October 21, 2021

Q3 2021

Financial information

Financial Information
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Key Figures

($ in millions, unless otherwise indicated)	Q3 2021	Q3 2020	CHANGE US$	CHANGE Comparable[1]
Orders	7,866	6,109	29%	26%
Order backlog (end September)	16,012	13,878	15%	15%
Revenues	7,028	6,582	7%	4%
Gross Profit	2,294	1,834	25%	
as % of revenues	32.6%	27.9%	+4.7 pts	
Income from operations	852	71	n.a.	
Operational EBITA[1]	1,062	787	35%	32%[2]
as % of operational revenues[1]	15.1%	12.0%	+3.1 pts	
Income (loss) from continuing operations, net of tax	687	(503)	n.a.	
Net income attributable to ABB	652	4,530	-86%	
Basic earnings per share ($)	0.33	2.14	-85%[3]	
Cash flow from operating activities[4]	1,104	408	171%	
Cash flow from operating activities in continuing operations	1,119	398	181%	

($ in millions, unless otherwise indicated)	9M 2021	9M 2020	CHANGE US$	CHANGE Comparable[1]
Orders	23,611	19,509	21%	16%
Revenues	21,378	18,952	13%	8%
Gross Profit	7,070	5,731	23%	
as % of revenues	33.1%	30.2%	+2.9 pts	
Income from operations	2,743	1,015	170%	
Operational EBITA[1]	3,134	2,074	51%	43%[2]
as % of operational revenues[1]	14.6%	10.9%	+3.7 pts	
Income from continuing operations, net of tax	2,027	218	830%	
Net income attributable to ABB	1,906	5,225	-64%	
Basic earnings per share ($)	0.95	2.45	-61%[3]	
Cash flow from operating activities[4]	2,310	511	352%	
Cash flow from operating activities in continuing operations	2,305	650	255%	

(1) For a reconciliation of non-GAAP measures see “Supplemental Reconciliations and Definitions” on page 39.
(2) Constant currency (not adjusted for portfolio changes).
(3) EPS growth rates are computed using unrounded amounts.
(4) Cash flow from operating activities includes both continuing and discontinued operations.

($ in millions, unless otherwise indicated)		Q3 2021	Q3 2020	CHANGE US$	Local	Comparable
Orders	**ABB Group**	**7,866**	**6,109**	**29%**	**27%**	**26%**
	Electrification	3,519	2,952	19%	17%	17%
	Motion	1,909	1,535	24%	22%	22%
	Process Automation	1,670	1,164	43%	40%	40%
	Robotics & Discrete Automation	935	720	30%	27%	26%
	Corporate and Other (incl. intersegment eliminations)	(167)	(262)			
Order backlog (end September)	**ABB Group**	**16,012**	**13,878**	**15%**	**15%**	**15%**
	Electrification	5,246	4,471	17%	17%	17%
	Motion	3,717	3,349	11%	11%	11%
	Process Automation	6,021	5,152	17%	16%	16%
	Robotics & Discrete Automation	1,619	1,442	12%	11%	11%
	Corporate and Other (incl. intersegment eliminations)	(591)	(536)			
Revenues	**ABB Group**	**7,028**	**6,582**	**7%**	**4%**	**4%**
	Electrification	3,196	3,031	5%	4%	4%
	Motion	1,673	1,611	4%	2%	2%
	Process Automation	1,507	1,403	7%	5%	5%
	Robotics & Discrete Automation	813	806	1%	-2%	-3%
	Corporate and Other (incl. intersegment eliminations)	(161)	(269)			
Income from operations	**ABB Group**	**852**	**71**			
	Electrification	434	387			
	Motion	244	256			
	Process Automation	183	75			
	Robotics & Discrete Automation	68	(236)			
	Corporate and Other (incl. intersegment eliminations)	(77)	(411)			
Income from operations %	**ABB Group**	**12.1%**	**1.1%**			
	Electrification	13.6%	12.8%			
	Motion	14.6%	15.9%			
	Process Automation	12.1%	5.3%			
	Robotics & Discrete Automation	8.4%	(29.3)%			
Operational EBITA	**ABB Group**	**1,062**	**787**	**35%**	**32%**	
	Electrification	511	493	4%	1%	
	Motion	291	281	4%	2%	
	Process Automation	207	89	133%	128%	
	Robotics & Discrete Automation	90	76	18%	16%	
	Corporate and Other (incl. intersegment eliminations)	(37)	(152)			
Operational EBITA %	**ABB Group**	**15.1%**	**12.0%**			
	Electrification	15.9%	16.3%			
	Motion	17.4%	17.4%			
	Process Automation	13.7%	6.4%			
	Robotics & Discrete Automation	11.1%	9.5%			
Cash flow from operating activities[1]	**ABB Group**	**1,104**	**408**			
	Electrification	636	460			
	Motion	399	379			
	Process Automation	231	164			
	Robotics & Discrete Automation	56	110			
	Corporate and Other (incl. intersegment eliminations)	(203)	(715)			
	Discontinued operations	(15)	10			

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

($ in millions, unless otherwise indicated)		9M 2021	9M 2020	CHANGE US$	CHANGE Local	CHANGE Comparable
Orders	**ABB Group**	**23,611**	**19,509**	**21%**	**16%**	**16%**
	Electrification	10,743	8,810	22%	17%	18%
	Motion	5,773	5,022	15%	10%	10%
	Process Automation	4,881	4,226	15%	10%	10%
	Robotics & Discrete Automation	2,744	2,169	27%	20%	20%
	Corporate and Other (incl. intersegment eliminations)	(530)	(718)			
Order backlog (end September)	**ABB Group**	**16,012**	**13,878**	**15%**	**15%**	**15%**
	Electrification	5,246	4,471	17%	17%	17%
	Motion	3,717	3,349	11%	11%	11%
	Process Automation	6,021	5,152	17%	16%	16%
	Robotics & Discrete Automation	1,619	1,442	12%	11%	11%
	Corporate and Other (incl. intersegment eliminations)	(591)	(536)			
Revenues	**ABB Group**	**21,378**	**18,952**	**13%**	**8%**	**8%**
	Electrification	9,742	8,568	14%	9%	10%
	Motion	5,190	4,704	10%	6%	6%
	Process Automation	4,454	4,247	5%	0%	0%
	Robotics & Discrete Automation	2,498	2,106	19%	12%	12%
	Corporate and Other (incl. intersegment eliminations)	(506)	(673)			
Income from operations	**ABB Group**	**2,743**	**1,015**			
	Electrification	1,423	891			
	Motion	812	731			
	Process Automation	520	316			
	Robotics & Discrete Automation	224	(186)			
	Corporate and Other (incl. intersegment eliminations)	(236)	(737)			
Income from operations %	**ABB Group**	**12.8%**	**5.4%**			
	Electrification	14.6%	10.4%			
	Motion	15.6%	15.5%			
	Process Automation	11.7%	7.4%			
	Robotics & Discrete Automation	9.0%	-8.8%			
Operational EBITA	**ABB Group**	**3,134**	**2,074**	**51%**	**43%**	
	Electrification	1,614	1,159	39%	30%	
	Motion	905	790	15%	9%	
	Process Automation	554	348	59%	49%	
	Robotics & Discrete Automation	291	178	63%	53%	
	Corporate and Other[(1)] (incl. intersegment eliminations)	(230)	(401)			
Operational EBITA %	**ABB Group**	**14.6%**	**10.9%**			
	Electrification	16.5%	13.5%			
	Motion	17.4%	16.8%			
	Process Automation	12.4%	8.2%			
	Robotics & Discrete Automation	11.7%	8.5%			
Cash flow from operating activities[(2)]	**ABB Group**	**2,310**	**511**			
	Electrification	1,466	875			
	Motion	946	859			
	Process Automation	692	258			
	Robotics & Discrete Automation	245	244			
	Corporate and Other (incl. intersegment eliminations)	(1,044)	(1,586)			
	Discontinued operations	5	(139)			

(1) Corporate and Other includes Stranded corporate costs of $40 million for the nine months ended September 30, 2020.
(2) Commencing Q1 2021, depreciation relating to certain real estate assets, previously reported in Corporate and Other, has been reallocated to the individual operating segments utilizing these assets. Comparatives have been restated.

Operational EBITA

($ in millions, unless otherwise indicated)	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
	Q3 21	Q3 20	Q3 21	Q3 20	Q3 21	Q3 20	Q3 21	Q3 20	Q3 21	Q3 20
Revenues	**7,028**	**6,582**	**3,196**	**3,031**	**1,673**	**1,611**	**1,507**	**1,403**	**813**	**806**
Foreign exchange/commodity timing differences in total revenues	23	(13)	11	(8)	4	4	9	(6)	(1)	(5)
Operational revenues	**7,051**	**6,569**	**3,207**	**3,023**	**1,677**	**1,615**	**1,516**	**1,397**	**812**	**801**
Income from operations	**852**	**71**	**434**	**387**	**244**	**256**	**183**	**75**	**68**	**(236)**
Acquisition-related amortization	62	67	30	29	10	13	1	1	21	20
Restructuring, related and implementation costs	28	83	11	39	13	9	2	21	1	3
Changes in obligations related to divested businesses	10	203	–	15	–	–	–	–	–	–
Changes in pre-acquisition estimates	(14)	11	(14)	11	–	–	–	–	–	–
Gains and losses from sale of businesses	–	(1)	–	1	–	–	–	–	–	–
Fair value adjustment on assets and liabilities held for sale	–	14	–	14	–	–	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	44	16	18	13	12	–	13	1	1	–
Other income/expense relating to the Power Grids joint venture	15	15	–	–	–	–	–	–	–	–
Certain other non-operational items	17	331	2	2	–	4	1	–	–	291
Foreign exchange/commodity timing differences in income from operations	48	(23)	30	(18)	12	(1)	7	(9)	(1)	(2)
Operational EBITA	**1,062**	**787**	**511**	**493**	**291**	**281**	**207**	**89**	**90**	**76**
Operational EBITA margin (%)	**15.1%**	**12.0%**	**15.9%**	**16.3%**	**17.4%**	**17.4%**	**13.7%**	**6.4%**	**11.1%**	**9.5%**

($ in millions, unless otherwise indicated)	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
	9M 21	9M 20	9M 21	9M 20	9M 21	9M 20	9M 21	9M 20	9M 21	9M 20
Revenues	**21,378**	**18,952**	**9,742**	**8,568**	**5,190**	**4,704**	**4,454**	**4,247**	**2,498**	**2,106**
Foreign exchange/commodity timing differences in total revenues	43	(4)	23	2	12	(3)	10	(7)	(2)	(3)
Operational revenues	**21,421**	**18,948**	**9,765**	**8,570**	**5,202**	**4,701**	**4,464**	**4,240**	**2,496**	**2,103**
Income (loss) from operations	**2,743**	**1,015**	**1,423**	**891**	**812**	**731**	**520**	**316**	**224**	**(186)**
Acquisition-related amortization	191	197	88	86	36	39	3	3	62	58
Restructuring, related and implementation costs	81	190	32	83	18	20	15	37	6	14
Changes in obligations related to divested businesses	16	204	–	15	–	–	–	–	–	–
Changes in pre-acquisition estimates	(6)	11	(6)	11	–	–	–	–	–	–
Gains and losses from sale of businesses	(9)	4	4	6	(1)	–	(13)	–	–	–
Fair value adjustment on assets and liabilities held for sale	–	33	–	33	–	–	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	74	43	36	40	19	–	17	1	1	–
Other income/expense relating to the Power Grids joint venture	34	15	–	–	–	–	–	–	–	–
Certain other non-operational items	(58)	378	(13)	(5)	1	13	3	1	–	293
Foreign exchange/commodity timing differences in income from operations	68	(16)	50	(1)	20	(13)	9	(10)	(2)	(1)
Operational EBITA	**3,134**	**2,074**	**1,614**	**1,159**	**905**	**790**	**554**	**348**	**291**	**178**
Operational EBITA margin (%)	**14.6%**	**10.9%**	**16.5%**	**13.5%**	**17.4%**	**16.8%**	**12.4%**	**8.2%**	**11.7%**	**8.5%**

Depreciation and Amortization

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
($ in millions)	Q3 21	Q3 20	Q3 21	Q3 20	Q3 21	Q3 20	Q3 21	Q3 20	Q3 21	Q3 20
Depreciation(1)	142	147	70	67	30	32	21	18	15	13
Amortization	78	84	37	37	11	14	3	3	22	21
including total acquisition-related amortization of:	62	67	30	29	10	13	1	1	21	20

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
($ in millions)	9M 21	9M 20	9M 21	9M 20	9M 21	9M 20	9M 21	9M 20	9M 21	9M 20
Depreciation(1)	434	439	202	206	94	95	59	52	43	37
Amortization	243	247	113	105	40	41	9	8	64	60
including total acquisition-related amortization of:	191	197	88	86	36	39	3	3	62	58

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

Orders received and revenues by region

($ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	Q3 21	Q3 20	US$	Local	Com-parable	Q3 21	Q3 20	US$	Local	Com-parable
Europe	2,663	2,068	29%	28%	27%	2,525	2,410	5%	4%	3%
The Americas	2,580	1,938	33%	32%	31%	2,161	1,927	12%	11%	11%
of which United States	1,934	1,475	31%	31%	31%	1,610	1,443	12%	12%	12%
Asia, Middle East and Africa	2,623	2,103	25%	20%	20%	2,342	2,245	4%	1%	1%
of which China	1,260	1,089	16%	9%	9%	1,210	1,182	2%	-4%	-4%
Intersegment orders/revenues(1)	–	–				–	–			
ABB Group	**7,866**	**6,109**	**29%**	**27%**	**26%**	**7,028**	**6,582**	**7%**	**4%**	**4%**

($ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	9M 21	9M 20	US$	Local	Com-parable	9M 21	9M 20	US$	Local	Com-parable
Europe	8,719	7,062	23%	17%	17%	7,773	6,998	11%	5%	5%
The Americas	7,300	5,936	23%	21%	21%	6,488	5,891	10%	9%	9%
of which United States	5,459	4,512	21%	21%	21%	4,818	4,522	7%	6%	7%
Asia, Middle East and Africa	7,592	6,389	19%	12%	12%	7,117	5,955	20%	13%	14%
of which China	3,781	3,036	25%	15%	15%	3,699	2,860	29%	20%	21%
Intersegment orders/revenues(1)	–	122				–	108			
ABB Group	**23,611**	**19,509**	**21%**	**16%**	**16%**	**21,378**	**18,952**	**13%**	**8%**	**8%**

(1) Intersegment orders/revenues during the six months ended June 30, 2020, include sales to the Power Grids business which is presented as discontinued operations and thus these sales are not eliminated from Total orders/revenues.

Consolidated Financial Information

ABB Ltd Consolidated Income Statements (unaudited)

($ in millions, except per share data in $)	Nine months ended Sep. 30, 2021	Nine months ended Sep. 30, 2020	Three months ended Sep. 30, 2021	Three months ended Sep. 30, 2020
Sales of products	17,644	15,391	5,770	5,363
Sales of services and other	3,734	3,561	1,258	1,219
Total revenues	**21,378**	**18,952**	**7,028**	**6,582**
Cost of sales of products	(12,089)	(11,047)	(3,981)	(4,008)
Cost of services and other	(2,219)	(2,174)	(753)	(740)
Total cost of sales	**(14,308)**	**(13,221)**	**(4,734)**	**(4,748)**
Gross profit	**7,070**	**5,731**	**2,294**	**1,834**
Selling, general and administrative expenses	(3,808)	(3,624)	(1,231)	(1,192)
Non-order related research and development expenses	(897)	(791)	(296)	(270)
Impairment of goodwill	–	(311)	–	(311)
Other income (expense), net	378	10	85	10
Income from operations	**2,743**	**1,015**	**852**	**71**
Interest and dividend income	37	39	11	12
Interest and other finance expense	(108)	(191)	(17)	(79)
Non-operational pension (cost) credit	130	(272)	42	(343)
Income (loss) from continuing operations before taxes	**2,802**	**591**	**888**	**(339)**
Income tax expense	(775)	(373)	(201)	(164)
Income (loss) from continuing operations, net of tax	**2,027**	**218**	**687**	**(503)**
Income (loss) from discontinued operations, net of tax	(45)	5,043	(9)	5,038
Net income	**1,982**	**5,261**	**678**	**4,535**
Net income attributable to noncontrolling interests	(76)	(36)	(26)	(5)
Net income attributable to ABB	**1,906**	**5,225**	**652**	**4,530**
Amounts attributable to ABB shareholders:				
Income (loss) from continuing operations, net of tax	1,951	190	661	(513)
Income (loss) from discontinued operations, net of tax	(45)	5,035	(9)	5,043
Net income	1,906	5,225	652	4,530
Basic earnings per share attributable to ABB shareholders:				
Income (loss) from continuing operations, net of tax	0.97	0.09	0.33	(0.24)
Income (loss) from discontinued operations, net of tax	(0.02)	2.36	0.00	2.38
Net income	0.95	2.45	0.33	2.14
Diluted earnings per share attributable to ABB shareholders:				
Income (loss) from continuing operations, net of tax	0.96	0.09	0.33	(0.24)
Income (loss) from discontinued operations, net of tax	(0.02)	2.36	0.00	2.38
Net income	0.94	2.45	0.32	2.14
Weighted-average number of shares outstanding (in millions) used to compute:				
Basic earnings per share attributable to ABB shareholders	2,011	2,129	2,001	2,119
Diluted earnings per share attributable to ABB shareholders	2,028	2,135	2,019	2,119

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)

	Nine months ended		Three months ended	
($ in millions)	Sep. 30, 2021	Sep. 30, 2020	Sep. 30, 2021	Sep. 30, 2020
Total comprehensive income, net of tax	**1,722**	**6,244**	**516**	**5,760**
Total comprehensive income attributable to noncontrolling interests, net of tax	(81)	(58)	(26)	(31)
Total comprehensive income attributable to ABB shareholders, net of tax	**1,641**	**6,186**	**490**	**5,729**

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, 2021	Dec. 31, 2020
Cash and equivalents	3,709	3,278
Restricted cash	31	323
Marketable securities and short-term investments	746	2,108
Receivables, net	6,728	6,820
Contract assets	1,139	985
Inventories, net	4,864	4,469
Prepaid expenses	217	201
Other current assets	511	760
Current assets held for sale and in discontinued operations	1,048	282
Total current assets	**18,993**	**19,226**
Restricted cash, non-current	300	300
Property, plant and equipment, net	3,910	4,174
Operating lease right-of-use assets	931	969
Investments in equity-accounted companies	1,683	1,784
Prepaid pension and other employee benefits	423	360
Intangible assets, net	1,627	2,078
Goodwill	10,524	10,850
Deferred taxes	888	843
Other non-current assets	549	504
Total assets	**39,828**	**41,088**
Accounts payable, trade	4,642	4,571
Contract liabilities	1,940	1,903
Short-term debt and current maturities of long-term debt	2,414	1,293
Current operating leases	206	270
Provisions for warranties	1,014	1,035
Other provisions	1,384	1,519
Other current liabilities	4,233	4,181
Current liabilities held for sale and in discontinued operations	817	644
Total current liabilities	**16,650**	**15,416**
Long-term debt	4,270	4,828
Non-current operating leases	753	731
Pension and other employee benefits	1,066	1,231
Deferred taxes	770	661
Other non-current liabilities	1,934	2,025
Non-current liabilities held for sale and in discontinued operations	76	197
Total liabilities	**25,519**	**25,089**
Commitments and contingencies		
Stockholders' equity:		
Common stock, CHF 0.12 par value		
(2,053 million and 2,168 million shares issued at September 30, 2021, and December 31, 2020, respectively)	178	188
Additional paid-in capital	16	83
Retained earnings	19,837	22,946
Accumulated other comprehensive loss	(4,266)	(4,002)
Treasury stock, at cost		
(61 million and 137 million shares at September 30, 2021, and December 31, 2020, respectively)	(1,814)	(3,530)
Total ABB stockholders' equity	**13,951**	**15,685**
Noncontrolling interests	358	314
Total stockholders' equity	**14,309**	**15,999**
Total liabilities and stockholders' equity	**39,828**	**41,088**

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

See Notes to the Consolidated Financial Information

ABB Ltd Consolidated Statements of Cash Flows (unaudited)

($ in millions)	Nine months ended Sep. 30, 2021	Nine months ended Sep. 30, 2020	Three months ended Sep. 30, 2021	Three months ended Sep. 30, 2020
Operating activities:				
Net income	1,982	5,261	678	4,535
Loss (income) from discontinued operations, net of tax	45	(5,043)	9	(5,038)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	677	686	220	231
Impairment of goodwill	–	311	–	311
Changes in fair values of investments	(114)	(86)	(1)	(25)
Pension and other employee benefits	(159)	(27)	(65)	55
Deferred taxes	82	(159)	(27)	(158)
Net loss (gain) from derivatives and foreign exchange	99	29	55	4
Net loss (gain) from sale of property, plant and equipment	(22)	(24)	(7)	(20)
Fair value adjustment on assets and liabilities held for sale	–	33	–	14
Other	144	114	58	50
Changes in operating assets and liabilities:				
Trade receivables, net	(182)	(37)	232	(103)
Contract assets and liabilities	(73)	41	74	128
Inventories, net	(692)	(201)	(399)	(2)
Accounts payable, trade	361	(98)	52	102
Accrued liabilities	336	(58)	283	(50)
Provisions, net	(79)	96	(19)	156
Income taxes payable and receivable	(92)	(78)	(36)	79
Other assets and liabilities, net	(8)	(110)	12	129
Net cash provided by operating activities – continuing operations	2,305	650	1,119	398
Net cash provided by (used in) operating activities – discontinued operations	5	(139)	(15)	10
Net cash provided by operating activities	**2,310**	**511**	**1,104**	**408**
Investing activities:				
Purchases of investments	(414)	(5,982)	(67)	(4,368)
Purchases of property, plant and equipment and intangible assets	(459)	(432)	(166)	(129)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(227)	(99)	(199)	(19)
Proceeds from sales of investments	1,639	1,288	318	833
Proceeds from maturity of investments	80	1	–	1
Proceeds from sales of property, plant and equipment	36	68	13	41
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	93	(133)	46	9
Net cash from settlement of foreign currency derivatives	(75)	94	(3)	170
Other investing activities	(25)	11	(11)	25
Net cash provided by (used in) investing activities – continuing operations	648	(5,184)	(69)	(3,437)
Net cash provided by (used in) investing activities – discontinued operations	(83)	9,091	(13)	9,201
Net cash provided by (used in) investing activities	**565**	**3,907**	**(82)**	**5,764**
Financing activities:				
Net changes in debt with original maturities of 90 days or less	213	(525)	(61)	(4,107)
Increase in debt	1,378	360	374	45
Repayment of debt	(763)	(663)	(13)	(95)
Delivery of shares	786	383	20	383
Purchase of treasury stock	(2,441)	(1,270)	(470)	(1,270)
Dividends paid	(1,726)	(1,736)	–	–
Dividends paid to noncontrolling shareholders	(91)	(82)	1	(11)
Other financing activities	(17)	(67)	(23)	37
Net cash used in financing activities – continuing operations	(2,661)	(3,600)	(172)	(5,018)
Net cash provided by financing activities – discontinued operations	–	31	–	14
Net cash used in financing activities	**(2,661)**	**(3,569)**	**(172)**	**(5,004)**
Effects of exchange rate changes on cash and equivalents and restricted cash	(75)	(55)	(41)	43
Adjustment for the net change in cash and equivalents and restricted cash in discontinued operations	–	–	–	609
Net change in cash and equivalents and restricted cash	**139**	**794**	**809**	**1,820**
Cash and equivalents and restricted cash, beginning of period	3,901	3,544	3,231	2,518
Cash and equivalents and restricted cash, end of period	**4,040**	**4,338**	**4,040**	**4,338**
Supplementary disclosure of cash flow information:				
Interest paid	75	111	17	9
Income taxes paid	793	689	250	227

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

See Notes to the Consolidated Financial Information

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

($ in millions)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	**Total ABB stockholders' equity**	Non-controlling interests	**Total stockholders' equity**
Balance at January 1, 2020	**188**	**73**	**19,640**	**(5,590)**	**(785)**	**13,526**	**454**	**13,980**
Adoption of accounting standard update			(82)			**(82)**	(9)	**(91)**
Comprehensive income:								
Net income			5,225			**5,225**	36	**5,261**
Foreign currency translation adjustments, net of tax of $4				600		**600**	22	**622**
Effect of change in fair value of available-for-sale securities, net of tax of $4				9		**9**		**9**
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of $114				351		**351**		**351**
Change in derivative instruments and hedges, net of tax of $(2)				1		**1**		**1**
Total comprehensive income						**6,186**	**58**	**6,244**
Changes in noncontrolling interests		(16)				**(16)**	19	**3**
Change in noncontrolling interests in connection with divestments						**–**	(138)	**(138)**
Dividends to noncontrolling shareholders						**–**	(98)	**(98)**
Dividends to shareholders			(1,758)			**(1,758)**		**(1,758)**
Share-based payment arrangements		40				**40**		**40**
Purchase of treasury stock					(1,533)	**(1,533)**		**(1,533)**
Delivery of shares		(17)			400	**383**		**383**
Call options		(1)				**(1)**		**(1)**
Balance at September 30, 2020	**188**	**79**	**23,025**	**(4,629)**	**(1,919)**	**16,744**	**286**	**17,030**
Balance at January 1, 2021	**188**	**83**	**22,946**	**(4,002)**	**(3,530)**	**15,685**	**314**	**15,999**
Comprehensive income:								
Net income			1,906			**1,906**	76	**1,982**
Foreign currency translation adjustments, net of tax of $2				(366)		**(366)**	5	**(361)**
Effect of change in fair value of available-for-sale securities, net of tax of $(3)				(10)		**(10)**		**(10)**
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of $10				114		**114**		**114**
Change in derivative instruments and hedges, net of tax of $0				(3)		**(3)**		**(3)**
Total comprehensive income						**1,641**	**81**	**1,722**
Changes in noncontrolling interests		(37)	(20)			**(57)**	55	**(2)**
Dividends to noncontrolling shareholders						**–**	(92)	**(92)**
Dividends to shareholders			(1,730)			**(1,730)**		**(1,730)**
Cancellation of treasury shares	(10)	(17)	(3,130)		3,157	**–**		**–**
Share-based payment arrangements		48				**48**		**48**
Purchase of treasury stock					(2,430)	**(2,430)**		**(2,430)**
Delivery of shares		(68)	(136)		990	**786**		**786**
Other		6				**6**		**6**
Balance at September 30, 2021	**178**	**16**	**19,837**	**(4,266)**	**(1,814)**	**13,951**	**358**	**14,309**

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

See Notes to the Consolidated Financial Information

Note 1
The Company and basis of presentation

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

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

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

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

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

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

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

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

Note 2
Recent accounting pronouncements

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

Applicable for future periods

Facilitation of the effects of reference rate reform on financial reporting

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

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Note 3
Discontinued operations and assets held for sale

Divestment of the Power Grids business

On July 1, 2020, the Company completed the sale of 80.1 percent of its Power Grids business to Hitachi Ltd (Hitachi). The transaction was executed through the sale of 80.1 percent of the shares of Hitachi Energy Ltd, formerly Hitachi ABB Power Grids Ltd ("Hitachi ABB PG"). Cash consideration received at the closing date was $9,241 million net of cash disposed. Further, for accounting purposes, the 19.9 percent ownership interest retained by the Company is deemed to have been both divested and reacquired at its fair value on July 1, 2020. The Company also obtained a put option, exercisable commencing in April 2023, allowing the Company to require Hitachi to purchase the remaining interest for fair value, subject to a minimum floor price equivalent to a 10 percent discount compared to the price paid for the initial 80.1 percent. The combined fair value of the retained investment and the related put option, which initially was estimated to be $1,808 million, was recorded at fair value on July 1, 2020, and was accounted for as part of the proceeds for the sale of the entire Power Grids business (see Note 4). This fair value was subsequently remeasured to $1,779 million in the three months ended December 31, 2020.

In connection with the divestment, the Company recorded liabilities in discontinued operations for estimated future costs and other cash payments of $487 million for various contractual items relating to the sale of the business, including required future cost reimbursements payable to Hitachi ABB PG, costs incurred by the Company for the direct benefit of Hitachi ABB PG, and an amount due to Hitachi Ltd in connection with the expected purchase price finalization of the closing debt and working capital balances. From the date of the disposal through September 30, 2021, $116 million of these liabilities had been paid and are reported as reductions in the cash consideration received, of which $83 million and $13 million was paid during the nine months and three months ended September 30, 2021, respectively. At September 30, 2021, the remaining amount recorded was $380 million.

As a result of the Power Grids sale, the Company recognized an initial net gain of $5,320 million, net of transaction costs, for the sale of the entire Power Grids business, which was included in Income from discontinued operations, net of tax, in the nine and three months ended September 30, 2020. Included in the initial calculation of the net gain was a cumulative translation loss relating to the Power Grids business of $439 million which was reclassified from Accumulated other comprehensive loss (see Note 16). Certain amounts included in the net gain were estimated or otherwise subject to change in value and the Company has recorded adjustments to the gain in periods subsequent to divestment. The net gain was reduced by $179 million in the three months ended December 31, 2020. In addition, in the nine and three months ended September 30, 2021, these further adjustments have decreased the net gain by $32 million and $5 million, respectively. Certain obligations relating to the divestment continue to be subject to uncertainty and will be adjusted in future periods but these adjustments are not expected to have a material impact on the consolidated financial statements.

In the nine and three months ended September 30, 2020, the Company recorded $262 million, in Income tax expense within discontinued operations in connection with the reorganization of the legal entity structure of the Power Grids business required to facilitate the sale.

Certain entities of the Power Grids business for which the legal process or other regulatory delays resulted in the Company not yet having transferred legal titles to Hitachi have been accounted for as being sold since control of the business as well as all risks and rewards of the business have been fully transferred to Hitachi ABB PG. The proceeds for these entities are included in the cash proceeds described above and certain funds have been placed in escrow pending completion of the transfer process. At September 30, 2021, and December 31, 2020, current restricted cash includes $12 million and $302 million, respectively, relating to these proceeds.

The Company has recognized liabilities in discontinued operations in connection with the divestment for certain indemnities (see Note 11 for additional information). The Company has also recorded an initial liability of $258 million representing the fair value of the right granted to Hitachi ABB PG for the use of the ABB brand for up to 8 years.

Upon closing of the sale, the Company entered into various transition services agreements (TSAs). Pursuant to these TSAs, the Company and Hitachi ABB PG provide to each other, on an interim, transitional basis, various services. The services provided by the Company primarily include finance, information technology, human resources and certain other administrative services. Under the current terms, the TSAs will continue for up to 3 years, and can only be extended on an exceptional basis for business-critical services for an additional period which is reasonably necessary to avoid a material adverse impact on the business. In the nine and three months ended September 30, 2021, the Company has recognized within its continuing operations, general and administrative expenses incurred to perform the TSA, offset by $127 million and $39 million, respectively, in TSA related income for such services that is reported in Other income (expense). In the nine and three months ended September 30, 2020, Other income (expense) included $42 million of TSA related income for such services.

Discontinued operations

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

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

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

	Nine months ended		Three months ended	
($ in millions)	Sep. 30, 2021	Sep. 30, 2020	Sep. 30, 2021	Sep. 30, 2020
Total revenues	–	4,008	–	–
Total cost of sales	–	(3,058)	–	–
Gross profit	**–**	**950**	**–**	**–**
Expenses	(13)	(804)	(4)	(23)
Change to net gain recognized on sale of the Power Grids business	(32)	5,320	(5)	5,320
Income (loss) from operations	**(45)**	**5,466**	**(9)**	**5,297**
Net interest and other finance expense	–	(5)	–	–
Non-operational pension (cost) credit	–	(94)	–	–
Income (loss) from discontinued operations before taxes	**(45)**	**5,367**	**(9)**	**5,297**
Income tax	–	(324)	–	(259)
Income (loss) from discontinued operations, net of tax	**(45)**	**5,043**	**(9)**	**5,038**

Of the total Income (loss) from discontinued operations before taxes in the table above, $(45) million and $5,355 million in the nine months ended September 30, 2021 and 2020, respectively, and $(9) million and $5,300 million in the three months ended September 30, 2021 and 2020, respectively, are attributable to the Company, while the remainder is attributable to noncontrolling interests.

Until the date of the divestment, Income from discontinued operations before taxes excluded stranded costs which were previously able to be allocated to the Power Grids operating segment. As a result, for the nine months ended September 30, 2020, $40 million of allocated overhead and other management costs, which were previously included in the measure of segment profit for the Power Grids operating segment are reported as part of Corporate and Other. In the table above, Net interest and other finance expense in the nine months ended September 30, 2020, included $20 million of interest expense which was recorded on an allocated basis in accordance with the Company's accounting policy election until the divestment date. In addition, as required by U.S. GAAP, subsequent to December 17, 2018, (the date of the original agreement to sell the Power Grids business) the Company has not recorded depreciation or amortization on the property, plant and equipment, and intangible assets reported as discontinued operations.

Included in the reported Total revenues of the Company for the nine months ended September 30, 2020, are revenues for sales from the Company's operating segments to the Power Grids business of $108 million, which represent intercompany transactions that, prior to Power Grids being classified as a discontinued operation, were eliminated in the Company's consolidated financial statements (see Note 18). Subsequent to the divestment, sales to Hitachi ABB PG are reported as third-party revenues.

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

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

($ in millions)	Sep. 30, 2021[1]	Dec. 31, 2020[1]
Receivables, net	163	280
Inventories, net	2	1
Other current assets	1	1
Current assets held for sale and in discontinued operations	**166**	**282**
Accounts payable, trade	107	188
Other liabilities	505	456
Current liabilities held for sale and in discontinued operations	**612**	**644**
Other non-current liabilities	76	197
Non-current liabilities held for sale and in discontinued operations	**76**	**197**

(1) At September 30, 2021, and December 31, 2020, the balances reported as held for sale and in discontinued operations pertain to Power Grids activities and other obligations which will remain with the Company until such time as the obligation is settled or the activities are fully wound down.

Planned business divestments classified as held for sale

The Company classifies its long-lived assets or disposal groups to be sold as held for sale in the period in which all of the held for sale criteria are met. The Company initially measures a long-lived asset or disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any resulting loss is recognized in the period in which the held for sale criteria are met, while gains are not recognized on the sale of a long-lived asset or disposal group until the date of sale. The Company assesses the fair value of a long-lived asset or disposal group less any costs to sell at each reporting period and until the asset or disposal group is no longer classified as held for sale.

In July 2021, the Company entered into an agreement to divest its Mechanical Power Transmission Division (Dodge) to RBC Bearings Inc. for cash proceeds of $2.9 billion. The Dodge business is part of the Company's Motion operating segment and the divestment is expected to be completed in the fourth quarter of 2021.

As this planned divestment does not qualify as a discontinued operation, the results of operations for this business are included in the Company's continuing operations for all periods presented. The assets and liabilities of this business are shown as assets and liabilities held for sale in the Company's Consolidated Balance Sheet at September 30, 2021. The carrying amounts of the major classes of assets and liabilities held for sale relating to this planned divestment are as follows:

($ in millions)	Sep. 30, 2021
Assets	
Receivables, net	79
Inventories, net	121
Property, plant and equipment, net	113
Other intangible assets, net	216
Goodwill	335
Other assets	18
Current assets held for sale	**882**
Liabilities	
Accounts payable, trade	72
Deferred taxes	33
Other liabilities	100
Current liabilities held for sale	**205**

In the nine and three months ended September 30, 2021, Income from continuing operations before taxes includes income of $106 million and $35 million, respectively, from the Dodge business. In the nine and three months ended September 30, 2020, income of $71 million and $22 million, respectively, from this business were included in Income from continuing operations before taxes.

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Note 4
Acquisitions, divestments and equity-accounted companies

Acquisitions
Acquisitions were as follows:

	Nine months ended September 30,		Three months ended September 30,	
($ in millions, except number of acquired businesses)	2021	2020	2021	2020
Purchase price for acquisitions (net of cash acquired)(1)	216	60	190	-
Aggregate excess of purchase price over fair value of net assets acquired(2)	159	69	148	2
Number of acquired businesses	2	2	1	-

(1) Excluding changes in cost- and equity-accounted companies
(2) Recorded as goodwill. For all periods presented, amounts include adjustments arising during the measurement period of acquisitions.

In the table above, the "Purchase price for acquisitions" and "Aggregate excess of purchase price over fair value of net assets acquired" amounts for the nine months ended September 30, 2021, relate primarily to the acquisition of ASTI Mobile Robotics Group (ASTI).

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.

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.

On August 2, 2021, the Company acquired the shares of ASTI. ASTI is headquartered in Burgos, Spain and is a global autonomous mobile robot (AMR) manufacturer. The resulting cash outflows for the Company amounted to $190 million (net of cash acquired of $7 million). The acquisition expands the Company's robotics and automation offering in its Robotics and Discrete Automation operating segment.

There were no significant business acquisitions for the nine and three months ended September 30, 2020.

Investments in equity-accounted companies
In connection with the divestment of its Power Grids business to Hitachi (see Note 3), the Company retained a 19.9 percent interest in the business. For accounting purposes, the 19.9 percent interest is deemed to have been both divested and reacquired, with a fair value of $1,661 million. The fair value was based on a discounted cash flow model considering the expected results of the future business operations of Hitachi ABB PG and using relevant market inputs including a risk-adjusted weighted-average cost of capital. The Company also obtained a right to require Hitachi to purchase this investment (see Note 3) with a floor price equivalent to a 10 percent discount compared to the price paid for the initial 80.1 percent. This option was valued at $118 million using a standard option pricing model with inputs considering the nature of the investment and the expected period until option exercise. As this option is not separable from the investment the value has been combined with the value of the underlying investment and is accounted for together.

The Company has concluded that based on its continuing involvement with the Power Grids business, including membership in its governing board of directors, it has significant influence over Hitachi ABB PG. As a result, the investment (including the value of the option) is accounted for using the equity method.

The difference between the initial carrying value of the Company's investment in Hitachi ABB PG at fair value and its proportionate share of the underlying net assets, created basis differences of $8,570 million ($1,705 million for the Company's 19.9% ownership), which are allocated as follows:

($ in millions)	Allocated Amount	Weighted-average useful life
Inventories	169	5 months
Order backlog	727	2 years
Property, plant and equipment(1)	1,016	
Intangible assets(2)	1,731	9 years
Other contractual rights	251	2 years
Other assets	43	
Deferred tax liabilities	(942)	
Goodwill	6,026	
Less: Amount attributed to noncontrolling interest	(451)	
Basis difference	**8,570**	

(1) Property, plant and equipment includes assets subject to amortization having an initial fair value difference of $686 million and a weighted-average useful life of 14 years.
(2) Intangible assets include brand license agreement, technology and customer relationships.

For assets subject to depreciation or amortization, the Company amortizes these basis differences over the estimated remaining useful lives of the assets that gave rise to this difference, recording the amortization, net of related deferred tax benefit, as a reduction of income from equity accounted companies. Certain other assets are recorded as an expense as the benefits from the assets are realized. As of September 30, 2021, the Company determined that no impairment of its equity-accounted investments existed.

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

($ in millions, expect ownership share in %)	Ownership as of September 30, 2021	Carrying value at September 30, 2021	Carrying value at December 31, 2020
Hitachi Energy Ltd	19.9%	1,620	1,710
Others		63	74
Total		**1,683**	**1,784**

In the nine and three months ended September 30, 2021 and 2020, the Company recorded its share of the earnings of investees accounted for under the equity method of accounting in Other income (expense), net, as follows:

	Nine months ended September 30,		Three months ended September 30,	
($ in millions)	2021	2020	2021	2020
Income from equity-accounted companies, net of taxes	11	12	7	8
Basis difference amortization (net of deferred income tax benefit)	(94)	(52)	(33)	(52)
Loss from equity-accounted companies	**(83)**	**(40)**	**(26)**	**(44)**

Divestment of the solar inverters business

In February 2020, the Company completed the sale of its solar inverters business for no consideration. Under the agreement, which was reached in July 2019, the Company was required to transfer $143 million of cash to the buyer on the closing date. In addition, payments totaling EUR 132 million ($145 million) are required to be transferred to the buyer from 2020 through 2025. In the year ended December 31, 2019, the Company recorded a loss of $421 million, representing the excess of the carrying value, which includes a loss of $99 million arising from the cumulative translation adjustment, over the estimated fair value of this business. During the nine months ended September 30, 2020, a loss of $33 million was included in "Other income (expense), net" for changes in fair value of this business of which $14 million was recorded in the three months. The loss in 2020 includes the $99 million reclassification from other comprehensive income of the currency translation adjustment related to the business.

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

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

Including the above loss of $33 million, in the nine months and three months ended September 30, 2020, Income from continuing operations before taxes includes net losses of $63 million and $30 million, respectively, from the solar inverters business prior to its sale.

Note 5
Cash and equivalents, marketable securities and short-term investments

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

	September 30, 2021					
($ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents and restricted cash	Marketable securities and short-term investments
Changes in fair value recorded in net income						
Cash	2,053			**2,053**	2,053	
Time deposits	1,988			**1,988**	1,987	1
Equity securities	394	15		**409**		409
	4,435	**15**	**–**	**4,450**	**4,040**	**410**
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	198	12	(2)	**208**		208
European government obligations	58		(1)	**57**		57
Corporate	69	3	(1)	**71**		71
	325	**15**	**(4)**	**336**	**–**	**336**
Total	**4,760**	**30**	**(4)**	**4,786**	**4,040**	**746**
Of which:						
Restricted cash, current					31	
Restricted cash, non-current					300	

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

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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	Total notional amounts at		
($ in millions)	September 30, 2021	December 31, 2020	September 30, 2020
Foreign exchange contracts	9,401	12,610	14,316
Embedded foreign exchange derivatives	881	1,134	1,013
Cross-currency interest rate swaps	926	–	–
Interest rate contracts	3,102	3,227	4,128

Derivative commodity contracts

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

Type of derivative	Unit	Total notional amounts at		
		September 30, 2021	December 31, 2020	September 30, 2020
Copper swaps	metric tonnes	34,615	39,390	37,245
Silver swaps	ounces	2,593,338	1,966,677	1,916,958
Aluminum swaps	metric tonnes	6,700	8,112	8,418

Equity derivatives

At September 30, 2021, December 31, 2020, and September 30, 2020, the Company held 11 million, 22 million and 27 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of $25 million, $21 million and $22 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, 2021 and 2020, there were no significant amounts recorded for cash flow hedge accounting activities.

Fair value hedges

To reduce its interest rate exposure arising primarily from its debt issuance activities, the Company uses interest rate swaps and cross-currency 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:

Type of derivative designated as a fair value hedge	Nine months ended September 30, 2021			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
($ in millions)	Location		Location	
Interest rate contracts	Interest and other finance expense	(40)	Interest and other finance expense	41
Cross-currency interest rate swaps	Interest and other finance expense	(27)	Interest and other finance expense	25
Total		**(67)**		**66**

Type of derivative designated as a fair value hedge	Nine months ended September 30, 2020			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
($ in millions)	Location		Location	
Interest rate contracts	Interest and other finance expense	21	Interest and other finance expense	(20)
Total		**21**		**(20)**

Type of derivative designated as a fair value hedge	Three months ended September 30, 2021			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
($ in millions)	Location		Location	
Interest rate contracts	Interest and other finance expense	(13)	Interest and other finance expense	13
Cross-currency interest rate swaps	Interest and other finance expense	(2)	Interest and other finance expense	1
Total		**(15)**		**14**

Type of derivative designated as a fair value hedge	Three months ended September 30, 2020			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
($ in millions)	Location		Location	
Interest rate contracts	Interest and other finance expense	(5)	Interest and other finance expense	7
Total		**(5)**		**7**

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		Gains (losses) recognized in income			
		Nine months ended September 30,		Three months ended September 30,	
($ in millions)	Location	2021	2020	2021	2020
Foreign exchange contracts	Total revenues	(49)	(37)	(39)	30
	Total cost of sales	(24)	53	–	10
	SG&A expenses(1)	6	(2)	7	(6)
	Non-order related research and development	(2)	(1)	(1)	–
	Interest and other finance expense	(121)	107	(2)	139
Embedded foreign exchange contracts	Total revenues	(14)	(4)	(1)	(10)
	Total cost of sales	(3)	(2)	(1)	–
Commodity contracts	Total cost of sales	47	12	(16)	24
Other	Interest and other finance expense	–	1	(1)	–
Total		**(160)**	**127**	**(54)**	**187**

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

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

	September 30, 2021			
	Derivative assets		Derivative liabilities	
($ in millions)	Current in "Other current assets"	Non-current in "Other non-current assets"	Current in "Other current liabilities"	Non-current in "Other non-current liabilities"
Derivatives designated as hedging instruments:				
Foreign exchange contracts	–	1	2	2
Interest rate contracts	16	27	–	–
Cross-currency interest rate swaps	–	–	–	80
Cash-settled call options	25	–	–	–
Total	**41**	**28**	**2**	**82**
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	81	9	105	9
Commodity contracts	20	–	18	–
Interest rate contracts	1	–	3	–
Embedded foreign exchange derivatives	4	3	15	4
Total	**106**	**12**	**141**	**13**
Total fair value	**147**	**40**	**143**	**95**

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

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

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at September 30, 2021, and December 31, 2020, have been presented on a gross basis.

The Company's netting agreements and other similar arrangements allow net settlements under certain conditions. At September 30, 2021, and December 31, 2020, information related to these offsetting arrangements was as follows:

($ in millions)	September 30, 2021				
Type of agreement or similar arrangement	**Gross amount of recognized assets**	**Derivative liabilities eligible for set-off in case of default**	**Cash collateral received**	**Non-cash collateral received**	**Net asset exposure**
Derivatives	180	(103)	–	–	**77**
Total	**180**	**(103)**	**–**	**–**	**77**

($ in millions)	September 30, 2021				
Type of agreement or similar arrangement	**Gross amount of recognized liabilities**	**Derivative liabilities eligible for set-off in case of default**	**Cash collateral pledged**	**Non-cash collateral pledged**	**Net liability exposure**
Derivatives	219	(103)	–	–	**116**
Total	**219**	**(103)**	**–**	**–**	**116**

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

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

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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:

	September 30, 2021			
($ in millions)	Level 1	Level 2	Level 3	Total fair value
Assets				
Securities in "Marketable securities and short-term investments":				
Equity securities		409		**409**
Debt securities—U.S. government obligations	208			**208**
Debt securities—European government obligations	57			**57**
Debt securities—Corporate		71		**71**
Securities in "Other non-current assets":				
Debt securities—U.S. government obligations	80			**80**
Derivative assets—current in "Other current assets"		147		**147**
Derivative assets—non-current in "Other non-current assets"		40		**40**
Total	**345**	**667**	**–**	**1,012**
Liabilities				
Derivative liabilities—current in "Other current liabilities"		143		**143**
Derivative liabilities—non-current in "Other non-current liabilities"		95		**95**
Total	**–**	**238**	**–**	**238**

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

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

- Securities in "Marketable securities and short-term investments" and "Other non-current assets": If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs; however, when markets are not active, these inputs are considered Level 2. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for non-performance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.

- Derivatives: The fair values of derivative instruments are determined using quoted prices of identical instruments from an active market, if available (Level 1 inputs). If quoted prices are not available, price quotes for similar instruments, appropriately adjusted, or present value techniques, based on available market data, or option pricing models are used. Cash-settled call options hedging the Company's WAR liability are valued based on bid prices of the equivalent listed warrant. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.

Non-recurring fair value measures

The Company elects to record private equity investments without readily determinable fair values at cost, less impairment, adjusted by observable price changes. The Company reassesses at each reporting period whether these investments continue to qualify for this treatment. In the nine months ended September 30, 2021 and 2020, the Company recognized, in Other income (expense), net fair value gains of $106 million and $72 million, respectively, related to certain of its private equity investments based on observable market price changes for an identical or similar investment of the same issuer, of which a net loss of $3 million and a net gain of $14 million was recognized in the three months ended September 30, 2021 and 2020, respectively. The fair values of these investments at September 30, 2021 and 2020, totaled $160 million and $97 million, respectively, and were determined using level 2 inputs.

During the nine months ended September 30, 2020, the Company recorded a $33 million fair value adjustment, of which $14 million was recorded in the three months ended September 30,2020, for the solar inverters business which met the criteria to be classified as held for sale in June 2019 and was sold in February 2020 (see Note 4 for details).

In the three months ended September 30, 2020, the Company recorded goodwill impairment charges of $311 million. The fair value measurements used in the analyses were calculated using the income approach (discounted cash flow method). The discounted cash flow models were calculated using unobservable inputs, which classified the fair value measurement as Level 3 (see Note 9 for additional information including further detailed information related to these charges and significant unobservable inputs)

Apart from the transactions above, there were no additional significant non-recurring fair value measurements during the nine and three months ended September 30, 2021 and 2020.

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

		September 30, 2021			
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding securities with original maturities up to 3 months):					
Cash	1,722	1,722			**1,722**
Time deposits	1,987		1,987		**1,987**
Restricted cash	31	31			**31**
Restricted cash, non-current	300	300			**300**
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)	2,391	1,662	729		**2,391**
Long-term debt (excluding finance lease obligations)	4,116	4,322	73		**4,395**

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

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

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

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Note 8
Contract assets and liabilities

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

($ in millions)	September 30, 2021	December 31, 2020	September 30, 2020
Contract assets	1,139	985	1,100
Contract liabilities	1,940	1,903	1,828

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

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

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

	Nine months ended September 30,			
	2021		2020	
($ in millions)	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognized, which was included in the Contract liabilities balance at Jan 1, 2021/2020		(939)		(746)
Additions to Contract liabilities - excluding amounts recognized as revenue during the period		1,032		867
Receivables recognized that were included in the Contract asset balance at Jan 1, 2021/2020	(502)		(448)	

At September 30, 2021, the Company had unsatisfied performance obligations totaling $16,012 million and, of this amount, the Company expects to fulfill approximately 36 percent of the obligations in 2021, approximately 45 percent of the obligations in 2022 and the balance thereafter.

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Note 9
Goodwill

Goodwill is reviewed for impairment annually as of October 1, or more frequently if events or circumstances indicate that the carrying value may not be recoverable.

Goodwill is evaluated for impairment at the reporting unit level, which for the Company is determined to be one level below its operating segments.

When evaluating goodwill for impairment, the Company uses either a qualitative or quantitative assessment method for each reporting unit. The qualitative assessment involves determining, based on an evaluation of qualitative factors, if it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on this qualitative assessment, it is determined to be more likely than not that the reporting unit's fair value is less than its carrying value, a quantitative impairment test (described below) is performed, otherwise no further analysis is required. If the Company elects not to perform the qualitative assessment for a reporting unit, then a quantitative impairment test is performed.

When performing a quantitative impairment test, the Company calculates the fair value of a reporting unit using an income approach based on the present value of future cash flows, applying a discount rate that represents the reporting unit's weighted-average cost of capital, and compares it to the reporting unit's carrying value. If the carrying value of the net assets of a reporting unit exceeds the fair value of the reporting unit then the Company records an impairment charge equal to the difference, provided that the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit.

The changes in "Goodwill" were as follows:

($ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Balance at January 1, 2020	**4,372**	**2,436**	**1,615**	**2,381**	**21**	**10,825**
Goodwill acquired during the year	71	–	–	21	–	**92**
Impairment of Goodwill	–	–	–	(290)	(21)	**(311)**
Exchange rate differences and other	84	20	24	116	–	**244**
Balance at December 31, 2020(1)	**4,527**	**2,456**	**1,639**	**2,228**	**–**	**10,850**
Goodwill acquired during the period	11	–	–	148	–	**159**
Goodwill allocated to disposals	–	–	(7)	–	–	**(7)**
Goodwill allocated to assets held for sale	–	(335)	–	–	–	**(335)**
Exchange rate differences and other	(54)	(4)	(15)	(70)	–	**(143)**
Balance at September 30, 2021(1)	**4,484**	**2,117**	**1,617**	**2,306**	**–**	**10,524**

(1) At September 30, 2021 and December 31, 2020, gross goodwill amounted to $10,809 million and $11,152 million, respectively, and accumulated impairment charges, relating to the Robotics & Discrete Automation segment, amounted to $285 million and $302 million, respectively.

The Company adopted a new operating model on July 1, 2020, which resulted in a change to the identification of the goodwill reporting units. Previously, the reporting units were the same as the operating segments for Electrification, Motion and Robotics & Discrete Automation, while for the Process Automation operating segment the reporting units were determined to be at the Division level, which is one level below the operating segment. The new operating model provides the Divisions with full ownership and accountability for their respective strategies, performance and resources and based on these changes, the Company concluded that the reporting units would change and be the respective Divisions within each operating segment. This change resulted only in an allocation of goodwill within the operating segments and thus there is no change to segment level goodwill in the table above.

As a result of the new allocation of goodwill, an interim quantitative impairment test was conducted both before and after the changes which were effective July 1, 2020. In the "before" test, it was concluded that the fair value of the Company's reporting units exceeded the carrying value under the historical reporting unit structure.

The impairment test was performed for the new reporting units and the fair value of each was determined using a discounted cash flow fair value estimate based on objective information available at the measurement date. The significant assumptions used to develop the estimates of fair value for each reporting unit included management's best estimates of the expected future results and discount rates specific to the reporting unit. The fair value estimates were based on assumptions that the Company believed to be reasonable, but which are inherently uncertain and thus, actual results may differ from those estimates. The fair values for each of the individual reporting units and their associated goodwill were determined using Level 3 measurements.

The interim quantitative impairment test indicated that the estimated fair values of the reporting units were substantially in excess of their carrying value for all reporting units except for the Machine Automation reporting unit within the Robotics & Discrete Automation operating segment. The contraction of the global economy in 2020, particularly in end-customer industries related to this reporting unit and considerable uncertainty around the continued pace of macroeconomic recovery generally led to a reduction in the fair values of the reporting units, thus affecting this reporting unit. Also, at the division level, this reporting unit does not benefit from shared cash flows generated within an entire operating segment. In addition, the book value of the Machine Automation Division includes a significant amount of intangible assets recognized in past acquisitions, resulting in a proportionately higher book value than the other reporting unit within the Robotics & Discrete Automation Business Area. With the fair value of the reporting unit lower due to the economic conditions, the existing book value of the intangible assets combined with the newly allocated reporting unit goodwill led to the carrying value of the Machine Automation reporting unit exceeding its fair value. During 2020, a goodwill impairment charge of $290 million was recorded to reduce the carrying value of this reporting unit to its implied fair value. The remaining goodwill for the Machine Automation reporting unit was $554 million as of December 31, 2020.

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Note 10
Debt

The Company's total debt at September 30, 2021, and December 31, 2020, amounted to $6,684 million and $6,121 million, respectively.

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

($ in millions)	September 30, 2021	December 31, 2020
Short-term debt	715	153
Current maturities of long-term debt	1,699	1,140
Total	**2,414**	**1,293**

Short-term debt primarily represented issued commercial paper and short-term bank borrowings from various banks. At September 30, 2021, and December 31, 2020, $304 million and $32 million, respectively, was outstanding under the $2 billion commercial paper program in the United States. At September 30, 2021, $347 million was outstanding under the $2 billion Euro-commercial paper program. No amount was outstanding under this program at December 31, 2020.

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

Long-term debt
The Company's long-term debt at September 30, 2021, and December 31, 2020, amounted to $4,270 million and $4,828 million, respectively. Outstanding bonds (including maturities within the next 12 months) were as follows:

	September 30, 2021				December 31, 2020			
(in millions)	Nominal outstanding		Carrying value(1)		Nominal outstanding		Carrying value(1)	
Bonds:								
4.0% USD Notes, due 2021					USD	650	$	649
2.25% CHF Bonds, due 2021	CHF	350	$	375	CHF	350	$	403
2.875% USD Notes, due 2022	USD	1,250	$	1,264	USD	1,250	$	1,280
0.625% EUR Instruments, due 2023	EUR	700	$	819	EUR	700	$	875
0.75% EUR Instruments, due 2024	EUR	750	$	884	EUR	750	$	946
0.3% CHF Notes, due 2024	CHF	280	$	299	CHF	280	$	317
3.8% USD Notes, due 2028(2)	USD	383	$	381	USD	383	$	381
1.0% CHF Notes, due 2029	CHF	170	$	181	CHF	170	$	192
0% EUR Notes, due 2030	EUR	800	$	891				–
4.375% USD Notes, due 2042 (2)	USD	609	$	589	USD	609	$	589
Total			**$**	**5,683**			**$**	**5,632**

(1) USD carrying values include unamortized debt issuance costs, bond discounts or premiums, as well as adjustments for fair value hedge accounting, where appropriate.
(2) Prior to completing a cash tender offer in November 2020, the original principal amount outstanding, on each of the 3.8% USD Notes, due 2028, and the 4.375% USD Notes, due 2042, was USD750 million.

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

Subsequent events
On October 11, 2021, the Company repaid at maturity its CHF 350 million 2.25 percent% Bonds, equivalent to $378 million on date of repayment.

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Note 11
Commitments and contingencies

Contingencies—Regulatory, Compliance and Legal

Regulatory

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

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

General

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

Liabilities recognized

At September 30, 2021, and December 31, 2020, the Company had aggregate liabilities of $98 million and $100 million, respectively, included in "Other provisions" and "Other non-current liabilities", for the above regulatory, compliance and legal contingencies, and none of the individual liabilities recognized was significant. As it is not possible to make an informed judgment on, or reasonably predict, the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be adverse outcomes beyond the amounts accrued.

Guarantees

General

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

Maximum potential payments ($ in millions)	September 30, 2021	December 31, 2020
Performance guarantees	5,413	6,726
Financial guarantees	54	339
Indemnification guarantees(1)	127	177
Total(2)	**5,594**	**7,242**

(1) Certain indemnifications provided to Hitachi in connection with the divestment of Power Grids are without limit.
(2) Maximum potential payments include amounts in both continuing and discontinued operations.

The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations. In respect of the above guarantees, the carrying amounts of liabilities at September 30, 2021, and December 31, 2020, amounted to $148 million and $135 million, respectively, the majority of which is included in discontinued operations.

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

In conjunction with the divestment of the high-voltage cable and cables accessories businesses, the Company has entered into various performance guarantees with other parties with respect to certain liabilities of the divested business. At September 30, 2021, and December 31, 2020, the maximum potential payable under these guarantees amounts to $933 million and $994 million, respectively, and these guarantees have various maturities ranging from five to ten years.

The Company retained obligations for financial, performance and indemnification guarantees related to the Power Grids business sold on July 1, 2020 (see Note 3 for details). The performance and financial guarantees have been indemnified by Hitachi, at the same proportion of its ownership in Hitachi ABB Power Grids (80.1 percent). These guarantees, which have various maturities up to 2035, primarily consist of bank guarantees, standby letters of credit, business performance guarantees and other trade-related guarantees, the majority of which have original maturity dates ranging from one to ten years. The maximum amount payable under the guarantees at September 30, 2021, and December 31, 2020, are approximately $4.1 billion and $5.5 billion, respectively, and the carrying amounts of liabilities (recorded in discontinued operations) at September 30, 2021, and December 31, 2020, amounted to $127 million and $135 million, respectively.

Commercial commitments

In addition, in the normal course of bidding for and executing certain projects, the Company has entered into standby letters of credit, bid/performance bonds and surety bonds (collectively "performance bonds") with various financial institutions. Customers can draw on such performance bonds in the event that the Company does not fulfill its contractual obligations. The Company would then have an obligation to reimburse the financial institution for amounts paid under the performance bonds. At September 30, 2021, and December 31, 2020, the total outstanding performance bonds aggregated to $3.6 billion and $4.3 billion, respectively, of which $0.3 billion and $0.3 billion, respectively, relate to discontinued operations. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the nine and three months ended September 30, 2021 and 2020.

Product and order-related contingencies

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

($ in millions)	2021	2020
Balance at January 1,	**1,035**	**816**
Net change in warranties due to acquisitions, divestments and liabilities held for sale	–	8
Claims paid in cash or in kind	(176)	(153)
Net increase in provision for changes in estimates, warranties issued and warranties expired	190	284
Exchange rate differences	(35)	11
Balance at September 30,	**1,014**	**966**

During 2020, the Company recorded changes in a previously estimated amount for a product warranty relating to a divested business, increasing the related liability by $143 million during the nine and three months ended September 30, 2020. The corresponding increase was included in Cost of sales of products and resulted in a decrease in earnings per share (basic and diluted) of $0.07 for both the nine and three months ended September 30, 2020. As these costs relate to a divested business, they have been excluded from the Company's primary measure of segment performance, Operational EBITA (see Note 18). The warranty liability has been recorded based on the information currently available and is subject to change in the future.

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Note 12
Income taxes

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

The effective tax rate of 27.7 percent in the nine months ended September 30, 2021, was lower than the effective tax rate of 63.1 percent in the nine months ended September 30, 2020, primarily because 2020 includes impacts of non-deductible goodwill impairment (see Note 9), the non-deductibility of the non-operational pension costs due to certain settlements in 2020 (see Note 13) as well as the impact of no tax benefit being recorded for the charge recorded in connection with changes in estimated warranty provisions relating to a divested business (see Note 11). In addition, the rate in 2020 reflects a net benefit from a favorable resolution of an uncertain tax position during the first quarter as well as increases to the valuation allowance in certain countries.

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Note 13
Employee benefits

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

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

During the nine and three months ended September 30, 2020, the Company took steps to transfer certain defined benefit pension risks in three international countries to external financial institutions and thus settle these obligations for accounting purposes. In connection with these transactions the Company made net payments of $273 million in the three months ended September 30, 2020, and incurred non-operational pension costs of $379 million which are included in curtailments, settlements and special termination benefits in the table below. The Company also recorded $101 million in the nine months ended September 30, 2020, for a similar settlement of pension obligations in discontinued operations.

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

($ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
Nine months ended September 30,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Operational pension cost:						
Service cost	45	60	31	66	–	–
Operational pension cost	**45**	**60**	**31**	**66**	**–**	**–**
Non-operational pension cost (credit):						
Interest cost	(3)	3	52	91	1	2
Expected return on plan assets	(88)	(93)	(133)	(196)	–	–
Amortization of prior service cost (credit)	(6)	(10)	(2)	1	(1)	(2)
Amortization of net actuarial loss	–	6	53	79	(2)	(2)
Curtailments, settlements and special termination benefits(1)	–	–	(1)	487	–	–
Non-operational pension cost (credit)	**(97)**	**(94)**	**(31)**	**462**	**(2)**	**(2)**
Net periodic benefit cost (credit)	**(52)**	**(34)**	**–**	**528**	**(2)**	**(2)**

($ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
Three months ended September 30,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Operational pension cost:						
Service cost	15	15	9	16	–	–
Operational pension cost	**15**	**15**	**9**	**16**	**–**	**–**
Non-operational pension cost (credit):						
Interest cost	(1)	2	15	31	–	1
Expected return on plan assets	(30)	(28)	(42)	(63)	–	–
Amortization of prior service cost (credit)	(1)	(3)	(1)	–	–	(1)
Amortization of net actuarial loss	–	1	18	24	(1)	–
Curtailments, settlements and special termination benefits	–	–	1	379	–	–
Non-operational pension cost (credit)	**(32)**	**(28)**	**(9)**	**371**	**(1)**	**–**
Net periodic benefit cost (credit)	**(17)**	**(13)**	**–**	**387**	**(1)**	**–**

(1) In the nine months ended September 30, 2020, amounts include $101 million in discontinued operations for the settlement of the pension plan in Sweden.

The components of net periodic benefit cost other than the service cost component are included in the line "Non-operational pension (cost) credit" in the income statement. Net periodic benefit cost includes $121 million for the nine months ended September 30, 2020 related to discontinued operations.

Employer contributions were as follows:

($ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
Nine months ended September 30,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total contributions to defined benefit pension and other postretirement benefit plans	46	216	42	478	8	9
Of which, discretionary contributions to defined benefit pension plans	–	152	11	416	–	–

($ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
Three months ended September 30,	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total contributions to defined benefit pension and other postretirement benefit plans	15	168	29	288	5	6
Of which, discretionary contributions to defined benefit pension plans	–	152	20	273	–	–

During the nine and three months ended September 30, 2020, total contributions included non-cash contributions of marketable debt securities having a fair value at the contribution date of $152 million, contributed to one of the Company's pension plans in Switzerland.

The Company expects to make contributions totaling approximately $172 million and $8 million to its defined pension plans and other postretirement benefit plans, respectively, for the full year 2021.

Note 14
Stockholder's equity

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

In March 2021, the Company completed its initial share buyback program which was launched in July 2020. The share buyback program was executed on a second trading line on the SIX Swiss Exchange. Through this buyback program, the Company purchased a total of approximately 129 million shares for approximately $3.5 billion, of which 20 million shares were purchased in the first quarter of 2021 (resulting in an increase in Treasury stock of $628 million). At the AGM on March 25, 2021, shareholders approved the cancellation of 115 million of the shares purchased under this buyback program and the cancellation was completed in the second quarter of 2021, resulting in a decrease in Treasury stock of $3,157 million and a corresponding total decrease in Capital stock, Additional paid-in capital and Retained earnings.

Also in March 2021, the Company announced a follow-up share buyback program of up to $4.3 billion. This buyback program, which was launched in April 2021, is being executed on a second trading line on the SIX Swiss Exchange and is planned to run until the Company's AGM in March 2022. Through this follow-up buyback program, the Company purchased, in the second and third quarters of 2021, approximately 26 million shares, resulting in an increase in Treasury stock of $887 million. At the March 2022 AGM, the Company intends to request shareholder approval to cancel the shares purchased through this follow-up share buyback program as well as those shares purchased under the initial share buyback program that were not proposed for cancellation at the Company's AGM in March 2021.

In addition to the share buyback programs, the Company purchased 29 million of its own shares on the open market in the nine months ended September 30, 2021, mainly for use in connection with its employee share plans, resulting in an increase in Treasury stock of $915 million.

In the nine months ended September 30, 2021, the Company delivered, out of treasury stock, 36 million shares in connection with its Management Incentive Plan.

Note 15
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 $)	2021	2020	2021	2020
Amounts attributable to ABB shareholders:				
Income (loss) from continuing operations, net of tax	1,951	190	661	(513)
Income (loss) from discontinued operations, net of tax	(45)	5,035	(9)	5,043
Net income	**1,906**	**5,225**	**652**	**4,530**
Weighted-average number of shares outstanding (in millions)	**2,011**	**2,129**	**2,001**	**2,119**
Basic earnings per share attributable to ABB shareholders:				
Income (loss) from continuing operations, net of tax	0.97	0.09	0.33	(0.24)
Income (loss) from discontinued operations, net of tax	(0.02)	2.36	0.00	2.38
Net income	**0.95**	**2.45**	**0.33**	**2.14**

Diluted earnings per share

	Nine months ended September 30,		Three months ended September 30,	
($ in millions, except per share data in $)	2021	2020	2021	2020
Amounts attributable to ABB shareholders:				
Income (loss) from continuing operations, net of tax	1,951	190	661	(513)
Income (loss) from discontinued operations, net of tax	(45)	5,035	(9)	5,043
Net income	**1,906**	**5,225**	**652**	**4,530**
Weighted-average number of shares outstanding (in millions)	2,011	2,129	2,001	2,119
Effect of dilutive securities:				
Call options and shares	17	6	18	–
Adjusted weighted-average number of shares outstanding (in millions)	**2,028**	**2,135**	**2,019**	**2,119**
Diluted earnings per share attributable to ABB shareholders:				
Income (loss) from continuing operations, net of tax	0.96	0.09	0.33	(0.24)
Income (loss) from discontinued operations, net of tax	(0.02)	2.36	0.00	2.38
Net income	**0.94**	**2.45**	**0.32**	**2.14**

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Note 16
Reclassifications out of accumulated other comprehensive loss

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

($ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
Balance at January 1, 2020	**(3,450)**	**10**	**(2,145)**	**(5)**	**(5,590)**
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	84	21	(136)	1	**(30)**
Amounts reclassified from OCI	538	(12)	487	–	**1,013**
Total other comprehensive (loss) income	**622**	**9**	**351**	**1**	**983**
Less:					
Amounts attributable to noncontrolling interests	22	–	–	–	**22**
Balance at September 30, 2020	**(2,850)**	**19**	**(1,794)**	**(4)**	**(4,629)**

($ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
Balance at January 1, 2021	**(2,460)**	**17**	**(1,556)**	**(3)**	**(4,002)**
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(361)	(10)	64	6	**(301)**
Amounts reclassified from OCI	–	–	50	(9)	**41**
Total other comprehensive (loss) income	**(361)**	**(10)**	**114**	**(3)**	**(260)**
Less:					
Amounts attributable to noncontrolling interests	5				**5**
Balance at September 30, 2021[1]	**(2,825)**	**7**	**(1,442)**	**(6)**	**(4,266)**

(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	Nine months ended September 30,		Three months ended September 30,	
Details about OCI components	**reclassified from OCI**	**2021**	**2020**	**2021**	**2020**
Foreign currency translation adjustments:					
Currency translation loss (gain): - Divestment of Power Grids business (see Note 3)	Income from discontinued operations, net of tax	–	439	–	439
Currency translation loss: - Divestment of solar inverters business (see Note 4)	Other income (expense), net	–	99	–	–
Amounts reclassified from OCI		**–**	**538**	**–**	**439**
Pension and other postretirement plan adjustments:					
Amortization of prior service cost (credit)	Non-operational pension (cost) credit[1]	(9)	(7)	(2)	–
Amortization of net actuarial loss	Non-operational pension (cost) credit[1]	51	83	17	25
Net gain (loss) from pension settlements and curtailments	Non-operational pension (cost) credit[1]	(1)	487	1	379
Reclassification of OCI relating to pensions on divestment of the Power Grids business	Income from discontinued operations, net of tax	–	86	–	86
Total before tax		**41**	**649**	**16**	**490**
Tax	Income tax expense	9	(127)	(3)	(91)
Reclassification of OCI relating to tax on pensions on divestment of the Power Grids business	Income from discontinued operations, net of tax	–	(35)	–	(35)
Amounts reclassified from OCI		**50**	**487**	**13**	**364**

(1) Amounts include total credits of $94 million for the nine months ended September 30, 2020, reclassified from OCI to Income from discontinued operations.

The amounts in respect of Unrealized gains (losses) on available-for-sale securities and Derivative instruments and hedges were not significant for the nine and three months ended September 30, 2021 and 2020.

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Note 17
Restructuring and related expenses

OS program

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

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

Liabilities associated with the OS program are included primarily in Other provisions. The following table shows the activity from the beginning of the program to September 30, 2021, by expense type:

($ in millions)	Employee severance costs	Contract settlement, loss order and other costs	Total
Liability at January 1, 2018	**–**	**–**	**–**
Expenses	65	–	**65**
Liability at December 31, 2018	**65**	**–**	**65**
Expenses	111	1	**112**
Cash payments	(44)	(1)	**(45)**
Change in estimates	(30)	–	**(30)**
Exchange rate differences	(3)	–	**(3)**
Liability at December 31, 2019	**99**	**–**	**99**
Expenses	119	17	**136**
Cash payments	(91)	(15)	**(106)**
Change in estimates	(10)	–	**(10)**
Exchange rate differences	4	–	**4**
Liability at December 31, 2020	**121**	2	**123**
Expenses	11	2	**13**
Cash payments	(58)	(3)	**(61)**
Change in estimates	(8)	–	**(8)**
Exchange rate differences	(5)	–	**(5)**
Liability at September 30, 2021	**61**	1	**62**

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

($ in millions)	Net cost incurred		Cumulative net cost incurred up to December 31, 2020
	Nine months ended September 30, 2020	Three months ended September 30, 2020	
Electrification	33	15	85
Motion	10	5	25
Process Automation (1)	7	1	61
Robotics & Discrete Automation	9	2	18
Corporate and Other	27	6	114
Total	**86**	**29**	**303**

(1) Formerly named the Industrial Automation operating segment.

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

($ in millions)	Nine months ended September 30, 2020(1)	Three months ended September 30, 2020(2)	Cumulative costs incurred up to December 31, 2020
Employee severance costs	54	18	255
Estimated contract settlement, loss order and other costs	13	9	18
Inventory and long-lived asset impairments	19	2	30
Total	**86**	**29**	**303**

(1) Of which $23 million was recorded in Total cost of sales and $53 million in Other Income (expense), net.
(2) Of which $12 million was recorded in Total cost of sales and $14 million in Other Income (expense), net.

Other restructuring-related activities

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

	Nine months ended September 30,		Three months ended September 30,	
($ in millions)	2021	2020	2021	2020
Employee severance costs	44	37	11	31
Estimated contract settlement, loss order and other costs	15	16	3	4
Inventory and long-lived asset impairments	17	4	15	2
Total	**76**	**57**	**29**	**37**

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

	Nine months ended September 30,		Three months ended September 30,	
($ in millions)	2021	2020	2021	2020
Total cost of sales	36	13	12	11
Selling, general and administrative expenses	10	16	5	8
Non-order related research and development expenses	–	1	–	1
Other income (expense), net	30	27	12	17
Total	**76**	**57**	**29**	**37**

At September 30, 2021, and December 31, 2020, $185 million and $233 million, respectively, were recorded for other restructuring-related liabilities and were included primarily in Other provisions.

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Note 18
Operating segment data

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

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

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

- Electrification: manufactures and sells electrical products and solutions which are designed to provide safe, smart and sustainable electrical flow from the substation to the socket. The portfolio of increasingly digital and connected solutions includes electric vehicle charging infrastructure, renewable power solutions, modular substation packages, distribution automation products, switchboard and panelboards, switchgear, UPS solutions, circuit breakers, measuring and sensing devices, control products, wiring accessories, enclosures and cabling systems and intelligent home and building solutions, designed to integrate and automate lighting, heating, ventilation, security and data communication networks. The products and services are delivered through six operating Divisions: Distribution Solutions, Smart Power, Smart Buildings, E-mobility, Installation Products and Power Conversion.

- Motion: manufactures and sells drives, motors, generators, traction converters and mechanical power transmission products that are driving the low-carbon future for industries, cities, infrastructure and transportation. These products, digital technology and related services enable industrial customers to increase energy efficiency, improve safety and reliability, and achieve precise control of their processes. Building on over 130 years of cumulative experience in electric powertrains, the Business Area combines domain expertise and technology to deliver the optimum solution for a wide range of applications in all industrial segments. In addition, the Business Area, along with partners, has an unmatched global service presence. These products and services are delivered through eight operating Divisions: Large Motors and Generators, IEC LV Motors, NEMA Motors, Drive Products, System Drives, Service, Traction and Mechanical Power Transmission.

- Process Automation: develops and sells a broad range of industry-specific, integrated automation, electrification and digital systems and solutions, as well as lifecycle services, advanced industrial analytics and artificial intelligence applications and suites for the process, marine and hybrid industries. Products and solutions include control technologies, advanced process control software and manufacturing execution systems, sensing, measurement and analytical instrumentation, marine propulsion systems and turbochargers. In addition, the Business Area offers a comprehensive range of services ranging from repair to advanced services such as remote monitoring, preventive maintenance, asset performance management, emission monitoring and cybersecurity services. The products, systems and services are delivered through five operating Divisions: Energy Industries, Process Industries, Marine & Ports, Turbocharging, and Measurement & Analytics.

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

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

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

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

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

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, 2021 and 2020, as well as total assets at September 30, 2021, and December 31, 2020.

	Nine months ended September 30, 2021					
($ in millions)	**Electrification**	**Motion**	**Process Automation**	**Robotics & Discrete Automation**	**Corporate and Other**	**Total**
Geographical markets						
Europe	3,357	1,483	1,716	1,201	16	**7,773**
The Americas	3,312	1,832	1,010	331	3	**6,488**
of which: United States	2,465	1,540	577	236	–	**4,818**
Asia, Middle East and Africa	2,905	1,554	1,694	957	7	**7,117**
of which: China	1,577	861	547	714	–	**3,699**
	9,574	**4,869**	**4,420**	**2,489**	**26**	**21,378**
Product type						
Products	8,106	4,202	1,254	1,639	15	**15,216**
Systems	824	–	1,101	492	11	**2,428**
Services and other	644	667	2,065	358	–	**3,734**
	9,574	**4,869**	**4,420**	**2,489**	**26**	**21,378**
Third-party revenues	9,574	4,869	4,420	2,489	26	**21,378**
Intersegment revenues	168	321	34	9	(532)	**–**
Total revenues[2]	**9,742**	**5,190**	**4,454**	**2,498**	**(506)**	**21,378**

($ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
	Nine months ended September 30, 2020					
Geographical markets						
Europe	2,852	1,396	1,705	1,031	14	**6,998**
The Americas	2,966	1,646	987	289	3	**5,891**
of which: United States	2,296	1,404	616	203	3	**4,522**
Asia, Middle East and Africa	2,452	1,285	1,460	733	25	**5,955**
of which: China	1,270	658	433	498	1	**2,860**
	8,270	**4,327**	**4,152**	**2,053**	**42**	**18,844**
Product type						
Products	7,075	3,702	864	1,200	49	**12,890**
Systems	583	–	1,266	551	(7)	**2,393**
Services and other	612	625	2,022	302	–	**3,561**
	8,270	**4,327**	**4,152**	**2,053**	**42**	**18,844**
Third-party revenues	8,270	4,327	4,152	2,053	42	**18,844**
Intersegment revenues[(1)]	298	377	95	53	(715)	**108**
Total revenues[(2)]	**8,568**	**4,704**	**4,247**	**2,106**	**(673)**	**18,952**

($ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
	Three months ended September 30, 2021					
Geographical markets						
Europe	1,091	463	574	387	10	**2,525**
The Americas	1,091	609	352	107	2	**2,161**
of which: United States	810	511	214	75	–	**1,610**
Asia, Middle East and Africa	955	507	569	315	(4)	**2,342**
of which: China	524	284	171	231	–	**1,210**
	3,137	**1,579**	**1,495**	**809**	**8**	**7,028**
Product type						
Products	2,549	1,357	454	581	5	**4,946**
Systems	374	–	341	106	3	**824**
Services and other	214	222	700	122	–	**1,258**
	3,137	**1,579**	**1,495**	**809**	**8**	**7,028**
Third-party revenues	3,137	1,579	1,495	809	8	**7,028**
Intersegment revenues	59	94	12	4	(169)	**–**
Total revenues[(2)]	**3,196**	**1,673**	**1,507**	**813**	**(161)**	**7,028**

($ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
	Three months ended September 30, 2020					
Geographical markets						
Europe	1,010	459	579	379	(17)	**2,410**
The Americas	995	531	298	102	1	**1,927**
of which: United States	746	449	171	75	2	**1,443**
Asia, Middle East and Africa	939	488	501	305	12	**2,245**
of which: China	509	288	165	219	2	**1,182**
	2,944	**1,478**	**1,378**	**786**	**(4)**	**6,582**
Product type						
Products	2,439	1,258	230	446	8	**4,381**
Systems	294	–	466	234	(12)	**982**
Services and other	211	220	682	106	–	**1,219**
	2,944	**1,478**	**1,378**	**786**	**(4)**	**6,582**
Third-party revenues	2,944	1,478	1,378	786	(4)	**6,582**
Intersegment revenues[(1)]	87	133	25	20	(265)	**–**
Total revenues[(2)]	**3,031**	**1,611**	**1,403**	**806**	**(269)**	**6,582**

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

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

($ in millions)	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Three months ended September 30, 2021	Three months ended September 30, 2020
Operational EBITA:				
Electrification	1,614	1,159	511	493
Motion	905	790	291	281
Process Automation	554	348	207	89
Robotics & Discrete Automation	291	178	90	76
Corporate and Other				
– Non-core and divested businesses	(39)	(107)	(10)	(88)
– Stranded corporate costs	–	(40)	–	–
– Corporate costs and Other Intersegment elimination	(191)	(254)	(27)	(64)
Total	**3,134**	**2,074**	**1,062**	**787**
Acquisition-related amortization	(191)	(197)	(62)	(67)
Restructuring, related and implementation costs(1)	(81)	(190)	(28)	(83)
Changes in obligations related to divested businesses	(16)	(204)	(10)	(203)
Changes in pre-acquisition estimates	6	(11)	14	(11)
Gains and losses from sale of businesses	9	(4)	–	1
Fair value adjustment on assets and liabilities held for sale	–	(33)	–	(14)
Acquisition- and divestment-related expenses and integration costs	(74)	(43)	(44)	(16)
Other income/expense relating to the Power Grids joint venture	(34)	(15)	(15)	(15)
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(106)	22	(49)	15
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	5	10	(4)	13
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	33	(16)	5	(5)
Certain other non-operational items:				
Costs for divestment of Power Grids	–	(110)	–	(11)
Regulatory, compliance and legal costs	(3)	(6)	(1)	(6)
Business transformation costs(2)	(59)	(19)	(20)	(7)
Favorable resolution of an uncertain purchase price adjustment	5	8	5	–
Certain other fair value changes, including asset impairments(3)	118	(240)	4	(298)
Other non-operational items	(3)	(11)	(5)	(9)
Income from operations	**2,743**	**1,015**	**852**	**71**
Interest and dividend income	37	39	11	12
Interest and other finance expense	(108)	(191)	(17)	(79)
Non-operational pension (cost) credit	130	(272)	42	(343)
Income from continuing operations before taxes	**2,802**	**591**	**888**	**(339)**

(1) Amount includes implementation costs in relation to the OS program of $47 million and $17 million for the nine and three months ended September 30, 2020, respectively.
(2) Amount includes ABB Way process transformation costs of $52 million and $19 million for the nine and three months ended September 30, 2021, respectively.
(3) Amount in 2020 includes goodwill impairment charges of $311 million.

($ in millions)	Total assets(1) September 30, 2021	Total assets(1) December 31, 2020
Electrification	12,943	12,800
Motion(2)	6,678	6,495
Process Automation	4,928	5,008
Robotics & Discrete Automation	5,010	4,794
Corporate and Other(3)	10,269	11,991
Consolidated	**39,828**	**41,088**

(1) Total assets are after intersegment eliminations and therefore reflect third-party assets only.
(2) At September 30, 2021, Motion includes $882 million of assets held for sale in relation to the planned sale of its Mechanical Power Transmission Division (see Note 3).
(3) At September 30, 2021, and December 31, 2020, respectively, Corporate and Other includes $166 million and $282 million of assets in the Power Grids business which is reported as discontinued operations (see Note 3), In addition, at September 30, 2021, and December 31, 2020, Corporate and Other includes $1,620 million and $1,710 million, respectively, related to the equity investment in Hitachi ABB Power Grids Ltd (see Note 4).

Supplemental Reconciliations and Definitions

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

While ABB's management believes that the non-GAAP financial measures herein are useful in evaluating ABB's operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP. Therefore these measures should not be viewed in isolation but considered together with the Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the nine and three months ended September 30, 2021.

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

Comparable growth rates

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

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

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

Comparable growth rate reconciliation by Business Area

	Q3 2021 compared to Q3 2020							
	Order growth rate				Revenue growth rate			
Business Area	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**
Electrification	19%	-2%	0%	**17%**	5%	-1%	0%	**4%**
Motion	24%	-2%	0%	**22%**	4%	-2%	0%	**2%**
Process Automation	43%	-3%	0%	**40%**	7%	-2%	0%	**5%**
Robotics & Discrete Automation	30%	-3%	-1%	**26%**	1%	-3%	-1%	**-3%**
ABB Group	**29%**	**-2%**	**-1%**	**26%**	**7%**	**-3%**	**0%**	**4%**

	9M 2021 compared to 9M 2020							
	Order growth rate				Revenue growth rate			
Business Area	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**
Electrification	22%	-4%	0%	**18%**	14%	-5%	1%	**10%**
Motion	15%	-5%	0%	**10%**	10%	-4%	0%	**6%**
Process Automation	15%	-5%	0%	**10%**	5%	-5%	0%	**0%**
Robotics & Discrete Automation	27%	-7%	0%	**20%**	19%	-7%	0%	**12%**
ABB Group	**21%**	**-5%**	**0%**	**16%**	**13%**	**-5%**	**0%**	**8%**

Regional comparable growth rate reconciliation

Regional comparable growth rate reconciliation for ABB Group - Quarter

	Q3 2021 compared to Q3 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	29%	-1%	-1%	**27%**	5%	-1%	-1%	**3%**
The Americas	33%	-1%	-1%	**31%**	12%	-1%	0%	**11%**
of which: United States	31%	0%	0%	**31%**	12%	0%	0%	**12%**
Asia, Middle East and Africa	25%	-5%	0%	**20%**	4%	-3%	0%	**1%**
of which: China	16%	-7%	0%	**9%**	2%	-6%	0%	**-4%**
ABB Group	**29%**	**-2%**	**-1%**	**26%**	**7%**	**-3%**	**0%**	**4%**

Regional comparable growth rate reconciliation by Business Area - Quarter

	Q3 2021 compared to Q3 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	18%	-1%	0%	**17%**	5%	0%	0%	**5%**
The Americas	29%	-1%	0%	**28%**	9%	0%	0%	**9%**
of which: United States	29%	0%	0%	**29%**	8%	0%	0%	**8%**
Asia, Middle East and Africa	10%	-5%	0%	**5%**	1%	-4%	0%	**-3%**
of which: China	11%	-6%	0%	**5%**	3%	-7%	0%	**-4%**
Electrification	**19%**	**-2%**	**0%**	**17%**	**5%**	**-1%**	**0%**	**4%**

	Q3 2021 compared to Q3 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	32%	-1%	0%	**31%**	-4%	0%	0%	**-4%**
The Americas	15%	-1%	0%	**14%**	15%	-1%	0%	**14%**
of which: United States	14%	-1%	0%	**13%**	14%	0%	0%	**14%**
Asia, Middle East and Africa	30%	-6%	0%	**24%**	1%	-4%	0%	**-3%**
of which: China	9%	-7%	0%	**2%**	-4%	-6%	0%	**-10%**
Motion	**24%**	**-2%**	**0%**	**22%**	**4%**	**-2%**	**0%**	**2%**

	Q3 2021 compared to Q3 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	12%	-2%	0%	**10%**	-3%	-2%	0%	**-5%**
The Americas	90%	-1%	0%	**89%**	19%	-1%	0%	**18%**
of which: United States	117%	0%	0%	**117%**	26%	-1%	0%	**25%**
Asia, Middle East and Africa	51%	-4%	0%	**47%**	14%	-4%	0%	**10%**
of which: China	49%	-8%	0%	**41%**	4%	-6%	0%	**-2%**
Process Automation	**43%**	**-3%**	**0%**	**40%**	**7%**	**-2%**	**0%**	**5%**

	Q3 2021 compared to Q3 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	37%	-2%	-2%	**33%**	-1%	-1%	-2%	**-4%**
The Americas	40%	-4%	0%	**36%**	4%	-2%	0%	**2%**
of which: United States	30%	0%	0%	**30%**	0%	0%	0%	**0%**
Asia, Middle East and Africa	19%	-5%	0%	**14%**	2%	-5%	0%	**-3%**
of which: China	17%	-7%	0%	**10%**	5%	-7%	0%	**-2%**
Robotics & Discrete Automation	**30%**	**-3%**	**-1%**	**26%**	**1%**	**-3%**	**-1%**	**-3%**

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

	9M 2021 compared to 9M 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	23%	-6%	0%	**17%**	11%	-6%	0%	**5%**
The Americas	23%	-2%	0%	**21%**	10%	-1%	0%	**9%**
of which: United States	21%	0%	0%	**21%**	7%	-1%	1%	**7%**
Asia, Middle East and Africa	19%	-7%	0%	**12%**	20%	-7%	1%	**14%**
of which: China	25%	-10%	0%	**15%**	29%	-9%	1%	**21%**
ABB Group	**21%**	**-5%**	**0%**	**16%**	**13%**	**-5%**	**0%**	**8%**

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

	9M 2021 compared to 9M 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	23%	-6%	0%	**17%**	14%	-5%	0%	**9%**
The Americas	25%	-1%	0%	**24%**	11%	-1%	1%	**11%**
of which: United States	22%	0%	0%	**22%**	7%	0%	0%	**7%**
Asia, Middle East and Africa	17%	-7%	1%	**11%**	16%	-7%	2%	**11%**
of which: China	26%	-9%	0%	**17%**	23%	-9%	0%	**14%**
Electrification	**22%**	**-4%**	**0%**	**18%**	**14%**	**-5%**	**1%**	**10%**

	9M 2021 compared to 9M 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	14%	-6%	0%	**8%**	2%	-5%	0%	**-3%**
The Americas	19%	-2%	0%	**17%**	11%	-1%	0%	**10%**
of which: United States	17%	0%	0%	**17%**	9%	0%	0%	**9%**
Asia, Middle East and Africa	13%	-7%	0%	**6%**	19%	-7%	0%	**12%**
of which: China	17%	-8%	0%	**9%**	29%	-10%	0%	**19%**
Motion	**15%**	**-5%**	**0%**	**10%**	**10%**	**-4%**	**0%**	**6%**

	9M 2021 compared to 9M 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	12%	-8%	0%	**4%**	-2%	-6%	0%	**-8%**
The Americas	17%	-2%	0%	**15%**	2%	-2%	0%	**0%**
of which: United States	21%	-1%	0%	**20%**	-6%	-1%	0%	**-7%**
Asia, Middle East and Africa	18%	-6%	0%	**12%**	15%	-6%	0%	**9%**
of which: China	25%	-9%	0%	**16%**	26%	-8%	0%	**18%**
Process Automation	**15%**	**-5%**	**0%**	**10%**	**5%**	**-5%**	**0%**	**0%**

	9M 2021 compared to 9M 2020							
	Order growth rate				Revenue growth rate			
Region	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	29%	-7%	-1%	**21%**	13%	-7%	0%	**6%**
The Americas	32%	-2%	0%	**30%**	14%	-2%	0%	**12%**
of which: United States	29%	0%	0%	**29%**	16%	0%	0%	**16%**
Asia, Middle East and Africa	21%	-8%	0%	**13%**	29%	-8%	0%	**21%**
of which: China	20%	-9%	0%	**11%**	43%	-11%	0%	**32%**
Robotics & Discrete Automation	**27%**	**-7%**	**0%**	**20%**	**19%**	**-7%**	**0%**	**12%**

Order backlog growth rate reconciliation

	September 30, 2021 compared to September 30, 2020			
Business Area	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**
Electrification	17%	0%	0%	**17%**
Motion	11%	0%	0%	**11%**
Process Automation	17%	-1%	0%	**16%**
Robotics & Discrete Automation	12%	-1%	0%	**11%**
ABB Group	**15%**	**0%**	**0%**	**15%**

Other growth rate reconciliations

	Q3 2021 compared to Q3 2020							
	Service orders growth rate				Services revenues growth rate			
Business Area	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**
Electrification	23%	-1%	0%	**22%**	1%	-1%	0%	**0%**
Motion	5%	-2%	0%	**3%**	1%	-2%	0%	**-1%**
Process Automation	25%	-2%	0%	**23%**	3%	-2%	0%	**1%**
Robotics & Discrete Automation	19%	-1%	0%	**18%**	16%	-1%	0%	**15%**
ABB Group	**20%**	**-2%**	**0%**	**18%**	**3%**	**-1%**	**0%**	**2%**

	9M 2021 compared to 9M 2020							
	Service orders growth rate				Services revenues growth rate			
Business Area	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**	**US$ (as reported)**	**Foreign exchange impact**	**Portfolio changes**	**Comparable**
Electrification	12%	-4%	0%	**8%**	5%	-3%	0%	**2%**
Motion	9%	-4%	0%	**5%**	7%	-5%	0%	**2%**
Process Automation	14%	-5%	0%	**9%**	2%	-4%	0%	**-2%**
Robotics & Discrete Automation	28%	-5%	0%	**23%**	19%	-5%	0%	**14%**
ABB Group	**14%**	**-5%**	**0%**	**9%**	**5%**	**-5%**	**0%**	**0%**

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

Definition

Operational EBITA margin

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

Operational EBITA

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

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

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

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

Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

Restructuring, related and implementation costs

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

Other income/expense relating to the Power Grids joint venture

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

Operational revenues

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

Reconciliation

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

Reconciliation of consolidated Operational EBITA to Net Income

	Nine months ended September 30,		Three months ended September 30,	
($ in millions)	2021	2020	2021	2020
Operational EBITA	**3,134**	**2,074**	**1,062**	**787**
Acquisition-related amortization	(191)	(197)	(62)	(67)
Restructuring, related and implementation costs[(1)]	(81)	(190)	(28)	(83)
Changes in obligations related to divested businesses	(16)	(204)	(10)	(203)
Changes in pre-acquisition estimates	6	(11)	14	(11)
Gains and losses from sale of businesses	9	(4)	–	1
Fair value adjustment on assets and liabilities held for sale	–	(33)	–	(14)
Acquisition- and divestment-related expenses and integration costs	(74)	(43)	(44)	(16)
Other income/expense relating to the Power Grids joint venture	(34)	(15)	(15)	(15)
Certain other non-operational items[(2)]	58	(378)	(17)	(331)
Foreign exchange/commodity timing differences in income from operations	(68)	16	(48)	23
Income from operations	**2,743**	**1,015**	**852**	**71**
Interest and dividend income	37	39	11	12
Interest and other finance expense	(108)	(191)	(17)	(79)
Non-operational pension (cost) credit	130	(272)	42	(343)
Income from continuing operations before taxes	**2,802**	**591**	**888**	**(339)**
Income tax expense	(775)	(373)	(201)	(164)
Income from continuing operations, net of tax	**2,027**	**218**	**687**	**(503)**
Income (loss) from discontinued operations, net of tax	(45)	5,043	(9)	5,038
Net income	**1,982**	**5,261**	**678**	**4,535**

(1) Amounts include implementation costs in relation to the OS program of $47 million and $17 million for the nine and three months ended September 30, 2020, respectively.
(2) Amounts include goodwill impairment charges of $311 million for the nine and three months ended September 30, 2020

Reconciliation of Operational EBITA margin by business

	Three months ended September 30, 2021					
($ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	**3,196**	**1,673**	**1,507**	**813**	**(161)**	**7,028**
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	15	4	5	–	(1)	**23**
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	1	5	–	(1)	**8**
Unrealized foreign exchange movements on receivables (and related assets)	(7)	(1)	(1)	(1)	2	**(8)**
Operational revenues	**3,207**	**1,677**	**1,516**	**812**	**(161)**	**7,051**
Income (loss) from operations	**434**	**244**	**183**	**68**	**(77)**	**852**
Acquisition-related amortization	30	10	1	21	–	**62**
Restructuring, related and implementation costs	11	13	2	1	1	**28**
Changes in obligations related to divested businesses	–	–	–	–	10	**10**
Changes in pre-acquisition estimates	(14)	–	–	–	–	**(14)**
Gains and losses from sale of businesses	–	–	–	–	–	**–**
Acquisition- and divestment-related expenses and integration costs	18	12	13	1	–	**44**
Other income/expense relating to the Power Grids joint venture	–	–	–	–	15	**15**
Certain other non-operational items	2	–	1	–	14	**17**
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	34	14	5	–	(4)	**49**
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(1)	2	–	2	**4**
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(5)	(1)	–	(1)	2	**(5)**
Operational EBITA	**511**	**291**	**207**	**90**	**(37)**	**1,062**
Operational EBITA margin (%)	**15.9%**	**17.4%**	**13.7%**	**11.1%**	**n.a.**	**15.1%**

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

	Three months ended September 30, 2021					
($ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Regulatory, compliance and legal costs	–	–	–	–	1	**1**
Certain other fair values changes, including asset impairments	3	–	–	–	(7)	**(4)**
Business transformation costs[1]	3	–	–	–	17	**20**
Favorable resolution of an uncertain purchase price adjustment	(5)	–	–	–	–	**(5)**
Other non-operational items	1	–	1	–	3	**5**
Total	**2**	**–**	**1**	**–**	**14**	**17**

(1) Amounts include ABB Way process transformation costs of $19 million for the three months ended September 30, 2021.

	Three months ended September 30, 2020					
($ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	**3,031**	**1,611**	**1,403**	**806**	**(269)**	**6,582**
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	(1)	6	7	(4)	2	**10**
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	–	(12)	1	(4)	**(16)**
Unrealized foreign exchange movements on receivables (and related assets)	(6)	(2)	(1)	(2)	4	**(7)**
Operational revenues	**3,023**	**1,615**	**1,397**	**801**	**(267)**	**6,569**
Income (loss) from operations	**387**	**256**	**75**	**(236)**	**(411)**	**71**
Acquisition-related amortization	29	13	1	20	4	**67**
Restructuring, related and implementation costs	39	9	21	3	11	**83**
Changes in obligations related to divested businesses	15	–	–	–	188	**203**
Changes in pre-acquisition estimates	11	–	–	–	–	**11**
Gains and losses from sale of businesses	1	–	–	–	(2)	**(1)**
Fair value adjustment on assets and liabilities held for sale	14	–	–	–	–	**14**
Acquisition- and divestment-related expenses and integration costs	13	–	1	–	2	**16**
Other income/expense relating to the Power Grids joint venture	–	–	–	–	15	**15**
Certain other non-operational items	2	4	–	291	34	**331**
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(21)	(1)	3	(2)	6	**(15)**
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	–	(11)	1	(4)	**(13)**
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	2	–	(1)	(1)	5	**5**
Operational EBITA	**493**	**281**	**89**	**76**	**(152)**	**787**
Operational EBITA margin (%)	**16.3%**	**17.4%**	**6.4%**	**9.5%**	**n.a.**	**12.0%**

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

	Three months ended September 30, 2020					
($ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Costs for planned divestment of Power Grids	–	–	–	–	11	**11**
Regulatory, compliance and legal costs	–	–	–	–	6	**6**
Certain other fair values changes, including asset impairments	–	–	–	290	8	**298**
Business transformation costs	2	3	–	1	1	**7**
Other non-operational items	–	1	–	–	8	**9**
Total	**2**	**4**	**–**	**291**	**34**	**331**

	Nine months ended September 30, 2021					
($ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	**9,742**	**5,190**	**4,454**	**2,498**	**(506)**	**21,378**
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	37	17	19	5	3	**81**
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	2	1	(2)	(1)	(2)	**(2)**
Unrealized foreign exchange movements on receivables (and related assets)	(16)	(6)	(7)	(6)	(1)	**(36)**
Operational revenues	**9,765**	**5,202**	**4,464**	**2,496**	**(506)**	**21,421**
Income (loss) from operations	**1,423**	**812**	**520**	**224**	**(236)**	**2,743**
Acquisition-related amortization	88	36	3	62	2	**191**
Restructuring, related and implementation costs	32	18	15	6	10	**81**
Changes in obligations related to divested businesses	–	–	–	–	16	**16**
Changes in pre-acquisition estimates	(6)	–	–	–	–	**(6)**
Gains and losses from sale of businesses	4	(1)	(13)	–	1	**(9)**
Acquisition- and divestment-related expenses and integration costs	36	19	17	1	1	**74**
Other income/expense relating to the Power Grids joint venture	–	–	–	–	34	**34**
Certain other non-operational items	(13)	1	3	–	(49)	**(58)**
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	63	26	17	1	(1)	**106**
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	(1)	(1)	(3)	**(5)**
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(13)	(6)	(7)	(2)	(5)	**(33)**
Operational EBITA	**1,614**	**905**	**554**	**291**	**(230)**	**3,134**
Operational EBITA margin (%)	**16.5%**	**17.4%**	**12.4%**	**11.7%**	**n.a.**	**14.6%**

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

	Nine months ended September 30, 2021					
($ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Regulatory, compliance and legal costs	–	–	–	–	3	**3**
Certain other fair values changes, including asset impairments	(16)	–	–	–	(102)	**(118)**
Business transformation costs[1]	7	–	–	–	52	**59**
Favorable resolution of an uncertain purchase price adjustment	(5)	–	–	–	–	**(5)**
Other non-operational items	1	1	3	–	(2)	**3**
Total	**(13)**	**1**	**3**	**–**	**(49)**	**(58)**

(1) Amounts include ABB Way process transformation costs of $52 million for the nine months ended September 30, 2021.

	Nine months ended September 30, 2020					
($ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	**8,568**	**4,704**	**4,247**	**2,106**	**(673)**	**18,952**
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	14	3	6	(1)	4	**26**
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	(5)	2	(6)	**(9)**
Unrealized foreign exchange movements on receivables (and related assets)	(12)	(6)	(8)	(4)	9	**(21)**
Operational revenues	**8,570**	**4,701**	**4,240**	**2,103**	**(666)**	**18,948**
Income (loss) from operations	**891**	**731**	**316**	**(186)**	**(737)**	**1,015**
Acquisition-related amortization	86	39	3	58	11	**197**
Restructuring, related and implementation costs	83	20	37	14	36	**190**
Changes in obligations related to divested businesses	15	–	–	–	189	**204**
Changes in pre-acquisition estimates	11	–	–	–	–	**11**
Gains and losses from sale of businesses	6	–	–	–	(2)	**4**
Fair value adjustment on assets and liabilities held for sale	33	–	–	–	–	**33**
Acquisition- and divestment-related expenses and integration costs	40	–	1	–	2	**43**
Other income/expense relating to the Power Grids joint venture	–	–	–	–	15	**15**
Certain other non-operational items	(5)	13	1	293	76	**378**
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(9)	(12)	(2)	(2)	3	**(22)**
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	(5)	2	(7)	**(10)**
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	8	(1)	(3)	(1)	13	**16**
Operational EBITA	**1,159**	**790**	**348**	**178**	**(401)**	**2,074**
Operational EBITA margin (%)	**13.5%**	**16.8%**	**8.2%**	**8.5%**	**n.a.**	**10.9%**

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

	Nine months ended September 30, 2020					
($ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Costs for planned divestment of Power Grids	–	–	–	–	110	**110**
Regulatory, compliance and legal costs	–	–	–	–	6	**6**
Certain other fair values changes, including asset impairments	–	–	–	290	(50)	**240**
Business transformation costs	3	12	–	3	1	**19**
Favorable resolution of an uncertain purchase price adjustment	(8)	–	–	–	–	**(8)**
Other non-operational items	–	1	1	–	9	**11**
Total	**(5)**	**13**	**1**	**293**	**76**	**378**

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, 2021	December 31, 2020
Short-term debt and current maturities of long-term debt	2,414	1,293
Long-term debt	4,270	4,828
Total debt (gross debt)	**6,684**	**6,121**
Cash and equivalents	3,709	3,278
Restricted cash - current	31	323
Marketable securities and short-term investments	746	2,108
Restricted cash - non-current	300	300
Cash and marketable securities	**4,786**	**6,009**
Net debt	**1,898**	**112**

Net debt/Equity ratio

Definition

Net debt/Equity ratio

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

Equity

Equity is defined as Total stockholders' equity.

Reconciliation

($ in millions, unless otherwise indicated)	September 30, 2021	December 31, 2020
Total stockholders' equity	14,309	15,999
Net debt (as defined above)	1,898	112
Net debt / Equity ratio	**0.13**	**0.01**

Net debt/EBITDA ratio

Definition

Net debt/EBITDA ratio

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

EBITDA

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

Reconciliation

($ in millions, unless otherwise indicated)	September 30, 2021	September 30, 2020
Income from operations for the three months ended:		
September 30, 2021/2020	852	71
June 30, 2021/2020	1,094	571
March 31, 2021/2020	797	373
December 31, 2020/2019	578	648
Depreciation and Amortization for the three months ended:		
September 30, 2021/2020	220	231
June 30, 2021/2020	230	228
March 31, 2021/2020	227	227
December 31, 2020/2019	229	246
EBITDA	**4,227**	**2,595**
Net debt / (Net Cash) (as defined above)	**1,898**	**(935)**
Net debt / (Net Cash) / EBITDA ratio	**0.5**	**-0.4**

Net working capital as a percentage of revenues

Definition

Net working capital as a percentage of revenues

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

Net working capital

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

Adjusted revenues for the trailing twelve months

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

Reconciliation

($ in millions, unless otherwise indicated)	September 30, 2021	September 30, 2020
Net working capital:		
Receivables, net	6,728	6,638
Contract assets	1,139	1,100
Inventories, net	4,864	4,642
Prepaid expenses	217	233
Accounts payable, trade	(4,642)	(4,323)
Contract liabilities	(1,940)	(1,828)
Other current liabilities[1]	(3,514)	(3,226)
Net working capital in assets and liabilities held for sale	68	–
Net working capital	**2,920**	**3,236**
Total revenues for the three months ended:		
September 30, 2021 / 2020	7,028	6,582
June 30, 2021 / 2020	7,449	6,154
March 31, 2021 / 2020	6,901	6,216
December 31, 2020 / 2019	7,182	7,068
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	40	(169)
Adjusted revenues for the trailing twelve months	**28,600**	**25,851**
Net working capital as a percentage of revenues (%)	**10.2%**	**12.5%**

(1) Amounts exclude $719 million and $1,026 million at September 30, 2021 and 2020, 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 and (e) liabilities related to the divestment of the Power Grids business.

Free cash flow conversion to net income

Definition

Free cash flow conversion to net income

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

Adjusted net income attributable to ABB

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

Free cash flow

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

Free cash flow for the trailing twelve months

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

Net income for the trailing twelve months

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

Free cash flow conversion to net income

	Twelve months to	
($ in millions, unless otherwise indicated)	September 30, 2021	December 31, 2020
Net cash provided by operating activities – continuing operations	**3,530**	**1,875**
Adjusted for the effects of continuing operations:		
Purchases of property, plant and equipment and intangible assets	(721)	(694)
Proceeds from sale of property, plant and equipment	82	114
Free cash flow from continuing operations	**2,891**	**1,295**
Net cash provided by (used in) operating activities – discontinued operations	**(38)**	**(182)**
Adjusted for the effects of discontinued operations:		
Purchases of property, plant and equipment and intangible assets	(15)	(108)
Proceeds from sale of property, plant and equipment	–	1
Free cash flow	**2,838**	**1,006**
Adjusted net income attributable to ABB(1)	**2,200**	**478**
Free cash flow conversion to net income	**129%**	**210%**

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

Reconciliation of the trailing twelve months to September 30, 2021

	Continuing operations			Discontinued operations			
($ in millions)	Net cash provided by continuing operating activities	Purchases of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Net cash provided by (used in) discontinued operating activities	Purchases of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Adjusted net income attributable to ABB(1)
Q4 2020	1,225	(262)	46	(43)	(15)	–	262
Q1 2021	523	(142)	20	20	–	–	526
Q2 2021	663	(151)	3	–	–	–	755
Q3 2021	1,119	(166)	13	(15)	–	–	657
Total for the trailing twelve months to September 30, 2021	**3,530**	**(721)**	**82**	**(38)**	**(15)**	**–**	**2,200**

(1) Adjusted net income attributable to ABB for Q4 2020 is adjusted to exclude the loss from extinguishment of debt of $162 million and a reduction to the gain on the sale of Power Grids of $179 million. Also in Q1, Q2 and Q3 2021, Adjusted net income attributable to ABB is adjusted to exclude further reductions to the gain on the sale of Power Grids, of $24 million, $3 million and $5 million, respectively.

Net finance expenses

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

Reconciliation

	Nine months ended September 30,		Three months ended September 30,	
($ in millions)	2021	2020	2021	2020
Interest and dividend income	37	39	11	12
Interest and other finance expense	(108)	(191)	(17)	(79)
Net finance expenses	**(71)**	**(152)**	**(6)**	**(67)**

Book-to-bill ratio

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

Reconciliation

	Nine months ended September 30,					
	2021			2020		
($ in millions, except Book-to-bill presented as a ratio)	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	10,743	9,742	**1.10**	8,810	8,568	**1.03**
Motion	5,773	5,190	**1.11**	5,022	4,704	**1.07**
Process Automation	4,881	4,454	**1.10**	4,226	4,247	**1.00**
Robotics & Discrete Automation	2,744	2,498	**1.10**	2,169	2,106	**1.03**
Corporate and Other *(incl. intersegment eliminations)*	(530)	(506)	**n.a.**	(718)	(673)	**n.a.**
ABB Group	**23,611**	**21,378**	**1.10**	**19,509**	**18,952**	**1.03**

	Three months ended September 30,					
	2021			2020		
($ in millions, except Book-to-bill presented as a ratio)	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	3,519	3,196	**1.10**	2,952	3,031	**0.97**
Motion	1,909	1,673	**1.14**	1,535	1,611	**0.95**
Process Automation	1,670	1,507	**1.11**	1,164	1,403	**0.83**
Robotics & Discrete Automation	935	813	**1.15**	720	806	**0.89**
Corporate and Other *(incl. intersegment eliminations)*	(167)	(161)	**n.a.**	(262)	(269)	**n.a.**
ABB Group	**7,866**	**7,028**	**1.12**	**6,109**	**6,582**	**0.93**

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