	2	129
Restructuring, related and implementation costs	21	5	13	5	9	53
Changes in obligations related to divested businesses	–	–	–	–	6	6
Changes in pre-acquisition estimates	8	–	–	–	–	8
Gains and losses from sale of businesses	4	(1)	(13)	–	1	(9)
Acquisition- and divestment-related expenses and integration costs	18	7	4	–	1	30
Other income/expense relating to the Power Grids joint venture	–	–	–	–	19	19
Certain other non-operational items	(15)	1	2	–	(62)	(74)
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	29	12	12	1	2	56
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	1	(3)	(1)	(5)	(9)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(8)	(5)	(7)	(1)	(7)	(28)
Operational EBITA	1,103	614	347	201	(193)	2,072
Operational EBITA margin (%)	16.8%	17.4%	11.8%	11.9%	n.a.	14.4%

In the six months ended June 30, 2021, Certain other non-operational items in the table above includes the following:

Six months ended June 30, 2021						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Regulatory, compliance and legal costs	–	–	–	–	2	2
Certain other fair values changes, including asset impairments	(19)	–	–	–	(95)	(114)
Business transformation costs ⁽¹⁾	4	–	–	–	35	39
Other non-operational items	–	1	2	–	(4)	(1)
Total	(15)	1	2	–	(62)	(74)

(1) Amounts include ABB Way process transformation costs of \$33 million for the six months ended June 30, 2021.

Six months ended June 30, 2020						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	5,537	3,093	2,844	1,300	(404)	12,370
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	15	(3)	(1)	3	2	16
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	–	7	1	(2)	7
Unrealized foreign exchange movements on receivables (and related assets)	(6)	(4)	(7)	(2)	5	(14)
Operational revenues	5,547	3,086	2,843	1,302	(399)	12,379
Income (loss) from operations	504	475	241	50	(326)	944
Acquisition-related amortization	57	26	2	38	7	130
Restructuring, related and implementation costs	44	11	16	11	25	107
Changes in obligations related to divested businesses	–	–	–	–	1	1
Gains and losses from sale of businesses	5	–	–	–	–	5
Fair value adjustment on assets and liabilities held for sale	19	–	–	–	–	19
Acquisition- and divestment-related expenses and integration costs	27	–	–	–	–	27
Certain other non-operational items	(7)	9	1	2	42	47
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	12	(11)	(5)	–	(3)	(7)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	–	6	1	(3)	3
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	6	(1)	(2)	–	8	11
Operational EBITA	666	509	259	102	(249)	1,287
Operational EBITA margin (%)	12.0%	16.5%	9.1%	7.8%	n.a.	10.4%

In the six months ended June 30, 2020, Certain other non-operational items in the table above includes the following:

Six months ended June 30, 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	–	–	–	–	99	99
Certain other fair values changes, including asset impairments	–	–	–	–	(58)	(58)
Business transformation costs	1	9	–	2	–	12
Favorable resolution of an uncertain purchase price adjustment	(8)	–	–	–	–	(8)
Other non-operational items	–	–	1	–	1	2
Total	(7)	9	1	2	42	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)	June 30, 2021	December 31, 2020
Short-term debt and current maturities of long-term debt	2,117	1,293
Long-term debt	4,375	4,828
Total debt (gross debt)	6,492	6,121
Cash and equivalents	2,860	3,278
Restricted cash - current	71	323
Marketable securities and short-term investments	1,002	2,108
Restricted cash - non-current	300	300
Cash and marketable securities	4,233	6,009
Net debt	2,259	112

Net debt/Equity ratio

Definition

Net debt/Equity ratio

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

Equity

Equity is defined as Total stockholders' equity.

Reconciliation

(\$ in millions, unless otherwise indicated)	June 30, 2021	December 31, 2020
Total stockholders equity	14,266	15,999
Net debt (as defined above)	2,259	112
Net debt / Equity ratio	0.16	0.01

Net debt/EBITDA ratio

Definition

Net debt/EBITDA ratio

Net debt/EBITDA ratio 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)	June 30, 2021	June 30, 2020
Income from operations for the three months ended:		
June 30, 2021/2020	1,094	571
March 31, 2021/2020	797	373
December 31, 2020/2019	578	648
September 30, 2020/2019	71	577
Depreciation and Amortization for the three months ended:		
June 30, 2021/2020	230	228
March 31, 2021/2020	227	227
December 31, 2020/2019	229	246
September 30, 2020/2019	231	235
EBITDA	3,457	3,105
Net debt (as defined above)	2,259	7,615
Net debt / EBITDA ratio	0.7	2.5

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)	June 30, 2021	June 30, 2020
Net working capital:		
Receivables, net ⁽¹⁾	7,113	6,150
Contract assets	1,087	1,110
Inventories, net	4,700	4,395
Prepaid expenses	229	256
Accounts payable, trade	(4,708)	(4,062)
Contract liabilities	(1,846)	(1,703)
Other current liabilities ⁽²⁾	(3,324)	(2,869)
Net working capital	3,251	3,277
Total revenues for the three months ended:		
June 30, 2021 / 2020	7,449	6,154
March 31, 2021 / 2020	6,901	6,216
December 31, 2020 / 2019	7,182	7,068
September 30, 2020 / 2019	6,582	6,892
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	–	(269)
Adjusted revenues for the trailing twelve months	28,114	26,061
Net working capital as a percentage of revenues (%)	11.6%	12.6%

(1) Amount excludes receivables related to sales of investments outstanding at June 30, 2021.

(2) Amounts exclude \$705 million and \$578 million at June 30, 2021 and 2020, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits and (d) payables under the share buyback program and (e) 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	
	June 30, 2021	December 31, 2020
Net cash provided by operating activities – continuing operations	2,809	1,875
Adjusted for the effects of continuing operations:		
Purchases of property, plant and equipment and intangible assets	(684)	(694)
Proceeds from sale of property, plant and equipment	110	114
Free cash flow from continuing operations	2,235	1,295
Net cash provided by (used in) operating activities – discontinued operations	(13)	(182)
Adjusted for the effects of discontinued operations:		
Purchases of property, plant and equipment and intangible assets	(15)	(108)
Proceeds from sale of property, plant and equipment	–	1
Free cash flow	2,207	1,006
Adjusted net income attributable to ABB⁽¹⁾	1,064	478
Free cash flow conversion to net income	207%	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 June 30, 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 (used in) 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⁾
Q3 2020	398	(129)	41	10	–	–	(479)
Q4 2020	1,225	(262)	46	(43)	(15)	–	262
Q1 2021	523	(142)	20	20	–	–	526
Q2 2021	663	(151)	3	–	–	–	755
Total for the trailing twelve months to June 30, 2021	2,809	(684)	110	(13)	(15)	–	1,064

(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. Q2 2021 is adjusted to exclude the adjustment to the gain on the sale of Power Grids of \$3 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)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Interest and dividend income	26	27	15	9
Interest and other finance expense	(91)	(112)	(36)	(90)
Net finance expenses	(65)	(85)	(21)	(81)

Book-to-bill ratio

Definition

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

Reconciliation

(\$ in millions, except Book-to-bill presented as a ratio)	Six months ended June 30,					
	2021			2020		
	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	7,224	6,546	1.10	5,858	5,537	1.06
Motion	3,864	3,517	1.10	3,487	3,093	1.13
Process Automation	3,211	2,947	1.09	3,062	2,844	1.08
Robotics & Discrete Automation	1,809	1,685	1.07	1,449	1,300	1.11
Corporate and Other (<i>incl. intersegment eliminations</i>)	(363)	(345)	n.a.	(456)	(404)	n.a.
ABB Group	15,745	14,350	1.10	13,400	12,370	1.08

(\$ in millions, except Book-to-bill presented as a ratio)	Three months ended June 30,					
	2021			2020		
	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	3,693	3,406	1.08	2,737	2,764	0.99
Motion	1,947	1,850	1.05	1,586	1,583	1.00
Process Automation	1,555	1,540	1.01	1,305	1,382	0.94
Robotics & Discrete Automation	968	832	1.16	638	629	1.01
Corporate and Other (<i>incl. intersegment eliminations</i>)	(174)	(179)	n.a.	(212)	(204)	n.a.
ABB Group	7,989	7,449	1.07	6,054	6,154	0.98

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