



July 22, 2021

**Q2 2021**

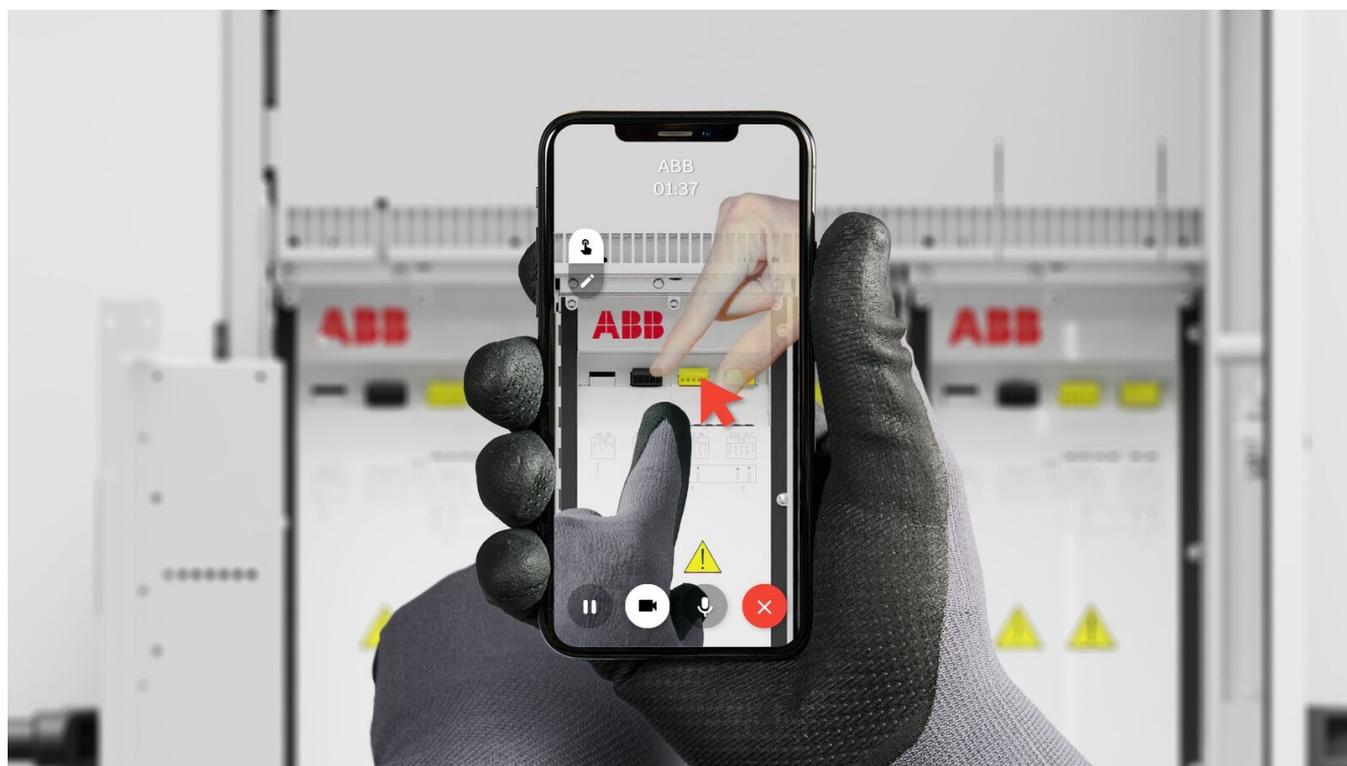
**Financial information**

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# Financial Information

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## Key Figures

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

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

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

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

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

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

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

(1) Corporate and Other includes Stranded corporate costs of \$19 million for the three months ended June 30, 2020.

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

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

(1) Corporate and Other includes Stranded corporate costs of \$40 million for the six months ended June 30, 2020.

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

**Operational EBITA**

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

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

## Depreciation and Amortization

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

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

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

## Orders received and revenues by region

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

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

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

# Consolidated Financial Information

## ABB Ltd Consolidated Income Statements (unaudited)

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

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

See Notes to the Consolidated Financial Information

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

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

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

See Notes to the Consolidated Financial Information

## ABB Ltd Consolidated Balance Sheets (unaudited)

(\$ in millions)	Jun. 30, 2021	Dec. 31, 2020
Cash and equivalents	2,860	3,278
Restricted cash	71	323
Marketable securities and short-term investments	1,002	2,108
Receivables, net	7,158	6,820
Contract assets	1,087	985
Inventories, net	4,700	4,469
Prepaid expenses	229	201
Other current assets	579	760
Current assets held for sale and in discontinued operations	192	282
<b>Total current assets</b>	<b>17,878</b>	<b>19,226</b>
Restricted cash, non-current	300	300
Property, plant and equipment, net	4,079	4,174
Operating lease right-of-use assets	983	969
Investments in equity-accounted companies	1,719	1,784
Prepaid pension and other employee benefits	400	360
Intangible assets, net	1,877	2,078
Goodwill	10,798	10,850
Deferred taxes	828	843
Other non-current assets	559	504
<b>Total assets</b>	<b>39,421</b>	<b>41,088</b>
Accounts payable, trade	4,708	4,571
Contract liabilities	1,846	1,903
Short-term debt and current maturities of long-term debt	2,117	1,293
Current operating leases	233	270
Provisions for warranties	1,012	1,035
Other provisions	1,454	1,519
Other current liabilities	4,029	4,181
Current liabilities held for sale and in discontinued operations	548	644
<b>Total current liabilities</b>	<b>15,947</b>	<b>15,416</b>
Long-term debt	4,375	4,828
Non-current operating leases	779	731
Pension and other employee benefits	1,144	1,231
Deferred taxes	748	661
Other non-current liabilities	1,972	2,025
Non-current liabilities held for sale and in discontinued operations	190	197
<b>Total liabilities</b>	<b>25,155</b>	<b>25,089</b>
<i>Commitments and contingencies</i>		
<b>Stockholders' equity:</b>		
Common stock, CHF 0.12 par value (2,053 million and 2,168 million shares issued at June 30, 2021, and December 31, 2020, respectively)	178	188
Additional paid-in capital	10	83
Retained earnings	19,185	22,946
Accumulated other comprehensive loss	(4,104)	(4,002)
Treasury stock, at cost (47 million and 137 million shares at June 30, 2021, and December 31, 2020, respectively)	(1,337)	(3,530)
<b>Total ABB stockholders' equity</b>	<b>13,932</b>	<b>15,685</b>
Noncontrolling interests	334	314
<b>Total stockholders' equity</b>	<b>14,266</b>	<b>15,999</b>
<b>Total liabilities and stockholders' equity</b>	<b>39,421</b>	<b>41,088</b>

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

See Notes to the Consolidated Financial Information

## ABB Ltd Consolidated Statements of Cash Flows (unaudited)

(\$ in millions)	Six months ended		Three months ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
<b>Operating activities:</b>				
Net income	1,304	726	781	346
Loss (income) from discontinued operations, net of tax	36	(5)	8	49
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>				
Depreciation and amortization	457	455	230	228
Changes in fair values of investments	(113)	(61)	(103)	(66)
Pension and other employee benefits	(94)	(82)	(44)	(33)
Deferred taxes	109	(1)	50	(45)
Net loss (gain) from derivatives and foreign exchange	44	25	24	(48)
Net loss (gain) from sale of property, plant and equipment	(15)	(4)	(4)	4
Fair value adjustment on assets and liabilities held for sale	–	19	–	–
Other	86	64	31	49
<b>Changes in operating assets and liabilities:</b>				
Trade receivables, net	(414)	66	(412)	127
Contract assets and liabilities	(147)	(87)	(57)	(46)
Inventories, net	(293)	(199)	(125)	102
Accounts payable, trade	309	(200)	267	(133)
Accrued liabilities	53	(8)	129	51
Provisions, net	(60)	(60)	(61)	(7)
Income taxes payable and receivable	(56)	(157)	(6)	61
Other assets and liabilities, net	(20)	(239)	(45)	9
<b>Net cash provided by operating activities – continuing operations</b>	<b>1,186</b>	<b>252</b>	<b>663</b>	<b>648</b>
<b>Net cash provided by (used in) operating activities – discontinued operations</b>	<b>20</b>	<b>(149)</b>	<b>–</b>	<b>32</b>
<b>Net cash provided by operating activities</b>	<b>1,206</b>	<b>103</b>	<b>663</b>	<b>680</b>
<b>Investing activities:</b>				
Purchases of investments	(347)	(1,614)	(38)	(1,372)
Purchases of property, plant and equipment and intangible assets	(293)	(303)	(151)	(140)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(28)	(80)	(24)	(7)
Proceeds from sales of investments	1,321	455	930	62
Proceeds from maturity of investments	80	–	–	–
Proceeds from sales of property, plant and equipment	23	27	3	4
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	47	(142)	49	(2)
Net cash from settlement of foreign currency derivatives	(72)	(76)	(11)	53
Other investing activities	(14)	(14)	(6)	1
<b>Net cash provided by (used in) investing activities – continuing operations</b>	<b>717</b>	<b>(1,747)</b>	<b>752</b>	<b>(1,401)</b>
<b>Net cash used in investing activities – discontinued operations</b>	<b>(70)</b>	<b>(110)</b>	<b>(26)</b>	<b>(73)</b>
<b>Net cash provided by (used in) investing activities</b>	<b>647</b>	<b>(1,857)</b>	<b>726</b>	<b>(1,474)</b>
<b>Financing activities:</b>				
Net changes in debt with original maturities of 90 days or less	274	3,582	187	(146)
Increase in debt	1,004	315	13	251
Repayment of debt	(750)	(568)	(703)	(388)
Delivery of shares	766	–	6	–
Purchase of treasury stock	(1,971)	–	(585)	–
Dividends paid	(1,726)	(1,736)	(882)	(1,736)
Dividends paid to noncontrolling shareholders	(92)	(71)	(91)	(69)
Other financing activities	6	(104)	42	–
<b>Net cash provided by (used in) financing activities – continuing operations</b>	<b>(2,489)</b>	<b>1,418</b>	<b>(2,013)</b>	<b>(2,088)</b>
<b>Net cash provided by financing activities – discontinued operations</b>	<b>–</b>	<b>17</b>	<b>–</b>	<b>25</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(2,489)</b>	<b>1,435</b>	<b>(2,013)</b>	<b>(2,063)</b>
Effects of exchange rate changes on cash and equivalents and restricted cash	(34)	(98)	17	13
Adjustment for the net change in cash and equivalents and restricted cash in discontinued operations	–	(609)	–	(609)
<b>Net change in cash and equivalents and restricted cash</b>	<b>(670)</b>	<b>(1,026)</b>	<b>(607)</b>	<b>(3,453)</b>
Cash and equivalents and restricted cash, beginning of period	3,901	3,544	3,838	5,971
<b>Cash and equivalents and restricted cash, end of period</b>	<b>3,231</b>	<b>2,518</b>	<b>3,231</b>	<b>2,518</b>
<b>Supplementary disclosure of cash flow information:</b>				
Interest paid	58	102	46	86
Income taxes paid	543	462	287	196

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

See Notes to the Consolidated Financial Information

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

(\$ in millions)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total ABB stockholders' equity	Non-controlling interests	Total stockholders' equity
<b>Balance at January 1, 2020</b>	<b>188</b>	<b>73</b>	<b>19,640</b>	<b>(5,590)</b>	<b>(785)</b>	<b>13,526</b>	<b>454</b>	<b>13,980</b>
Adoption of accounting standard update			(82)			(82)	(9)	(91)
Comprehensive income:								
Net income			695			695	31	726
Foreign currency translation adjustments, net of tax of \$(2)				(283)		(283)	(4)	(287)
Effect of change in fair value of available-for-sale securities, net of tax of \$4				15		15		15
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$7				34		34		34
Change in derivative instruments and hedges, net of tax of \$0				(4)		(4)		(4)
<b>Total comprehensive income</b>						<b>457</b>	<b>27</b>	<b>484</b>
Changes in noncontrolling interests		(16)				(16)	36	20
Dividends to noncontrolling shareholders							(88)	(88)
Dividends to shareholders			(1,758)			(1,758)		(1,758)
Share-based payment arrangements		30				30		30
Delivery of shares		(24)			24			
<b>Balance at June 30, 2020</b>	<b>188</b>	<b>62</b>	<b>18,495</b>	<b>(5,828)</b>	<b>(761)</b>	<b>12,156</b>	<b>419</b>	<b>12,575</b>
<b>Balance at January 1, 2021</b>	<b>188</b>	<b>83</b>	<b>22,946</b>	<b>(4,002)</b>	<b>(3,530)</b>	<b>15,685</b>	<b>314</b>	<b>15,999</b>
Comprehensive income:								
Net income			1,254			1,254	50	1,304
Foreign currency translation adjustments, net of tax of \$2				(166)		(166)	5	(161)
Effect of change in fair value of available-for-sale securities, net of tax of \$(3)				(8)		(8)		(8)
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$(3)				71		71		71
Change in derivative instruments and hedges, net of tax of \$0								
<b>Total comprehensive income</b>						<b>1,151</b>	<b>55</b>	<b>1,206</b>
Changes in noncontrolling interests		(37)	(20)			(57)	57	
Dividends to noncontrolling shareholders							(92)	(92)
Dividends to shareholders			(1,730)			(1,730)		(1,730)
Cancellation of treasury shares	(10)	(17)	(3,130)		3,157			
Share-based payment arrangements		37				37		37
Purchase of treasury stock					(1,924)	(1,924)		(1,924)
Delivery of shares		(58)	(136)		960	766		766
Other		2				2		2
<b>Balance at June 30, 2021</b>	<b>178</b>	<b>10</b>	<b>19,185</b>	<b>(4,104)</b>	<b>(1,337)</b>	<b>13,932</b>	<b>334</b>	<b>14,266</b>

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

See Notes to the Consolidated Financial Information

## Notes to the Consolidated Financial Information (unaudited)

### Note 1

#### The Company and basis of presentation

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

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

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

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

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

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

#### Basis of presentation

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

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

#### Adjustment related to prior periods

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

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## 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

#### Divestment of the Power Grids business

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

At the date of the divestment, the Company recorded an initial liability in discontinued operations for estimated future costs and other cash payments of \$487 million for various contractual items relating to the sale of the business including required future cost reimbursements payable to Hitachi ABB PG, costs incurred by the Company for the direct benefit of Hitachi ABB PG, and an amount due to Hitachi Ltd in connection with the expected purchase price finalization of the closing debt and working capital balances. From the date of the disposal through June 30, 2021, \$103 million of these liabilities had been paid and are reported as reductions in the cash consideration received, of which \$70 million and \$26 million was paid during the six months and three months ended June 30, 2021, respectively. At June 30, 2021, the remaining amount recorded was \$381 million.

Certain entities of the Power Grids business for which the legal process or other regulatory delays resulted in the Company not yet having transferred legal titles to Hitachi have been accounted for as being sold since control of the business as well as all risks and rewards of the business have been fully transferred to Hitachi ABB PG. The proceeds for these entities are included in the cash proceeds described above and certain funds have been placed in escrow pending completion of the transfer process. At June 30, 2021, current restricted cash includes \$51 million in respect of these funds.

Upon closing of the sale, the Company entered into various transition services agreements (TSAs). Pursuant to these TSAs, the Company and Hitachi ABB PG provide to each other, on an interim, transitional basis, various services. The services provided by the Company primarily include finance, information technology, human resources and certain other administrative services. Under the current terms, the TSAs will continue for up to 3 years, and can only be extended on an exceptional basis for business-critical services for an additional period which is reasonably necessary to avoid a material adverse impact on the business. In the six and three months ended June 30, 2021, the Company has recognized within its continuing operations, general and administrative expenses incurred to perform the TSA, offset by \$88 million and \$41 million, respectively, in TSA-related income for such services that is reported in Other income (expense).

#### Discontinued operations

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

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

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

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

Of the total income (loss) from discontinued operations before taxes in the table above, \$(36) million and \$55 million in the six months ended June 30, 2021 and 2020, respectively, and \$(8) million and \$(17) million in the three months ended June 30, 2021 and 2020, respectively, are attributable to the Company, while the remainder is attributable to noncontrolling interests.

Until the date of the divestment, Income from discontinued operations before taxes excluded stranded costs which were previously able to be allocated to the Power Grids operating segment. As a result, for the six and three months ended June 30, 2020, \$40 million and \$19 million, respectively, of allocated overhead and other management costs, which were previously included in the measure of segment profit for the Power Grids operating segment are reported as part of Corporate and Other. In the table above, Net interest and other finance expense in the six and three months ended June 30, 2020, included \$20 million and \$11 million, respectively, of interest expense which was recorded on an allocated basis in accordance with the Company's accounting policy election until the divestment date. In addition, as required by U.S. GAAP, subsequent to December 17, 2018, (the date of the original agreement to sell the Power Grids business) the Company has not recorded depreciation or amortization on the property, plant and equipment, and intangible assets reported as discontinued operations.

Included in the reported Total revenues of the Company for the six and three months ended June 30, 2020, are revenues for sales from the Company's operating segments to the Power Grids business of \$108 million and \$61 million, respectively, which represent intercompany transactions that, prior to Power Grids being classified as a discontinued operation, were eliminated in the Company's consolidated financial statements (see Note 17). Subsequent to the divestment, sales to Hitachi ABB PG are reported as third-party revenues.

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

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

(\$ in millions)	Jun. 30, 2021 <sup>(1)</sup>	Dec. 31, 2020 <sup>(1)</sup>
Receivables, net	187	280
Inventories, net	4	1
Other current assets	1	1
<b>Current assets held for sale and in discontinued operations</b>	<b>192</b>	<b>282</b>
Accounts payable, trade	144	188
Other liabilities	404	456
<b>Current liabilities held for sale and in discontinued operations</b>	<b>548</b>	<b>644</b>
Other non-current liabilities	190	197
<b>Non-current liabilities held for sale and in discontinued operations</b>	<b>190</b>	<b>197</b>

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

## Note 4

### Divestments and equity-accounted companies

#### Investments in equity-accounted companies

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

At the date of the divestment of the Power Grids business, the fair value of Hitachi ABB PG exceeded the book value of the underlying net assets. At June 30, 2021 and December 31, 2020, the reported value of the investment in Hitachi ABB PG includes \$1,547 million and \$1,597 million, respectively, for the Company's 19.9 percent share of this basis difference. The Company amortizes its share of these differences over the estimated remaining useful lives of the underlying assets that gave rise to this difference, recording the amortization, net of related deferred tax benefit, as a reduction of income from equity-accounted companies. As of June 30, 2021, the Company determined that no impairment of its equity-accounted investments existed.

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

(\$ in millions, expect ownership share in %)	Ownership as of	Carrying value at	
	June 30, 2021	June 30, 2021	December 31, 2020
Hitachi ABB Power Grids Ltd	19.9%	1,660	1,710
Others		59	74
<b>Total</b>		<b>1,719</b>	<b>1,784</b>

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

(\$ in millions)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Income from equity-accounted companies, net of taxes	4	4	8	4
Basis difference amortization (net of deferred income tax benefit)	(61)	-	(30)	-
<b>Loss from equity-accounted companies</b>	<b>(57)</b>	<b>4</b>	<b>(22)</b>	<b>4</b>

#### Divestment of the solar inverters business

In February 2020, the Company completed the sale of its solar inverters business for no consideration. Under the agreement, which was reached in July 2019, the Company was required to transfer \$143 million of cash to the buyer on the closing date. In addition, payments totaling EUR 132 million (\$145 million) are required to be transferred to the buyer from 2020 through 2025. In the year ended December 31, 2019, the Company recorded a loss of \$421 million, representing the excess of the carrying value, which includes a loss of \$99 million arising from the cumulative translation adjustment, over the estimated fair value of this business. During the six months ended June 30, 2020, a loss of \$19 million was included in "Other income (expense), net" for changes in fair value of this business. The loss in 2020 includes the \$99 million reclassification from other comprehensive income of the currency translation adjustment related to the business.

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

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

Including the above loss of \$19 million, in the six months ended June 30, 2020, Income from continuing operations before taxes includes net losses of \$33 million from the solar inverters business prior to its sale.

## Note 5

### Cash and equivalents, marketable securities and short-term investments

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

June 30, 2021						
(\$ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents and restricted cash	Marketable securities and short-term investments
<b>Changes in fair value recorded in net income</b>						
Cash	1,975			1,975	1,975	
Time deposits	1,267			1,267	1,256	11
Equity securities	679	16		695		695
	<b>3,921</b>	<b>16</b>	<b>-</b>	<b>3,937</b>	<b>3,231</b>	<b>706</b>
<b>Changes in fair value recorded in other comprehensive income</b>						
Debt securities available-for-sale:						
U.S. government obligations	196	12	(1)	207		207
European government obligations	15			15		15
Corporate	72	3	(1)	74		74
	<b>283</b>	<b>15</b>	<b>(2)</b>	<b>296</b>	<b>-</b>	<b>296</b>
<b>Total</b>	<b>4,204</b>	<b>31</b>	<b>(2)</b>	<b>4,233</b>	<b>3,231</b>	<b>1,002</b>
Of which:						
Restricted cash, current					71	
Restricted cash, non-current					300	
December 31, 2020						
(\$ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents and restricted cash	Marketable securities and short-term investments
<b>Changes in fair value recorded in net income</b>						
Cash	2,388			2,388	2,388	
Time deposits	1,513			1,513	1,513	
Equity securities	1,704	12		1,716		1,716
	<b>5,605</b>	<b>12</b>	<b>-</b>	<b>5,617</b>	<b>3,901</b>	<b>1,716</b>
<b>Changes in fair value recorded in other comprehensive income</b>						
Debt securities available-for-sale:						
U.S. government obligations	274	19		293		293
European government obligations	24			24		24
Corporate	69	6		75		75
	<b>367</b>	<b>25</b>	<b>-</b>	<b>392</b>	<b>-</b>	<b>392</b>
<b>Total</b>	<b>5,972</b>	<b>37</b>	<b>-</b>	<b>6,009</b>	<b>3,901</b>	<b>2,108</b>
Of which:						
Restricted cash, current					323	
Restricted cash, non-current					300	

## Note 6

### Derivative financial instruments

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

#### Currency risk

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

#### Commodity risk

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

#### Interest rate risk

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

#### Equity risk

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

#### Volume of derivative activity

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

#### Foreign exchange and interest rate derivatives

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

Type of derivative (\$ in millions)	Total notional amounts at		
	June 30, 2021	December 31, 2020	June 30, 2020
Foreign exchange contracts	9,309	12,610	16,505
Embedded foreign exchange derivatives	893	1,134	982
Cross currency swaps	951	-	-
Interest rate contracts	3,553	3,227	4,335

#### Derivative commodity contracts

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

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

#### Equity derivatives

At June 30, 2021, December 31, 2020, and June 30, 2020, the Company held 15 million, 22 million and 37 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of \$34 million, \$21 million and \$21 million, respectively.

#### Cash flow hedges

As noted above, the Company mainly uses forward foreign exchange contracts to manage the foreign exchange risk of its operations, commodity swaps to manage its commodity risks and cash-settled call options to hedge its WAR liabilities. The Company applies cash flow hedge accounting in only limited cases. In these cases, the effective portion of the changes in their fair value is recorded in "Accumulated other comprehensive loss" and subsequently reclassified into earnings in the same line item and in the same period as the underlying hedged transaction affects earnings. For the six and three months ended June, 30, 2021 and 2020, there were no significant amounts recorded for cash flow hedge accounting activities.

### Fair value hedges

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

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

Type of derivative designated as a fair value hedge	Six months ended June 30, 2021			
	Gains (losses) recognized in income on derivatives designated as fair value hedges		Gains (losses) recognized in income on hedged item	
	Location		Location	
(\$ in millions)				
Interest rate contracts	Interest and other finance expense	(27)	Interest and other finance expense	28
Cross-currency swaps	Interest and other finance expense	(25)	Interest and other finance expense	24
<b>Total</b>		<b>(52)</b>		<b>52</b>

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

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

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

### Derivatives not designated in hedge relationships

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

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

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

Type of derivative not designated as a hedge	Location	Gains (losses) recognized in income			
		Six months ended June 30,		Three months ended June 30,	
		2021	2020	2021	2020
(\$ in millions)					
Foreign exchange contracts	Total revenues	(10)	(67)	50	67
	Total cost of sales	(24)	43	(20)	(33)
	SG&A expenses <sup>(1)</sup>	(1)	4	(8)	(4)
	Non-order related research and development	(1)	(1)	-	-
	Interest and other finance expense	(119)	(32)	(13)	74
Embedded foreign exchange contracts	Total revenues	(13)	6	1	(26)
	Total cost of sales	(2)	(2)	(1)	2
Commodity contracts	Total cost of sales	63	(12)	27	54
Other	Interest and other finance expense	1	1	1	2
<b>Total</b>		<b>(106)</b>	<b>(60)</b>	<b>37</b>	<b>136</b>

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

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

(\$ in millions)	June 30, 2021			
	Derivative assets		Derivative liabilities	
	Current in "Other current assets"	Non-current in "Other non-current assets"	Current in "Other current liabilities"	Non-current in "Other non-current liabilities"
<b>Derivatives designated as hedging instruments:</b>				
Foreign exchange contracts	1	1	2	2
Interest rate contracts	24	32	-	-
Cross currency swaps	-	-	-	53
Cash-settled call options	17	17	-	-
<b>Total</b>	<b>42</b>	<b>50</b>	<b>2</b>	<b>55</b>
<b>Derivatives not designated as hedging instruments:</b>				
Foreign exchange contracts	69	11	86	6
Commodity contracts	47	-	7	-
Interest rate contracts	1	-	2	-
Embedded foreign exchange derivatives	8	2	23	4
<b>Total</b>	<b>125</b>	<b>13</b>	<b>118</b>	<b>10</b>
<b>Total fair value</b>	<b>167</b>	<b>63</b>	<b>120</b>	<b>65</b>

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

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

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

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

(\$ in millions)	June 30, 2021				
	Gross amount of recognized assets	Derivative liabilities eligible for set-off in case of default	Cash collateral received	Non-cash collateral received	Net asset exposure
Derivatives	220	(94)	-	-	126
<b>Total</b>	<b>220</b>	<b>(94)</b>	<b>-</b>	<b>-</b>	<b>126</b>

(\$ in millions)	June 30, 2021				
	Gross amount of recognized liabilities	Derivative liabilities eligible for set-off in case of default	Cash collateral pledged	Non-cash collateral pledged	Net liability exposure
Derivatives	158	(94)	-	-	64
<b>Total</b>	<b>158</b>	<b>(94)</b>	<b>-</b>	<b>-</b>	<b>64</b>

(\$ 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	
<b>Total</b>	<b>410</b>	<b>(106)</b>	<b>–</b>	<b>–</b>	<b>304</b>	

(\$ 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	
<b>Total</b>	<b>147</b>	<b>(106)</b>	<b>–</b>	<b>–</b>	<b>41</b>	

## Note 7

### Fair values

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

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

The levels of the fair value hierarchy are as follows:

**Level 1:** Valuation inputs consist of quoted prices in an active market for identical assets or liabilities (observable quoted prices). Assets and liabilities valued using Level 1 inputs include exchange-traded equity securities, listed derivatives which are actively traded such as commodity futures, interest rate futures and certain actively traded debt securities.

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

**Level 3:** Valuation inputs are based on the Company's assumptions of relevant market data (unobservable input).

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

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

## Recurring fair value measures

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

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

(\$ in millions)	December 31, 2020			Total fair value
	Level 1	Level 2	Level 3	
<b>Assets</b>				
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
<b>Total</b>	<b>317</b>	<b>2,213</b>	<b>–</b>	<b>2,530</b>
<b>Liabilities</b>				
Derivative liabilities—current in "Other current liabilities"		145		145
Derivative liabilities—non-current in "Other non-current liabilities"		46		46
<b>Total</b>	<b>–</b>	<b>191</b>	<b>–</b>	<b>191</b>

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

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

## Non-recurring fair value measures

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

During the six months ended June 30, 2020, the Company recorded a \$19 million fair value adjustment for the solar inverters business which met the criteria to be classified as held for sale in June 2019 and was sold in February 2020 (see Note 4 for details).

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

## Disclosure about financial instruments carried on a cost basis

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

(\$ in millions)	June 30, 2021				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>					
Cash and equivalents (excluding securities with original maturities up to 3 months):					
Cash	1,604	1,604			1,604
Time deposits	1,256		1,256		1,256
Restricted cash	71	71			71
Restricted cash, non-current	300	300			300
<b>Liabilities</b>					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)					
	2,093	1,672	421		2,093
Long-term debt (excluding finance lease obligations)	4,202	4,407	75		4,482

(\$ in millions)	December 31, 2020				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>					
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
<b>Liabilities</b>					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)					
	1,266	497	769		1,266
Long-term debt (excluding finance lease obligations)	4,668	4,909	89		4,998

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

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

## Note 8

### Contract assets and liabilities

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

(\$ in millions)	June 30, 2021	December 31, 2020	June 30, 2020
Contract assets	1,087	985	1,110
Contract liabilities	1,846	1,903	1,703

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

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

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

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

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

## Note 9 Debt

The Company's total debt at June 30, 2021, and December 31, 2020, amounted to \$6,492 million and \$6,121 million, respectively.

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

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

(\$ in millions)	June 30, 2021	December 31, 2020
Short-term debt	423	153
Current maturities of long-term debt	1,694	1,140
<b>Total</b>	<b>2,117</b>	<b>1,293</b>

Short-term debt primarily represented issued commercial paper and short-term bank borrowings from various banks. At June 30, 2021, and December 31, 2020, \$365 million and \$32 million, respectively, was outstanding under the \$2 billion commercial paper program in the United States. No amount was outstanding under the \$2 billion Euro-commercial paper program at June 30, 2021, or December 31, 2020.

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

### Long-term debt

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

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

(in millions)	June 30, 2021		December 31, 2020					
	Nominal outstanding	Carrying value <sup>(1)</sup>	Nominal outstanding	Carrying value <sup>(1)</sup>				
Bonds:								
4.0% USD Notes, due 2021			USD	650	\$	649		
2.25% CHF Bonds, due 2021	CHF	350	\$	381	CHF	350	\$	403
2.875% USD Notes, due 2022	USD	1,250	\$	1,270	USD	1,250	\$	1,280
0.625% EUR Instruments, due 2023	EUR	700	\$	843	EUR	700	\$	875
0.75% EUR Instruments, due 2024	EUR	750	\$	910	EUR	750	\$	946
0.3% CHF Notes, due 2024	CHF	280	\$	303	CHF	280	\$	317
3.8% USD Notes, due 2028 <sup>(2)</sup>	USD	383	\$	381	USD	383	\$	381
1.0% CHF Notes, due 2029	CHF	170	\$	184	CHF	170	\$	192
0% EUR Notes, due 2030	EUR	800	\$	917				-
4.375% USD Notes, due 2042 <sup>(2)</sup>	USD	609	\$	589	USD	609	\$	589
<b>Total</b>			<b>\$</b>	<b>5,778</b>			<b>\$</b>	<b>5,632</b>

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

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

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

### Subsequent events

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

## Note 10

### Commitments and contingencies

#### Contingencies—Regulatory, Compliance and Legal

##### Regulatory

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

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

##### General

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

##### Liabilities recognized

At June 30, 2021, and December 31, 2020, the Company had aggregate liabilities of \$97 million and \$100 million, respectively, included in "Other provisions" and "Other non-current liabilities", for the above regulatory, compliance and legal contingencies, and none of the individual liabilities recognized was significant. As it is not possible to make an informed judgment on, or reasonably predict, the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be adverse outcomes beyond the amounts accrued.

#### Guarantees

##### General

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

Maximum potential payments (\$ in millions)	June 30, 2021	December 31, 2020
Performance guarantees	5,695	6,726
Financial guarantees	313	339
Indemnification guarantees <sup>(1)</sup>	129	177
<b>Total<sup>(2)</sup></b>	<b>6,137</b>	<b>7,242</b>

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

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

The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations. In respect of the above guarantees, the carrying amounts of liabilities at June 30, 2021, and December 31, 2020, amounted to \$129 million and \$135 million, respectively, which is included in discontinued operations.

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

In conjunction with the divestment of the high-voltage cable and cables accessories businesses, the Company has entered into various performance guarantees with other parties with respect to certain liabilities of the divested business. At June 30, 2021, and December 31, 2020, the maximum potential payable under these guarantees amounts to \$960 million and \$994 million, respectively, and these guarantees have various maturities ranging from five to ten years.

The Company retained obligations for financial, performance and indemnification guarantees related to the Power Grids business sold on July 1, 2020 (see Note 3 for details). The performance and financial guarantees have been indemnified by Hitachi, at the same proportion of its ownership in Hitachi ABB Power Grids (80.1 percent). These guarantees, which have various maturities up to 2035, primarily consist of bank guarantees, standby letters of credit, business performance guarantees and other trade-related guarantees, the majority of which have original maturity dates ranging from one to ten years. The maximum amount payable under the guarantees at June 30, 2021, and December 31, 2020, are approximately \$4.6 billion and \$5.5 billion, respectively, and the carrying amounts of liabilities (recorded in discontinued operations) at June 30, 2021, and December 31, 2020, amounted to \$129 million and \$135 million, respectively.

### Commercial commitments

In addition, in the normal course of bidding for and executing certain projects, the Company has entered into standby letters of credit, bid/performance bonds and surety bonds (collectively "performance bonds") with various financial institutions. Customers can draw on such performance bonds in the event that the Company does not fulfill its contractual obligations. The Company would then have an obligation to reimburse the financial institution for amounts paid under the performance bonds. At June 30, 2021, and December 31, 2020, the total outstanding performance bonds aggregated to \$3.9 billion and \$4.3 billion, respectively, of which \$0.3 billion and \$0.3 billion, respectively, relate to discontinued operations. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the six and three months ended June 30, 2021 and 2020.

### Product and order-related contingencies

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

(\$ in millions)	2021	2020
<b>Balance at January 1,</b>	<b>1,035</b>	<b>816</b>
Net change in warranties due to acquisitions, divestments and liabilities held for sale	1	7
Claims paid in cash or in kind	(127)	(100)
Net increase in provision for changes in estimates, warranties issued and warranties expired	122	67
Exchange rate differences	(19)	(13)
<b>Balance at June 30,</b>	<b>1,012</b>	<b>777</b>

## Note 11

### Income taxes

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

The effective tax rate of 30.0 percent in the six months ended June 30, 2021, was higher than the effective tax rate of 22.5 percent in the six months ended June 30, 2020, primarily because 2020 included a net benefit from a favorable resolution of an uncertain tax position in the first quarter, partially offset by increases to the valuation allowance in certain countries.

## Note 12

### Employee benefits

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

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

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

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International		2021	2020
Six months ended June 30,	2021	2020	2021	2020	2021	2020
<b>Operational pension cost:</b>						
Service cost	30	45	22	50	-	-
<b>Operational pension cost</b>	<b>30</b>	<b>45</b>	<b>22</b>	<b>50</b>	<b>-</b>	<b>-</b>
<b>Non-operational pension cost (credit):</b>						
Interest cost	(2)	1	37	60	1	1
Expected return on plan assets	(58)	(65)	(91)	(133)	-	-
Amortization of prior service cost (credit)	(5)	(7)	(1)	1	(1)	(1)
Amortization of net actuarial loss	-	5	35	55	(1)	(2)
Curtailments, settlements and special termination benefits <sup>(1)</sup>	-	-	(2)	108	-	-
<b>Non-operational pension cost (credit)</b>	<b>(65)</b>	<b>(66)</b>	<b>(22)</b>	<b>91</b>	<b>(1)</b>	<b>(2)</b>
<b>Net periodic benefit cost (credit)</b>	<b>(35)</b>	<b>(21)</b>	<b>-</b>	<b>141</b>	<b>(1)</b>	<b>(2)</b>

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

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

The components of net periodic benefit cost other than the service cost component are included in the line "Non-operational pension (cost) credit" in the income statement. Net periodic benefit cost includes \$121 million and \$109 million, for the six and three months ended June 30, 2020, respectively, related to discontinued operations.

Employer contributions were as follows:

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

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

The Company expects to make contributions totaling approximately \$175 million and \$8 million to its defined pension plans and other postretirement benefit plans, respectively, for the full year 2021.

## Note 13 Stockholder's equity

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

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

Also in March 2021, the Company announced a follow-up share buyback program of up to \$4.3 billion. This buyback program, which was launched in April 2021, is being executed on a second trading line on the SIX Swiss Exchange and is planned to run until the Company's AGM in March 2022. Through this follow-up buyback program, the Company purchased, in the second quarter of 2021, approximately 15 million shares, resulting in an increase in Treasury stock of \$501 million. At the March 2022 AGM, the Company intends to request shareholder approval to cancel the shares purchased through this follow-up share buyback program as well as those shares purchased under the initial share buyback program that were not proposed for cancellation at the Company's AGM in March 2021.

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

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

## Note 14

### Earnings per share

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

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

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

## Note 15

### Reclassifications out of accumulated other comprehensive loss

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

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

(\$ 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
<b>Balance at January 1, 2021</b>	<b>(2,460)</b>	<b>17</b>	<b>(1,556)</b>	<b>(3)</b>	<b>(4,002)</b>
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(161)	(7)	34	14	<b>(120)</b>
Amounts reclassified from OCI	–	(1)	37	(14)	<b>22</b>
<b>Total other comprehensive (loss) income</b>	<b>(161)</b>	<b>(8)</b>	<b>71</b>	<b>–</b>	<b>(98)</b>
Less:					
Amounts attributable to noncontrolling interests	5	–	–	–	<b>5</b>
<b>Balance at June 30, 2021<sup>(1)</sup></b>	<b>(2,625)</b>	<b>9</b>	<b>(1,485)</b>	<b>(3)</b>	<b>(4,104)</b>

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

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

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

(1) Amounts include total credits of \$94 million and \$97 million for the six and three months ended June 30, 2020, respectively, reclassified from OCI to Income from discontinued operations.

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

## Note 16 Restructuring and related expenses

### OS program

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

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

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

(\$ in millions)	Employee severance costs	Contract settlement, loss order and other costs	Total
<b>Liability at January 1, 2018</b>	-	-	-
Expenses	65	-	65
<b>Liability at December 31, 2018</b>	<b>65</b>	-	<b>65</b>
Expenses	111	1	112
Cash payments	(44)	(1)	(45)
Change in estimates	(30)	-	(30)
Exchange rate differences	(3)	-	(3)
<b>Liability at December 31, 2019</b>	<b>99</b>	-	<b>99</b>
Expenses	119	17	136
Cash payments	(91)	(15)	(106)
Change in estimates	(10)	-	(10)
Exchange rate differences	4	-	4
<b>Liability at December 31, 2020</b>	<b>121</b>	2	<b>123</b>
Expenses	10	1	11
Cash payments	(50)	(1)	(51)
Change in estimates	(5)	-	(5)
Exchange rate differences	(4)	-	(4)
<b>Liability at June 30, 2021</b>	<b>72</b>	2	<b>74</b>

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

(\$ in millions)	Net cost incurred		Cumulative net
	Six months ended	Three months ended	cost incurred up to
	June 30, 2020	June 30, 2020	December 31, 2020
Electrification	18	16	85
Motion	5	5	25
Process Automation <sup>(1)</sup>	6	6	61
Robotics & Discrete Automation	7	1	18
Corporate and Other	21	11	114
<b>Total</b>	<b>57</b>	<b>39</b>	<b>303</b>

(1) Formerly named the Industrial Automation operating segment.

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

(\$ in millions)	Net cost incurred		Cumulative costs
	Six months ended	Three months ended	incurred up to
	June 30, 2020 <sup>(1)</sup>	June 30, 2020 <sup>(2)</sup>	December 31, 2020
Employee severance costs	36	21	255
Estimated contract settlement, loss order and other costs	4	2	18
Inventory and long-lived asset impairments	17	16	30
<b>Total</b>	<b>57</b>	<b>39</b>	<b>303</b>

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

(2) Of which \$8 million was recorded in Total cost of sales and \$24 million in Other Income (expense), net.

#### Other restructuring-related activities

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

(\$ in millions)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
	Employee severance costs	33	6	13
Estimated contract settlement, loss order and other costs	12	12	3	11
Inventory and long-lived asset impairments	2	2	2	1
<b>Total</b>	<b>47</b>	<b>20</b>	<b>18</b>	<b>14</b>

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

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

At June 30, 2021, and December 31, 2020, \$211 million and \$233 million, respectively, were recorded for other restructuring-related liabilities and were included primarily in Other provisions.

## Note 17 Operating segment data

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

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

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

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

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

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

- Amortization expense on intangibles arising upon acquisition (acquisition-related amortization),
- restructuring, related and implementation costs,
- changes in the amount recorded for obligations related to divested businesses occurring after the divestment date (changes in obligations related to divested businesses),
- changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates),
- gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale),
- acquisition- and divestment-related expenses and integration costs,
- other income/expense relating to the Power Grids joint venture,

- certain other non-operational items, as well as
- foreign exchange/commodity timing differences in income from operations consisting of: (a) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives), (b) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (c) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities).

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

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

The following tables present disaggregated segment revenues from contracts with customers, Operational EBITA, and the reconciliations of consolidated Operational EBITA to Income from continuing operations before taxes for the six and three months ended June 30, 2021 and 2020, as well as total assets at June 30, 2021, and December 31, 2020.

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

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

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

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

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

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

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

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

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

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

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

(2) At June 30, 2021, and December 31, 2020, respectively, Corporate and Other includes \$192 million and \$282 million of assets in the Power Grids business which is reported as discontinued operations (see Note 3). In addition, at June 30, 2021, and December 31, 2020, Corporate and Other includes \$1,660 million and \$1,710 million, respectively, related to the equity investment in Hitachi ABB Power Grids Ltd (see Note 4).



## Supplemental Reconciliations and Definitions

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

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

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

### Comparable growth rates

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

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

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

#### Comparable growth rate reconciliation by Business Area

Business Area	Q2 2021 compared to Q2 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	35%	-7%	0%	<b>28%</b>	23%	-6%	0%	<b>17%</b>
Motion	23%	-7%	0%	<b>16%</b>	17%	-6%	0%	<b>11%</b>
Process Automation	19%	-8%	0%	<b>11%</b>	11%	-7%	0%	<b>4%</b>
Robotics & Discrete Automation	52%	-11%	0%	<b>41%</b>	32%	-10%	0%	<b>22%</b>
<b>ABB Group</b>	<b>32%</b>	<b>-8%</b>	<b>0%</b>	<b>24%</b>	<b>21%</b>	<b>-7%</b>	<b>0%</b>	<b>14%</b>

Business Area	H1 2021 compared to H1 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	23%	-6%	1%	<b>18%</b>	18%	-6%	2%	<b>14%</b>
Motion	11%	-6%	0%	<b>5%</b>	14%	-6%	0%	<b>8%</b>
Process Automation	5%	-7%	0%	<b>-2%</b>	4%	-7%	0%	<b>-3%</b>
Robotics & Discrete Automation	25%	-9%	0%	<b>16%</b>	30%	-10%	0%	<b>20%</b>
<b>ABB Group</b>	<b>18%</b>	<b>-7%</b>	<b>0%</b>	<b>11%</b>	<b>16%</b>	<b>-6%</b>	<b>1%</b>	<b>11%</b>

## Regional comparable growth rate reconciliation

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

Region	Q2 2021 compared to Q2 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	33%	-10%	0%	<b>23%</b>	22%	-10%	0%	<b>12%</b>
The Americas	44%	-3%	0%	<b>41%</b>	22%	-3%	0%	<b>19%</b>
of which: United States	39%	0%	0%	39%	14%	0%	0%	14%
Asia, Middle East and Africa	25%	-9%	-1%	<b>15%</b>	23%	-9%	1%	<b>15%</b>
of which: China	26%	-11%	0%	15%	30%	-12%	1%	19%
<b>ABB Group</b>	<b>32%</b>	<b>-8%</b>	<b>0%</b>	<b>24%</b>	<b>21%</b>	<b>-7%</b>	<b>0%</b>	<b>14%</b>

### Regional comparable growth rate reconciliation by Business Area - Quarter

Region	Q2 2021 compared to Q2 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	44%	-11%	0%	<b>33%</b>	29%	-10%	0%	<b>19%</b>
The Americas	41%	-2%	0%	<b>39%</b>	23%	-3%	0%	<b>20%</b>
of which: United States	35%	-1%	0%	34%	14%	0%	0%	14%
Asia, Middle East and Africa	20%	-9%	0%	<b>11%</b>	18%	-9%	1%	<b>10%</b>
of which: China	17%	-10%	0%	7%	15%	-10%	0%	5%
<b>Electrification</b>	<b>35%</b>	<b>-7%</b>	<b>0%</b>	<b>28%</b>	<b>23%</b>	<b>-6%</b>	<b>0%</b>	<b>17%</b>

Region	Q2 2021 compared to Q2 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	11%	-8%	0%	<b>3%</b>	11%	-7%	0%	<b>4%</b>
The Americas	41%	-3%	0%	<b>38%</b>	15%	-1%	0%	<b>14%</b>
of which: United States	37%	0%	0%	37%	15%	0%	0%	15%
Asia, Middle East and Africa	19%	-9%	0%	<b>10%</b>	25%	-10%	0%	<b>15%</b>
of which: China	23%	-11%	0%	12%	41%	-13%	0%	28%
<b>Motion</b>	<b>23%</b>	<b>-7%</b>	<b>0%</b>	<b>16%</b>	<b>17%</b>	<b>-6%</b>	<b>0%</b>	<b>11%</b>

Region	Q2 2021 compared to Q2 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	7%	-9%	0%	<b>-2%</b>	3%	-9%	0%	<b>-6%</b>
The Americas	39%	-5%	0%	<b>34%</b>	22%	-5%	0%	<b>17%</b>
of which: United States	44%	-1%	0%	43%	0%	-1%	0%	-1%
Asia, Middle East and Africa	22%	-8%	0%	<b>14%</b>	14%	-7%	0%	<b>7%</b>
of which: China	37%	-11%	0%	26%	27%	-11%	0%	16%
<b>Process Automation</b>	<b>19%</b>	<b>-8%</b>	<b>0%</b>	<b>11%</b>	<b>11%</b>	<b>-7%</b>	<b>0%</b>	<b>4%</b>

Region	Q2 2021 compared to Q2 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	60%	-13%	0%	<b>47%</b>	27%	-11%	0%	<b>16%</b>
The Americas	80%	-2%	0%	<b>78%</b>	40%	-6%	0%	<b>34%</b>
of which: United States	91%	0%	0%	91%	45%	0%	0%	45%
Asia, Middle East and Africa	32%	-11%	0%	<b>21%</b>	37%	-11%	0%	<b>26%</b>
of which: China	28%	-11%	0%	17%	45%	-13%	0%	32%
<b>Robotics &amp; Discrete Automation</b>	<b>52%</b>	<b>-11%</b>	<b>0%</b>	<b>41%</b>	<b>32%</b>	<b>-10%</b>	<b>0%</b>	<b>22%</b>

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

Region	H1 2021 compared to H1 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	21%	-8%	0%	<b>13%</b>	14%	-8%	0%	<b>6%</b>
The Americas	16%	0%	0%	<b>16%</b>	4%	0%	1%	<b>5%</b>
of which: United States	16%	0%	0%	<b>16%</b>	4%	0%	1%	<b>5%</b>
Asia, Middle East and Africa	29%	-10%	0%	<b>19%</b>	48%	-12%	2%	<b>38%</b>
of which: China	29%	-10%	0%	<b>19%</b>	48%	-12%	2%	<b>38%</b>
<b>ABB Group</b>	<b>18%</b>	<b>-7%</b>	<b>0%</b>	<b>11%</b>	<b>16%</b>	<b>-6%</b>	<b>1%</b>	<b>11%</b>

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

Region	H1 2021 compared to H1 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	26%	-10%	1%	<b>17%</b>	19%	-9%	1%	<b>11%</b>
The Americas	23%	-1%	0%	<b>22%</b>	12%	-1%	1%	<b>12%</b>
of which: United States	19%	0%	0%	<b>19%</b>	6%	0%	0%	<b>6%</b>
Asia, Middle East and Africa	21%	-8%	1%	<b>14%</b>	25%	-8%	3%	<b>20%</b>
of which: China	35%	-11%	0%	<b>24%</b>	36%	-11%	0%	<b>25%</b>
<b>Electrification</b>	<b>23%</b>	<b>-6%</b>	<b>1%</b>	<b>18%</b>	<b>18%</b>	<b>-6%</b>	<b>2%</b>	<b>14%</b>

Region	H1 2021 compared to H1 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	7%	-8%	0%	<b>-1%</b>	5%	-7%	0%	<b>-2%</b>
The Americas	21%	-2%	0%	<b>19%</b>	9%	-1%	0%	<b>8%</b>
of which: United States	19%	0%	0%	<b>19%</b>	7%	0%	0%	<b>7%</b>
Asia, Middle East and Africa	5%	-7%	0%	<b>-2%</b>	30%	-9%	0%	<b>21%</b>
of which: China	22%	-11%	0%	<b>11%</b>	54%	-13%	0%	<b>41%</b>
<b>Motion</b>	<b>11%</b>	<b>-6%</b>	<b>0%</b>	<b>5%</b>	<b>14%</b>	<b>-6%</b>	<b>0%</b>	<b>8%</b>

Region	H1 2021 compared to H1 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	12%	-10%	0%	<b>2%</b>	-1%	-9%	0%	<b>-10%</b>
The Americas	-5%	-2%	0%	<b>-7%</b>	-5%	-2%	0%	<b>-7%</b>
of which: United States	-7%	-1%	0%	<b>-8%</b>	-19%	0%	0%	<b>-19%</b>
Asia, Middle East and Africa	4%	-6%	0%	<b>-2%</b>	15%	-6%	0%	<b>9%</b>
of which: China	15%	-9%	0%	<b>6%</b>	40%	-11%	0%	<b>29%</b>
<b>Process Automation</b>	<b>5%</b>	<b>-7%</b>	<b>0%</b>	<b>-2%</b>	<b>4%</b>	<b>-7%</b>	<b>0%</b>	<b>-3%</b>

Region	H1 2021 compared to H1 2020							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	26%	-10%	0%	<b>16%</b>	20%	-9%	0%	<b>11%</b>
The Americas	27%	-1%	0%	<b>26%</b>	19%	-2%	0%	<b>17%</b>
of which: United States	29%	0%	0%	<b>29%</b>	25%	0%	0%	<b>25%</b>
Asia, Middle East and Africa	22%	-9%	0%	<b>13%</b>	49%	-11%	0%	<b>38%</b>
of which: China	22%	-10%	0%	<b>12%</b>	72%	-14%	0%	<b>58%</b>
<b>Robotics &amp; Discrete Automation</b>	<b>25%</b>	<b>-9%</b>	<b>0%</b>	<b>16%</b>	<b>30%</b>	<b>-10%</b>	<b>0%</b>	<b>20%</b>

**Order backlog growth rate reconciliation**

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

**Other growth rate reconciliations**

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

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

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

### Definition

#### Operational EBITA margin

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

#### Operational EBITA

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

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

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

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

#### Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

#### Restructuring, related and implementation costs

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

#### Other income/expense relating to the Power Grids joint venture

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

#### Operational revenues

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

### Reconciliation

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

#### Reconciliation of consolidated Operational EBITA to Net Income

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

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

## Reconciliation of Operational EBITA margin by business

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

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

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

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

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

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

Three months ended June 30, 2020						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete	Corporate and Other	Consolidated
				Automation		
<b>Certain other non-operational items:</b>						
Costs for planned divestment of Power Grids	–	–	–	–	55	55
Certain other fair values changes, including asset impairments	–	–	–	–	(58)	(58)
Business transformation costs	1	4	–	1	(1)	5
Favorable resolution of an uncertain purchase price adjustment	(8)	–	–	–	–	(8)
Other non-operational items	–	–	1	–	5	6
<b>Total</b>	<b>(7)</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>–</b>

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

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

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

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

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

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

	Six months ended June 30, 2020					
				Robotics & Discrete Automation	Corporate and Other	Consolidated
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation			
<b>Certain other non-operational items:</b>						
Costs for planned divestment of Power Grids	-	-	-	-	99	99
Certain other fair values changes, including asset impairments	-	-	-	-	(58)	(58)
Business transformation costs	1	9	-	2	-	12
Favorable resolution of an uncertain purchase price adjustment	(8)	-	-	-	-	(8)
Other non-operational items	-	-	1	-	1	2
<b>Total</b>	<b>(7)</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>42</b>	<b>47</b>

## Net debt

### Definition

#### Net debt

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

#### Total debt

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

#### Cash and marketable securities

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

### Reconciliation

(\$ in millions)	June 30, 2021	December 31, 2020
Short-term debt and current maturities of long-term debt	2,117	1,293
Long-term debt	4,375	4,828
<b>Total debt (gross debt)</b>	<b>6,492</b>	<b>6,121</b>
Cash and equivalents	2,860	3,278
Restricted cash - current	71	323
Marketable securities and short-term investments	1,002	2,108
Restricted cash - non-current	300	300
<b>Cash and marketable securities</b>	<b>4,233</b>	<b>6,009</b>
<b>Net debt</b>	<b>2,259</b>	<b>112</b>

## Net debt/Equity ratio

### Definition

#### Net debt/Equity ratio

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

#### Equity

Equity is defined as Total stockholders' equity.

### Reconciliation

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

## Net debt/EBITDA ratio

### Definition

#### Net debt/EBITDA ratio

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

#### EBITDA

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

### Reconciliation

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

## Net working capital as a percentage of revenues

### Definition

#### Net working capital as a percentage of revenues

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

#### Net working capital

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

#### Adjusted revenues for the trailing twelve months

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

### Reconciliation

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

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

(2) Amounts exclude \$705 million and \$578 million at June 30, 2021 and 2020, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits and (d) payables under the share buyback program and (e) liabilities related to the divestment of the Power Grids business.

## Free cash flow conversion to net income

### Definition

#### Free cash flow conversion to net income

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

#### Adjusted net income attributable to ABB

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

#### Free cash flow

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

#### Free cash flow for the trailing twelve months

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

#### Net income for the trailing twelve months

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

### Free cash flow conversion to net income

(\$ in millions, unless otherwise indicated)	Twelve months to	
	June 30, 2021	December 31, 2020
<b>Net cash provided by operating activities – continuing operations</b>	<b>2,809</b>	<b>1,875</b>
Adjusted for the effects of continuing operations:		
Purchases of property, plant and equipment and intangible assets	(684)	(694)
Proceeds from sale of property, plant and equipment	110	114
<b>Free cash flow from continuing operations</b>	<b>2,235</b>	<b>1,295</b>
<b>Net cash provided by (used in) operating activities – discontinued operations</b>	<b>(13)</b>	<b>(182)</b>
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
<b>Free cash flow</b>	<b>2,207</b>	<b>1,006</b>
<b>Adjusted net income attributable to ABB<sup>(1)</sup></b>	<b>1,064</b>	<b>478</b>
<b>Free cash flow conversion to net income</b>	<b>207%</b>	<b>210%</b>

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

### Reconciliation of the trailing twelve months to June 30, 2021

(\$ in millions)	Continuing operations			Discontinued operations			Adjusted net income attributable to ABB <sup>(1)</sup>
	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	
Q3 2020	398	(129)	41	10	–	–	(479)
Q4 2020	1,225	(262)	46	(43)	(15)	–	262
Q1 2021	523	(142)	20	20	–	–	526
Q2 2021	663	(151)	3	–	–	–	755
<b>Total for the trailing twelve months to June 30, 2021</b>	<b>2,809</b>	<b>(684)</b>	<b>110</b>	<b>(13)</b>	<b>(15)</b>	<b>–</b>	<b>1,064</b>

(1) Adjusted net income attributable to ABB for Q3 2020 is adjusted to exclude goodwill impairment charges of \$311 million, and the gain on the sale of the Power Grids business included in discontinued operations of \$5,320 million. Q4 2020 is adjusted to exclude the loss from extinguishment of debt of \$162 million and the adjustment to the gain on the sale of Power Grids of \$179 million. Q1 2021 is adjusted to exclude the adjustment to the gain on the sale of Power Grids of \$24 million. Q2 2021 is adjusted to exclude the adjustment to the gain on the sale of Power Grids of \$3 million.

## Net finance expenses

### Definition

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

### Reconciliation

(\$ in millions)	Six months ended June 30,		Three months ended June 30,	
	2021	2020	2021	2020
Interest and dividend income	26	27	15	9
Interest and other finance expense	(91)	(112)	(36)	(90)
<b>Net finance expenses</b>	<b>(65)</b>	<b>(85)</b>	<b>(21)</b>	<b>(81)</b>

## Book-to-bill ratio

### Definition

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

### Reconciliation

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

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

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