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Q3 2019

Financial information

Financial Information

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Key Figures

(\$ in millions, unless otherwise indicated)	Q3 2019	Q3 2018	CHANGE	
			US\$	Comparable ⁽¹⁾
Orders	6,688	6,917	-3%	-1%
Order backlog (end September)	13,357	13,816	-3%	3%
Revenues	6,892	7,095	-3%	0%
Income from operations	577	617	-6%	
Operational EBITA ⁽¹⁾	806	814	-1%	0% ⁽²⁾
as % of operational revenues ⁽¹⁾	11.7%	11.5%	+0.2 pts	
Income from continuing operations, net of tax	422	427	-1%	
Net income attributable to ABB	515	603	-15%	
Basic earnings per share from continuing operations (\$)	0.20	0.19	5% ⁽³⁾	
Basic earnings per share (\$)	0.24	0.28	-15% ⁽³⁾	
Operational earnings per share ⁽¹⁾ (\$)	0.33	0.34	-3% ⁽³⁾	-7% ⁽³⁾
Cash flow from operating activities ⁽⁴⁾	670	565	19%	

(\$ in millions, unless otherwise indicated)	9M 2019	9M 2018	CHANGE	
			US\$	Comparable ⁽¹⁾
Orders	21,702	21,605	0%	1%
Revenues	20,910	20,267	3%	2%
Income from operations	1,290	1,951	-34%	
Operational EBITA ⁽¹⁾	2,397	2,421	-1%	3% ⁽²⁾
as % of operational revenues ⁽¹⁾	11.5%	11.9%	-0.4 pts	
Income from continuing operations, net of tax	783	1,365	-43%	
Net income attributable to ABB	1,114	1,856	-40%	
Basic earnings per share from continuing operations (\$)	0.35	0.61	-43% ⁽³⁾	
Basic earnings per share (\$)	0.52	0.87	-40% ⁽³⁾	
Operational earnings per share ⁽¹⁾ (\$)	0.98	1.03	-6% ⁽³⁾	-5% ⁽³⁾
Cash flow from operating activities ⁽⁴⁾	414	1,057	-61%	

(1) For a reconciliation of non-GAAP measures see "[Supplemental Reconciliations and Definitions](#)" on page 39.

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

(3) Earnings per share growth rates are computed using unrounded amounts. Comparable Operational earnings per share growth is in constant currency (2014 foreign exchange rates and not adjusted for changes in the business portfolio).

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

(\$ in millions, unless otherwise indicated)		Q3 2019	Q3 2018	CHANGE		
				US\$	Local	Comparable
Orders	ABB Group	6,688	6,917	-3%	-2%	-1%
	Electrification	3,188	3,215	-1%	1%	1%
	Industrial Automation	1,438	1,422	1%	3%	3%
	Motion	1,618	1,637	-1%	1%	1%
	Robotics & Discrete Automation	709	867	-18%	-16%	-16%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(265)	(224)			
Order backlog (end September)	ABB Group	13,357	13,816	-3%	0%	3%
	Electrification	4,537	4,426	3%	4%	4%
	Industrial Automation	4,944	5,150	-4%	0%	0%
	Motion	2,947	2,923	1%	4%	4%
	Robotics & Discrete Automation	1,416	1,438	-2%	2%	2%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(487)	(121)			
Revenues	ABB Group	6,892	7,095	-3%	-1%	0%
	Electrification	3,161	3,199	-1%	1%	1%
	Industrial Automation	1,492	1,544	-3%	-2%	-2%
	Motion	1,630	1,614	1%	3%	3%
	Robotics & Discrete Automation	831	887	-6%	-3%	-3%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(222)	(149)			
Income from operations	ABB Group	577	617			
	Electrification	378	391			
	Industrial Automation	124	214			
	Motion	264	251			
	Robotics & Discrete Automation	83	112			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(272)	(351)			
Income from operations %	ABB Group	8.4%	8.7%			
	Electrification	12.0%	12.2%			
	Industrial Automation	8.3%	13.9%			
	Motion	16.2%	15.6%			
	Robotics & Discrete Automation	10.0%	12.6%			
Operational EBITA	ABB Group	806	814	-1%	0%	
	Electrification	450	431	4%	7%	
	Industrial Automation	135	217	-38%	-40%	
	Motion	290	279	4%	6%	
	Robotics & Discrete Automation	107	135	-21%	-18%	
	<i>Corporate and Other⁽¹⁾</i> <i>(incl. intersegment eliminations)</i>	(176)	(248)			
Operational EBITA %	ABB Group	11.7%	11.5%			
	Electrification	14.2%	13.5%			
	Industrial Automation	9.0%	14.2%			
	Motion	17.8%	17.3%			
	Robotics & Discrete Automation	12.9%	15.2%			
Cash flow from operating activities	ABB Group	670	565			
	Electrification	318	375			
	Industrial Automation	176	158			
	Motion	293	248			
	Robotics & Discrete Automation	22	67			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(198)	(223)			
	<i>Discontinued operations</i>	59	(60)			

(1) Corporate and Other includes Stranded corporate costs of \$52 million and \$71 million for the three months ended September 30, 2019 and 2018, respectively.

(\$ in millions, unless otherwise indicated)		9M 2019	9M 2018	CHANGE		
				US\$	Local	Comparable
Orders	ABB Group	21,702	21,605	0%	5%	1%
	Electrification	9,890	8,728	13%	18%	4%
	Industrial Automation	4,726	5,052	-6%	-2%	-2%
	Motion	5,180	5,187	0%	4%	4%
	Robotics & Discrete Automation	2,559	2,942	-13%	-8%	-8%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(653)	(304)			
Order backlog (end September)	ABB Group	13,357	13,816	-3%	0%	3%
	Electrification	4,537	4,426	3%	4%	4%
	Industrial Automation	4,944	5,150	-4%	0%	0%
	Motion	2,947	2,923	1%	4%	4%
	Robotics & Discrete Automation	1,416	1,438	-2%	2%	2%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(487)	(121)			
Revenues	ABB Group	20,910	20,267	3%	7%	2%
	Electrification	9,490	8,366	13%	18%	3%
	Industrial Automation	4,590	4,777	-4%	0%	0%
	Motion	4,876	4,792	2%	6%	6%
	Robotics & Discrete Automation	2,527	2,719	-7%	-2%	-2%
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(573)	(387)			
Income from operations	ABB Group	1,290	1,951			
	Electrification	571	1,069			
	Industrial Automation	506	655			
	Motion	764	698			
	Robotics & Discrete Automation	236	350			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(787)	(821)			
Income from operations %	ABB Group	6.2%	9.6%			
	Electrification	6.0%	12.8%			
	Industrial Automation	11.0%	13.7%			
	Motion	15.7%	14.6%			
	Robotics & Discrete Automation	9.3%	12.9%			
Operational EBITA	ABB Group	2,397	2,421	-1%	3%	
	Electrification	1,267	1,238	2%	7%	
	Industrial Automation	530	679	-22%	-20%	
	Motion	828	775	7%	11%	
	Robotics & Discrete Automation	307	412	-25%	-21%	
	<i>Corporate and Other⁽¹⁾</i> <i>(incl. intersegment eliminations)</i>	(535)	(683)			
Operational EBITA %	ABB Group	11.5%	11.9%			
	Electrification	13.3%	14.8%			
	Industrial Automation	11.5%	14.2%			
	Motion	17.0%	16.2%			
	Robotics & Discrete Automation	12.1%	15.1%			
Cash flow from operating activities	ABB Group	414	1,057			
	Electrification	548	753			
	Industrial Automation	216	388			
	Motion	588	554			
	Robotics & Discrete Automation	117	243			
	<i>Corporate and Other</i> <i>(incl. intersegment eliminations)</i>	(1,024)	(992)			
	<i>Discontinued operations</i>	(31)	111			

(1) Corporate and Other includes Stranded corporate costs of \$185 million and \$225 million for the nine months ended September 30, 2019 and 2018, respectively.

Operational EBITA

	ABB		Electrification		Industrial Automation		Motion		Robotics & Discrete Automation	
(\$ in millions, unless otherwise indicated)	Q3 19	Q3 18	Q3 19	Q3 18	Q3 19	Q3 18	Q3 19	Q3 18	Q3 19	Q3 18
Revenues	6,892	7,095	3,161	3,199	1,492	1,544	1,630	1,614	831	887
FX/commodity timing differences in total revenues	20	(27)	10	–	13	(14)	3	(3)	(1)	(1)
Operational revenues	6,912	7,068	3,171	3,199	1,505	1,530	1,633	1,611	830	886
Income from operations	577	617	378	391	124	214	264	251	83	112
Acquisition-related amortization	70	73	28	32	1	1	13	15	19	20
Restructuring, related and implementation costs	59	37	8	19	2	2	5	11	5	–
Changes in obligations related to divested businesses	25	75	1	–	–	–	–	–	–	–
Changes in pre-acquisition estimates	–	1	–	1	–	–	–	–	–	–
Gains and losses from sale of businesses	(12)	(66)	2	(83)	–	–	–	–	–	–
Fair value adjustment on assets and liabilities held for sale	11	–	11	–	–	–	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	18	75	18	60	–	1	–	1	–	–
Certain other non-operational items	45	–	(1)	–	–	1	3	3	1	–
FX/commodity timing differences in income from operations	13	2	5	11	8	(2)	5	(2)	(1)	3
Operational EBITA	806	814	450	431	135	217	290	279	107	135
Operational EBITA margin (%)	11.7%	11.5%	14.2%	13.5%	9.0%	14.2%	17.8%	17.3%	12.9%	15.2%

	ABB		Electrification		Industrial Automation		Motion		Robotics & Discrete Automation	
(\$ in millions, unless otherwise indicated)	9M 19	9M 18	9M 19	9M 18	9M 19	9M 18	9M 19	9M 18	9M 19	9M 18
Revenues	20,910	20,267	9,490	8,366	4,590	4,777	4,876	4,792	2,527	2,719
FX/commodity timing differences in total revenues	12	5	1	14	8	(9)	4	(1)	2	8
Operational revenues	20,922	20,272	9,491	8,380	4,598	4,768	4,880	4,791	2,529	2,727
Income from operations	1,290	1,951	571	1,069	506	655	764	698	236	350
Acquisition-related amortization	205	198	87	71	3	5	40	46	58	62
Restructuring, related and implementation costs	201	43	61	22	14	4	10	14	8	(1)
Changes in obligations related to divested businesses	32	92	1	–	–	–	–	–	–	–
Changes in pre-acquisition estimates	13	2	13	2	–	–	–	–	–	–
Gains and losses from sale of businesses	(8)	(61)	(1)	(81)	–	3	–	–	–	–
Fair value adjustment on assets and liabilities held for sale	466	–	466	–	–	–	–	–	–	–
Acquisition- and divestment-related expenses and integration costs	72	148	69	128	–	3	–	1	1	–
Certain other non-operational items	121	15	1	(2)	2	1	8	7	2	–
FX/commodity timing differences in income from operations	5	33	(1)	29	5	8	6	9	2	1
Operational EBITA	2,397	2,421	1,267	1,238	530	679	828	775	307	412
Operational EBITA margin (%)	11.5%	11.9%	13.3%	14.8%	11.5%	14.2%	17.0%	16.2%	12.1%	15.1%

Depreciation and Amortization

	ABB		Electrification		Industrial Automation		Motion		Robotics & Discrete Automation	
(\$ in millions)	Q3 19	Q3 18	Q3 19	Q3 18	Q3 19	Q3 18	Q3 19	Q3 18	Q3 19	Q3 18
Depreciation	146	149	63	63	12	12	28	30	11	10
Amortization	89	92	34	41	2	3	13	16	20	21
including total acquisition-related amortization of:	70	73	28	32	1	1	13	15	19	20

	ABB		Electrification		Industrial Automation		Motion		Robotics & Discrete Automation	
(\$ in millions)	9M 19	9M 18	9M 19	9M 18	9M 19	9M 18	9M 19	9M 18	9M 19	9M 18
Depreciation	450	429	191	165	35	36	84	90	33	31
Amortization	265	243	110	85	6	8	42	49	60	64
including total acquisition-related amortization of:	205	198	87	71	3	5	40	46	58	62

Orders received and revenues by region

(\$ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	Q3 19	Q3 18	US\$	Local	Com-parable	Q3 19	Q3 18	US\$	Local	Com-parable
Europe	2,266	2,414	-6%	-2%	-2%	2,449	2,434	1%	5%	5%
The Americas	2,247	2,267	-1%	-1%	-1%	2,240	2,209	1%	1%	2%
Asia, Middle East and Africa	2,122	2,180	-3%	-1%	1%	2,156	2,401	-10%	-9%	-7%
Intersegment orders/revenues ⁽¹⁾	53	56				47	51			
ABB Group	6,688	6,917	-3%	-2%	-1%	6,892	7,095	-3%	-1%	0%

(\$ in millions, unless otherwise indicated)	Orders received		CHANGE			Revenues		CHANGE		
	9M 19	9M 18	US\$	Local	Com-parable	9M 19	9M 18	US\$	Local	Com-parable
Europe	7,705	8,194	-6%	0%	-2%	7,431	7,363	1%	7%	5%
The Americas	6,858	5,847	17%	19%	5%	6,759	5,759	17%	19%	4%
Asia, Middle East and Africa	6,984	7,377	-5%	-1%	1%	6,563	6,964	-6%	-2%	-3%
Intersegment orders/revenues ⁽¹⁾	155	187				157	181			
ABB Group	21,702	21,605	0%	5%	1%	20,910	20,267	3%	7%	2%

(1) Intersegment orders/revenues include sales to the Power Grids business which is presented as discontinued operations and are not eliminated from Total orders/revenues.

Consolidated Financial Information

ABB Ltd Consolidated Income Statements (unaudited)

(\$ in millions, except per share data in \$)	Nine months ended		Three months ended	
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019	Sep. 30, 2018
Sales of products	16,957	16,478	5,565	5,803
Sales of services and other	3,953	3,789	1,327	1,292
Total revenues	20,910	20,267	6,892	7,095
Cost of sales of products	(11,851)	(11,573)	(3,905)	(4,198)
Cost of services and other	(2,360)	(2,237)	(797)	(769)
Total cost of sales	(14,211)	(13,810)	(4,702)	(4,967)
Gross profit	6,699	6,457	2,190	2,128
Selling, general and administrative expenses	(4,082)	(3,836)	(1,298)	(1,362)
Non-order related research and development expenses	(866)	(816)	(283)	(270)
Other income (expense), net	(461)	146	(32)	121
Income from operations	1,290	1,951	577	617
Interest and dividend income	57	61	20	13
Interest and other finance expense	(179)	(196)	(56)	(74)
Non-operational pension (cost) credit	67	77	23	25
Income from continuing operations before taxes	1,235	1,893	564	581
Provision for taxes	(452)	(528)	(142)	(154)
Income from continuing operations, net of tax	783	1,365	422	427
Income from discontinued operations, net of tax	388	588	97	209
Net income	1,171	1,953	519	636
Net income attributable to noncontrolling interests	(57)	(97)	(4)	(33)
Net income attributable to ABB	1,114	1,856	515	603
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	752	1,310	427	407
Income from discontinued operations, net of tax	362	546	88	196
Net income	1,114	1,856	515	603
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.35	0.61	0.20	0.19
Income from discontinued operations, net of tax	0.17	0.26	0.04	0.09
Net income	0.52	0.87	0.24	0.28
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.35	0.61	0.20	0.19
Income from discontinued operations, net of tax	0.17	0.26	0.04	0.09
Net income	0.52	0.87	0.24	0.28
Weighted-average number of shares outstanding (in millions) used to compute:				
Basic earnings per share attributable to ABB shareholders	2,132	2,132	2,133	2,132
Diluted earnings per share attributable to ABB shareholders	2,134	2,140	2,135	2,138

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

See Notes to the Consolidated Financial Information

ABB Ltd Condensed Consolidated Statements of Comprehensive Income (unaudited)

(\$ in millions)	Nine months ended		Three months ended	
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019	Sep. 30, 2018
Total comprehensive income, net of tax	964	1,458	312	474
Total comprehensive income attributable to noncontrolling interests, net of tax	(47)	(74)	7	(14)
Total comprehensive income attributable to ABB shareholders, net of tax	917	1,384	319	460

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, except share data)	Sep. 30, 2019	Dec. 31, 2018
Cash and equivalents	2,579	3,445
Marketable securities and short-term investments	569	712
Receivables, net	6,448	6,386
Contract assets	1,088	1,082
Inventories, net	4,364	4,284
Prepaid expenses	258	176
Other current assets	652	616
Current assets held for sale	9,006	5,164
Total current assets	24,964	21,865
Property, plant and equipment, net	3,878	4,133
Operating lease right-of-use assets	1,006	–
Goodwill	10,752	10,764
Other intangible assets, net	2,306	2,607
Prepaid pension and other employee benefits	94	83
Investments in equity-accounted companies	38	87
Deferred taxes	955	1,006
Other non-current assets	563	469
Non-current assets held for sale	–	3,427
Total assets	44,556	44,441
Accounts payable, trade	4,023	4,424
Contract liabilities	1,616	1,707
Short-term debt and current maturities of long-term debt	1,889	2,031
Current operating leases	309	–
Provisions for warranties	816	948
Other provisions	1,309	1,372
Other current liabilities	3,576	3,780
Current liabilities held for sale	4,826	4,185
Total current liabilities	18,364	18,447
Long-term debt	7,800	6,587
Non-current operating leases	727	–
Pension and other employee benefits	1,628	1,828
Deferred taxes	732	927
Other non-current liabilities	1,596	1,689
Non-current liabilities held for sale	–	429
Total liabilities	30,847	29,907
<i>Commitments and contingencies</i>		
Stockholders' equity:		
Common stock, CHF 0.12 par value (2,168,148,264 issued shares at September 30, 2019, and December 31, 2018)	188	188
Additional paid-in capital	67	56
Retained earnings	19,315	19,839
Accumulated other comprehensive loss	(5,544)	(5,311)
Treasury stock, at cost (35,280,636 and 36,185,858 shares at September 30, 2019, and December 31, 2018, respectively)	(800)	(820)
Total ABB stockholders' equity	13,226	13,952
Noncontrolling interests	483	582
Total stockholders' equity	13,709	14,534
Total liabilities and stockholders' equity	44,556	44,441

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

See Notes to the Consolidated Financial Information

ABB Ltd Consolidated Statements of Cash Flows (unaudited)

(\$ in millions)	Nine months ended		Three months ended	
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019	Sep. 30, 2018
Operating activities:				
Net income	1,171	1,953	519	636
Less: Income from discontinued operations, net of tax	(388)	(588)	(97)	(209)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	715	672	235	241
Deferred taxes	(118)	39	(56)	(11)
Net loss (gain) from derivatives and foreign exchange	10	79	14	18
Net loss (gain) from sale of property, plant and equipment	(48)	(57)	(8)	(19)
Net loss (gain) from sale of businesses	(8)	(61)	(12)	(66)
Fair value adjustment on assets and liabilities held for sale	466	–	11	–
Share-based payment arrangements	31	32	6	9
Other	(55)	(69)	5	(47)
Changes in operating assets and liabilities:				
Trade receivables, net	(232)	(258)	(81)	(73)
Contract assets and liabilities	(54)	(96)	88	35
Inventories, net	(411)	(461)	(125)	(92)
Accounts payable, trade	(162)	148	33	(41)
Accrued liabilities	(88)	163	197	302
Provisions, net	(68)	(24)	(63)	106
Income taxes payable and receivable	(87)	(96)	(57)	(8)
Other assets and liabilities, net	(229)	(430)	2	(156)
Net cash provided by operating activities – continuing operations	445	946	611	625
Net cash provided by (used in) operating activities – discontinued operations	(31)	111	59	(60)
Net cash provided by operating activities	414	1,057	670	565
Investing activities:				
Purchases of investments	(716)	(309)	(36)	(275)
Purchases of property, plant and equipment and intangible assets	(528)	(537)	(152)	(192)
Acquisition of businesses (net of cash acquired) and increases in cost- and equity-accounted companies	(13)	(2,659)	(7)	(31)
Proceeds from investments	718	368	178	75
Proceeds from maturity of investments	80	160	–	36
Proceeds from sales of property, plant and equipment	67	49	13	7
Proceeds from sales of businesses (net of transaction costs and cash disposed) and cost- and equity-accounted companies	22	127	4	136
Net cash from settlement of foreign currency derivatives	(66)	(39)	(15)	(10)
Other investing activities	(2)	(28)	2	(14)
Net cash used in investing activities – continuing operations	(438)	(2,868)	(13)	(268)
Net cash used in investing activities – discontinued operations	(120)	(133)	(39)	(46)
Net cash used in investing activities	(558)	(3,001)	(52)	(314)
Financing activities:				
Net changes in debt with original maturities of 90 days or less	895	566	(21)	(678)
Increase in debt	2,235	1,914	5	14
Repayment of debt	(2,012)	(338)	(479)	(246)
Delivery of shares	–	42	–	–
Purchase of treasury stock	–	(250)	–	–
Dividends paid	(1,675)	(1,717)	–	–
Dividends paid to noncontrolling shareholders	(75)	(83)	(2)	–
Other financing activities	25	41	2	30
Net cash provided by (used in) financing activities – continuing operations	(607)	175	(495)	(880)
Net cash used in financing activities – discontinued operations	(54)	(48)	(3)	–
Net cash provided by (used in) financing activities	(661)	127	(498)	(880)
Effects of exchange rate changes on cash and equivalents	(61)	(105)	(53)	(50)
Net change in cash and equivalents	(866)	(1,922)	67	(679)
Cash and equivalents, beginning of period	3,445	4,526	2,512	3,283
Cash and equivalents, end of period	2,579	2,604	2,579	2,604
Supplementary disclosure of cash flow information:				
Interest paid	188	148	30	30
Income taxes paid	769	781	282	250

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, 2018	188	29	19,594	(4,345)	(647)	14,819	530	15,349
Cumulative effect of changes in accounting principles			(192)	(9)		(201)		(201)
Comprehensive income:								
Net income			1,856			1,856	97	1,953
Foreign currency translation adjustments, net of tax of \$(2)				(543)		(543)	(23)	(566)
Effect of change in fair value of available-for-sale securities, net of tax of \$(1)				(5)		(5)		(5)
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$33				98		98		98
Change in derivatives qualifying as cash flow hedges, net of tax of \$(4)				(22)		(22)		(22)
Total comprehensive income						1,384	74	1,458
Changes in noncontrolling interests						-	(23)	(23)
Noncontrolling interests recognized in connection with business combination						-	107	107
Dividends to noncontrolling shareholders						-	(142)	(142)
Dividends paid to shareholders			(1,736)			(1,736)		(1,736)
Share-based payment arrangements		39				39		39
Purchase of treasury stock					(249)	(249)		(249)
Delivery of shares		(31)			73	42		42
Call options		5				5		5
Balance at September 30, 2018	188	43	19,522	(4,826)	(824)	14,103	546	14,649
Balance at January 1, 2019	188	56	19,839	(5,311)	(820)	13,952	582	14,534
Adoption of accounting standard update			36	(36)		-		-
Comprehensive income:								
Net income			1,114			1,114	57	1,171
Foreign currency translation adjustments, net of tax of \$3				(363)		(363)	(10)	(373)
Effect of change in fair value of available-for-sale securities, net of tax of \$2				16		16		16
Unrecognized income (expense) related to pensions and other postretirement plans, net of tax of \$17				145		145		145
Change in derivatives qualifying as cash flow hedges, net of tax of \$(2)				5		5		5
Total comprehensive income						917	47	964
Changes in noncontrolling interests		(12)				(12)	7	(5)
Fair value adjustment to noncontrolling interests recognized in business combination						-	(44)	(44)
Dividends to noncontrolling shareholders						-	(109)	(109)
Dividends paid to shareholders			(1,675)			(1,675)		(1,675)
Share-based payment arrangements		38				38		38
Delivery of shares		(20)			20	-		-
Call options		4				4		4
Balance at September 30, 2019	188	67	19,315	(5,544)	(800)	13,226	483	13,709

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 that is driving the digital transformation of industries with its four customer-focused, globally leading businesses.

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, 2018.

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. The most significant, difficult and subjective of such accounting assumptions and estimates include:

- estimates and assumptions used in determining the fair values of assets and liabilities assumed in business combinations,
- assumptions used in the determination of corporate costs directly attributable to discontinued operations,
- assumptions used in determining inventory obsolescence and net realizable value,
- estimates used to record expected costs for employee severance in connection with restructuring programs,
- assumptions and projections, principally related to future material, labor and project related overhead costs, used in determining the percentage of completion on projects, as well as the amount of variable consideration the Company expects to be entitled to,
- 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 used in the calculation of pension and postretirement benefits and the fair value of pension plan assets,
- estimates to determine valuation allowances for deferred tax assets and amounts recorded for uncertain tax positions,
- growth rates, discount rates and other assumptions used to determine impairment of long lived assets and in testing goodwill for impairment, and
- assessment of the allowance for doubtful accounts.

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 discontinued operations (see Note 3 for details) and the reorganization of the Company's operating segments (see Note 16 for details).

Note 2

Recent accounting pronouncements

Applicable for current periods

Leases

In January 2019, the Company adopted a new accounting standard that requires lessees to recognize lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of more than twelve months with several practical expedients. The new accounting standard continues to classify leases as either finance or operating, with the classification determining the pattern of expense recognition in the income statement. It also requires additional disclosures about the Company's leasing activities. The Company has elected to not recognize lease assets and lease liabilities for leases with terms of less than twelve months and to not separate lease and non-lease components for leases other than real estate.

The Company has adopted the standard on a modified retrospective basis and has therefore recorded a cumulative-effect adjustment to the opening balance of retained earnings on January 1, 2019. It has elected to apply the package of practical expedients which permits the Company to not reassess under the new standard prior conclusions about lease identification, lease classification and initial direct costs. While the adoption of this standard only had an insignificant impact on the Company's results of operations and cash flows, total assets and total liabilities increased by \$1,344 million and \$1,360 million, respectively, of which \$148 million and \$153 million, respectively, relate to assets and liabilities held for sale. Comparable information has not been restated to reflect the adoption of this new standard and continues to be measured and reported under the accounting standard in effect for those periods presented.

Derivatives and Hedging—Targeted improvements to accounting for hedging activities

In January 2019, the Company adopted an accounting standard update which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. This update was applied on a modified retrospective basis for cash flow and net investment hedges and prospectively for the amended presentation and disclosure guidance but did not have a significant impact on the consolidated financial statements.

Reclassification of certain tax effects from accumulated other comprehensive income

In January 2019, the Company adopted an accounting standard update which allows a reclassification of the stranded tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act of 2017 to retained earnings. The updated guidance was applied in the period of adoption and resulted in a reclassification of \$36 million from accumulated other comprehensive income to retained earnings.

Applicable for future periods

Measurement of credit losses on financial instruments

In June 2016, an accounting standard update was issued which replaces the existing incurred loss impairment methodology for most financial assets with a new "current expected credit loss" model. Additional related updates with targeted improvements and clarifications were issued subsequently. The new model will result in the immediate recognition of the estimated credit losses expected to occur over the remaining life of financial assets such as trade and other receivables, held-to-maturity debt securities, loans and other instruments. Measurement of expected credit losses will be based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires additional disclosures related to estimates and judgments used to measure credit losses. Credit losses relating to available-for-sale debt securities will be measured in a manner similar to current GAAP, except that the losses will be recorded through an allowance for credit losses rather than as a direct write-down of the security.

This update is effective for the Company for annual and interim periods beginning January 1, 2020. For financial assets carried at amortized cost a cumulative-effect adjustment for the changes in the allowances for credit losses will be recognized in retained earnings on the consolidated balance sheet as of January 1, 2020. The Company is currently evaluating the impact of this update on its consolidated financial statements, on its business processes, systems and internal controls, and expects this update will result in earlier recognition of credit losses than the current model.

Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract

In August 2018, an accounting standard update was issued which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company will adopt this update as of January 1, 2020, and does not believe that this update will have a significant impact on its consolidated financial statements.

Disclosure Framework — Changes to the disclosure requirements for fair value measurement

In August 2018, an accounting standard update was issued which modifies the disclosure requirements for fair value measurements. The update eliminates the requirements to disclose the amount of and reasons for transfers between Level 1 and 2 of the fair value hierarchy, the timing of transfers between levels and the Level 3 valuation process, while expanding the Level 3 disclosures to include the range and weighted-average used to develop significant unobservable inputs and the changes in unrealized gains and losses on recurring fair value measurements. The changes and modifications to the Level 3 disclosures are to be applied prospectively, while all other amendments are to be applied retrospectively. The Company will adopt this update as of January 1, 2020, and does not believe that this update will have a significant impact on its consolidated financial statements.

Note 3

Discontinued operations, business divestments and assets held for sale

Discontinued operations

The Company reports a disposal, or planned disposal, of a component or a group of components as a discontinued operation if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results. A strategic shift could include a disposal of a major geographical area, a major line of business or other major parts of the Company. A component may be a reportable segment or an operating segment, a reporting unit, a subsidiary, or an asset group.

Assets and liabilities of a component reported as a discontinued operation are presented as held for sale in the Company's Consolidated Balance Sheets.

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

On December 17, 2018, the Company announced an agreement to divest 80.1 percent of its Power Grids business to Hitachi Ltd. (Hitachi) valuing the business at \$11 billion. The business also includes certain real estate properties which were previously reported within Corporate and Other as the Company primarily manages real estate assets centrally as corporate assets. As a result, this business, along with the related real estate assets previously included in Corporate and Other, have been reported as discontinued operations. The divestment is expected to be completed in the first half of 2020, following the receipt of customary regulatory approvals as well as the completion of certain legal entity reorganizations expected to be completed before the sale. At September 30, 2019, all assets and liabilities in the discontinued operation have been classified as current as the sale is expected to be completed within 12 months.

As this planned divestment represents a strategic shift that will have a major effect on the Company's operations and financial results, the results of operations for this business have been presented as discontinued operations and the assets and liabilities are reflected as held-for-sale for all periods presented. Financial information and disclosures previously reported as of and for the nine and three months ended September 30, 2018, have been retroactively recast to give effect to the discontinued operations presentation. In addition, amounts relating to stranded corporate costs have been excluded from discontinued operations and are now included as a component of Corporate and Other. Stranded costs represent overhead and other management costs which were previously able to be included in the measure of segment profit (Operational EBITA) for the former Power Grids operating segment but are not directly attributable to the discontinued operation and thus do not qualify to be recorded as part of income from discontinued operations.

Operating results of the discontinued operations are summarized as follows:

(\$ in millions)	Nine months ended		Three months ended	
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019	Sep. 30, 2018
Total revenues	6,513	7,075	2,058	2,336
Total cost of sales	(5,009)	(5,326)	(1,626)	(1,764)
Gross profit	1,504	1,749	431	572
Expenses	(960)	(945)	(303)	(282)
Income from operations	545	804	128	290
Net interest and other finance expense	(30)	(41)	(1)	(16)
Non-operational pension (cost) credit	9	9	3	3
Income from discontinued operations before taxes	524	772	129	277
Provision for taxes	(136)	(184)	(32)	(68)
Income from discontinued operations, net of tax	388	588	97	209

Of the total Income from discontinued operations before taxes in the table above, \$500 million and \$717 million in the nine months ended September 30, 2019 and 2018, respectively, and \$121 million and \$257 million in the three months ended September 30, 2019 and 2018, respectively, are attributable to the Company, while the remainder is attributable to noncontrolling interests.

Income from discontinued operations before taxes excludes stranded costs which were previously able to be allocated to the Power Grids operating segment. As a result, for the nine months ended September 30, 2019 and 2018, \$185 million and \$225 million, respectively, and for the three months ended September 30, 2019 and 2018, \$52 million and \$71 million, respectively, of allocated overhead and other management costs, which were previously able to be included in the measure of segment profit for the Power Grids operating segment are now reported as part of Corporate and Other. In the table above, Net interest and other finance expense in the nine months ended September 30, 2019 and 2018, includes \$36 million and \$32 million, respectively, and in the three months ended September 30, 2019 and 2018, includes \$11 million and \$11 million, respectively, of interest expense which has been recorded on an allocated basis in accordance with the Company's accounting policy election. In addition, as required by U.S. GAAP, subsequent to December 17, 2018, the Company has not recorded depreciation or amortization on the property, plant and equipment and intangible assets reported as discontinued operations. In the nine and three months ended September 30, 2018, respectively, a total of \$196 million and \$62 million of depreciation and amortization expense was recorded for such assets.

Included in the reported Total revenues of the Company for the nine months ended September 30, 2019 and 2018, are revenues from the Company's operating segments to the Power Grids business of \$157 million and \$181 million, respectively, and for the three months ended September 30, 2019 and 2018, of \$47 million and \$51 million, respectively, which represent intercompany transactions that, prior to Power Grids being classified as a discontinued operation, were eliminated in the Company's Consolidated Financial Information (see Note 16).

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

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

(\$ in millions)	Sep. 30, 2019	Dec. 31, 2018
Receivables, net	2,264	2,377
Contract assets	1,260	1,236
Inventories, net	1,630	1,457
Property, plant and equipment, net	1,622	–
Goodwill	1,624	–
Other current assets	606	94
Current assets held for sale	9,006	5,164
Property, plant and equipment, net	–	1,477
Goodwill	–	1,620
Other non-current assets	–	330
Non-current assets held for sale	–	3,427
Accounts payable, trade	1,529	1,732
Contract liabilities	999	998
Pension and other employee benefits	255	–
Other current liabilities	1,642	1,455
Current liabilities held for sale	4,425	4,185
Pension and other employee benefits	–	268
Other non-current liabilities	–	161
Non-current liabilities held for sale	–	429

Planned business divestments classified as held for sale

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

Management had made the decision to divest its solar inverters business and concluded that, during the second quarter of 2019, the held for sale criteria had been met. In July 2019, an agreement was reached to sell the solar inverters business for no consideration. Under the agreement the Company is obligated to transfer cash on the closing date to provide minimum liquidity funding requirements and make additional payments through to 2025. At September 30, 2019, a total of EUR 278 million (\$304 million) is estimated to be due to the buyer. As a result, in the nine and three months ended September 30, 2019, the Company recorded a non-tax-deductible loss, of \$466 million and \$11 million, respectively, in "Other income (expense), net", representing the excess of the carrying value over the estimated fair value of this business. The carrying value at September 30, 2019, includes a loss arising from the cumulative translation adjustment of \$99 million.

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

The estimated loss is based on current exchange rates and net assets of the business, any changes to these factors through to the closing date of the transaction will result in adjustments to the loss recognized on the planned sale.

The divestment is expected to be completed in the first quarter of 2020.

As this planned divestment does not qualify as a discontinued operation, the results of operations for this business are included in the Company's continuing operations for all periods presented. The assets and liabilities of this business are shown as assets and liabilities held for sale in the Company's Interim Consolidated Balance Sheet at September 30, 2019. The carrying amounts of the major classes of assets and liabilities held for sale relating to this planned divestment are as follows:

(\$ in millions)	Sep. 30, 2019
Assets	
Receivables, net	87
Inventories, net	124
Property, plant and equipment, net	62
Other Intangible assets, net	28
Other assets	31
Valuation allowance on assets held for sale	(332)
Current assets held for sale	-
Liabilities	
Accounts payable, trade	79
Contract liabilities	30
Provisions for warranties	107
Other liabilities	52
Fair value adjustment on disposal group	133
Current liabilities held for sale	401

Including the above loss of \$466 million and \$11 million, in the nine months and three months ended September 30, 2019, respectively, Income from continuing operations before taxes includes net losses of \$515 million and \$18 million, respectively, from the Solar invertors business. In the nine months and three months ended September 30, 2018, net losses of \$45 million and \$13 million, respectively, from this business were included in Income from continuing operations before taxes.

Note 4 Acquisitions

On June 30, 2018, the Company acquired through numerous share and asset purchases substantially all the assets, liabilities and business activities of GE Industrial Solutions (GEIS), GE's global electrification solutions business. GEIS, headquartered in Atlanta, United States, provides technologies that distribute and control electricity and support the commercial, data center, health care, mining, renewable energy, oil and gas, water and telecommunications sectors. The resulting cash outflows for the Company amounted to \$2,622 million (net of cash acquired of \$192 million). The acquisition strengthens the Company's global position in electrification and expands its access to the North American market through strong customer relationships, a large installed base and extensive distribution networks. Consequently, the goodwill acquired represents expected operating synergies and cost savings as well as intangible assets that are not separable such as employee know-how and expertise.

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 acquired assets and liabilities becomes available. The purchase price allocation relating to the GEIS acquisition was finalized during the second quarter of 2019, and resulted in net \$92 million of measurement period adjustments, increasing goodwill, primarily related to changes in the valuation of net working capital, deferred tax liabilities and intangible assets acquired.

The final allocation (including measurement period adjustments) of the purchase consideration for GEIS, is as follows:

(\$ in millions)	Final allocated amounts	Weighted-average useful life
Technology	92	7 years
Customer relationships	178	12 years
Trade names	135	13 years
Supply agreement	32	13 years
Intangible assets	437	
Property, plant and equipment	373	
Deferred tax liabilities	(45)	
Inventories	396	
Other assets and liabilities, net ⁽¹⁾	(44)	
Goodwill ⁽²⁾	1,568	
Noncontrolling interest	(63)	
Total consideration (net of cash acquired)⁽³⁾	2,622	

(1) Gross receivables totaled \$658 million; the fair value of which was \$624 million after adjusting for contractual cash flows not expected to be collected.

(2) The Company expects that goodwill recorded in certain jurisdictions will be tax deductible.

(3) Cash acquired totaled \$192 million.

The unaudited pro forma financial information in the table below summarizes the combined pro forma results of the Company and GEIS for the nine and three months ended September 30, 2018, as if GEIS had been acquired on January 1, 2017.

(\$ in millions)	Nine months ended September 30, 2018	Three months ended September 30, 2018
Total revenues	21,541	7,095
Income from continuing operations, net of tax	1,413	446

The pro forma results are for information purposes only and do not include any anticipated cost synergies or other effects of the planned integration of GEIS. Accordingly, such pro forma amounts are not necessarily indicative of the results that would have occurred had the acquisition been completed on the date indicated, nor are they indicative of the future operating results of the combined company.

The unaudited pro forma results above include certain adjustments related to the GEIS acquisition. The table below summarizes the adjustments necessary to present the pro forma financial information of the combined entity as if GEIS had been acquired on January 1, 2017.

(\$ in millions)	Nine months ended September 30, 2018	Three months ended September 30, 2018
Impact on cost of sales from additional amortization of intangible assets	(10)	–
Impact on cost of sales from fair valuing acquired inventory	26	26
Impact on cost of sales from additional depreciation of property, plant and equipment	(4)	–
Impact on selling, general and administrative expenses from additional amortization of intangible assets	(5)	–
Impact on selling, general and administrative expenses from acquisition-related costs	44	–
Impact on interest from financing costs	(15)	–
Taxation adjustments	(4)	(7)
Total pro forma adjustments	32	19

Goodwill

Changes in total goodwill were as follows:

(\$ in millions)	Total Goodwill
Balance at January 1, 2018	9,536
Goodwill acquired during the year ⁽¹⁾	1,472
Goodwill allocated to disposals	(31)
Exchange rate differences and other	(213)
Balance at December 31, 2018	10,764
Goodwill allocated to disposals	(2)
Measurement period adjustments to goodwill acquired in previous periods	92
Exchange rate differences and other	(102)
Balance at September 30, 2019	10,752

(1) Includes goodwill in respect of GEIS, acquired in June 2018, which has been allocated to the Electrification Products operating segment.

Note 5

Cash and equivalents, marketable securities and short-term investments

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

September 30, 2019						
(\$ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents	Marketable securities and short-term investments
Changes in fair value recorded in net income						
Cash	1,977			1,977	1,977	–
Time deposits	603	–	–	603	602	1
Equity securities	280	19	–	299	–	299
	2,860	19	–	2,879	2,579	300
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	189	10	(1)	198	–	198
European government obligations	7	–	–	7	–	7
Corporate	59	5	–	64	–	64
	255	15	(1)	269	–	269
Total	3,115	34	(1)	3,148	2,579	569

December 31, 2018						
(\$ in millions)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value	Cash and equivalents	Marketable securities and short-term investments
Changes in fair value recorded in net income						
Cash	1,983	–	–	1,983	1,983	–
Time deposits	1,463	–	–	1,463	1,462	1
Other short-term investments	206	–	–	206	–	206
Equity securities	206	–	(3)	203	–	203
	3,858	–	(3)	3,855	3,445	410
Changes in fair value recorded in other comprehensive income						
Debt securities available-for-sale:						
U.S. government obligations	217	–	(3)	214	–	214
Corporate	90	–	(2)	88	–	88
	307	–	(5)	302	–	302
Total	4,165	–	(8)	4,157	3,445	712

Other short-term investments at December 31, 2018 were receivables of \$206 million, representing reverse repurchase agreements.

Note 6

Derivative financial instruments

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

Currency risk

Due to the global nature of the Company's operations, many of its subsidiaries are exposed to currency risk in their operating activities from entering into transactions in currencies other than their functional currency. To manage such currency risks, the Company's policies require its subsidiaries to hedge their foreign currency exposures from binding sales and purchase contracts denominated in foreign currencies. For forecasted foreign currency denominated sales of standard products and the related foreign currency denominated purchases, the Company's policy is to hedge up to a maximum of 100 percent of the forecasted foreign currency denominated exposures, depending on the length of the forecasted exposures. Forecasted exposures greater than 12 months are not hedged. Forward foreign exchange contracts are the main

instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in foreign currencies. In addition, within its treasury operations, the Company primarily uses foreign exchange swaps and forward foreign exchange contracts to manage the currency and timing mismatches arising in its liquidity management activities.

Commodity risk

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

Interest rate risk

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

Equity risk

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

Volume of derivative activity

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

Foreign exchange and interest rate derivatives

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

Type of derivative (\$ in millions)	Total notional amounts at		
	September 30, 2019	December 31, 2018	September 30, 2018
Foreign exchange contracts	11,525	13,612	12,485
Embedded foreign exchange derivatives	717	733	798
Interest rate contracts	4,230	3,300	3,590

Derivative commodity contracts

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

Type of derivative	Unit	Total notional amounts at		
		September 30, 2019	December 31, 2018	September 30, 2018
Copper swaps	metric tonnes	44,195	46,143	38,798
Silver swaps	ounces	2,364,343	2,861,294	2,683,539
Aluminum swaps	metric tonnes	8,869	9,491	6,484

Equity derivatives

At September 30, 2019, December 31, 2018, and September 30, 2018, the Company held 46 million, 41 million and 41 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of \$11 million, \$6 million and \$23 million, respectively.

Cash flow hedges

As noted above, the Company mainly uses forward foreign exchange contracts to manage the foreign exchange risk of its operations, commodity swaps to manage its commodity risks and cash-settled call options to hedge its WAR liabilities. Where such instruments are designated and qualify as cash flow hedges, 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.

At September 30, 2019, and December 31, 2018, "Accumulated other comprehensive loss" included net unrealized losses of \$11 million and \$16 million, respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at September 30, 2019, net losses of \$3 million are expected to be reclassified to earnings in the following 12 months. At September 30, 2019, the longest maturity of a derivative classified as a cash flow hedge was 52 months.

The amount of gains or losses, net of tax, reclassified into earnings due to the discontinuance of cash flow hedge accounting and the amount of ineffectiveness in cash flow hedge relationships directly recognized in earnings were not significant in the nine and three months ended September 30, 2019 and 2018.

The pre-tax effects of derivative instruments, designated and qualifying as cash flow hedges, on “Accumulated other comprehensive loss” (OCI) and the Consolidated Income Statements were not significant.

Fair value hedges

To reduce its interest rate exposure arising primarily from its debt issuance activities, the Company uses 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”. Hedge ineffectiveness of instruments designated as fair value hedges for the nine and three months ended September 30, 2019 and 2018, was not significant.

The effect of interest rate contracts, designated and qualifying as fair value hedges, on the Consolidated Income Statements was as follows:

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Gains (losses) recognized in Interest and other finance expense:				
- on derivatives designated as fair value hedges	58	(36)	1	(16)
- on hedged item	(58)	37	(1)	17

Derivatives not designated in hedge relationships

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

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

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

Type of derivative not designated as a hedge (\$ in millions)		Gains (losses) recognized in income			
		Nine months ended September 30,		Three months ended September 30,	
		2019	2018	2019	2018
Foreign exchange contracts	Total revenues	(60)	(119)	(61)	(12)
	Total cost of sales	(42)	66	(4)	16
	SG&A expenses ⁽¹⁾	6	10	7	5
	Non-order related research and development	1	(1)	–	(1)
	Interest and other finance expense	(60)	24	19	(13)
Embedded foreign exchange contracts	Total revenues	13	58	16	18
	Total cost of sales	(7)	(5)	(7)	(2)
	SG&A expenses ⁽¹⁾	–	2	–	–
Commodity contracts	Total cost of sales	(4)	(29)	(2)	(16)
Other	Interest and other finance expense	(1)	3	(1)	(5)
Total		(154)	9	(33)	(10)

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

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

(\$ in millions)	September 30, 2019			
	Derivative assets		Derivative liabilities	
	Current in “Other current assets”	Non-current in “Other non-current assets”	Current in “Other current liabilities”	Non-current in “Other non-current liabilities”
Derivatives designated as hedging instruments:				
Foreign exchange contracts	–	–	2	6
Interest rate contracts	–	92	–	–
Cash-settled call options	5	6	–	–
Total	5	98	2	6
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	99	14	142	31
Commodity contracts	6	–	14	–
Embedded foreign exchange derivatives	12	14	9	3
Total	117	28	165	34
Total fair value	122	126	167	40

(\$ in millions)	December 31, 2018			
	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	–	–	1	4
Commodity contracts	–	–	2	–
Interest rate contracts	–	35	–	1
Cash-settled call options	3	3	–	–
Total	3	38	3	5
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	117	14	160	30
Commodity contracts	8	1	21	1
Embedded foreign exchange derivatives	15	10	8	1
Total	140	25	189	32
Total fair value	143	63	192	37

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

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at September 30, 2019, and December 31, 2018, have been presented on a gross basis.

The Company's netting agreements and other similar arrangements allow net settlements under certain conditions. At September 30, 2019, and December 31, 2018, information related to these offsetting arrangements was as follows:

September 30, 2019					
(\$ in millions)					
Type of agreement or similar arrangement	Gross amount of recognized assets	Derivative liabilities eligible for set-off in case of default	Cash collateral received	Non-cash collateral received	Net asset exposure
Derivatives	222	(104)	–	–	118
Total	222	(104)	–	–	118

September 30, 2019					
(\$ in millions)					
Type of agreement or similar arrangement	Gross amount of recognized liabilities	Derivative liabilities eligible for set-off in case of default	Cash collateral pledged	Non-cash collateral pledged	Net liability exposure
Derivatives	195	(104)	–	–	91
Total	195	(104)	–	–	91

December 31, 2018					
(\$ in millions)					
Type of agreement or similar arrangement	Gross amount of recognized assets	Derivative liabilities eligible for set-off in case of default	Cash collateral received	Non-cash collateral received	Net asset exposure
Derivatives	181	(121)	–	–	60
Reverse repurchase agreements	206	–	–	(206)	–
Total	387	(121)	–	(206)	60

December 31, 2018					
(\$ in millions)					
Type of agreement or similar arrangement	Gross amount of recognized liabilities	Derivative liabilities eligible for set-off in case of default	Cash collateral pledged	Non-cash collateral pledged	Net liability exposure
Derivatives	220	(121)	–	–	99
Total	220	(121)	–	–	99

Note 7

Fair values

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

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

The levels of the fair value hierarchy are as follows:

- Level 1:** Valuation inputs consist of quoted prices in an active market for identical assets or liabilities (observable quoted prices). Assets and liabilities valued using Level 1 inputs include 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, reverse repurchase agreements, certain debt securities that are not actively traded, interest rate swaps, commodity swaps, cash-settled call options, forward foreign exchange contracts, foreign exchange swaps and forward rate agreements, time deposits, as well as financing receivables and debt.
- Level 3:** Valuation inputs are based on the Company's assumptions of relevant market data (unobservable input).

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

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

Recurring fair value measures

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

(\$ in millions)	September 30, 2019			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Securities in “Marketable securities and short-term investments”:				
Equity securities	–	299	–	299
Debt securities—U.S. government obligations	198	–	–	198
Debt securities—European government obligations	7	–	–	7
Debt securities—Corporate	–	64	–	64
Derivative assets—current in “Other current assets”	–	122	–	122
Derivative assets—non-current in “Other non-current assets”	–	126	–	126
Total	205	611	–	816
Liabilities				
Derivative liabilities—current in “Other current liabilities”	–	167	–	167
Derivative liabilities—non-current in “Other non-current liabilities”	–	40	–	40
Total	–	207	–	207

(\$ in millions)	December 31, 2018			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Securities in "Marketable securities and short-term investments":				
Equity securities	–	203	–	203
Debt securities—U.S. government obligations	214	–	–	214
Debt securities—Corporate	–	88	–	88
Derivative assets—current in "Other current assets"	–	143	–	143
Derivative assets—non-current in "Other non-current assets"	–	63	–	63
Total	214	497	–	711
Liabilities				
Derivative liabilities—current in "Other current liabilities"	–	192	–	192
Derivative liabilities—non-current in "Other non-current liabilities"	–	37	–	37
Total	–	229	–	229

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

Non-recurring fair value measures

In June 2019, the Company adjusted the carrying value of the solar inverters business which is classified as held for sale (See Note 3). There were no other significant non-recurring fair value measurements during the nine and three months ended September 30, 2019 and 2018.

Disclosure about financial instruments carried on a cost basis

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

	September 30, 2019				
(\$ 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	1,977	1,977	–	–	1,977
Time deposits	602	–	602	–	602
Marketable securities and short-term investments (excluding securities):					
Time deposits	1	–	1	–	1
Other short-term investments	568	568	–	–	568
Other non-current assets:					
Loans granted	28	–	30	–	30
Restricted time deposits	34	34	–	–	34
Liabilities					
Short-term debt and current maturities of long-term debt (excluding capital lease obligations)					
	1,845	374	1,470	–	1,844
Long-term debt (excluding capital lease obligations)	7,677	7,335	708	–	8,043

(\$ in millions)	December 31, 2018				
	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	1,983	1,983	–	–	1,983
Time deposits	1,462	–	1,462	–	1,462
Marketable securities and short-term investments (excluding securities):					
Time deposits	1	–	1	–	1
Receivables under reverse repurchase agreements	206	–	206	–	206
Other non-current assets:					
Loans granted	30	–	31	–	31
Restricted time deposits	39	39	–	–	39
Liabilities					
Short-term debt and current maturities of long-term debt (excluding capital lease obligations)	2,008	1,480	528	–	2,008
Long-term debt (excluding capital lease obligations)	6,457	5,839	707	–	6,546

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), and Marketable securities and short-term investments (excluding securities): The carrying amounts approximate the fair values as the items are short-term in nature.
- Other non-current assets: Includes (i) loans granted whose fair values are based on the carrying amount adjusted using a present value technique to reflect a premium or discount based on current market interest rates (Level 2 inputs), and (ii) restricted time deposits whose fair values approximate the carrying amounts (Level 1 inputs).
- Short-term debt and current maturities of long-term debt (excluding capital 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 capital lease obligations, approximate their fair values.
- Long-term debt (excluding capital 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

Commitments and contingencies

Contingencies—Regulatory, Compliance and Legal

Regulatory

In April 2014, the European Commission announced its decision regarding its investigation of anticompetitive practices in the cables industry and granted the Company full immunity from fines under its leniency program.

In February 2019, the Brazilian Antitrust Authority (CADE) announced its decision regarding its investigation of anticompetitive practices in certain power businesses of the Company, including flexible alternating current transmission systems (FACTS) and power transformers, and granted the Company full immunity from fines under its leniency program.

As a result of an internal investigation, the Company self-reported to the Securities and Exchange Commission (SEC) and the Department of Justice (DoJ) in the United States as well as to the Serious Fraud Office (SFO) in the United Kingdom concerning certain of its past dealings with Unaoil and its subsidiaries, including alleged improper payments made by these entities to third parties. The SFO has commenced an investigation into this matter. The Company is cooperating fully with the authorities. At this time, it is not possible for the Company to make an informed judgment about the outcome of these matters.

Based on findings during an internal investigation, the Company self-reported to the SEC and the DoJ, to various authorities in South Africa and other countries as well as to certain multilateral financial institutions 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. Although the Company believes that there may be an unfavorable outcome in one or more of these compliance-related matters, at this time it is not possible for the Company to make an informed judgment about the possible financial impact.

General

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

Liabilities recognized

At September 30, 2019, and December 31, 2018, the Company had aggregate liabilities of \$149 million and \$221 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 material adverse outcomes beyond the amounts accrued.

Guarantees

General

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

Maximum potential payments (\$ in millions)	September 30, 2019	December 31, 2018
Performance guarantees	1,569	1,584
Financial guarantees	6	10
Indemnification guarantees	61	64
Total⁽¹⁾	1,636	1,658

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

The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company’s best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations. In respect of the above guarantees, the carrying amounts of liabilities at September 30, 2019, and December 31, 2018, 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 2027, 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 eight years.

In conjunction with the divestment of the high-voltage cable and cables accessories businesses, the Company has entered into various performance guarantees with other parties with respect to certain liabilities of the divested business. At September 30, 2019, and December 31, 2018, the maximum potential payable under these guarantees amounts to \$731 million and \$771 million, respectively, and these guarantees have various maturities ranging from one to ten years.

Commercial commitments

In addition, in the normal course of bidding for and executing certain projects, the Company has entered into standby letters of credit, bid/performance bonds and surety bonds (collectively “performance bonds”) with various financial institutions. Customers can draw on such performance bonds in the event that the Company does not fulfill its contractual obligations. The Company would then have an obligation to reimburse the financial institution for amounts paid under the performance bonds. At September 30, 2019, and December 31, 2018, the total outstanding performance bonds aggregated to \$7.6 billion and \$7.4 billion, respectively, of which \$3.8 billion and \$4.3 billion, respectively, relates to discontinued operations. There have been no significant amounts reimbursed to financial institutions under these types of arrangements in the nine and three months ended September 30, 2019 and 2018.

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)	2019	2018
Balance at January 1,	948	909
Net change in warranties due to acquisitions, divestments and liabilities held for sale ⁽¹⁾	(87)	11
Claims paid in cash or in kind	(223)	(212)
Net increase in provision for changes in estimates, warranties issued and warranties expired	207	232
Exchange rate differences	(29)	(30)
Balance at September 30,	816	910

(1) Includes adjustments to the initial purchase price allocation recorded during the measurement period.

During 2018, the Company recorded changes in the estimated amount for a product warranty relating to a divested business. This warranty liability was increased by a total of \$92 million during the nine months ended September 30, 2018, of which \$75 million was recorded in the three months ended September 30, 2018. The corresponding increases were included in Cost of sales of products and resulted in a decrease in earnings per share of \$0.03 (basic and diluted) for both the nine and three months ended September 30, 2018. As these costs relate to a divested business, they have been excluded from the Company’s primary measure of segment performance, Operational EBITA (See Note 16). The warranty liability has been recorded based on the information currently available and is subject to change in the future.

Note 9

Contract assets and liabilities

The following table provides information about Contract Assets and Contract Liabilities:

(\$ in millions)	September 30, 2019	December 31, 2018	September 30, 2018
Contract assets	1,088	1,082	1,172
Contract liabilities	1,616	1,707	1,766

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

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

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

(\$ in millions)	Nine months ended September 30,			
	2019		2018	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognized, which was included in the Contract liabilities balance at Jan 1, 2019/2018		(649)		(770)
Additions to Contract liabilities - excluding amounts recognized as revenue during the period		648		779
Receivables recognized that were included in the Contract asset balance at Jan 1, 2019/2018	(457)	–	(531)	

At September 30, 2019, the Company had unsatisfied performance obligations totaling \$13,357 million and, of this amount, the Company expects to fulfill approximately 37 percent of the obligations in 2019, approximately 44 percent of the obligations in 2020 and the balance thereafter.

Note 10

Debt

The Company's total debt at September 30, 2019, and December 31, 2018, amounted to \$9,689 million and \$8,618 million, respectively.

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

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

(\$ in millions)	September 30, 2019	December 31, 2018
Short-term debt	1,535	561
Current maturities of long-term debt	354	1,470
Total	1,889	2,031

Short-term debt primarily represented issued commercial paper and short-term loans from various banks. At September 30, 2019, and December 31, 2018, \$778 million and \$292 million, respectively, was outstanding under the \$2 billion commercial paper program in the United States. In addition, at September 30, 2019, and December 31, 2018, \$655 million and \$172 million was outstanding under the \$2 billion Euro-commercial paper program.

In March 2019, the Company repaid at maturity its EUR 1,250 million 2.625% Instruments, equivalent to \$1,414 million at date of payment.

Long-term debt

The Company's long-term debt at September 30, 2019, and December 31, 2018, amounted to \$7,800 million and \$6,587 million, respectively.

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

	September 30, 2019			December 31, 2018		
(in millions)	Nominal outstanding		Carrying value ⁽¹⁾	Nominal outstanding		Carrying value ⁽¹⁾
Bonds:						
2.625% EUR Instruments, due 2019			–	EUR	1,250	\$ 1,431
2.8% USD Notes, due 2020	USD	300	\$ 300	USD	300	\$ 299
Floating EUR Notes, due 2020	EUR	1,000	\$ 1,092	–		
4.0% USD Notes, due 2021	USD	650	\$ 647	USD	650	\$ 646
2.25% CHF Bonds, due 2021	CHF	350	\$ 366	CHF	350	\$ 373
5.625% USD Notes, due 2021	USD	250	\$ 261	USD	250	\$ 265
2.875% USD Notes, due 2022	USD	1,250	\$ 1,272	USD	1,250	\$ 1,242
3.375% USD Notes, due 2023	USD	450	\$ 448	USD	450	\$ 448
0.625% EUR Instruments, due 2023	EUR	700	\$ 782	EUR	700	\$ 807
0.75% EUR Instruments, due 2024	EUR	750	\$ 845	EUR	750	\$ 862
0.3% CHF Notes, due 2024	CHF	280	\$ 280	–		
3.8% USD Notes, due 2028	USD	750	\$ 746	USD	750	\$ 746
1.0% CHF Notes, due 2029	CHF	170	\$ 170	–		
4.375% USD Notes, due 2042	USD	750	\$ 724	USD	750	\$ 723
Total			\$ 7,933			\$ 7,842

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

In February 2019, the Company issued the following notes with a principal of:

- CHF 280 million, due 2024, paying interest annually in arrears at a fixed rate of 0.3 percent per annum, and
- CHF 170 million, due 2029, paying interest annually in arrears at a fixed rate of 1.0 percent per annum.

The aggregate net proceeds of these bond issues, after underwriting discount and other fees, amounted to CHF 449 million (equivalent to approximately \$449 million on date of issuance).

In April 2019, the Company issued 18-month floating rate notes with an aggregate principal of EUR 1,000 million, due in October 2020. These notes pay interest quarterly in arrears at a variable interest rate of 35 basis points above the 3-month EURIBOR, with a floor rate of zero. The aggregate net proceeds amounted to EUR 1,002 million (equivalent to approximately \$1,129 million on date of issuance).

Subsequent events

At October 22, 2019 the amount outstanding under the \$2-billion Commercial paper program in the United States had increased to \$998 million from \$778 million at September 30, 2019, while the amount outstanding under the Euro-commercial paper program had decreased to \$586 million from \$655 million at September 30, 2019.

Note 11

Employee benefits

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

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

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

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2019	2018	2019	2018	2019	2018
Nine months ended September 30,						
Operational pension cost:						
Service cost	56	70	82	89	1	–
Operational pension cost	56	70	82	89	1	–
Non-operational pension cost (credit):						
Interest cost	11	22	130	146	3	3
Expected return on plan assets	(84)	(90)	(198)	(226)	–	–
Amortization of prior service cost (credit)	(11)	(12)	2	1	(4)	(3)
Amortization of net actuarial loss	–	–	80	72	(2)	(1)
Curtailments, settlements and special termination benefits	–	–	7	1	(10)	–
Non-operational pension cost (credit)	(84)	(80)	21	(6)	(13)	(1)
Net periodic benefit cost	(28)	(10)	103	83	(12)	(1)

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2019	2018	2019	2018	2019	2018
Three months ended September 30,						
Operational pension cost:						
Service cost	18	24	26	27	1	–
Operational pension cost	18	24	26	27	1	–
Non-operational pension cost (credit):						
Interest cost	3	8	42	47	1	1
Expected return on plan assets	(28)	(31)	(60)	(73)	–	–
Amortization of prior service cost (credit)	(4)	(4)	1	–	(2)	(1)
Amortization of net actuarial loss	–	–	26	24	(1)	(1)
Curtailments, settlements and special termination benefits	–	–	6	1	(10)	–
Non-operational pension cost (credit)	(29)	(27)	15	(1)	(12)	(1)
Net periodic benefit cost	(11)	(3)	41	26	(11)	(1)

The components of net periodic benefit cost other than the service cost component are included in the line “Non-operational pension (cost) credit” in the income statement. Net periodic benefit cost includes \$29 million and \$35 million, for the nine months ended September 30, 2019 and 2018, respectively, and \$9 million and \$11 million, for the three months ended September 30, 2019 and 2018, respectively, related to discontinued operations.

Employer contributions were as follows:

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2019	2018	2019	2018	2019	2018
Nine months ended September 30,						
Total contributions to defined benefit pension and other postretirement benefit plans	70	68	74	84	4	6
Of which, discretionary contributions to defined benefit pension plans	2	–	–	10	–	–

(\$ in millions)	Defined pension benefits				Other postretirement benefits	
	Switzerland		International			
	2019	2018	2019	2018	2019	2018
Three months ended September 30,						
Total contributions to defined benefit pension and other postretirement benefit plans	22	23	30	34	–	2
Of which, discretionary contributions to defined benefit pension plans	–	–	–	10	–	–

The Company expects to make contributions totaling approximately \$199 million and \$11 million to its defined benefit pension plans and other postretirement benefit plans, respectively, for the full year 2019.

Note 12

Stockholder's equity

At the Annual General Meeting of Shareholders on May 2, 2019, shareholders approved the proposal of the Board of Directors to distribute 0.80 Swiss francs per share to shareholders. The declared dividend amounted to \$1,675 million and was paid in the second quarter of 2019.

Note 13

Earnings per share

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

Basic earnings per share				
	Nine months ended September 30,		Three months ended September 30,	
(\$ in millions, except per share data in \$)	2019	2018	2019	2018
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	752	1,310	427	407
Income from discontinued operations, net of tax	362	546	88	196
Net income	1,114	1,856	515	603
Weighted-average number of shares outstanding (in millions)	2,132	2,132	2,133	2,132
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.35	0.61	0.20	0.19
Income from discontinued operations, net of tax	0.17	0.26	0.04	0.09
Net income	0.52	0.87	0.24	0.28

Diluted earnings per share				
	Nine months ended September 30,		Three months ended September 30,	
(\$ in millions, except per share data in \$)	2019	2018	2019	2018
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	752	1,310	427	407
Income from discontinued operations, net of tax	362	546	88	196
Net income	1,114	1,856	515	603
Weighted-average number of shares outstanding (in millions)	2,132	2,132	2,133	2,132
Effect of dilutive securities:				
Call options and shares	2	8	2	6
Adjusted weighted-average number of shares outstanding (in millions)	2,134	2,140	2,135	2,138
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.35	0.61	0.20	0.19
Income from discontinued operations, net of tax	0.17	0.26	0.04	0.09
Net income	0.52	0.87	0.24	0.28

Note 14

Reclassifications out of accumulated other comprehensive loss

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

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gains (losses) of cash flow hedge derivatives	Total OCI
Balance at January 1, 2018	(2,693)	8	(1,672)	12	(4,345)
Cumulative effect of changes in accounting principles ⁽¹⁾	–	(9)	–	–	(9)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(547)	(5)	57	(31)	(526)
Amounts reclassified from OCI	(31)	–	41	9	19
Changes attributable to divestments	12	–	–	–	12
Total other comprehensive (loss) income	(566)	(5)	98	(22)	(495)
Less:					
Amounts attributable to noncontrolling interests	(23)	–	–	–	(23)
Balance at September 30, 2018	(3,236)	(6)	(1,574)	(10)	(4,826)

(\$ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gains (losses) of cash flow hedge derivatives	Total OCI
Balance at January 1, 2019	(3,324)	(4)	(1,967)	(16)	(5,311)
Adoption of accounting standard update ⁽²⁾			(36)		(36)
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassifications	(373)	15	100	6	(252)
Amounts reclassified from OCI	–	1	45	(1)	45
Total other comprehensive (loss) income	(373)	16	145	5	(207)
Less:					
Amounts attributable to noncontrolling interests	(10)	–	–	–	(10)
Balance at September 30, 2019	(3,687)	12	(1,858)	(11)	(5,544)

(1) Amounts relate to the adoption of two accounting standard updates in 2018 regarding the Recognition and measurement of financial assets and financial liabilities and Revenue from contracts with customers.

(2) Amounts relate to the adoption of an accounting standard update in 2019 regarding the Tax Cuts and Jobs Act of 2017. See "Applicable for current periods" section of Note 2 for more details.

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

(\$ in millions)	Location of (gains) losses reclassified from OCI	Nine months ended September 30,		Three months ended September 30,	
Details about OCI components		2019	2018	2019	2018
Foreign currency translation adjustments:					
Gain on liquidation of foreign subsidiary	Other income (expense), net	–	(31)	–	(31)
Pension and other postretirement plan adjustments:					
Amortization of prior service cost (credit)	Non-operational pension (cost) credit ⁽¹⁾	(13)	(14)	(5)	(5)
Amortization of net actuarial loss	Non-operational pension (cost) credit ⁽¹⁾	78	71	25	23
Net gains from pension settlements and curtailments	Non-operational pension (cost) credit ⁽¹⁾	(5)	–	(5)	–
Total before tax		60	57	15	18
Tax	Provision for taxes	(15)	(16)	(2)	(6)
Amounts reclassified from OCI		45	41	13	12

(1) Amounts include a total of \$9 million for both the nine months ended September 30, 2019 and 2018, and \$3 million for both the three months ended September 30, 2019 and 2018, reclassified from OCI to Income from discontinued operations (see Note 3).

The amounts in respect of Unrealized gains (losses) on available-for-sale securities and Unrealized gains (losses) of cash flow hedge derivatives were not significant for the nine and three months ended September 30, 2019 and 2018.

Note 15

Restructuring and related expenses

OS program

In December 2018, the Company announced a two-year restructuring program with the objective of simplifying its business model and structure through the implementation of a new organizational structure driven by its businesses. The program includes the elimination of the country and regional structures within the current matrix organization, including the elimination of the three regional Executive Committee roles. The operating businesses will each be responsible for both their customer-facing activities and business support functions, while the remaining Group-level corporate activities will primarily focus on Group strategy, portfolio and performance management, capital allocation, core technologies and the ABB Ability™ platform. The program is expected to be performed over two years and incur restructuring expenses of \$350 million.

The following table outlines the costs incurred in the nine and three months ended September 30, 2019, the cumulative costs incurred up to September 30, 2019, and the total amount of costs expected to be incurred under the program per operating segment:

(\$ in millions)	Cost incurred Nine months ended September 30, 2019	Cost incurred Three months ended September 30, 2019	Cumulative net cost incurred up to September 30, 2019	Total Expected Costs
Electrification	(2)	2	30	40
Industrial Automation	1	(1)	22	90
Motion	1	–	2	55
Robotics and Discrete Automation	7	4	7	20
Corporate and Other	44	20	55	145
Total	51	25	116	350

Of the total expected costs of \$350 million the majority relates to employee severance costs. The Company recorded the following expenses, net of changes in estimates, under this program:

(\$ in millions)	Nine months ended September 30, 2019	Three months ended September 30, 2019	Cumulative costs incurred up to September 30, 2019
Employee severance costs	45	19	110
Inventory and long-lived asset impairments	6	6	6
Total	51	25	116

Expenses, net of changes in estimates, associated with this program are recorded in the following line items in the Consolidated Income Statements:

(\$ in millions)	Nine months ended September 30, 2019	Three months ended September 30, 2019
Total cost of sales	7	7
Selling, general and administrative expenses	24	5
Non-order related research and development expenses	1	1
Other income (expense), net	19	12
Total	51	25

Liabilities associated with the OS program are primarily included in "Other provisions". The following table shows the activity from the beginning of the program to September 30, 2019, by expense type:

(\$ in millions)	Employee severance costs
Liability at January 1, 2018	–
Expenses	65
Liability at December 31, 2018	65
Expenses	65
Cash payments	(19)
Change in estimates	(20)
Exchange rate differences	(4)
Liability at September 30, 2019	87

Other restructuring-related activities

In the nine months and three months ended September 30, 2019, the Company executed various other restructuring-related activities and incurred expenses, net of changes in estimates, of \$79 million and \$6 million, respectively, mainly related to employee severance costs other income (expenses). In the nine months and three months ended September 30, 2018, expenses, net of changes in estimates, relating to these various other restructuring-related activities were \$51 million and \$38 million, respectively. These costs are included in the following line items in the Consolidated Income Statements:

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Total cost of sales	44	10	12	8
Selling, general and administrative expenses	(1)	18	(17)	16
Non-order related research and development expenses	(1)	–	–	–
Other income (expenses), net	37	23	11	14
Total	79	51	6	38

Change in estimates

In addition to the change in estimates of \$20 million in the nine months ended September 30, 2019, relating to the OS program above, which were due to higher than expected rates of attrition and internal re-deployment, a further \$46 million was recorded as a change in estimate to reduce liabilities associated with the Company's other restructuring-related activities, mainly due to changes in the underlying assumptions and the scope of these activities. The combined total change in estimates of \$66 million was recorded in income from operations, primarily as reductions in Selling, general and administrative expenses of \$39 million and Cost of sales of \$25 million. In the three months ended September 30, 2019, the Company recorded changes in estimates of \$11 million relating to its OS program and \$29 million related to other restructuring-related activities. The combined total change in estimates of \$40 million was recorded in income from operations, as reductions to Selling, general and administrative expenses and Cost of Sales of \$26 million and \$14 million, respectively. These changes in estimates resulted in an increase in earnings per share (basic and diluted) in the nine months and three months ended September 30, 2019 of \$0.02 and \$0.01, respectively.

Note 16

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 operating segments based on products and services and these operating segments consist of Electrification, Industrial Automation, Motion, and Robotics & Discrete Automation. The remaining operations of the Company are included in Corporate and Other.

Effective April 1, 2019, the Company announced a reorganization of its operating segments into four customer-focused, entrepreneurial businesses. The Electrification Products segment was renamed the Electrification segment. The Industrial Automation segment remains unchanged except that it now excludes the Machine and Factory Automation business line, which has been transferred, along with the Robotics business line from the former Robotics and Motion segment, to the new Robotics & Discrete Automation segment. The new Motion segment contains the remaining business lines of the former Robotics and Motion segment.

Following the announcement in December 2018, to sell its Powers Grids business, the Company reclassified the results of operations for this business and certain related amounts previously included in Corporate and Other to discontinued operations (See Note 3).

The segment information for the nine and three months ended September 30, 2018 and at December 31, 2018, has been recast to reflect these changes.

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

- **Electrification:** manufactures and sells products and solutions which are designed to provide smarter and safer electrical flow from the substation to the socket. The portfolio of increasingly digital and connected solutions includes electric vehicle charging infrastructure, solar power solutions, modular substation packages, distribution automation products, switchboard and panelboards, switchgear, UPS solutions, circuit breakers, measuring and sensing devices, control products, wiring accessories, enclosures and cabling systems and intelligent home and building solutions, designed to integrate and automate lighting, heating, ventilation, security and data communication networks.
- **Industrial Automation:** develops and sells integrated automation and electrification systems and solutions, such as process and discrete control solutions, advanced process control software and manufacturing execution systems, sensing, measurement and analytical instrumentation and solutions, electric ship propulsion systems, as well as large turbochargers. In addition, the business offers a comprehensive range of services ranging from repair to advanced services such as remote monitoring, preventive maintenance and cybersecurity services.
- **Motion:** manufactures and sells motors, generators, drives, wind converters, mechanical power transmissions, complete electrical powertrain systems and related services and digital solutions for a wide range of applications in industry, transportation, infrastructure, and utilities.
- **Robotics & Discrete Automation:** develops and sells robotics and machinery automation solutions, including robots, controllers, software, function packages, cells, programmable logic controllers (PLC), industrial PCs (IPC), servo motion, engineered manufacturing solutions, turn-key solutions and collaborative robot solutions for a wide range of applications. In addition, the business offers a comprehensive range of digital solutions as well as field and after sales service.

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

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

- amortization expense on intangibles arising upon acquisitions (acquisition-related amortization),
- restructuring, related and implementation costs,
- changes in the amount recorded for obligations related to divested businesses occurring after the divestment date (changes in obligations related to divested businesses),
- changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates),
- gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale),
- acquisition- and divestment-related expenses and integration costs,
- 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 as well as other items which are determined by management on a case-by-case basis.

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

The following tables present disaggregated segment revenues from contracts with customers, Operational EBITA, and the reconciliations of consolidated Operational EBITA to Income from continuing operations before taxes for the nine and three months ended September 30, 2019 and 2018, as well as total assets at September 30, 2019, and December 31, 2018.

Nine months ended September 30, 2019						
(\$ in millions)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	2,975	1,776	1,379	1,250	51	7,431
The Americas	3,482	1,160	1,770	345	2	6,759
Asia, Middle East and Africa	2,700	1,559	1,354	884	66	6,563
	9,157	4,495	4,503	2,479	119	20,753
End Customer Markets						
Utilities	1,586	738	756	–	48	3,128
Industry	3,651	2,698	2,926	2,424	43	11,742
Transport & infrastructure	3,920	1,059	821	55	28	5,883
	9,157	4,495	4,503	2,479	119	20,753
Product type						
Products	7,998	1,107	3,869	1,376	87	14,437
Systems	424	1,171	–	736	32	2,363
Services and other	735	2,217	634	367	–	3,953
	9,157	4,495	4,503	2,479	119	20,753
Third-party revenues	9,157	4,495	4,503	2,479	119	20,753
Intersegment revenues ⁽¹⁾	333	95	373	48	(692)	157
Total Revenues	9,490	4,590	4,876	2,527	(573)	20,910

Nine months ended September 30, 2018						
(\$ in millions)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	2,833	1,810	1,367	1,286	67	7,363
The Americas	2,466	1,098	1,809	353	33	5,759
Asia, Middle East and Africa	2,710	1,789	1,239	1,038	188	6,964
	8,009	4,697	4,415	2,677	288	20,086
End Customer Markets						
Utilities	2,195	858	538	–	171	3,762
Industry	3,279	2,597	2,886	2,644	70	11,476
Transport & infrastructure	2,535	1,242	991	33	47	4,848
	8,009	4,697	4,415	2,677	288	20,086
Product type						
Products	6,965	1,119	3,803	1,528	63	13,478
Systems	437	1,407	–	750	225	2,819
Services and other	607	2,171	612	399	–	3,789
	8,009	4,697	4,415	2,677	288	20,086
Third-party revenues	8,009	4,697	4,415	2,677	288	20,086
Intersegment revenues ⁽¹⁾	357	80	377	42	(675)	181
Total Revenues	8,366	4,777	4,792	2,719	(387)	20,267

Three months ended September 30, 2019						
(\$ in millions)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	980	582	450	420	17	2,449
The Americas	1,157	383	588	113	(1)	2,240
Asia, Middle East and Africa	916	490	473	281	(4)	2,156
	3,053	1,455	1,511	814	12	6,845
End Customer Markets						
Utilities	526	212	422	–	6	1,166
Industry	1,149	882	974	794	(6)	3,793
Transport & infrastructure	1,378	361	115	20	12	1,886
	3,053	1,455	1,511	814	12	6,845
Product type						
Products	2,698	333	1,296	439	27	4,793
Systems	116	375	–	249	(15)	725
Services and other	239	747	215	126	–	1,327
	3,053	1,455	1,511	814	12	6,845
Third-party revenues	3,053	1,455	1,511	814	12	6,845
Intersegment revenues ⁽¹⁾	108	37	119	17	(234)	47
Total Revenues	3,161	1,492	1,630	831	(222)	6,892

Three months ended September 30, 2018						
(\$ in millions)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Total
Geographical markets						
Europe	971	578	447	416	22	2,434
The Americas	1,119	354	610	114	12	2,209
Asia, Middle East and Africa	994	584	429	347	47	2,401
	3,084	1,516	1,486	877	81	7,044
End Customer Markets						
Utilities	950	274	186	–	45	1,455
Industry	1,141	871	960	867	19	3,858
Transport & infrastructure	993	371	340	10	17	1,731
	3,084	1,516	1,486	877	81	7,044
Product type						
Products	2,684	339	1,277	494	27	4,821
Systems	139	485	–	253	54	931
Services and other	261	692	209	130	–	1,292
	3,084	1,516	1,486	877	81	7,044
Third-party revenues	3,084	1,516	1,486	877	81	7,044
Intersegment revenues ⁽¹⁾	115	28	128	10	(230)	51
Total Revenues	3,199	1,544	1,614	887	(149)	7,095

(1) Intersegment revenues include sales to the Power Grids business which is presented as discontinued operations and are not eliminated from Total revenues.

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Operational EBITA:				
Electrification	1,267	1,238	450	431
Industrial Automation	530	679	135	217
Motion	828	775	290	279
Robotics & Discrete Automation	307	412	107	135
Corporate and Other				
– Non-core and divested businesses	(66)	(92)	(23)	(66)
– Stranded corporate costs	(185)	(225)	(52)	(71)
– Corporate costs and Other Intersegment elimination	(284)	(366)	(101)	(111)
Consolidated Operational EBITA	2,397	2,421	806	814
Acquisition-related amortization	(205)	(198)	(70)	(73)
Restructuring, related and implementation costs ⁽¹⁾	(201)	(43)	(59)	(37)
Changes in obligations related to divested businesses	(32)	(92)	(25)	(75)
Changes in pre-acquisition estimates	(13)	(2)	–	(1)
Gains and losses from sale of businesses	8	61	12	66
Fair value adjustment on assets and liabilities held for sale	(466)	–	(11)	–
Acquisition- and divestment-related expenses and integration costs	(72)	(148)	(18)	(75)
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(21)	1	(34)	25
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	6	(11)	9	(9)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	10	(23)	12	(18)
Certain other non-operational items:				
Costs for planned divestment of Power Grids	(102)	–	(44)	–
Regulatory, compliance and legal costs	(9)	(29)	(1)	(13)
Business transformation costs	(13)	(7)	(7)	(5)
Executive Committee transition costs	(12)	–	2	–
Gain on sale of investments	15	–	–	–
Gain on liquidation of a foreign subsidiary	–	31	–	31
Other non-operational items	–	(10)	5	(13)
Income from operations	1,290	1,951	577	617
Interest and dividend income	57	61	20	13
Interest and other finance expense	(179)	(196)	(56)	(74)
Non-operational pension (cost) credit	67	77	23	25
Income from continuing operations before taxes	1,235	1,893	564	581

(1) Amounts in 2019 include \$71 million and \$28 million of implementation costs in relation to the OS program for the nine and three months ended September 30, 2019, respectively.

(\$ in millions)	Total assets ^{(1), (2)}	
	September 30, 2019	December 31, 2018
Electrification	11,846	12,052
Industrial Automation	4,436	4,287
Motion	6,159	6,016
Robotics & Discrete Automation	4,664	4,760
Corporate and Other	17,451	17,326
Consolidated	44,556	44,441

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

(2) Assets held for sale of \$9,006 million and \$8,591 million are included in Corporate and Other at September 30, 2019 and December 31, 2018, respectively (see Note 3).

Supplemental Reconciliations and Definitions

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

While ABB's management believes that the non-GAAP financial measures herein are useful in evaluating ABB's operating results, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with U.S. GAAP. Therefore these measures should not be viewed in isolation but considered together with the Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the nine and three months ended September 30, 2019.

On January 1, 2018, the Company adopted a new accounting standard, Revenue from contracts with customers, and consistent with the method of adoption elected, comparative information for 2017 has not been restated and continues to be reported under the accounting standards previously in effect for that period. In addition, on January 1, 2019, the Company adopted a new accounting standard for lease accounting (see Note 2 to the Consolidated Financial Information). Consistent with the method of adoption elected, comparable information has not been restated to reflect the adoption of this new standard and continues to be measured and reported under the accounting standard in effect for those periods presented.

Comparable growth rates

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

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

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

Comparable growth rate reconciliation by business

Business	Q3 2019 compared to Q3 2018							
	Order growth rate				Revenue growth rate			
	US\$	Foreign	Portfolio	Comparable	US\$	Foreign	Portfolio	Comparable
	(as reported)	exchange impact	changes		(as reported)	exchange impact	changes	
Electrification	-1%	2%	0%	1%	-1%	2%	0%	1%
Industrial Automation	1%	2%	0%	3%	-3%	1%	0%	-2%
Motion	-1%	2%	0%	1%	1%	2%	0%	3%
Robotics & Discrete Automation	-18%	2%	0%	-16%	-6%	3%	0%	-3%
ABB Group	-3%	1%	1%	-1%	-3%	2%	1%	0%

Business	9M 2019 compared to 9M 2018							
	Order growth rate				Revenue growth rate			
	US\$	Foreign	Portfolio	Comparable	US\$	Foreign	Portfolio	Comparable
	(as reported)	exchange impact	changes		(as reported)	exchange impact	changes	
Electrification	13%	5%	-14%	4%	13%	5%	-15%	3%
Industrial Automation	-6%	4%	0%	-2%	-4%	4%	0%	0%
Motion	0%	4%	0%	4%	2%	4%	0%	6%
Robotics & Discrete Automation	-13%	5%	0%	-8%	-7%	5%	0%	-2%
ABB Group	0%	5%	-4%	1%	3%	4%	-5%	2%

Regional comparable growth rate reconciliation

Region	Q3 2019 compared to Q3 2018							
	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	-6%	4%	0%	-2%	1%	4%	0%	5%
The Americas	-1%	0%	0%	-1%	1%	0%	1%	2%
Asia, Middle East and Africa	-3%	2%	2%	1%	-10%	1%	2%	-7%
ABB Group	-3%	1%	1%	-1%	-3%	2%	1%	0%

Region	9M 2019 compared to 9M 2018							
	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	-6%	6%	-2%	-2%	1%	6%	-2%	5%
The Americas	17%	2%	-14%	5%	17%	2%	-15%	4%
Asia, Middle East and Africa	-5%	4%	2%	1%	-6%	4%	-1%	-3%
ABB Group	0%	5%	-4%	1%	3%	4%	-5%	2%

Order backlog growth rate reconciliation

Business	September 30, 2019 compared to September 30, 2018			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Electrification	3%	1%	0%	4%
Industrial Automation	-4%	4%	0%	0%
Motion	1%	3%	0%	4%
Robotics & Discrete Automation	-2%	4%	0%	2%
ABB Group	-3%	3%	3%	3%

Other growth rate reconciliations

	Q3 2019 compared to Q3 2018				9M 2019 compared to 9M 2018			
	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable	US\$ (as reported)	Foreign exchange impact	Portfolio changes	Comparable
Service orders	-5%	3%	0%	-2%	2%	4%	-4%	2%
Service revenues	3%	2%	0%	5%	4%	5%	-5%	4%

Business realignment

Effective April 1, 2019, the Company announced a reorganization of its operating segments into four customer-focused, entrepreneurial businesses. The Electrification Products segment was renamed the Electrification segment. The Industrial Automation segment remains unchanged except that it now excludes the Machine and Factory Automation business line, which has been transferred, along with the Robotics business line from the former Robotics and Motion segment, to the new Robotics & Discrete Automation segment. The new Motion segment contains the remaining business lines of the former Robotics and Motion segment.

The following information presents a reconciliation of growth rates of orders and revenues for 2018 compared to 2017 to reflect these organizational changes:

Comparable growth rate reconciliation by business

Business	Q3 2018 compared to Q3 2017							
	Order growth rate				Revenue growth rate			
	US\$	Foreign	Portfolio changes	Comparable	US\$	Foreign	Portfolio changes	Comparable
	(as reported)	exchange impact			(as reported)	exchange impact		
Electrification	26%	4%	-24%	6%	23%	4%	-24%	3%
Industrial Automation	4%	3%	0%	7%	-2%	4%	0%	2%
Motion	12%	3%	0%	15%	6%	3%	0%	9%
Robotics & Discrete Automation	9%	3%	0%	12%	0%	3%	0%	3%
ABB Group	9%	4%	-4%	9%	9%	4%	-8%	5%

Business	9M 2018 compared to 9M 2017							
	Order growth rate				Revenue growth rate			
	US\$	Foreign	Portfolio changes	Comparable	US\$	Foreign	Portfolio changes	Comparable
	(as reported)	exchange impact			(as reported)	exchange impact		
Electrification	15%	-2%	-8%	5%	13%	-2%	-8%	3%
Industrial Automation	11%	-2%	0%	9%	2%	-2%	0%	0%
Motion	16%	-2%	0%	14%	11%	-2%	0%	9%
Robotics & Discrete Automation	34%	-6%	-20%	8%	30%	-5%	-20%	5%
ABB Group	15%	-2%	-5%	8%	10%	-2%	-4%	4%

Operational EBITA margin

Definition

Operational EBITA margin

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

Operational EBITA

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

- acquisition-related amortization (as defined below),
- restructuring, related and implementation costs,
- changes in the amount recorded for obligations related to divested businesses occurring after the divestment date (changes in obligations related to divested businesses),
- changes in estimates relating to opening balance sheets of acquired businesses (changes in pre-acquisition estimates),
- gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale),
- acquisition- and divestment-related expenses and integration costs,
- 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 as well as other items which are determined by management on a case-by-case basis.

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

Acquisition-related amortization

Amortization expense on intangibles arising upon acquisitions.

Restructuring, related and implementation costs

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

Operational revenues

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

Reconciliation

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

Reconciliation of consolidated Operational EBITA to Net Income

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Operational EBITA	2,397	2,421	806	814
Acquisition-related amortization	(205)	(198)	(70)	(73)
Restructuring, related and implementation costs ⁽¹⁾	(201)	(43)	(59)	(37)
Changes in obligations related to divested businesses	(32)	(92)	(25)	(75)
Changes in pre-acquisition estimates	(13)	(2)	–	(1)
Gains and losses from sale of businesses	8	61	12	66
Fair value adjustment on assets and liabilities held for sale	(466)	–	(11)	–
Acquisition- and divestment-related expenses and integration costs	(72)	(148)	(18)	(75)
Certain other non-operational items	(121)	(15)	(45)	–
Foreign exchange/commodity timing differences in income from operations	(5)	(33)	(13)	(2)
Income from operations	1,290	1,951	577	617
Interest and dividend income	57	61	20	13
Interest and other finance expense	(179)	(196)	(56)	(74)
Non-operational pension (cost) credit	67	77	23	25
Income from continuing operations before taxes	1,235	1,893	564	581
Provision for taxes	(452)	(528)	(142)	(154)
Income (loss) from continuing operations, net of tax	783	1,365	422	427
Income from discontinued operations, net of tax	388	588	97	209
Net income	1,171	1,953	519	636

(1) Amounts in the nine and three months ended September 30, 2019 include \$71 million and \$28 million of implementation costs in relation to the OS program, respectively.

Reconciliation of Operational EBITA margin by business

Three months ended September 30, 2019						
(\$ in millions, unless otherwise indicated)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and	Consolidated
					Other and Intersegment elimination	
Total revenues	3,161	1,492	1,630	831	(222)	6,892
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	17	16	5	–	2	40
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	(1)	–	1	(9)	(9)
Unrealized foreign exchange movements on receivables (and related assets)	(7)	(2)	(2)	(2)	2	(11)
Operational revenues	3,171	1,505	1,633	830	(227)	6,912
Income (loss) from operations	378	124	264	83	(272)	577
Acquisition-related amortization	28	1	13	19	9	70
Restructuring, related and implementation costs	8	2	5	5	39	59
Changes in obligations related to divested businesses	1	–	–	–	24	25
Gains and losses from sale of businesses	2	–	–	–	(14)	(12)
Fair value adjustment on assets and liabilities held for sale	11	–	–	–	–	11
Acquisition- and divestment-related expenses and integration costs	18	–	–	–	–	18
Certain other non-operational items	(1)	–	3	1	42	45
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	9	15	8	(1)	3	34
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	2	(2)	–	1	(10)	(9)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(6)	(5)	(3)	(1)	3	(12)
Operational EBITA	450	135	290	107	(176)	806
Operational EBITA margin (%)	14.2%	9.0%	17.8%	12.9%	n.a.	11.7%

In the three months ended September 30, 2019, Certain other non-operational items in the table above includes the following:

Three months ended September 30, 2019						
(\$ in millions, unless otherwise indicated)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and	Consolidated
					Other	
Certain other non-operational items:						
Costs for planned divestment of Power Grids	–	–	–	–	44	44
Regulatory, compliance and legal costs	–	–	–	–	1	1
Business transformation costs	3	–	3	1	–	7
Executive Committee transition costs	–	–	–	–	(2)	(2)
Other non-operational items	(4)	–	–	–	(1)	(5)
Total	(1)	–	3	1	42	45

Three months ended September 30, 2018						
(\$ in millions, unless otherwise indicated)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other and Intersegment	Consolidated
					elimination	
Total revenues	3,199	1,544	1,614	887	(149)	7,095
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	(7)	(23)	(7)	(8)	(9)	(54)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	6	–	1	1	11
Unrealized foreign exchange movements on receivables (and related assets)	4	3	4	6	(1)	16
Operational revenues	3,199	1,530	1,611	886	(158)	7,068
Income (loss) from operations	391	214	251	112	(351)	617
Acquisition-related amortization	32	1	15	20	5	73
Restructuring, related and implementation costs	19	2	11	–	5	37
Changes in obligations related to divested businesses	–	–	–	–	75	75
Changes in pre-acquisition estimates	1	–	–	–	–	1
Gains and losses from sale of businesses	(83)	–	–	–	17	(66)
Acquisition- and divestment-related expenses and integration costs	60	1	1	–	13	75
Certain other non-operational items	–	1	3	–	(4)	–
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	5	(18)	(3)	(1)	(8)	(25)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	2	5	–	–	2	9
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	4	11	1	4	(2)	18
Operational EBITA	431	217	279	135	(248)	814
Operational EBITA margin (%)	13.5%	14.2%	17.3%	15.2%	n.a.	11.5%

In the three months ended September 30, 2018, Certain other non-operational items in the table above includes the following:

Three months ended September 30, 2018						
(\$ in millions, unless otherwise indicated)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Regulatory, compliance and legal costs	–	1	–	–	12	13
Business transformation costs	–	–	6	–	(1)	5
Gain on liquidation of a foreign subsidiary	–	–	–	–	(31)	(31)
Other non-operational items	–	–	(3)	–	16	13
Total	–	1	3	–	(4)	–

Nine months ended September 30, 2019						
(\$ in millions, unless otherwise indicated)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other and Intersegment	Consolidated
					elimination	
Total revenues	9,490	4,590	4,876	2,527	(573)	20,910
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	7	7	5	4	–	23
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	–	–	–	–	(8)	(8)
Unrealized foreign exchange movements on receivables (and related assets)	(6)	1	(1)	(2)	5	(3)
Operational revenues	9,491	4,598	4,880	2,529	(576)	20,922
Income (loss) from operations	571	506	764	236	(787)	1,290
Acquisition-related amortization	87	3	40	58	17	205
Restructuring, related and implementation costs	61	14	10	8	108	201
Changes in obligations related to divested businesses	1	–	–	–	31	32
Changes in pre-acquisition estimates	13	–	–	–	–	13
Gains and losses from sale of businesses	(1)	–	–	–	(7)	(8)
Fair value adjustment on assets and liabilities held for sale	466	–	–	–	–	466
Acquisition- and divestment-related expenses and integration costs	69	–	–	1	2	72
Certain other non-operational items	1	2	8	2	108	121
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	4	9	8	2	(2)	21
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	–	–	–	(9)	(6)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(8)	(4)	(2)	–	4	(10)
Operational EBITA	1,267	530	828	307	(535)	2,397
Operational EBITA margin (%)	13.3%	11.5%	17.0%	12.1%	n.a.	11.5%

In the nine months ended September 30, 2019, Certain other non-operational items in the table above includes the following:

Nine months ended September 30, 2019						
(\$ in millions, unless otherwise indicated)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Costs for planned divestment of Power Grids	–	–	–	–	102	102
Regulatory, compliance and legal costs	–	–	–	–	9	9
Business transformation costs	3	–	8	2	–	13
Executive Committee transition costs	–	–	–	–	12	12
Gain on the sale of investments	–	–	–	–	(15)	(15)
Other non-operational items	(2)	2	–	–	–	–
Total	1	2	8	2	108	121

Nine months ended September 30, 2018						
(\$ in millions, unless otherwise indicated)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other and Intersegment	Consolidated
					elimination	
Total revenues	8,366	4,777	4,792	2,719	(387)	20,267
Foreign exchange/commodity timing differences in total revenues:						
Unrealized gains and losses on derivatives	20	(17)	–	8	–	11
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	12	–	–	(4)	11
Unrealized foreign exchange movements on receivables (and related assets)	(9)	(4)	(1)	–	(3)	(17)
Operational revenues	8,380	4,768	4,791	2,727	(394)	20,272
Income (loss) from operations	1,069	655	698	350	(821)	1,951
Acquisition-related amortization	71	5	46	62	14	198
Restructuring, related and implementation costs	22	4	14	(1)	4	43
Changes in obligations related to divested businesses	–	–	–	–	92	92
Changes in pre-acquisition estimates	2	–	–	–	–	2
Gains and losses from sale of businesses	(81)	3	–	–	17	(61)
Acquisition- and divestment-related expenses and integration costs	128	3	1	–	16	148
Certain other non-operational items	(2)	1	7	–	9	15
Foreign exchange/commodity timing differences in income from operations:						
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	27	(18)	5	(2)	(13)	(1)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	3	12	–	–	(4)	11
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(1)	14	4	3	3	23
Operational EBITA	1,238	679	775	412	-683	2,421
Operational EBITA margin (%)	14.8%	14.2%	16.2%	15.1%	n.a.	11.9%

In the nine months ended September 30, 2018, Certain other non-operational items in the table above includes the following:

Nine months ended September 30, 2018						
(\$ in millions, unless otherwise indicated)	Electrification	Industrial Automation	Motion	Robotics & Discrete Automation	Corporate and Other	Consolidated
Certain other non-operational items:						
Regulatory, compliance and legal costs	–	1	–	–	28	29
Business transformation costs	–	–	7	–	–	7
Gain on liquidation of a foreign subsidiary	–	–	–	–	(31)	(31)
Other non-operational items	(2)	–	–	–	12	10
Total	(2)	1	7	–	9	15

Operational EPS

Definition

Operational EPS

Operational EPS is calculated as Operational net income divided by the weighted-average number of shares outstanding used in determining basic earnings per share.

Operational net income

Operational net income is calculated as Net income attributable to ABB adjusted for the following:

- (i) acquisition-related amortization,
- (ii) restructuring, related and implementation costs
- (iii) non-operational pension cost (credit),
- (iv) changes in obligations related to divested businesses,
- (v) changes in pre-acquisition estimates,
- (vi) gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale),
- (vii) acquisition- and divestment-related expenses and integration costs,
- (viii) certain other non-operational items,
- (ix) 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), and
- (x) The amount of income tax on operational adjustments either estimated using the Adjusted Group effective tax rate or in certain specific cases, computed using the actual income tax effects of the relevant item in (i) to (ix) above.

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.

Adjusted Group effective tax rate

The Adjusted Group effective tax rate is computed by dividing a combined adjusted provision for taxes (for both continuing and discontinued operations) by a combined adjusted pre-tax income (from both continuing and discontinued operations). Certain amounts recorded in income before taxes and the related provision for taxes (primarily gains and losses from sale of businesses) are excluded from the computation.

Constant currency Operational EPS adjustment and Operational EPS growth rate (constant currency)

In connection with ABB's 2015-2020 targets, Operational EPS growth is measured assuming 2014 as the base year and uses constant exchange rates. We compute the constant currency operational net income for all periods using the relevant monthly exchange rates which were in effect during 2014 and any difference in computed Operational net income is divided by the relevant weighted-average number of shares outstanding to identify the constant currency Operational EPS adjustment.

Reconciliation

(\$ in millions, except per share data in \$)	Nine months ended September 30,		
	2019	2018	Growth ⁽³⁾
Net income (attributable to ABB)	1,114	1,856	-40%
Operational adjustments:			
Acquisition-related amortization	205	198	
Restructuring, related and implementation costs ⁽¹⁾	201	43	
Non-operational pension cost (credit)	(67)	(77)	
Changes in obligations related to divested businesses	32	92	
Changes in pre-acquisition estimates	13	2	
Gains and losses from sale of businesses	(8)	(61)	
Fair value adjustment on assets and liabilities held for sale	466	–	
Acquisition- and divestment-related expenses and integration costs	72	148	
Certain other non-operational items	121	15	
FX/commodity timing differences in income from operations	5	33	
Operational adjustments in discontinued operations	122	100	
Tax on operational adjustments ⁽²⁾	(192)	(143)	
Operational net income	2,084	2,206	-6%
Weighted-average number of shares outstanding (in millions)	2,132	2,132	
Operational EPS	0.98	1.03	-6%
Constant currency Operational EPS adjustment	0.14	0.14	
Operational EPS (constant currency basis - 2014 exchange rates)	1.12	1.17	-5%

(\$ in millions, except per share data in \$)	Three months ended September 30,		
	2019	2018	Growth ⁽³⁾
Net income (attributable to ABB)	515	603	-15%
Operational adjustments:			
Acquisition-related amortization	70	73	
Restructuring, related and implementation costs ⁽¹⁾	59	37	
Non-operational pension cost (credit)	(23)	(25)	
Changes in obligations related to divested businesses	25	75	
Changes in pre-acquisition estimates	–	1	
Gains and losses from sale of businesses	(12)	(66)	
Fair value adjustment on assets and liabilities held for sale	11	–	
Acquisition- and divestment-related expenses and integration costs	18	75	
Certain other non-operational items	45	–	
FX/commodity timing differences in income from operations	13	2	
Operational adjustments in discontinued operations	51	9	
Tax on operational adjustments ⁽²⁾	(63)	(57)	
Operational net income	709	727	-3%
Weighted-average number of shares outstanding (in millions)	2,133	2,132	
Operational EPS	0.33	0.34	-3%
Constant currency Operational EPS adjustment	0.03	0.05	
Operational EPS (constant currency basis - 2014 exchange rates)	0.36	0.39	-7%

(1) Amounts in the nine and three months ended September 30, 2019 include \$71 million and \$28 million of implementation costs in relation to the OS program, respectively.

(2) Tax amount is computed by applying the Adjusted Group effective tax rate to the operational adjustments, except for gains and losses from sale of businesses (including fair value adjustment on assets and liabilities held for sale), for which the actual provision for taxes resulting from the gain or loss has been computed.

(3) Growth is computed using unrounded EPS amounts.

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, and Marketable securities and short-term investments.

Reconciliation

(\$ in millions)	September 30, 2019	December 31, 2018
Short-term debt and current maturities of long-term debt	1,889	2,031
Long-term debt	7,800	6,587
Total debt	9,689	8,618
Cash and equivalents	2,579	3,445
Marketable securities and short-term investments	569	712
Cash and marketable securities	3,148	4,157
Net debt	6,541	4,461

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, and (c) pension and other employee benefits); and including the amounts related to these accounts which have been presented as either assets or liabilities held for sale but excluding any amounts included in discontinued operations.

Adjusted revenues for the trailing twelve months

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

Reconciliation

(\$ in millions, unless otherwise indicated)	September 30, 2019	September 30, 2018
Net working capital:		
Receivables, net	6,448	6,589
Contract assets	1,088	1,172
Inventories, net	4,364	4,518
Prepaid expenses	258	273
Accounts payable, trade	(4,023)	(4,186)
Contract liabilities	(1,616)	(1,766)
Other current liabilities ⁽¹⁾	(2,981)	(3,043)
Net working capital in assets and liabilities held for sale	83	–
Net working capital	3,621	3,557
Total revenues for the three months ended:		
September 30, 2019 / 2018	6,892	7,095
June 30, 2019 / 2018	7,171	6,731
March 31, 2019 / 2018	6,847	6,441
December 31, 2018 / 2017	7,395	6,804
Adjustment to annualize/eliminate revenues of certain acquisitions/divestments	(115)	1,622
Adjusted revenues for the trailing twelve months	28,190	28,693
Net working capital as a percentage of revenues (%)	12.8%	12.4%

(1) Amounts exclude \$595 million and \$539 million at September 30, 2019 and 2018, respectively, related primarily to (a) income taxes payable, (b) current derivative liabilities, and (c) pension and other employee benefits.

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 adjusted free cash flow divided by Net income attributable to ABB.

Adjusted free cash flow

Adjusted free cash flow is calculated as net cash provided by operating activities adjusted for: (i) purchases of property, plant and equipment and intangible assets, (ii) proceeds from sales of property, plant and equipment, and (iii) changes in financing and other non-current receivables, net (included in other investing activities).

Free cash flow for the trailing twelve months

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

Net income for the trailing twelve months

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

Free cash flow conversion to net income

(\$ in millions, unless otherwise indicated)	Twelve months to	
	September 30, 2019	December 31, 2018
Net cash provided by operating activities	2,281	2,924
Adjusted for the effects of:		
Continuing operations:		
Purchases of property, plant and equipment and intangible assets	(763)	(772)
Proceeds from sale of property, plant and equipment	90	72
Changes in financing receivables and other non-current receivables	3	(8)
Discontinued operations:		
Purchases of property, plant and equipment and intangible assets	(183)	(201)
Proceeds from sale of property, plant and equipment	13	8
Changes in financing receivables and other non-current receivables	–	1
Adjusted free cash flow	1,441	2,024
Net income attributable to ABB	1,431	2,173
Free cash flow conversion to net income	101%	93%

Reconciliation of the trailing twelve months to September 30, 2019

Discontinuation of the trailing twelve months to September 30, 2019								
	Net cash provided by operating activities	Continuing operations			Discontinued operations			Net income attributable to ABB
		Purchases of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Changes in financing receivables and other non-current receivables	Purchases of property, plant and equipment and intangible assets	Proceeds from sale of property, plant and equipment	Changes in financing receivables and other non-current receivables	
(\$ in millions)								
Q4 2018	1,867	(235)	23	(1)	(64)	4	–	317
Q1 2019	(256)	(207)	48	2	(43)	–	–	535
Q2 2019	–	(169)	6	(3)	(38)	1	–	64
Q3 2019	670	(152)	13	5	(38)	8	–	515
Total for the trailing twelve months to September 30, 2019	2,281	(763)	90	3	(183)	13	–	1,431

Finance net

Definition

Finance net is calculated as Interest and dividend income less Interest and other finance expense.

Reconciliation

(\$ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Interest and dividend income	57	61	20	13
Interest and other finance expense	(179)	(196)	(56)	(74)
Finance net	(122)	(135)	(36)	(61)

Book-to-bill ratio

Definition

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

Reconciliation

	Nine months ended September 30,		Three months ended September 30,	
(\$ in millions, unless otherwise indicated)	2019	2018	2019	2018
Orders received	21,702	21,605	6,688	6,917
Total revenues	20,910	20,267	6,892	7,095
Book-to-bill ratio	1.04	1.07	0.97	0.97

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