



April 18, 2024

Q1 2024

Financial information

Financial Information

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Key Figures

(\$ in millions, unless otherwise indicated)	Q1 2024	Q1 2023	CHANGE	
			US\$	Comparable ⁽¹⁾
Orders	8,974	9,450	-5%	-4%
Order backlog (end March)	22,015	21,607	2%	6%
Revenues	7,870	7,859	0%	2%
Gross Profit	2,935	2,716	8%	
as % of revenues	37.3%	34.6%	+2.7 pts	
Income from operations	1,217	1,198	2%	
Operational EBITA ⁽¹⁾	1,417	1,277	11%	11% ⁽²⁾
as % of operational revenues ⁽¹⁾	17.9%	16.3%	+1.6 pts	
Income from continuing operations, net of tax	914	1,065	-14%	
Net income attributable to ABB	905	1,036	-13%	
Basic earnings per share (\$)	0.49	0.56	-12% ⁽³⁾	
Cash flow from operating activities	726	282	157%	
Free cash flow ⁽¹⁾	551	162	240%	

(1) For a reconciliation of non-GAAP measures see "Supplemental Reconciliations and Definitions" on page 28.

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

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

(\$ in millions, unless otherwise indicated)		Q1 2024	Q1 2023	CHANGE		
				US\$	Local	Comparable
Orders	ABB Group	8,974	9,450	-5%	-5%	-4%
	Electrification	4,392	4,141	6%	6%	8%
	Motion	2,303	2,262	2%	2%	1%
	Process Automation	1,697	2,113	-20%	-20%	-20%
	Robotics & Discrete Automation	701	1,001	-30%	-30%	-30%
	<i>Corporate and Other</i>	142	196			
	<i>Intersegment eliminations</i>	(261)	(263)			
Order backlog (end March)	ABB Group	22,015	21,607	2%	4%	6%
	Electrification	7,389	7,101	4%	6%	12%
	Motion	5,612	5,102	10%	11%	11%
	Process Automation	7,343	6,893	7%	9%	9%
	Robotics & Discrete Automation	1,918	2,782	-31%	-29%	-29%
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(247)	(271)			
Revenues	ABB Group	7,870	7,859	0%	1%	2%
	Electrification	3,680	3,590	3%	3%	6%
	Motion	1,829	1,940	-6%	-5%	-6%
	Process Automation	1,601	1,436	11%	12%	12%
	Robotics & Discrete Automation	864	937	-8%	-7%	-7%
	<i>Corporate and Other</i>	125	169			
	<i>Intersegment eliminations</i>	(229)	(213)			
Income from operations	ABB Group	1,217	1,198			
	Electrification	769	655			
	Motion	301	353			
	Process Automation	234	200			
	Robotics & Discrete Automation	91	115			
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(178)	(125)			
Income from operations %	ABB Group	15.5%	15.2%			
	Electrification	20.9%	18.2%			
	Motion	16.5%	18.2%			
	Process Automation	14.6%	13.9%			
	Robotics & Discrete Automation	10.5%	12.3%			
Operational EBITA	ABB Group	1,417	1,277	11%	11%	
	Electrification	826	677	22%	23%	
	Motion	343	366	-6%	-6%	
	Process Automation	253	205	23%	23%	
	Robotics & Discrete Automation	113	140	-19%	-18%	
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(118)	(111)			
Operational EBITA %	ABB Group	17.9%	16.3%			
	Electrification	22.4%	19.0%			
	Motion	18.5%	18.9%			
	Process Automation	15.6%	14.2%			
	Robotics & Discrete Automation	13.2%	14.9%			
Cash flow from operating activities	ABB Group	726	282			
	Electrification	547	395			
	Motion	352	149			
	Process Automation	229	112			
	Robotics & Discrete Automation	95	130			
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(497)	(504)			

Operational EBITA

(\$ in millions, unless otherwise indicated)	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
	Q1 24	Q1 23	Q1 24	Q1 23	Q1 24	Q1 23	Q1 24	Q1 23	Q1 24	Q1 23
	Revenues	7,870	7,859	3,680	3,590	1,829	1,940	1,601	1,436	864
Foreign exchange/commodity timing differences in total revenues	65	(16)	13	(22)	29	–	25	10	(5)	1
Operational revenues	7,935	7,843	3,693	3,568	1,858	1,940	1,626	1,446	859	938
Income from operations	1,217	1,198	769	655	301	353	234	200	91	115
Acquisition-related amortization	56	54	23	22	9	8	1	1	21	20
Restructuring, related and implementation costs ⁽¹⁾	26	28	10	8	8	1	7	2	–	–
Changes in obligations related to divested businesses	–	3	–	–	–	–	–	–	–	–
Gains and losses from sale of businesses	2	–	–	–	–	–	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	19	19	10	7	–	4	–	3	2	2
Certain other non-operational items	63	(1)	3	3	3	2	–	–	1	2
Foreign exchange/commodity timing differences in income from operations	34	(24)	11	(18)	22	(2)	11	(1)	(2)	1
Operational EBITA	1,417	1,277	826	677	343	366	253	205	113	140
Operational EBITA margin (%)	17.9%	16.3%	22.4%	19.0%	18.5%	18.9%	15.6%	14.2%	13.2%	14.9%

(1) Includes impairment of certain assets.

Depreciation and Amortization

(\$ in millions)	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
	Q1 24	Q1 23	Q1 24	Q1 23	Q1 24	Q1 23	Q1 24	Q1 23	Q1 24	Q1 23
	Depreciation	133	125	66	62	28	26	12	11	15
Amortization	68	66	28	27	10	10	2	2	22	20
including total acquisition-related amortization of:	56	54	23	22	9	8	1	1	21	20

Orders received and revenues by region

(\$ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	Q1 24	Q1 23	US\$	Local	Com-parable	Q1 24	Q1 23	US\$	Local	Com-parable
The Americas	2,904	2,985	-3%	-3%	-3%	2,789	2,653	5%	5%	7%
of which United States	2,139	2,130	0%	0%	2%	2,110	1,984	6%	6%	10%
Asia, Middle East and Africa	2,772	2,883	-4%	0%	0%	2,333	2,334	0%	5%	5%
of which China	1,050	1,355	-23%	-19%	-18%	998	1,155	-14%	-9%	-9%
ABB Group	8,974	9,450	-5%	-5%	-4%	7,870	7,859	0%	1%	2%

Consolidated Financial Information

ABB Ltd Consolidated Income Statements (unaudited)

(\$ in millions, except per share data in \$)	Three months ended	
	Mar. 31, 2024	Mar. 31, 2023
Sales of products	6,503	6,644
Sales of services and other	1,367	1,215
Total revenues	7,870	7,859
Cost of sales of products	(4,145)	(4,418)
Cost of services and other	(790)	(725)
Total cost of sales	(4,935)	(5,143)
Gross profit	2,935	2,716
Selling, general and administrative expenses	(1,381)	(1,339)
Non-order related research and development expenses	(363)	(304)
Other income (expense), net	26	125
Income from operations	1,217	1,198
Interest and dividend income	57	40
Interest and other finance expense	(37)	(61)
Non-operational pension (cost) credit	16	7
Income from continuing operations before taxes	1,253	1,184
Income tax expense	(339)	(119)
Income from continuing operations, net of tax	914	1,065
Loss from discontinued operations, net of tax	(1)	(5)
Net income	913	1,060
Net income attributable to noncontrolling interests and redeemable noncontrolling interests	(8)	(24)
Net income attributable to ABB	905	1,036
Amounts attributable to ABB shareholders:		
Income from continuing operations, net of tax	906	1,041
Loss from discontinued operations, net of tax	(1)	(5)
Net income	905	1,036
Basic earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.49	0.56
Loss from discontinued operations, net of tax	-	-
Net income	0.49	0.56
Diluted earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.49	0.56
Loss from discontinued operations, net of tax	-	-
Net income	0.49	0.55
Weighted-average number of shares outstanding (in millions) used to compute:		
Basic earnings per share attributable to ABB shareholders	1,839	1,861
Diluted earnings per share attributable to ABB shareholders	1,852	1,874

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)	Three months ended	
	Mar. 31, 2024	Mar. 31, 2023
Total comprehensive income, net of tax	1,063	1,153
Total comprehensive (income) loss attributable to noncontrolling interests and redeemable noncontrolling interests, net of tax	8	(30)
Total comprehensive income attributable to ABB shareholders, net of tax	1,071	1,123

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)	Mar. 31, 2024	Dec. 31, 2023
Cash and equivalents	4,102	3,891
Restricted cash	18	18
Marketable securities and short-term investments	2,097	1,928
Receivables, net	7,385	7,446
Contract assets	1,135	1,090
Inventories, net	6,170	6,149
Prepaid expenses	314	235
Other current assets	563	520
Total current assets	21,784	21,277
Property, plant and equipment, net	4,047	4,142
Operating lease right-of-use assets	863	893
Investments in equity-accounted companies	178	187
Prepaid pension and other employee benefits	755	780
Intangible assets, net	1,128	1,223
Goodwill	10,494	10,561
Deferred taxes	1,375	1,381
Other non-current assets	488	496
Total assets	41,112	40,940
Accounts payable, trade	5,018	4,847
Contract liabilities	2,866	2,844
Short-term debt and current maturities of long-term debt	1,957	2,607
Current operating leases	242	249
Provisions for warranties	1,191	1,210
Dividends payable to shareholders	857	–
Other provisions	1,056	1,201
Other current liabilities	4,595	5,046
Total current liabilities	17,782	18,004
Long-term debt	6,346	5,221
Non-current operating leases	642	666
Pension and other employee benefits	668	686
Deferred taxes	664	669
Other non-current liabilities	1,539	1,548
Total liabilities	27,641	26,794
<i>Commitments and contingencies</i>		
Redeemable noncontrolling interest	89	89
Stockholders' equity:		
Common stock, CHF 0.12 par value (1,882 million shares issued at March 31, 2024, and December 31, 2023)	163	163
Additional paid-in capital	9	7
Retained earnings	18,622	19,724
Accumulated other comprehensive loss	(4,904)	(5,070)
Treasury stock, at cost (31 million and 40 million shares at March 31, 2024, and December 31, 2023, respectively)	(1,150)	(1,414)
Total ABB stockholders' equity	12,740	13,410
Noncontrolling interests	642	647
Total stockholders' equity	13,382	14,057
Total liabilities and stockholders' equity	41,112	40,940

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

See Notes to the Consolidated Financial Information

ABB Ltd Consolidated Statements of Cash Flows (unaudited)

(\$ in millions)	Three months ended	
	Mar. 31, 2024	Mar. 31, 2023
Operating activities:		
Net income	913	1,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	201	191
Changes in fair values of investments	(13)	(13)
Pension and other employee benefits	(13)	1
Deferred taxes	(6)	25
Loss from equity-accounted companies	5	7
Net gain from derivatives and foreign exchange	(8)	(37)
Net gain from sale of property, plant and equipment	(5)	(26)
Net loss (gain) from sale of businesses	2	-
Other	27	27
Changes in operating assets and liabilities:		
Trade receivables, net	(33)	(362)
Contract assets and liabilities	38	10
Inventories, net	(205)	(264)
Accounts payable, trade	82	22
Accrued liabilities	(473)	(324)
Provisions, net	37	42
Income taxes payable and receivable	122	(115)
Other assets and liabilities, net	55	38
Net cash provided by operating activities	726	282
Investing activities:		
Purchases of investments	(877)	(660)
Purchases of property, plant and equipment and intangible assets	(181)	(151)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(30)	(19)
Proceeds from sales of investments	727	20
Proceeds from sales of property, plant and equipment	6	31
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	(8)	(5)
Net cash from settlement of foreign currency derivatives	31	36
Changes in loans receivable, net	1	8
Other investing activities	-	(1)
Net cash used in investing activities	(331)	(741)
Financing activities:		
Net changes in debt with original maturities of 90 days or less	(20)	(714)
Increase in debt	1,358	1,633
Repayment of debt	(565)	(36)
Delivery of shares	390	95
Purchase of treasury stock	(291)	(274)
Dividends paid	(919)	(1,294)
Dividends paid to noncontrolling shareholders	-	(3)
Proceeds from issuance of subsidiary shares	-	341
Other financing activities	(3)	12
Net cash used in financing activities	(50)	(240)
Effects of exchange rate changes on cash and equivalents and restricted cash	(134)	(5)
Adjustment for the net change in cash and equivalents and restricted cash in Assets held for sale	-	(13)
Net change in cash and equivalents and restricted cash	211	(717)
Cash and equivalents and restricted cash, beginning of period	3,909	4,174
Cash and equivalents and restricted cash, end of period	4,120	3,457
Supplementary disclosure of cash flow information:		
Interest paid	94	48
Income taxes paid	228	207

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

See Notes to the Consolidated Financial Information

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

(\$ in millions)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total ABB stockholders' equity	Non-controlling interests	Total stockholders' equity
Balance at January 1, 2023	171	141	20,082	(4,556)	(3,061)	12,777	410	13,187
Net income ⁽¹⁾			1,036			1,036	25	1,061
Foreign currency translation adjustments, net of tax of \$(1)				79		79	6	85
Effect of change in fair value of available-for-sale securities, net of tax of \$1				5		5		5
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$1				-		-		-
Change in derivative instruments and hedges, net of tax of \$0				3		3		3
Issuance of subsidiary shares		170				170	168	338
Other changes in noncontrolling interests							(1)	(1)
Dividends to noncontrolling shareholders							(5)	(5)
Dividends to shareholders			(1,706)			(1,706)		(1,706)
Share-based payment arrangements		22				22	1	23
Purchase of treasury stock					(253)	(253)		(253)
Delivery of shares		(53)			148	95		95
Other		(2)				(2)		(2)
Balance at March 31, 2023	171	279	19,411	(4,469)	(3,165)	12,227	604	12,831
Balance at January 1, 2024	163	7	19,724	(5,070)	(1,414)	13,410	647	14,057
Net income ⁽¹⁾			905			905	9	914
Foreign currency translation adjustments, net of tax of \$3				131		131	(16)	115
Effect of change in fair value of available-for-sale securities, net of tax of \$0				(1)		(1)		(1)
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$16				33		33		33
Change in derivative instruments and hedges, net of tax of \$0				3		3		3
Changes in noncontrolling interests		(1)	(30)			(31)	1	(30)
Dividends to noncontrolling shareholders							(1)	(1)
Dividends to shareholders			(1,804)			(1,804)		(1,804)
Share-based payment arrangements		20				20	1	21
Purchase of treasury stock					(314)	(314)		(314)
Delivery of shares		(14)	(174)		578	390		390
Other		(3)				(3)	2	(1)
Balance at March 31, 2024	163	9	18,622	(4,904)	(1,150)	12,740	642	13,382

(1) Amounts attributable to noncontrolling interests for the three months ended March 31, 2024 and 2023, exclude net losses of \$1 million and \$1 million, respectively, related to redeemable noncontrolling interests, which are reported in the mezzanine equity section on the Consolidated Balance Sheets.

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

See Notes to the Consolidated Financial Information

Notes to the Consolidated Financial Information (unaudited)

Note 1

The Company and basis of presentation

ABB Ltd and its subsidiaries (collectively, the Company) together form a technology leader in electrification and automation, enabling a more sustainable and resource-efficient future. The Company's solutions connect engineering know-how and software to optimize how things are manufactured, moved, powered, and operated.

The Company's Consolidated Financial Information is prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP) for interim financial reporting. As such, the Consolidated Financial Information does not include all the information and notes required under U.S. GAAP for annual consolidated financial statements. Therefore, such financial information should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report for the year ended December 31, 2023.

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

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

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

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

Basis of presentation

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

Certain amounts reported in the Consolidated Financial Information for prior periods have been reclassified to conform to the current year's presentation.

Change in accounting policy

Effective January 1, 2024, the Company changed the presentation of discontinued operations in its statement of cash flows to an alternate allowable policy. As a result, the total cash flows for operating, investing and financing activities from discontinued operations are no longer shown separately but instead all cash flows in discontinued operations are presented within each line item as appropriate in the statement of cash flows. As this presentation change represents a change in accounting policy, all prior periods presented have been reclassified to conform to the current period presentation and there was no material impact for the three months ended March 31, 2023.

Note 2

Recent accounting pronouncements

Applicable for current periods

Improvements to reportable segment disclosures

In January 2024, the Company adopted an accounting standard update which requires the Company to disclose additional reportable segment information primarily through enhanced disclosures about significant segment expenses and extending certain annual disclosure requirements to a quarterly frequency. The update will be applied retrospectively for all periods presented in the Company's annual consolidated financial statements and then commencing from the first quarter of 2025, in its interim consolidated financial information. Other than these additional disclosures, this update does not have a significant impact on the Company's consolidated financial statements.

Applicable for future periods

Improvements to Income tax disclosures

In December 2023, an accounting standard update was issued which requires the Company to disclose additional information related to income taxes. Under the update, the Company is required to annually disclose by jurisdiction (i) additional disaggregated information within the tax rate reconciliation and (ii) income taxes paid. This update is effective for the Company prospectively, with retrospective adoption permitted, for annual periods beginning January 1, 2025. The Company is currently evaluating the impact of adopting this update on its consolidated financial statements.

Note 3

Cash and equivalents, marketable securities and short-term investments

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

(\$ in millions)	March 31, 2024				Cash and equivalents and restricted cash	Marketable securities and short-term investments
	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value		
Changes in fair value recorded in net income						
Cash	1,789			1,789	1,789	
Time deposits	2,817			2,817	2,331	486
Equity securities	1,391	37		1,428		1,428
	5,997	37	-	6,034	4,120	1,914
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	190	2	(9)	183		183
	190	2	(9)	183	-	183
Total	6,187	39	(9)	6,217	4,120	2,097
Of which:						
Restricted cash, current					18	

(\$ in millions)	December 31, 2023				Cash and equivalents and restricted cash	Marketable securities and short-term investments
	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value		
Changes in fair value recorded in net income						
Cash	1,449			1,449	1,449	
Time deposits	2,923			2,923	2,460	463
Equity securities	1,250	32		1,282		1,282
	5,622	32	-	5,654	3,909	1,745
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	189	2	(8)	183		183
	189	2	(8)	183	-	183
Total	5,811	34	(8)	5,837	3,909	1,928
Of which:						
Restricted cash, current					18	

Note 4

Derivative financial instruments

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

Currency risk

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

Commodity risk

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

Interest rate risk

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

Volume of derivative activity

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

Foreign exchange and interest rate derivatives

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

Type of derivative (\$ in millions)	Total notional amounts at		
	March 31, 2024	December 31, 2023	March 31, 2023
Foreign exchange contracts	14,331	12,335	13,273
Embedded foreign exchange derivatives	1,106	1,137	1,104
Cross-currency interest rate swaps	863	886	870
Interest rate contracts	3,075	1,606	2,963

Derivative commodity contracts

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

Type of derivative	Unit	Total notional amounts at		
		March 31, 2024	December 31, 2023	March 31, 2023
Copper swaps	metric tonnes	38,116	35,015	27,920
Silver swaps	ounces	2,689,981	2,359,363	2,392,353
Steel swaps	metric tonnes	10,251	10,206	6,804
Aluminum swaps	metric tonnes	5,875	5,900	6,750

Cash flow hedges

As noted above, the Company mainly uses forward foreign exchange contracts to manage the foreign exchange risk of its operations and commodity swaps to manage its commodity risks. The Company applies cash flow hedge accounting in only limited cases. In these cases, the effective portion of the changes in their fair value is recorded in Accumulated other comprehensive loss and subsequently reclassified into earnings in the same line item and in the same period as the underlying hedged transaction affects earnings. For the three months ended March 31, 2024 and 2023, there were no significant amounts recorded for cash flow hedge accounting activities.

Fair value hedges

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

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

(\$ in millions)		Three months ended March 31,	
		2024	2023
Gains (losses) recognized in Interest and other finance expense:			
Interest rate contracts	Designated as fair value hedges	13	10
	Hedged item	(14)	(10)
Cross-currency interest rate swaps	Designated as fair value hedges	(3)	(11)
	Hedged item	3	2

Derivatives not designated in hedge relationships

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

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

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

Type of derivative not designated as a hedge (\$ in millions)	Location	Gains (losses) recognized in income	
		Three months ended March 31,	
		2024	2023
Foreign exchange contracts	Total revenues	(168)	11
	Total cost of sales	47	(1)
	SG&A expenses ⁽¹⁾	13	6
	Non-order related research and development	(2)	-
	Interest and other finance expense	247	42
Embedded foreign exchange contracts	Total revenues	18	7
	Total cost of sales	(4)	(1)
Commodity contracts	Total cost of sales	9	11
Other	Interest and other finance expense	(2)	-
Total		158	75

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

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

(\$ in millions)	March 31, 2024			
	Derivative assets		Derivative liabilities	
	Current in "Other current assets"	Non-current in "Other non-current assets"	Current in "Other current liabilities"	Non-current in "Other non-current liabilities"
Derivatives designated as hedging instruments:				
Foreign exchange contracts	-	-	2	-
Interest rate contracts	-	-	4	3
Cross-currency interest rate swaps	-	-	-	256
Other	7	-	-	-
Total	7	-	6	259
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	179	19	97	13
Commodity contracts	17	-	1	-
Interest rate contracts	-	-	-	-
Embedded foreign exchange derivatives	24	5	11	1
Other	-	3	-	-
Total	220	27	109	14
Total fair value	227	27	115	273

(\$ in millions)	December 31, 2023			
	Derivative assets		Derivative liabilities	
	Current in "Other current assets"	Non-current in "Other non-current assets"	Current in "Other current liabilities"	Non-current in "Other non-current liabilities"
Derivatives designated as hedging instruments:				
Foreign exchange contracts	-	-	5	2
Interest rate contracts	-	-	18	-
Cross-currency interest rate swaps	-	-	-	230
Other	10	-	-	-
Total	10	-	23	232
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	123	30	177	9
Commodity contracts	8	-	3	-
Interest rate contracts	1	-	1	-
Other equity contracts	4	-	-	-
Embedded foreign exchange derivatives	23	5	26	5
Total	159	35	207	14
Total fair value	169	35	230	246

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

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at March 31, 2024, and December 31, 2023, have been presented on a gross basis.

The Company's netting agreements and other similar arrangements allow net settlements under certain conditions. At March 31, 2024, and December 31, 2023, information related to these offsetting arrangements was as follows:

(\$ in millions)	March 31, 2024				
	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	225	(71)	-	-	154
Total	225	(71)	-	-	154

(\$ in millions)	March 31, 2024				
	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	376	(71)	-	-	305
Total	376	(71)	-	-	305

(\$ in millions)	December 31, 2023				
	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	176	(111)	-	-	65
Total	176	(111)	-	-	65

(\$ in millions)	December 31, 2023				
	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	445	(111)	-	-	334
Total	445	(111)	-	-	334

Note 5

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

Recurring fair value measures

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

(\$ in millions)	March 31, 2024			Total fair value
	Level 1	Level 2	Level 3	
Assets				
Securities in "Marketable securities and short-term investments":				
Equity securities	–	1,428	–	1,428
Debt securities—U.S. government obligations	183	–	–	183
Derivative assets—current in "Other current assets"	–	227	–	227
Derivative assets—non-current in "Other non-current assets"	–	27	–	27
Total	183	1,682	–	1,865
Liabilities				
Derivative liabilities—current in "Other current liabilities"	–	115	–	115
Derivative liabilities—non-current in "Other non-current liabilities"	–	273	–	273
Total	–	388	–	388

(\$ in millions)	December 31, 2023			Total fair value
	Level 1	Level 2	Level 3	
Assets				
Securities in "Marketable securities and short-term investments":				
Equity securities	–	1,282	–	1,282
Debt securities—U.S. government obligations	183	–	–	183
Derivative assets—current in "Other current assets"	–	169	–	169
Derivative assets—non-current in "Other non-current assets"	–	35	–	35
Total	183	1,486	–	1,669
Liabilities				
Derivative liabilities—current in "Other current liabilities"	–	230	–	230
Derivative liabilities—non-current in "Other non-current liabilities"	–	246	–	246
Total	–	476	–	476

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

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

Non-recurring fair value measures

There were no significant non-recurring fair value measurements during the three months ended March 31, 2024 and 2023.

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)	March 31, 2024				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding securities with original maturities up to 3 months):					
Cash	1,771	1,771	–	–	1,771
Time deposits	2,331	–	2,331	–	2,331
Restricted cash	18	18	–	–	18
Marketable securities and short-term investments (excluding securities):					
Time deposits	486	–	486	–	486
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)					
	1,927	1,890	37	–	1,927
Long-term debt (excluding finance lease obligations)	6,192	6,211	8	–	6,219

(\$ in millions)	December 31, 2023				
	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding securities with original maturities up to 3 months):					
Cash	1,431	1,431	–	–	1,431
Time deposits	2,460	–	2,460	–	2,460
Restricted cash	18	18	–	–	18
Marketable securities and short-term investments (excluding securities):					
Time deposits	463	–	463	–	463
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)					
	2,576	2,521	55	–	2,576
Long-term debt (excluding finance lease obligations)	5,060	5,096	5	–	5,101

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

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

Note 6

Contract assets and liabilities

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

(\$ in millions)	March 31, 2024	December 31, 2023	March 31, 2023
Contract assets	1,135	1,090	1,009
Contract liabilities	2,866	2,844	2,339

Contract assets primarily relate to the Company's right to receive consideration for work completed but for which no invoice has been issued at the reporting date. Contract assets are transferred to receivables when rights to receive payment become unconditional. Management expects that the majority of the amounts will be collected within one year of the respective balance sheet date.

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

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

(\$ in millions)	Three months ended March 31,			
	2024		2023	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognized, which was included in the Contract liabilities balance at Jan 1, 2024/2023		(724)		(651)
Additions to Contract liabilities - excluding amounts recognized as revenue during the period		819		707
Receivables recognized that were included in the Contract assets balance at Jan 1, 2024/2023	(408)		(325)	

The Company considers its order backlog to represent its unsatisfied performance obligations. At March 31, 2024, the Company had unsatisfied performance obligations totaling \$22,015 million and, of this amount, the Company expects to fulfill approximately 61 percent of the obligations in 2024, approximately 23 percent of the obligations in 2025 and the balance thereafter.

Note 7

Supplier finance programs

The Company has several supplier finance programs, all with similar characteristics, with various financial institutions acting as paying agent. These programs allow qualifying suppliers access to bank facilities which permit earlier payment at a cost to the supplier. The Company's payment terms related to suppliers' finance programs are not impacted by the suppliers' decisions to sell amounts under the arrangements and are typically consistent with local market practices. Outstanding supplier finance obligations are included in "Accounts payable, trade" in the Consolidated Balance Sheets and are reported as operating or investing (if capitalized) activities in the Consolidated Statement of Cash Flows when paid. At March 31, 2024, and December 31, 2023, the total obligation outstanding under supplier finance programs amounted to \$442 million and \$415 million, respectively.

Note 8

Debt

The Company's total debt at March 31, 2024, and December 31, 2023, amounted to \$8,303 million and \$7,828 million, respectively.

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

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

(\$ in millions)	March 31, 2024	December 31, 2023
Short-term debt	50	87
Current maturities of long-term debt	1,907	2,520
Total	1,957	2,607

Short-term debt primarily represented short-term bank borrowings from various banks.

In March 2024, the Company repaid at maturity its EUR 500 million Floating Rate Instruments, equivalent to \$539 million on date of repayment.

Long-term debt

The Company's long-term debt at March 31, 2024, and December 31, 2023, amounted to \$6,346 million and \$5,221 million, respectively.

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

(in millions)	March 31, 2024		December 31, 2023					
	Nominal outstanding	Carrying value ⁽¹⁾	Nominal outstanding	Carrying value ⁽¹⁾				
Bonds:								
Floating Rate EUR Instruments, due 2024			EUR	500	\$	554		
0.625% EUR Instruments, due 2024	EUR	700	\$	755	EUR	700	\$	768
0.75% EUR Instruments, due 2024	EUR	750	\$	805	EUR	750	\$	819
0.3% CHF Bonds, due 2024	CHF	280	\$	309	CHF	280	\$	335
2.1% CHF Bonds, due 2025	CHF	150	\$	165	CHF	150	\$	179
1.965% CHF Bonds, due 2026	CHF	325	\$	358	CHF	325	\$	387
3.25% EUR Instruments, due 2027	EUR	500	\$	536	EUR	500	\$	551
0.75% CHF Bonds, due 2027	CHF	425	\$	468	CHF	425	\$	507
3.8% USD Notes, due 2028 ⁽²⁾	USD	383	\$	382	USD	383	\$	382
1.9775% CHF Bonds, due 2028	CHF	150	\$	165	CHF	150	\$	179
3.125% EUR Instruments, due 2029	EUR	500	\$	536				
1.0% CHF Bonds, due 2029	CHF	170	\$	188	CHF	170	\$	203
0% EUR Instruments, due 2030	EUR	800	\$	723	EUR	800	\$	749
2.375% CHF Bonds, due 2030	CHF	150	\$	165	CHF	150	\$	178
3.375% EUR Instruments, due 2031	EUR	750	\$	797	EUR	750	\$	818
2.1125% CHF Bonds, due 2033	CHF	275	\$	303	CHF	275	\$	327
3.375% EUR Instruments, due 2034	EUR	750	\$	802				
4.375% USD Notes, due 2042 ⁽²⁾	USD	609	\$	591	USD	609	\$	591
Total			\$	8,048			\$	7,527

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

(2) Prior to completing a cash tender offer in November 2020, the original principal amount outstanding, on each of the 3.8% USD Notes, due 2028, and the 4.375% USD Notes, due 2042, was USD 750 million.

In January 2024, the Company issued the following EUR Instruments: (i) EUR 500 million of 3.125 percent Instruments, due 2029, and (ii) EUR 750 million of 3.375 percent Instruments, due 2034, both paying interest annually in arrears. The aggregate net proceeds of these EUR Instruments, after discount and fees, amounted to EUR 1,243 million (equivalent to approximately \$1,360 million on date of issuance).

Subsequent events

On April 2, 2024, the Company repaid at maturity its EUR 700 million 0.625% EUR Instruments, equivalent to \$752 million on date of repayment.

Note 9

Commitments and contingencies

Contingencies—Regulatory, Compliance and Legal

Regulatory

Based on findings during an internal investigation, the Company self-reported to the Securities Exchange Commission (SEC) and the Department of Justice (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 SIU relating to improper payments and other compliance issues associated with the Controls and Instrumentation Contract, and its Variation Orders for Units 1 and 2 at Kusile. The Company made a provision of approximately \$325 million which was recorded in Other income (expense), net, during the third quarter of 2022. In December 2022, the Company settled with the SEC and DoJ as well as the authorities in South Africa and Switzerland. In March 2024, the Company settled its final pending matter with the authorities in Germany. The Company does not believe that it will need to record any additional provisions for this matter.

General

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

Liabilities recognized

At March 31, 2024, and December 31, 2023, the Company had aggregate liabilities of \$92 million and \$101 million, respectively, included in Other provisions and Other non-current liabilities, for the above regulatory, compliance and legal contingencies, and none of the individual liabilities recognized was significant. As it is not possible to make an informed judgment on, or reasonably predict, the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be adverse outcomes beyond the amounts accrued.

Guarantees

General

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

Maximum potential payments (\$ in millions)	March 31, 2024	December 31, 2023
Performance guarantees	3,370	3,451
Financial guarantees	93	94
Total⁽¹⁾	3,463	3,545

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

The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations. In respect of the above guarantees, the carrying amounts of liabilities at March 31, 2024, and December 31, 2023, were not significant.

The Company is party to various guarantees providing financial or performance assurances to certain third parties. These guarantees, which have various maturities up to 2032, mainly consist of performance guarantees whereby (i) the Company guarantees the performance of a third party's product or service according to the terms of a contract and (ii) as member of a consortium/joint-venture that includes third parties, the Company guarantees not only its own performance but also the work of third parties. Such guarantees may include guarantees that a project will be completed within a specified time. If the third party does not fulfill the obligation, the Company will compensate the guaranteed party in cash or in kind. The original maturity dates for the majority of these performance guarantees range from one to ten years.

In conjunction with the divestment of the high-voltage cable and cables accessories businesses, the Company has entered into various performance guarantees with other parties with respect to certain liabilities of the divested business. At March 31, 2024, and December 31, 2023, the maximum potential payable under these guarantees amounts to \$843 million and \$874 million, respectively, and these guarantees have various original maturities ranging from five to ten years.

The Company retained obligations for financial and performance guarantees related to its former Power Grids business (reported as discontinued operations prior to its sale to Hitachi Ltd in 2020), which at both March 31, 2024, and December 31, 2023, have been fully indemnified by Hitachi Ltd. These guarantees, having various maturities up to 2032, primarily consist of bank guarantees, standby letters of credit, business performance guarantees and other trade-related guarantees, the majority of which have original maturity dates ranging from one to ten years. The maximum amount payable under these guarantees at both March 31, 2024, and December 31, 2023, was approximately \$2.2 billion.

Commercial commitments

In addition, in the normal course of bidding for and executing certain projects, the Company has entered into standby letters of credit, bid/performance bonds and surety bonds (collectively "performance bonds") with various financial institutions. Customers can draw on such performance bonds in the event that the Company does not fulfill its contractual obligations. The Company would then have an obligation to reimburse the financial institution for amounts paid under the performance bonds. At March 31, 2024, and December 31, 2023, the total outstanding performance bonds aggregated to \$3.2 billion and \$3.1 billion, respectively. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the three months ended March 31, 2024 and 2023.

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)	2024	2023
Balance at January 1,	1,210	1,028
Claims paid in cash or in kind	(37)	(40)
Net increase in provision for changes in estimates, warranties issued and warranties expired	55	65
Exchange rate differences	(37)	7
Balance at March 31,	1,191	1,060

Note 10

Income taxes

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

The effective tax rate of 27.1 percent in the three months ended March 31, 2024, was higher than the effective tax rate of 10.1 percent in the three months ended March 31, 2023, primarily due to a net benefit of \$206 million realized on a favorable resolution of an uncertain tax position in the three months ended March 31, 2023. The release of the corresponding provision resulted in an increase of \$0.11 in earnings per share (basic and diluted) for the three months ended March 31, 2023.

Note 11

Employee benefits

The Company operates defined benefit pension plans, defined contribution pension plans, and termination indemnity plans, in accordance with local regulations and practices. At March 31, 2024, the Company's most significant defined benefit pension plans are in Switzerland as well as in Germany, the United Kingdom, and the United States. These plans cover a large portion of the Company's employees and provide benefits to employees in the event of death, disability, retirement, or termination of employment. Certain of these plans are multi-employer plans. The Company also operates other postretirement benefit plans including postretirement health care benefits and other employee-related benefits for active employees including long-service award plans. The postretirement benefit plans are not significant. The measurement date used for the Company's employee benefit plans is December 31. The funding policies of the Company's plans are consistent with the local government and tax requirements.

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

(\$ in millions)	Defined pension benefits			
	Switzerland		International	
	2024	2023	2024	2023
Three months ended March 31,				
Operational pension cost:				
Service cost	11	9	8	8
Operational pension cost	11	9	8	8
Non-operational pension cost (credit):				
Interest cost	9	12	39	40
Expected return on plan assets	(31)	(33)	(43)	(39)
Amortization of prior service cost (credit)	(2)	–	(1)	–
Amortization of net actuarial loss	–	–	13	13
Non-operational pension cost (credit)	(24)	(21)	8	14
Net periodic benefit cost (credit)	(13)	(12)	16	22

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 Consolidated Income Statements.

Employer contributions were as follows:

(\$ in millions)	Defined pension benefits			
	Switzerland		International	
	2024	2023	2024	2023
Three months ended March 31,				
Total contributions to defined benefit pension plans	13	2	11	11

The Company expects to make contributions totaling approximately \$87 million to its defined pension plans for the full year 2024.

Note 12

Stockholder's equity

At the Annual General Meeting of Shareholders (AGM) on March 21, 2024, shareholders approved the proposal of the Board of Directors to distribute 0.87 Swiss francs per share to shareholders. The declared dividend amounted to \$1,804 million, with the Company disbursing a portion in March and the remaining amounts scheduled to be paid in the second quarter of 2024.

In March 2024, the Company completed the share buyback program that was launched in April 2023. This program was executed on a second trading line on the SIX Swiss Exchange. Through this program, the Company purchased a total of 21 million shares for approximately \$0.8 billion, of which 4 million shares were purchased in the first quarter of 2024 (resulting in an increase in Treasury stock of \$187 million).

Also in March 2024, the Company announced a new share buyback program of up to \$1 billion. This program, which was launched in April 2024, is being executed on a second trading line on the SIX Swiss Exchange and is planned to run until January 2025.

During the first quarter of 2024, the Company delivered, out of treasury stock, approximately 16 million shares in connection with its Management Incentive Plan.

Note 13

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	Three months ended March 31,	
	2024	2023
(\$ in millions, except per share data in \$)		
Amounts attributable to ABB shareholders:		
Income from continuing operations, net of tax	906	1,041
Loss from discontinued operations, net of tax	(1)	(5)
Net income	905	1,036
Weighted-average number of shares outstanding (in millions)	1,839	1,861
Basic earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.49	0.56
Loss from discontinued operations, net of tax	–	–
Net income	0.49	0.56
Diluted earnings per share		
	Three months ended March 31,	
(\$ in millions, except per share data in \$)	2024	2023
Amounts attributable to ABB shareholders:		
Income from continuing operations, net of tax	906	1,041
Loss from discontinued operations, net of tax	(1)	(5)
Net income	905	1,036
Weighted-average number of shares outstanding (in millions)	1,839	1,861
Effect of dilutive securities:		
Call options and shares	13	13
Adjusted weighted-average number of shares outstanding (in millions)	1,852	1,874
Diluted earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.49	0.56
Loss from discontinued operations, net of tax	–	–
Net income	0.49	0.55

Note 14

Reclassifications out of accumulated other comprehensive loss

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

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
Balance at January 1, 2023	(3,691)	(19)	(838)	(8)	(4,556)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	85	4	(8)	2	83
Amounts reclassified from OCI	–	1	8	1	10
Total other comprehensive (loss) income	85	5	–	3	93
Less:					
Amounts attributable to noncontrolling interests and redeemable noncontrolling interests	6	–	–	–	6
Balance at March 31, 2023	(3,612)	(14)	(838)	(5)	(4,469)

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
Balance at January 1, 2024	(3,977)	(8)	(1,075)	(10)	(5,070)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	115	(1)	27	–	141
Amounts reclassified from OCI	–	–	6	3	9
Total other comprehensive (loss) income	115	(1)	33	3	150
Less:					
Amounts attributable to noncontrolling interests and redeemable noncontrolling interests	(16)	–	–	–	(16)
Balance at March 31, 2024	(3,846)	(9)	(1,042)	(7)	(4,904)

The amounts reclassified out of OCI for the three months ended March 31, 2024 and 2023, were not significant.

Note 15

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.

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

- **Electrification:** manufactures and sells electrical products and solutions which are designed to provide safe, smart and sustainable electrical flow from the substation to the socket. The portfolio of increasingly digital and connected solutions includes renewable power solutions, modular substation packages, distribution automation products, switchboards 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 currently delivered through five operating Divisions: Distribution Solutions, Smart Power, Smart Buildings, Installation Products and Service, as well as, prior to its sale in July 2023, the Power Conversion Division.
- **Motion:** designs, manufactures, and sells drives, motors, generators and traction converters that are driving the low-carbon future for industries, cities, infrastructure and transportation. These products, digital technology and related services enable industrial customers to increase energy efficiency, improve safety and reliability, and achieve precise control of their processes. Building on over 140 years of cumulative experience in electric powertrains, Motion combines domain expertise and technology to deliver the optimum solution for a wide range of applications in all industrial segments. In addition, Motion, along with its partners, has a leading global service presence. These products and services are delivered through seven operating Divisions: Large Motors and Generators, IEC LV Motors, NEMA Motors, Drive Products, System Drives, Service and Traction.
- **Process Automation:** offers a broad range of industry-specific, integrated automation, electrification and digital solutions, as well as lifecycle services for the process, hybrid and marine industries. The product portfolio includes control technologies, industrial software, advanced analytics, sensing and measurement technology, and marine propulsion systems. In addition, Process Automation offers a comprehensive range of services, from repair to advanced digital capabilities such as remote monitoring, preventive maintenance, asset performance management, emission monitoring and cybersecurity. The products, systems and services are delivered through four operating Divisions: Energy Industries, Process Industries, Marine & Ports and Measurement & Analytics.
- **Robotics & Discrete Automation:** delivers its products, solutions and services through two operating Divisions. Robotics provides industrial and collaborative robots, autonomous mobile robotics, mapping and navigation solutions, robotic solutions, field services, spare parts and digital services. Machine Automation specializes in automation solutions based on its programmable logic controllers (PLC), industrial PCs (IPC), servo motion, transport systems and machine vision. Both divisions offer software across the entire life cycle, including engineering and simulation software as well as a comprehensive range of digital solutions.

Corporate and Other: Corporate includes headquarter costs, the Company's corporate real estate activities and Corporate Treasury while Other includes the E-mobility operating segment, other non-core operating activities as well as the operating activities of certain divested businesses.

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

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

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

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

The following tables present disaggregated segment revenues from contracts with customers, Operational EBITA, and the reconciliations of consolidated Operational EBITA to Income from continuing operations before taxes for the three months ended March 31, 2024 and 2023, as well as total assets at March 31, 2024, and December 31, 2023.

Three months ended March 31, 2024						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics &	Corporate and Other	Total
				Discrete Automation		
Geographical markets						
Europe	1,154	488	555	490	61	2,748
The Americas	1,529	630	447	140	43	2,789
of which: United States	1,186	516	285	85	38	2,110
Asia, Middle East and Africa	936	558	593	231	15	2,333
of which: China	415	256	165	157	5	998
	3,619	1,676	1,595	861	119	7,870
Product type						
Products	3,380	1,395	911	711	106	6,503
Services and other	239	281	684	150	13	1,367
	3,619	1,676	1,595	861	119	7,870
Third-party revenues	3,619	1,676	1,595	861	119	7,870
Intersegment revenues	61	153	6	3	(223)	-
Total revenues⁽¹⁾	3,680	1,829	1,601	864	(104)	7,870

Three months ended March 31, 2023						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics &	Corporate and Other	Total
				Discrete Automation		
Geographical markets						
Europe	1,162	638	519	474	79	2,872
The Americas	1,407	632	421	136	57	2,653
of which: United States	1,043	533	264	91	53	1,984
Asia, Middle East and Africa	957	549	489	324	15	2,334
of which: China	457	281	162	248	7	1,155
	3,526	1,819	1,429	934	151	7,859
Product type						
Products	3,306	1,583	827	791	137	6,644
Services and other	220	236	602	143	14	1,215
	3,526	1,819	1,429	934	151	7,859
Third-party revenues	3,526	1,819	1,429	934	151	7,859
Intersegment revenues	64	121	7	3	(195)	-
Total revenues⁽¹⁾	3,590	1,940	1,436	937	(44)	7,859

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

(\$ in millions)	Three months ended	
	March 31,	
	2024	2023
Operational EBITA:		
Electrification	826	677
Motion	343	366
Process Automation	253	205
Robotics & Discrete Automation	113	140
Corporate and Other		
– E-mobility	(54)	(28)
– Corporate costs, intersegment eliminations and other	(64)	(83)
Total	1,417	1,277
Acquisition-related amortization	(56)	(54)
Restructuring, related and implementation costs ⁽¹⁾	(26)	(28)
Changes in obligations related to divested businesses	–	(3)
Gains and losses from sale of businesses	(2)	–
Acquisition- and divestment-related expenses and integration costs	(19)	(19)
Foreign exchange/commodity timing differences in income from operations:		
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(77)	22
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(5)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	42	7
Certain other non-operational items:		
Other income/expense relating to the Power Grids joint venture	8	13
Regulatory, compliance and legal costs	(3)	–
Business transformation costs ⁽²⁾	(50)	(34)
Certain other fair value changes, including asset impairments	(14)	(1)
Other non-operational items	(4)	23
Income from operations	1,217	1,198
Interest and dividend income	57	40
Interest and other finance expense	(37)	(61)
Non-operational pension (cost) credit	16	7
Income from continuing operations before taxes	1,253	1,184

(1) Includes impairment of certain assets.

(2) Amount includes ABB Way process transformation costs of \$46 million and \$30 million for the three months ended March 31, 2024 and 2023, respectively.

(\$ in millions)	Total assets ⁽¹⁾	
	March 31, 2024	December 31, 2023
Electrification	12,837	12,668
Motion	6,947	7,016
Process Automation	4,952	4,971
Robotics & Discrete Automation	4,982	5,047
Corporate and Other	11,394	11,238
Consolidated	41,112	40,940

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

Supplemental Reconciliations and Definitions

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

While ABB's management believes that the non-GAAP financial measures herein are useful in evaluating ABB's operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP. Therefore these measures should not be viewed in isolation but considered together with the Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the three months ended March 31, 2024.

Comparable growth rates

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

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

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

Comparable growth rate reconciliation by Business Area

Business Area	Q1 2024 compared to Q1 2023							
	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	6%	0%	2%	8%	3%	0%	3%	6%
Motion	2%	0%	-1%	1%	-6%	1%	-1%	-6%
Process Automation	-20%	0%	0%	-20%	11%	1%	0%	12%
Robotics & Discrete Automation	-30%	0%	0%	-30%	-8%	1%	0%	-7%
ABB Group	-5%	0%	1%	-4%	0%	1%	1%	2%

Regional comparable growth rate reconciliation

Regional comparable growth rate reconciliation for ABB Group - Quarter

Region	Q1 2024 compared to Q1 2023							
	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	-8%	-1%	0%	-9%	-4%	-2%	1%	-5%
The Americas	-3%	0%	0%	-3%	5%	0%	2%	7%
of which: United States	0%	0%	2%	2%	6%	0%	4%	10%
Asia, Middle East and Africa	-4%	4%	0%	0%	0%	5%	0%	5%
of which: China	-23%	4%	1%	-18%	-14%	5%	0%	-9%
ABB Group	-5%	0%	1%	-4%	0%	1%	1%	2%

Regional comparable growth rate reconciliation by Business Area - Quarter

Region	Q1 2024 compared to Q1 2023							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	3%	-1%	0%	2%	-2%	-1%	1%	-2%
The Americas	9%	-1%	3%	11%	9%	-1%	7%	15%
of which: United States	13%	0%	4%	17%	14%	0%	9%	23%
Asia, Middle East and Africa	6%	4%	1%	11%	-1%	5%	1%	5%
of which: China	-7%	4%	1%	-2%	-9%	4%	1%	-4%
Electrification	6%	0%	2%	8%	3%	0%	3%	6%

Region	Q1 2024 compared to Q1 2023							
	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	-8%	-3%	0%	-11%	-20%	-2%	0%	-22%
The Americas	-1%	0%	-3%	-4%	0%	0%	-4%	-4%
of which: United States	-4%	1%	-3%	-6%	-3%	0%	-3%	-6%
Asia, Middle East and Africa	16%	5%	0%	21%	5%	6%	0%	11%
of which: China	-12%	4%	0%	-8%	-9%	4%	0%	-5%
Motion	2%	0%	-1%	1%	-6%	1%	-1%	-6%

Region	Q1 2024 compared to Q1 2023							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	-10%	0%	0%	-10%	7%	-1%	0%	6%
The Americas	-26%	0%	0%	-26%	6%	0%	0%	6%
of which: United States	-13%	0%	0%	-13%	8%	0%	0%	8%
Asia, Middle East and Africa	-27%	2%	0%	-25%	21%	5%	0%	26%
of which: China	-37%	3%	0%	-34%	2%	5%	0%	7%
Process Automation	-20%	0%	0%	-20%	11%	1%	0%	12%

Region	Q1 2024 compared to Q1 2023							
	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	-31%	-1%	0%	-32%	4%	-2%	0%	2%
The Americas	-24%	-2%	0%	-26%	2%	-1%	0%	1%
of which: United States	-34%	0%	0%	-34%	-7%	0%	0%	-7%
Asia, Middle East and Africa	-32%	4%	0%	-28%	-29%	4%	0%	-25%
of which: China	-46%	3%	0%	-43%	-37%	3%	0%	-34%
Robotics & Discrete Automation	-30%	0%	0%	-30%	-8%	1%	0%	-7%

Order backlog growth rate reconciliation

Business Area	March 31, 2024 compared to March 31, 2023			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	4%	2%	6%	12%
Motion	10%	1%	0%	11%
Process Automation	7%	2%	0%	9%
Robotics & Discrete Automation	-31%	2%	0%	-29%
ABB Group	2%	2%	2%	6%

Other growth rate reconciliations

Business Area	Q1 2024 compared to Q1 2023							
	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	17%	1%	0%	18%	9%	0%	0%	9%
Motion	4%	1%	0%	5%	19%	4%	0%	23%
Process Automation	3%	0%	0%	3%	14%	0%	0%	14%
Robotics & Discrete Automation	1%	-1%	0%	0%	4%	1%	0%	5%
ABB Group	6%	0%	0%	6%	12%	2%	0%	14%

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

Definition

Operational EBITA margin

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

Operational EBITA

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

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

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

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

Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

Restructuring, related and implementation costs

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

Operational revenues

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

Reconciliation

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

Reconciliation of consolidated Operational EBITA to Net Income

(\$ in millions)	Three months ended March 31,	
	2024	2023
Operational EBITA	1,417	1,277
Acquisition-related amortization	(56)	(54)
Restructuring, related and implementation costs ⁽¹⁾	(26)	(28)
Changes in obligations related to divested businesses	–	(3)
Gains and losses from sale of businesses	(2)	–
Acquisition- and divestment-related expenses and integration costs	(19)	(19)
Certain other non-operational items	(63)	1
Foreign exchange/commodity timing differences in income from operations	(34)	24
Income from operations	1,217	1,198
Interest and dividend income	57	40
Interest and other finance expense	(37)	(61)
Non-operational pension (cost) credit	16	7
Income from continuing operations before taxes	1,253	1,184
Income tax expense	(339)	(119)
Income from continuing operations, net of tax	914	1,065
Loss from discontinued operations, net of tax	(1)	(5)
Net income	913	1,060

(1) Includes impairment of certain assets.

Reconciliation of Operational EBITA margin by business

(\$ in millions, unless otherwise indicated)	Three months ended March 31, 2024					Consolidated
	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	
Total revenues	3,680	1,829	1,601	864	(104)	7,870
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	47	46	44	6	5	148
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(3)	–	2	–	–	(1)
Unrealized foreign exchange movements on receivables (and related assets)	(31)	(17)	(21)	(11)	(2)	(82)
Operational revenues	3,693	1,858	1,626	859	(101)	7,935
Income (loss) from operations	769	301	234	91	(178)	1,217
Acquisition-related amortization	23	9	1	21	2	56
Restructuring, related and implementation costs ⁽¹⁾	10	8	7	–	1	26
Gains and losses from sale of businesses	–	–	–	–	2	2
Acquisition- and divestment-related expenses and integration costs	10	–	–	2	7	19
Certain other non-operational items	3	3	–	1	56	63
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	22	33	22	4	(4)	77
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)	(10)	(11)	(12)	(6)	(3)	(42)
Operational EBITA	826	343	253	113	(118)	1,417
Operational EBITA margin (%)	22.4%	18.5%	15.6%	13.2%	n.a.	17.9%

(1) Includes impairment of certain assets.

In the three months ended March 31, 2024, Certain other non-operational items in the table above includes the following:

(\$ in millions, unless otherwise indicated)	Three months ended March 31, 2024					Consolidated
	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	
Certain other non-operational items:						
Other income/expense relating to the Power Grids joint venture	–	–	–	–	(8)	(8)
Regulatory, compliance and legal costs	–	–	–	–	3	3
Business transformation costs ⁽¹⁾	2	1	–	1	46	50
Certain other fair values changes, including asset impairments	1	2	–	–	11	14
Other non-operational items	–	–	–	–	4	4
Total	3	3	–	1	56	63

(1) Amounts include ABB Way process transformation costs of \$46 million for the three months ended March 31, 2024.

Three months ended March 31, 2023						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics &	Corporate and	Consolidated
				Discrete Automation	Other and Intersegment elimination	
Total revenues	3,590	1,940	1,436	937	(44)	7,859
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	(14)	4	13	2	(4)	1
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	-	1	-	2	2
Unrealized foreign exchange movements on receivables (and related assets)	(7)	(4)	(4)	(1)	(3)	(19)
Operational revenues	3,568	1,940	1,446	938	(49)	7,843
Income (loss) from operations	655	353	200	115	(125)	1,198
Acquisition-related amortization	22	8	1	20	3	54
Restructuring, related and implementation costs ⁽¹⁾	8	1	2	-	17	28
Changes in obligations related to divested businesses	-	-	-	-	3	3
Acquisition- and divestment-related expenses and integration costs	7	4	3	2	3	19
Certain other non-operational items	3	2	-	2	(8)	(1)
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(15)	-	(2)	2	(7)	(22)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	-	-	2	-	3	5
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(3)	(2)	(1)	(1)	-	(7)
Operational EBITA	677	366	205	140	(111)	1,277
Operational EBITA margin (%)	19.0%	18.9%	14.2%	14.9%	n.a.	16.3%

(1) Includes impairment of certain assets.

In the three months ended March 31, 2023, Certain other non-operational items in the table above includes the following:

Three months ended March 31, 2023						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics &	Corporate	Consolidated
				Discrete Automation	and Other	
Certain other non-operational items:						
Other income/expense relating to the Power Grids joint venture	-	-	-	-	(13)	(13)
Certain other fair values changes, including asset impairments	1	1	-	1	(2)	1
Business transformation costs ⁽¹⁾	4	-	-	1	29	34
Other non-operational items	(2)	1	-	-	(22)	(23)
Total	3	2	-	2	(8)	(1)

(1) Amounts include ABB Way process transformation costs of \$30 million for the three months ended March 31, 2023.

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 and Marketable securities and short-term investments.

Reconciliation

(\$ in millions)	March 31, 2024	December 31, 2023
Short-term debt and current maturities of long-term debt	1,957	2,607
Long-term debt	6,346	5,221
Total debt	8,303	7,828
Cash and equivalents	4,102	3,891
Restricted cash	18	18
Marketable securities and short-term investments	2,097	1,928
Cash and marketable securities	6,217	5,837
Net debt	2,086	1,991

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)	March 31, 2024	December 31, 2023
Total stockholders' equity	13,382	14,057
Net debt (as defined above)	2,086	1,991
Net debt / Equity ratio	0.16	0.14

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)	March 31, 2024	March 31, 2023
Income from operations for the three months ended:		
June 30, 2023 / 2022	1,298	587
September 30, 2023 / 2022	1,259	708
December 31, 2023 / 2022	1,116	1,185
March 31, 2024 / 2023	1,217	1,198
Depreciation and Amortization for the three months ended:		
June 30, 2023 / 2022	196	207
September 30, 2023 / 2022	194	198
December 31, 2023 / 2022	199	199
March 31, 2024 / 2023	201	191
EBITDA	5,680	4,473
Net debt (as defined above)	2,086	3,826
Net debt / EBITDA	0.4	0.9

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 certain other restructuring-related activities); and including the amounts related to these accounts which have been presented as either assets or liabilities held for sale.

Adjusted revenues for the trailing twelve months

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

Reconciliation

(\$ in millions, unless otherwise indicated)	March 31, 2024	March 31, 2023
Net working capital:		
Receivables, net	7,385	7,174
Contract assets	1,135	1,009
Inventories, net	6,170	6,269
Prepaid expenses	314	304
Accounts payable, trade	(5,018)	(4,945)
Contract liabilities	(2,866)	(2,339)
Other current liabilities ⁽¹⁾	(3,532)	(3,444)
Net working capital in assets and liabilities held for sale	–	136
Net working capital	3,588	4,164
Total revenues for the three months ended:		
June 30, 2023 / 2022	8,163	7,251
September 30, 2023 / 2022	7,968	7,406
December 31, 2023 / 2022	8,245	7,824
March 31, 2024 / 2023	7,870	7,859
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	(106)	(340)
Adjusted revenues for the trailing twelve months	32,140	30,000
Net working capital as a percentage of revenues (%)	11.2%	13.9%

- (1) Amounts exclude \$1,063 million and \$668 million at March 31, 2024 and 2023, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, (d) payables under the share buyback program and (e) liabilities related to certain restructuring-related activities.

Free cash flow

Definition

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.

Reconciliation

(\$ in millions, unless otherwise indicated)	Three months ended March 31,	
	2024	2023
Net cash provided by operating activities	726	282
Adjusted for the effects of operations:		
Purchases of property, plant and equipment and intangible assets	(181)	(151)
Proceeds from sale of property, plant and equipment	6	31
Free cash flow	551	162

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 gains or losses arising on sale of certain businesses and certain other significant items within net income which are also excluded / adjusted for when calculating operating cashflows.

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.

Reconciliation

(\$ in millions, unless otherwise indicated)	Trailing twelve months to	
	March 31, 2024	December 31, 2023
Net cash provided by operating activities	4,734	4,290
Adjusted for the effects of operations:		
Purchases of property, plant and equipment and intangible assets	(800)	(770)
Proceeds from sale of property, plant and equipment	122	147
Free cash flow	4,056	3,667
Adjusted net income attributable to ABB⁽¹⁾	3,555	3,686
Free cash flow conversion to net income	114%	99%

(1) Adjusted net income attributable to ABB for the year ended December 31, 2023, is adjusted to exclude the gain on sale of the Power Conversion Division of \$59 million.

Reconciliation of the trailing twelve months to March 31, 2024

(\$ in millions)	Net cash provided by operating activities	Purchases of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Adjusted net income attributable to ABB ⁽¹⁾
Q2 2023	760	(180)	26	906
Q3 2023	1,351	(175)	10	829
Q4 2023	1,897	(264)	80	915
Q1 2024	726	(181)	6	905
Total for the trailing twelve months to March 31, 2024	4,734	(800)	122	3,555

(1) Adjusted net income attributable to ABB for Q3 2023, is adjusted to exclude the gain on sale of the Power Conversion Division of \$53 million. In Q4 2023, an additional \$6 million was adjusted for the gain on sale of the Power Conversion Division.

Net finance income (expense)

Definition

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

Reconciliation

(\$ in millions)	Three months ended March 31,	
	2024	2023
Interest and dividend income	57	40
Interest and other finance expense	(37)	(61)
Net finance income (expense)	20	(21)

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)	Three months ended March 31,					
	2024			2023		
	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	4,392	3,680	1.19	4,141	3,590	1.15
Motion	2,303	1,829	1.26	2,262	1,940	1.17
Process Automation	1,697	1,601	1.06	2,113	1,436	1.47
Robotics & Discrete Automation	701	864	0.81	1,001	937	1.07
Corporate and Other <i>(incl. intersegment eliminations)</i>	(119)	(104)	n.a.	(67)	(44)	n.a.
ABB Group	8,974	7,870	1.14	9,450	7,859	1.20

Free cash flow for past periods

Effective January 1, 2024, the Company changed the presentation of discontinued operations in its statement of cash flows to an alternate allowable policy. As a result, the total cash flows for operating, investing and financing activities within discontinued operations are no longer shown separately but instead all cash flows in discontinued operations are presented within each line item as appropriate in the statement of cash flows. As this presentation change represents a change in accounting policy, all prior periods presented have been reclassified to conform to the current period presentation.

The table below presents the reconciliation of Free cash flow as defined on page 36 for 2023 and 2022 by quarter, restated to reflect this change in presentation.

Reconciliation:

(\$ in millions)	Net cash provided by (used in) operating activities	Purchases of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Free cash flow
For the three months ended:				
March 31, 2022	(573)	(187)	35	(725)
June 30, 2022	382	(151)	31	262
September 30, 2022	791	(165)	19	645
December 31, 2022	687	(259)	42	470
March 31, 2023	282	(151)	31	162
June 30, 2023	760	(180)	26	606
September 30, 2023	1,351	(175)	10	1,186
December 31, 2023	1,897	(264)	80	1,713

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