


Q3 2023

First nine months Press Release

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



ZURICH, SWITZERLAND, OCTOBER 18, 2023

Q3 2023 results

Positive book-to-bill, high margin and strong cash flow delivery

- Orders \$8,052 million, -2%; comparable¹ +2%
- Revenues \$7,968 million, +8%; comparable¹ +11%
- Income from operations \$1,259 million; margin 15.8%
- Operational EBITA¹ \$1,392 million; margin¹ 17.4%
- Basic EPS \$0.48; +149%²
- Cash flow from operating activities⁴ \$1,351 million; +71%

KEY FIGURES

(\$ millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q3 2023	Q3 2022	US\$	Comparable ¹	9M 2023	9M 2022	US\$	Comparable ¹
Orders	8,052	8,188	-2%	2%	26,169	26,368	-1%	4%
Revenues	7,968	7,406	8%	11%	23,990	21,622	11%	16%
Gross Profit	2,762	2,481	11%		8,366	7,052	19%	
as % of revenues	34.7%	33.5%	+1.2 pts		34.9%	32.6%	+2.3 pts	
Income from operations	1,259	708	78%		3,755	2,152	74%	
Operational EBITA ¹	1,392	1,231	13%	11% ³	4,094	3,364	22%	22% ³
as % of operational revenues ¹	17.4%	16.6%	+0.8 pts		17.0%	15.5%	+1.5 pts	
Income from continuing operations, net of tax	905	420	115%		2,902	1,469	98%	
Net income attributable to ABB	882	360	145%		2,824	1,343	110%	
Basic earnings per share (\$)	0.48	0.19	149% ²		1.52	0.70	116% ²	
Cash flow from operating activities ⁴	1,351	791	71%		2,393	600	299%	

¹ For a reconciliation of non-GAAP measures, see "supplemental reconciliations and definitions" in the attached Q3 2023 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.

"Q3 2023 was a strong quarter for ABB including a positive book-to-bill ratio, Operational EBITA margin again above 17% and a strong cash flow delivery putting us in a good position to achieve an annual free cash flow of about \$3 billion."

Björn Rosengren, CEO



CEO summary

The third quarter developed largely as planned, and I am pleased about the comparable order growth of 2% supporting a book-to-bill ratio of 1.01. This means we delivered on our quarterly expectation of book-to-bill in positive territory, despite a double-digit comparable increase in revenues. We had yet another quarter with strong operational performance across the business areas, and this time coupled with a very strong cash flow generation, setting us up to achieve free cash flow of about \$3 billion in 2023.

In total, Operational EBITA increased by 13% and we achieved an Operational EBITA margin of 17.4%, an improvement of 80 basis points from the corresponding period last year. This was supported by a strong price contribution which outweighed the impacts from inflation in labor costs, with additional support from efficient execution of higher volumes in production. It was good to see that our focus on cash conversion yielded results with Cash flow from operating activities at \$1.4 billion, an increase of \$560 million from last year supported mainly by higher earnings and better Net working capital management.

As in recent quarters, the order development was strong in the project- and systems-related businesses that is often linked to our various medium voltage offerings. This more than offset the impact from a decline in parts of the short-cycle businesses. In total, most customer segments remained overall stable or improved, with declines mainly noted in the discrete automation and construction segments. Order growth was strongest in business area Process Automation, supported by a strong underlying market and the added contribution from a large order amounting to approximately \$285 million. In contrast, order intake in Robotics & Discrete Automation was hampered by customers normalizing order patterns in a period of shortening delivery lead times, with added pressure from inventory adjustments among robotics-related distribution channels in China.

From a geographical perspective, the Americas region was the growth engine for orders, driven by double-digit comparable growth in the United States and supported by the timing of large orders booked. Also, Asia, Middle East and Africa improved on a comparable basis where India noted yet another quarter with strong year-on-year development. In contrast, orders in China declined at a low single-digit comparable growth rate particularly hampered by weakness in robotics and construction demand. Outside of these segments and towards the end of the quarter we noted some indications of the underlying Chinese market stabilizing, although uncertainty is admittedly high. Europe

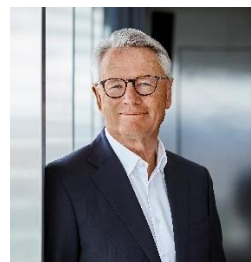
declined to the tune of a low double-digit rate, and while the underlying market softened, the rate of decline was accentuated by a high comparable last year due to timing of larger orders booked.

Sustainability is embedded in everything we do, and I was pleased to see this being recognized by MSCI and the upgrade of ABB to the highest ESG rating of AAA, meaning we score in the top 10% of the peer universe.

During the quarter, Process Automation expanded its partnership with Northvolt, providing electrification and automation technologies to power the world's largest battery recycling facility, Revolt Ett. The recycling site will process 125,000 tons of end-of-life batteries and battery production waste each year – making it the largest plant of its kind in the world.

We recently took additional steps to support our customers on their journey towards more sustainable and flexible production with Robotics & Discrete Automation expanding its robot family with four models in 22 variants and energy savings of up to 20 percent. We have also announced our plans to invest \$280 million in our Robotics business in Sweden. The site will serve as a European hub, and further strengthen our capabilities in serving our customers in Europe with locally manufactured products in a growing market. This is to replace the existing old robotics facilities at the site, and the new Campus is planned to open in late 2026.

To mark the completion of all divisional portfolio divestments announced at the end of 2020, we successfully closed the divestment of the Power Conversion division. Going forward we will continuously review the product groups within all divisions to optimize the portfolio as part of the ABB Way operating model.



Björn Rosengren
CEO

Outlook

In the **fourth quarter of 2023**, we anticipate low- to mid single digit comparable revenue growth. Additionally, we expect the historical pattern to repeat with the Operational EBITA margin in Q4 to be sequentially lower from Q3, and to be around 16%.

In **full-year 2023**, we anticipate comparable revenue growth to be in the low teens range and we expect Operational EBITA margin to be in the range of 16.5% - 17.0%.

Orders and revenues

Strong demand for the project- and systems-related businesses, often linked to the medium voltage offerings, more than offset a decline in parts of the short-cycle businesses hampered by inventory adjustments among channel partners and normalizing order patterns. In total, orders declined by 2% (up comparable 2%) year-on-year to 8,052 million. Comparable order growth was driven by the higher contribution from large orders, including the one in the Process Automation business area for \$285 million, which will be executed over a multi-year period.

Timing of booking significant orders supported the Americas growth of 9% (comparable 13%). Orders in Asia, Middle East and Africa declined by 5% (up comparable 4%) as the decline in China of 10% (comparable 3%) was more than offset by strength elsewhere in the region, including strong growth in India. The sharp order decline of 11% (comparable 13%) in Europe was the result of softer markets including the impact from customers normalizing inventory levels, but also impacted by last year's high comparable supported by timing of customers placing large orders.

Demand in the automotive segment improved, supported by EV-related investments, while the general industry and consumer-related robotics segments

declined. In transport & infrastructure, there were positive developments in marine, ports and renewables.

The machine builder segment declined as customers normalized order patterns in the face of shortening delivery lead times.

In buildings, there was weakness in all three regions in residential-related demand. In the commercial construction segment the United States stood out with a continued robust momentum and outperformed a broadly stable Europe and declining China.

Demand in the process-related businesses was strong across the board, with particular strength in the oil & gas segment, and it held up well also for refining, petrochemicals and the energy-related low carbon segments.

Revenues increased by 8% (11% comparable) to \$7,968 million and benefitted primarily from increased volumes through execution of the order backlog, combined with a strong price contribution. These benefits more than offset a slight adverse impact from portfolio changes. Revenues increased in all business areas, supported by comparable growth in most divisions as the order backlog was executed.

Growth

Change year-on-year	Q3 Orders	Q3 Revenues
Comparable	2%	11%
FX	0%	1%
Portfolio changes	-4%	-4%
Total	-2%	8%

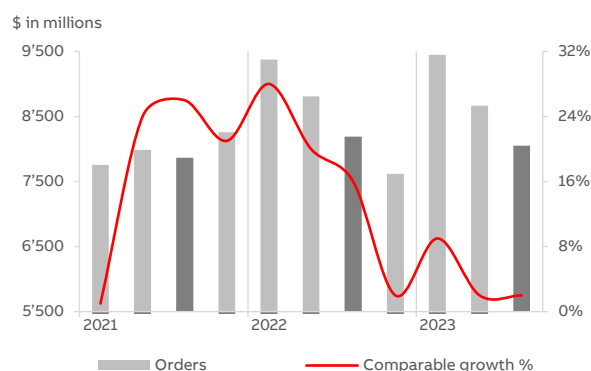
Orders by region

(\$ in millions, unless otherwise indicated)	Q3 2023	Q3 2022	CHANGE	
			US\$	Comparable
Europe	2,391	2,682	-11%	-13%
The Americas	3,258	2,980	9%	13%
Asia, Middle East and Africa	2,403	2,526	-5%	4%
ABB Group	8,052	8,188	-2%	2%

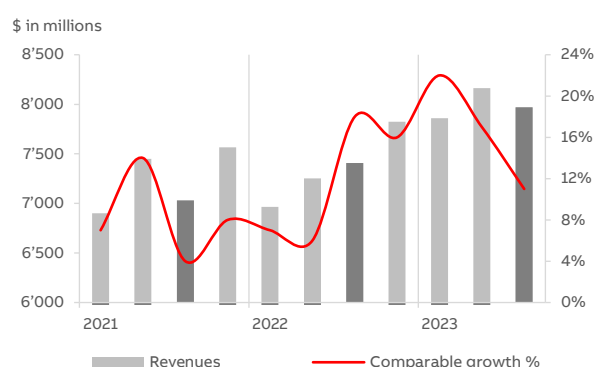
Revenues by region

(\$ in millions, unless otherwise indicated)	Q3 2023	Q3 2022	CHANGE	
			US\$	Comparable
Europe	2,810	2,494	13%	10%
The Americas	2,775	2,452	13%	16%
Asia, Middle East and Africa	2,383	2,460	-3%	6%
ABB Group	7,968	7,406	8%	11%

Orders



Revenues



Earnings

Gross profit

Gross profit increased strongly by 11% (9% constant currency) to \$2,762 million, reflecting a strong gross margin improvement of 120 basis points to 34.7%. Gross margin improved in three out of four business areas, with only Process Automation declining mainly due to the absence of the exited high margin Turbocharging division (Accelleron).

Income from operations

Income from operations amounted to \$1,259 million and increased by 78% year-on-year. The improvement was driven by operational performance and contribution from gains of \$71 million from selling businesses, including the divestment of the Power Conversion division, but also by last year's period being burdened by the recording of a provision of \$325 million relating to the legacy Kusile project. Margin on Income from operations reached 15.8%, up by 620 basis points year-on-year.

Operational EBITA

Operational EBITA improved by 13% year-on-year to \$1,392 million and the margin was up by 80 basis points to 17.4%. Key drivers to the higher earnings were the impacts from robust price activities and operational leverage on higher volumes,

which more than offset adverse impacts from inflation in labor costs and from divestments. Selling, general and administrative expenses declined in relation to revenues to 16.7%, from 17.2% last year, mostly due to the absence of costs related to the spin-off of the Accelleron business in last year's period. Operational EBITA in Corporate and Other amounted to -\$109 million, of which -\$39 million related to the E-mobility business where operational performance was hampered by the ongoing reorganization to ensure a more focused portfolio, and some inventory-related provisions.

Net finance expenses

Net finance expense was \$36 million and increased slightly from last year's \$28 million.

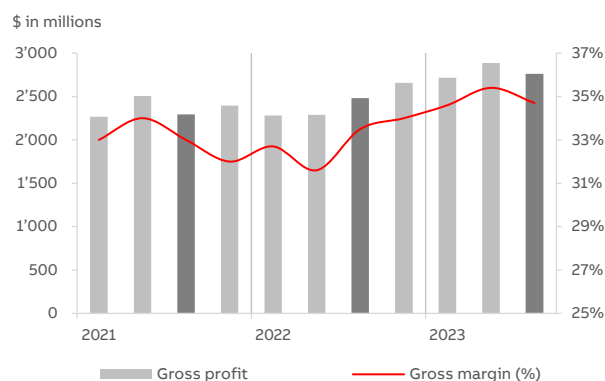
Income tax

Income tax expense was \$326 million with an effective tax rate of 26.5%.

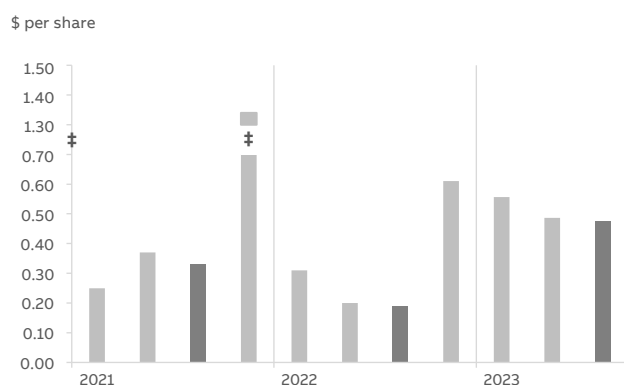
Net income and earnings per share

Net income attributable to ABB was \$882 million and more than doubled from last year driven by improved operational performance and lower non-operational items. This resulted in basic earnings per share of \$0.48, up from \$0.19 last year.

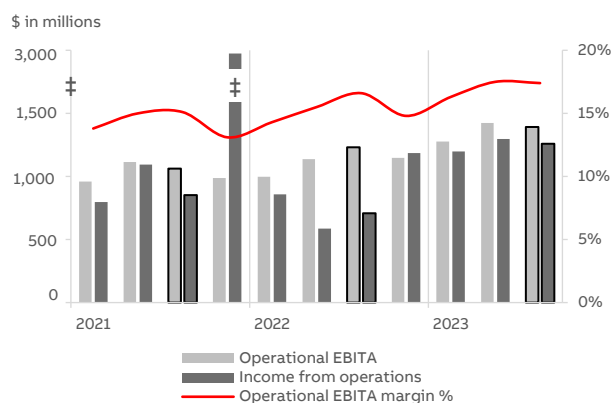
Gross profit & Gross margin



Basic EPS



Income from operations & Operational EBITA



Operational EBITA

(\$ millions)	Q3 2023	Q3 2022
Corporate and Other		
E-mobility	(39)	(4)
Corporate costs, intersegment eliminations and other ¹	(70)	(52)
Total	(109)	(56)

¹ Majority of which relates to underlying corporate

Balance sheet & Cash flow

Net working capital

Net working capital amounted to \$4,041 million, increasing year-on-year from \$3,407 million driven mainly by the increase in inventories and receivables. Net working capital decreased sequentially from \$4,585 million driven mainly by strong trade net working capital management and an increase in accrued expenses related to the timing of payments of accruals. Net working capital as a percentage of revenues¹ was 12.8%, down sequentially from 14.7%.

Capital expenditures

Purchases of property, plant and equipment and intangible assets amounted to \$175 million.

Net debt

Net debt¹ amounted to \$2,872 million at the end of the quarter and decreased from \$4,117 million year-on-year, and declined sequentially from \$4,165 million. The sequential net decrease was driven by the strong operational cash flow in the quarter, and further supported by the proceeds from the sale of the Power Conversion business.

Cash flows

Cash flow from operating activities was \$1,351 million, representing a steep year-on-year increase from \$791 million. This was driven by strong improvements in all business areas on the back of higher earnings and a reduction of net working capital this quarter versus a build-up of net working capital in the prior year mainly related to inventories.

Share buyback program

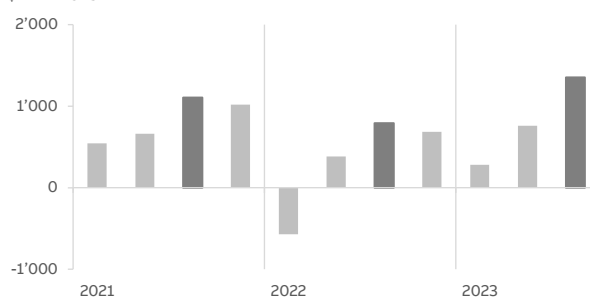
A share buyback program of up to \$1 billion was launched on April 3, 2023. During the third quarter, 5,244,809 shares were repurchased on the second trading line for approximately \$200 million. ABB's total number of issued shares, including shares held in treasury, amounts to 1,882,002,575.

(\$ millions, unless otherwise indicated)	Sep. 30 2023	Sep. 30 2022	Dec. 31 2022
Short term debt and current maturities of long-term debt	2,951	3,068	2,535
Long-term debt	4,899	4,530	5,143
Total debt	7,850	7,598	7,678
Cash & equivalents	3,869	2,365	4,156
Restricted cash - current	18	323	18
Marketable securities and short-term investments	1,091	793	725
Restricted cash - non-current	–	–	–
Cash and marketable securities	4,978	3,481	4,899
Net debt (cash)*	2,872	4,117	2,779
Net debt (cash)* to EBITDA ratio	0.5	0.7	0.7
Net debt (cash)* to Equity ratio	0.21	0.34	0.21

* At Sep. 30, 2023, Sep. 30, 2022 and Dec. 31, 2022, net debt(cash) excludes net pension (assets)/liabilities of \$(414) million \$(114) million and \$(276) million, respectively.

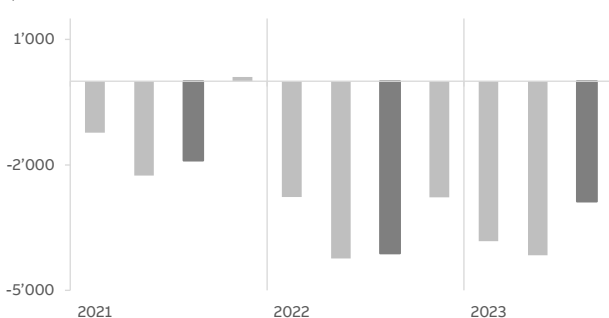
Cash flow from operating activities

\$ in millions

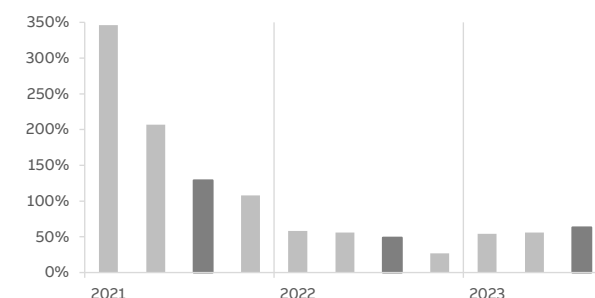


Net Cash (Net Debt) position

\$ in millions



Free cash flow conversion to net income¹, R12M



Electrification



Orders and revenues

Demand linked to the medium-voltage offerings noted strong year-on-year development and more than offset market softness in parts of the short-cycle business which was hampered by distributors normalizing inventory levels in the face of shortening delivery lead times. Total orders amounted to \$3,693 million and declined 2% (up comparable 1%) impacted by the divestment of the Power Conversion division early in the quarter.

- Demand was particularly strong in the datacenters and chemical, oil & gas segments with a solid development noted in rail and green energy-linked areas like solar. However, weakness was noted in construction with the residential segment down in all three regions while in commercial construction the United States stood out with a continued robust momentum and outperformed a broadly stable Europe and declining China.
- In Asia, Middle East and Africa orders decreased by 5% (up comparable 2%) including a slight comparable improvement in China, where signs of sequential stabilization emerged towards the latter part of the quarter outside of the construction segment. The Americas declined by 2% (up comparable 4%) with United States down by 2% (up comparable 6%). Europe was stable (down comparable 3%), including a

Growth

Change year-on-year	Q3 Orders	Q3 Revenues
Comparable	1%	6%
FX	0%	1%
Portfolio changes	-3%	-4%
Total	-2%	3%

6% decline in Germany where weakness in the residential construction market weighed on the Smart Buildings division.

- Revenues amounted to \$3,561 million and weakness in the buildings segment weighed on growth in Smart Buildings and Installation Products, while the remaining divisions contributed to revenue growth of 3% (comparable 6%) with a strong contribution from price as the key driver.

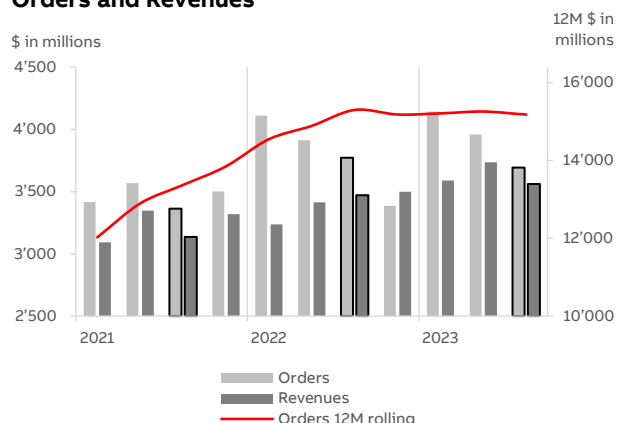
Profit

Operational EBITA increased by 15% year-on-year and amounted to \$748 million, supported by strong operational performance which more than offset the absent earnings from portfolio changes. The Operational EBITA margin remained sequentially strong at 20.8%, representing an improvement of 210 basis points year-on-year.

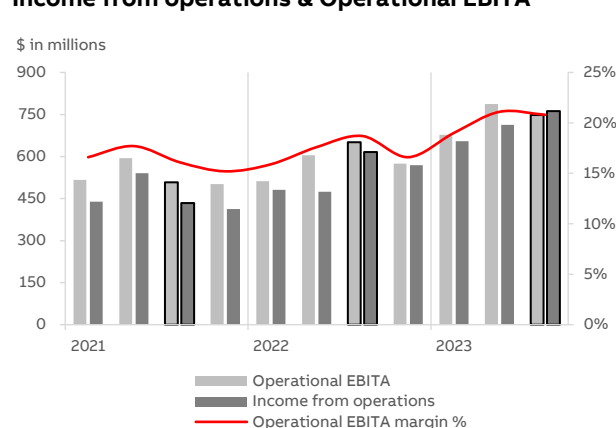
- Benefits from a strong price execution was the main driver to the earnings improvement, with some additional support from operational leverage on slightly higher volumes.
- The positive impact from lower commodity costs year-on-year, was virtually offset by inflation linked to labor.

(\$ millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q3 2023	Q3 2022	US\$	Comparable	9M 2023	9M 2022	US\$	Comparable
Orders	3,693	3,772	-2%	1%	11,794	11,797	0%	3%
Order backlog	6,994	6,317	11%	16%	6,994	6,317	11%	16%
Revenues	3,561	3,471	3%	6%	10,886	10,121	8%	11%
Operational EBITA	748	651	15%		2,212	1,768	25%	
as % of operational revenues	20.8%	18.7%	+2.1 pts		20.3%	17.4%	+2.9 pts	
Cash flow from operating activities	1,051	715	47%		2,143	1,258	70%	
No. of employees (FTE equiv.)	50,500	50,500	0%					

Orders and Revenues



Income from operations & Operational EBITA



Motion



Orders and revenues

Total orders declined due to a high level of larger bookings in last year's period. Looking beyond this impact, it was a more stable development with a strong order momentum reported for the long-cycle businesses, while weakness was noted in parts of the short-cycle businesses. Order intake amounted to \$1,886 million, representing a decrease of 4% (7% comparable).

- Demand improved in the process-related segments of chemicals, oil & gas, pulp & paper and mining, however declined in the more short-cycle segments including HVAC linked to weakness in construction, food & beverage and electronics.
- Order intake increased by 10% (comparable 15%) in Asia, Middle East and Africa, supported by a double-digit comparable growth in China. Europe declined sharply by 22% (comparable 28%) mainly due to the Traction-related high order level last year. The Americas increased by 3% (down comparable 3%) as the acquired contribution was more than offset by softness in demand for the low voltage motors.

Growth

Change year-on-year	Q3 Orders	Q3 Revenues
Comparable	-7%	11%
FX	1%	1%
Portfolio changes	2%	2%
Total	-4%	14%

- Execution of the order backlog resulted in high revenues of \$1,947 million, representing an increase of 14% (comparable 11%) year-on-year. Higher volumes and earlier implemented pricing activities both contributed strongly to comparable growth.

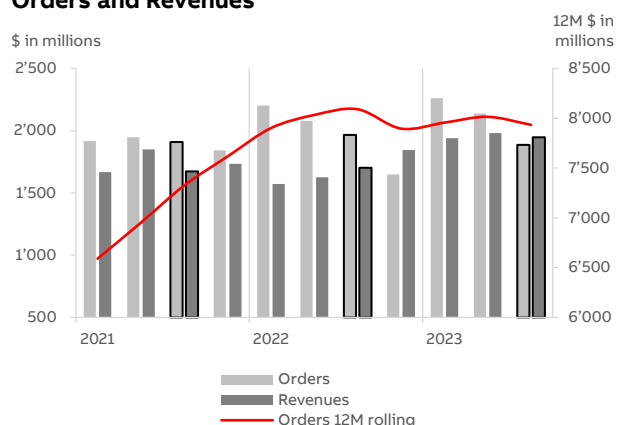
Profit

All divisions contributed to the strong 28% year-on-year improvement in Operational EBITA to \$390 million, driving the Operational EBITA margin up by 200 basis points to 19.8%.

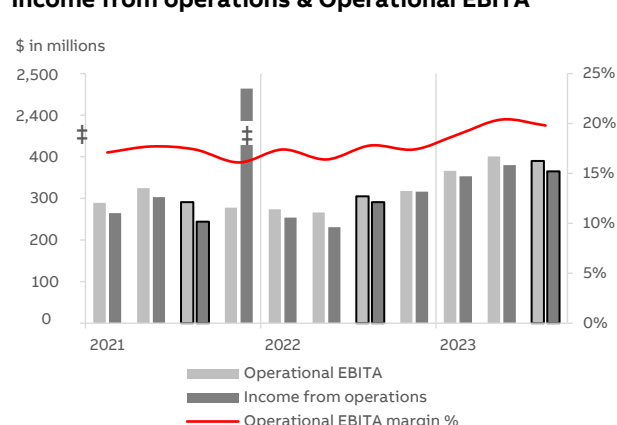
- Results were mainly supported by the benefits from a strong price execution which more than offset cost inflation related to labor and raw materials.
- Higher volume output supported the fixed cost absorption in production.
- Strongest profitability improvements were reported in the motor divisions, with Large Motors & Generators as the outperformer.
- Divisional mix was slightly positive due to strong deliveries from the drives and service-related businesses.

(\$ millions, unless otherwise indicated)	Q3 2023	Q3 2022	CHANGE		9M 2023	9M 2022	CHANGE	
			US\$	Comparable			US\$	Comparable
Orders	1,886	1,966	-4%	-7%	6,285	6,247	1%	1%
Order backlog	5,108	4,613	11%	5%	5,108	4,613	11%	5%
Revenues	1,947	1,702	14%	11%	5,868	4,900	20%	20%
Operational EBITA	390	305	28%		1,157	845	37%	
as % of operational revenues	19.8%	17.8%	+2 pts		19.7%	17.2%	+2.5 pts	
Cash flow from operating activities	466	268	74%		935	507	84%	
No. of employees (FTE equiv.)	22,100	20,700	7%					

Orders and Revenues



Income from operations & Operational EBITA



Process Automation



Orders and revenues

On a broad robust underlying activity across the customer segments, with the added contribution of large orders, order intake reached \$1,883 million and increased by 20% (comparable 38%) year-on-year.

- Order intake included the booking of an order at a value of \$285 million with fulfillment due over a multi-year period.
- The Energy Industries division benefited from strong demand in the traditional oil & gas segment, but also seeing high activity levels in low carbon-related areas such as hydrogen, LNG and carbon capture. One example of how Energy Industries builds further on its value creation offer enabling the clean energy transition, is that it was contracted to support the Danish company H2 Energy Esbjerg ApS with electrical engineering at its hydrogen production and distribution hub. The plant will convert renewable electricity from offshore wind into about 90,000 tons of green hydrogen per year – the equivalent of 1.9 million barrels of oil, supporting the decarbonization of heavy industry and road transportation.

Growth

Change year-on-year	Q3 Orders	Q3 Revenues
Comparable	38%	23%
FX	2%	1%
Portfolio changes	-20%	-17%
Total	20%	7%

- All divisions contributed with a double-digit growth in revenues, which amounted to \$1,554 million, up by 7% (comparable 23%) year-on-year, supported mainly by volumes but also by a positive price development. Total revenue growth was hampered mainly by the absence of the Accelleron business which was spun-off in early October 2022, meaning this is the last quarter of structural impact.

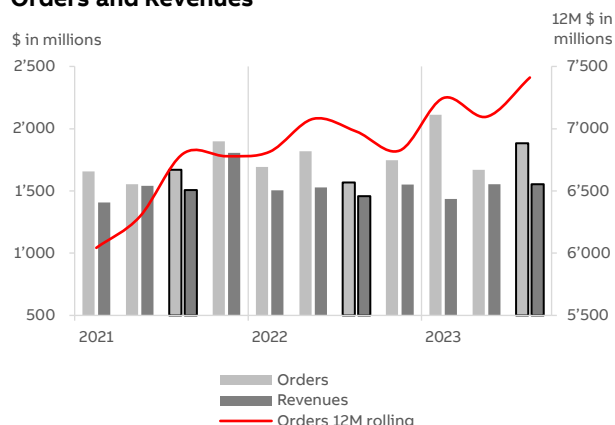
Profit

The Operational EBITA was largely stable year-on-year at \$226 million, the result of a strong revenue execution which offset the absence of earnings related to the exited Accelleron business. The Operational EBITA margin amounted to 14.6%, representing a decline of 70 basis points as operational improvements did not quite offset the adverse impact of 190 basis points due to the portfolio change.

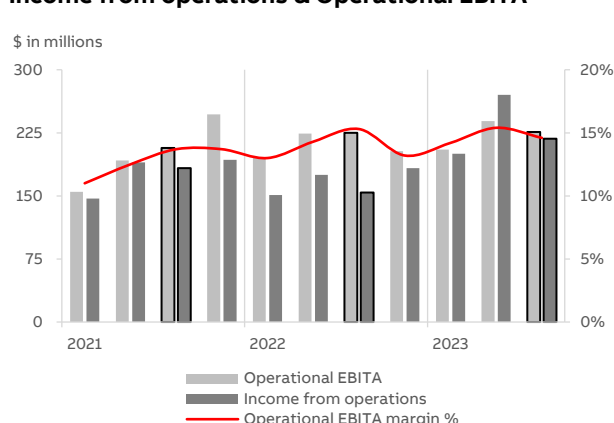
- Operational EBITA margin remained stable or increased in all divisions except for a decline in Marine & Ports, which was somewhat impacted by an adverse mix due to lower share of revenues stemming from the arctic marine propulsion business.

(\$ millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q3 2023	Q3 2022	US\$	Comparable	9M 2023	9M 2022	US\$	Comparable
Orders	1,883	1,568	20%	38%	5,665	5,079	12%	31%
Order backlog	7,135	6,006	19%	20%	7,135	6,006	19%	20%
Revenues	1,554	1,458	7%	23%	4,543	4,493	1%	19%
Operational EBITA	226	225	0%		670	645	4%	
as % of operational revenues	14.6%	15.3%	-0.7 pts		14.7%	14.2%	+0.5 pts	
Cash flow from operating activities	258	217	19%		558	470	19%	
No. of employees (FTE equiv.)	20,900	22,400	-6%					

Orders and Revenues



Income from operations & Operational EBITA



Robotics & Discrete Automation



Orders and revenues

With both divisions in negative growth, total orders declined by 26% (comparable 27%), weighed down by normalizing order patterns and weakening of the Chinese robotics market. Although it is difficult to exactly assess, we expect these pressures to persist also in the next couple of quarters.

- In Machine Automation order intake was impacted by customers normalizing order patterns to align with shortening delivery lead times, and awaiting deliveries from the Machine Automation order backlog which extends into the second half of 2024.
- In the Robotics division, orders declined at a mid-single digit rate. This was driven by a sequential softening of the underlying Chinese market, with some additional pressure from local inventory reductions among channel partners outside of the automotive segment. Outside of China demand was more resilient with growth in the United States and the decline in Europe limited to a mid-single digit rate.
- From a geographical perspective, orders in the Americas declined by 10% (12% comparable). The decline in Europe was 35% (comparable 38%) triggered by machine

Growth

Change year-on-year	Q3 Orders	Q3 Revenues
Comparable	-27%	9%
FX	1%	3%
Portfolio changes	0%	0%
Total	-26%	12%

automation-related customers normalizing order patterns. In Asia, Middle East and Africa orders declined by 20% (comparable 17%), hampered by China being down by 32% (comparable 28%) weighed down mainly by robotics-related channel partners adjusting inventories.

- Revenues increased in both divisions as the order backlog was executed and amounted to \$929 million, an improvement of 12% (comparable 9%), supported by positive impacts from both price and volumes.

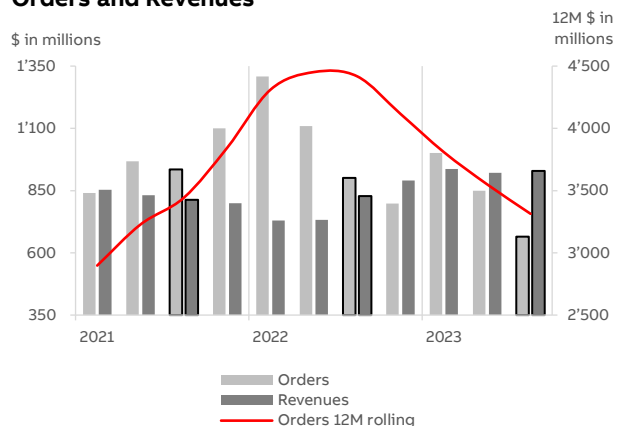
Profit

Steep improvement of 29% in Operational EBITA to \$137 million was supported by both divisions, and Operational EBITA margin was up by 190 basis points and reached 14.7%.

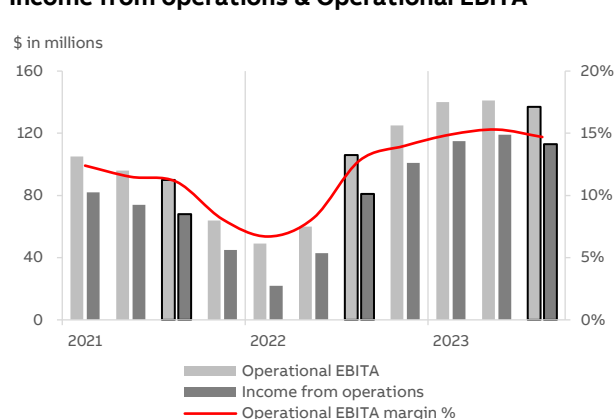
- Higher gross margin was the key contributor to the strong earnings improvement, mainly supported by positive impacts from earlier implemented price increases and improved operational execution, which more than offset the impacts from higher labor costs as well as increased spend in Research & Development.

(\$ millions, unless otherwise indicated)	Q3 2023	Q3 2022	CHANGE		9M 2023	9M 2022	CHANGE	
			US\$	Comparable			US\$	Comparable
Orders	665	901	-26%	-27%	2,516	3,318	-24%	-22%
Order backlog	2,363	2,659	-11%	-14%	2,363	2,659	-11%	-14%
Revenues	929	828	12%	9%	2,788	2,290	22%	23%
Operational EBITA	137	106	29%		418	215	94%	
as % of operational revenues	14.7%	12.8%	+1.9 pts		15.0%	9.4%	+5.6 pts	
Cash flow from operating activities	92	82	12%		266	109	144%	
No. of employees (FTE equiv.)	11,000	10,700	3%					

Orders and Revenues



Income from operations & Operational EBITA



Sustainability



Q3 outcome

- 34% reduction year-on-year of CO₂e emissions in own operations mainly driven by shifting to green electricity in our operations.
- 9% increase year-on-year in LTIFR due to a slight increase in incidents in absolute numbers.
- 3%-points increase year-on-year in share of women in senior management, demonstrating steady progress towards our target.

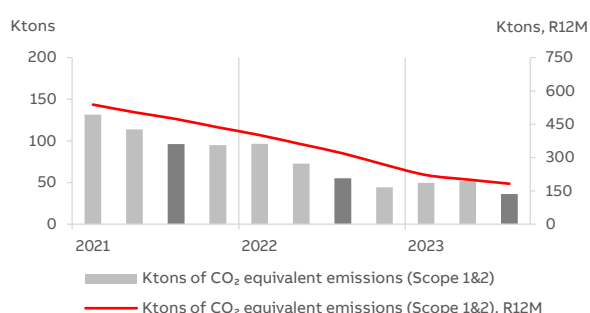
Quarterly highlights

- ABB was upgraded from AA to AAA in the MSCI ESG rating. ESG ratings from MSCI ESG Research are designed to measure a company's resilience to financially material environmental, societal and governance (ESG) risks. Achieving the highest possible rating of AAA, ABB ranks in the top ten percent of industry peers.
- As part of its commitment to increase the circularity of its low-voltage solutions, ABB expanded its portfolio of electrification products that are made of sustainable plastics in the Nordics, Germany and Spain. ABB's Smart Buildings division is progressively substituting about 1,000 tonnes per year of conventional fossil-based plastics with sustainable alternatives including mechanically recycled or bio-based plastics.
- ABB's Motion business area and WindESCo have signed a strategic partnership, where ABB has acquired a minority stake in the company. US-based WindESCo is the leading analytics software provider for improving the performance and reliability of wind turbines. Leveraging WindESCo's solutions, the investment will strengthen ABB's position as a key enabler of a low carbon society and its position in the renewable power generation sector.
- ABB will deliver complete power, propulsion and automation systems for two newbuild short-sea container ships of global logistics company Samskip Group. The vessels will be among the world's first of their kind to use hydrogen as a fuel. Both vessels will be operating between Oslo Fjord and Rotterdam, a distance of approximately 700 nautical miles.
- ABB has expanded its large robot range with four new models and 22 variants offering more choice, increased coverage and greater performance. The next generation models offer customers superior performance and up to 20% energy savings thanks to their lighter robot design and use of regenerative braking.
- In August and September 2023, ABB organized a range of courses and trainings for its employees to better understand the differences between generations, how to challenge biases, and benefit from intergenerational collaboration. The events were part of the company's commitment to the generations dimension of its D&I strategy that is focused on ensuring that all generations are welcomed and skills and strengths are utilized and bridged across.

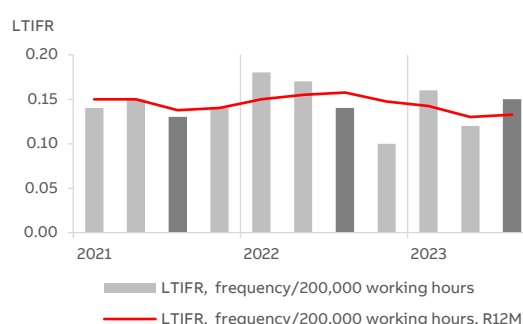
	Q3 2023	Q3 2022	CHANGE	12M ROLLING
CO ₂ e own operations emissions, Ktons scope 1 and 2 ¹	36	55	-34%	182
Lost Time Injury Frequency Rate (LTIFR), frequency / 200,000 working hours ²	0.15	0.14	9%	0.13
Share of females in senior management positions, %	20.4	17.4	+3 pts	19.4

¹ CO₂ equivalent emissions from site, energy use, SF₆ and fleet, previous quarter
² Current quarter Includes all incidents reported until October 5, 2023

CO₂e Scope 1&2



Lost Time Injury Frequency Rate



Significant events

During Q3 2023

- On July 3, ABB announced the closing of the divestment of the Power Conversion division at around \$530 million. As a result, ABB recorded a non-operational book gain of \$53 million in Income from operations in the third quarter of 2023. Net cash impact was approximately \$500 million. With this transaction, ABB has completed all divisional portfolio divestments announced at the end of 2020.

First nine months 2023

The demand for ABB's offering was robust in the first nine months of 2023. Weakness in the short-cycle businesses from last year's high level was offset by strong momentum in the project- and systems businesses. Orders remained stable or increased in three out of four business areas, with a decline noted only in Robotics & Discrete Automation, for a combined total decrease of 1% (up 4% comparable) at \$26,169 million. Revenues were supported by strong execution of the order backlog and amounted to \$23,990 million, up by 11% (16% comparable), overall implying a book-to-bill of 1.09.

Income from operations amounted to \$3,755 million, up from \$2,152 million year-on-year. This increase can be attributed mostly to an improved operational performance. In addition, the result in the first three quarters last year was hampered by charges of approximately \$195 million due to the exit of a legacy project in non-core business as well as a provision of \$325 million related to the legacy Kusile project.

Operational EBITA increased by 22% year-on-year to \$4,094 million, up from \$3,364 million in last year's period and the Operational EBITA margin improved by 150 basis points to 17.0%. The increase was driven by higher margins across all business areas. Main drivers of the margin expansion were operating leverage on higher volumes from backlog execution as well as the impacts from earlier implemented price increases, which more than offset inflation in labor and input cost. Corporate and Other Operational EBITA amounted to -\$363 million. Thereof, an amount of -\$134 million can be attributed to the E-mobility business, which was negatively affected by the ongoing reorganization to ensure a more focused portfolio, and some inventory-related provisions.

Net finance expenses increased by \$25 million to \$82 million, whereas non-operational pension credits decreased by \$79 million to \$23 million in comparison to last year's period, reflecting the impact of higher interest rates. Income tax expense was \$794 million reflecting a tax rate of 21.5%. This includes a net benefit realized on a favorable resolution of a prior year tax matter relating to the Power Grids business in the current year, as well as the impact of non-deductible

regulatory penalties related to the Kusile project in the prior year.

Net income attributable to ABB was \$2,824 million, up from \$1,343 million year-on-year. Basic earnings per share was \$1.52, representing an increase of 116% compared with the first nine months last year.

Acquisitions and divestments, last twelve months

Acquisitions	Company/unit	Closing date	Revenues, \$ million ¹	No. of employees
2023				
Electrification	Eve Systems	1-Jun	~20	50
Motion	Siemens low voltage NEMA Motors	2-May	~60	600
2022				
Motion	PowerTech Converter business	1-Dec	~60	300

Divestments	Company/unit	Closing date	Revenues, \$ million ¹	No. of employees
2023				
Electrification	Power Conversion division	3-Jul	~440	1,500
Electrification	Industrial Plugs & Sockets business	3-Jul	~12	2
Process Automation	UK technical engineering consultancy business	1-May	~20	160
2022				
	Hitachi Energy JV (Power Grids, 19.9% stake)	28-Dec		

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

¹ Represents the estimated revenues for the last fiscal year prior to the announcement of the respective acquisition/divestment unless otherwise stated.

Additional figures

ABB Group	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023
EBITDA, \$ in million	1,067	794	906	1,384	4,151	1,389	1,494	1,453
Return on Capital Employed, %	n.a.	n.a.	n.a.	n.a.	16.50	n.a.	n.a.	n.a.
Net debt/Equity	0.20	0.34	0.34	0.21	0.21	0.30	0.31	0.21
Net debt/ EBITDA 12M rolling	0.4	0.7	0.7	0.7	0.7	0.9	0.8	0.5
Net working capital, % of 12M rolling revenues	12.1%	12.8%	11.7%	11.1%	11.1%	13.9%	14.7%	12.8%
Earnings per share, basic, \$	0.31	0.20	0.19	0.61	1.30	0.56	0.49	0.48
Earnings per share, diluted, \$	0.31	0.20	0.19	0.60	1.30	0.55	0.48	0.47
Dividend per share, CHF	n.a.	n.a.	n.a.	n.a.	0.84	n.a.	n.a.	n.a.
Share price at the end of period, CHF ¹	29.12	24.57	24.90	28.06	28.06	31.37	35.18	32.80
Share price at the end of period, \$ ¹	30.76	25.43	24.41	30.46	30.46	34.30	39.32	35.86
Number of employees (FTE equivalents)	104,720	106,380	106,830	105,130	105,130	106,170	108,320	107,430
No. of shares outstanding at end of period (in millions)	1,929	1,892	1,875	1,865	1,865	1,862	1,860	1,849

¹ Data prior to October 3, 2022, has been adjusted for the Accelleron spin-off (Source: FactSet).

Additional 2023 guidance

(\$ in millions, unless otherwise stated)	FY 2023 ¹	Q4 2023
Corporate and Other Operational EBITA ²	~(300) unchanged	~(75)
Non-operating items		
Acquisition-related amortization	~(220) unchanged	~(55)
Restructuring and related ³	~(180) from ~(150)	~(40)
ABB Way transformation	~(180) unchanged	~(55)

(\$ in millions, unless otherwise stated)	FY 2023
Net finance expenses	~(100) from ~(130)
Effective tax rate	~21% ⁴ unchanged
Capital Expenditures	~(800) unchanged

¹ Excludes one project estimated to a total of ~\$100 million, that is ongoing in the non-core business. Exact exit timing is difficult to assess due to legal proceedings etc.

² Excludes Operational EBITA from E-mobility business.

³ Includes restructuring and restructuring-related as well as separation and integration costs.

⁴ Includes net positive tax impact of \$206 million linked to a favorable resolution of certain prior year tax matters in Q1 2023 but excludes the 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 “CEO summary,” “Outlook,” 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 “anticipates,” “expects,” “estimates,” “plans,” “targets,” “guidance,” “likely” or similar expressions. However, there are many risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements

made in this press release and which could affect our ability to achieve any or all of our stated targets. Some 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.

Q3 results presentation on October 18, 2023

The Q3 2023 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 at 10:00 a.m. CET.

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

2023

November 30 Capital Markets Day in Frosinone, Italy

2024

February 1	Q4 and FY 2023 results
March 21	Annual General Meeting, Zurich
April 18	Q1 2024 results
July 18	Q2 2024 results
October 17	Q3 2024 results

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ABB (ABBN: SIX Swiss Ex) is a technology leader in electrification and automation, enabling a more sustainable and resource-efficient future. The company’s solutions connect engineering know-how and software to optimize how things are manufactured, moved, powered and operated. Building on more than 130 years of excellence, ABB’s ~105,000 employees are committed to driving innovations that accelerate industrial transformation.



October 18, 2023

Q3 2023

Financial information

Financial Information

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08 – 33	Consolidated Financial Information (unaudited)
34 – 46	Supplemental Reconciliations and Definitions



Key Figures

	CHANGE			
(\$ in millions, unless otherwise indicated)	Q3 2023	Q3 2022	US\$	Comparable ⁽¹⁾
Orders	8,052	8,188	-2%	2%
Order backlog (end September)	21,445	19,393	11%	11%
Revenues	7,968	7,406	8%	11%
Gross Profit	2,762	2,481	11%	
as % of revenues	34.7%	33.5%	+1.2 pts	
Income from operations	1,259	708	78%	
Operational EBITA ⁽¹⁾	1,392	1,231	13%	11% ⁽²⁾
as % of operational revenues ⁽¹⁾	17.4%	16.6%	+0.8 pts	
Income from continuing operations, net of tax	905	420	115%	
Net income attributable to ABB	882	360	145%	
Basic earnings per share (\$)	0.48	0.19	149% ⁽³⁾	
Cash flow from operating activities ⁽⁴⁾	1,351	791	71%	
Cash flow from operating activities in continuing operations	1,361	793	72%	

	CHANGE			
(\$ in millions, unless otherwise indicated)	9M 2023	9M 2022	US\$	Comparable ⁽¹⁾
Orders	26,169	26,368	-1%	4%
Revenues	23,990	21,622	11%	16%
Gross Profit	8,366	7,052	19%	
as % of revenues	34.9%	32.6%	+2.3 pts	
Income from operations	3,755	2,152	74%	
Operational EBITA ⁽¹⁾	4,094	3,364	22%	22% ⁽²⁾
as % of operational revenues ⁽¹⁾	17.0%	15.5%	+1.5 pts	
Income from continuing operations, net of tax	2,902	1,469	98%	
Net income attributable to ABB	2,824	1,343	110%	
Basic earnings per share (\$)	1.52	0.70	116% ⁽³⁾	
Cash flow from operating activities ⁽⁴⁾	2,393	600	299%	
Cash flow from operating activities in continuing operations	2,404	614	n.a.	

(1) For a reconciliation of non-GAAP measures see "Supplemental Reconciliations and Definitions" on page 34.

(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.

				CHANGE		
(\$ in millions, unless otherwise indicated)		Q3 2023	Q3 2022	US\$	Local	Comparable
Orders	ABB Group	8,052	8,188	-2%	-2%	2%
	Electrification	3,693	3,772	-2%	-2%	1%
	Motion	1,886	1,966	-4%	-5%	-7%
	Process Automation	1,883	1,568	20%	18%	38%
	Robotics & Discrete Automation	665	901	-26%	-27%	-27%
	Corporate and Other	135	147			
	Intersegment eliminations	(210)	(166)			
Order backlog (end September)	ABB Group	21,445	19,393	11%	8%	11%
	Electrification	6,994	6,317	11%	9%	16%
	Motion	5,108	4,613	11%	6%	5%
	Process Automation	7,135	6,006	19%	16%	20%
	Robotics & Discrete Automation	2,363	2,659	-11%	-14%	-14%
	Corporate and Other					
	(incl. intersegment eliminations)	(155)	(202)			
Revenues	ABB Group	7,968	7,406	8%	7%	11%
	Electrification	3,561	3,471	3%	2%	6%
	Motion	1,947	1,702	14%	13%	11%
	Process Automation	1,554	1,458	7%	6%	23%
	Robotics & Discrete Automation	929	828	12%	9%	9%
	Corporate and Other	194	141			
	Intersegment eliminations	(217)	(194)			
Income from operations	ABB Group	1,259	708			
	Electrification	762	616			
	Motion	365	291			
	Process Automation	218	154			
	Robotics & Discrete Automation	113	81			
	Corporate and Other					
	(incl. intersegment eliminations)	(199)	(434)			
Income from operations %	ABB Group	15.8%	9.6%			
	Electrification	21.4%	17.7%			
	Motion	18.7%	17.1%			
	Process Automation	14.0%	10.6%			
	Robotics & Discrete Automation	12.2%	9.8%			
Operational EBITA	ABB Group	1,392	1,231	13%	11%	
	Electrification	748	651	15%	14%	
	Motion	390	305	28%	25%	
	Process Automation	226	225	0%	0%	
	Robotics & Discrete Automation	137	106	29%	27%	
	Corporate and Other ⁽¹⁾					
	(incl. intersegment eliminations)	(109)	(56)			
Operational EBITA %	ABB Group	17.4%	16.6%			
	Electrification	20.8%	18.7%			
	Motion	19.8%	17.8%			
	Process Automation	14.6%	15.3%			
	Robotics & Discrete Automation	14.7%	12.8%			
Cash flow from operating activities	ABB Group	1,351	791			
	Electrification	1,051	715			
	Motion	466	268			
	Process Automation	258	217			
	Robotics & Discrete Automation	92	82			
	Corporate and Other					
	(incl. intersegment eliminations)	(506)	(489)			
	Discontinued operations	(10)	(2)			

(1) Corporate and Other at Q3 2023 and Q3 2022 includes losses of \$39 million and \$4 million, respectively, relating to E-mobility.

		CHANGE				
(\$ in millions, unless otherwise indicated)		9M 2023	9M 2022	US\$	Local	Comparable
Orders	ABB Group	26,169	26,368	-1%	1%	4%
	Electrification	11,794	11,797	0%	2%	3%
	Motion	6,285	6,247	1%	2%	1%
	Process Automation	5,665	5,079	12%	14%	31%
	Robotics & Discrete Automation	2,516	3,318	-24%	-22%	-22%
	<i>Corporate and Other</i>	595	530			
	<i>Intersegment eliminations</i>	(686)	(603)			
Order backlog (end September)	ABB Group	21,445	19,393	11%	8%	11%
	Electrification	6,994	6,317	11%	9%	16%
	Motion	5,108	4,613	11%	6%	5%
	Process Automation	7,135	6,006	19%	16%	20%
	Robotics & Discrete Automation	2,363	2,659	-11%	-14%	-14%
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(155)	(202)			
Revenues	ABB Group	23,990	21,622	11%	13%	16%
	Electrification	10,886	10,121	8%	10%	11%
	Motion	5,868	4,900	20%	22%	20%
	Process Automation	4,543	4,493	1%	3%	19%
	Robotics & Discrete Automation	2,788	2,290	22%	23%	23%
	<i>Corporate and Other</i>	540	395			
	<i>Intersegment eliminations</i>	(635)	(577)			
Income from operations	ABB Group	3,755	2,152			
	Electrification	2,130	1,571			
	Motion	1,098	776			
	Process Automation	688	480			
	Robotics & Discrete Automation	347	146			
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(508)	(821)			
Income from operations %	ABB Group	15.7%	10.0%			
	Electrification	19.6%	15.5%			
	Motion	18.7%	15.8%			
	Process Automation	15.1%	10.7%			
	Robotics & Discrete Automation	12.4%	6.4%			
Operational EBITA	ABB Group	4,094	3,364	22%	22%	
	Electrification	2,212	1,768	25%	27%	
	Motion	1,157	845	37%	38%	
	Process Automation	670	645	4%	6%	
	Robotics & Discrete Automation	418	215	94%	98%	
	<i>Corporate and Other⁽¹⁾</i>					
	<i>(incl. intersegment eliminations)</i>	(363)	(109)			
Operational EBITA %	ABB Group	17.0%	15.5%			
	Electrification	20.3%	17.4%			
	Motion	19.7%	17.2%			
	Process Automation	14.7%	14.2%			
	Robotics & Discrete Automation	15.0%	9.4%			
Cash flow from operating activities	ABB Group	2,393	600			
	Electrification	2,143	1,258			
	Motion	935	507			
	Process Automation	558	470			
	Robotics & Discrete Automation	266	109			
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(1,498)	(1,730)			
	<i>Discontinued operations</i>	(11)	(14)			

(1) Corporate and Other at 9M 2023 and 9M 2022 includes losses of \$134 million and \$12 million, respectively, relating to E-mobility.

Operational EBITA

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions, unless otherwise indicated)	Q3 23	Q3 22	Q3 23	Q3 22	Q3 23	Q3 22	Q3 23	Q3 22	Q3 23	Q3 22
Revenues	7,968	7,406	3,561	3,471	1,947	1,702	1,554	1,458	929	828
Foreign exchange/commodity timing differences in total revenues	51	23	32	3	23	9	(7)	14	2	(1)
Operational revenues	8,019	7,429	3,593	3,474	1,970	1,711	1,547	1,472	931	827
Income from operations	1,259	708	762	616	365	291	218	154	113	81
Acquisition-related amortization	55	55	22	24	9	8	1	1	20	19
Restructuring, related and implementation costs ⁽¹⁾	51	20	14	8	3	3	3	1	–	6
Changes in obligations related to divested businesses	–	–	–	–	–	–	–	–	–	–
Gains and losses from sale of businesses	(71)	–	(71)	(1)	–	1	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	10	62	4	3	3	4	(4)	53	3	1
Certain other non-operational items	49	381	2	7	1	–	–	–	1	1
Foreign exchange/commodity timing differences in income from operations	39	5	15	(6)	9	(2)	8	16	–	(2)
Operational EBITA	1,392	1,231	748	651	390	305	226	225	137	106
Operational EBITA margin (%)	17.4%	16.6%	20.8%	18.7%	19.8%	17.8%	14.6%	15.3%	14.7%	12.8%

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions, unless otherwise indicated)	9M 23	9M 22	9M 23	9M 22	9M 23	9M 22	9M 23	9M 22	9M 23	9M 22
Revenues	23,990	21,622	10,886	10,121	5,868	4,900	4,543	4,493	2,788	2,290
Foreign exchange/commodity timing differences in total revenues	25	90	12	11	12	8	3	45	2	5
Operational revenues	24,015	21,712	10,898	10,132	5,880	4,908	4,546	4,538	2,790	2,295
Income from operations	3,755	2,152	2,130	1,571	1,098	776	688	480	347	146
Acquisition-related amortization	164	174	66	80	26	23	4	3	59	59
Restructuring, related and implementation costs ⁽¹⁾	92	300	26	18	5	11	7	6	–	9
Changes in obligations related to divested businesses	(5)	(17)	1	–	–	–	–	–	–	–
Gains and losses from sale of businesses	(97)	4	(71)	(1)	–	5	(26)	–	–	–
Acquisition- and divestment-related expenses and integration costs	55	171	23	31	15	12	(3)	122	7	4
Certain other non-operational items	89	480	11	30	4	–	–	–	4	–
Foreign exchange/commodity timing differences in income from operations	41	100	26	39	9	18	–	34	1	(3)
Operational EBITA	4,094	3,364	2,212	1,768	1,157	845	670	645	418	215
Operational EBITA margin (%)	17.0%	15.5%	20.3%	17.4%	19.7%	17.2%	14.7%	14.2%	15.0%	9.4%

(1) Includes impairment of certain assets.

Depreciation and Amortization

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions)	Q3 23	Q3 22	Q3 23	Q3 22	Q3 23	Q3 22	Q3 23	Q3 22	Q3 23	Q3 22
Depreciation	130	129	64	62	27	25	12	17	14	16
Amortization	64	69	27	30	11	8	2	2	21	19
including total acquisition-related amortization of:	55	55	22	24	9	8	1	1	20	19

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions)	9M 23	9M 22	9M 23	9M 22	9M 23	9M 22	9M 23	9M 22	9M 23	9M 22
Depreciation	384	401	190	191	80	78	35	51	43	46
Amortization	197	214	81	98	31	26	7	8	61	60
including total acquisition-related amortization of:	164	174	66	80	26	23	4	3	59	59

Orders received and revenues by region

(\$ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	Q3 23	Q3 22	US\$	Local	Com-parable	Q3 23	Q3 22	US\$	Local	Com-parable
Europe	2,391	2,682	-11%	-16%	-13%	2,810	2,494	13%	6%	10%
The Americas	3,258	2,980	9%	8%	13%	2,775	2,452	13%	12%	16%
of which United States	2,479	2,294	8%	7%	13%	2,067	1,796	15%	15%	19%
Asia, Middle East and Africa	2,403	2,526	-5%	0%	4%	2,383	2,460	-3%	2%	6%
of which China	1,044	1,166	-10%	-5%	-3%	1,075	1,300	-17%	-13%	-10%
ABB Group	8,052	8,188	-2%	-2%	2%	7,968	7,406	8%	7%	11%

(\$ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	9M 23	9M 22	US\$	Local	Com-parable	9M 23	9M 22	US\$	Local	Com-parable
Europe	8,904	9,174	-3%	-3%	0%	8,617	7,520	15%	14%	17%
The Americas	9,452	8,927	6%	5%	8%	8,243	7,018	17%	17%	20%
of which United States	6,928	6,753	3%	2%	5%	6,143	5,124	20%	20%	23%
Asia, Middle East and Africa	7,813	8,267	-5%	1%	5%	7,130	7,084	1%	7%	12%
of which China	3,593	4,114	-13%	-7%	-5%	3,404	3,563	-4%	1%	4%
ABB Group	26,169	26,368	-1%	1%	4%	23,990	21,622	11%	13%	16%

Consolidated Financial Information

ABB Ltd Consolidated Income Statements (unaudited)

(\$ in millions, except per share data in \$)	Nine months ended		Three months ended	
	Sep. 30, 2023	Sep. 30, 2022	Sep. 30, 2023	Sep. 30, 2022
Sales of products	20,210	17,946	6,680	6,184
Sales of services and other	3,780	3,676	1,288	1,222
Total revenues	23,990	21,622	7,968	7,406
Cost of sales of products	(13,393)	(12,439)	(4,447)	(4,217)
Cost of services and other	(2,231)	(2,131)	(759)	(708)
Total cost of sales	(15,624)	(14,570)	(5,206)	(4,925)
Gross profit	8,366	7,052	2,762	2,481
Selling, general and administrative expenses	(4,058)	(3,833)	(1,331)	(1,277)
Non-order related research and development expenses	(951)	(844)	(314)	(272)
Other income (expense), net	398	(223)	142	(224)
Income from operations	3,755	2,152	1,259	708
Interest and dividend income	115	50	37	17
Interest and other finance expense	(197)	(107)	(73)	(45)
Non-operational pension (cost) credit	23	102	8	34
Income from continuing operations before taxes	3,696	2,197	1,231	714
Income tax expense	(794)	(728)	(326)	(294)
Income from continuing operations, net of tax	2,902	1,469	905	420
Loss from discontinued operations, net of tax	(16)	(36)	(7)	(16)
Net income	2,886	1,433	898	404
Net income attributable to noncontrolling interests and redeemable noncontrolling interests	(62)	(90)	(16)	(44)
Net income attributable to ABB	2,824	1,343	882	360
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	2,840	1,379	889	376
Loss from discontinued operations, net of tax	(16)	(36)	(7)	(16)
Net income	2,824	1,343	882	360
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	1.53	0.72	0.48	0.20
Loss from discontinued operations, net of tax	(0.01)	(0.02)	0.00	(0.01)
Net income	1.52	0.70	0.48	0.19
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	1.52	0.72	0.48	0.20
Loss from discontinued operations, net of tax	(0.01)	(0.02)	0.00	(0.01)
Net income	1.51	0.70	0.47	0.19
Weighted-average number of shares outstanding (in millions) used to compute:				
Basic earnings per share attributable to ABB shareholders	1,859	1,909	1,854	1,882
Diluted earnings per share attributable to ABB shareholders	1,871	1,920	1,865	1,889

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)	Nine months ended		Three months ended	
	Sep. 30, 2023	Sep. 30, 2022	Sep. 30, 2023	Sep. 30, 2022
Total comprehensive income, net of tax	2,729	775	815	67
Total comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interests, net of tax	(54)	(58)	(11)	(32)
Total comprehensive income attributable to ABB shareholders, net of tax	2,675	717	804	35

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)	Sep. 30, 2023	Dec. 31, 2022
Cash and equivalents	3,869	4,156
Restricted cash	18	18
Marketable securities and short-term investments	1,091	725
Receivables, net	7,586	6,858
Contract assets	1,073	954
Inventories, net	6,332	6,028
Prepaid expenses	280	230
Other current assets	527	505
Current assets held for sale and in discontinued operations	60	96
Total current assets	20,836	19,570
Property, plant and equipment, net	3,891	3,911
Operating lease right-of-use assets	850	841
Investments in equity-accounted companies	186	130
Prepaid pension and other employee benefits	969	916
Intangible assets, net	1,181	1,406
Goodwill	10,356	10,511
Deferred taxes	1,366	1,396
Other non-current assets	464	467
Total assets	40,099	39,148
Accounts payable, trade	4,777	4,904
Contract liabilities	2,610	2,216
Short-term debt and current maturities of long-term debt	2,951	2,535
Current operating leases	234	220
Provisions for warranties	1,108	1,028
Other provisions	1,114	1,171
Other current liabilities	4,597	4,323
Current liabilities held for sale and in discontinued operations	79	132
Total current liabilities	17,470	16,529
Long-term debt	4,899	5,143
Non-current operating leases	643	651
Pension and other employee benefits	642	719
Deferred taxes	675	729
Other non-current liabilities	1,908	2,085
Non-current liabilities held for sale and in discontinued operations	19	20
Total liabilities	26,256	25,876
<i>Commitments and contingencies</i>		
Redeemable noncontrolling interest	89	85
Stockholders' equity:		
Common stock, CHF 0.12 par value (1,882 million and 1,965 million shares issued at September 30, 2023, and December 31, 2022, respectively)	163	171
Additional paid-in capital	19	141
Retained earnings	18,840	20,082
Accumulated other comprehensive loss	(4,705)	(4,556)
Treasury stock, at cost (33 million and 100 million shares at September 30, 2023, and December 31, 2022, respectively)	(1,111)	(3,061)
Total ABB stockholders' equity	13,206	12,777
Noncontrolling interests	548	410
Total stockholders' equity	13,754	13,187
Total liabilities and stockholders' equity	40,099	39,148

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)	Nine months ended		Three months ended	
	Sep. 30, 2023	Sep. 30, 2022	Sep. 30, 2023	Sep. 30, 2022
Operating activities:				
Net income	2,886	1,433	898	404
Loss from discontinued operations, net of tax	16	36	7	16
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	581	615	194	198
Changes in fair values of investments	(28)	(39)	(4)	(24)
Pension and other employee benefits	(67)	(107)	(55)	(24)
Deferred taxes	(42)	(183)	(79)	(35)
Loss from equity-accounted companies	11	100	4	38
Net loss (gain) from derivatives and foreign exchange	(44)	44	10	(33)
Net gain from sale of property, plant and equipment	(39)	(64)	(6)	(9)
Net loss (gain) from sale of businesses	(97)	4	(71)	–
Other	115	61	23	(2)
Changes in operating assets and liabilities:				
Trade receivables, net	(819)	(657)	(152)	(36)
Contract assets and liabilities	243	353	164	101
Inventories, net	(438)	(1,667)	12	(584)
Accounts payable, trade	(37)	390	(35)	177
Accrued liabilities	140	52	342	307
Provisions, net	106	312	50	186
Income taxes payable and receivable	(9)	19	77	71
Other assets and liabilities, net	(74)	(88)	(18)	42
Net cash provided by operating activities – continuing operations	2,404	614	1,361	793
Net cash used in operating activities – discontinued operations	(11)	(14)	(10)	(2)
Net cash provided by operating activities	2,393	600	1,351	791
Investing activities:				
Purchases of investments	(1,103)	(271)	(343)	(15)
Purchases of property, plant and equipment and intangible assets	(506)	(503)	(175)	(165)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(160)	(226)	(25)	(47)
Proceeds from sales of investments	598	654	422	148
Proceeds from maturity of investments	138	–	–	–
Proceeds from sales of property, plant and equipment	67	85	10	19
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	552	(8)	509	5
Net cash from settlement of foreign currency derivatives	(76)	(154)	(58)	(210)
Changes in loans receivable, net	8	11	7	2
Other investing activities	9	(10)	–	7
Net cash provided by (used in) investing activities – continuing operations	(473)	(422)	347	(256)
Net cash provided by (used in) investing activities – discontinued operations	(22)	(91)	(1)	–
Net cash provided by (used in) investing activities	(495)	(513)	346	(256)
Financing activities:				
Net changes in debt with original maturities of 90 days or less	(997)	1,475	(962)	284
Increase in debt	2,584	3,554	936	373
Repayment of debt	(1,437)	(2,025)	(309)	(542)
Delivery of shares	118	389	22	19
Purchase of treasury stock	(909)	(3,251)	(433)	(590)
Dividends paid	(1,713)	(1,698)	–	–
Dividends paid to noncontrolling shareholders	(89)	(83)	(6)	(7)
Proceeds from issuance of subsidiary shares	328	–	–	–
Other financing activities	4	(58)	4	(5)
Net cash used in financing activities – continuing operations	(2,111)	(1,697)	(748)	(468)
Net cash provided by financing activities – discontinued operations	–	–	–	–
Net cash used in financing activities	(2,111)	(1,697)	(748)	(468)
Effects of exchange rate changes on cash and equivalents and restricted cash	(74)	(191)	(32)	(115)
Adjustment for the net change in cash and equivalents and restricted cash in Assets held for sale	–	–	28	–
Net change in cash and equivalents and restricted cash	(287)	(1,801)	945	(48)
Cash and equivalents and restricted cash, beginning of period	4,174	4,489	2,942	2,736
Cash and equivalents and restricted cash, end of period	3,887	2,688	3,887	2,688
Supplementary disclosure of cash flow information:				
Interest paid	151	47	43	11
Income taxes paid	865	907	338	269

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, 2022	178	22	22,477	(4,088)	(3,010)	15,579	378	15,957
Net income ⁽¹⁾			1,343			1,343	93	1,436
Foreign currency translation adjustments, net of tax of \$1				(774)		(774)	(32)	(806)
Effect of change in fair value of available-for-sale securities, net of tax of \$(6)				(24)		(24)		(24)
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$57				172		172		172
Change in derivative instruments and hedges, net of tax of \$3				–		–		–
Changes in noncontrolling interests		(3)				(3)	(22)	(25)
Dividends to noncontrolling shareholders						–	(81)	(81)
Dividends to shareholders			(1,700)			(1,700)		(1,700)
Cancellation of treasury shares	(8)	(4)	(2,864)		2,876	–		–
Share-based payment arrangements		33				33		33
Purchase of treasury stock					(3,201)	(3,201)		(3,201)
Delivery of shares		(46)	(130)		565	389		389
Other		7				7		7
Balance at September 30, 2022	171	9	19,127	(4,715)	(2,770)	11,822	336	12,158
Balance at January 1, 2023	171	141	20,082	(4,556)	(3,061)	12,777	410	13,187
Net income ⁽¹⁾			2,824			2,824	65	2,889
Foreign currency translation adjustments, net of tax of \$0				(177)		(177)	(8)	(185)
Effect of change in fair value of available-for-sale securities, net of tax of \$1				6		6		6
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$8				19		19		19
Change in derivative instruments and hedges, net of tax of \$0				3		3		3
Issuance of subsidiary shares		170				170	168	338
Other changes in noncontrolling interests		(7)				(7)	5	(2)
Dividends to noncontrolling shareholders						–	(93)	(93)
Dividends to shareholders			(1,706)			(1,706)		(1,706)
Cancellation of treasury shares	(7)	(201)	(2,359)		2,567	–		–
Share-based payment arrangements		82				82	1	83
Purchase of treasury stock					(898)	(898)		(898)
Delivery of shares		(163)			281	118		118
Other		(4)				(4)		(4)
Balance at September 30, 2023	163	19	18,840	(4,705)	(1,111)	13,206	548	13,754

(1) Amounts attributable to noncontrolling interests for the nine months ended September 30, 2023 and 2022, exclude net losses of \$3 million and \$3 million, respectively, related to redeemable noncontrolling interests, which are reported in the mezzanine equity section on the Consolidated Balance Sheets. See Note 4 for details.

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 technology leader in electrification and automation, enabling a more sustainable and resource-efficient future. The Company's solutions connect engineering know-how and software to optimize how things are manufactured, moved, powered and operated.

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, 2022.

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:

- estimates to determine valuation allowances for deferred tax assets and amounts recorded for unrecognized tax benefits,
- 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,
- estimates used to record expected costs for employee severance in connection with restructuring programs,
- 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,
- assumptions and projections, principally related to future material, labor and project-related overhead costs, used in determining the percentage-of-completion on projects where revenue is recognized over time, as well as the amount of variable consideration the Company expects to be entitled to,
- assumptions used in the calculation of pension and postretirement benefits and the fair value of pension plan assets,
- assumptions used in determining inventory obsolescence and net realizable value,
- growth rates, discount rates and other assumptions used to determine impairment of long-lived assets and in testing goodwill for impairment,
- estimates and assumptions used in determining the fair values of assets and liabilities assumed in business combinations, and
- estimates and assumptions used in determining the initial fair value of retained noncontrolling interests and certain obligations in connection with divestments.

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 Consolidated Financial Information for prior periods have been reclassified to conform to the current year's presentation. These changes relate primarily to the reorganization of the Company's operating segments (see Note 17 for details).

Note 2

Recent accounting pronouncements

Applicable for current periods

Disclosure about supplier finance program obligations

In January 2023, the Company adopted an accounting standard update which requires entities to disclose information related to supplier finance programs. Under the update, the Company is required to disclose annually (i) the key terms of the program, (ii) the amount of the supplier finance obligations outstanding and where those obligations are presented in the balance sheet at the reporting date, and (iii) a rollforward of the supplier finance obligation program within the reporting period. The Company adopted this update retrospectively for all in-scope transactions, with the exception of the rollforward disclosures, which will be adopted prospectively for annual periods beginning January 1, 2024. Apart from the additional disclosure requirements, this update does not have a significant impact on the Company's consolidated financial statements.

The total outstanding supplier finance obligation included in "Accounts payable, trade" in the Consolidated Balance Sheets at September 30, 2023 and December 31, 2022, amounted to \$448 million and \$477 million, respectively. The Company's payment terms related to suppliers' finance programs are not impacted by the suppliers' decisions to sell amounts under the arrangements and are typically consistent with local market practices.

Facilitation of the effects of reference rate reform on financial reporting

In January 2023, the Company adopted an accounting standard update 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. The Company is applying this standard update as relevant contract and hedge accounting relationship modifications are made during the course of the transition period ending December 31, 2024. This update does not have a significant impact on the Company's consolidated financial statements.

Note 3

Discontinued operations and assets held for sale

Divestment of the Power Grids business

In 2020, the Company completed the divestment of its Power Grids business to Hitachi Ltd (Hitachi). Upon closing of the sale, the Company entered into various transition services agreements (TSAs), some of which continue to have services performed. Pursuant to these TSAs, the Company and Hitachi Energy provide to each other, on a transitional basis, various services. The services provided by the Company primarily include finance, information technology, human resources and certain other administrative services. The TSAs were to be performed for up to 3 years with the possibility to agree on extensions on an exceptional basis for business-critical services which are reasonably necessary to avoid a material adverse impact on the business. The TSA for information technology services was extended until mid-2025. In the nine and three months ended September 30, 2023, the Company has recognized within its continuing operations, general and administrative expenses incurred to perform the TSAs, offset by \$114 million and \$38 million in TSA-related income for such services that is reported in Other income (expense), net. In the nine and three months ended September 30, 2022, the Company has recognized within its continuing operations, general and administrative expenses incurred to perform the TSAs, offset by \$115 million and \$39 million in TSA-related income for such services that is reported in Other income (expense), net.

Discontinued operations

As a result of the sale of the Power Grids business, substantially all Power Grids-related assets and liabilities have been sold. As this divestment represented a strategic shift that would have a major effect on the Company's operations and financial results, the results of operations for this business are presented as discontinued operations and the assets and liabilities are presented as held for sale and in discontinued operations. 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 Energy. 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 Energy. The remaining business activities of the Power Grids business being executed by the Company are not significant.

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 at the time of their disposal. Changes to these retained obligations are also included in Loss from discontinued operations, net of tax.

At September 30, 2023, the balances reported as held for sale and in discontinued operations pertaining to the activities of the Power Grids business and other obligations will remain with the Company until such time as the obligations are settled or the activities are fully wound down. These balances amounted to \$60 million of current assets, \$79 million of current liabilities and \$19 million of non-current liabilities.

Note 4

Acquisitions and equity-accounted companies

Acquisition of controlling interests

Acquisitions of controlling interests were as follows:

(\$ in millions, except number of acquired businesses)	Nine months ended September 30,		Three months ended September 30,	
	2023	2022	2023	2022
Purchase price for acquisitions (net of cash acquired) ⁽¹⁾	115	150	1	12
Aggregate excess of purchase price over fair value of net assets acquired ⁽²⁾	55	205	1	14
Number of acquired businesses	3	3	1	2

(1) Excluding changes in cost- and equity-accounted companies.

(2) Recorded as goodwill.

In the table above, the "Purchase price for acquisitions" and "Aggregate excess of purchase price over fair value of net assets acquired" amounts in the nine months ended September 30, 2022, relate primarily to the acquisition of InCharge Energy, Inc. (In-Charge).

Acquisitions of controlling interests have been accounted for under the acquisition method and have been included in the Company's consolidated financial statements since the date of acquisition.

On January 26, 2022, the Company increased its ownership in In-Charge to a 60 percent controlling interest through a stock purchase agreement. In-Charge is headquartered in Santa Monica, USA, and is a provider of turn-key commercial electric vehicle charging hardware and software solutions. The resulting cash outflows for the Company amounted to \$134 million (net of cash acquired of \$4 million). The acquisition expands the market presence of the E-mobility operating segment, particularly in the North American market. In connection with the acquisition, the Company's pre-existing 13.2 percent ownership of In-Charge was revalued to fair value and a gain of \$32 million was recorded in "Other income (expense), net" in the nine months ended September 30, 2022. The Company entered into an agreement with the remaining noncontrolling shareholders allowing either party to put or call the remaining 40 percent of the shares until 2027. The amount for which either party can exercise their option is dependent on a formula based on revenues and thus, the amount is subject to change. As a result of this agreement, the noncontrolling interest is classified as Redeemable noncontrolling interest (i.e. mezzanine equity) in the Consolidated Balance Sheets and was initially recognized at fair value.

While the Company uses its best estimates and assumptions as part of the purchase price allocation process to value assets acquired and liabilities assumed at the acquisition date, the purchase price allocation for acquisitions is preliminary for up to 12 months after the acquisition date and is subject to refinement as more detailed analyses are completed and additional information about the fair values of the assets and liabilities becomes available.

Business divestments

In the nine and three months ended September 30, 2023, the Company received proceeds (net of transaction costs and cash disposed) of \$552 million and \$509 million, respectively, relating to divestments of consolidated businesses and recorded gains of \$97 million and \$71 million, respectively, in "Other income (expense), net" on the sale of such businesses. These are primarily due the divestment of the Company's Power Conversion Division to AcBel Polytech Inc., which prior to its sale was part of the Company's Electrification operating segment. Certain amounts included in the net gain for the sale of Power Conversion Division are estimated or otherwise subject to change in value and, as a result, the Company may record additional adjustments to the gain in future periods which are not expected to have a material impact on the consolidated financial statements.

Investments in equity-accounted companies

In connection with the divestment of its Power Grids business to Hitachi in 2020 (see Note 3), the Company initially retained a 19.9 percent interest in the business until December 2022, when the retained investment was sold to Hitachi. During the Company's period of ownership of the retained 19.9 percent interest, based on its continuing involvement with the Power Grids business, including the membership in its governing board of directors, the Company concluded that it had significant influence over Hitachi Energy. As a result, the investment was accounted for using the equity method through to the date of its sale.

In the nine and three months ended September 30, 2023 and 2022, 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)	Nine months ended September 30,		Three months ended September 30,	
	2023	2022	2023	2022
Loss from equity-accounted companies, net of taxes	(11)	(34)	(4)	(24)
Basis difference amortization (net of deferred income tax benefit)	–	(66)	–	(14)
Loss from equity-accounted companies	(11)	(100)	(4)	(38)

Note 5

Cash and equivalents, marketable securities and short-term investments

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

September 30, 2023						
(\$ 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	1,425			1,425	1,425	
Time deposits	2,709			2,709	2,462	247
Equity securities	620	24		644		644
	4,754	24	–	4,778	3,887	891
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	200	1	(13)	188		188
European government obligations	12			12		12
	212	1	(13)	200	–	200
Total	4,966	25	(13)	4,978	3,887	1,091
Of which:						
Restricted cash, current					18	

December 31, 2022						
(\$ 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	1,715			1,715	1,715	
Time deposits	2,459			2,459	2,459	
Equity securities	345	10		355		355
	4,519	10	–	4,529	4,174	355
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	269	1	(15)	255		255
Other government obligations	58			58		58
Corporate	64		(7)	57		57
	391	1	(22)	370	–	370
Total	4,910	11	(22)	4,899	4,174	725
Of which:						
Restricted cash, current					18	

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 interest rate 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		
	September 30, 2023	December 31, 2022	September 30, 2022
Foreign exchange contracts	13,090	13,509	15,501
Embedded foreign exchange derivatives	1,291	933	864
Cross-currency interest rate swaps	849	855	781
Interest rate contracts	1,751	2,830	2,598

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, steel 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		
		September 30, 2023	December 31, 2022	September 30, 2022
Copper swaps	metric tonnes	32,223	29,281	36,264
Silver swaps	ounces	1,702,359	2,012,213	2,787,909
Steel swaps	metric tonnes	11,476	–	–
Aluminum swaps	metric tonnes	5,800	6,825	6,925

Equity derivatives

At September 30, 2023, December 31, 2022, and September 30, 2022, the Company held 3 million, 8 million and 8 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of \$9 million, \$15 million and \$11 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 nine and three months ended September 30, 2023 and 2022, 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 interest rate 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:

(\$ in millions)		Nine months ended September 30,		Three months ended September 30,	
		2023	2022	2023	2022
Gains (losses) recognized in Interest and other finance expense:					
Interest rate contracts	Designated as fair value hedges	30	(83)	12	(28)
	Hedged item	(31)	85	(13)	29
Cross-currency interest rate swaps	Designated as fair value hedges	(13)	(125)	(3)	(31)
	Hedged item	2	119	2	29

Derivatives not designated in hedge relationships

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

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

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

Type of derivative not designated as a hedge (\$ in millions)		Gains (losses) recognized in income			
		Nine months ended September 30,		Three months ended September 30,	
	Location	2023	2022	2023	2022
Foreign exchange contracts	Total revenues	(13)	(201)	(18)	(82)
	Total cost of sales	(20)	57	(8)	23
	SG&A expenses ⁽¹⁾	24	35	10	12
	Non-order related research and development	(4)	2	(3)	1
	Interest and other finance expense	(16)	(139)	46	(85)
Embedded foreign exchange contracts	Total revenues	39	12	(6)	7
	Total cost of sales	–	(12)	1	(10)
Commodity contracts	Total cost of sales	(7)	(72)	8	(21)
Other	Interest and other finance expense	1	4	–	1
Total		4	(314)	30	(154)

(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)	September 30, 2023			
	Derivative assets		Derivative liabilities	
	Current in	Non-current in	Current in	Non-current in
	“Other current assets”	“Other non-current assets”	“Other current liabilities”	“Other non-current liabilities”
Derivatives designated as hedging instruments:				
Foreign exchange contracts	–	–	4	1
Interest rate contracts	–	–	32	–
Cross-currency interest rate swaps	–	–	–	304
Cash-settled call options	9	–	–	–
Total	9	–	36	305
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	179	17	91	16
Commodity contracts	3	–	8	–
Interest rate contracts	1	–	4	–
Other equity contracts	9	–	–	–
Embedded foreign exchange derivatives	26	10	22	4
Total	218	27	125	20
Total fair value	227	27	161	325

(\$ in millions)	December 31, 2022			
	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	–	–	4	4
Interest rate contracts	–	–	5	57
Cross-currency interest rate swaps	–	–	–	288
Cash-settled call options	15	–	–	–
Total	15	–	9	349
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	140	21	80	5
Commodity contracts	13	–	12	–
Interest rate contracts	5	–	3	–
Embedded foreign exchange derivatives	11	6	17	13
Total	169	27	112	18
Total fair value	184	27	121	367

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 September 30, 2023, and December 31, 2022, have been presented on a gross basis.

The Company's netting agreements and other similar arrangements allow net settlements under certain conditions. At September 30, 2023, and December 31, 2022, information related to these offsetting arrangements was as follows:

September 30, 2023					
(\$ in millions)					
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	218	(70)	–	–	148
Total	218	(70)	–	–	148

September 30, 2023					
(\$ in millions)					
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	460	(70)	–	–	390
Total	460	(70)	–	–	390

December 31, 2022					
(\$ in millions)					
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	194	(96)	–	–	98
Total	194	(96)	–	–	98

December 31, 2022					
(\$ in millions)					
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	458	(96)	–	–	362
Total	458	(96)	–	–	362

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)	September 30, 2023			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Securities in “Marketable securities and short-term investments”:				
Equity securities	–	644	–	644
Debt securities—U.S. government obligations	188	–	–	188
Debt securities—European government obligations	12	–	–	12
Derivative assets—current in “Other current assets”	–	227	–	227
Derivative assets—non-current in “Other non-current assets”	–	27	–	27
Total	200	898	–	1,098
Liabilities				
Derivative liabilities—current in “Other current liabilities”	–	161	–	161
Derivative liabilities—non-current in “Other non-current liabilities”	–	325	–	325
Total	–	486	–	486

(\$ in millions)	December 31, 2022			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Securities in "Marketable securities and short-term investments":				
Equity securities	–	355	–	355
Debt securities—U.S. government obligations	255	–	–	255
Debt securities—European government obligations	–	58	–	58
Debt securities—Corporate	–	57	–	57
Derivative assets—current in "Other current assets"	–	184	–	184
Derivative assets—non-current in "Other non-current assets"	–	27	–	27
Total	255	681	–	936
Liabilities				
Derivative liabilities—current in "Other current liabilities"	–	121	–	121
Derivative liabilities—non-current in "Other non-current liabilities"	–	367	–	367
Total	–	488	–	488

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":** 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

There were no significant non-recurring fair value measurements during the nine and three months ended September 30, 2023 and 2022.

Disclosure about financial instruments carried on a cost basis

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

	September 30, 2023				
(\$ 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	1,407	1,407	–	–	1,407
Time deposits	2,462	–	2,462	–	2,462
Restricted cash	18	18	–	–	18
Marketable securities and short-term investments (excluding securities):					
Time deposits	247	–	247	–	247
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)					
	2,923	2,380	543	–	2,923
Long-term debt (excluding finance lease obligations)	4,768	4,618	13	–	4,631

	December 31, 2022				
(\$ 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	1,697	1,697	–	–	1,697
Time deposits	2,459	–	2,459	–	2,459
Restricted cash	18	18	–	–	18
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)	2,500	1,068	1,432	–	2,500
Long-term debt (excluding finance lease obligations)	4,976	4,813	30	–	4,843

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, 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)	September 30, 2023	December 31, 2022	September 30, 2022
Contract assets	1,073	954	955
Contract liabilities	2,610	2,216	2,115

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. Management expects that the majority of the amounts will be collected within one year of the respective balance sheet date.

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 predominantly on 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)	Nine months ended September 30,			
	2023		2022	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognized, which was included in the Contract liabilities balance at Jan 1, 2023/2022		(1,230)		(923)
Additions to Contract liabilities - excluding amounts recognized as revenue during the period		1,602		1,320
Receivables recognized that were included in the Contract assets balance at Jan 1, 2023/2022	(553)		(501)	

The Company considers its order backlog to represent its unsatisfied performance obligations. At September 30, 2023, the Company had unsatisfied performance obligations totaling \$21,445 million and, of this amount, the Company expects to fulfill approximately 30% percent of the obligations in 2023, approximately 49% percent of the obligations in 2024 and the balance thereafter.

Note 9

Debt

The Company's total debt at September 30, 2023, and December 31, 2022, amounted to \$7,850 million and \$7,678 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)	September 30, 2023	December 31, 2022
Short-term debt	568	1,448
Current maturities of long-term debt	2,383	1,087
Total	2,951	2,535

Short-term debt primarily represented issued commercial paper and short-term bank borrowings from various banks. At September 30, 2023, and December 31, 2022, \$486 million and \$1,383 million, respectively, was outstanding under the \$2 billion Euro-commercial paper program. No amount was outstanding under the \$2 billion commercial paper program in the United States at September 30, 2023, or at December 31, 2022.

In September 2023, the Company repaid at maturity its CHF 275 million 0% Bonds, equivalent to \$302 million on date of repayment. In May 2023, the Company repaid at maturity its EUR 700 million 0.625% Instruments, equivalent to \$772 million on date of repayment.

Long-term debt

The Company's long-term debt at September 30, 2023, and December 31, 2022, amounted to \$4,899 million and \$5,143 million, respectively.

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

(in millions)	September 30, 2023		December 31, 2022	
	Nominal outstanding	Carrying value ⁽¹⁾	Nominal outstanding	Carrying value ⁽¹⁾
Bonds:				
0.625% EUR Instruments, due 2023			EUR 700	\$ 742
0% CHF Bonds, due 2023			CHF 275	\$ 298
0.625% EUR Instruments, due 2024	EUR 700	\$ 729	EUR 700	\$ 720
Floating Rate EUR Instruments, due 2024	EUR 500	\$ 531	EUR 500	\$ 536
0.75% EUR Instruments, due 2024	EUR 750	\$ 777	EUR 750	\$ 769
0.3% CHF Bonds, due 2024	CHF 280	\$ 307	CHF 280	\$ 303
2.1% CHF Bonds, due 2025	CHF 150	\$ 164	CHF 150	\$ 162
1.965% CHF Bonds, due 2026	CHF 325	\$ 356		
3.25% EUR Instruments, due 2027	EUR 500	\$ 527		
0.75% CHF Bonds, due 2027	CHF 425	\$ 466	CHF 425	\$ 460
3.8% USD Notes, due 2028 ⁽²⁾	USD 383	\$ 382	USD 383	\$ 381
1.9775% CHF Bonds, due 2028	CHF 150	\$ 165		
1.0% CHF Bonds, due 2029	CHF 170	\$ 186	CHF 170	\$ 184
0% EUR Instruments, due 2030	EUR 800	\$ 670	EUR 800	\$ 677
2.375% CHF Bonds, due 2030	CHF 150	\$ 164	CHF 150	\$ 162
3.375% EUR Instruments, due 2031	EUR 750	\$ 783		
2.1125% CHF Bonds, due 2033	CHF 275	\$ 301		
4.375% USD Notes, due 2042 ⁽²⁾	USD 609	\$ 590	USD 609	\$ 590
Total		\$ 7,098		\$ 5,984

(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 USD 750 million.

In January 2023, the Company issued the following EUR Instruments: (i) EUR 500 million of 3.25 percent Instruments, due 2027, and (ii) EUR 750 million of 3.375 percent Instruments, due 2031, both paying interest annually in arrears. The aggregate net proceeds of these EUR Instruments, after discount and fees, amounted to EUR 1,235 million (equivalent to approximately \$1,338 million on date of issuance).

In September 2023, the Company issued the following CHF Bonds: (i) CHF 325 million of 1.965 percent Bonds, due 2026, (ii) CHF 150 million of 1.9775 percent Bonds, due 2028, and (iii) CHF 275 million of 2.1125 percent Bonds, due 2033, all paying interest annually in arrears. The aggregate net proceeds of these CHF Bonds, after fees, amounted to CHF 748 million (equivalent to approximately \$825 million on date of issuance).

Note 10

Commitments and contingencies

Contingencies—Regulatory, Compliance and Legal

Regulatory

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 made a provision of approximately \$325 million which was recorded in Other income (expense), net, during the third quarter of 2022. In December 2022, the Company settled with the SEC and DOJ as well as the authorities in South Africa and Switzerland. The matter is still pending with the authorities in Germany, but the Company does not believe that it will need to record any additional provisions for this matter.

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 September 30, 2023, and December 31, 2022, the Company had aggregate liabilities of \$94 million and \$86 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)	September 30, 2023	December 31, 2022
Performance guarantees	3,358	4,300
Financial guarantees	92	96
Total⁽¹⁾	3,450	4,396

(1) 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 September 30, 2023, and December 31, 2022, were not significant.

The Company is party to various guarantees providing financial or performance assurances to certain third parties. These guarantees, which have various maturities up to 2032, 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 September 30, 2023, and December 31, 2022, the maximum potential payable under these guarantees amounts to \$830 million and \$843 million, respectively, and these guarantees have various original maturities ranging from five to ten years.

The Company retained obligations for financial, performance and indemnification guarantees related to the sale of the Power Grids business (see Note 3 for details). The performance and financial guarantees have been indemnified by Hitachi Ltd. These guarantees, which have various maturities up to 2032, 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 these guarantees at September 30, 2023, and December 31, 2022, is approximately \$2.2 billion and \$3.0 billion, 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 September 30, 2023, and December 31, 2022, respectively, the total outstanding performance bonds aggregated to \$3.0 billion and \$2.9 billion. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the nine and three months ended September 30, 2023 and 2022.

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)	2023	2022
Balance at January 1,	1,028	1,005
Claims paid in cash or in kind	(132)	(122)
Net increase in provision for changes in estimates, warranties issued and warranties expired	228	173
Exchange rate differences	(16)	(94)
Balance at September 30,	1,108	962

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 circumstances 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 21.5 percent in the nine months ended September 30, 2023, was lower than the effective tax rate of 33.1 percent in the nine months ended September 30, 2022, primarily due to a net benefit realized on a favorable resolution of an uncertain tax position in the nine months ended September 30, 2023, as well as the impact of non-deductible regulatory penalties in connection with the Kusile project in the nine months ended September 30, 2022.

In February 2023, on completion of a tax audit, the Company obtained resolution of the uncertain tax position for which an amount was recorded within Other non-current liabilities as of December 31, 2022. In the nine months ended September 30, 2023, the Company released the provision of \$206 million, due to the resolution of this matter, which resulted in an increase of \$0.11 in earnings per share (basic and diluted) for the nine months ended September 30, 2023.

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. At September 30, 2023, the Company's most significant defined benefit pension plans are in Switzerland as well as in Germany, the United Kingdom, and the United States. 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.

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	
Nine months ended September 30,	2023	2022	2023	2022	2023	2022
Operational pension cost:						
Service cost	29	40	21	26	–	–
Operational pension cost	29	40	21	26	–	–
Non-operational pension cost (credit):						
Interest cost	35	2	122	61	1	1
Expected return on plan assets	(94)	(87)	(116)	(113)	–	–
Amortization of prior service cost (credit)	(6)	(5)	(2)	(2)	(1)	(1)
Amortization of net actuarial loss	–	–	39	44	(3)	(2)
Curtailments, settlements and special termination benefits	–	–	18	–	(16)	–
Non-operational pension cost (credit)	(65)	(90)	61	(10)	(19)	(2)
Net periodic benefit cost (credit)	(36)	(50)	82	16	(19)	(2)

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2023	2022	2023	2022	2023	2022
Three months ended September 30,						
Operational pension cost:						
Service cost	10	13	7	9	–	–
Operational pension cost	10	13	7	9	–	–
Non-operational pension cost (credit):						
Interest cost	11	1	40	18	–	–
Expected return on plan assets	(31)	(29)	(42)	(36)	–	–
Amortization of prior service cost (credit)	(2)	(1)	(1)	(1)	–	–
Amortization of net actuarial loss	–	–	16	14	(1)	–
Curtailments, settlements and special termination benefits	–	–	18	–	(16)	–
Non-operational pension cost (credit)	(22)	(29)	31	(5)	(17)	–
Net periodic benefit cost (credit)	(12)	(16)	38	4	(17)	–

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.

Employer contributions were as follows:

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2023	2022	2023	2022	2023	2022
Nine months ended September 30,						
Total contributions to defined benefit pension and other postretirement benefit plans	8	33	85	24	29	5
Of which, discretionary contributions to defined benefit pension plans	–	–	56	–	25	–

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2023	2022	2023	2022	2023	2022
Three months ended September 30,						
Total contributions to defined benefit pension and other postretirement benefit plans	3	2	64	5	25	1
Of which, discretionary contributions to defined benefit pension plans	–	–	56	–	25	–

The Company expects to make contributions totaling approximately \$91 million and \$31 million to its defined pension plans and other postretirement benefit plans, respectively, for the full year 2023.

Note 13

Stockholder's equity

At the Annual General Meeting of Shareholders (AGM) on March 23, 2023, shareholders approved the proposal of the Board of Directors to distribute 0.84 Swiss francs per share to shareholders. The declared dividend amounted to \$1,706 million, with the Company disbursing a portion in March and the remaining amounts in April.

In March 2023, the Company completed the share buyback program that was launched in April 2022. This program was executed on a second trading line on the SIX Swiss Exchange. Through this program, the Company purchased a total of 67 million shares for approximately \$2.0 billion, of which 8 million shares were purchased in the first quarter of 2023 (resulting in an increase in Treasury stock of \$253 million).

Also in March 2023, the Company announced a new share buyback program of up to \$1 billion. This program, which was launched in April 2023, is being executed on a second trading line on the SIX Swiss Exchange and is planned to run until the Company's 2024 AGM. Through this program, the Company purchased, from the program's launch in April 2023 to September 30, 2023, 11 million shares, resulting in an increase in Treasury stock of \$411 million.

In the second quarter of 2023, the Company cancelled 83 million shares which had been purchased under its share buyback program. This resulted in a decrease in Treasury stock of \$2,567 million and a corresponding total decrease in Capital stock, Additional paid-in capital and Retained earnings.

In addition to the share buyback programs, the Company purchased 6 million of its own shares on the open market in the nine months ended September 30, 2023, mainly for use in connection with its employee share plans, resulting in an increase in Treasury stock of \$234 million.

In the nine months ended September 30, 2023, the Company delivered, out of treasury stock, approximately 6 million shares in connection with its Management Incentive Plan.

In February 2023, the Company obtained funding through a private placement of shares in its ABB E-Mobility subsidiary, ABB E-mobility Holding Ltd (ABB E-Mobility), receiving gross proceeds of 325 million Swiss francs (approximately \$351 million) and reducing the Company's ownership in ABB E-Mobility from 92 percent to 81 percent. This resulted in an increase in Additional paid-in capital of \$170 million.

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

	Nine months ended September 30,		Three months ended September 30,	
(\$ in millions, except per share data in \$)	2023	2022	2023	2022
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	2,840	1,379	889	376
Loss from discontinued operations, net of tax	(16)	(36)	(7)	(16)
Net income	2,824	1,343	882	360
Weighted-average number of shares outstanding (in millions)	1,859	1,909	1,854	1,882
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	1.53	0.72	0.48	0.20
Loss from discontinued operations, net of tax	(0.01)	(0.02)	0.00	(0.01)
Net income	1.52	0.70	0.48	0.19

Diluted earnings per share

	Nine months ended September 30,		Three months ended September 30,	
(\$ in millions, except per share data in \$)	2023	2022	2023	2022
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	2,840	1,379	889	376
Loss from discontinued operations, net of tax	(16)	(36)	(7)	(16)
Net income	2,824	1,343	882	360
Weighted-average number of shares outstanding (in millions)	1,859	1,909	1,854	1,882
Effect of dilutive securities:				
Call options and shares	12	11	11	7
Adjusted weighted-average number of shares outstanding (in millions)	1,871	1,920	1,865	1,889
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	1.52	0.72	0.48	0.20
Loss from discontinued operations, net of tax	(0.01)	(0.02)	0.00	(0.01)
Net income	1.51	0.70	0.47	0.19

Note 15

Reclassifications out of accumulated other comprehensive loss

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

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
Balance at January 1, 2022	(2,993)	2	(1,089)	(8)	(4,088)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(811)	(25)	148	(15)	(703)
Amounts reclassified from OCI	5	1	24	15	45
Total other comprehensive (loss) income	(806)	(24)	172	–	(658)
Less:					
Amounts attributable to noncontrolling interests and redeemable noncontrolling interests	(32)	–	–	–	(32)
Balance at September 30, 2022⁽¹⁾	(3,767)	(22)	(917)	(8)	(4,715)

(\$ 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, 2023	(3,691)	(19)	(838)	(8)	(4,556)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(194)	–	(9)	(5)	(208)
Amounts reclassified from OCI	9	6	28	8	51
Total other comprehensive (loss) income	(185)	6	19	3	(157)
Less:					
Amounts attributable to noncontrolling interests and redeemable noncontrolling interests	(8)	–	–	–	(8)
Balance at September 30, 2023	(3,868)	(13)	(819)	(5)	(4,705)

(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	Nine months ended September 30,		Three months ended September 30,	
Details about OCI components		2023	2022	2023	2022
Foreign currency translation adjustments:					
Changes attributable to divestments	Other income (expense), net	9	–	9	–
Net loss on complete or substantially complete liquidations of foreign subsidiaries	Other income (expense), net	–	5	–	–
Amounts reclassified from OCI		9	5	9	–
Pension and other postretirement plan adjustments:					
Amortization of prior service cost (credit)	Non-operational pension (cost) credit	(9)	(8)	(3)	(2)
Amortization of net actuarial loss	Non-operational pension (cost) credit	36	42	15	14
Net gain (loss) from settlements and curtailments	Non-operational pension (cost) credit	2	–	2	–
Total before tax		29	34	14	12
Tax	Income tax expense	(1)	(10)	6	(3)
Amounts reclassified from OCI		28	24	20	9

The amounts in respect of Unrealized gains (losses) on available-for-sale securities and Derivative instruments and hedges were not significant for the nine and three months ended September 30, 2023 and 2022.

Note 16

Restructuring and related expenses

Other restructuring-related activities

In the nine and three months ended September 30, 2023 and 2022, the Company executed various other restructuring-related activities and incurred the following expenses:

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2023	2022	2023	2022
Employee severance costs	38	64	12	21
Estimated contract settlement, loss order and other costs	4	205	2	3
Inventory and long-lived asset impairments	18	5	18	–
Total	60	274	32	24

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

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2023	2022	2023	2022
Total cost of sales	19	13	9	5
Selling, general and administrative expenses	14	39	1	11
Non-order related research and development expenses	–	2	–	–
Other income (expense), net	27	220	22	8
Total	60	274	32	24

During the second quarter of 2022, the Company completed a plan to fully exit its full train retrofit business by transferring the remaining contracts to a third party. The Company recorded \$195 million of restructuring expenses in connection with this business exit primarily for contract settlement costs. Prior to exiting this business, the business was reported as part of the Company's non-core business activities within Corporate and Other.

At September 30, 2023, and December 31, 2022, \$179 million and \$198 million, respectively, was recorded for other restructuring-related liabilities and is 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, 2023, the E-mobility Division is no longer managed within the Electrification segment and has become a separate operating segment. This new segment does not currently meet any of the size thresholds to be considered a reportable segment and as such is presented within Corporate and Other. The segment information for the nine and three months ended September 30, 2023 and 2022, and at December 31, 2022, has been recast to reflect this 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 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, Installation Products and Service, as well as, prior to its sale in July 2023, the Power Conversion Division.
- Motion:** designs, manufactures, and sells drives, motors, generators and traction converters 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, Motion combines domain expertise and technology to deliver the optimum solution for a wide range of applications in all industrial segments. In addition, Motion, along with its partners, has a leading global service presence. These products and services are delivered through seven operating Divisions: Large Motors and Generators, IEC LV Motors, NEMA Motors, Drive Products, System Drives, Service and Traction.

- **Process Automation:** offers a broad range of industry-specific, integrated automation, electrification and digital solutions, as well as lifecycle services for the process, hybrid and marine industries. The product portfolio includes control technologies, industrial software, advanced analytics, sensing and measurement technology, and marine propulsion systems. In addition, Process Automation offers a comprehensive range of services, from repair to advanced digital capabilities such as remote monitoring, preventive maintenance, asset performance management, emission monitoring and cybersecurity. The products, systems and services are currently delivered through four operating Divisions: Energy Industries, Process Industries, Marine & Ports and Measurement & Analytics as well as, prior to its spin-off in October 2022, the Turbocharging Division (Accelleron).
- **Robotics & Discrete Automation:** delivers its products, solutions and services through two operating Divisions: Robotics and Machine Automation. Robotics includes industrial robots, autonomous mobile robotics, software, robotic solutions, 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 headquarter costs, the Company's corporate real estate activities, Corporate Treasury Operations, the E-mobility operating segment, 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),
- gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale, if any),
- acquisition- and divestment-related expenses and integration costs,
- 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, other income/expense relating to the Power Grids joint venture, certain asset write downs/impairments and certain other fair value changes, changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates), 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 nine and three months ended September 30, 2023 and 2022, as well as total assets at September 30, 2023, and December 31, 2022.

Nine months ended September 30, 2023						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	3,411	1,858	1,663	1,456	229	8,617
The Americas	4,393	1,924	1,279	431	216	8,243
of which: United States	3,292	1,602	798	269	182	6,143
Asia, Middle East and Africa	2,912	1,699	1,580	886	53	7,130
of which: China	1,356	866	502	657	23	3,404
	10,716	5,481	4,522	2,773	498	23,990
Product type						
Products	10,050	4,695	2,667	2,353	445	20,210
Services and other	666	786	1,855	420	53	3,780
	10,716	5,481	4,522	2,773	498	23,990
Third-party revenues	10,716	5,481	4,522	2,773	498	23,990
Intersegment revenues	170	387	21	15	(593)	–
Total revenues⁽¹⁾	10,886	5,868	4,543	2,788	(95)	23,990

Nine months ended September 30, 2022						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	3,125	1,430	1,726	1,070	169	7,520
The Americas	3,799	1,574	1,135	377	133	7,018
of which: United States	2,777	1,307	681	267	92	5,124
Asia, Middle East and Africa	3,020	1,564	1,607	838	55	7,084
of which: China	1,506	888	498	646	25	3,563
	9,944	4,568	4,468	2,285	357	21,622
Product type						
Products	9,328	3,931	2,420	1,935	332	17,946
Services and other	616	637	2,048	350	25	3,676
	9,944	4,568	4,468	2,285	357	21,622
Third-party revenues	9,944	4,568	4,468	2,285	357	21,622
Intersegment revenues	177	332	25	5	(539)	–
Total revenues⁽¹⁾	10,121	4,900	4,493	2,290	(182)	21,622

Three months ended September 30, 2023						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	1,083	569	582	500	76	2,810
The Americas	1,461	657	411	159	87	2,775
of which: United States	1,113	541	248	94	71	2,067
Asia, Middle East and Africa	964	582	553	263	21	2,383
of which: China	439	285	163	182	6	1,075
	3,508	1,808	1,546	922	184	7,968
Product type						
Products	3,288	1,526	924	777	165	6,680
Services and other	220	282	622	145	19	1,288
	3,508	1,808	1,546	922	184	7,968
Third-party revenues	3,508	1,808	1,546	922	184	7,968
Intersegment revenues	53	139	8	7	(207)	–
Total revenues⁽¹⁾	3,561	1,947	1,554	929	(23)	7,968

Three months ended September 30, 2022						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	1,005	477	595	358	59	2,494
The Americas	1,354	545	368	139	46	2,452
of which: United States	988	454	221	101	32	1,796
Asia, Middle East and Africa	1,053	569	488	329	21	2,460
of which: China	514	323	189	264	10	1,300
	3,412	1,591	1,451	826	126	7,406
Product type						
Products	3,204	1,379	778	705	118	6,184
Services and other	208	212	673	121	8	1,222
	3,412	1,591	1,451	826	126	7,406
Third-party revenues	3,412	1,591	1,451	826	126	7,406
Intersegment revenues	59	111	7	2	(179)	–
Total revenues⁽¹⁾	3,471	1,702	1,458	828	(53)	7,406

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

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2023	2022	2023	2022
Operational EBITA:				
Electrification	2,212	1,768	748	651
Motion	1,157	845	390	305
Process Automation	670	645	226	225
Robotics & Discrete Automation	418	215	137	106
Corporate and Other				
– E-mobility	(134)	(12)	(39)	(4)
– Corporate costs, Intersegment elimination and other	(229)	(97)	(70)	(52)
Total	4,094	3,364	1,392	1,231
Acquisition-related amortization	(164)	(174)	(55)	(55)
Restructuring, related and implementation costs ⁽¹⁾	(92)	(300)	(51)	(20)
Changes in obligations related to divested businesses	5	17	–	–
Gains and losses from sale of businesses	97	(4)	71	–
Acquisition- and divestment-related expenses and integration costs	(55)	(171)	(10)	(62)
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(58)	(107)	(48)	(7)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(8)	(48)	(2)	(13)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	25	55	11	15
Certain other non-operational items:				
Other income/expense relating to the Power Grids joint venture	27	(67)	7	(30)
Regulatory, compliance and legal costs	–	(333)	–	(329)
Business transformation costs ⁽²⁾	(139)	(114)	(57)	(48)
Changes in pre-acquisition estimates	(4)	–	–	(1)
Certain other fair value changes, including asset impairments	3	58	(3)	24
Other non-operational items	24	(24)	4	3
Income from operations	3,755	2,152	1,259	708
Interest and dividend income	115	50	37	17
Interest and other finance expense	(197)	(107)	(73)	(45)
Non-operational pension (cost) credit	23	102	8	34
Income from continuing operations before taxes	3,696	2,197	1,231	714

(1) Includes impairment of certain assets.

(2) Amount includes ABB Way process transformation costs of \$122 million and \$98 million for nine months ended September 30, 2023 and 2022, respectively, and \$51 million and \$34 million for the three months ended September 30, 2023 and 2022, respectively.

(\$ in millions)	Total assets ⁽¹⁾	
	September 30, 2023	December 31, 2022
Electrification	12,699	12,500
Motion	7,013	6,565
Process Automation	4,900	4,598
Robotics & Discrete Automation	4,893	4,901
Corporate and Other ⁽²⁾	10,594	10,584
Consolidated	40,099	39,148

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

(2) At September 30, 2023, and December 31, 2022, respectively, Corporate and Other includes \$60 million and \$96 million of assets in the Power Grids business which is reported as discontinued operations (see Note 3).

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 nine and three months ended September 30, 2023.

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	Q3 2023 compared to Q3 2022							
	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	-2%	0%	3%	1%	3%	-1%	4%	6%
Motion	-4%	-1%	-2%	-7%	14%	-1%	-2%	11%
Process Automation	20%	-2%	20%	38%	7%	-1%	17%	23%
Robotics & Discrete Automation	-26%	-1%	0%	-27%	12%	-3%	0%	9%
ABB Group	-2%	0%	4%	2%	8%	-1%	4%	11%

Business Area	9M 2023 compared to 9M 2022							
	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	0%	2%	1%	3%	8%	2%	1%	11%
Motion	1%	1%	-1%	1%	20%	2%	-2%	20%
Process Automation	12%	2%	17%	31%	1%	2%	16%	19%
Robotics & Discrete Automation	-24%	2%	0%	-22%	22%	1%	0%	23%
ABB Group	-1%	2%	3%	4%	11%	2%	3%	16%

Regional comparable growth rate reconciliation
Regional comparable growth rate reconciliation for ABB Group - Quarter

Region	Q3 2023 compared to Q3 2022							
	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%	-5%	3%	-13%	13%	-7%	4%	10%
The Americas	9%	-1%	5%	13%	13%	-1%	4%	16%
of which: United States	8%	-1%	6%	13%	15%	0%	4%	19%
Asia, Middle East and Africa	-5%	5%	4%	4%	-3%	5%	4%	6%
of which: China	-10%	5%	2%	-3%	-17%	4%	3%	-10%
ABB Group	-2%	0%	4%	2%	8%	-1%	4%	11%

Regional comparable growth rate reconciliation by Business Area - Quarter

Region	Q3 2023 compared to Q3 2022							
	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	0%	-6%	3%	-3%	7%	-7%	2%	2%
The Americas	-2%	0%	6%	4%	8%	-1%	6%	13%
of which: United States	-2%	0%	8%	6%	13%	0%	6%	19%
Asia, Middle East and Africa	-5%	6%	1%	2%	-8%	5%	3%	0%
of which: China	-6%	6%	1%	1%	-15%	5%	3%	-7%
Electrification	-2%	0%	3%	1%	3%	-1%	4%	6%

Region	Q3 2023 compared to Q3 2022							
	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	-22%	-5%	-1%	-28%	21%	-9%	-1%	11%
The Americas	3%	-2%	-4%	-3%	21%	-1%	-5%	15%
of which: United States	-3%	0%	-4%	-7%	19%	0%	-5%	14%
Asia, Middle East and Africa	10%	5%	0%	15%	3%	5%	0%	8%
of which: China	5%	6%	0%	11%	-12%	5%	0%	-7%
Motion	-4%	-1%	-2%	-7%	14%	-1%	-2%	11%

Region	Q3 2023 compared to Q3 2022							
	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	18%	-3%	22%	37%	-2%	-3%	13%	8%
The Americas	63%	-5%	22%	80%	12%	-2%	15%	25%
of which: United States	75%	-6%	27%	96%	13%	-1%	19%	31%
Asia, Middle East and Africa	-11%	2%	14%	5%	13%	4%	22%	39%
of which: China	-22%	4%	17%	-1%	-14%	5%	15%	6%
Process Automation	20%	-2%	20%	38%	7%	-1%	17%	23%

Region	Q3 2023 compared to Q3 2022							
	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	-35%	-3%	0%	-38%	40%	-9%	0%	31%
The Americas	-10%	-2%	0%	-12%	14%	-3%	0%	11%
of which: United States	-9%	0%	0%	-9%	-6%	0%	0%	-6%
Asia, Middle East and Africa	-20%	3%	0%	-17%	-19%	3%	0%	-16%
of which: China	-32%	4%	0%	-28%	-31%	4%	0%	-27%
Robotics & Discrete Automation	-26%	-1%	0%	-27%	12%	-3%	0%	9%

Region	9M 2023 compared to 9M 2022							
	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	-3%	0%	3%	0%	15%	-1%	3%	17%
The Americas	6%	-1%	3%	8%	17%	0%	3%	20%
of which: United States	3%	-1%	3%	5%	20%	0%	3%	23%
Asia, Middle East and Africa	-5%	6%	4%	5%	1%	6%	5%	12%
of which: China	-13%	6%	2%	-5%	-4%	5%	3%	4%
ABB Group	-1%	2%	3%	4%	11%	2%	3%	16%

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

Region	9M 2023 compared to 9M 2022							
	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	-1%	-1%	1%	-1%	8%	-1%	1%	8%
The Americas	2%	0%	2%	4%	16%	0%	2%	18%
of which: United States	-1%	0%	3%	2%	19%	0%	2%	21%
Asia, Middle East and Africa	-1%	8%	0%	7%	-3%	7%	1%	5%
of which: China	-9%	6%	0%	-3%	-10%	5%	1%	-4%
Electrification	0%	2%	1%	3%	8%	2%	1%	11%

Region	9M 2023 compared to 9M 2022							
	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	-3%	-1%	-1%	-5%	28%	-2%	-1%	25%
The Americas	2%	0%	-2%	0%	23%	0%	-3%	20%
of which: United States	0%	-1%	-2%	-3%	23%	0%	-3%	20%
Asia, Middle East and Africa	3%	6%	0%	9%	9%	7%	0%	16%
of which: China	-3%	6%	0%	3%	-1%	6%	0%	5%
Motion	1%	1%	-1%	1%	20%	2%	-2%	20%

Region	9M 2023 compared to 9M 2022							
	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	18%	4%	21%	43%	-4%	1%	15%	12%
The Americas	26%	-1%	14%	39%	13%	0%	13%	26%
of which: United States	24%	-3%	17%	38%	17%	0%	18%	35%
Asia, Middle East and Africa	-5%	4%	17%	16%	-2%	5%	17%	20%
of which: China	-2%	5%	20%	23%	1%	5%	19%	25%
Process Automation	12%	2%	17%	31%	1%	2%	16%	19%

Region	9M 2023 compared to 9M 2022							
	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%	0%	0%	-26%	36%	-1%	0%	35%
The Americas	-8%	-2%	0%	-10%	15%	-1%	0%	14%
of which: United States	-17%	0%	0%	-17%	1%	0%	0%	1%
Asia, Middle East and Africa	-28%	4%	0%	-24%	6%	6%	0%	12%
of which: China	-34%	4%	0%	-30%	2%	5%	0%	7%
Robotics & Discrete Automation	-24%	2%	0%	-22%	22%	1%	0%	23%

Order backlog growth rate reconciliation

September 30, 2023 compared to September 30, 2022				
Business Area	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	11%	-2%	7%	16%
Motion	11%	-5%	-1%	5%
Process Automation	19%	-3%	4%	20%
Robotics & Discrete Automation	-11%	-3%	0%	-14%
ABB Group	11%	-3%	3%	11%

Other growth rate reconciliations

Q3 2023 compared to Q3 2022								
Business Area	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	12%	0%	0%	12%	6%	-2%	0%	4%
Motion	6%	-2%	0%	4%	33%	-1%	0%	32%
Process Automation	30%	-3%	37%	64%	-8%	-1%	25%	16%
Robotics & Discrete Automation	10%	-3%	0%	7%	19%	-4%	0%	15%
ABB Group	22%	-3%	17%	36%	5%	-1%	14%	18%

9M 2023 compared to 9M 2022								
Business Area	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	6%	2%	0%	8%	8%	2%	0%	10%
Motion	7%	3%	0%	10%	23%	3%	0%	26%
Process Automation	-2%	1%	26%	25%	-9%	1%	25%	17%
Robotics & Discrete Automation	9%	2%	0%	11%	20%	0%	0%	20%
ABB Group	2%	2%	14%	18%	3%	2%	14%	19%

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),
- gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale, if any),
- acquisition- and divestment-related expenses and integration costs,
- 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, other income/expense relating to the Power Grids joint venture, certain asset write downs/impairments and certain other fair value changes, changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates), 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.

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)	Nine months ended September 30,		Three months ended September 30,	
	2023	2022	2023	2022
Operational EBITA	4,094	3,364	1,392	1,231
Acquisition-related amortization	(164)	(174)	(55)	(55)
Restructuring, related and implementation costs ⁽¹⁾	(92)	(300)	(51)	(20)
Changes in obligations related to divested businesses	5	17	–	–
Gains and losses from sale of businesses	97	(4)	71	–
Acquisition- and divestment-related expenses and integration costs	(55)	(171)	(10)	(62)
Certain other non-operational items	(89)	(480)	(49)	(381)
Foreign exchange/commodity timing differences in income from operations	(41)	(100)	(39)	(5)
Income from operations	3,755	2,152	1,259	708
Interest and dividend income	115	50	37	17
Interest and other finance expense	(197)	(107)	(73)	(45)
Non-operational pension (cost) credit	23	102	8	34
Income from continuing operations before taxes	3,696	2,197	1,231	714
Income tax expense	(794)	(728)	(326)	(294)
Income from continuing operations, net of tax	2,902	1,469	905	420
Loss from discontinued operations, net of tax	(16)	(36)	(7)	(16)
Net income	2,886	1,433	898	404

(1) Includes impairment of certain assets.

Reconciliation of Operational EBITA margin by business

	Three months ended September 30, 2023					
				Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation			Consolidated
Total revenues	3,561	1,947	1,554	929	(23)	7,968
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	45	20	(13)	(4)	2	50
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	(1)	2	1	1	3
Unrealized foreign exchange movements on receivables (and related assets)	(13)	4	4	5	(2)	(2)
Operational revenues	3,593	1,970	1,547	931	(22)	8,019
Income (loss) from operations	762	365	218	113	(199)	1,259
Acquisition-related amortization	22	9	1	20	3	55
Restructuring, related and implementation costs ⁽¹⁾	14	3	3	–	31	51
Changes in obligations related to divested businesses	–	–	–	–	–	–
Gains and losses from sale of businesses	(71)	–	–	–	–	(71)
Acquisition- and divestment-related expenses and integration costs	4	3	(4)	3	4	10
Certain other non-operational items	2	1	–	1	45	49
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	26	10	9	(5)	8	48
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(1)	–	2	–	2
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(12)	–	(1)	3	(1)	(11)
Operational EBITA	748	390	226	137	(109)	1,392
Operational EBITA margin (%)	20.8%	19.8%	14.6%	14.7%	n.a.	17.4%

(1) Includes impairment of certain assets.

In the three months ended September 30, 2023, Certain other non-operational items in the table above includes the following:

	Three months ended September 30, 2023					
				Robotics & Discrete Automation	Corporate and Other	Consolidated
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation			
Certain other non-operational items:						
Other income/expense relating to the						
Power Grids joint venture	–	–	–	–	(7)	(7)
Business transformation costs ⁽¹⁾	3	1	–	1	52	57
Changes in pre-acquisition estimates	–	–	–	–	–	–
Certain other fair values changes, including asset impairments	–	1	–	–	2	3
Other non-operational items	(1)	(1)	–	–	(2)	(4)
Total	2	1	–	1	45	49

(1) Amounts include ABB Way process transformation costs of \$51 million for the three months ended September 30, 2023.

Three months ended September 30, 2022						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and	Consolidated
					Other and Intersegment elimination	
Total revenues	3,471	1,702	1,458	828	(53)	7,406
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	8	14	14	3	6	45
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	4	–	9	–	(1)	12
Unrealized foreign exchange movements on receivables (and related assets)	(9)	(5)	(9)	(4)	(7)	(34)
Operational revenues	3,474	1,711	1,472	827	(55)	7,429
Income (loss) from operations	616	291	154	81	(434)	708
Acquisition-related amortization	24	8	1	19	3	55
Restructuring, related and implementation costs ⁽¹⁾	8	3	1	6	2	20
Changes in obligations related to divested businesses	–	–	–	–	–	–
Gains and losses from sale of businesses	(1)	1	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	3	4	53	1	1	62
Certain other non-operational items	7	–	–	1	373	381
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(3)	–	9	(1)	2	7
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	–	7	1	2	13
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(6)	(2)	–	(2)	(5)	(15)
Operational EBITA	651	305	225	106	(56)	1,231
Operational EBITA margin (%)	18.7%	17.8%	15.3%	12.8%	n.a.	16.6%

(1) Includes impairment of certain assets.

In the three months ended September 30, 2022, Certain other non-operational items in the table above includes the following:

Three months ended September 30, 2022						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and	Consolidated
					Other	
Certain other non-operational items:						
Other income/expense relating to the Power Grids joint venture	–	–	–	–	30	30
Regulatory, compliance and legal costs	–	–	–	–	329	329
Business transformation costs ⁽¹⁾	13	–	–	–	35	48
Changes in pre-acquisition estimates	1	–	–	–	–	1
Certain other fair values changes, including asset impairments	(3)	–	–	–	(21)	(24)
Other non-operational items	(4)	–	–	1	–	(3)
Total	7	–	–	1	373	381

(1) Amounts include ABB Way process transformation costs of \$34 million for the three months ended September 30, 2022.

Nine months ended September 30, 2023						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and	Consolidated
					Other and Intersegment elimination	
Total revenues	10,886	5,868	4,543	2,788	(95)	23,990
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	37	15	3	4	6	65
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(5)	(1)	8	1	1	4
Unrealized foreign exchange movements on receivables (and related assets)	(20)	(2)	(8)	(3)	(11)	(44)
Operational revenues	10,898	5,880	4,546	2,790	(99)	24,015
Income (loss) from operations	2,130	1,098	688	347	(508)	3,755
Acquisition-related amortization	66	26	4	59	9	164
Restructuring, related and implementation costs ⁽¹⁾	26	5	7	–	54	92
Changes in obligations related to divested businesses	1	–	–	–	(6)	(5)
Gains and losses from sale of businesses	(71)	–	(26)	–	–	(97)
Acquisition- and divestment-related expenses and integration costs	23	15	(3)	7	13	55
Certain other non-operational items	11	4	–	4	70	89
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	42	15	(1)	1	1	58
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	(1)	7	2	1	8
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(15)	(5)	(6)	(2)	3	(25)
Operational EBITA	2,212	1,157	670	418	(363)	4,094
Operational EBITA margin (%)	20.3%	19.7%	14.7%	15.0%	n.a.	17.0%

(1) Includes impairment of certain assets.

In the nine months ended September 30, 2023, Certain other non-operational items in the table above includes the following:

Nine months ended September 30, 2023						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and	Consolidated
					Other	
Certain other non-operational items:						
Other income/expense relating to the Power Grids joint venture	–	–	–	–	(27)	(27)
Business transformation costs ⁽¹⁾	12	1	–	3	123	139
Changes in pre-acquisition estimates	1	–	–	–	3	4
Certain other fair values changes, including asset impairments	1	2	–	1	(7)	(3)
Other non-operational items	(3)	1	–	–	(22)	(24)
Total	11	4	–	4	70	89

(1) Amounts include ABB Way process transformation costs of \$122 million for the nine months ended September 30, 2023.

Nine months ended September 30, 2022						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and	Consolidated
					Other and Intersegment elimination	
Total revenues	10,121	4,900	4,493	2,290	(182)	21,622
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	27	17	50	14	14	122
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	11	2	11	–	29	53
Unrealized foreign exchange movements on receivables (and related assets)	(27)	(11)	(16)	(9)	(22)	(85)
Operational revenues	10,132	4,908	4,538	2,295	(161)	21,712
Income (loss) from operations	1,571	776	480	146	(821)	2,152
Acquisition-related amortization	80	23	3	59	9	174
Restructuring, related and implementation costs ⁽¹⁾	18	11	6	9	256	300
Changes in obligations related to divested businesses	–	–	–	–	(17)	(17)
Gains and losses from sale of businesses	(1)	5	–	–	–	4
Acquisition- and divestment-related expenses and integration costs	31	12	122	4	2	171
Certain other non-operational items	30	–	–	–	450	480
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	50	22	27	3	5	107
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	9	1	11	–	27	48
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(20)	(5)	(4)	(6)	(20)	(55)
Operational EBITA	1,768	845	645	215	(109)	3,364
Operational EBITA margin (%)	17.4%	17.2%	14.2%	9.4%	n.a.	15.5%

(1) Includes impairment of certain assets.

In the nine months ended September 30, 2022, certain other non-operational items in the table above includes the following:

Nine months ended September 30, 2022						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and	Consolidated
					Other	
Certain other non-operational items:						
Other income/expense related to the Power Grids joint venture	–	–	–	–	67	67
Regulatory, compliance and legal costs	–	–	–	–	333	333
Business transformation costs	15	–	–	–	99	114
Changes in pre-acquisition estimates	2	–	–	(2)	–	–
Certain other fair values changes, including asset impairments	(3)	–	–	–	(55)	(58)
Other non-operational items	16	–	–	2	6	24
Total	30	–	–	–	450	480

(1) Amounts include ABB Way process transformation costs of \$98 million for the nine months ended September 30, 2022.

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)	September 30, 2023	December 31, 2022
Short-term debt and current maturities of long-term debt	2,951	2,535
Long-term debt	4,899	5,143
Total debt	7,850	7,678
Cash and equivalents	3,869	4,156
Restricted cash - current	18	18
Marketable securities and short-term investments	1,091	725
Cash and marketable securities	4,978	4,899
Net debt	2,872	2,779

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)	September 30, 2023	December 31, 2022
Total stockholders' equity	13,754	13,187
Net debt (as defined above)	2,872	2,779
Net debt / Equity ratio	0.21	0.21

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)	September 30, 2023	September 30, 2022
Income from operations for the three months ended:		
December 31, 2022 / 2021	1,185	2,975
March 31, 2023 / 2022	1,198	857
June 30, 2023 / 2022	1,298	587
September 30, 2023 / 2022	1,259	708
Depreciation and Amortization for the three months ended:		
December 31, 2022 / 2021	199	216
March 31, 2023 / 2022	191	210
June 30, 2023 / 2022	196	207
September 30, 2023 / 2022	194	198
EBITDA	5,720	5,958
Net debt (as defined above)	2,872	4,117
Net debt / EBITDA	0.5	0.7

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, (e) liabilities related to certain other restructuring-related activities and (f) 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)	September 30, 2023	September 30, 2022
Net working capital:		
Receivables, net	7,586	6,695
Contract assets	1,073	955
Inventories, net	6,332	5,849
Prepaid expenses	280	261
Accounts payable, trade	(4,777)	(4,769)
Contract liabilities	(2,610)	(2,178)
Other current liabilities ⁽¹⁾	(3,843)	(3,406)
Net working capital	4,041	3,407
Total revenues for the three months ended:		
December 31, 2022 / 2021	7,824	7,567
March 31, 2023 / 2022	7,859	6,965
June 30, 2023 / 2022	8,163	7,251
September 30, 2023 / 2022	7,968	7,406
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	(267)	(55)
Adjusted revenues for the trailing twelve months	31,547	29,134
Net working capital as a percentage of revenues (%)	12.8%	11.7%

(1) Amounts exclude \$754 million and \$795 million at September 30, 2023 and 2022, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, (d) payables under the share buyback program, (e) liabilities related to certain restructuring-related activities and (f) 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) gains arising on the sale of the Power Conversion Division, the Hitachi Energy Joint Venture and the Power Grids business, the latter being 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	
	September 30, 2023	December 31, 2022
Net cash provided by operating activities – continuing operations	3,123	1,334
Adjusted for the effects of continuing operations:		
Purchases of property, plant and equipment and intangible assets	(765)	(762)
Proceeds from sale of property, plant and equipment	109	127
Free cash flow from continuing operations	2,467	699
Net cash used in operating activities – discontinued operations	(43)	(47)
Free cash flow	2,424	652
Adjusted net income attributable to ABB⁽¹⁾	3,859	2,442
Free cash flow conversion to net income	63%	27%

(1) Adjusted net income attributable to ABB for the year ended December 31, 2022, is adjusted to exclude the gain on the sale of Hitachi Energy Joint Venture of \$43 million and reductions to the gain on the sale of Power Grids of \$10 million.

Reconciliation of the trailing twelve months to September 30, 2023

(\$ in millions)	Continuing operations			Discontinued operations	Adjusted net income attributable to ABB ⁽¹⁾
	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	
Q4 2022	720	(259)	42	(33)	1,088
Q1 2023	283	(151)	31	(1)	1,036
Q2 2023	759	(180)	26	1	906
Q3 2023	1,361	(175)	10	(10)	829
Total for the trailing twelve months to September 30, 2023	3,123	(765)	109	(43)	3,859

(1) Adjusted net income attributable to ABB for Q3 2023, is adjusted to exclude the gain on sale of the Power Conversion Division of \$53 million, while Q4 2022, is adjusted to exclude reductions to the gain on the sale of Power Grids of \$(1) million. In addition, Q4 2022 is also adjusted to exclude the gain on the sale of Hitachi Energy Joint Venture of \$43 million.

Net finance expenses

Definition

Net finance expenses is calculated as Interest and dividend income less Interest and other finance expense.

Reconciliation

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2023	2022	2023	2022
Interest and dividend income	115	50	37	17
Interest and other finance expense	(197)	(107)	(73)	(45)
Net finance expenses	(82)	(57)	(36)	(28)

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)	Nine months ended September 30,					
	2023			2022		
	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	11,794	10,886	1.08	11,797	10,121	1.17
Motion	6,285	5,868	1.07	6,247	4,900	1.27
Process Automation	5,665	4,543	1.25	5,079	4,493	1.13
Robotics & Discrete Automation	2,516	2,788	0.90	3,318	2,290	1.45
Corporate and Other <i>(incl. intersegment eliminations)</i>	(91)	(95)	n.a.	(73)	(182)	n.a.
ABB Group	26,169	23,990	1.09	26,368	21,622	1.22

(\$ in millions, except Book-to-bill presented as a ratio)	Three months ended September 30,					
	2023			2022		
	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	3,693	3,561	1.04	3,772	3,471	1.09
Motion	1,886	1,947	0.97	1,966	1,702	1.16
Process Automation	1,883	1,554	1.21	1,568	1,458	1.08
Robotics & Discrete Automation	665	929	0.72	901	828	1.09
Corporate and Other <i>(incl. intersegment eliminations)</i>	(75)	(23)	n.a.	(19)	(53)	n.a.
ABB Group	8,052	7,968	1.01	8,188	7,406	1.11

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