



ABB Finance B.V.
Rotterdam, The Netherlands

Annual Report

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Report of the Board of Management

General information

ABB Finance B.V. (“the Company”) is a wholly-owned subsidiary of ABB Holdings B.V., Rotterdam, the Netherlands and a member of the worldwide group of related companies of ABB Ltd, Zurich, Switzerland. The Company provides a range of treasury management services to the ABB Group.

The Company acts as a financial intermediary for the ABB Group in the capital markets and manages, through its investment activities, certain excess liquidity of the ABB Group. The Company has the benefit of a Keep-Well Agreement entered into with ABB Ltd, Switzerland, the holding company of the ABB Group. The agreement assures a minimum tangible net worth of USD 1 million, the maintenance of 100% direct or indirect ownership by ABB Ltd and, if required, the provision of sufficient funds to enable the Company to meet its financial obligations not guaranteed by ABB Ltd. Furthermore, outstanding notes and commercial paper issued by the Company are guaranteed by ABB Ltd, Switzerland.

The Company is a designated issuer under the ABB Group’s Euro Medium Term Note (EMTN) program that allows the issuance of up to the equivalent of USD 8 billion in certain debt instruments. The terms of the program do not obligate any third party to extend credit to the Company and the terms and possibility of issuing any debt under the program are determined with respect to, and as of the date of issuance of, each debt instrument. The notes are listed on the Luxembourg Euro MTF which is a non-regulated market. As such, the Company is not required to appoint a supervisory board. In January 2023, the Company issued EUR 500 million of 3.250% fixed rate notes due January 16, 2027 and EUR 750 million of 3.375% fixed rate notes due January 16, 2031. Total proceeds, after discount on issuance and fees, amounted to EUR 1,233.6 million (equivalent to USD 1,335.9 million on date of issuance). In March 2022, the Company issued EUR 500 million of floating rate notes and EUR 700 million of 0.625% fixed rate notes, both due March 31, 2024. Total proceeds, after discount on issuance and fees, amounted to EUR 1,202.5 million (equivalent to USD 1,334.5 million on date of issuance).

Furthermore, the Company entered an interest rate swap to economically convert the EUR 700 million notes into floating rate obligations.

The Company signed in November 2023 a EUR 500 million financing agreement with the European Investment Bank (EIB). At December 31, 2023, no amounts were drawn by the Company under this agreement.

The Company has a USD 2 billion Euro Commercial Paper program for the issuance of commercial paper in a variety of currencies. At December 31, 2023, no commercial paper was outstanding, while at December 31, 2022, EUR 1,295 million of commercial paper was outstanding.

The Company is one of the ABB Group’s designated borrowers under a USD 2 billion multicurrency revolving credit facility, guaranteed by ABB Ltd (see note 7 to the financial statements for further details). No amounts were drawn by the Company at December 31, 2023 or 2022. In 2023, this credit facility has been updated to address LIBOR discontinuation, replacing USD-, GBP- and CHF-LIBOR with Term-SOFR, overnight SONIA and overnight SARON, respectively, plus a credit adjustment spread that varies according to the currency and tenor of the drawing. Drawings in Euros remain based on EURIBOR. The margin, commitment and utilization fees remain unchanged.

In 2022, the Company received a capital contribution of USD 10 million from its shareholder to the share premium account. Of this amount, USD 1.093 million was already reflected in the Company’s 2021 financial statements as a receivable in the balance sheet and an increase to the share premium account (see note 6), in order to maintain a minimum equity of USD 1 million under the Keep-Well agreement described in note 1; the remaining portion of the capital contribution was reflected in the 2022 financial statements.

During 2022, Mr. Urs Arnold resigned and was replaced by Mr. Jani Relander as a member of the Board of Management.

Risk management

The Company has the benefit of the Keep-Well Agreement mentioned above and the notes issued under the EMTN program, as well as the Euro Commercial Paper program, are guaranteed by ABB Ltd, which mitigates the Company's financial risks. Furthermore, exposure to market risks is substantially transferred to ABB Capital AG, through the interest compensation arrangement described in note 1 to the financial statements. More specific risk management measures are described below.

To minimize the financial risks from its financing, investing and liquidity management activities (see note 9 to the financial statements), the Company generally funds itself in the same currency and on similar terms as its investments. However, where this is not possible, the Company uses derivative transactions with ABB Capital AG to reduce its risks. The exposures from the Company's financing, investing and liquidity management activities are regulated by financial policies containing strict rules for the monitoring of all financial risks of the Company. Real time and end-of-day monitoring of market risks is performed by a separate risk control department to ensure that the policies are adhered to at all times. These financial policies are reviewed and updated regularly to take into consideration current market conditions and measurement practices.

The Company has sufficient access to funding sources to repay any of its external borrowings,

as it is a designated issuer under the ABB Group's EMTN program, the designated issuer under the Euro Commercial Paper program and also a designated borrower under the ABB Group's USD 2 billion revolving credit facility (see notes 1 and 7 to the financial statements for further details).

The Management of the Company reviews compliance and regulation risks on an ongoing basis. Anti-fraud process level controls are in place including segregation of duties while entity level controls including an ABB group-wide Code of Conduct and various ABB reporting channels (e.g. country-specific telephone helplines, a web submission portal, and direct contact to a number of internal Integrity officers) allow whistleblowers an easily accessible way of reporting concerns which are followed up by a robust case investigation and resolution process. All mentioned risks and uncertainties have a low risk level and are in line with the preferred risk profile of the company. Consequently, no changes have been implemented in the actual risk management systems and none of the risks had an impact during the financial years presented in these statements. The Company is not significantly exposed to operational and/or strategic risks.

Services which are not provided by its employees are provided by a related company and covered by a service agreement that can be adjusted at any point in time to cover the Company's operational demand.

Result for the year

The Company's net result for 2023 was a loss of USD 5.8 million (2022: profit of USD 10.9 million). The Company's net result from financial transactions decreased by USD 23.4 million to a net loss of USD 8.7 million, from a net gain position of USD 14.7 million in 2022, mainly due to hedge ineffectiveness from interest rate and cross-currency interest swaps (all swaps were designated as fair value hedges and the changes in their fair value, as well as the changes in the fair value of the risk component of the underlying debt being hedged, were recorded as offsetting gains and losses in "Interest expense"). Income from service fees (in respect of services provided to related

companies) increased to USD 4.2 million in 2023, compared to USD 3.4 million in 2022, while operating expenses increased to USD 3.8 million in 2023, compared to USD 3.4 million in 2022, as a result of increased personnel expenses (see note 15 & 16).

At December 31, 2023, the Company's total assets amounted to USD 5.8 billion compared to USD 5.6 billion at December 31, 2022. This increase resulted from additional cash on-lent to the Company by a related company that was invested in marketable securities and was partially offset by repayment of debt and the corresponding reduction of the on-lending to a related company.

Outlook

The existing activities of the Company are expected to continue unchanged in 2024.

In January 2024, the Company issued, under the EMTN program, EUR 500 million of 3.125% fixed rate notes due 2029 and EUR 750 million of 3.375% fixed rate notes due 2034. Total proceeds, after discount on issuance and fees, amounted to EUR 1,242.7 million (equivalent to USD 1,359.9 million on date of issuance). Furthermore, the Company entered into interest rate swaps to economically convert EUR 250 million of the EUR 500 million notes and EUR 250 million of the EUR 750 million notes into floating rate obligations.

Rotterdam, February 29, 2024

Board of Management

J. Relander

M. Wolodzko

B. Verbruggen

Balance Sheet

(Before profit appropriation)

December 31 (USD in thousands)	Note	2023	2022
Non-current assets			
Deferred taxes		3,259	—
Total non-current assets		3,259	—
Loans – related companies	4, 9	4,506,682	5,186,339
Marketable securities	5, 9	1,229,571	356,912
Interest receivable	10	17,892	22,319
Cash and cash equivalents	3	833	1,104
Total current assets		5,754,978	5,566,474
Total assets		5,758,237	5,566,474
Share capital	6	22	21
Share premium	6	10,998	10,998
Retained earnings	6	9,752	(1,118)
Other reserves	6	5	6
Net result	6	(5,750)	10,870
Total shareholder's equity		15,027	20,777
Debt – third parties	7, 9	2,117,436	2,702,259
Derivative liabilities – related companies	8	229,694	343,916
Deferred taxes		—	2,079
Total non-current liabilities		2,347,130	3,048,254
Debt – related companies	7, 9	1,165,153	340,900
Debt – third parties	7, 9	2,141,351	2,124,251
Derivative liabilities – related companies	8	17,860	5,187
Interest payable	11	68,830	24,680
Tax accrual		1,979	292
Accrued liabilities		907	2,133
Total current liabilities		3,396,080	2,497,443
Total liabilities		5,743,210	5,545,697
Total shareholder's equity and liabilities		5,758,237	5,566,474

See accompanying notes.

Profit and Loss Account

Year ended December 31 (USD in thousands)	Note	2023	2022
Interest income	13	192,724	40,816
Interest expense	13	(258,962)	(40,509)
Interest compensation	1	24,515	9,903
Foreign exchange gains (losses), net		(33)	(518)
Net interest result		(41,756)	9,692
Net gains (losses) on marketable securities	14	33,080	5,023
Result from financial transactions		(8,676)	14,715
Income from service fees	12	4,222	3,363
Operating expenses	15	(3,809)	(3,415)
Result before taxes		(8,263)	14,663
Income tax	17	2,513	(3,793)
Net result		(5,750)	10,870

See accompanying notes.

Notes to Financial Statements

Note 1 General

The Company, registered in Rotterdam with registry number 33232125 at the Dutch Chamber of Commerce, is a wholly-owned subsidiary of ABB Holdings B.V., Rotterdam, the Netherlands and a member of the worldwide group of related companies of ABB Ltd, Zurich, Switzerland. The Company is engaged primarily in funding and investment activities on behalf of the ABB Group. All transactions with related companies are made on an arm's-length basis and have been disclosed in these financial statements.

The consolidated financial statements of the ultimate parent, ABB Ltd, Zurich, are available on the ABB Group's website (www.abb.com) and include the Consolidated Statements of Cash Flows. Consequently, the Company has not presented a cash flow statement in these financial statements.

The Company has the benefit of a "Keep-Well Agreement" with ABB Ltd, dated March 2012. Under the Keep-Well Agreement, ABB Ltd will (i) ensure that the Company has a net worth of at least USD 1 million, (ii) retain ownership (direct or indirect) of the Company as long as the Company has obligations from financial transactions which are not guaranteed by ABB Ltd, and (iii) upon request of the Company, provide the Company with sufficient funds to meet obligations from financial obligations not guaranteed by ABB Ltd. The Keep-Well Agreement is not a guarantee by ABB Ltd of the payment of any indebtedness, liability or obligation of the Company. Holders of notes or other debt are not parties to the Keep-Well Agreement; the only parties to the Keep-Well Agreement are the Company and ABB Ltd. Consequently, the Keep-Well Agreement does not confer to any noteholders or holders of other debt any rights or claims against ABB Ltd. The Keep-Well Agreement will not be enforceable against ABB Ltd by anyone other than the Company (and/or its trustee, receiver, liquidator or administrator in the event of a bankruptcy or, as the case may be, moratorium).

Notes issued by the Company under the ABB Group's EMTN program for the issuance of up to USD 8 billion debt instruments and notes issued by the Company under the ABB Group's USD 2 billion Euro Commercial Paper program are guaranteed by ABB Ltd, whereby ABB Ltd guarantees to the holders of the notes the punctual payment of principal and interest.

In 2012, the Company entered into agreements with ABB Asea Brown Boveri Ltd, whereby, (i) the Company absorbs, and is compensated for, or remits, on a quarterly basis, any interest differential to market rates (positive or negative) on its intercompany lendings and borrowings (the interest differential arises due to differing credit risks between the assets and liabilities) and (ii) the Company receives a remuneration for its service provider function related to these intercompany lending/borrowing activities. In 2023, ABB Asea Brown Boveri Ltd. was replaced by ABB Capital AG as new counterparty to these agreements. In 2023, total net compensation received by the Company under these agreements amounted to USD 24.5 million (2022: the Company received USD 9.9 million) which was included in "Interest compensation" in the profit and loss account.

These financial statements are as at and for the year ended December 31, 2023.

Note 2

Summary of significant accounting policies

Basis of presentation:

The financial statements have been prepared in accordance with Part 9 of Book 2 of the Civil Code of the Netherlands.

The accounting policies applied to the measurement of assets and liabilities and the determination of results are based on the historical cost convention, unless otherwise stated in this summary of significant accounting policies.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits attributable to the asset will flow to the Company and the asset has a cost price or a value which can be measured reliably.

A liability is recognized in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources and the amount necessary to settle the obligation can be measured reliably. Provisions are included in the liabilities of the Company.

Assets and liabilities that are not recognized in the balance sheet are considered as off-balance sheet assets and liabilities.

An asset or liability is derecognized when a transaction results in all (or substantially all) of the rights to economic benefits and all (or substantially all) of the risks related to the asset or liability being transferred to a third party. In such cases, the results of the transaction are directly recognized in the profit and loss account, taking into account any provisions related to the transaction.

In preparing these financial statements, the Company presents its assets and liabilities at amortized cost, except securities (other than held-to-maturity) and derivatives which are stated at fair value with changes in fair value through the profit and loss account. Debt that is subject to a fair value hedge is held at amortized cost adjusted to fair value through the profit and loss account.

Income and expenses are recognized when they are probable and can be measured reliably. Income and expenses are reported in the periods to which they relate.

The Company's accounting records are maintained in U.S. dollars, the functional currency of the Company's operations.

Related companies refer to group companies of ABB Ltd.

Going concern:

The financial statements have been prepared on a going concern basis.

Use of estimates:

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The fair value measurement accounting policy is, in the opinion of management, the most critical in preparing these financial statements and requires judgements, estimates and assumptions.

Translation of foreign currencies:

Monetary assets, share capital and monetary liabilities denominated in foreign currencies are translated at the balance sheet date into U.S. dollars using year-end exchange rates. Transactions in foreign currencies are recorded at rates applicable at the transaction date. Exchange gains and losses resulting from translating monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account. The exchange differences on the euro-denominated share capital are included in the "Other reserves" account in shareholder's equity.

Financial Instruments:**a) General:**

These financial statements include the following financial instruments: loans, cash and cash equivalents, marketable securities, derivatives and debt.

Financial assets and liabilities are recognized in the balance sheet when the contractual risks or rewards with respect to the financial instrument(s) arise.

Financial instruments are derecognized if a transaction results in substantially all of the contractual risks or rewards with respect to the financial instrument(s) being transferred to a third party.

Financial instruments (and individual components of financial instruments) are presented in the financial statements in accordance with the economic substance of the contractual terms, that is, as a financial asset, financial liability or equity instrument.

Financial instruments are initially recognized at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognized in the profit and loss account at the initial recognition.

After initial recognition, financial instruments are valued in the manner described below.

b) Loans:

In preparing its financial statements, the Company states all loans on an amortized cost basis.

c) Cash and cash equivalents:

Cash and cash equivalents are readily available and measured at nominal value.

d) Marketable securities:

Management determines the appropriate classification of securities at the time of purchase. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for accretion of discounts to maturity and, where not denominated in U.S. dollars, are translated into U.S. dollars at year-end exchange rates. Accretion of discount is included in "Interest income" in the profit and loss account.

Marketable securities not classified as held-to-maturity are reported at fair value. Unrealized gains and losses on such securities are included in the profit and loss account as part of "Net gains (losses) on marketable securities". Realized gains and losses on such securities are computed based upon the cost of those securities using the specific identification method.

e) Derivatives:

The Company uses derivative financial instruments to manage certain interest rate exposures arising from its financing activities and to manage foreign exchange exposures in its balance sheet arising from its liquidity management or long-term financing activities. Derivative assets and liabilities have been presented on a gross basis (see note 8).

The Company recognizes all derivatives at fair value in the balance sheet, with the corresponding gains and losses on interest rate swaps and cross-currency interest rate swaps reported in the "Hedge ineffectiveness" component of "Interest expense" (see notes 8 and 13), and gains and losses on forward foreign exchange contracts reported in "Foreign exchange gains (losses), net".

The Company applies fair value hedge accounting to interest rate and cross-currency interest rate swaps hedging long-term debt and documents the relationship between the hedging instruments and hedged items at the inception of the hedging transaction. The Company tests, both at hedge inception and on an ongoing basis, whether the derivatives designated as hedging transactions are highly effective in offsetting changes in fair values of the hedged items. This is done by comparing the cumulative change in the fair value of the hedging instrument (interest rate and cross-currency interest rate swaps) with the cumulative change in fair value of the hedged position (long-term debt). Changes in the fair value of the interest rate and cross-currency interest rate swaps for the period are recorded in the “Hedge ineffectiveness” component of “Interest expense” in the profit and loss account, as are changes in fair value of the hedged item attributable to the risk being hedged and consequently ineffectiveness is recognized in the profit and loss account.

f) Debt:

Debt is stated at amortized cost or at amortized cost adjusted to fair value when it is the hedged item in a fair value hedge relationship.

If notes are issued at a discount or a premium, the Company uses the effective interest rate method to accrete or amortize such amounts to par over the period to maturity. Such accretion or amortization is included in “Interest expense” in the profit and loss account. Capitalized upfront costs in relation to notes issued are amortized over the period to maturity using the effective interest rate method and are shown together with the respective notes in the balance sheet.

Commercial papers issued at a discount or premium are accreted or amortized to the nominal amount (par) over the remaining period to maturity of the commercial paper, with the accretion or amortization amounts recorded in the profit and loss account in “Interest expense” or in “Interest income”, respectively.

Fair value measurement:

The Company uses fair value measurement principles to record certain financial assets and liabilities on a recurring basis and to determine fair value disclosures for certain financial instruments carried at amortized cost in the financial statements. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or the fair value of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm’s-length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analysis.

In determining fair value, the Company uses observable market data for identical or similar assets (e.g. when valuing marketable securities or third-party debt), while it uses discounted cashflow models to determine the fair value of other financial assets/liabilities (e.g. derivatives or intercompany lendings/borrowings).

Financial assets and liabilities recorded at fair value on a recurring basis include interest rate and foreign exchange derivatives, debt that is hedged, as well as marketable securities (other than held-to-maturity securities).

Offsetting:

A financial asset and a financial liability may be offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously. No offset has been made in these financial statements.

Impairment of financial assets:

Financial assets measured at amortized cost are assessed at each reporting date to determine whether there is any evidence of impairment. Impairment occurs when, after initial recognition of the asset, there is objective evidence that one or more events have occurred that will negatively impact the estimated future cash flows of the asset and these cash flows can be reliably estimated.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

Impairment losses are recognized in the profit and loss account and reflected in the balance sheet in an allowance account against the respective asset.

Accrued liabilities:

Accrued liabilities are carried at face value.

Interest:

Interest income and expense are recognized in the profit and loss account on an accruals basis for all financial instruments, using the effective interest rate method.

Taxation:

Corporate income tax is calculated in accordance with Dutch income tax regulations and provided based on income earned during the year. The corresponding liability is shown in "Tax accrual" in the balance sheet.

Until October 30, 2019, the Company was part of the fiscal unity with ABB Capital B.V. and as such was consolidated with ABB Capital B.V. for tax purposes. However, corporate income tax was calculated as if the Company was separately liable for income tax. Both fiscal unity members are jointly and severally liable for the tax position of the fiscal unity as a whole. ABB Capital B.V. is responsible for the remittance of all corporate income tax payments to the tax authorities for the period the Company was part of the fiscal unity. Consequently, the Company records under "Accrued liabilities" taxes accrued in respect of the period that the Company was part of the fiscal unity with ABB Capital B.V. (see note 17).

The Company uses the asset and liability method to account for deferred taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. For financial statement purposes, the Company recognizes a deferred tax asset when it determines that it is more likely than not that the deduction will be sustained based upon the deduction's technical merit. A valuation allowance is recognized to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company has no accruals for uncertain tax positions as of December 31, 2023 and 2022.

From time to time the Company is liable to withholding taxes arising on financing activities with third parties outside the Netherlands. Such charges are included in "Income tax" in the profit and loss account.

Subsequent events:

Subsequent events occur after the balance sheet date but prior to the issuance of the financial statements. When such events provide additional information on the actual situation at the balance sheet date, they are recognized in the financial statements. However, if the events do not provide information on the situation at the balance sheet date but are relevant to users of the financial statements, the nature and estimated financial effects of the events are disclosed but not recognized in the financial statements.

Note 3**Cash and cash equivalents**

Cash represented balances with various banks and was free from liens, pledges or other restrictions.

Note 4

Loans – related companies

Short-term loans:

At December 31, 2023, the short-term loans of USD 4,506.7 million (2022: USD 5,186.3 million) bore interest at rates ranging from 4.01% to 5.43% (2022: -0.10% to 4.29%) and were denominated in EUR and USD

Long-term loans:

At December 31, 2023 and 2022, no long-term loans were outstanding.

Changes in long-term loans for the years ended December 31, 2023 and 2022 were

(USD in thousands)	2023	2022
Balance at January 1	—	1,455,911
Partial repayment of long-term loans	—	(1,338,363)
Foreign exchange movements	—	(117,548)
Balance at December 31	—	—

Note 5

Marketable securities

At December 31, 2023 and 2022, the Company had no held-to-maturity securities. Marketable securities consisted of the following:

December 31, 2023 (USD in thousands)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
Current assets:				
Equity securities:				
Money market funds	1,199,243	30,328	—	1,229,571
	1,199,243	30,328	—	1,229,571

December 31, 2022 (USD in thousands)	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
Financial fixed assets:				
Securities lending agreement:				
U.S. government obligations	80,015	—	(933)	79,082
Current assets:				
Equity securities:				
Money market funds	273,815	3,815	—	277,630
	353,830	3,815	(933)	356,712

In October 2022, the securities lending agreement with a bank was terminated and the securities were returned to the Company.

Note 6

Shareholder's equity

At December 31, 2023 and 2022, 20,103 ordinary shares of the authorized capital of 100,000 ordinary shares (each of EUR 1 par value), were issued.

Changes in shareholder's equity for the year ended December 31, 2023 were:

(EUR and USD in thousands)	Issued capital		Share premium	Retained earnings	Other reserves	Unappropriated result	Total 2023	Total 2022
	EUR	USD	USD	USD	USD	USD	USD	USD
Balance at January 1	20	21	10,998	(1,118)	6	10,870	20,777	1,000
Appropriation of result	—	—	—	10,870	—	(10,870)	—	—
Translation differences	—	1	—	—	(1)	—	—	—
Net result for the year	—	—	—	—	—	(5,750)	(5,750)	10,870
Contribution to share premium	—	—	—	—	—	—	—	8,907
Balance at December 31	20	22	10,998	9,752	5	(5,750)	15,027	20,777

The valuation of the share capital is in accordance with Article 2:373.5 of the Dutch Civil Code. This Article requires share capital to be stated at year-end exchange rates (2023: EUR 1 = USD 1.10735; 2022: EUR 1 = USD 1.06815) and the corresponding translation adjustment to be recorded as "Other reserves".

In April 2022, the Company received from its shareholder a capital contribution of USD 10 million to its share premium account. An amount of USD 1,093 thousand was recorded as an adjusting subsequent event to the 2021 financial statements, to ensure a minimum net worth of USD 1 million at December 31, 2021, as described in note 1. The remainder of the capital contribution was recorded in 2022.

The Board of Management proposes to carry forward to retained earnings the 2023 net loss of USD 5,750 thousand.

Note 7

Debt

The Company's total debt, at December 31, 2023 and 2022, amounted to USD 5,424 million and USD 5,167 million, respectively.

Short-term debt

The Company's short-term debt consisted of:

December 31 (USD in thousands, except % data)	2023		2022	
	Balance	Weighted-average nominal interest rate	Balance	Weighted-average nominal interest rate
Related parties:				
Short-term debt	1,165,153	5.30%	340,900	3.26%
Third parties:				
Commercial paper			1,382,166	1.79%
Current maturities of long-term debt	2,141,351	1.70%	742,085	0.63%
	2,141,351		2,124,251	
	3,306,504		2,465,151	

Short-term debt – related companies bore interest at rate 5.30% (2022: 0.19% to 4.20%) and was denominated in USD.

Commercial paper program

The Company has a USD 2 billion Euro Commercial Paper program for the issuance of commercial paper in a variety of currencies. Commercial paper issued under this program is guaranteed by ABB Ltd. At December 31, 2023, no amounts were issued or outstanding under this program, while at December 31, 2022, commercial paper with an aggregate principal of EUR 1,295 million was outstanding.

Credit facility

The Company is one of the ABB Group's designated borrowers under a USD 2 billion multicurrency revolving credit facility guaranteed by ABB Ltd and maturing in 2026. The facility is for general corporate purposes.

As of and during the years ended December 31, 2023 and 2022, no amount was drawn under the facility. In February 2023, the facility was updated to address LIBOR discontinuation, replacing USD-, GBP- and CHF-LIBOR with Term-SOFR, overnight SONIA and overnight SARON, respectively, plus a credit adjustment spread that varies according to the currency and tenor of the drawing. Drawings in Euros remain based on EURIBOR. The margin to be added to the applicable reference interest rates remains at 0.175%, while commitment and utilization fees also remain unchanged.

Commitment fees (payable on the unused portion of the facility) amount to 35% of the margin, which represents commitment fees of 0.06125% per annum. Utilization fees, payable on drawings, amount to 0.075% per annum on drawings up to or equal to one-third of the facility, 0.15% per annum on drawings in excess of one-third but less than or equal to two-thirds of the facility, or 0.30% per annum on drawings over two-thirds of the facility

The facility contains cross-default clauses whereby an event of default would occur if ABB Ltd or any of its subsidiaries were to default on indebtedness, as defined in the facility, at or above a specified threshold.

Long-term debt

The Company's long-term debt consisted of:

December 31 (USD in thousands, except % data)	2023			2022		
	Balance	Weighted-average nominal interest rate	Effective rate	Balance	Weighted-average nominal interest rate	Effective rate
Third parties:						
Fixed rate	1,368,497	3.33%	3.48%	—	—	—
Floating rate	2,890,290	1.21%	4.85%	3,444,344	0.42%	2.90%
Current maturities of long-term debt	(2,141,351)	1.70%	4.29%	(742,085)	0.63%	2.12%
	748,939			2,702,259		
	2,117,436			2,702,259		

Details of outstanding bonds were as follows:

	2023		2022	
	Nominal amount outstanding (EUR)	Balance sheet amount ¹ (USD)	Nominal amount outstanding (EUR)	Balance sheet amount ¹ (USD)
December 31 (EUR and USD in thousands)				
0.625% EUR notes, due 2023	—	—	700,000	742,085
0.625% EUR notes, due 2024	700,000	768,200	700,000	720,336
FRN EUR notes, due 2024	500,000	554,116	500,000	536,182
0.75% EUR notes, due 2024	750,000	819,035	750,000	768,745
3.250% EUR notes, due 2027	500,000	550,580	—	—
0.000% EUR notes, due 2030	800,000	748,939	800,000	676,996
3.375% EUR notes, due 2031	750,000	817,917	—	—
		4,258,787		3,444,344

¹ Balance sheet amount (USD) includes unamortized debt issuance costs, discounts/premiums on issuance, as well as adjustments for fair value hedge accounting where appropriate.

In January 2023 the Company issued the following instruments under the EMTN program, (i) EUR 500 million of fixed rate notes due in 2027, paying interest annually in arrears at a fixed rate of 3.250% per annum, and (ii) EUR 750 million of fixed rate notes due in 2031, paying interest annually in arrears at a fixed rate of 3.375% per annum. Total proceeds, after discount on issuance and fees, amounted to EUR 1,233.6 million (equivalent to USD 1,335.9 million on date of issuance).

In March 2022, the Company issued the following instruments, both due in 2024, under the EMTN program, (i) EUR 500 million of floating rate notes, paying interest quarterly in arrears at a variable rate of 3-month EURIBOR plus 0.70%, with an interest rate floor of 0.00%, and (ii) EUR 700 million paying interest annually in arrears at a fixed rate of 0.625% per annum. Total proceeds, after discount on issuance and fees, amounted to EUR 1,202.5 million (equivalent to USD 1,334.5 million on date of issuance). Furthermore, the Company entered an interest rate swap to economically convert the EUR 700 million notes into floating rate obligations.

The EUR 800 million notes, due 2030, bear interest at a fixed rate of 0.00% per annum.

The EUR 750 million notes, due 2024 pay interest annually in arrears at a fixed rate of 0.75% per annum.

The EUR 700 million notes, due 2023 paid interest annually in arrears at a fixed rate of 0.625% per annum and were repaid in May 2023.

All the notes have been issued under the ABB Group's EMTN program (see note 1) and are guaranteed by ABB Ltd, whereby ABB Ltd guarantees to the noteholders the punctual payment of principal and interest.

In addition, these notes contain cross-default clauses which would allow the noteholders to demand repayment if the Company or certain other members of the ABB Group were to default on any borrowing at or above a specified threshold. The notes constitute unsecured obligations of the Company and rank pari passu with other debt obligations of the ABB Group.

At December 31, 2023, to hedge its interest rate risks, the Company had in place interest rate swaps for (i) an aggregate notional of EUR 700 million to hedge the 0.625% EUR notes due 2024, and (ii) an aggregate notional amount of EUR 750 million to hedge the 0.75% EUR notes due 2024. In addition, cross-currency interest rate swaps with an aggregate notional amount of EUR 800 million were in place to hedge the Company's foreign exchange and interest rate risks on the 0.000% EUR notes due 2030. After considering the impact of the above swaps, these note issuances are shown as floating rate debt in the table of long-term debt above, together with the floating rate notes issued in March 2022.

In 2024, the Company issued an aggregate of MEUR 1,250 notes under the EMTN program (see note 19).

Note 8

Derivatives – related companies

The Company enters into interest rate and foreign exchange derivatives with a related company to manage its exposures. The fair values of outstanding derivatives at December 31, were as follows:

December 31 (USD in thousands)	Fair Values			
	2023		2022	
	Asset	Liability	Asset	Liability
Current:				
Interest rate swaps	—	17,860	—	5,187
Non-current:				
Interest rate swaps and cross-currency interest rate swaps	—	229,694	—	343,916

At December 31, 2023, the Company had outstanding interest rate swaps, with a gross notional amount of EUR 1,450 million (2022: EUR 2,150 million), to manage certain interest rate exposures arising from its financing activities (see note 7). In addition, at December 31, 2023 and 2022, the Company had outstanding cross-currency interest rate swaps of an aggregate principal of EUR 800 million (receive leg) / USD 973 million (pay leg) to hedge the interest rate and foreign exchange risk on the EUR 800 million bonds issued in January 2021, (see note 7).

All the above swaps were designated as fair value hedges and the changes in their fair value, as well as the changes in the fair value of the risk component of the underlying debt being hedged, were recorded as offsetting gains and losses in “Interest expense”. Consequently, hedge ineffectiveness in the profit and loss account represented a loss of USD 14.5 million in 2023 and a gain of USD 10.3 million in 2022:

(USD in thousands)	2023	2022
Gains (losses) recognized in the “Hedge ineffectiveness” component of “Interest expense” (see note 13):		
on derivatives designated as fair value hedges	70,191	(208,880)
on hedged items	(84,684)	219,165
Hedge ineffectiveness	(14,493)	10,285

Note 9

Financial risks, repayment terms and fair values

Financial risks are considered to be interest, credit, and foreign exchange risk. The Company does not consider itself to be exposed to liquidity risk as it has access to funding through the Euro Commercial Paper program, the EMTN program and ABB Group’s credit facility (all described in note 7), borrowings under which are all guaranteed by ABB Ltd.

The Company’s financial policies contain strict rules for the management of financial risks arising from its financing, investing and liquidity management activities. Real time and end-of-day monitoring of market risk is performed by a separate risk control department to ensure that the policies are adhered to at all times.

Foreign exchange and interest rate risk management:

To minimize the foreign exchange and interest rate risk from its financing, investing and liquidity management activities, the Company generally invests in the same currency and on similar terms as its funding. However, where this is not possible, the Company uses foreign exchange derivative transactions to eliminate its foreign exchange risks and mismatches between the maturities of the liability and the asset, interest rate swaps to hedge the interest rate risks on certain notes (the EUR 700 million notes maturing in 2023, the EUR 750 million notes maturing in 2024 and the EUR 700 million notes maturing in 2024) or cross-currency interest rate swaps to hedge the foreign exchange and interest rate risks on other notes (the EUR 800 million notes maturing in 2030).

Credit risk management:

The Company maintains tight controls over credit risk through strict credit review and credit limit setting procedures for each counterparty, as well as the daily monitoring of credit risks.

Repayment terms:

At December 31, 2023 and 2022, the repayment terms of financial assets and liabilities were as follows:

December 31, 2023 (USD in millions)	<1 year	1–5 years	>5 years	Total carrying value	Total fair value
Current assets:					
Loans – related companies	4,507	—	—	4,507	4,507
Marketable securities ⁽¹⁾	1,230	—	—	1,230	1,230
Non-current liabilities:					
Debt – third parties	—	550	1,567	2,117	2,160
Current liabilities:					
Debt – related companies	1,165	—	—	1,165	1,165
Debt – third parties	2,141	—	—	2,141	2,141

December 31, 2022 (USD in millions)	<1 year	1–5 years	>5 years	Total carrying value	Total fair value
Current assets:					
Loans – related companies	5,186	—	—	5,186	5,186
Marketable securities ⁽¹⁾	357	—	—	357	357
Non-current liabilities:					
Debt – third parties	—	2,025	677	2,702	2,689
Current liabilities:					
Debt – related companies	341	—	—	341	340
Debt – third parties	2,124	—	—	2,124	2,124

(1) at December 31, 2022 and 2021, “Marketable Securities” classified as current assets, included USD 1,230 million and USD 278 million, respectively, invested in Money market funds that have no fixed repayment date but can be sold and settled daily.

The fair values of financial assets and liabilities, other than those listed above, reflected the carrying value of such items, given the short-term nature of those instruments.

Nominal interest rates:

The Company borrows and invests in various currencies on an arm's-length basis.

At December 31, 2023 and 2022, the nominal interest rates (excluding the impact of the interest rate swaps and cross-currency interest rate swaps) of interest-bearing financial assets and liabilities were as follows:

December 31, 2023 (USD in millions)	<0% ⁽¹⁾	0–1%	>1–2%	>2–3%	>3–4%	>4%	Total
Current assets:							
Loans – related companies	—	—	—	—	—	4,507	4,507
Marketable securities ⁽²⁾	—	1,230	—	—	—	—	1,230
Non-current liabilities:							
Debt – third parties	—	749	—	—	1,368	—	2,117
Current liabilities:							
Debt – related companies	—	—	—	—	—	1,165	1,165
Debt – third parties	—	1,587	—	—	—	554	2,141

December 31, 2022 (USD in millions)	<0% ⁽¹⁾	0–1%	>1–2%	>2–3%	>3–4%	>4%	Total
Non-current assets:							
Loans – related companies	16	—	2,817	1,372	—	981	5,186
Marketable securities ⁽²⁾	—	357	—	—	—	—	357
Non-current liabilities:							
Debt – third parties	—	2,702	—	—	—	—	2,702
Current liabilities:							
Debt – related companies	—	80	—	—	—	261	341
Debt – third parties	16	742	1,366	—	—	—	2,124

(1) Interest rates <0% represented negative interest rates in line with market conditions.

(2) "Marketable Securities" classified as current assets, at December 31, 2023 and 2022 included USD 1,230 million and USD 357 million, respectively, invested in Money marketfunds that have no nominal interest rates

Note 10

Interest receivable

December 31 (USD in thousands)	2023	2022
Interest receivable:		
Related companies	17,825	22,133
Third parties	67	186
	17,892	22,319

Note 11

Interest payable

December 31 (USD in thousands)	2023	2022
Interest payable:		
Related companies	17,138	14,248
Third parties	51,692	10,432
	68,830	24,680

Note 12

Income from service fees

Income from service fees represents revenues from accounting, treasury and pension services provided to related companies.

Note 13

Interest income and expense

(USD in thousands)	2023	2022
Interest income:		
Related companies	192,108	38,036
Third parties	616	2,780
	192,724	40,816
Interest expense:		
Interest expense – related companies	(30,135)	(7,965)
Interest expense – third parties	(206,010)	(41,192)
Interest-related income & expense, net	(4,010)	—
Amortization of fees on note issuance	(4,314)	(1,637)
Hedge ineffectiveness (see note 8)	(14,493)	10,285
	(258,962)	(40,509)

Note 14

Net gains (losses) on marketable securities

(USD in thousands)	2023	2022
Net gains (losses) on marketable securities consisted of:		
Money market funds	32,151	4,991
European government obligations	—	687
U.S. government obligations	929	(655)
	33,080	5,023

The net gains (losses) on marketable securities consisted of realized and unrealized market value effects.

Note 15

Operating expenses

(USD in thousands)	2023	2022
Personnel expenses	3,025	2,595
Other – related parties	431	507
Other – third parties	353	313
	3,809	3,415

The remuneration of the auditors, as required by section 382, sub a, Book 2 of the Netherlands Civil Code, amounted to EUR 21,000 in 2023 (2022: EUR 20,000). This related entirely to audit services performed by KPMG Accountants N.V., in respect of the financial statements. No other services were provided by KPMG Accountants N.V. to the Company in 2023 and 2022.

Note 16

Employee data

At December 31, 2023, the Company had 21 employees (2022: 21), all employed in the Netherlands.

Personnel expenses (see note 15) consisted of the following:

(USD in thousands)	2023	2022
Salaries	2,398	2,094
Social security charges	398	300
Pension expense	221	197
Other personnel expenses	8	4
	3,025	2,595

The Board of Management remuneration for 2023 and 2022, included in personnel expenses above, amounted to USD 257 thousand (2022: USD 238 thousand).

Note 17

Income tax

The income tax is based on Dutch income tax regulations and also includes non-recoverable withholding taxes. Dutch current income taxes are provided based on income earned during the year.

Income tax expense consisted of the following:

(USD in thousands)	2023	2022
Current taxes	2,812	511
Deferred taxes	(5,337)	3,282
Withholding taxes	12	—
	(2,513)	3,793

Tax Reconciliation

(USD in thousands, except % data)	2023	2022
Result before taxes	(8,263)	14,663
Dutch tax rate	25.8%	25.8%
Income tax applying Dutch tax rate	(2,132)	3,783
Non-deductible items	4	—
Prior years' income tax adjustments	1,214	10
Effect of change in enacted rates	(1,599)	—
Total income tax	(2,513)	3,793
Overall effective tax rate	30.4%	25.9%

At December 31, 2023, corporate income taxes due amounted to USD 2 million (2022: USD 0.3 million) as reported under "Tax accrual" in the balance sheet. At December 31, 2022, USD 1.3 million were outstanding in "Accrued liabilities" in respect of the period that the Company was part of the fiscal unity with ABB Capital B.V. (see note 2). During 2023, these accrued liabilities were fully settled.

—

Note 18

Transactions with related parties

Related parties include the Company's shareholder, ABB group companies and the Company's Board of Management. All transactions with related parties are made on an arm's-length basis and have been reflected in these financial statements.

—

Note 19

Subsequent events

In January 2024, the Company issued, under the EMTN program, EUR 500 million of 3.125% fixed rate notes due 2029 and EUR 750 million of 3.375% fixed rate notes due 2034. Total proceeds, after discount on issuance and fees, amounted to EUR 1,242.7 million (equivalent to USD 1,359.9 million on date of issuance). Furthermore, the Company entered into interest rate swaps to economically convert EUR 250 million of the EUR 500 million notes and EUR 250 million of the EUR 750 million notes into floating rate obligations.

Rotterdam, February 29, 2024

Board of Management

J. Relander

M. Wolodzko

B. Verbruggen

Other information

Articles of association governing profit appropriation

In accordance with article 22 of the Articles of Association, the net result of the Company should be at the disposal of the General Meeting. The Company may distribute only if, and to the extent that, its shareholder's equity is greater than the sum of the paid and called-up part of the issued capital and the reserves which must be maintained by virtue of the law.



Independent auditor's report

To: the General Meeting of ABB Finance B.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of ABB Finance B.V. as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2023 of ABB Finance B.V. (the 'Company') based in Rotterdam, the Netherlands.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2023;
- 2 the profit and loss account for 2023; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of ABB Finance B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters was addressed in this context and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Information in support of our opinion

Summary

Materiality

- Materiality of USD 50 million
- 0.9% of total assets

Going concern and Fraud/Noclar

- Going concern: no going concern risks identified
- Fraud & Non-compliance with laws and regulations (Noclar) related risks: presumed risk of management override of controls

Key audit matters

- US GAAP to Dutch GAAP conversion and compliance with Dutch accounting standards
- Mitigation of exposure to third party debt by guarantees provided by ABB Ltd

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 50 million (2022: USD 50 million). The materiality is determined with reference to total assets (approximately 0.9%). We consider total assets as the most appropriate benchmark because the Company's third-party debt is utilized to fund the ABB group and this funding represents a significant part of the total assets in the balance sheet. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons, in particular those impacting shareholder's equity and net income as these accounts are relatively low in comparison with total assets.

We agreed with those charged with governance that misstatements identified during the audit in excess of USD 2.5 million would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.



Scope of the group audit

To achieve the most efficient audit approach, given the common IT, back office and risk control systems and activities of the ABB Corporate Treasury function, we requested KPMG Switzerland to perform the majority of the audit procedures on the Company's financial statements.

We have:

- performed audit procedures in respect of the conversion of the US Generally Accepted Accounting Principles (US GAAP) financial statements prepared for group reporting purposes to Dutch Generally Accepted Accounting Principles (Dutch GAAP) for statutory reporting; and
- performed audit procedures on the financial statements in order to assess whether they have been prepared in accordance with Dutch law.

We provided instructions to KPMG Switzerland, covering the significant audit areas, including the relevant risks of material misstatement identified by us, and set out the information required to be reported back to us. Based on our assessment of the effectiveness of internal control, including general IT controls, we decided to adopt a substantive audit approach. Telephone conferences were held with KPMG Switzerland to discuss the planning, audit approach, findings and observations reported to us. We also performed a review of the audit file prepared by KPMG Switzerland.

By performing the procedures mentioned above we have been able to obtain sufficient and appropriate audit evidence about the Company's financial information to provide an opinion about the financial statements.

Audit response to the risk of fraud and non-compliance with laws and regulations

As included on page 4, in the Report of the Board of Management, the Board of Management manages the risks including fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insight into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the ABB's group-wide code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management. As part of our audit procedures, we:

- assessed other positions held by members of the Board of Management and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- evaluated correspondence with the Luxembourg stock exchange and the tax authorities.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and did not identify areas that likely have a material effect on the financial statements.

We evaluated the fraud and non-compliance risk factors to consider whether those factors by themselves would cause the existence of a reasonable possibility of a risk of material misstatement in the financial statements.



Further we assessed the presumed fraud risk on revenue recognition as irrelevant, since the Company's sole significant source of income is finance income. Such finance income is derived from loan agreements with ABB group companies. In addition, as disclosed in note 1 to the financial statements, the Company entered into agreements with ABB Asea Brown Boveri Ltd that safeguard that the Company realizes an at arm's length remuneration for its activities. In 2023, ABB Asea Brown Boveri Ltd. was replaced by ABB Capital AG as new counterparty to these agreements. As a consequence, we did not identify an incentive nor pressure for the members of the Board of Management to achieve certain results or specific finance income targets and there appears to be limited perceived opportunity to commit a material fraud in this area.

Based on the above and on the auditing standards, we identified the following presumed fraud risk in respect of management override of controls that is relevant to our audit and responded as follows:

Management override of controls (a presumed risk)

Risk:

- The Board of Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries.
- We performed a data analysis of high-risk journal entries and evaluated judgments for bias by the Company's Board of Management, including retrospective reviews of prior years' estimates with respect to recoverability of loans to related parties and related interest receivables from loans to related parties. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.

Our procedures to address the identified risk of fraud in respect of management override of controls did not result in a key audit matter.

We communicated our risk assessment, audit responses and results to the Board of Management.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The Board of Management performed its going concern assessment, in which amongst others the Company's high dependency of the group companies' ability to fulfill their obligations towards the Company was considered. The Board of Management did not identify any going concern risks.



To assess the Board of Management's assessment, we performed, inter alia, the following procedures:

- we considered whether the Board of Management's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit. This includes the "Keep-Well Agreement" with ABB Ltd, Zurich, as disclosed in note 1 to the financial statements;
- we analyzed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks;
- we considered whether the outcome of our audit procedures, as described in the key audit matter "Mitigation of exposure to third party debt by guarantees provided by ABB Ltd", could indicate a going concern risk.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on the Board of Management's going concern assessment.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. The key audit matters are not a comprehensive reflection of all matters discussed.

US GAAP to Dutch GAAP conversion and compliance with Dutch accounting standards

Description

The Company's primary accounting records are maintained based on US GAAP which is used for ABB group reporting purposes. However, the statutory financial statements of the Company, filed in the Netherlands, have to be prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code (Dutch GAAP). Therefore management prepared an analysis to convert the US GAAP financial statements to Dutch GAAP financial statements. As Dutch GAAP is not embedded in the primary accounting records, this conversion, together with the application of Dutch law in preparing the financial statements, was an area of focus during our audit.

Our response

We evaluated the completeness and accuracy of the management's conversion of the US GAAP financial statements to the Dutch GAAP financial statements by assessing the different GAAP accounting treatment for the financial statement captions. Furthermore, we held regular meetings with management and with KPMG Switzerland and reviewed their audit files, in order to identify events or transactions that occurred that could result in a materially different accounting treatment under Dutch GAAP compared to US GAAP. We recalculated the adjustments and reconciled them to underlying evidence and assessed the financial statements for compliance with Dutch law.

Our observation

Based on our procedures performed, we consider the conversion from the US GAAP to the Dutch GAAP financial statements, which comprise a limited number of adjustments, including the disclosure notes, to be appropriate.



Mitigation of exposure to third party debt by guarantees provided by ABB Ltd

Description

The Company issues debt instruments to investors under the EMTN programme and Commercial Paper programme and utilises the proceeds to fund the ABB group. As the Company's shareholder's equity is low in relation to the size of third-party debt, the exposure to the issued debt is guaranteed by the Company's ultimate parent, ABB Ltd (Ultimate parent). In addition, the Company has the benefit of a Keep-well agreement with ABB Ltd. Furthermore, under the terms of the EMTN programme and the Revolving Credit Facility (undrawn as at 31 December 2023), a default above a defined threshold by certain subsidiaries of the ABB group, as defined in these debt agreements, could trigger an event that would materially impact the Company's financial position if the guarantees provided by the Ultimate parent would not mitigate the risk to the Company in full.

We therefore consider the mitigation of the exposure to third party debt by the guarantees provided by the Ultimate parent and the ability of the Ultimate parent to fulfil its obligations to the Company to be a key audit matter.

Our response

In order to satisfy ourselves as to the extent to which the guarantees provided by the Ultimate parent mitigate the exposure to the third-party debt our audit procedures included:

- Assessing the design and effectiveness of the Company's risk management controls.
- Obtaining an understanding of the debt agreements, including covenants and anything that could trigger a default event.
- Inspecting management's assessment of the group's compliance with the debt agreements.
- Assessing whether ABB Ltd is able to meet its obligations toward the Company thereby allowing the third-party debt to be serviced by the Company in accordance with the contractual terms.
- Assessing whether the guarantees given by ABB Ltd (as well as the Keep-well agreement provided by ABB Ltd) provide sufficient mitigation to ABB Finance B.V. in the event of a default event or penalty and are accurately disclosed in the financial statements.
- Assessing ABB Ltd's credit ratings; and
- Assessing the adequacy of the disclosure of the Keep Well agreement and the guarantees in note 1 of the financial statements.

Our observation

The results of our procedures performed were satisfactory and we consider the disclosures in note 1 to the financial statements to be adequate.



Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were re-engaged by the General Meeting of Shareholders as auditor of ABB Finance B.V. on 25 May 2023 for the audit for the year 2023 and have operated as statutory auditor since the financial year 2018.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Management for the financial statements

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board of Management is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.



Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at [eng_beursgenoteerd_01.pdf \(nba.nl\)](#). This description forms part of our independent auditor's report.

Rotterdam, 29 February 2024

KPMG Accountants N.V.

T.A. Kalmár RA

ABB Group Reports

For a copy of the ABB Annual Report, please use the contact information below or download copies from www.abb.com.

Parts of the ABB Annual Report have been translated into German. Please note that the English-language version of the ABB Annual Report is the binding version.

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