

Q4 2023

Full year

Press Release

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



ZURICH, SWITZERLAND, FEBRUARY 1, 2024

Q4 2023 results

Solid finish to a record year

Q4 2023

- Orders \$7.6 billion, 0%; comparable¹ 0%
- Revenues \$8.2 billion, +5%; comparable +6%
- Income from operations \$1,116 million; margin 13.5%
- Operational EBITA¹ \$1,333 million; margin¹ 16.3%
- Basic EPS \$0.50, -18%²
- Cash flow from operating activities \$1,897 million; +176%

FY 2023

- Orders \$33.8 billion, -1%; comparable¹ +3%
- Revenues \$32.2 billion, +9%; comparable +14%
- Income from operations \$4,871 million; margin 15.1%
- Operational EBITA¹ \$5,427 million; margin¹ 16.9%
- Basic EPS \$2.02, +55%²
- Cash flow from operating activities \$4,290 million; +233%
- Dividend proposal of CHF0.87 per share

KEY FIGURES

(\$ millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q4 2023	Q4 2022	US\$	Comparable ¹	FY 2023	FY 2022	US\$	Comparable ¹
Orders	7,649	7,620	0%	0%	33,818	33,988	-1%	3%
Revenues	8,245	7,824	5%	6%	32,235	29,446	9%	14%
Gross Profit	2,848	2,658	7%		11,214	9,710	15%	
as % of revenues	34.5%	34.0%	+0.5 pts		34.8%	33.0%	+1.8 pts	
Income from operations	1,116	1,185	-6%		4,871	3,337	46%	
Operational EBITA ¹	1,333	1,146	16%	13% ³	5,427	4,510	20%	20% ³
as % of operational revenues ¹	16.3%	14.8%	+1.5 pts		16.9%	15.3%	+1.6 pts	
Income from continuing operations, net of tax	946	1,168	-19%		3,848	2,637	46%	
Net income attributable to ABB	921	1,132	-19%		3,745	2,475	51%	
Basic earnings per share (\$)	0.50	0.61	-18% ²		2.02	1.30	55% ²	
Cash flow from operating activities ⁴	1,897	687	176%		4,290	1,287	233%	

¹ For a reconciliation of non-GAAP measures, see "supplemental reconciliations and definitions" in the attached Q4 2023 Financial Information.

² EPS growth rates are computed using unrounded amounts.

³ Constant currency (not adjusted for portfolio changes).

⁴ Amount represents total for both continuing and discontinued operations.

"Our strong 2023 delivery was the result of both our leading market position in electrification and automation, as well as ABB being a more agile and efficient company in its execution. With our upgraded financial and sustainability targets we look to the future with confidence."

Björn Rosengren, CEO



CEO summary

The fourth quarter of 2023, was a solid end to a fantastic year. We improved operational performance and delivered a very strong cash flow year-on-year. We increased the annual return on capital employed (ROCE) by 460bps¹ to 21.1% and we are utilizing our strong balance sheet by recently signing seven small bolt-on acquisitions, with the majority adding additional embedded software and AI capabilities to our customer offerings. We delivered in line with our guidance, and I am pleased with the solid finish to the year.

Comparable order intake remained stable year-on-year, with increases noted in three out of four business areas. Most customer segments improved or remained stable, with softer demand noted mainly in residential construction and discrete automation, with the latter hampered by normalizing order patterns as well as by weakness in the robotics market. In tune with the historical fourth quarter pattern the book-to-bill ratio was below one, at 0.93, when revenues tend to be supported by end-of-the-year systems deliveries.

Revenues amounted to \$8,245 million and increased by 5% (6% comparable), supported by both higher volumes and contribution from earlier implemented price increases. Thanks to our ongoing focus on improving the quality of revenues, the gross margin improved by 50 basis points to 34.5%, contributing to the Operational EBITA margin improvement of 150 basis points to 16.3%. The contribution from mainly price and leverage on higher volumes clearly offset the impact mainly from higher labor costs. This represents the highest fourth quarter margin in recent history. The historical pattern of a sequentially softer fourth quarter margin repeated, as expected.

In the quarter we generated Cash flow from operating activities of \$1.9 billion. This contributed to Free Cash Flow of \$3.7 billion for the year, even stronger than what we originally expected.

In my view, the strong 2023 performance is evidence of ABB being a more efficient and agile company, but also of how demand for our offerings benefits from our leading position in markets accelerating the energy transition towards electrification and increased automation and

digitalization. We feel confident in future performance, which led us to raising our financial and sustainability targets at our Capital Markets Day in November. In short, we are targeting higher growth and higher returns while enabling a net zero world.

Looking to 2024, the geopolitical situation adds uncertainty, however we currently expect another year of good performance. We expect a positive book-to-bill and revenues to be supported by execution of parts of the \$21.6 billion order backlog. In the projects- and systems business we expect continued high customer activity, although we face high comparables from last year when large orders came through at a very high level. In total, order growth year-on-year should show stronger momentum in the latter part of the year when comparables ease. We expect to improve on comparable revenues as well as on Operational EBITA margin, and cash flow should benefit from continued strong operational performance and our continued focus on net working capital efficiency.

Considering the improving performance, robust cash flow and a solid balance sheet, the Board of Directors proposes an ordinary dividend of CHF0.87 per share, up from CHF 0.84 in the previous year. We also plan to continue utilizing share buybacks as a tool to return excess cash to shareholders also during 2024.



Björn Rosengren
CEO

Outlook

In the **first quarter of 2024**, we anticipate a low to mid-single digit comparable revenue growth and the Operational EBITA margin to remain stable or slightly improve year-on-year.

In **full-year 2024**, we expect a positive book-to-bill, comparable revenue growth to be about 5% and the Operational EBITA margin to slightly improve from the 2023 level of 16.9%.

Orders and revenues

Orders were flat year-on-year (comparable 0%) at \$7,649 million, with strong contribution from large orders, including one in business area Process Automation for approximately \$150 million. This offset a mid-single digit order decline in the short-cycle businesses, year-on-year. Comparable orders increased in three business areas, while Robotics & Discrete Automation declined sharply as customers for machine automation continued the sequential trend of normalizing order patterns, and due to inventory adjustments in a declining robotics market. These inventory adjustments are expected to level off towards the end of the first quarter.

Orders increased in two out of the three regions. Americas was up by 3% (comparable 3%) driven by strong improvement of 5% (comparable 6%) in the United States. Asia, Middle East and Africa remained overall stable (up comparable 2%) where the strong development in countries like India and South Korea more than offset the decline in China of 8% (comparable 7%). Europe softened by 2% (comparable 5%) due mainly to a double-digit decline in Germany.

Orders in the automotive segment softened slightly year-on-year due to timing impacts for some larger orders. General industry and consumer-related robotics segments declined. The machine builder segment

declined as customers normalized order patterns in the face of shortening delivery lead times.

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

The buildings segment declined overall, weighed down by the residential construction segment where the quarterly pattern included stabilization in Europe and declines in China and the United States. The commercial construction segment was broadly stable, compared with last year, in the United States and Europe while China declined.

Demand in the process-related businesses was strong in most segments, with particular strength in the oil & gas segment. It held up well also for refining, petrochemicals and the energy-related low carbon segments. Pulp & paper remained stable.

Revenues amounted to \$8,245 million and the growth of 5% year-on-year (comparable 6%) was driven by both higher volumes and a positive price development. Execution of the strong order backlog supported revenue growth and more than offset weakness in parts of the short-cycle demand. Consequently, three out of four business areas improved comparable revenues, with only Robotics & Discrete Automation declining.

Growth

Change year-on-year	Q4 Orders	Q4 Revenues
Comparable	0%	6%
FX	1%	1%
Portfolio changes	-1%	-2%
Total	0%	5%

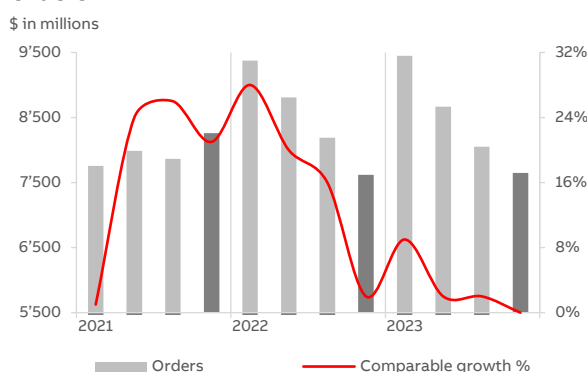
Orders by region

(\$ in millions, unless otherwise indicated)	Q4 2023	Q4 2022	CHANGE	
			US\$	Comparable
Europe	2,554	2,604	-2%	-5%
The Americas	2,985	2,898	3%	3%
Asia, Middle East and Africa	2,110	2,118	0%	2%
ABB Group	7,649	7,620	0%	0%

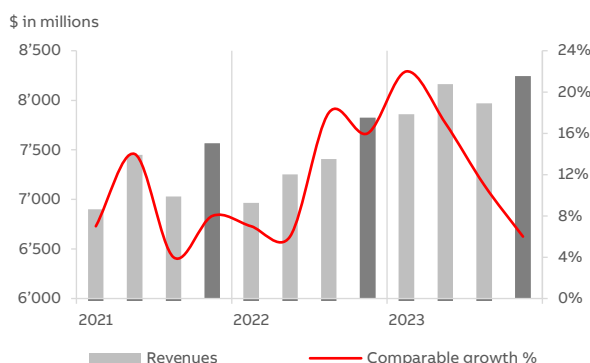
Revenues by region

(\$ in millions, unless otherwise indicated)	Q4 2023	Q4 2022	CHANGE	
			US\$	Comparable
Europe	2,951	2,765	7%	4%
The Americas	2,847	2,555	11%	14%
Asia, Middle East and Africa	2,447	2,504	-2%	0%
ABB Group	8,245	7,824	5%	6%

Orders



Revenues



Earnings

Gross profit

Gross profit increased by 7% (6% constant currency) to \$2,848 million, reflecting a gross margin improvement of 50 basis points to 34.5%. Gross margin improved in all four business areas.

Income from operations

Income from operations amounted to \$1,116 million and dropped by 6% year-on-year, mainly due to higher restructuring and transformation related costs year-on-year, and the provision release related to the non-core operations which supported last year's result. Margin on Income from operations was 13.5%, down by 160 basis points year-on-year.

Operational EBITA

Operational EBITA improved by 16% year-on-year to \$1,333 million and the margin was up by 150 basis points to 16.3%. Key drivers to the higher earnings were the impacts from robust pricing activities and operational leverage on higher volumes, which more than offset adverse impacts from mainly increased labor costs. Selling, general and administrative expenses increased in relation to revenues to 18%, from 16.6% last year. Operational EBITA in Corporate and Other amounted to -\$67 million, of which -\$34 million related to the underlying Corporate costs which were lower than expected mainly due to real estate book gains. The remaining-\$33 million related to the E-mobility business where operational performance was

hampered by the ongoing reorganization to ensure a more focused portfolio, and some inventory-related provisions. While E-mobility is on track towards the improved portfolio, the financial benefits may not be visible until towards the end of 2024. Thus, we only expect a slight improvement in the E-mobility Operational EBITA, year-on-year.

Net finance expenses

Net finance expense was \$28 million, an increase from last year's level of \$1 million which was unusually low due to reversal of interest charges related to income tax risks.

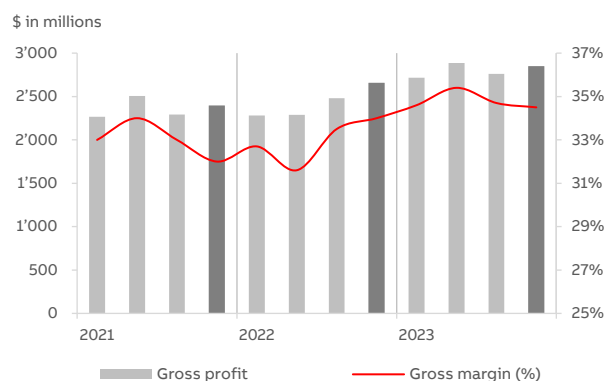
Income tax

In line with the historical pattern, the fourth quarter tax rate was low. Income tax expense was \$136 million with an effective tax rate of 12.6%, lower than expected mainly due to the geographical profit mix and releases of valuation allowances on deferred tax assets.

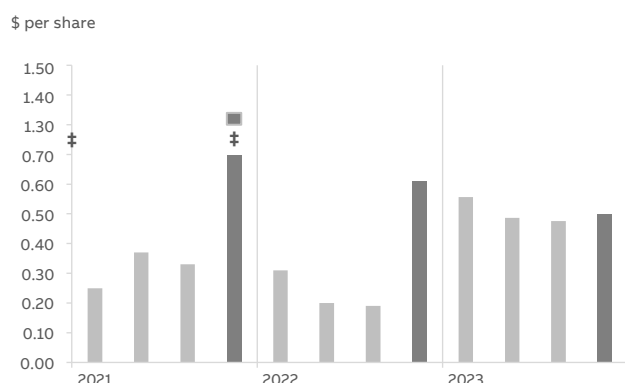
Net income and earnings per share

Net income attributable to ABB was \$921 million, representing a reduction of 19% from last year, as the improved operational performance this year did not offset the positive impacts from last year's benefits from the provision reduction in non-core operations and a reduction in tax valuation allowances. This resulted in basic earnings per share of \$0.50, down from \$0.61 year-on-year.

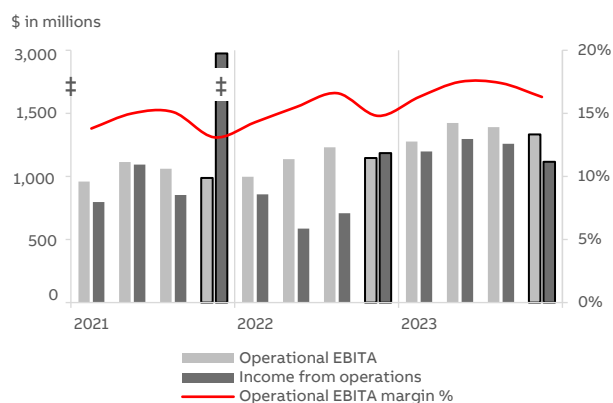
Gross profit & Gross margin



Basic EPS



Income from operations & Operational EBITA



Operational EBITA

(\$ millions)	Q4 2023	Q4 2022
Corporate and Other		
E-mobility	(33)	(3)
Corporate costs, intersegment eliminations and other ¹	(34)	(72)
Total	(67)	(75)

¹ Majority of which relates to underlying corporate

Balance sheet & Cash flow

Net working capital

Net working capital amounted to \$3,257 million, increasing slightly year-on-year from \$3,216 million driven mainly by an increase in receivables on the back of higher revenues, which was however largely offset by customer advances. Net working capital decreased sequentially from \$4,041 million driven mainly by sound trade net working capital management resulting in lower inventories and receivables. Net working capital as a percentage of revenues¹ was 10.2%, down sequentially from 12.8% and year-on-year 11.1%.

Capital expenditures

Purchases of property, plant and equipment and intangible assets amounted to \$264 million.

Net debt

Net debt¹ amounted to \$1,991 million at the end of the quarter and decreased from \$2,779 million year-on-year and declined sequentially from \$2,872 million. The sequential net debt decrease was driven by the strong free cash flow in the quarter.

Cash flows

Cash flow from operating activities was \$1,897 million, representing a steep year-on-year increase from \$687 million. All business areas increased cash flow from operating activities in the quarter. The increase was driven by better operational performance and a strong sequential reduction of net working capital in the quarter driven by lower inventories and receivables as well as higher customer advances. Additionally, the prior year quarter was hampered by settlements for the Kusile project.

Share buyback program

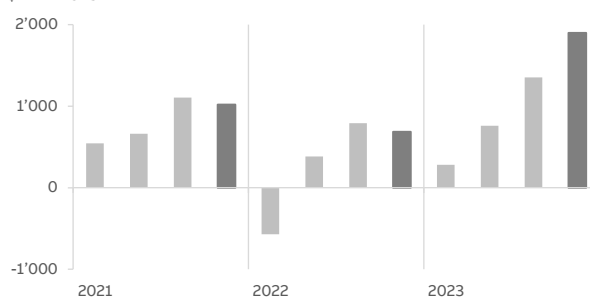
A share buyback program of up to \$1 billion was launched on April 3, 2023. During the fourth quarter, 6,143,500 shares were repurchased on the second trading line for approximately \$230 million. ABB's total number of issued shares, including shares held in treasury, amounts to 1,882,002,575.

(\$ millions, unless otherwise indicated)	Dec. 31 2023	Dec. 31 2022
Short term debt and current maturities of long-term debt	2,607	2,535
Long-term debt	5,221	5,143
Total debt	7,828	7,678
Cash & equivalents	3,891	4,156
Restricted cash - current	18	18
Marketable securities and short-term investments	1,928	725
Cash and marketable securities	5,837	4,899
Net debt (cash)*	1,991	2,779
Net debt (cash)* to EBITDA ratio	0.4	0.7
Net debt (cash)* to Equity ratio	0.14	0.21

* At Dec. 31, 2023 and Dec. 31, 2022, net debt(cash) excludes net pension (assets)/liabilities of \$(191) million and \$(276) million, respectively.

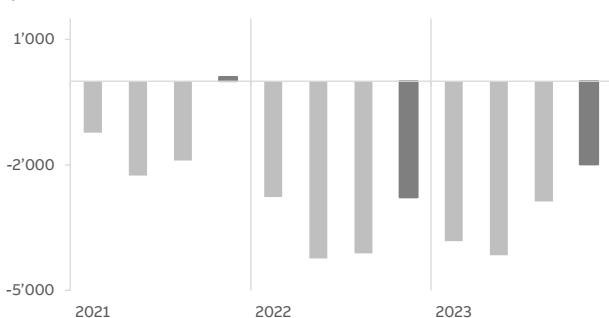
Cash flow from operating activities

\$ in millions

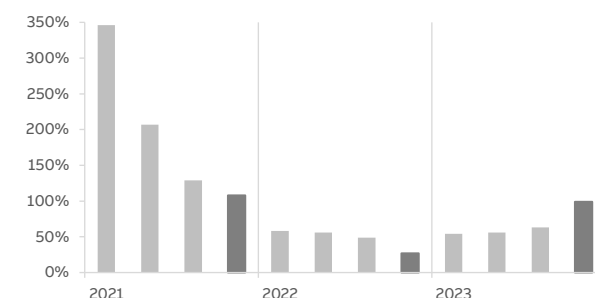


Net Cash (Net Debt) position

\$ in millions



Free cash flow conversion to net income¹, R12M



Electrification



Orders and revenues

Overall, the short-cycle businesses stabilized after some weak quarters, and customer activity in the project- and systems-related offering was robust. Total order intake was virtually unchanged from last year, limited by the divestment of the Power Conversion division (up comparable 2%) at \$3,395 million, to some extent hampered by timing-related impacts in medium voltage orders.

- Market activity was generally solid year-on-year outside of the areas of residential building, which stabilized in Europe at a low level but declined in both United States and China. In China weakness was noted in several customer segments.
- From a geographical perspective order intake remained stable or improved in all three regions. Europe was up by 7% (comparable 4%). The underlying order intake improved slightly in the Americas, however portfolio changes limited total order growth to -1% (up comparable 1%). In Asia, Middle East and Africa orders declined by 5% (stable comparable 0%), the result of strength on comparable basis in countries like India offsetting weakness in China which declined by 9% (comparable 6%).

Growth

Change year-on-year	Q4 Orders	Q4 Revenues
Comparable	2%	8%
FX	1%	1%
Portfolio changes	-3%	-3%
Total	0%	6%

- Revenues amounted to \$3,698 million, representing an improvement of 6% (comparable 8%) from last year, supported by both volumes and price impacts. This was supported by all divisions except for Smart Buildings division where the short-cycle weakness in residential segment weighed on the total.

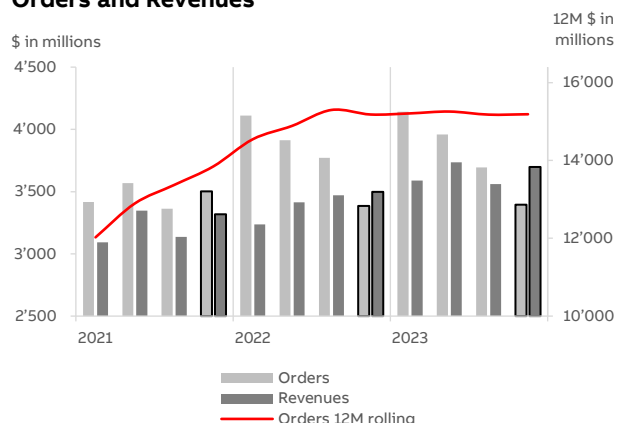
Profit

Strong operational performance clearly offset the small adverse impact from portfolio changes and triggered a 26% improvement in Operational EBITA to \$725 million and 310 basis points rise in Operational EBITA margin, year-on-year.

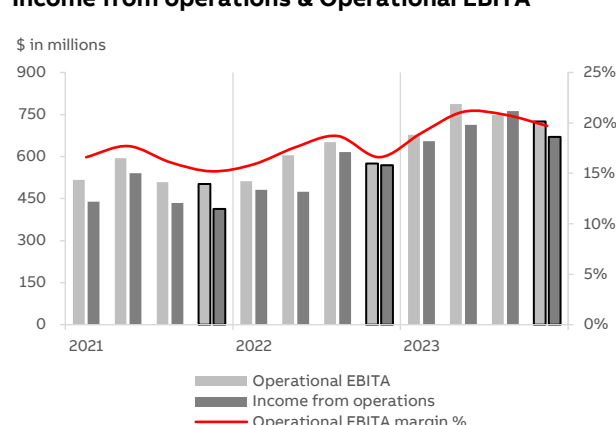
- Strong gross margin improvement supported by contributions from price, leverage on higher volumes in production and improved operational efficiency. All of which more than offset slightly higher spend on labor, R&D and Selling, General and Administration.

(\$ millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q4 2023	Q4 2022	US\$	Comparable	FY 2023	FY 2022	US\$	Comparable
Orders	3,395	3,385	0%	2%	15,189	15,182	0%	3%
Order backlog	6,808	6,404	6%	14%	6,808	6,404	6%	14%
Revenues	3,698	3,498	6%	8%	14,584	13,619	7%	10%
Operational EBITA	725	575	26%		2,937	2,343	25%	
as % of operational revenues	19.7%	16.6%	+3.1 pts		20.1%	17.2%	+2.9 pts	
Cash flow from operating activities	1,068	857	25%		3,211	2,115	52%	
No. of employees (FTE equiv.)	50,300	50,600	-1%					

Orders and Revenues



Income from operations & Operational EBITA



Motion



Orders and revenues

On continued robust performance in the long-cycle business with some large orders booked mainly in the Traction division, the total order intake reached \$1,937 million, up 17% (comparable 13%) from the relatively low comparable last year. Book-to-bill was at 1 for the quarter.

- Stronger order momentum was noted in the process-related segments of oil & gas, chemicals and mining as well as for food & beverage and rail. A weak construction market weighed on demand for HVAC, with some slowness noted also in pulp & paper.
- Orders increased at a double-digit rate in all three regions. Europe increased by 30% (comparable 18%). The Americas improved by 14% (comparable 9%) with strong contribution from the United States being up by 14% (comparable 10%). Asia, Middle East and Africa was up by 10% (comparable 12%) including China being up by 10% (comparable 11%).
- Revenues amounted to \$1,946 million and were up by 5% (comparable 2%) year-on-year, with price as the key positive driver. Execution of the order backlog supported

Growth

Change year-on-year	Q4 Orders	Q4 Revenues
Comparable	13%	2%
FX	2%	1%
Portfolio changes	2%	2%
Total	17%	5%

revenue generation, with the improvement rate however hampered by lower deliveries in the motors business.

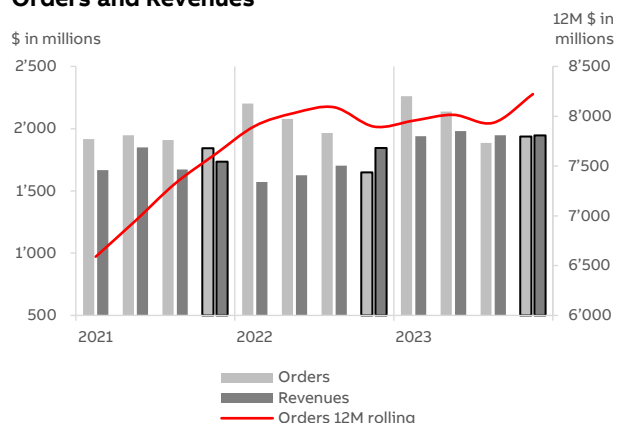
Profit

Operational EBITA remained stable year-on-year at \$318 million. Revenues increased and gross margin improved somewhat, however the Operational EBITA margin declined by 80 basis points to 16.6%.

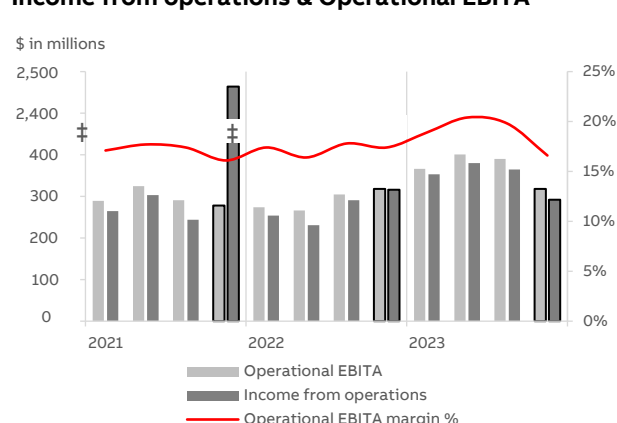
- While price increases contributed to earnings, these were more than offset by one-time product quality costs which impacted Operational EBITA margin by approximately 60 basis points.
- The Large Motors & Generators division made a significant profitability improvement, however, this was more than offset mainly by the impacts from some underabsorption in parts of the low voltage motor manufacturing and higher labor costs, year-on-year.

(\$ millions, unless otherwise indicated)			CHANGE				CHANGE	
	Q4 2023	Q4 2022	US\$	Comparable	FY 2023	FY 2022	US\$	Comparable
Orders	1,937	1,649	17%	13%	8,222	7,896	4%	4%
Order backlog	5,343	4,726	13%	8%	5,343	4,726	13%	8%
Revenues	1,946	1,845	5%	2%	7,814	6,745	16%	15%
Operational EBITA	318	318	0%		1,475	1,163	27%	
as % of operational revenues	16.6%	17.4%	-0.8 pts		18.9%	17.3%	+1.6 pts	
Cash flow from operating activities	597	346	73%		1,532	853	80%	
No. of employees (FTE equiv.)	22,300	21,100	6%					

Orders and Revenues



Income from operations & Operational EBITA



Process Automation



Orders and revenues

Market demand remained robust and order intake was up 7% (comparable 5%) to \$1,870 million, with the fourth quarter being a strong finish to a year in which large orders contributed more than usual, which more than compensated for slowing momentum in the short-cycle offering. Fourth quarter orders included a booking of approximately \$150 million with long delivery schedule.

- Consistent with recent quarters, customer activity was at a high level in all customer segments. The market environment remained at a high level in the traditional oil & gas segment, but there was also high activity in the low carbon-related areas such as hydrogen, LNG and carbon capture. Order momentum was strong in the marine segment. Customer activity was robust in the process-related segments of mining, metals and remained stable in pulp & paper.
- Revenues improved strongly in all divisions and in all regions and amounted to \$1,727 million, supported by execution of the order backlog. Book-to-bill was positive at 1.08.

Growth

Change year-on-year	Q4 Orders	Q4 Revenues
Comparable	5%	10%
FX	2%	1%
Portfolio changes	0%	0%
Total	7%	11%

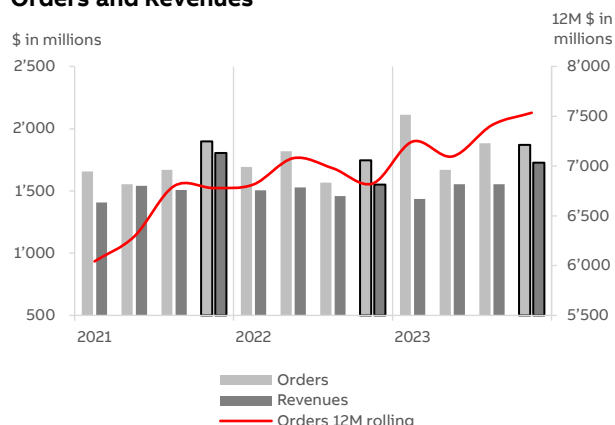
Profit

Gross margin improved and revenues were higher, driving the 18% year-on-year increase in Operational EBITA to \$239 million and the 80 basis points rise in Operational EBITA margin to 14.0%.

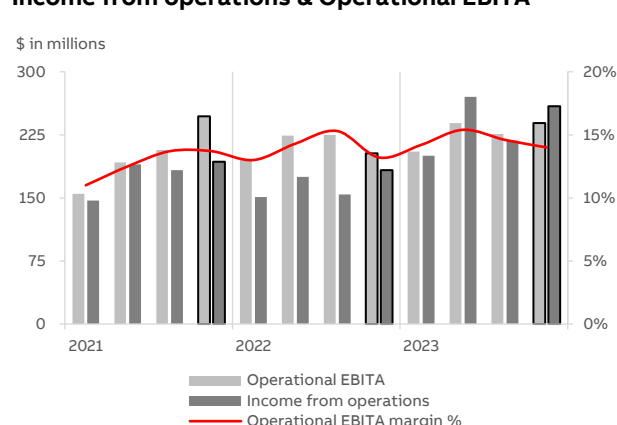
- Improved project execution and the impact from higher volumes in the product business both contributed to the higher earnings, with some additional support stemming from price increases.
- All divisions performed at a double-digit margin level, with the year-on-year profitability improvement led by the Measurement & Analytics business.

(\$ millions, unless otherwise indicated)	CHANGE				CHANGE			
	Q4 2023	Q4 2022	US\$	Comparable	FY 2023	FY 2022	US\$	Comparable
Orders	1,870	1,746	7%	5%	7,535	6,825	10%	24%
Order backlog	7,519	6,229	21%	19%	7,519	6,229	21%	19%
Revenues	1,727	1,551	11%	10%	6,270	6,044	4%	16%
Operational EBITA	239	203	18%		909	848	7%	
as % of operational revenues	14.0%	13.2%	+0.8 pts		14.5%	14.0%	+0.5 pts	
Cash flow from operating activities	444	205	117%		1,002	675	48%	
No. of employees (FTE equiv.)	21,100	20,100	5%					

Orders and Revenues



Income from operations & Operational EBITA



Robotics & Discrete Automation



Orders and revenues

Markets are still adjusting to shorter delivery lead times, putting pressure on order intake which amounted to \$550 million, representing a sharp drop of 31% (comparable 33%) year-on-year. Although the challenging market situation is expected to persist near-term, the fourth quarter of 2023 is anticipated to have been the trough quarter for absolute order intake.

- **Machine Automation** is executing the order backlog and successfully reducing lead times in deliveries after customers pre-ordering during the period of supply chain constraints in 2022. The long-term strength of the Machine Automation market is intact, however, the order normalization is expected to persist through the next couple of quarters.
- **Robotics** demand declined in all customer segments year-on-year, with the most significant drop in 3C electronics. The softening in the automotive segment was mostly due to timing impacts for some larger orders. Inventory adjustments among channel partners were noted in China, and are expected to level off towards the end of the first quarter.

Growth

Change year-on-year	Q4 Orders	Q4 Revenues
Comparable	-33%	-7%
FX	2%	3%
Portfolio changes	0%	0%
Total	-31%	-4%

- From a geographical perspective, orders in the Americas declined by 19% (21% comparable). The decline in Europe was 34% (comparable 38%). In Asia, Middle East and Africa orders declined by 33% (comparable 31%), hampered by China being down by 36% (comparable 34%).
- Revenues were down by 4% (comparable 7%) and amounted to \$852 million as the positive price development was more than offset by lower volumes in the Robotics division where the order backlog has normalized and weak short-cycle demand weighed on customer deliveries. Machine Automation improved revenues on execution of the large order backlog.

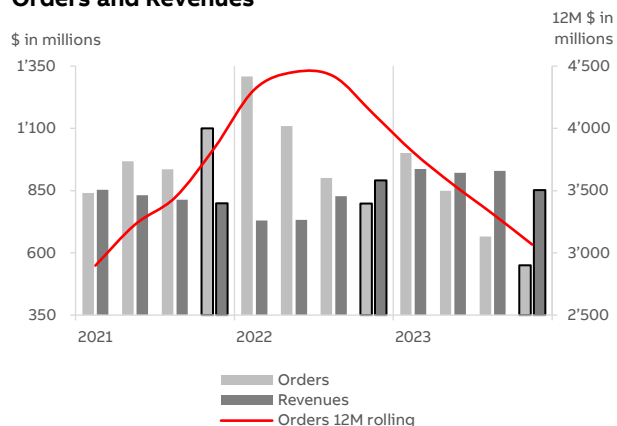
Profit

Operational EBITA of \$118 million softened by 6% year-on-year on the back of lower revenues. However, the Operational EBITA margin remained largely stable at 13.8%, down only 20 basis points from last year.

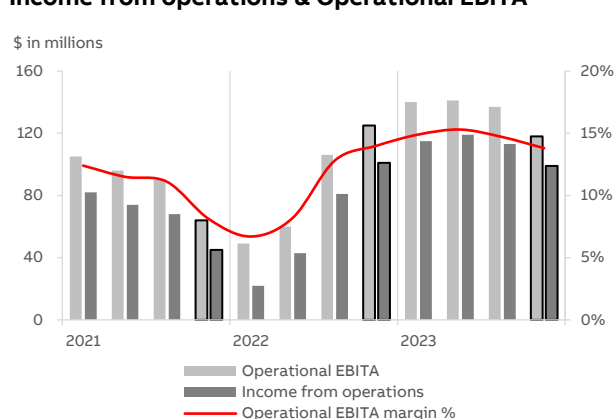
- Price impact and the positive mix from higher share of revenues from Machine Automation were key positive contributors to earnings, however slightly more than offset by the impact from underabsorption in production due to low Robotics volumes and increased cost for labor.

(\$ millions, unless otherwise indicated)	Q4 2023	Q4 2022	CHANGE		FY 2023	FY 2022	CHANGE	
			US\$	Comparable			US\$	Comparable
Orders	550	798	-31%	-33%	3,066	4,116	-26%	-25%
Order backlog	2,141	2,679	-20%	-20%	2,141	2,679	-20%	-20%
Revenues	852	891	-4%	-7%	3,640	3,181	14%	14%
Operational EBITA	118	125	-6%		536	340	58%	
as % of operational revenues	13.8%	14.0%	-0.2 pts		14.7%	10.7%	+4 pts	
Cash flow from operating activities	170	105	62%		436	214	104%	
No. of employees (FTE equiv.)	11,300	10,700	5%					

Orders and Revenues



Income from operations & Operational EBITA



Sustainability



Events from the Quarter

- Despite ABB's concerted efforts, there was one fatal incident in the quarter involving one contractor, working on a project in Algeria. A root cause investigation and remediation plan are underway. The thoughts of the senior management and everyone at ABB go out to the family of the deceased. The health and safety of ABB employees are always of highest priority and the foremost standard by which performance is measured. ABB is working to ensure that such an incident never happens again.
- The 2023 ABB Accelerating Circularity Challenge led by Motion and Electrification set out to find innovative customer solutions that design out waste and pollution and keep products and materials in use for as long as possible. More than 100 startups from around the world participated, the three winners received \$30,000 each to develop their concepts in collaboration with ABB. The winners included Molg from the United States who developed a take-back care of a Variable Speed Drive. Minespider from Switzerland won for their design of a reliable circularity certificate management tool. Lastly, Excess Materials Exchange from the Netherlands won for their digital platform designed to generate value from Power Distribution End-of-Life.
- ABB's Motion business area successfully launched a new Energy Appraisal tool that is able to assess complex motor-driven systems to determine optimum

Q4 outcome

- 40% reduction year-on-year of CO₂e emissions in own operations due to a shift to green electricity and an increase in energy efficiency in our operations.
- 10% decrease year-on-year in LTIFR continuing its downward trend
- 3%-points increase year-on-year in share of women in senior management, demonstrating strong progress towards our target.

energy efficiency set ups for its customers. Using the tool ABB identified an average energy-saving potential of 31 percent per motor across 2,000 motors assessed. These findings provide compelling evidence for both the financial and environmental benefits of using ABB's leading technology.

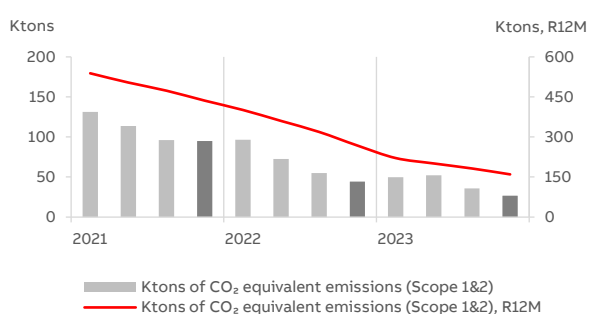
- H2 Energy Esbjerg ApS contracted ABB's Process Automation business area to provide basic electrical engineering for the power distribution from grid point of connection to electrolyzers, and for other process equipment at its 1 GW hydrogen production facility in Esbjerg and hydrogen distribution hub in Fredericia, Denmark. The plant is expected to be among the largest hydrogen developments in Europe.
- In the quarter ABB's D&I activities focused on the Abilities dimension with global events addressing mental health awareness topics such as grief/loss, dyslexia and digital accessibility. In addition, Abilities training sessions were made available firmwide. During the European Disability Week in November, ABB participated in a hackathon in association with Avec Nos Proches (Caregiving) and in December Karin Lepasoon, Chief Communications and Sustainability Officer, was named Executive Committee Sponsor for Abilities.

	Q4 2023	Q4 2022	CHANGE	12M ROLLING
CO ₂ e own operations emissions, Ktons scope 1 and 2 ¹	27	44	-40%	160
Lost Time Injury Frequency Rate (LTIFR), frequency / 200,000 working hours ²	0.09	0.10	-10%	0.13
Share of females in senior management positions, %	21.0	17.8	+3.2 pts	20.2

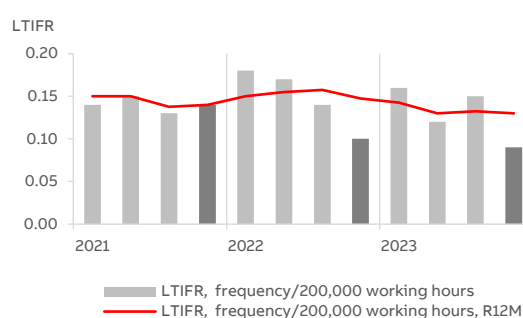
¹ CO₂ equivalent emissions from site, energy use, SF₆ and fleet, previous quarter

² Current quarter Includes all incidents reported until January 10, 2024

CO₂e Scope 1&2



Lost Time Injury Frequency Rate



Significant events

During Q4 2023

- On November 30, ABB hosted its Capital Markets Day. At the event, ABB provided an update on its successful transformation, continuous improvements and how the company will benefit from key secular trends across its business areas. Both financial and sustainability targets were updated to include:
 - Comparable revenue growth of 5%-7% through the economic cycle
 - Operational EBITA margin in the range of 16%-19%
 - EPS growth of at least high single-digit through the economic cycle
 - Return on Capital Employed of >18%
 - Net-zero targets for scopes 1, 2 and 3 for 2030 and 2050
 - Support our customers to avoid 600Mt avoided CO₂e emissions by 2030. Aligned with WBCSD 2023 guidance.
- On October 30, ABB announced that Mathias Gaertner has been appointed General Counsel and Company Secretary and a Member of the Executive Committee. He will join ABB in 2024. He will succeed Andrea Antonelli, who has, as previously announced, left the company to pursue other opportunities.

After Q4 2023

- On January 31, ABB announced that the Board of Directors will propose Johan Forssell and Mats Rahmström as new members for election at the company's Annual General Meeting (AGM) on March 21, 2024. They will replace Jacob Wallenberg and Gunnar Brock who have decided not to stand for re-election. ABB will publish its invitation to the 2024 AGM on February 23, 2024.

Full year 2023

In 2023 the overall demand for ABB's offering remained robust, with most customer segments improving or remaining stable. Weakness in the short-cycle businesses related primarily to residential construction and discrete automation was however more than offset by strong momentum in the project- and systems-related businesses. Orders remained stable or increased in three out of four business areas, with a decline noted only in Robotics & Discrete Automation. Orders amounted to \$33,818 million and were down 1% versus the prior year (up 3 % comparable).

Revenues were supported by execution of the large order backlog as supply chains normalized early in the year and amounted to \$32,235 million, up by 9% (14% comparable), overall implying a book-to-bill of 1.05.

Income from operations amounted to \$4,871 million, up from \$3,337 million year-on-year. This increase can be attributed mostly to an improved operational performance. In addition, the prior year was hampered by charges of approximately \$195 million due to the exit of the legacy full-train retrofit business as well as a provision of \$325 million related to the legacy Kusile project in South Africa awarded in 2015.

Operational EBITA increased by 20% year-on-year to \$5,427 million, up from \$4,510 million in last year's period and the Operational EBITA margin improved by 160 basis points to 16.9%. The increase was driven by

higher margins across all business areas. Main drivers of the margin expansion were operating leverage on higher volumes as well as the impacts from implemented price increases, which more than offset inflation in labor and input cost. Corporate and Other Operational EBITA amounted to -\$430 million. This includes a loss of \$167 million that can be attributed to the E-mobility business, which was negatively affected by the ongoing reorganization to ensure a more focused portfolio, and some inventory-related provisions.

Net finance expenses increased by \$52 million to \$110 million, primarily driven by higher interest rates on higher debt levels compared to the prior year. The non-operational pension credits decreased by \$98 million to \$17 million in comparison to last year's period, reflecting the impact of higher interest rates. Income tax expense was \$930 million reflecting a tax rate of 19.5%. This includes a net benefit realized on a favorable resolution of a prior year tax matter relating to the Power Grids business.

Net income attributable to ABB was \$3,745 million, up from \$2,475 million year-on-year. Basic earnings per share was \$2.02, representing an increase of 55% compared with the prior year.

Acquisitions and divestments, last twelve months

Acquisitions	Company/unit	Closing date	Revenues, \$ million ¹	No. of employees
2023				
Robotics & Discrete Automation	Sevensense	21-Dec	<5	35
E-mobility	Imagen Energy Inc	13-Nov	<5	4
Motion	Spring Point Solutions LLC	1-Nov	<5	13
E-mobility	Vourity AB	25-Oct	<5	9
Electrification	Eve Systems	1-Jun	~20	50
Motion	Siemens low voltage NEMA Motors	2-May	~60	600

Divestments	Company/unit	Closing date	Revenues, \$ million ¹	No. of employees
2023				
Electrification	Power Conversion division	3-Jul	~440	1,500
Electrification	Industrial Plugs & Sockets business	3-Jul	~12	2
Process Automation	UK technical engineering consultancy business	1-May	~20	160

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

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

Additional figures

ABB Group	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
EBITDA, \$ in million	1,067	794	906	1,384	4,151	1,389	1,494	1,453	1,315	5,651
Return on Capital Employed, %	n.a.	n.a.	n.a.	n.a.	16.50	n.a.	n.a.	n.a.	n.a.	21.10
Net debt/Equity	0.20	0.34	0.34	0.21	0.21	0.30	0.31	0.21	0.14	0.14
Net debt/ EBITDA 12M rolling	0.4	0.7	0.7	0.7	0.7	0.9	0.8	0.5	0.4	0.4
Net working capital, % of 12M rolling revenues	12.1%	12.8%	11.7%	11.1%	11.1%	13.9%	14.7%	12.8%	10.2%	10.2%
Earnings per share, basic, \$	0.31	0.20	0.19	0.61	1.30	0.56	0.49	0.48	0.50	2.02
Earnings per share, diluted, \$	0.31	0.20	0.19	0.60	1.30	0.55	0.48	0.47	0.50	2.01
Dividend per share, CHF	n.a.	n.a.	n.a.	n.a.	0.84	n.a.	n.a.	n.a.	n.a.	0.87 [*]
Share price at the end of period, CHF ¹	29.12	24.57	24.90	28.06	28.06	31.37	35.18	32.80	37.30	37.30
Share price at the end of period, \$ ¹	30.76	25.43	24.41	30.46	30.46	34.30	39.32	35.86	44.32	44.32
Number of employees (FTE equivalents)	104,720	106,380	106,830	105,130	105,130	106,170	108,320	107,430	107,870	107,870
No. of shares outstanding at end of period (in millions)	1,929	1,892	1,875	1,865	1,865	1,862	1,860	1,849	1,842	1,842

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

^{*} Dividend proposal subject to shareholder approval at the 2024 AGM

Additional 2024 guidance

(\$ in millions, unless otherwise stated)	FY 2024 ¹	Q1 2024
Corporate and Other Operational EBITA ²	~(300)	~(75)
Non-operating items		
Acquisition-related amortization	~(210)	~(55)
Restructuring and related ³	~(200)	~(50)
ABB Way transformation	~(180)	~(55)

(\$ in millions, unless otherwise stated)	FY 2024
Net finance expenses	~(120)
Effective tax rate	~25% ⁴
Capital Expenditures	~(900)

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

² Excludes Operational EBITA from E-mobility business.

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

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

Important notice about forward-looking information

This press release includes forward-looking information and statements as well as other statements concerning the outlook for our business, including those in the sections of this release titled “CEO summary,” “Outlook,” and “Sustainability”. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, the economic conditions of the regions and industries that are major markets for ABB. These expectations, estimates and projections are generally identifiable by statements containing words such as “anticipates,” “expects,” “estimates,” “plans,” “targets,” “guidance,” “likely” or similar expressions. However, there are many risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements

made in this press release and which could affect our ability to achieve any or all of our stated targets. Some important factors that could cause such differences include, among others, business risks associated with the volatile global economic environment and political conditions, costs associated with compliance activities, market acceptance of new products and services, changes in governmental regulations and currency exchange rates and such other factors as may be discussed from time to time in ABB Ltd’s filings with the U.S. Securities and Exchange Commission, including its Annual Reports on Form 20-F. Although ABB Ltd believes that its expectations reflected in any such forward looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Q4 results presentation on February 1, 2024

The Q4 2023 results press release and presentation slides are available on the ABB News Center at www.abb.com/news and on the Investor Relations homepage at www.abb.com/investorrelations.

A conference call and webcast for analysts and investors is scheduled to begin at 10:00 a.m. CET.

To pre-register for the conference call or to join the webcast, please refer to the ABB website: www.abb.com/investorrelations.

The recorded session will be available after the event on ABB’s website.

Financial calendar

2024

March 21	Annual General Meeting, Zurich
April 18	Q1 2024 results
July 18	Q2 2024 results
October 17	Q3 2024 results

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ABB is a technology leader in electrification and automation, enabling a more sustainable and resource-efficient future. The company’s solutions connect engineering know-how and software to optimize how things are manufactured, moved, powered and operated. Building on over 140 years of excellence, ABB’s more than 105,000 employees are committed to driving innovations that accelerate industrial transformation.



February 1, 2024

Q4 2023

Financial information

Financial Information

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34 – 47	Supplemental Reconciliations and Definitions



Key Figures

(\$ in millions, unless otherwise indicated)	Q4 2023	Q4 2022	CHANGE	
			US\$	Comparable ⁽¹⁾
Orders	7,649	7,620	0%	0%
Order backlog (end December)	21,567	19,867	9%	9%
Revenues	8,245	7,824	5%	6%
Gross Profit	2,848	2,658	7%	
as % of revenues	34.5%	34.0%	+0.5 pts	
Income from operations	1,116	1,185	-6%	
Operational EBITA ⁽¹⁾	1,333	1,146	16%	13% ⁽²⁾
as % of operational revenues ⁽¹⁾	16.3%	14.8%	+1.5 pts	
Income from continuing operations, net of tax	946	1,168	-19%	
Net income attributable to ABB	921	1,132	-19%	
Basic earnings per share (\$)	0.50	0.61	-18% ⁽³⁾	
Cash flow from operating activities ⁽⁴⁾	1,897	687	176%	
Cash flow from operating activities in continuing operations	1,897	720	163%	

(\$ in millions, unless otherwise indicated)	FY 2023	FY 2022	CHANGE	
			US\$	Comparable ⁽¹⁾
Orders	33,818	33,988	-1%	3%
Revenues	32,235	29,446	9%	14%
Gross Profit	11,214	9,710	15%	
as % of revenues	34.8%	33.0%	+1.8 pts	
Income from operations	4,871	3,337	46%	
Operational EBITA ⁽¹⁾	5,427	4,510	20%	20% ⁽²⁾
as % of operational revenues ⁽¹⁾	16.9%	15.3%	+1.6 pts	
Income from continuing operations, net of tax	3,848	2,637	46%	
Net income attributable to ABB	3,745	2,475	51%	
Basic earnings per share (\$)	2.02	1.30	55% ⁽³⁾	
Cash flow from operating activities ⁽⁴⁾	4,290	1,287	233%	
Cash flow from operating activities in continuing operations	4,301	1,334	222%	

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

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

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

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

(\$ in millions, unless otherwise indicated)		Q4 2023	Q4 2022	CHANGE		
				US\$	Local	Comparable
Orders	ABB Group	7,649	7,620	0%	-1%	0%
	Electrification	3,395	3,385	0%	-1%	2%
	Motion	1,937	1,649	17%	15%	13%
	Process Automation	1,870	1,746	7%	5%	5%
	Robotics & Discrete Automation	550	798	-31%	-33%	-33%
	Corporate and Other	125	257			
	Intersegment eliminations	(228)	(215)			
Order backlog (end December)	ABB Group	21,567	19,867	9%	7%	9%
	Electrification	6,808	6,404	6%	6%	14%
	Motion	5,343	4,726	13%	9%	8%
	Process Automation	7,519	6,229	21%	19%	19%
	Robotics & Discrete Automation	2,141	2,679	-20%	-20%	-20%
	Corporate and Other					
	(incl. intersegment eliminations)	(244)	(171)			
Revenues	ABB Group	8,245	7,824	5%	4%	6%
	Electrification	3,698	3,498	6%	5%	8%
	Motion	1,946	1,845	5%	4%	2%
	Process Automation	1,727	1,551	11%	10%	10%
	Robotics & Discrete Automation	852	891	-4%	-7%	-7%
	Corporate and Other	229	258			
	Intersegment eliminations	(207)	(219)			
Income from operations	ABB Group	1,116	1,185			
	Electrification	670	569			
	Motion	292	316			
	Process Automation	259	183			
	Robotics & Discrete Automation	99	101			
	Corporate and Other					
	(incl. intersegment eliminations)	(204)	16			
Income from operations %	ABB Group	13.5%	15.1%			
	Electrification	18.1%	16.3%			
	Motion	15.0%	17.1%			
	Process Automation	15.0%	11.8%			
	Robotics & Discrete Automation	11.6%	11.3%			
Operational EBITA	ABB Group	1,333	1,146	16%	13%	
	Electrification	725	575	26%	24%	
	Motion	318	318	0%	-1%	
	Process Automation	239	203	18%	19%	
	Robotics & Discrete Automation	118	125	-6%	-6%	
	Corporate and Other ⁽¹⁾					
	(incl. intersegment eliminations)	(67)	(75)			
Operational EBITA %	ABB Group	16.3%	14.8%			
	Electrification	19.7%	16.6%			
	Motion	16.6%	17.4%			
	Process Automation	14.0%	13.2%			
	Robotics & Discrete Automation	13.8%	14.0%			
Cash flow from operating activities	ABB Group	1,897	687			
	Electrification	1,068	857			
	Motion	597	346			
	Process Automation	444	205			
	Robotics & Discrete Automation	170	105			
	Corporate and Other					
	(incl. intersegment eliminations)	(382)	(793)			
	Discontinued operations	–	(33)			

(1) Corporate and Other at Q4 2023 and Q4 2022 includes losses of \$33 million and \$3 million, respectively, relating to E-mobility.

		CHANGE				
(\$ in millions, unless otherwise indicated)		FY 2023	FY 2022	US\$	Local	Comparable
Orders	ABB Group	33,818	33,988	-1%	1%	3%
	Electrification	15,189	15,182	0%	1%	3%
	Motion	8,222	7,896	4%	5%	4%
	Process Automation	7,535	6,825	10%	12%	24%
	Robotics & Discrete Automation	3,066	4,116	-26%	-25%	-25%
	<i>Corporate and Other</i>	720	787			
	<i>Intersegment eliminations</i>	(914)	(818)			
Order backlog (end December)	ABB Group	21,567	19,867	9%	7%	9%
	Electrification	6,808	6,404	6%	6%	14%
	Motion	5,343	4,726	13%	9%	8%
	Process Automation	7,519	6,229	21%	19%	19%
	Robotics & Discrete Automation	2,141	2,679	-20%	-20%	-20%
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(244)	(171)			
Revenues	ABB Group	32,235	29,446	9%	11%	14%
	Electrification	14,584	13,619	7%	8%	10%
	Motion	7,814	6,745	16%	17%	15%
	Process Automation	6,270	6,044	4%	5%	16%
	Robotics & Discrete Automation	3,640	3,181	14%	14%	14%
	<i>Corporate and Other</i>	769	653			
	<i>Intersegment eliminations</i>	(842)	(796)			
Income from operations	ABB Group	4,871	3,337			
	Electrification	2,800	2,140			
	Motion	1,390	1,092			
	Process Automation	947	663			
	Robotics & Discrete Automation	446	247			
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(712)	(805)			
Income from operations %	ABB Group	15.1%	11.3%			
	Electrification	19.2%	15.7%			
	Motion	17.8%	16.2%			
	Process Automation	15.1%	11.0%			
	Robotics & Discrete Automation	12.3%	7.8%			
Operational EBITA	ABB Group	5,427	4,510	20%	20%	
	Electrification	2,937	2,343	25%	27%	
	Motion	1,475	1,163	27%	27%	
	Process Automation	909	848	7%	10%	
	Robotics & Discrete Automation	536	340	58%	58%	
	<i>Corporate and Other⁽¹⁾</i>					
	<i>(incl. intersegment eliminations)</i>	(430)	(184)			
Operational EBITA %	ABB Group	16.9%	15.3%			
	Electrification	20.1%	17.2%			
	Motion	18.9%	17.3%			
	Process Automation	14.5%	14.0%			
	Robotics & Discrete Automation	14.7%	10.7%			
Cash flow from operating activities	ABB Group	4,290	1,287			
	Electrification	3,211	2,115			
	Motion	1,532	853			
	Process Automation	1,002	675			
	Robotics & Discrete Automation	436	214			
	<i>Corporate and Other</i>					
	<i>(incl. intersegment eliminations)</i>	(1,880)	(2,523)			
	<i>Discontinued operations</i>	(11)	(47)			

(1) Corporate and Other at FY 2023 and FY 2022 includes losses of \$167 million and \$15 million, respectively, relating to E-mobility.

Operational EBITA

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions, unless otherwise indicated)	Q4 23	Q4 22	Q4 23	Q4 22	Q4 23	Q4 22	Q4 23	Q4 22	Q4 23	Q4 22
Revenues	8,245	7,824	3,698	3,498	1,946	1,845	1,727	1,551	852	891
Foreign exchange/commodity timing differences in total revenues	(66)	(62)	(15)	(31)	(35)	(22)	(21)	(12)	2	1
Operational revenues	8,179	7,762	3,683	3,467	1,911	1,823	1,706	1,539	854	892
Income from operations	1,116	1,185	670	569	292	316	259	183	99	101
Acquisition-related amortization	56	55	22	24	9	8	1	1	20	19
Restructuring, related and implementation costs ⁽¹⁾	127	47	50	10	41	5	(4)	23	6	2
Changes in obligations related to divested businesses	2	(71)	–	1	–	–	–	–	–	–
Gains and losses from sale of businesses	(4)	3	(4)	–	–	3	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	19	24	7	5	2	3	(4)	12	7	2
Certain other non-operational items	76	(28)	5	11	2	–	–	–	(14)	(8)
Foreign exchange/commodity timing differences in income from operations	(59)	(69)	(25)	(45)	(28)	(17)	(13)	(16)	–	9
Operational EBITA	1,333	1,146	725	575	318	318	239	203	118	125
Operational EBITA margin (%)	16.3%	14.8%	19.7%	16.6%	16.6%	17.4%	14.0%	13.2%	13.8%	14.0%

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions, unless otherwise indicated)	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22
Revenues	32,235	29,446	14,584	13,619	7,814	6,745	6,270	6,044	3,640	3,181
Foreign exchange/commodity timing differences in total revenues	(41)	28	(3)	(20)	(23)	(14)	(18)	33	4	6
Operational revenues	32,194	29,474	14,581	13,599	7,791	6,731	6,252	6,077	3,644	3,187
Income from operations	4,871	3,337	2,800	2,140	1,390	1,092	947	663	446	247
Acquisition-related amortization	220	229	88	104	35	31	5	4	79	78
Restructuring, related and implementation costs ⁽¹⁾	219	347	76	28	46	16	3	29	6	11
Changes in obligations related to divested businesses	(3)	(88)	1	1	–	–	–	–	–	–
Gains and losses from sale of businesses	(101)	7	(75)	(1)	–	8	(26)	–	–	–
Acquisition- and divestment-related expenses and integration costs	74	195	30	36	17	15	(7)	134	14	6
Certain other non-operational items	165	452	16	41	6	–	–	–	(10)	(8)
Foreign exchange/commodity timing differences in income from operations	(18)	31	1	(6)	(19)	1	(13)	18	1	6
Operational EBITA	5,427	4,510	2,937	2,343	1,475	1,163	909	848	536	340
Operational EBITA margin (%)	16.9%	15.3%	20.1%	17.2%	18.9%	17.3%	14.5%	14.0%	14.7%	10.7%

(1) Includes impairment of certain assets.

Depreciation and Amortization

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions)	Q4 23	Q4 22	Q4 23	Q4 22	Q4 23	Q4 22	Q4 23	Q4 22	Q4 23	Q4 22
Depreciation	133	130	66	62	28	27	12	13	14	16
Amortization	66	69	28	31	10	10	2	3	20	19
including total acquisition-related amortization of:	56	55	22	24	9	8	1	1	20	19

	ABB		Electrification		Motion		Process Automation		Robotics & Discrete Automation	
(\$ in millions)	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22
Depreciation	517	531	256	253	108	105	47	64	57	62
Amortization	263	283	109	129	41	36	9	11	81	79
including total acquisition-related amortization of:	220	229	88	104	35	31	5	4	79	78

Orders received and revenues by region

(\$ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	Q4 23	Q4 22	US\$	Local	Com-parable	Q4 23	Q4 22	US\$	Local	Com-parable
Europe	2,554	2,604	-2%	-7%	-5%	2,951	2,765	7%	2%	4%
The Americas	2,985	2,898	3%	2%	3%	2,847	2,555	11%	10%	14%
of which United States	2,277	2,167	5%	4%	6%	2,105	1,898	11%	11%	15%
Asia, Middle East and Africa	2,110	2,118	0%	1%	2%	2,447	2,504	-2%	0%	0%
of which China	895	976	-8%	-7%	-7%	1,064	1,133	-6%	-6%	-5%
ABB Group	7,649	7,620	0%	-1%	0%	8,245	7,824	5%	4%	6%

(\$ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	FY 23	FY 22	US\$	Local	Com-parable	FY 23	FY 22	US\$	Local	Com-parable
Europe	11,458	11,778	-3%	-4%	-1%	11,568	10,285	12%	11%	14%
The Americas	12,437	11,825	5%	5%	7%	11,090	9,573	16%	15%	18%
of which United States	9,204	8,920	3%	3%	5%	8,248	7,023	17%	17%	21%
Asia, Middle East and Africa	9,923	10,385	-4%	1%	4%	9,577	9,588	0%	5%	8%
of which China	4,488	5,087	-12%	-7%	-5%	4,468	4,696	-5%	-1%	1%
ABB Group	33,818	33,988	-1%	1%	3%	32,235	29,446	9%	11%	14%

Consolidated Financial Information

ABB Ltd Consolidated Income Statements (unaudited)

(\$ in millions, except per share data in \$)	Year ended		Three months ended	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Sales of products	27,010	24,471	6,800	6,525
Sales of services and other	5,225	4,975	1,445	1,299
Total revenues	32,235	29,446	8,245	7,824
Cost of sales of products	(17,938)	(16,804)	(4,545)	(4,365)
Cost of services and other	(3,083)	(2,932)	(852)	(801)
Total cost of sales	(21,021)	(19,736)	(5,397)	(5,166)
Gross profit	11,214	9,710	2,848	2,658
Selling, general and administrative expenses	(5,543)	(5,132)	(1,485)	(1,299)
Non-order related research and development expenses	(1,317)	(1,166)	(366)	(322)
Other income (expense), net	517	(75)	119	148
Income from operations	4,871	3,337	1,116	1,185
Interest and dividend income	165	72	50	22
Interest and other finance expense	(275)	(130)	(78)	(23)
Non-operational pension (cost) credit	17	115	(6)	13
Income from continuing operations before taxes	4,778	3,394	1,082	1,197
Income tax expense	(930)	(757)	(136)	(29)
Income from continuing operations, net of tax	3,848	2,637	946	1,168
Loss from discontinued operations, net of tax	(24)	(43)	(8)	(7)
Net income	3,824	2,594	938	1,161
Net income attributable to noncontrolling interests and redeemable noncontrolling interests	(79)	(119)	(17)	(29)
Net income attributable to ABB	3,745	2,475	921	1,132
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	3,769	2,517	929	1,138
Loss from discontinued operations, net of tax	(24)	(42)	(8)	(6)
Net income	3,745	2,475	921	1,132
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	2.03	1.33	0.50	0.61
Loss from discontinued operations, net of tax	(0.01)	(0.02)	0.00	0.00
Net income	2.02	1.30	0.50	0.61
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	2.02	1.32	0.50	0.60
Loss from discontinued operations, net of tax	(0.01)	(0.02)	0.00	0.00
Net income	2.01	1.30	0.50	0.60
Weighted-average number of shares outstanding (in millions) used to compute:				
Basic earnings per share attributable to ABB shareholders	1,855	1,899	1,845	1,870
Diluted earnings per share attributable to ABB shareholders	1,867	1,910	1,856	1,881

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)	Year ended		Three months ended	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Total comprehensive income, net of tax	3,315	2,189	586	1,414
Total comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interests, net of tax	(84)	(87)	(30)	(29)
Total comprehensive income attributable to ABB shareholders, net of tax	3,231	2,102	556	1,385

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)	Dec. 31, 2023	Dec. 31, 2022
Cash and equivalents	3,891	4,156
Restricted cash	18	18
Marketable securities and short-term investments	1,928	725
Receivables, net	7,446	6,858
Contract assets	1,090	954
Inventories, net	6,149	6,028
Prepaid expenses	235	230
Other current assets	520	601
Total current assets	21,277	19,570
Property, plant and equipment, net	4,142	3,911
Operating lease right-of-use assets	893	841
Investments in equity-accounted companies	187	130
Prepaid pension and other employee benefits	780	916
Intangible assets, net	1,223	1,406
Goodwill	10,561	10,511
Deferred taxes	1,381	1,396
Other non-current assets	496	467
Total assets	40,940	39,148
Accounts payable, trade	4,847	4,904
Contract liabilities	2,844	2,216
Short-term debt and current maturities of long-term debt	2,607	2,535
Current operating leases	249	220
Provisions for warranties	1,210	1,028
Other provisions	1,201	1,171
Other current liabilities	5,046	4,455
Total current liabilities	18,004	16,529
Long-term debt	5,221	5,143
Non-current operating leases	666	651
Pension and other employee benefits	686	719
Deferred taxes	669	729
Other non-current liabilities	1,548	2,105
Total liabilities	26,794	25,876
<i>Commitments and contingencies</i>		
Redeemable noncontrolling interest	89	85
Stockholders' equity:		
Common stock, CHF 0.12 par value (1,882 million and 1,965 million shares issued at December 31, 2023 and 2022, respectively)	163	171
Additional paid-in capital	7	141
Retained earnings	19,724	20,082
Accumulated other comprehensive loss	(5,070)	(4,556)
Treasury stock, at cost (40 million and 100 million shares at December 31, 2023 and 2022, respectively)	(1,414)	(3,061)
Total ABB stockholders' equity	13,410	12,777
Noncontrolling interests	647	410
Total stockholders' equity	14,057	13,187
Total liabilities and stockholders' equity	40,940	39,148

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

See Notes to the Consolidated Financial Information

ABB Ltd Consolidated Statements of Cash Flows (unaudited)

(\$ in millions)	Year ended		Three months ended	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Operating activities:				
Net income	3,824	2,594	938	1,161
Loss from discontinued operations, net of tax	24	43	8	7
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	780	814	199	199
Changes in fair values of investments	(29)	(33)	(1)	6
Pension and other employee benefits	(48)	(125)	19	(18)
Deferred taxes	(25)	(344)	17	(161)
Loss from equity-accounted companies	16	102	5	2
Net gain from derivatives and foreign exchange	(55)	(23)	(11)	(67)
Net gain from sale of property, plant and equipment	(116)	(84)	(77)	(20)
Net loss (gain) from sale of businesses	(101)	7	(4)	3
Other	158	66	43	5
Changes in operating assets and liabilities:				
Trade receivables, net	(661)	(831)	158	(174)
Contract assets and liabilities	412	416	169	63
Inventories, net	(3)	(1,599)	435	68
Accounts payable, trade	(106)	395	(69)	5
Accrued liabilities	254	136	114	84
Provisions, net	211	(70)	105	(382)
Income taxes payable and receivable	(190)	(94)	(181)	(113)
Other assets and liabilities, net	(44)	(36)	30	52
Net cash provided by operating activities – continuing operations	4,301	1,334	1,897	720
Net cash provided by (used in) operating activities – discontinued operations	(11)	(47)	–	(33)
Net cash provided by operating activities	4,290	1,287	1,897	687
Investing activities:				
Purchases of investments	(1,957)	(321)	(854)	(50)
Purchases of property, plant and equipment and intangible assets	(770)	(762)	(264)	(259)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(225)	(288)	(65)	(62)
Proceeds from sales of investments	610	697	12	43
Proceeds from maturity of investments	149	73	11	73
Proceeds from sales of property, plant and equipment	147	127	80	42
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	553	1,541	1	1,549
Net cash from settlement of foreign currency derivatives	(109)	(166)	(33)	(12)
Changes in loans receivable, net	3	320	(5)	309
Other investing activities	7	(14)	(2)	(4)
Net cash provided by (used in) investing activities – continuing operations	(1,592)	1,207	(1,119)	1,629
Net cash used in investing activities – discontinued operations	(23)	(226)	(1)	(135)
Net cash provided by (used in) investing activities	(1,615)	981	(1,120)	1,494
Financing activities:				
Net changes in debt with original maturities of 90 days or less	(1,365)	1,366	(368)	(109)
Increase in debt	2,586	3,849	2	295
Repayment of debt	(1,567)	(2,703)	(130)	(678)
Delivery of shares	154	394	36	5
Purchase of treasury stock	(1,258)	(3,553)	(349)	(302)
Dividends paid	(1,713)	(1,698)	–	–
Cash associated with the spin-off of the Turbocharging Division	–	(172)	–	(172)
Dividends paid to noncontrolling shareholders	(93)	(99)	(4)	(16)
Proceeds from issuance of subsidiary shares	328	216	–	216
Other financing activities	31	6	27	64
Net cash used in financing activities – continuing operations	(2,897)	(2,394)	(786)	(697)
Net cash provided by financing activities – discontinued operations	–	–	–	–
Net cash used in financing activities	(2,897)	(2,394)	(786)	(697)
Effects of exchange rate changes on cash and equivalents and restricted cash	(43)	(189)	31	2
Net change in cash and equivalents and restricted cash	(265)	(315)	22	1,486
Cash and equivalents and restricted cash, beginning of period	4,174	4,489	3,887	2,688
Cash and equivalents and restricted cash, end of period	3,909	4,174	3,909	4,174
Supplementary disclosure of cash flow information:				
Interest paid	250	90	99	43
Income taxes paid	1,147	1,188	282	281

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

See Notes to the Consolidated Financial Information

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

(\$ in millions)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total ABB stockholders' equity	Non-controlling interests	Total stockholders' equity
Balance at January 1, 2022	178	22	22,477	(4,088)	(3,010)	15,579	378	15,957
Net income ⁽¹⁾			2,475			2,475	124	2,599
Foreign currency translation adjustments, net of tax of \$0				(608)		(608)	(31)	(639)
Effect of change in fair value of available-for-sale securities, net of tax of \$(5)				(21)		(21)		(21)
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$86				256		256	(1)	255
Change in derivative instruments and hedges, net of tax of \$2				–		–		–
Issuance of subsidiary shares		120				120	86	206
Other changes in noncontrolling interests		10				10	(34)	(24)
Dividends to noncontrolling shareholders						–	(100)	(100)
Dividends to shareholders			(1,700)			(1,700)		(1,700)
Spin-off of the Turbocharging Division			(177)	(95)		(272)	(12)	(284)
Cancellation of treasury shares	(8)	(4)	(2,864)		2,876	–		–
Share-based payment arrangements		42				42		42
Purchase of treasury stock					(3,502)	(3,502)		(3,502)
Delivery of shares		(51)	(130)		575	394		394
Other		2				2		2
Balance at December 31, 2022	171	141	20,082	(4,556)	(3,061)	12,777	410	13,187
Balance at January 1, 2023	171	141	20,082	(4,556)	(3,061)	12,777	410	13,187
Net income ⁽¹⁾			3,745			3,745	83	3,828
Foreign currency translation adjustments, net of tax of \$(2)				(286)		(286)	5	(281)
Effect of change in fair value of available-for-sale securities, net of tax of \$3				11		11		11
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$(45)				(237)		(237)		(237)
Change in derivative instruments and hedges, net of tax of \$(1)				(2)		(2)		(2)
Issuance of subsidiary shares		170				170	168	338
Other changes in noncontrolling interests		(31)	(37)			(68)	67	(1)
Dividends to noncontrolling shareholders						–	(93)	(93)
Dividends to shareholders			(1,706)			(1,706)		(1,706)
Cancellation of treasury shares	(7)	(201)	(2,359)		2,567	–		–
Share-based payment arrangements		101				101	2	103
Purchase of treasury stock					(1,247)	(1,247)		(1,247)
Delivery of shares		(173)			327	154		154
Other		(2)				(2)	5	3
Balance at December 31, 2023	163	7	19,724	(5,070)	(1,414)	13,410	647	14,057

(1) Amounts attributable to noncontrolling interests for the year ended December 31, 2023 and 2022, exclude net losses of \$4 million and \$5 million, respectively, related to redeemable noncontrolling interests, which are reported in the mezzanine equity section on the Consolidated Balance Sheets. See Note 4 for details.

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

See Notes to the Consolidated Financial Information

Notes to the Consolidated Financial Information (unaudited)

Note 1

The Company and basis of presentation

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

The Company's Consolidated Financial Information is prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP) for interim financial reporting. As such, the Consolidated Financial Information does not include all the information and notes required under U.S. GAAP for annual consolidated financial statements. Therefore, such financial information should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report for the year ended December 31, 2022.

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

- estimates to determine valuation allowances for deferred tax assets and amounts recorded for unrecognized tax benefits,
- estimates related to credit losses expected to occur over the remaining life of financial assets such as trade and other receivables, loans and other instruments,
- estimates 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. These changes relate primarily to the reorganization of the Company's operating segments (see Note 17 for details).

Note 2

Recent accounting pronouncements

Applicable for current periods

Disclosure about supplier finance program obligations

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

The total outstanding supplier finance obligation included in "Accounts payable, trade" in the Consolidated Balance Sheets at December 31, 2023 and December 31, 2022, amounted to \$415 million and \$477 million, respectively. The Company's payment terms related to suppliers' finance programs are not impacted by the suppliers' decisions to sell amounts under the arrangements and are typically consistent with local market practices.

Facilitation of the effects of reference rate reform on financial reporting

In January 2023, the Company adopted an accounting standard update which provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The Company is applying this standard update as relevant contract and hedge accounting relationship modifications are made during the course of the transition period ending December 31, 2024. This update does not have a significant impact on the Company's consolidated financial statements.

Applicable for future periods

Improvements to reportable segment disclosures

In November 2023, an accounting standard update was issued 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 quarterly. This update is effective for the Company for annual periods beginning January 1, 2024, and interim periods beginning January 1, 2025, and is to be applied retrospectively to each prior reporting period presented. The Company is currently evaluating the impact of adopting this update on its consolidated financial statements.

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

Discontinued operations

In 2020, the Company completed the divestment of its Power Grids business to Hitachi Ltd (Hitachi). As this divestment represented a strategic shift that would have a major effect on the Company's operations and financial results, the results of operations for this business are presented as discontinued operations. Certain of the business contracts in the Power Grids business continue to be executed by subsidiaries of the Company for the benefit/risk of Hitachi Energy. The remaining business activities of the Power Grids business being executed by the Company are not significant.

Upon closing of the sale, the Company entered into various transition services agreements (TSAs), some of which continue to have services performed. Pursuant to these TSAs, the Company and Hitachi Energy provide to each other, on a transitional basis, various services. The services provided by the Company primarily include finance, information technology, human resources and certain other administrative services. The TSAs were to be performed for up to 3 years with the possibility to agree on extensions on an exceptional basis for business-critical services which are reasonably necessary to avoid a material adverse impact on the business. The TSA for information technology services was extended until mid-2025. In the year and three months ended December 31, 2023, the Company has recognized within its continuing operations, general and administrative expenses incurred to perform the TSAs, offset by \$121 million and \$20 million in TSA-related income for such services that is reported in Other income (expense), net. In the year and three months ended December 31, 2022, the Company has recognized within its continuing operations, general and administrative expenses incurred to perform the TSAs, offset by \$162 million and \$47 million in TSA-related income for such services that is reported in Other income (expense), net.

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

Note 4

Acquisitions and equity-accounted companies

Acquisition of controlling interests

Acquisitions of controlling interests were as follows:

(\$ in millions, except number of acquired businesses)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Purchase price for acquisitions (net of cash acquired) ⁽¹⁾	175	195	61	46
Aggregate excess of purchase price over fair value of net assets acquired ⁽²⁾	142	229	87	24
Number of acquired businesses	7	5	4	2

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

(2) Recorded as goodwill.

In the table above, the "Purchase price for acquisitions" and "Aggregate excess of purchase price over fair value of net assets acquired" amounts in the year ended December 31, 2022, relate primarily to the acquisition of InCharge Energy, Inc. (In-Charge).

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

On January 26, 2022, the Company increased its ownership in In-Charge to a 60 percent controlling interest through a stock purchase agreement. In-Charge is headquartered in Santa Monica, USA, and is a provider of turn-key commercial electric vehicle charging hardware and software solutions. The resulting cash outflows for the Company amounted to \$134 million (net of cash acquired of \$4 million). The acquisition expands the market presence of the E-mobility operating segment, particularly in the North American market. In connection with the acquisition, the Company's pre-existing 13.2 percent ownership of In-Charge was revalued to fair value and a gain of \$32 million was recorded in "Other income (expense), net" in the year ended December 31, 2022. The Company entered into an agreement with the remaining noncontrolling shareholders allowing either party to put or call the remaining 40 percent of the shares until 2027. The amount for which either party can exercise their option is dependent on a formula based on revenues and thus, the amount is subject to change. As a result of this agreement, the noncontrolling interest is classified as Redeemable noncontrolling interest (i.e. mezzanine equity) in the Consolidated Balance Sheets and was initially recognized at fair value.

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

Business divestments

In the year and three months ended December 31, 2023, the Company received proceeds (net of transaction costs and cash disposed) of \$553 million and \$1 million, respectively, relating to divestments of consolidated businesses and recorded gains of \$101 million and \$4 million, respectively, in "Other income (expense), net" on the sale of such businesses. These are primarily due the divestment of the Company's Power Conversion Division to AcBel Polytech Inc., which prior to its sale was part of the Company's Electrification operating segment. Certain amounts included in the net gain for the sale of Power Conversion Division are estimated or otherwise subject to change in value and, as a result, the Company may record additional adjustments to the gain in future periods which are not expected to have a material impact on the consolidated financial statements.

On September 7, 2022, the shareholders approved the spin-off of the Company's Turbocharging Division into an independent, publicly traded company, Accelleron Industries AG (Accelleron), which was completed through the distribution of common stock of Accelleron to the stockholders of ABB on October 3, 2022. As a result of the spin-off of this Division, the Company distributed net assets of \$272 million, net of amounts attributable to noncontrolling interests of \$12 million, which was reflected as a reduction in Retained earnings. In addition, total accumulated comprehensive income of \$95 million, including the cumulative translation adjustment, was reclassified to Retained earnings. Cash and cash equivalents distributed with Accelleron was \$172 million. The results of operations of the Turbocharging Division, are included in the continuing operations of the Process Automation operating segment for all periods presented through to the spin-off date. In the year ended December 31, 2022, Income continuing operations before taxes, included income of \$134 million from this Division. In anticipation of the spin-off, the Company granted to a subsidiary of Accelleron access to funds in the form of a short-term intercompany loan. At the spin-off date, this loan, having a principal amount of 300 million Swiss francs (\$306 million at the date of spin-off), was due to the Company and subsequently collected in October 2022.

Investments in equity-accounted companies

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

In September 2022, the Company and Hitachi agreed terms to sell the Company's remaining investment in Hitachi Energy to Hitachi and simultaneously settle certain outstanding contractual obligations relating to the initial sale of the Power Grids business, including certain indemnification guarantees (see Note 15). The sale of the remaining investment was completed in December 2022, resulting in cash proceeds of \$1,552 million and a gain of \$43 million which was recorded in "Other income (expense), net".

In the year and three months ended December 31, 2023 and 2022, the Company recorded its share of the earnings of investees accounted for under the equity method of accounting in Other income (expense), net, as follows:

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Income (loss) from equity-accounted companies, net of taxes	(16)	(22)	(5)	12
Basis difference amortization (net of deferred income tax benefit)	–	(80)	–	(14)
Loss from equity-accounted companies	(16)	(102)	(5)	(2)

Note 5

Cash and equivalents, marketable securities and short-term investments

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

December 31, 2023						
(\$ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents and restricted cash	Marketable securities and short-term investments
Changes in fair value recorded in net income						
Cash	1,449			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	

December 31, 2022						
(\$ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents and restricted cash	Marketable securities and short-term investments
Changes in fair value recorded in net income						
Cash	1,715			1,715	1,715	
Time deposits	2,459			2,459	2,459	
Equity securities	345	10		355		355
	4,519	10	–	4,529	4,174	355
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	269	1	(15)	255		255
Other government obligations	58			58		58
Corporate	64		(7)	57		57
	391	1	(22)	370	–	370
Total	4,910	11	(22)	4,899	4,174	725
Of which:						
Restricted cash, current					18	

Note 6

Derivative financial instruments

The Company is exposed to certain currency, commodity 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	
	December 31, 2023	December 31, 2022
Foreign exchange contracts	12,335	13,509
Embedded foreign exchange derivatives	1,137	933
Cross-currency interest rate swaps	886	855
Interest rate contracts	1,606	2,830

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	
		December 31, 2023	December 31, 2022
Copper swaps	metric tonnes	35,015	29,281
Silver swaps	ounces	2,359,363	2,012,213
Steel swaps	metric tonnes	10,206	–
Aluminum swaps	metric tonnes	5,900	6,825

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 year and three months ended December 31, 2023 and 2022, there were no significant amounts recorded for cash flow hedge accounting activities.

Fair value hedges

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

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

(\$ in millions)		Year ended December 31,		Three months ended December 31,	
		2023	2022	2023	2022
Gains (losses) recognized in Interest and other finance expense:					
Interest rate contracts	Designated as fair value hedges	44	(91)	14	(8)
	Hedged item	(45)	93	(14)	8
Cross-currency interest rate swaps	Designated as fair value hedges	30	(134)	43	(9)
	Hedged item	(40)	135	(42)	16

Derivatives not designated in hedge relationships

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

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

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

Type of derivative not designated as a hedge (\$ in millions)		Gains (losses) recognized in income			
		Year ended December 31,		Three months ended December 31,	
	Location	2023	2022	2023	2022
Foreign exchange contracts	Total revenues	145	(56)	158	145
	Total cost of sales	(71)	21	(51)	(36)
	SG&A expenses ⁽¹⁾	27	27	3	(8)
	Non-order related research and development	(7)	–	(3)	(2)
	Interest and other finance expense	(240)	(128)	(224)	11
Embedded foreign exchange contracts	Total revenues	18	(3)	(21)	(15)
	Total cost of sales	1	(11)	1	1
Commodity contracts	Total cost of sales	(3)	(47)	4	25
Other	Interest and other finance expense	1	4	–	–
Total		(129)	(193)	(133)	121

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

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

December 31, 2023				
(\$ in millions)	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

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

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

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at December 31, 2023 and 2022, have been presented on a gross basis.

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

(\$ 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

(\$ in millions)	December 31, 2022				
	Gross amount of recognized assets	Derivative liabilities eligible for set-off in case of default	Cash collateral received	Non-cash collateral received	Net asset exposure
Derivatives	194	(96)	–	–	98
Total	194	(96)	–	–	98

(\$ in millions)	December 31, 2022				
	Gross amount of recognized liabilities	Derivative liabilities eligible for set-off in case of default	Cash collateral pledged	Non-cash collateral pledged	Net liability exposure
Derivatives	458	(96)	–	–	362
Total	458	(96)	–	–	362

Note 7

Fair values

The Company uses fair value measurement principles to record certain financial assets and liabilities on a recurring basis and, when necessary, to record certain non-financial assets at fair value on a non-recurring basis, as well as to determine fair value disclosures for certain financial instruments carried at amortized cost in the financial statements. Financial assets and liabilities recorded at fair value on a recurring basis include foreign currency, commodity and interest rate derivatives, as well as 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. However, for the purpose of determining the fair value of cash-settled call options serving as hedges of the Company's management incentive plan, bid prices are used.

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

Recurring fair value measures

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

(\$ in millions)	December 31, 2023			
	Level 1	Level 2	Level 3	Total fair value
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

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

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

- **Securities in "Marketable securities and short-term investments":** If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs; however, when markets are not active, these inputs are considered Level 2. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for non-performance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.
- **Derivatives:** The fair values of derivative instruments are determined using quoted prices of identical instruments from an active market, if available (Level 1 inputs). If quoted prices are not available, price quotes for similar instruments, appropriately adjusted, or present value techniques, based on available market data, or option pricing models are used. 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 years ended December 31, 2023 and 2022.

Disclosure about financial instruments carried on a cost basis

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

	December 31, 2023				
(\$ in millions)	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding securities with original maturities up to 3 months):					
Cash	1,431	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

	December 31, 2022				
(\$ in millions)	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding securities with original maturities up to 3 months):					
Cash	1,697	1,697	–	–	1,697
Time deposits	2,459	–	2,459	–	2,459
Restricted cash	18	18	–	–	18
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease obligations)	2,500	1,068	1,432	–	2,500
Long-term debt (excluding finance lease obligations)	4,976	4,813	30	–	4,843

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

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

Note 8

Contract assets and liabilities

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

(\$ in millions)	December 31, 2023	December 31, 2022	December 31, 2021
Contract assets	1,090	954	990
Contract liabilities	2,844	2,216	1,894

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)	Year ended December 31,			
	2023		2022	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognized, which was included in the Contract liabilities balance at Jan 1, 2023/2022		(1,311)		(1,043)
Additions to Contract liabilities - excluding amounts recognized as revenue during the period		1,845		1,481
Receivables recognized that were included in the Contract assets balance at Jan 1, 2023/2022	(622)		(591)	

The Company considers its order backlog to represent its unsatisfied performance obligations. At December 31, 2023, the Company had unsatisfied performance obligations totaling \$21,567 million and, of this amount, the Company expects to fulfill approximately 69 percent of the obligations in 2024, approximately 16 percent of the obligations in 2025 and the balance thereafter.

Note 9

Debt

The Company's total debt at December 31, 2023 and 2022, amounted to \$7,828 million and \$7,678 million, respectively.

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

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

(\$ in millions)	December 31, 2023	December 31, 2022
Short-term debt	87	1,448
Current maturities of long-term debt	2,520	1,087
Total	2,607	2,535

Short-term debt primarily represented issued commercial paper and short-term bank borrowings from various banks. At December 31, 2023, no amount was outstanding under the \$2 billion Euro-commercial paper program, while at December 31, 2022, \$1,383 million was outstanding under this program.

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

Long-term debt

The Company's long-term debt at December 31, 2023 and 2022, amounted to \$5,221 million and \$5,143 million, respectively.

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

(in millions)	December 31, 2023		December 31, 2022	
	Nominal outstanding	Carrying value ⁽¹⁾	Nominal outstanding	Carrying value ⁽¹⁾
Bonds:				
0.625% EUR Instruments, due 2023			EUR 700	\$ 742
0% CHF Bonds, due 2023			CHF 275	\$ 298
0.625% EUR Instruments, due 2024	EUR 700	\$ 768	EUR 700	\$ 720
Floating Rate EUR Instruments, due 2024	EUR 500	\$ 554	EUR 500	\$ 536
0.75% EUR Instruments, due 2024	EUR 750	\$ 819	EUR 750	\$ 769
0.3% CHF Bonds, due 2024	CHF 280	\$ 335	CHF 280	\$ 303
2.1% CHF Bonds, due 2025	CHF 150	\$ 179	CHF 150	\$ 162
1.965% CHF Bonds, due 2026	CHF 325	\$ 387		
3.25% EUR Instruments, due 2027	EUR 500	\$ 551		
0.75% CHF Bonds, due 2027	CHF 425	\$ 507	CHF 425	\$ 460
3.8% USD Notes, due 2028 ⁽²⁾	USD 383	\$ 382	USD 383	\$ 381
1.9775% CHF Bonds, due 2028	CHF 150	\$ 179		
1.0% CHF Bonds, due 2029	CHF 170	\$ 203	CHF 170	\$ 184
0% EUR Instruments, due 2030	EUR 800	\$ 749	EUR 800	\$ 677
2.375% CHF Bonds, due 2030	CHF 150	\$ 178	CHF 150	\$ 162
3.375% EUR Instruments, due 2031	EUR 750	\$ 818		
2.1125% CHF Bonds, due 2033	CHF 275	\$ 327		
4.375% USD Notes, due 2042 ⁽²⁾	USD 609	\$ 591	USD 609	\$ 590
Total		\$ 7,527		\$ 5,984

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

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

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

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

Subsequent events

In January 2024, the Company issued the following EUR Instruments: (i) EUR 500 million of 3.125 percent notes, due 2029, and (ii) EUR 750 million of 3.375 percent notes, 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).

Note 10

Commitments and contingencies

Contingencies—Regulatory, Compliance and Legal

Regulatory

Based on findings during an internal investigation, the Company self-reported to the SEC and the DoJ, in the United States, to the Special Investigating Unit (SIU) and the National Prosecuting Authority (NPA) in South Africa as well as to various authorities in other countries potential suspect payments and other compliance concerns in connection with some of the Company's dealings with Eskom and related persons. Many of those parties have expressed an interest in, or commenced an investigation into, these matters and the Company is cooperating fully with them. The Company paid \$104 million to Eskom in December 2020 as part of a full and final settlement with Eskom and the 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. The matter is still pending with the authorities in Germany, but the Company does not believe that it will need to record any additional provisions for this matter.

General

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

Liabilities recognized

At December 31, 2023 and 2022, the Company had aggregate liabilities of \$101 million and \$86 million, respectively, included in "Other provisions" and "Other non-current liabilities", for the above regulatory, compliance and legal contingencies, and none of the individual liabilities recognized was significant. As it is not possible to make an informed judgment on, or reasonably predict, the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be adverse outcomes beyond the amounts accrued.

Guarantees

General

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

Maximum potential payments (\$ in millions)	December 31, 2023	December 31, 2022
Performance guarantees	3,451	4,300
Financial guarantees	94	96
Total⁽¹⁾	3,545	4,396

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

The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations. In respect of the above guarantees, the carrying amounts of liabilities at December 31, 2023 and 2022, were not significant.

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

In conjunction with the divestment of the high-voltage cable and cables accessories businesses, the Company has entered into various performance guarantees with other parties with respect to certain liabilities of the divested business. At December 31, 2023 and 2022, the maximum potential payable under these guarantees amounts to \$874 million and \$843 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 the sale of the Power Grids business (see Note 3 for details). At both December 31, 2023 and 2022, the performance and financial guarantees have been fully indemnified by Hitachi Ltd. These guarantees, which have various maturities up to 2032, primarily consist of bank guarantees, standby letters of credit, business performance guarantees and other trade-related guarantees, the majority of which have original maturity dates ranging from one to ten years. The maximum amount payable under these guarantees at December 31, 2023 and 2022, is approximately \$2.2 billion and \$3.0 billion, respectively. On completing the sale of the Company's remaining 19.9 percent interest in Hitachi Energy Ltd. to Hitachi in 2022, the Company also settled certain existing indemnification guarantees that were due to be settled concurrent with such transaction. As a result, in 2022, the Company recorded \$136 million of cash outflows for the settlement of these liabilities (recorded in discontinued operations).

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 December 31, 2023 and 2022, the total outstanding performance bonds aggregated to \$3.1 billion and \$2.9 billion, respectively. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the year and three months ended December 31, 2023 and 2022.

Product and order-related contingencies

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

(\$ in millions)	2023	2022
Balance at January 1,	1,028	1,005
Net change in warranties due to acquisitions, divestments and spin-offs	–	(24)
Claims paid in cash or in kind	(171)	(157)
Net increase in provision for changes in estimates, warranties issued and warranties expired	327	252
Exchange rate differences	26	(48)
Balance at December 31,	1,210	1,028

Provisions for contractual penalties

During the three months ended December 31, 2022, the Company reversed a provision of \$61 million it had previously recorded relating to one of its divested businesses based on a settlement proposal issued by the ruling court. As the provision related to a customer contractual obligation, the adjustment was reported as an increase in Sales of products and resulted in an increase in earnings per share (basic and diluted) of \$0.03 for both the year and three months ended December 31, 2022. In addition, as this amount relates to a divested business, it has been excluded from the Company's primary measure of segment performance, Operational EBITA (See Note 17).

Note 11

Income taxes

The effective tax rate of 19.5 percent in the year ended December 31, 2023, was lower than the effective tax rate of 22.3 percent in the year ended December 31, 2022, primarily due to a net benefit realized on a favorable resolution of an uncertain tax position in the year ended December 31, 2023, while 2022 included positive impacts from a reversal of a valuation allowance in the Americas partially offset by the negative impact of non-deductible regulatory penalties in connection with the Kusile project.

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

Note 12

Employee benefits

The Company operates defined benefit pension plans, defined contribution pension plans, and termination indemnity plans, in accordance with local regulations and practices. At December 31, 2023, the Company's most significant defined benefit pension plans are in Switzerland as well as in Germany, the United Kingdom, and the United States. These plans cover a large portion of the Company's employees and provide benefits to employees in the event of death, disability, retirement, or termination of employment. Certain of these plans are multi-employer plans. The Company also operates other postretirement benefit plans including postretirement health care benefits and other employee-related benefits for active employees including long-service award plans. The measurement date used for the Company's employee benefit plans is December 31. The funding policies of the Company's plans are consistent with the local government and tax requirements.

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

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
Year ended December 31,	2023	2022	2023	2022	2023	2022
Operational pension cost:						
Service cost	40	50	30	38	–	–
Operational pension cost	40	50	30	38	–	–
Non-operational pension cost (credit):						
Interest cost	48	13	166	87	2	1
Expected return on plan assets	(129)	(116)	(157)	(153)	–	–
Amortization of prior service cost (credit)	(8)	(9)	(2)	(2)	(1)	(2)
Amortization of net actuarial loss	–	–	52	58	(4)	(3)
Curtailments, settlements and special termination benefits	13	4	19	7	(16)	–
Non-operational pension cost (credit)	(76)	(108)	78	(3)	(19)	(4)
Net periodic benefit cost (credit)	(36)	(58)	108	35	(19)	(4)

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2023	2022	2023	2022	2023	2022
Three months ended December 31,						
Operational pension cost:						
Service cost	11	10	9	12	–	–
Operational pension cost	11	10	9	12	–	–
Non-operational pension cost (credit):						
Interest cost	13	11	44	26	1	–
Expected return on plan assets	(35)	(29)	(41)	(40)	–	–
Amortization of prior service cost (credit)	(2)	(4)	–	–	–	(1)
Amortization of net actuarial loss	–	–	13	14	(1)	(1)
Curtailments, settlements and special termination benefits	13	4	1	7	–	–
Non-operational pension cost (credit)	(11)	(18)	17	7	–	(2)
Net periodic benefit cost (credit)	–	(8)	26	19	–	(2)

The components of net periodic benefit cost other than the service cost component are included in the line “Non-operational pension cost (credit)” in the income statement.

Employer contributions were as follows:

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2023	2022	2023	2022	2023	2022
Year ended December 31,						
Total contributions to defined benefit pension and other postretirement benefit plans	18	37	89	58	32	7
Of which, discretionary contributions to defined benefit pension plans	–	–	67	18	25	–

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2023	2022	2023	2022	2023	2022
Three months ended December 31,						
Total contributions to defined benefit pension and other postretirement benefit plans	10	4	4	34	3	2
Of which, discretionary contributions to defined benefit pension plans	–	–	11	18	–	–

Note 13

Stockholder's equity

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

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

Also in March 2023, the Company announced a new share buyback program of up to \$1 billion. This program, which was launched in April 2023, is being executed on a second trading line on the SIX Swiss Exchange and is planned to run until the Company's 2024 AGM. Through this program, the Company purchased, from the program's launch in April 2023 to December 31, 2023, 17 million shares, resulting in an increase in Treasury stock of \$640 million.

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

In addition to the share buyback programs, the Company purchased 9 million of its own shares on the open market in the year ended December 31, 2023, mainly for use in connection with its employee share plans, resulting in an increase in Treasury stock of \$354 million.

In the year ended December 31, 2023, the Company delivered, out of treasury stock, approximately 6 million shares in connection with its Management Incentive Plan.

In February 2023, the Company obtained funding through a private placement of shares in its ABB E-Mobility subsidiary, ABB E-mobility Holding Ltd (ABB E-Mobility), receiving gross proceeds of 325 million Swiss francs (approximately \$351 million) and reducing the Company's ownership in ABB E-Mobility from 92 percent to 81 percent. This resulted in an increase in Additional paid-in capital of \$170 million. In December 2023, an agreement was reached to increase the ownership percentage of the investors participating in these private placements to 25 percent for no additional consideration.

Note 14

Earnings per share

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

Basic earnings per share

(\$ in millions, except per share data in \$)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	3,769	2,517	929	1,138
Loss from discontinued operations, net of tax	(24)	(42)	(8)	(6)
Net income	3,745	2,475	921	1,132
Weighted-average number of shares outstanding (in millions)	1,855	1,899	1,845	1,870
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	2.03	1.33	0.50	0.61
Loss from discontinued operations, net of tax	(0.01)	(0.02)	0.00	0.00
Net income	2.02	1.30	0.50	0.61

Diluted earnings per share

(\$ in millions, except per share data in \$)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	3,769	2,517	929	1,138
Loss from discontinued operations, net of tax	(24)	(42)	(8)	(6)
Net income	3,745	2,475	921	1,132
Weighted-average number of shares outstanding (in millions)	1,855	1,899	1,845	1,870
Effect of dilutive securities:				
Call options and shares	12	11	11	11
Adjusted weighted-average number of shares outstanding (in millions)	1,867	1,910	1,856	1,881
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	2.02	1.32	0.50	0.60
Loss from discontinued operations, net of tax	(0.01)	(0.02)	0.00	0.00
Net income	2.01	1.30	0.50	0.60

Note 15

Reclassifications out of accumulated other comprehensive loss

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

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Derivative instruments and hedges	Total OCI
Balance at January 1, 2022	(2,993)	2	(1,089)	(8)	(4,088)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(685)	(23)	226	(12)	(494)
Amounts reclassified from OCI	46	2	29	12	89
Total other comprehensive (loss) income	(639)	(21)	255	–	(405)
Spin-off of the Turbocharging Division	(93)	–	(5)	–	(98)
Less:					
Amounts attributable to noncontrolling interests	(34)	–	(1)	–	(35)
Balance at December 31, 2022	(3,691)	(19)	(838)	(8)	(4,556)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(290)	5	(283)	(10)	(578)
Amounts reclassified from OCI	9	6	46	8	69
Total other comprehensive (loss) income	(281)	11	(237)	(2)	(509)
Less:					
Amounts attributable to noncontrolling interests and redeemable noncontrolling interests	5	–	–	–	5
Balance at December 31, 2023	(3,977)	(8)	(1,075)	(10)	(5,070)

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

(\$ in millions)	Location of (gains) losses reclassified from OCI	Year ended December 31,		Three months ended December 31,	
Details about OCI components		2023	2022	2023	2022
Foreign currency translation adjustments:					
Changes attributable to divestments	Other income (expense), net	9	41	–	41
Net loss on complete or substantially complete liquidations of foreign subsidiaries	Other income (expense), net	–	5	–	–
Amounts reclassified from OCI		9	46	–	41
Pension and other postretirement plan adjustments:					
Amortization of prior service cost (credit)	Non-operational pension (cost) credit	(11)	(13)	(2)	(5)
Amortization of net actuarial loss	Non-operational pension (cost) credit	48	55	12	13
Net gain (loss) from settlements and curtailments	Non-operational pension (cost) credit	16	11	14	11
Changes attributable to divestments	Other income (expense), net	3	(8)	3	(8)
Total before tax		56	45	27	11
Tax	Income tax expense	(10)	(16)	(9)	(6)
Amounts reclassified from OCI		46	29	18	5

The amounts in respect of Unrealized gains (losses) on available-for-sale securities and Derivative instruments and hedges were not significant for the year and three months ended December 31, 2023 and 2022.

Note 16

Restructuring and related expenses

Restructuring-related activities

In the year and three months ended December 31, 2023 and 2022, the Company executed various restructuring-related activities and incurred the following expenses:

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Employee severance costs	120	81	82	17
Estimated contract settlement, loss order and other costs	7	209	3	4
Inventory and long-lived asset impairments	49	7	31	2
Total	176	297	116	23

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

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Total cost of sales	65	24	46	11
Selling, general and administrative expenses	52	40	38	1
Non-order related research and development expenses	3	2	3	–
Other income (expense), net	56	231	29	11
Total	176	297	116	23

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

At December 31, 2023 and 2022, \$250 million and \$198 million, respectively, was recorded for restructuring-related liabilities and is included primarily in Other provisions.

Note 17

Operating segment data

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

Effective January 1, 2023, the E-mobility Division is no longer managed within the Electrification segment and has become a separate operating segment. This new segment does not currently meet any of the size thresholds to be considered a reportable segment and as such is presented within Corporate and Other. The segment information for the year and three months ended December 31, 2023 and 2022, and at December 31, 2022, has been recast to reflect this change.

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

- Electrification:** manufactures and sells electrical products and solutions which are designed to provide safe, smart and sustainable electrical flow from the substation to the socket. The portfolio of increasingly digital and connected solutions includes renewable power solutions, modular substation packages, distribution automation products, 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 delivered through six operating Divisions: Distribution Solutions, Smart Power, Smart Buildings, Installation Products and Service, as well as, prior to its sale in July 2023, the Power Conversion Division.
- Motion:** designs, manufactures, and sells drives, motors, generators and traction converters that are driving the low-carbon future for industries, cities, infrastructure and transportation. These products, digital technology and related services enable industrial customers to increase energy efficiency, improve safety and reliability, and achieve precise control of their processes. Building on over 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 currently delivered through four operating Divisions: Energy Industries, Process Industries, Marine & Ports and Measurement & Analytics, as well as, prior to its spin-off in October 2022, the Turbocharging Division (Accelleron).
- **Robotics & Discrete Automation:** delivers its products, solutions and services through two operating Divisions: Robotics 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 the Corporate Treasury Operations 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, changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates), as well as other items which are determined by management on a case-by-case basis.

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

The following tables present disaggregated segment revenues from contracts with customers, Operational EBITA, and the reconciliations of consolidated Operational EBITA to Income from continuing operations before taxes for the year and three months ended December 31, 2023 and 2022, as well as total assets at December 31, 2023 and 2022.

Year ended December 31, 2023						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	4,547	2,455	2,294	1,932	340	11,568
The Americas	5,926	2,562	1,738	573	291	11,090
of which: United States	4,456	2,123	1,076	358	235	8,248
Asia, Middle East and Africa	3,899	2,276	2,212	1,119	71	9,577
of which: China	1,775	1,148	707	804	34	4,468
	14,372	7,293	6,244	3,624	702	32,235
Product type						
Products	13,437	6,219	3,661	3,063	630	27,010
Services and other	935	1,074	2,583	561	72	5,225
	14,372	7,293	6,244	3,624	702	32,235
Third-party revenues	14,372	7,293	6,244	3,624	702	32,235
Intersegment revenues	212	521	26	16	(775)	-
Total revenues⁽¹⁾	14,584	7,814	6,270	3,640	(73)	32,235

Year ended December 31, 2022						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	4,199	2,031	2,248	1,494	313	10,285
The Americas	5,140	2,148	1,566	524	195	9,573
of which: United States	3,769	1,787	943	373	151	7,023
Asia, Middle East and Africa	4,053	2,101	2,199	1,155	80	9,588
of which: China	1,948	1,147	666	897	38	4,696
	13,392	6,280	6,013	3,173	588	29,446
Product type						
Products	12,535	5,380	3,311	2,695	550	24,471
Services and other	857	900	2,702	478	38	4,975
	13,392	6,280	6,013	3,173	588	29,446
Third-party revenues	13,392	6,280	6,013	3,173	588	29,446
Intersegment revenues	227	465	31	8	(731)	–
Total revenues⁽¹⁾	13,619	6,745	6,044	3,181	(143)	29,446

Three months ended December 31, 2023						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	1,136	597	631	476	111	2,951
The Americas	1,533	638	459	142	75	2,847
of which: United States	1,164	521	278	89	53	2,105
Asia, Middle East and Africa	987	577	632	233	18	2,447
of which: China	419	282	205	147	11	1,064
	3,656	1,812	1,722	851	204	8,245
Product type						
Products	3,387	1,524	994	710	185	6,800
Services and other	269	288	728	141	19	1,445
	3,656	1,812	1,722	851	204	8,245
Third-party revenues	3,656	1,812	1,722	851	204	8,245
Intersegment revenues	42	134	5	1	(182)	–
Total revenues⁽¹⁾	3,698	1,946	1,727	852	22	8,245

Three months ended December 31, 2022						
(\$ in millions)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	1,074	601	522	424	144	2,765
The Americas	1,341	574	431	147	62	2,555
of which: United States	992	480	262	106	58	1,898
Asia, Middle East and Africa	1,033	537	592	317	25	2,504
of which: China	442	259	168	251	13	1,133
	3,448	1,712	1,545	888	231	7,824
Product type						
Products	3,207	1,449	891	760	218	6,525
Services and other	241	263	654	128	13	1,299
	3,448	1,712	1,545	888	231	7,824
Third-party revenues	3,448	1,712	1,545	888	231	7,824
Intersegment revenues	50	133	6	3	(192)	–
Total revenues⁽¹⁾	3,498	1,845	1,551	891	39	7,824

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

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Operational EBITA:				
Electrification	2,937	2,343	725	575
Motion	1,475	1,163	318	318
Process Automation	909	848	239	203
Robotics & Discrete Automation	536	340	118	125
Corporate and Other				
– E-mobility	(167)	(15)	(33)	(3)
– Corporate costs, Intersegment elimination and other	(263)	(169)	(34)	(72)
Total	5,427	4,510	1,333	1,146
Acquisition-related amortization	(220)	(229)	(56)	(55)
Restructuring, related and implementation costs ⁽¹⁾	(219)	(347)	(127)	(47)
Changes in obligations related to divested businesses	3	88	(2)	71
Gains and losses from sale of businesses	101	(7)	4	(3)
Acquisition- and divestment-related expenses and integration costs	(74)	(195)	(19)	(24)
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	19	32	77	139
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	12	(48)	20	–
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(13)	(15)	(38)	(70)
Certain other non-operational items:				
Other income/expense relating to the Power Grids joint venture	36	(57)	9	10
Regulatory, compliance and legal costs	–	(317)	–	16
Business transformation costs ⁽²⁾	(205)	(152)	(66)	(38)
Changes in pre-acquisition estimates	(4)	(10)	–	(10)
Gains and losses from sale of investments in equity-accounted companies	–	43	–	43
Certain other fair value changes, including asset impairments	(10)	45	(13)	(13)
Other non-operational items	18	(4)	(6)	20
Income from operations	4,871	3,337	1,116	1,185
Interest and dividend income	165	72	50	22
Interest and other finance expense	(275)	(130)	(78)	(23)
Non-operational pension (cost) credit	17	115	(6)	13
Income from continuing operations before taxes	4,778	3,394	1,082	1,197

(1) Includes impairment of certain assets.

(2) Amount includes ABB Way process transformation costs of \$188 million and \$131 million for year ended December 31, 2023 and 2022, respectively, and \$66 million and \$33 million for the three months ended December 31, 2023 and 2022, respectively.

(\$ in millions)	Total assets ⁽¹⁾	
	December 31, 2023	December 31, 2022
Electrification	12,668	12,500
Motion	7,016	6,565
Process Automation	4,971	4,598
Robotics & Discrete Automation	5,047	4,901
Corporate and Other ⁽²⁾	11,238	10,584
Consolidated	40,940	39,148

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

(2) At December 31, 2023 and 2022, respectively, Corporate and Other includes \$57 million and \$96 million of assets in the Power Grids business which is reported as discontinued operations (see Note 3).

Supplemental Reconciliations and Definitions

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

While ABB's management believes that the non-GAAP financial measures herein are useful in evaluating ABB's operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP. Therefore these measures should not be viewed in isolation but considered together with the Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the year and three months ended December 31, 2023.

Comparable growth rates

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

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

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

Comparable growth rate reconciliation by Business Area

Business Area	Q4 2023 compared to Q4 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	0%	-1%	3%	2%	6%	-1%	3%	8%
Motion	17%	-2%	-2%	13%	5%	-1%	-2%	2%
Process Automation	7%	-2%	0%	5%	11%	-1%	0%	10%
Robotics & Discrete Automation	-31%	-2%	0%	-33%	-4%	-3%	0%	-7%
ABB Group	0%	-1%	1%	0%	5%	-1%	2%	6%

Business Area	FY 2023 compared to FY 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	0%	1%	2%	3%	7%	1%	2%	10%
Motion	4%	1%	-1%	4%	16%	1%	-2%	15%
Process Automation	10%	2%	12%	24%	4%	1%	11%	16%
Robotics & Discrete Automation	-26%	1%	0%	-25%	14%	0%	0%	14%
ABB Group	-1%	2%	2%	3%	9%	2%	3%	14%

Regional comparable growth rate reconciliation

Regional comparable growth rate reconciliation for ABB Group - Quarter

Region	Q4 2023 compared to Q4 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	-2%	-5%	2%	-5%	7%	-5%	2%	4%
The Americas	3%	-1%	1%	3%	11%	-1%	4%	14%
of which: United States	5%	-1%	2%	6%	11%	0%	4%	15%
Asia, Middle East and Africa	0%	1%	1%	2%	-2%	2%	0%	0%
of which: China	-8%	1%	0%	-7%	-6%	0%	1%	-5%
ABB Group	0%	-1%	1%	0%	5%	-1%	2%	6%

Regional comparable growth rate reconciliation by Business Area - Quarter

Region	Q4 2023 compared to Q4 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	7%	-5%	2%	4%	5%	-5%	0%	0%
The Americas	-1%	-1%	3%	1%	14%	-1%	8%	21%
of which: United States	-3%	0%	4%	1%	17%	0%	11%	28%
Asia, Middle East and Africa	-5%	3%	2%	0%	-4%	3%	1%	0%
of which: China	-9%	1%	2%	-6%	-4%	1%	1%	-2%
Electrification	0%	-1%	3%	2%	6%	-1%	3%	8%

Region	Q4 2023 compared to Q4 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	30%	-8%	-4%	18%	-1%	-5%	-1%	-7%
The Americas	14%	-2%	-3%	9%	12%	-1%	-4%	7%
of which: United States	14%	-1%	-3%	10%	9%	-1%	-3%	5%
Asia, Middle East and Africa	10%	2%	0%	12%	6%	2%	0%	8%
of which: China	10%	1%	0%	11%	7%	2%	0%	9%
Motion	17%	-2%	-2%	13%	5%	-1%	-2%	2%

Region	Q4 2023 compared to Q4 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	0%	-4%	0%	-4%	21%	-3%	0%	18%
The Americas	13%	-3%	0%	10%	6%	-1%	0%	5%
of which: United States	30%	-5%	0%	25%	6%	-1%	0%	5%
Asia, Middle East and Africa	10%	1%	0%	11%	7%	1%	0%	8%
of which: China	-4%	-1%	0%	-5%	14%	1%	0%	15%
Process Automation	7%	-2%	0%	5%	11%	-1%	0%	10%

Region	Q4 2023 compared to Q4 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	-34%	-4%	0%	-38%	12%	-5%	0%	7%
The Americas	-19%	-2%	0%	-21%	-3%	-2%	0%	-5%
of which: United States	-19%	0%	0%	-19%	-16%	0%	0%	-16%
Asia, Middle East and Africa	-33%	2%	0%	-31%	-28%	1%	0%	-27%
of which: China	-36%	2%	0%	-34%	-42%	1%	0%	-41%
Robotics & Discrete Automation	-31%	-2%	0%	-33%	-4%	-3%	0%	-7%

Region	FY 2023 compared to FY 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	-3%	-1%	3%	-1%	12%	-1%	3%	14%
The Americas	5%	0%	2%	7%	16%	-1%	3%	18%
of which: United States	3%	0%	2%	5%	17%	0%	4%	21%
Asia, Middle East and Africa	-4%	5%	3%	4%	0%	5%	3%	8%
of which: China	-12%	5%	2%	-5%	-5%	4%	2%	1%
ABB Group	-1%	2%	2%	3%	9%	2%	3%	14%

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

Region	FY 2023 compared to FY 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	1%	-2%	1%	0%	7%	-2%	1%	6%
The Americas	1%	0%	2%	3%	15%	0%	4%	19%
of which: United States	-1%	0%	3%	2%	18%	0%	5%	23%
Asia, Middle East and Africa	-2%	7%	1%	6%	-4%	7%	1%	4%
of which: China	-9%	5%	1%	-3%	-9%	5%	1%	-3%
Electrification	0%	1%	2%	3%	7%	1%	2%	10%

Region	FY 2023 compared to FY 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	3%	-2%	-1%	0%	19%	-3%	-1%	15%
The Americas	5%	-1%	-2%	2%	20%	0%	-4%	16%
of which: United States	3%	-1%	-2%	0%	19%	0%	-3%	16%
Asia, Middle East and Africa	4%	6%	0%	10%	9%	5%	0%	14%
of which: China	-1%	5%	0%	4%	1%	5%	0%	6%
Motion	4%	1%	-1%	4%	16%	1%	-2%	15%

Region	FY 2023 compared to FY 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	13%	1%	13%	27%	2%	0%	12%	14%
The Americas	22%	-1%	9%	30%	11%	-1%	10%	20%
of which: United States	25%	-3%	12%	34%	14%	0%	12%	26%
Asia, Middle East and Africa	-2%	4%	12%	14%	0%	5%	12%	17%
of which: China	-3%	5%	14%	16%	4%	5%	13%	22%
Process Automation	10%	2%	12%	24%	4%	1%	11%	16%

Region	FY 2023 compared to FY 2022							
	Order growth rate				Revenue growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Europe	-28%	0%	0%	-28%	30%	-3%	0%	27%
The Americas	-11%	-1%	0%	-12%	10%	-2%	0%	8%
of which: United States	-17%	0%	0%	-17%	-3%	-1%	0%	-4%
Asia, Middle East and Africa	-29%	4%	0%	-25%	-3%	4%	0%	1%
of which: China	-35%	4%	0%	-31%	-10%	3%	0%	-7%
Robotics & Discrete Automation	-26%	1%	0%	-25%	14%	0%	0%	14%

Order backlog growth rate reconciliation

December 31, 2023 compared to December 31, 2022				
Business Area	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	6%	0%	8%	14%
Motion	13%	-4%	-1%	8%
Process Automation	21%	-2%	0%	19%
Robotics & Discrete Automation	-20%	0%	0%	-20%
ABB Group	9%	-2%	2%	9%

Other growth rate reconciliations

Q4 2023 compared to Q4 2022								
Business Area	Service orders growth rate				Services revenues growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	10%	-1%	0%	9%	11%	0%	0%	11%
Motion	32%	-1%	0%	31%	9%	-1%	0%	8%
Process Automation	29%	-3%	0%	26%	11%	-1%	0%	10%
Robotics & Discrete Automation	10%	-2%	0%	8%	11%	-3%	0%	8%
ABB Group	22%	-2%	0%	20%	11%	-1%	0%	10%

FY 2023 compared to FY 2022								
Business Area	Service orders growth rate				Services revenues growth rate			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	7%	1%	0%	8%	9%	1%	0%	10%
Motion	13%	2%	0%	15%	19%	2%	0%	21%
Process Automation	4%	0%	21%	25%	-4%	1%	18%	15%
Robotics & Discrete Automation	10%	0%	0%	10%	17%	0%	0%	17%
ABB Group	7%	1%	10%	18%	5%	1%	10%	16%

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, changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates), as well as other items which are determined by management on a case-by-case basis.

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

Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

Restructuring, related and implementation costs

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

Operational revenues

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

Reconciliation

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

Reconciliation of consolidated Operational EBITA to Net Income

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Operational EBITA	5,427	4,510	1,333	1,146
Acquisition-related amortization	(220)	(229)	(56)	(55)
Restructuring, related and implementation costs ⁽¹⁾	(219)	(347)	(127)	(47)
Changes in obligations related to divested businesses	3	88	(2)	71
Gains and losses from sale of businesses	101	(7)	4	(3)
Acquisition- and divestment-related expenses and integration costs	(74)	(195)	(19)	(24)
Certain other non-operational items	(165)	(452)	(76)	28
Foreign exchange/commodity timing differences in income from operations	18	(31)	59	69
Income from operations	4,871	3,337	1,116	1,185
Interest and dividend income	165	72	50	22
Interest and other finance expense	(275)	(130)	(78)	(23)
Non-operational pension (cost) credit	17	115	(6)	13
Income from continuing operations before taxes	4,778	3,394	1,082	1,197
Income tax expense	(930)	(757)	(136)	(29)
Income from continuing operations, net of tax	3,848	2,637	946	1,168
Loss from discontinued operations, net of tax	(24)	(43)	(8)	(7)
Net income	3,824	2,594	938	1,161

(1) Includes impairment of certain assets.

Reconciliation of Operational EBITA margin by business

(\$ in millions, unless otherwise indicated)	Three months ended December 31, 2023					Consolidated
	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	
Total revenues	3,698	1,946	1,727	852	22	8,245
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	(33)	(48)	(23)	(5)	(4)	(113)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(3)	1	(10)	(1)	(2)	(15)
Unrealized foreign exchange movements on receivables (and related assets)	21	12	12	8	9	62
Operational revenues	3,683	1,911	1,706	854	25	8,179
Income (loss) from operations	670	292	259	99	(204)	1,116
Acquisition-related amortization	22	9	1	20	4	56
Restructuring, related and implementation costs ⁽¹⁾	50	41	(4)	6	34	127
Changes in obligations related to divested businesses	–	–	–	–	2	2
Gains and losses from sale of businesses	(4)	–	–	–	–	(4)
Acquisition- and divestment-related expenses and integration costs	7	2	(4)	7	7	19
Certain other non-operational items	5	2	–	(14)	83	76
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(31)	(36)	(12)	(2)	4	(77)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(4)	1	(11)	(2)	(4)	(20)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	10	7	10	4	7	38
Operational EBITA	725	318	239	118	(67)	1,333
Operational EBITA margin (%)	19.7%	16.6%	14.0%	13.8%	n.a.	16.3%

(1) Includes impairment of certain assets.

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

(\$ in millions, unless otherwise indicated)	Three months ended December 31, 2023					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	–	–	–	–	(9)	(9)
Business transformation costs ⁽¹⁾	3	–	–	(2)	65	66
Certain other fair values changes, including asset impairments	1	1	–	(11)	22	13
Other non-operational items	1	1	–	(1)	5	6
Total	5	2	–	(14)	83	76

(1) Amounts include ABB Way process transformation costs of \$66 million for the three months ended December 31, 2023.

Three months ended December 31, 2022						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	3,498	1,845	1,551	891	39	7,824
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	(64)	(35)	(25)	(10)	(15)	(149)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	(2)	(1)	1	4	2
Unrealized foreign exchange movements on receivables (and related assets)	33	15	14	10	13	85
Operational revenues	3,467	1,823	1,539	892	41	7,762
Income (loss) from operations	569	316	183	101	16	1,185
Acquisition-related amortization	24	8	1	19	3	55
Restructuring, related and implementation costs ⁽¹⁾	10	5	23	2	7	47
Changes in obligations related to divested businesses	1	–	–	–	(72)	(71)
Gains and losses from sale of businesses	–	3	–	–	–	3
Acquisition- and divestment-related expenses and integration costs	5	3	12	2	2	24
Certain other non-operational items	11	–	–	(8)	(31)	(28)
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(80)	(27)	(21)	1	(12)	(139)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(1)	(2)	1	1	–
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	34	11	7	7	11	70
Operational EBITA	575	318	203	125	(75)	1,146
Operational EBITA margin (%)	16.6%	17.4%	13.2%	14.0%	n.a.	14.8%

(1) Includes impairment of certain assets.

In the three months ended December 31, 2022, Certain other non-operational items in the table above includes the following:

Three months ended December 31, 2022						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Other income/expense relating to the Power Grids joint venture	–	–	–	–	(10)	(10)
Regulatory, compliance and legal costs	–	–	–	–	(16)	(16)
Business transformation costs ⁽¹⁾	5	–	–	–	33	38
Changes in pre-acquisition estimates	9	–	–	1	–	10
Gains and losses from sale of investments in equity-accounted companies	–	–	–	–	(43)	(43)
Certain other fair values changes, including asset impairments	–	–	–	8	5	13
Other non-operational items	(2)	–	–	(17)	(1)	(20)
Total	12	–	–	(8)	(32)	(28)

(1) Amounts include ABB Way process transformation costs of \$33 million for the three months ended December 31, 2022.

Year ended December 31, 2023						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	14,584	7,814	6,270	3,640	(73)	32,235
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	4	(33)	(20)	(1)	2	(48)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(8)	–	(2)	–	(1)	(11)
Unrealized foreign exchange movements on receivables (and related assets)	1	10	4	5	(2)	18
Operational revenues	14,581	7,791	6,252	3,644	(74)	32,194
Income (loss) from operations	2,800	1,390	947	446	(712)	4,871
Acquisition-related amortization	88	35	5	79	13	220
Restructuring, related and implementation costs ⁽¹⁾	76	46	3	6	88	219
Changes in obligations related to divested businesses	1	–	–	–	(4)	(3)
Gains and losses from sale of businesses	(75)	–	(26)	–	–	(101)
Acquisition- and divestment-related expenses and integration costs	30	17	(7)	14	20	74
Certain other non-operational items	16	6	–	(10)	153	165
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	11	(21)	(13)	(1)	5	(19)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(5)	–	(4)	–	(3)	(12)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(5)	2	4	2	10	13
Operational EBITA	2,937	1,475	909	536	(430)	5,427
Operational EBITA margin (%)	20.1%	18.9%	14.5%	14.7%	n.a.	16.9%

(1) Includes impairment of certain assets.

In the year ended December 31, 2023, Certain other non-operational items in the table above includes the following:

Year ended December 31, 2023						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Other income/expense relating to the Power Grids joint venture	–	–	–	–	(36)	(36)
Business transformation costs ⁽¹⁾	15	1	–	1	188	205
Changes in pre-acquisition estimates	1	–	–	–	3	4
Certain other fair values changes, including asset impairments	2	3	–	(10)	15	10
Other non-operational items	(2)	2	–	(1)	(17)	(18)
Total	16	6	–	(10)	153	165

(1) Amounts include ABB Way process transformation costs of \$188 million for the year ended December 31, 2023.

Year ended December 31, 2022						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other and Intersegment elimination	Consolidated
Total revenues	13,619	6,745	6,044	3,181	(143)	29,446
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	(37)	(18)	25	4	(1)	(27)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	11	–	10	1	33	55
Unrealized foreign exchange movements on receivables (and related assets)	6	4	(2)	1	(9)	–
Operational revenues	13,599	6,731	6,077	3,187	(120)	29,474
Income (loss) from operations	2,140	1,092	663	247	(805)	3,337
Acquisition-related amortization	104	31	4	78	12	229
Restructuring, related and implementation costs ⁽¹⁾	28	16	29	11	263	347
Changes in obligations related to divested businesses	1	–	–	–	(89)	(88)
Gains and losses from sale of businesses	(1)	8	–	–	–	7
Acquisition- and divestment-related expenses and integration costs	36	15	134	6	4	195
Certain other non-operational items	41	–	–	(8)	419	452
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(30)	(5)	6	4	(7)	(32)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	10	–	9	1	28	48
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	14	6	3	1	(9)	15
Operational EBITA	2,343	1,163	848	340	(184)	4,510
Operational EBITA margin (%)	17.2%	17.3%	14.0%	10.7%	n.a.	15.3%

(1) Includes impairment of certain assets.

In the year ended December 31, 2022, certain other non-operational items in the table above includes the following:

Year ended December 31, 2022						
(\$ in millions, unless otherwise indicated)	Electrification	Motion	Process Automation	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Other income/expense related to the Power Grids joint venture	–	–	–	–	57	57
Regulatory, compliance and legal costs	–	–	–	–	317	317
Business transformation costs	20	–	–	–	132	152
Changes in pre-acquisition estimates	11	–	–	(1)	–	10
Gains and losses from sale of investments in equity-accounted companies	–	–	–	–	(43)	(43)
Certain other fair values changes, including asset impairments	(3)	–	–	8	(50)	(45)
Other non-operational items	14	–	–	(15)	5	4
Total	42	–	–	(8)	418	452

(1) Amounts include ABB Way process transformation costs of \$131 million for the year ended December 31, 2022.

Net debt

Definition

Net debt

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

Total debt

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

Cash and marketable securities

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

Reconciliation

(\$ in millions)	December 31,		
	2023	2022	2021
Short-term debt and current maturities of long-term debt	2,607	2,535	1,384
Long-term debt	5,221	5,143	4,177
Total debt	7,828	7,678	5,561
Cash and equivalents	3,891	4,156	4,159
Restricted cash - current	18	18	30
Marketable securities and short-term investments	1,928	725	1170
Restricted cash - non-current	–	–	300
Cash and marketable securities	5,837	4,899	5,659
Net debt (cash)	1,991	2,779	(98)

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)	December 31, 2023	December 31, 2022
Total stockholders' equity	14,057	13,187
Net debt (as defined above)	1,991	2,779
Net debt / Equity ratio	0.14	0.21

Net debt/EBITDA Ratio

Definition

Net debt/EBITDA

Net debt/EBITDA 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)	December 31, 2023	December 31, 2022
Income from operations	4,871	3,337
Depreciation and Amortization	780	814
EBITDA	5,651	4,151
Net debt (as defined above)	1,991	2,779
Net debt / EBITDA	0.35	0.67

Net working capital as a percentage of revenues

Definition

Net working capital as a percentage of revenues

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

Net working capital

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

Adjusted revenues for the trailing twelve months

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

Reconciliation

(\$ in millions, unless otherwise indicated)	December 31,		
	2023	2022	2021
Net working capital:			
Receivables, net	7,446	6,858	6,551
Contract assets	1,090	954	990
Inventories, net	6,149	6,028	4,880
Prepaid expenses	235	230	206
Accounts payable, trade	(4,847)	(4,904)	(4,921)
Contract liabilities ⁽¹⁾	(2,844)	(2,275)	(1,894)
Other current liabilities ⁽²⁾	(3,972)	(3,675)	(3,509)
Net working capital	3,257	3,216	2,303
Total revenues for the twelve months ended	32,235	29,446	28,945
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	(186)	(513)	(517)
Adjusted revenues for the trailing twelve months	32,049	28,933	28,428
Net working capital as a percentage of revenues (%)	10.2%	11.1%	8.1%

(1) Amount includes certain amounts relating to contract liabilities that are presented in other non-current liabilities.

(2) Amounts exclude \$999 million, \$648 million and \$858 million at December 31, 2023, 2022 and 2021, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, (c) pension and other employee benefits, (d) payables under the share buyback program and (e) liabilities related to the divestment of the Power Grids business.

Free cash flow conversion to net income

Definition

Free cash flow conversion to net income

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

Adjusted net income attributable to ABB

Adjusted net income attributable to ABB is calculated as net income attributable to ABB adjusted for: (i) impairment of goodwill, (ii) losses from extinguishment of debt, and (iii) gains arising on the sale of the Power Conversion Division, the Hitachi Energy Joint Venture and the Power Grids business, the latter being included in discontinued operations.

Free cash flow

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

Free cash flow conversion to net income

(\$ in millions, unless otherwise indicated)	Twelve months to	
	December 31, 2023	December 31, 2022
Net cash provided by operating activities – continuing operations	4,301	1,334
Adjusted for the effects of continuing operations:		
Purchases of property, plant and equipment and intangible assets	(770)	(762)
Proceeds from sale of property, plant and equipment	147	127
Free cash flow from continuing operations	3,678	699
Net cash used in operating activities – discontinued operations	(11)	(47)
Free cash flow	3,667	652
Adjusted net income attributable to ABB⁽¹⁾	3,686	2,442
Free cash flow conversion to net income	99%	27%

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

Net finance expenses

Definition

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

Reconciliation

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2023	2022	2023	2022
Interest and dividend income	165	72	50	22
Interest and other finance expense	(275)	(130)	(78)	(23)
Net finance expenses	(110)	(58)	(28)	(1)

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)	Year ended December 31,					
	2023			2022		
	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	15,189	14,584	1.04	15,182	13,619	1.11
Motion	8,222	7,814	1.05	7,896	6,745	1.17
Process Automation	7,535	6,270	1.20	6,825	6,044	1.13
Robotics & Discrete Automation	3,066	3,640	0.84	4,116	3,181	1.29
Corporate and Other <i>(incl. intersegment eliminations)</i>	(194)	(73)	n.a.	(31)	(143)	n.a.
ABB Group	33,818	32,235	1.05	33,988	29,446	1.15

(\$ in millions, except Book-to-bill presented as a ratio)	Three months ended December 31,					
	2023			2022		
	Orders	Revenues	Book-to-bill	Orders	Revenues	Book-to-bill
Electrification	3,395	3,698	0.92	3,385	3,498	0.97
Motion	1,937	1,946	1.00	1,649	1,845	0.89
Process Automation	1,870	1,727	1.08	1,746	1,551	1.13
Robotics & Discrete Automation	550	852	0.65	798	891	0.90
Corporate and Other <i>(incl. intersegment eliminations)</i>	(103)	22	n.a.	42	39	n.a.
ABB Group	7,649	8,245	0.93	7,620	7,824	0.97

Return on Capital employed (ROCE)

Definition

Return on Capital employed (ROCE)

Return on Capital employed is calculated as Operational EBITA after tax, divided by the average of the period's opening and closing Capital employed, adjusted to reflect impacts from the timing of significant acquisitions/divestments occurring during the period.

Capital employed

Capital employed is calculated as the sum of Adjusted total fixed assets and Net working capital (as defined above).

Adjusted total fixed assets

Adjusted total fixed assets is the sum of (i) property, plant and equipment, net, (ii) goodwill, (iii) other intangible assets, net, (iv) investments in equity-accounted companies, and (v) operating lease right-of-use assets, less (vi) deferred tax liabilities recognized in certain acquisitions.

Notional tax on Operational EBITA

The Notional tax on Operational EBITA is computed using the adjusted group effective tax rate multiplied by Operational EBITA.

Adjusted Group effective tax rate

The Adjusted Group effective tax rate is computed by dividing an adjusted income tax expense by an adjusted pre-tax income. Certain amounts recorded in income before taxes and the related income tax expense (primarily due to gains and losses from sale of businesses and in 2022, regulatory penalties in connection with the Kusile project) are removed from the reported amounts when computing these adjusted amounts. Certain other amounts recorded in income tax expense are also excluded from the computation to determine the Adjusted Group effective tax rate.

Reconciliation

(\$ in millions, unless otherwise indicated)	December 31,		
	2023	2022	2021
Adjusted total fixed assets:			
Property, plant and equipment, net	4,142	3,911	4,045
Goodwill	10,561	10,511	10,482
Other intangible assets, net	1,223	1,406	1,561
Investments in equity-accounted companies	187	130	1,670
Operating lease right-of-use assets	893	841	895
Total fixed assets	17,006	16,799	18,653
Less: Deferred taxes recognized in certain acquisitions ⁽¹⁾	(297)	(358)	(417)
Adjusted total fixed assets	16,709	16,441	18,236
Net working capital - (as defined above)	3,257	3,216	2,303
Capital employed	19,966	19,657	20,539
Average Capital employed:			
Capital employed at the end of the previous year	19,657	20,539	21,976
Capital employed at the end of the current year	19,966	19,657	20,539
	19,812	20,098	21,258
Adjusted for timing of acquisitions/divestments	–	948	224
Average Capital employed	19,812	21,046	21,482
Operational EBITA for the year ended	5,427	4,510	4,122
Notional tax on Operational EBITA	(1,248)	(1,037)	(929)
Operational EBITA after tax	4,179	3,473	3,193
Return on Capital employed (ROCE)	21.1%	16.5%	14.9%

(1) Amount relates to GEIS acquired in 2018, B&R acquired in 2017, Thomas & Betts acquired in 2012 and Baldor acquired in 2011.

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