

ABB LTD  
Form 6-K  
February 18, 2014

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of February 2014**

**Commission File Number 001-16429**

**ABB Ltd**

(Translation of registrant's name into English)

**P.O. Box 1831, Affolternstrasse 44, CH-8050, Zurich, Switzerland**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  x

Form 40-F  o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):  o

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**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indication by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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This Form 6-K consists of the following:

1. Press release issued by ABB Ltd dated February 13, 2014.
2. Announcements regarding transactions in ABB Ltd's Securities made by the directors or the members of the Executive Committee.

The information provided by Item 1 above is deemed filed for all purposes under the Securities Exchange Act of 1934.

**Press Release**

Record revenues, higher earnings and free cash flow - increased dividend proposed

- Record annual revenues<sup>(1)</sup>; higher operational EBITDA<sup>(2)</sup> and earnings per share vs 2012
- Free cash flow<sup>(3)</sup> and operational EBITDA margin up despite Power Systems setback
- Solid execution on cost yields savings of \$1.2 billion
- Early-cycle orders continue positive trend; large order intake remains low
- Board recommends 5th consecutive dividend increase to CHF 0.70 per share
- Systematic and robust approach for shareholder value creation via profitable growth, business-led collaboration, relentless execution

Zurich, Switzerland, Feb. 13, 2014 – ABB today reported record full-year revenues and higher operational EBITDA, net income and free cash flow despite a challenging market environment. The Board of Directors has proposed to increase the dividend for 2013 to CHF 0.70 per share.

These solid results, delivered in a mixed business climate and despite the setback in Power Systems, show the strength of ABB and our global team, said ABB Chief Executive Officer Ulrich Spiesshofer. Our expanded product and geographic scope enabled us to increase profitability in automation, while we continued to generate market-leading returns in Power Products. We are confident Power Systems will deliver higher, more consistent returns once certain legacy projects have been executed and actions to improve risk and project management are complete.

We again demonstrated good execution on costs savings and strong cash performance, allowing us to return a higher dividend to shareholders for the 5th consecutive year, he said.

Early-cycle demand continued to trend positively in the second half of 2013 but was offset by delayed large project awards, leading to a lower order backlog at the end of the year. Orders also declined due to the effects of increased order selectivity in the Power Systems division.

We confirm our margin and cash conversion targets, which are important health indicators for an industrial business, Spiesshofer said. Our current revenue CAGR expectation over the planning cycle reflects the slower than originally expected global economic recovery and the PS realignment. We aim to deliver attractive mid-teen CROI and continue to drive EPS growth over the current planning cycle of 2011-2015. We will share with the market our strategic ambitions and long-term financial targets in September.

For 2014 we have a clear action plan with a focus on organic growth, further cost savings, higher cash flow generation and more consistent returns in Power Systems, he said. Our strong financial position gives us full flexibility to accomplish these goals, even in uncertain times. We are taking a systematic and robust approach to increasing shareholder value based on profitable growth, business-led collaboration and relentless execution.

### 2013 Q4 and full-year key figures

| \$ millions unless otherwise indicated       | Q4 13  | Q4 12  | Change |       | FY 2013 | FY 2012(4) | Change |       |            |
|--|--------|--------|--------|-------|---------|------------|--------|-------|------------|
|  |        |        | US\$   | Local |         |            | US\$   | Local | Organic(5) |
| Orders                                       | 10,003 | 10,517 | -5%    | -4%   | 38,896  | 40,232     | -3%    | -3%   | -5%        |
| Order backlog (end Dec)                      | 26,046 | 29,298 | -11%   | -10%  |         |            |        |       |            |
| Revenues                                     | 11,373 | 11,021 | +3%    | +4%   | 41,848  | 39,336     | +6%    | +7%   | +5%        |
| Income from operations                       | 823    | 863    | -5%    |       | 4,387   | 4,058      | +8%    |       |            |
| as % of revenues                             | 7.2%   | 7.8%   |        |       | 10.5%   | 10.3%      |        |       |            |
| Operational EBITDA                           | 1,418  | 1,373  | +3%    |       | 6,075   | 5,555      | +9%    |       |            |
| as % of operational revenues <sup>3</sup>    | 12.5%  | 12.5%  |        |       | 14.5%   | 14.2%      |        |       |            |
| Net income                                   | 525    | 604    | -13%   |       | 2,787   | 2,704      | +3%    |       |            |
| Basic net income per share (\$)              | 0.23   | 0.26   | -12%   |       | 1.21    | 1.18       | +3%    |       |            |
| Dividend per share (CHF)*                    |        |        |        |       | 0.70    | 0.68       |        |       |            |
| Cash from operating activities               | 2,092  | 2,438  | -14%   |       | 3,653   | 3,779      | -3%    |       |            |
| Free cash flow <sup>3</sup>                  |        |        |        |       | 2,632   | 2,555      | +3%    |       |            |
| as % of net income                           |        |        |        |       | 94%     | 94%        |        |       |            |
| Cash return on invested capital <sup>3</sup> |        |        |        |       | 11.6%   | 12.1%      |        |       |            |

\* Proposed by the Board of Directors for FY 2013

## Summary of Q4 results

### Growth overview

Global economic conditions remained mixed through the fourth quarter of 2013, varying by industry sector and region. Demand increased among earlier-cycle general industry customers, reflecting improved macroeconomic indicators in many regions, while customers in late-cycle infrastructure industries, such as utilities and mining companies, continued their cautious spending.

ABB's fourth-quarter base orders (below \$15 million) increased 4 percent on growth in most of ABB's early-cycle product businesses, continuing the trend seen in earlier quarters. Growth was achieved in businesses such as breakers, switches, motors and drives. The robotics business continued its successful penetration of the general industry sector.

Large orders (above \$15 million) declined 36 percent, partly due to continued postponement of customer capital investments in large infrastructure projects as well as ABB's order selectivity aimed at winning higher value-added awards. Large orders represented 14 percent of total orders received in the quarter, compared to 20 percent in the same quarter in 2012.

Service orders increased 15 percent in the fourth quarter and represented 17 percent of total orders versus 15 percent in the year-earlier period. Excluding Thomas & Betts and Baldor, service orders represented 19 percent of total orders.

Revenues were steady to higher in all divisions in the fourth quarter. Service revenues increased in line with total revenues and represented 16 percent of total revenues, the same as in the comparable quarter a year ago.

The order backlog at the end of December amounted to \$26 billion, a local-currency decline of 10 percent compared with the end of the fourth quarter of 2012, and down 5 percent versus the end of the third quarter in 2013. The decrease reflects the lower large order intake during 2013.

### Q4 2013 orders received and revenues by region

| \$ millions            | Orders received |               | Change     |            | Revenues      |               | Change    |           |
|------------------------|-----------------|---------------|------------|------------|---------------|---------------|-----------|-----------|
|                        | Q4 13           | Q4 12         | US\$       | Local      | Q4 13         | Q4 12         | US\$      | Local     |
| Europe                 | 3,300           | 3,533         | -7%        | -9%        | 3,903         | 3,818         | 2%        |           |
| Americas               | 3,024           | 3,451         | -12%       | -10%       | 3,223         | 3,047         | 6%        | 9%        |
| Asia                   | 2,523           | 2,490         | 1%         | 5%         | 3,067         | 3,007         | 2%        | 5%        |
| Middle East and Africa | 1,156           | 1,043         | 11%        | 9%         | 1,180         | 1,149         | 3%        | 6%        |
| <b>Group total</b>     | <b>10,003</b>   | <b>10,517</b> | <b>-5%</b> | <b>-4%</b> | <b>11,373</b> | <b>11,021</b> | <b>3%</b> | <b>4%</b> |

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In Europe, strong order growth in Germany led by automotive and transmission investments partly compensated order declines in the Nordic countries and eastern Europe.

In the Americas, strong automation order growth in the US was reflected in a double-digit increase in US base orders, whereas large orders declined, mainly in the US, Canada and Brazil.

Asia orders increased 5 percent on higher demand in India, South Korea and Australia. Orders decreased in China, mainly reflecting lower large orders.

Orders increased in the Middle East and Africa on demand for upstream oil and gas products and systems as well as power equipment to reinforce the grid.

## Press Release

## 2013 Q4 orders received and revenues by division

| \$ millions unless<br>otherwise indicated                         | Orders received |               |                   |                                | Revenues      |               |                   |                                |
|---|-----------------|---------------|-------------------|--------------------------------|---------------|---------------|-------------------|--------------------------------|
|   | Q4 2013         | Q4 2012       | Change<br>in US\$ | Change<br>in local<br>currency | Q4 2013       | Q4 2012       | Change<br>in US\$ | Change<br>in local<br>currency |
| <b>Discrete Automation and Motion</b>                             | 2,484           | 2,253         | 10%               | 10%                            | 2,687         | 2,489         | 8%                | 8%                             |
| <b>Low Voltage Products</b>                                       | 1,844           | 1,867         | -1%               | -2%                            | 2,022         | 1,970         | 3%                | 2%                             |
| <b>Process Automation</b>   | 2,024           | 2,211         | -8%               | -7%                            | 2,261         | 2,230         | 1%                | 3%                             |
| <b>Power Products</b>   | 2,554           | 2,731         | -6%               | -6%                            | 3,070         | 3,068         |                   | 1%                             |
| <b>Power Systems</b>  | 1,789           | 2,360         | -24%              | -23%                           | 2,300         | 2,272         | 1%                | 4%                             |
| <b>Corporate and other</b> (incl.<br>inter-division eliminations) | (692)           | (905)         |                   |                                | (967)         | (1,008)       |                   |                                |
| <b>ABB Group</b>  | <b>10,003</b>   | <b>10,517</b> | <b>-5%</b>        | <b>-4%</b>                     | <b>11,373</b> | <b>11,021</b> | <b>3%</b>         | <b>4%</b>                      |

**Discrete Automation and Motion:** Orders grew across all businesses and most regions, led by demand for early-cycle products aimed at improving industrial productivity, as well as robotics solutions in both general industry and the automotive sector. Revenues increased on execution of the order backlog, especially in robotics. The Power-One acquisition, completed in the third quarter, also contributed to the growth in orders and revenues.

**Low Voltage Products:** Orders for early-cycle products such as circuit breakers, control products and wiring accessories increased in most regions in the quarter, in line with general economic growth, but were offset by lower orders in later-cycle products and systems businesses in mining and power utilities industries. Revenues were higher, supported by strong service revenue growth.

**Process Automation:** Higher orders from oil and gas customers were more than offset by order declines in most other sectors compared to the same quarter a year earlier. Large order awards continued to be delayed or postponed, especially in the mining sector. Product orders were also slightly lower, despite a modest increase in turbocharging. Geographically, orders were higher in Asia but declined in Europe and the Americas. Revenues increased on successful execution of the backlog, especially in the marine and mining businesses. Service revenues remained stable versus the same quarter a year ago.

**Power Products:** Demand from industrial and power distribution customers continued to offer opportunities, while investments in power transmission projects remained selective. Service revenues continued to grow. Revenues were stable, mainly reflecting the conversion of the order backlog.

**Power Systems:** Base orders in the quarter remained at the same level as a year ago. Large orders continued to decline as a result of project award postponements and greater order selectivity that is part of the division's strategic repositioning. Despite these declines total revenues increased.





**Earnings overview**

**Operational EBITDA**

Operational EBITDA in the fourth quarter of 2013 amounted to \$1.4 billion, 3 percent above the year-earlier period, despite previously-announced charges of approximately \$260 million related to project delays and operational issues in the Power Systems division. Operational EBITDA was higher in all divisions compared to the fourth quarter of 2012, including in the Power Systems division, which also reported charges to improve operational performance in the same quarter a year earlier. The operational EBITDA margin increased in the Power Products, Low Voltage Products and Process Automation divisions and was lower in Discrete Automation and Motion, reflecting the dilutive impact of the Power-One acquisition completed in the third quarter of 2013.

Cost savings of approximately \$350 million in the quarter and further productivity improvements more than compensated pricing pressures. Full-year cost savings amounted to approximately \$1.2 billion.

**Net income**

Net income for the quarter decreased 13 percent to \$525 million and included approximately \$350 million of depreciation and amortization, of which \$104 million of amortization was related to acquisitions.

Restructuring-related charges amounted to approximately \$160 million, including the additional \$50 million in the Power Systems division announced previously. Acquisition-related expenses and certain non-operational items were approximately \$90 million, related mainly to changes in legal provisions, charges associated with the acquisition of Power-One, and losses on the sale of some non-core businesses.

Net financial expenses increased to \$72 million from \$37 million in the same quarter in 2012, reflecting benefits recorded in 2012 upon resolution of certain tax contingencies that were not repeated in 2013. The provision for taxes amounted to \$178 million in the fourth quarter and \$1.1 billion for the full year, leading to a full-year tax rate of approximately 28 percent. A loss of \$22 million in discontinued operations was related to charges associated with previously disposed businesses.

Basic earnings per share amounted to \$0.23 in the fourth quarter and were \$1.21 for the full year.

**2013 Q4 earnings and cash flows by division**

| \$ millions unless | Operational EBITDA | Change | Operational EBITDA margin | Cash flows from operating activities | Change |
|--------------------|--------------------|--------|---------------------------|--------------------------------------|--------|
|--------------------|--------------------|--------|---------------------------|--------------------------------------|--------|

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| otherwise indicated  | Q4 2013      | Q4 2012      | in US\$   | Q4 2013      | Q4 2012      | Q4 2013      | Q4 2012      | in US\$     |
|--|--------------|--------------|-----------|--------------|--------------|--------------|--------------|-------------|
| <b>Discrete Automation and Motion</b>                                    | 463          | 435          | 6%        | 17.2%        | 17.5%        | 459          | 459          |             |
| <b>Low Voltage Products</b>  | 386          | 370          | 4%        | 19.1%        | 18.8%        | 458          | 539          | -15%        |
| <b>Process Automation</b>  | 296          | 259          | 14%       | 13.1%        | 11.6%        | 313          | 334          | -6%         |
| <b>Power Products</b>  | 467          | 461          | 1%        | 15.2%        | 15.1%        | 802          | 510          | 57%         |
| <b>Power Systems</b>   | (50)         | (55)         | 9%        | -2.2%        | -2.4%        | 250          | 440          | -43%        |
| <b>Corporate and other</b><br><i>(incl. inter-division eliminations)</i> | (144)        | (97)         |           |              |              | (190)        | 156          |             |
| <b>ABB Group</b>   | <b>1,418</b> | <b>1,373</b> | <b>3%</b> | <b>12.5%</b> | <b>12.5%</b> | <b>2,092</b> | <b>2,438</b> | <b>-14%</b> |

**Discrete Automation and Motion:** Operational EBITDA increased on higher revenues, while operational EBITDA margin was slightly lower, the result of the dilutive effect of the Power-One acquisition.

**Low Voltage Products:** Operational EBITDA and margin increased on a combination of higher revenues and continued successful cost management. Strong service revenues also supported profitability.

**Process Automation:** Higher revenues, strict cost control and improved project execution drove the increase in operational EBITDA and margin.

**Power Products:** Operational EBITDA and margin were maintained at the previous year's levels, driven by steady revenues and continued cost focus.

**Power Systems:** Previously-announced charges of approximately \$260 million related to the offshore wind business and to support actions needed to complete a number of legacy projects currently being executed from the order backlog outweighed improved profitability in most businesses on successful cost management and better execution in the majority of the project portfolio.

#### **Cash flow and balance sheet**

Total debt amounted to \$8 billion compared with \$10 billion at the end of 2012, reflecting a bond repayment and reduced short-term debt.

ABB reported cash flow from operations of \$2.1 billion in the fourth quarter, with a significant increase in cash flows from the Power Products division that offset decreases in the other divisions compared to a record quarter for cash generation in 2012. Net working capital as a share of revenues<sup>(3)</sup> amounted to 15 percent compared with 14 percent in the same quarter of 2012.

Net debt<sup>(3)</sup> at the end of the fourth quarter declined to \$1.5 billion compared with \$1.6 billion at the end of 2012.

Free cash flow<sup>(3)</sup> for the full year 2013 amounted to \$2.6 billion, representing a conversion rate<sup>(3)</sup> of 94 percent of net income, in line with the company's 2011-15 target to achieve an average free cash flow conversion rate above 90 percent. Included in free cash flow are net capital expenditures of approximately \$1 billion, an 18-percent decrease versus 2012.

Cash return on invested capital (CROI)<sup>(3)</sup> for the full year 2013 amounted to 11.6 percent compared with 12.1 percent a year earlier, mainly the result of lower cash returns in the Power Systems division.

#### **Dividend**

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ABB's Board of Directors has proposed to increase the dividend for 2013 to 0.70 Swiss francs per share, compared with 0.68 Swiss francs per share in the prior year. The proposal is in line with the company's dividend policy to pay a steadily rising, sustainable dividend over time. As in previous years, the Board proposes that the dividend be paid from ABB Ltd's capital contribution reserve, a form of payment that would be exempt from Swiss withholding tax. If approved by shareholders at the company's annual general meeting on April 30, 2014, the ex-dividend date would be May 5, 2014. The dividend payout dates would be May 8, 2014, for shares traded on the SIX Swiss Exchange, May 12 for shares traded on the NASDAQ OMX exchange in Sweden, and May 15 for American Depositary Shares traded on the New York Stock Exchange in the US.

### **Management changes**

ABB announced in November the appointment of Claudio Facchin as head of the Power Systems division, effective December 1. Also during the fourth quarter, Jean-Christophe Deslarzes took up his previously-announced appointment to the Executive Committee as head of Human Resources, effective November 15. Greg Scheu also assumed his new role on the Executive Committee as head of North America and the company's global acquisition integration.

## Outlook

The long-term demand outlook for our businesses remains clearly positive. The need for efficient and reliable electricity transmission and distribution will continue to increase, driven by factors such as: accelerating urbanization in emerging markets; actions to address global warming; the rapidly increasing power needs from digitization; and the refurbishment of aging power grids. At the same time, demand for industrial automation solutions will grow as customers strive to improve productivity, efficiency, product quality, and safety. ABB is well positioned to tap these opportunities for long-term profitable growth with its strong market presence, broad geographic and business scope, technology leadership and financial strength.

In the short term, there are some positive early-cycle macroeconomic signs, such as strengthening growth in the US and the more encouraging growth in many parts of Europe. However, there are also some uncertainties related to the impacts of quantitative easing and the speed and strength of economic development in the emerging markets, especially China.

In this market environment, ABB's management team aims to systematically drive profitable organic growth through increased market penetration, generating more revenues from our pipeline of new product innovations, and expanding into new attractive market segments. In addition, management intends to accelerate business-led collaboration, such as further developing the service business, driving the successful integration of acquired businesses and increasing ABB's productivity by focusing internal support activities on the needs of customers. A third priority is relentless execution, especially in the areas of cost savings, cash flow generation and returning the Power Systems division to higher and more consistent returns.

## 2011-15 targets

ABB confirms its 2011-15 Group targets for operational EBITDA margin and free cash flow conversion. The company currently expects to deliver cash return on invested capital in the mid-teens. As the result of lower-than-expected GDP growth and customer capital expenditures in 2013, as well as from the impact of greater order selectivity in Power Systems, revenue growth CAGR (compound annual growth rate) over the period is now expected to be 4-5 percent. (This is comparable to the previously-communicated CAGR target of 5.5-8.5 percent based on 2010 revenues and excluding all acquisitions greater than \$50 million in revenues closed after 2011 as well as Baldor, Ventyx and Mincom. The equivalent revenue CAGR target including Baldor, Ventyx and Mincom was 7-10 percent, as previously communicated.) The company expects 2014 to be a challenging year for revenue growth but expects to return to its pre-2013 growth trajectory in 2015. ABB will drive basic earnings per share growth CAGR towards the lower end of its target corridor of 10-15 percent.

**More information**

The 2013 Q4 results press release and presentation slides are available on the ABB News Center at [www.abb.com/news](http://www.abb.com/news) and on the Investor Relations homepage at [www.abb.com/investorrelations](http://www.abb.com/investorrelations).

ABB will host a press conference and conference call today in Zurich, Switzerland, starting at 09:30 a.m. Central European Time (CET). The event will be accessible by conference call. U.K. callers should dial +44 203 059 58 62. From Sweden, the number is +46 8 5051 00 31, and from the rest of Europe, +41 (0)58 310 50 00. Lines will be open 15 minutes before the start of the conference. Audio playback of the call will start one hour after the call ends and will be available for 24 hours: Playback numbers: +44 207 108 6233 (U.K.), +41 91 612 4330 (rest of Europe) or +1 866 416 2558 (U.S./Canada). The code is 14073, followed by the # key.

A conference call for analysts and investors is scheduled to begin today at 2:00 p.m. CET (8:00 a.m. EST). Callers should dial +1 866 291 41 66 from the US/Canada (toll-free), +44 203 059 58 62 from the U.K., +46 8 5051 00 31 from Sweden or +41 58 310 50 00 from the rest of the world. Callers are requested to phone in 15 minutes before the start of the call. The recorded session will be available as a podcast one hour after the end of the conference call and can be downloaded from our website. The 2013 full-year results presentation will be broadcast live via the Internet and will be archived at [www.abb.com/investorrelations](http://www.abb.com/investorrelations) for one month from approximately two hours after the live Webcast.

**Investor calendar 2014**

|  |                   |
|--|-------------------|
| Annual Report 2013 publication             | March 7, 2014     |
| First-quarter 2014 results                 | April 29, 2014    |
| Annual General Meeting Zurich, Switzerland | April 30, 2014    |
| Second-quarter 2014 results                | July 23, 2014     |
| Capital Markets Day                        | September 9, 2014 |
| Third-quarter 2014 results                 | October 22, 2014  |

ABB ([www.abb.com](http://www.abb.com)) is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs about 150,000 people.

**Important notice about forward-looking information**

This press release includes forward-looking information and statements as well as other statements concerning the outlook for our business. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, the economic conditions of the regions and industries that are major markets for ABB Ltd. These expectations, estimates and projections are generally identifiable by statements containing words such as expects, believes, estimates, targets, plans or similar expressions. However, there are many risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this press release and which could affect our ability to achieve any or all of our stated targets. The important factors that could cause such differences include, among others, business risks associated with the volatile global economic environment and political conditions, costs associated with compliance activities, raw materials availability and prices, market acceptance of new products and services, changes in governmental regulations and currency exchange rates and such other factors as may be discussed from time to time in ABB Ltd's filings with the U.S. Securities and Exchange Commission, including its Annual Reports on Form 20-F. Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Zurich, February 13, 2014  
Ulrich Spiesshofer, CEO

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Key figures

\$ millions unless otherwise indicated

|                               |   | Q4 13         | Q4 12         | Change     |            | FY 2013       | FY 2012       | Change     |            |
|-------------------------------|---|---------------|---------------|------------|------------|---------------|---------------|------------|------------|
|                               |   |               |               | US\$       | Local      |               |               | US\$       | Local      |
| <b>Orders</b>                 | <b>ABB Group</b>  | <b>10,003</b> | <b>10,517</b> | <b>-5%</b> | <b>-4%</b> | <b>38,896</b> | <b>40,232</b> | <b>-3%</b> | <b>-3%</b> |
|                               | Discrete Automation and Motion                          | 2,484         | 2,253         | 10%        | 10%        | 9,771         | 9,625         | 2%         | 2%         |
|                               | Low Voltage Products                                    | 1,844         | 1,867         | -1%        | -2%        | 7,696         | 6,720         | 15%        | 14%        |
|                               | Process Automation                                      | 2,024         | 2,211         | -8%        | -7%        | 8,000         | 8,704         | -8%        | -8%        |
|                               | Power Products  | 2,554         | 2,731         | -6%        | -6%        | 10,459        | 11,040        | -5%        | -5%        |
|                               | Power Systems   | 1,789         | 2,360         | -24%       | -23%       | 5,949         | 7,973         | -25%       | -25%       |
|                               | Corporate and other (incl. inter-division eliminations) | (692)         | (905)         |            |            | (2,979)       | (3,830)       |            |            |
| <b>Revenues</b>               | <b>ABB Group</b>  | <b>11,373</b> | <b>11,021</b> | <b>3%</b>  | <b>4%</b>  | <b>41,848</b> | <b>39,336</b> | <b>6%</b>  | <b>7%</b>  |
|                               | Discrete Automation and Motion                          | 2,687         | 2,489         | 8%         | 8%         | 9,915         | 9,405         | 5%         | 5%         |
|                               | Low Voltage Products                                    | 2,022         | 1,970         | 3%         | 2%         | 7,729         | 6,638         | 16%        | 16%        |
|                               | Process Automation                                      | 2,261         | 2,230         | 1%         | 3%         | 8,497         | 8,156         | 4%         | 5%         |
|                               | Power Products  | 3,070         | 3,068         |            | 1%         | 11,032        | 10,717        | 3%         | 3%         |
|                               | Power Systems   | 2,300         | 2,272         | 1%         | 4%         | 8,375         | 7,852         | 7%         | 8%         |
|                               | Corporate and other (incl. inter-division eliminations) | (967)         | (1,008)       |            |            | (3,700)       | (3,432)       |            |            |
| <b>Income from operations</b> | <b>ABB Group</b>  | <b>823</b>    | <b>863</b>    | <b>-5%</b> |            | <b>4,387</b>  | <b>4,058</b>  | <b>8%</b>  |            |
|                               | Discrete Automation and Motion                          | 357           | 371           | -4%        |            | 1,458         | 1,469         | -1%        |            |
|                               | Low Voltage Products                                    | 283           | 259           | 9%         |            | 1,092         | 856           | 28%        |            |
|                               | Process Automation                                      | 263           | 222           | 18%        |            | 990           | 912           | 9%         |            |
|                               | Power Products  | 356           | 379           | -6%        |            | 1,331         | 1,328         | 0%         |            |
|                               | Power Systems   | (169)         | (190)         | 11%        |            | 171           | 7             | n.a.       |            |
|                               | Corporate and other (incl. inter-division eliminations) | (267)         | (178)         |            |            | (655)         | (514)         |            |            |
| <b>Income from operations</b> | <b>% ABB Group</b>                                      | <b>7.2%</b>   | <b>7.8%</b>   |            |            | <b>10.5%</b>  | <b>10.3%</b>  |            |            |
|                               | Discrete Automation and Motion                          | 13.3%         | 14.9%         |            |            | 14.7%         | 15.6%         |            |            |
|                               | Low Voltage Products                                    | 14.0%         | 13.1%         |            |            | 14.1%         | 12.9%         |            |            |
|                               | Process Automation                                      | 11.6%         | 10.0%         |            |            | 11.7%         | 11.2%         |            |            |
|                               | Power Products  | 11.6%         | 12.4%         |            |            | 12.1%         | 12.4%         |            |            |
|                               | Power Systems   | -7.3%         | -8.4%         |            |            | 2.0%          | 0.1%          |            |            |
| <b>Operational EBITDA</b>     | <b>ABB Group</b>  | <b>1,418</b>  | <b>1,373</b>  | <b>3%</b>  |            | <b>6,075</b>  | <b>5,555</b>  | <b>9%</b>  |            |
|                               | Discrete Automation and Motion                          | 463           | 435           | 6%         |            | 1,783         | 1,735         | 3%         |            |
|                               | Low Voltage Products                                    | 386           | 370           | 4%         |            | 1,468         | 1,219         | 20%        |            |
|                               | Process Automation                                      | 296           | 259           | 14%        |            | 1,096         | 1,003         | 9%         |            |
|                               | Power Products  | 467           | 461           | 1%         |            | 1,637         | 1,585         | 3%         |            |
|                               | Power Systems   | (50)          | (55)          | 9%         |            | 419           | 290           | 44%        |            |
|                               | Corporate and other (incl. inter-division eliminations) | (144)         | (97)          |            |            | (328)         | (277)         |            |            |
| <b>Operational EBITDA</b>     | <b>% ABB Group</b>                                      | <b>12.5%</b>  | <b>12.5%</b>  |            |            | <b>14.5%</b>  | <b>14.2%</b>  |            |            |
|                               | Discrete Automation and Motion                          | 17.2%         | 17.5%         |            |            | 18.0%         | 18.4%         |            |            |
|                               | Low Voltage Products                                    | 19.1%         | 18.8%         |            |            | 19.0%         | 18.4%         |            |            |
|                               | Process Automation                                      | 13.1%         | 11.6%         |            |            | 12.9%         | 12.3%         |            |            |
|                               | Power Products  | 15.2%         | 15.1%         |            |            | 14.8%         | 14.8%         |            |            |
|                               | Power Systems   | -2.2%         | -2.4%         |            |            | 5.0%          | 3.7%          |            |            |

## Orders received and revenues by region

| \$ millions            | Orders received |               | Change     |            | Revenues      |               | Change    |           |
|------------------------|-----------------|---------------|------------|------------|---------------|---------------|-----------|-----------|
|                        | FY 2013         | FY 2012       | US\$       | Local      | FY 2013       | FY 2012       | US\$      | Local     |
| Europe                 | 13,334          | 13,512        | -1%        | -3%        | 14,385        | 14,073        | 2%        |           |
| The Americas           | 11,365          | 12,152        | -6%        | -5%        | 12,115        | 10,699        | 13%       | 15%       |
| Asia                   | 10,331          | 10,346        |            | 1%         | 11,230        | 10,750        | 4%        | 6%        |
| Middle East and Africa | 3,866           | 4,222         | -8%        | -7%        | 4,118         | 3,814         | 8%        | 11%       |
| <b>Group total</b>     | <b>38,896</b>   | <b>40,232</b> | <b>-3%</b> | <b>-3%</b> | <b>41,848</b> | <b>39,336</b> | <b>6%</b> | <b>7%</b> |

## Operational EBITDA

| \$ millions unless otherwise indicated                         | ABB           |               | Discrete Automation and Motion |              | Low Voltage Products |              | Process Automation |              | Power Products |              | Power Systems |              |
|--|---------------|---------------|--------------------------------|--------------|----------------------|--------------|--------------------|--------------|----------------|--------------|---------------|--------------|
|  | Q4 13         | Q4 12         | Q4 13                          | Q4 12        | Q4 13                | Q4 12        | Q4 13              | Q4 12        | Q4 13          | Q4 12        | Q4 13         | Q4 12        |
| <b>Revenues</b>  | <b>11,373</b> | <b>11,021</b> | <b>2,687</b>                   | <b>2,489</b> | <b>2,022</b>         | <b>1,970</b> | <b>2,261</b>       | <b>2,230</b> | <b>3,070</b>   | <b>3,068</b> | <b>2,300</b>  | <b>2,272</b> |
| FX/commodity timing differences on Revenues                    | 13            | (18)          | (2)                            | (1)          | (1)                  | (5)          | 5                  | 2            | 12             | (16)         | (1)           | 4            |
| <b>Operational revenues</b>                                    | <b>11,386</b> | <b>11,003</b> | <b>2,685</b>                   | <b>2,488</b> | <b>2,021</b>         | <b>1,965</b> | <b>2,266</b>       | <b>2,232</b> | <b>3,082</b>   | <b>3,052</b> | <b>2,299</b>  | <b>2,276</b> |
| <b>Income from operations</b>                                  | <b>823</b>    | <b>863</b>    | <b>357</b>                     | <b>371</b>   | <b>283</b>           | <b>259</b>   | <b>263</b>         | <b>222</b>   | <b>356</b>     | <b>379</b>   | <b>(169)</b>  | <b>(190)</b> |
| Depreciation   | 227           | 210           | 42                             | 37           | 50                   | 56           | 17                 | 16           | 53             | 45           | 23            | 19           |
| Amortization   | 125           | 131           | 39                             | 34           | 32                   | 35           | 5                  | 6            | 7              | 9            | 25            | 26           |
| <i>including total acquisition-related amortization of</i>     | <i>104</i>    | <i>107</i>    | <i>36</i>                      | <i>31</i>    | <i>30</i>            | <i>33</i>    | <i>3</i>           | <i>4</i>     | <i>5</i>       | <i>7</i>     | <i>22</i>     | <i>23</i>    |
| Restructuring and restructuring-related expenses               | 158           | 125           | 12                             | (9)          | 14                   | 13           | 17                 | 21           | 28             | 38           | 85            | 49           |
| Acquisition-related expenses and certain non-operational items | 89            | 79            | 14                             | 1            | 7                    | 2            | (8)                | 1            | 9              |              | 3             | 67           |
| FX/commodity timing differences in income from operations      | (4)           | (35)          | (1)                            | 1            |                      | 5            | 2                  | (7)          | 14             | (10)         | (17)          | (26)         |
| <b>Operational EBITDA</b>                                      | <b>1,418</b>  | <b>1,373</b>  | <b>463</b>                     | <b>435</b>   | <b>386</b>           | <b>370</b>   | <b>296</b>         | <b>259</b>   | <b>467</b>     | <b>461</b>   | <b>(50)</b>   | <b>(55)</b>  |
| <b>Operational EBITDA margin (%)</b>                           | <b>12.5%</b>  | <b>12.5%</b>  | <b>17.2%</b>                   | <b>17.5%</b> | <b>19.1%</b>         | <b>18.8%</b> | <b>13.1%</b>       | <b>11.6%</b> | <b>15.2%</b>   | <b>15.1%</b> | <b>-2.2%</b>  | <b>-2.4%</b> |

(1) Management discussion of orders and revenues focuses on local currency changes. U.S. dollar changes are reported in the results tables

(2) See Reconciliation of operational EBITDA to Income from continuing operations before taxes in Note 14 to the Interim Consolidated Financial Information (unaudited)

(3) For reconciliation of non-GAAP measures, see the Supplemental financial information attachment to the Press Release

(4) FY 2012 figures include the results of Thomas & Betts for the period mid-May to December 2012.

(5) Organic changes exclude Thomas & Betts for the periods January to June in both 2013 and 2012

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**Supplemental financial information**

**December 31, 2013**

ABB presents the following financial measures to supplement its Interim Consolidated Financial Information (unaudited) which is prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). These supplemental 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 Interim Consolidated Financial Information (unaudited) prepared in accordance with U.S. GAAP as of and for the year and three months ended December 31, 2013.

**Operational EBITDA margin**

**Definition**

**Operational EBITDA**

Operational EBITDA represents income from operations excluding depreciation and amortization, restructuring and restructuring-related expenses, and acquisition-related expenses and certain non-operational items, as well as foreign exchange/commodity timing differences in income from operations consisting of: (i) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded 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/payables (and related assets/liabilities).

**Operational revenues**

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 EBITDA margin**

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

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## Reconciliation

| (\$ in millions, except Operational EBITDA margin in %)  | Year ended December 31, 2013   |                      |                    |                |               |  | Consolidated  |
|--|--------------------------------|----------------------|--------------------|----------------|---------------|--|---------------|
|  | Discrete Automation and Motion | Low Voltage Products | Process Automation | Power Products | Power Systems | Corporate and Other and Intersegment elimination |               |
| <b>Total revenues</b>  | <b>9,915</b>                   | <b>7,729</b>         | <b>8,497</b>       | <b>11,032</b>  | <b>8,375</b>  | <b>(3,700)</b>                                   | <b>41,848</b> |
| <i>Foreign exchange/commodity timing differences in total revenues</i>                                     |                                |                      |                    |                |               |  |               |
| Unrealized gains and losses on derivatives   | (9)                            | 5                    | 14                 | 6              | (1)           |  | 15            |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 1                              |                      | 7                  | 7              | (10)          |  | 5             |
| Unrealized foreign exchange movements on receivables (and related assets)                                  | (2)                            | (4)                  | (5)                | (9)            | 5             |  | (15)          |
| <b>Operational revenues</b>  | <b>9,905</b>                   | <b>7,730</b>         | <b>8,513</b>       | <b>11,036</b>  | <b>8,369</b>  | <b>(3,700)</b>                                   | <b>41,853</b> |
| <b>Income from operations</b>  | <b>1,458</b>                   | <b>1,092</b>         | <b>990</b>         | <b>1,331</b>   | <b>171</b>    | <b>(655)</b>                                     | <b>4,387</b>  |
| Depreciation and amortization  | 285                            | 323                  | 87                 | 223            | 183           | 217  | 1,318         |
| Restructuring and restructuring-related expenses   | 19                             | 31                   | 31                 | 66             | 101           | 4  | 252           |
| Acquisition-related expenses and certain non-operational items   | 33                             | 16                   | (6)                | 19             | 4             | 115  | 181           |
| <i>Foreign exchange/commodity timing differences in income from operations</i>                             |                                |                      |                    |                |               |  |               |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)           | (14)                           | 8                    | (6)                | (12)           | (28)          | (8)  | (60)          |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 1                              |                      |                    | 6              | (21)          |  | (14)          |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)             | 1                              | (2)                  |                    | 4              | 9             | (1)  | 11            |
| <b>Operational EBITDA</b>  | <b>1,783</b>                   | <b>1,468</b>         | <b>1,096</b>       | <b>1,637</b>   | <b>419</b>    | <b>(328)</b>                                     | <b>6,075</b>  |
| <b>Operational EBITDA margin (%)</b>   | <b>18.0%</b>                   | <b>19.0%</b>         | <b>12.9%</b>       | <b>14.8%</b>   | <b>5.0%</b>   |  | <b>14.5%</b>  |



Year ended December 31, 2012

| (\$ in millions, except Operational EBITDA margin in %)  | Discrete Automation and Motion | Low Voltage Products | Process Automation | Power Products | Power Systems | Corporate and Other Intersegment elimination | Consolidated  |
|--|--------------------------------|----------------------|--------------------|----------------|---------------|--|---------------|
| <b>Total revenues</b>  | <b>9,405</b>                   | <b>6,638</b>         | <b>8,156</b>       | <b>10,717</b>  | <b>7,852</b>  | <b>(3,432)</b>                               | <b>39,336</b> |
| <i>Foreign exchange/commodity timing differences in total revenues</i>                                     |                                |                      |                    |                |               |  |               |
| Unrealized gains and losses on derivatives   | 3                              | (17)                 | (18)               | (30)           | (68)          | (1)  | (131)         |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized |                                |                      | (4)                | 2              | 23            |  | 21            |
| Unrealized foreign exchange movements on receivables (and related assets)                                  | (3)                            | 5                    |                    | 13             | 5             |  | 20            |
| <b>Operational revenues</b>  | <b>9,405</b>                   | <b>6,626</b>         | <b>8,134</b>       | <b>10,702</b>  | <b>7,812</b>  | <b>(3,433)</b>                               | <b>39,246</b> |
| <b>Income from operations</b>  | <b>1,469</b>                   | <b>856</b>           | <b>912</b>         | <b>1,328</b>   | <b>7</b>      | <b>(514)</b>                                 | <b>4,058</b>  |
| Depreciation and amortization  | 263                            | 250                  | 82                 | 209            | 174           | 204  | 1,182         |
| Restructuring and restructuring-related expenses   | (4)                            | 23                   | 28                 | 65             | 52            | 16   | 180           |
| Acquisition-related expenses and certain non-operational items   | 8                              | 106                  | 2                  | 1              | 70            | 12   | 199           |
| <i>Foreign exchange/commodity timing differences in income from operations</i>                             |                                |                      |                    |                |               |  |               |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)           | (2)                            | (21)                 | (27)               | (43)           | (44)          | 2  | (135)         |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | (1)                            |                      | 2                  | 6              | 21            |  | 28            |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)             | 2                              | 5                    | 4                  | 19             | 10            | 3  | 43            |
| <b>Operational EBITDA</b>  | <b>1,735</b>                   | <b>1,219</b>         | <b>1,003</b>       | <b>1,585</b>   | <b>290</b>    | <b>(277)</b>                                 | <b>5,555</b>  |
| <b>Operational EBITDA margin (%)</b>   | <b>18.4%</b>                   | <b>18.4%</b>         | <b>12.3%</b>       | <b>14.8%</b>   | <b>3.7%</b>   |  | <b>14.2%</b>  |



## Three months ended December 31, 2013

| (\$ in millions, except Operational EBITDA margin in %)  | Discrete Automation and Motion | Low Voltage Products | Process Automation | Power Products | Power Systems | Corporate and Other Intersegment elimination | Consolidated  |
|--|--------------------------------|----------------------|--------------------|----------------|---------------|--|---------------|
| <b>Total revenues</b>  | <b>2,687</b>                   | <b>2,022</b>         | <b>2,261</b>       | <b>3,070</b>   | <b>2,300</b>  | <b>(967)</b>                                 | <b>11,373</b> |
| <i>Foreign exchange/commodity timing differences in total revenues</i>                                     |                                |                      |                    |                |               |  |               |
| Unrealized gains and losses on derivatives   |                                | 1                    | 8                  | 3              | 6             |  | 18            |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 1                              |                      | (2)                | 2              | (6)           |  | (5)           |
| Unrealized foreign exchange movements on receivables (and related assets)                                  | (3)                            | (2)                  | (1)                | 7              | (1)           |  |               |
| <b>Operational revenues</b>  | <b>2,685</b>                   | <b>2,021</b>         | <b>2,266</b>       | <b>3,082</b>   | <b>2,299</b>  | <b>(967)</b>                                 | <b>11,386</b> |
| <b>Income from operations</b>  | <b>357</b>                     | <b>283</b>           | <b>263</b>         | <b>356</b>     | <b>(169)</b>  | <b>(267)</b>                                 | <b>823</b>    |
| Depreciation and amortization  | 81                             | 82                   | 22                 | 60             | 48            | 59   | 352           |
| Restructuring and restructuring-related expenses   | 12                             | 14                   | 17                 | 28             | 85            | 2  | 158           |
| Acquisition-related expenses and certain non-operational items   | 14                             | 7                    | (8)                | 9              | 3             | 64   | 89            |
| <i>Foreign exchange/commodity timing differences in income from operations</i>                             |                                |                      |                    |                |               |  |               |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)           | 1                              | 1                    | 6                  |                |               | (1)  | 7             |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized |                                |                      | (4)                | 2              | (18)          |  | (20)          |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)             | (2)                            | (1)                  |                    | 12             | 1             | (1)  | 9             |
| <b>Operational EBITDA</b>  | <b>463</b>                     | <b>386</b>           | <b>296</b>         | <b>467</b>     | <b>(50)</b>   | <b>(144)</b>                                 | <b>1,418</b>  |
| <b>Operational EBITDA margin (%)</b>   | <b>17.2%</b>                   | <b>19.1%</b>         | <b>13.1%</b>       | <b>15.2%</b>   | <b>-2.2%</b>  |  | <b>12.5%</b>  |

## Three months ended December 31, 2012

| (\$ in millions, except Operational EBITDA margin in %)  | Discrete Automation and Motion | Low Voltage Products | Process Automation | Power Products | Power Systems | Corporate and Other Intersegment elimination | Consolidated  |
|--|--------------------------------|----------------------|--------------------|----------------|---------------|--|---------------|
| <b>Total revenues</b>  | <b>2,489</b>                   | <b>1,970</b>         | <b>2,230</b>       | <b>3,068</b>   | <b>2,272</b>  | <b>(1,008)</b>                               | <b>11,021</b> |
| <i>Foreign exchange/commodity timing differences in total revenues</i>                                     |                                |                      |                    |                |               |  |               |
| Unrealized gains and losses on derivatives   | (2)                            | (4)                  | 4                  | (8)            | 23            |  | 13            |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 1                              |                      | (1)                |                | (17)          | (1)  | (18)          |
| Unrealized foreign exchange movements on receivables (and related assets)                                  |                                | (1)                  | (1)                | (8)            | (2)           | (1)  | (13)          |
| <b>Operational revenues</b>  | <b>2,488</b>                   | <b>1,965</b>         | <b>2,232</b>       | <b>3,052</b>   | <b>2,276</b>  | <b>(1,010)</b>                               | <b>11,003</b> |
| <b>Income from operations</b>  | <b>371</b>                     | <b>259</b>           | <b>222</b>         | <b>379</b>     | <b>(190)</b>  | <b>(178)</b>                                 | <b>863</b>    |
| Depreciation and amortization  | 71                             | 91                   | 22                 | 54             | 45            | 58   | 341           |
| Restructuring and restructuring-related expenses   | (9)                            | 13                   | 21                 | 38             | 49            | 13   | 125           |
| Acquisition-related expenses and certain non-operational items   | 1                              | 2                    | 1                  |                | 67            | 8  | 79            |
| <i>Foreign exchange/commodity timing differences in income from operations</i>                             |                                |                      |                    |                |               |  |               |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)           |                                | 7                    | (5)                | (6)            | (7)           | 1  | (10)          |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized |                                |                      | (1)                |                | (20)          | (1)  | (22)          |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)             | 1                              | (2)                  | (1)                | (4)            | 1             | 2  | (3)           |
| <b>Operational EBITDA</b>  | <b>435</b>                     | <b>370</b>           | <b>259</b>         | <b>461</b>     | <b>(55)</b>   | <b>(97)</b>                                  | <b>1,373</b>  |
| <b>Operational EBITDA margin (%)</b>   | <b>17.5%</b>                   | <b>18.8%</b>         | <b>11.6%</b>       | <b>15.1%</b>   | <b>-2.4%</b>  |  | <b>12.5%</b>  |

**Operational EPS**

**Definition**

**Operational net income**

Operational net income is calculated as Net income attributable to ABB adjusted for the net-of-tax impact (using the Group's effective tax rate) of:

- i) restructuring and restructuring-related expenses,
- ii) acquisition-related expenses and certain non-operational items,
- iii) 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
- iv) amortization related to acquisitions.

**Amortization related to acquisitions**

Amortization expense on intangibles arising upon acquisitions.

**Operational EPS**

Operational EPS is calculated as Operational net income divided by the weighted-average number of shares used in determining Basic EPS.

**Reconciliation**

| (\$ in millions, except per share data in \$) | Year ended        |                   | Year ended        |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
|   | EPS(1)            | EPS(1)            | EPS(1)            | EPS(1)            |
| <b>Net income (attributable to ABB)</b>       | <b>2,787</b>      | <b>1.21</b>       | <b>2,704</b>      | <b>1.18</b>       |

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|   |              |             |              |             |
|---|--------------|-------------|--------------|-------------|
| Restructuring and restructuring-related expenses(2)               | 182          | 0.08        | 132          | 0.06        |
| Acquisition-related expenses and certain non-operational items(2) | 131          | 0.06        | 146          | 0.06        |
| FX/commodity timing differences in Income from operations(2)      | (46)         | (0.02)      | (47)         | (0.02)      |
| Amortization related to acquisitions(2)                           | 282          | 0.12        | 263          | 0.11        |
| <b>Operational net income</b>                                     | <b>3,336</b> | <b>1.45</b> | <b>3,198</b> | <b>1.39</b> |

| (\$ in millions, except per share data in \$)                     | Three months ended |                   |                   |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | December 31, 2013  | December 31, 2012 | December 31, 2013 | December 31, 2012 |
|   |                    |                   | EPS(1)            | EPS(1)            |
| <b>Net income (attributable to ABB)</b>                           | <b>525</b>         | <b>604</b>        | <b>0.23</b>       | <b>0.26</b>       |
| Restructuring and restructuring-related expenses(2)               | 121                | 94                | 0.05              | 0.04              |
| Acquisition-related expenses and certain non-operational items(2) | 68                 | 60                | 0.03              | 0.03              |
| FX/commodity timing differences in Income from operations(2)      | (3)                | (26)              |                   | (0.01)            |
| Amortization related to acquisitions(2)                           | 79                 | 81                | 0.03              | 0.04              |
| <b>Operational net income</b>                                     | <b>790</b>         | <b>813</b>        | <b>0.34</b>       | <b>0.35</b>       |

(1) EPS amounts are computed separately, therefore the sum of the per share amounts shown may not equal to the total.

(2) Net of tax at Group effective tax rate.

**Net cash / (Net debt)****Definition****Net cash / (Net debt)**

Net cash / (Net debt) is defined as Cash and marketable securities less Total debt.

**Cash and marketable securities**

Cash and marketable securities is the sum of Cash and equivalents and Marketable securities and short-term investments.

**Total debt**

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

**Reconciliation**

| (\$ in millions)   | 2013           | 2012           | December 31, |              | 2009         | 2008         |
|--|----------------|----------------|--------------|--------------|--------------|--------------|
|  |                |                | 2011         | 2010         |              |              |
| Cash and equivalents                                     | 6,021          | 6,875          | 4,819        | 5,897        | 7,119        | 6,399        |
| Marketable securities and short-term investments         | 464            | 1,606          | 948          | 2,713        | 2,433        | 1,354        |
| <b>Cash and marketable securities</b>                    | <b>6,485</b>   | <b>8,481</b>   | <b>5,767</b> | <b>8,610</b> | <b>9,552</b> | <b>7,753</b> |
| Short-term debt and current maturities of long-term debt | 453            | 2,537          | 765          | 1,043        | 161          | 354          |
| Long-term debt   | 7,570          | 7,534          | 3,231        | 1,139        | 2,172        | 2,009        |
| <b>Total debt</b>  | <b>8,023</b>   | <b>10,071</b>  | <b>3,996</b> | <b>2,182</b> | <b>2,333</b> | <b>2,363</b> |
| <b>Net cash / (Net debt)</b>                             | <b>(1,538)</b> | <b>(1,590)</b> | <b>1,771</b> | <b>6,428</b> | <b>7,219</b> | <b>5,390</b> |

**Net debt to EBITDA****Definition**

Net debt to EBITDA is calculated as Net debt divided by Income from operations adjusted to exclude depreciation and amortization for the trailing twelve months.

**Reconciliation**

| (\$ in millions)                   | 2013         | December 31,<br>2012 |
|------------------------------------|--------------|----------------------|
| <b>Net debt (as defined above)</b> | <b>1,538</b> | <b>1,590</b>         |
| <b>EBITDA</b>                      |              |                      |
| Income from operations             | 4,387        | 4,058                |
| Depreciation and amortization      | 1,318        | 1,182                |
| <b>Total EBITDA</b>                | <b>5,705</b> | <b>5,240</b>         |
| <b>Net debt to EBITDA</b>          | <b>0.3</b>   | <b>0.3</b>           |

**Net working capital as a percentage of revenues****Definition****Net working capital**

Net working capital is the sum of i) receivables, net, ii) inventories, net, and iii) prepaid expenses; less iv) accounts payable, trade, v) billings in excess of sales, vi) advances from customers and vii) other current liabilities (excluding primarily: a) income taxes payable, b) current derivative liabilities, and c) pension and other employee benefits).

**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 estimate the impact of annualizing revenues of certain acquisitions which were completed in the same trailing twelve month period.

**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.

**Reconciliation**

| (\$ in millions)  | 2013         | December 31,<br>2012 |
|---|--------------|----------------------|
| Receivables, net  | 12,146       | 11,575               |
| Inventories, net  | 6,004        | 6,182                |
| Prepaid expenses  | 252          | 311                  |
| Accounts payable, trade                                     | (5,112)      | (4,992)              |
| Billings in excess of sales                                 | (1,714)      | (2,035)              |
| Advances from customers                                     | (1,726)      | (1,937)              |
| Other current liabilities(1)                                | (3,541)      | (3,544)              |
| <b>Net working capital</b>                                  | <b>6,309</b> | <b>5,560</b>         |
| Total revenues for the twelve months ended                  | 41,848       | 39,336               |
| Adjustment to annualize revenues of certain acquisitions(2) | 460          | 915                  |

|   |               |               |
|---|---------------|---------------|
| <b>Adjusted revenues for the trailing twelve months</b> | <b>42,308</b> | <b>40,251</b> |
| <b>Net working capital as a percentage of revenues</b>  | <b>15%</b>    | <b>14%</b>    |

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(1) Other current liabilities in Net working capital excludes \$701 million and \$793 million at December 31, 2013 and 2012, respectively, related primarily to: a) income taxes payable, b) current derivative liabilities, and c) pension and other employee benefits.

(2) Power-One, acquired in July 2013; Thomas & Betts, acquired in May 2012.



**Finance net****Definition**

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

**Reconciliation**

| (\$ in millions)                   | Year ended December 31, |              |
|------------------------------------|-------------------------|--------------|
|                                    | 2013                    | 2012         |
| Interest and dividend income       | 69                      | 73           |
| Interest and other finance expense | (390)                   | (293)        |
| <b>Finance net</b>                 | <b>(321)</b>            | <b>(220)</b> |

| (\$ in millions)                   | Three months ended December 31, |             |
|------------------------------------|---------------------------------|-------------|
|                                    | 2013                            | 2012        |
| Interest and dividend income       | 19                              | 18          |
| Interest and other finance expense | (91)                            | (55)        |
| <b>Finance net</b>                 | <b>(72)</b>                     | <b>(37)</b> |

**Book-to-bill ratio****Definition**

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

**Reconciliation**

| (\$ in millions)          | Year ended<br>December 31, 2013 |
|---------------------------|---------------------------------|
| Orders received           | 38,896                          |
| Total revenues            | 41,848                          |
| <b>Book-to-bill ratio</b> | <b>0.93</b>                     |



**Cash return on invested capital (CROI)**

**Definition**

**Cash return on invested capital (CROI)**

Cash return on invested capital is calculated as Adjusted cash return divided by Capital invested.

**Adjusted cash return**

Adjusted cash return is calculated as the sum of i) net cash provided by operating activities and ii) interest paid.

**Capital invested**

Capital invested is the sum of i) Adjusted total fixed assets, ii) Net working capital and iii) Accumulated depreciation and amortization.

**Adjusted total fixed assets**

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

**Reconciliation**

| (\$ in millions)   | Year ended December 31, |              |
|--|-------------------------|--------------|
|  | 2013                    | 2012         |
| Net cash provided by operating activities  | 3,653                   | 3,779        |
| Interest paid  | 287                     | 189          |
| Estimate to annualize the net cash provided by operating activities of certain acquisitions(1) | 86                      | (8)          |
| <b>Adjusted cash return</b>  | <b>4,026</b>            | <b>3,960</b> |

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|   | December 31,  |               |
|---|---------------|---------------|
|   | 2013          | 2012          |
| Property, plant and equipment, net  | 6,254         | 5,947         |
| Goodwill  | 10,670        | 10,226        |
| Other intangible assets, net  | 3,297         | 3,501         |
| Investments in equity-accounted companies                                       | 197           | 213           |
| <b>Total fixed assets</b>   | <b>20,418</b> | <b>19,887</b> |
| Less: deferred taxes recognized in certain acquisitions <sup>(2)</sup>          | (1,959)       | (1,773)       |
| <b>Adjusted total fixed assets</b>  | <b>18,459</b> | <b>18,114</b> |
| <b>Net working capital (as defined above)</b>                                   | <b>6,309</b>  | <b>5,560</b>  |
| Accumulated depreciation of property plant and equipment                        | 7,127         | 6,599         |
| Accumulated amortization of intangible assets including goodwill <sup>(3)</sup> | 2,793         | 2,321         |
| <b>Accumulated depreciation and amortization</b>                                | <b>9,920</b>  | <b>8,920</b>  |
| <b>Capital invested</b>   | <b>34,688</b> | <b>32,594</b> |
| <b>Cash return on invested capital (CROI)</b>                                   | <b>11.6%</b>  | <b>12.1%</b>  |

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(1) Power-One (2013) and Thomas & Betts (2012)

(2) Power-One, Thomas & Betts and Baldor (2013) and Thomas & Betts and Baldor (2012)

(3) Includes accumulated goodwill amortization up to Dec. 31, 2001. Thereafter goodwill is not amortized (under U.S. GAAP) but subject to annual testing for impairment.

**Free Cash Flow (FCF)****Definition**

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).

**Reconciliation**

| (\$ in millions)  | Year ended December 31, |              |              |              |              |              |
|---|-------------------------|--------------|--------------|--------------|--------------|--------------|
|   | 2013                    | 2012         | 2011         | 2010         | 2009         | 2008         |
| <b>Net cash provided by operating activities</b>                      | <b>3,653</b>            | <b>3,779</b> | <b>3,612</b> | <b>4,197</b> | <b>4,027</b> | <b>3,958</b> |
| <i>adjusted for the effects of:</i>                                   |                         |              |              |              |              |              |
| Purchases of property, plant and equipment and intangible assets      | (1,106)                 | (1,293)      | (1,021)      | (840)        | (967)        | (1,171)      |
| Proceeds from sales of property, plant and equipment                  | 80                      | 40           | 57           | 47           | 36           | 94           |
| Changes in financing receivables and other non-current receivables(1) | 5                       | 29           | (55)         | (7)          | (7)          | 7            |
| <b>Free cash flow</b>   | <b>2,632</b>            | <b>2,555</b> | <b>2,593</b> | <b>3,397</b> | <b>3,089</b> | <b>2,888</b> |
| Net income attributable to ABB  | 2,787                   | 2,704        | 3,168        |              |              |              |
| <b>Free cash flow as a percentage of Net income (conversion rate)</b> | <b>94%</b>              | <b>94%</b>   | <b>82%</b>   |              |              |              |

(1) In 2013 and 2012 included in Other investing activities in the Interim Consolidated Statements of Cash Flows.

In 2011 and 2010 included in Other investing activities see Consolidated Statements of Cash Flows in 2012 Annual Report.

## ABB Ltd Interim Consolidated Income Statements (unaudited)

| (\$ in millions, except per share data in \$)                                       | Year ended      |                 | Three months ended |                |
|---|-----------------|-----------------|--------------------|----------------|
|   | Dec. 31, 2013   | Dec. 31, 2012   | Dec. 31, 2013      | Dec. 31, 2012  |
| Sales of products   | 35,282          | 32,979          | 9,549              | 9,251          |
| Sales of services   | 6,566           | 6,357           | 1,824              | 1,770          |
| <b>Total revenues</b>   | <b>41,848</b>   | <b>39,336</b>   | <b>11,373</b>      | <b>11,021</b>  |
| Cost of products  | (25,728)        | (23,838)        | (7,287)            | (6,948)        |
| Cost of services  | (4,128)         | (4,120)         | (1,144)            | (1,150)        |
| <b>Total cost of sales</b>  | <b>(29,856)</b> | <b>(27,958)</b> | <b>(8,431)</b>     | <b>(8,098)</b> |
| <b>Gross profit</b>   | <b>11,992</b>   | <b>11,378</b>   | <b>2,942</b>       | <b>2,923</b>   |
| Selling, general and administrative expenses  | (6,094)         | (5,756)         | (1,670)            | (1,576)        |
| Non-order related research and development expenses                                 | (1,470)         | (1,464)         | (415)              | (390)          |
| Other income (expense), net   | (41)            | (100)           | (34)               | (94)           |
| <b>Income from operations</b>   | <b>4,387</b>    | <b>4,058</b>    | <b>823</b>         | <b>863</b>     |
| Interest and dividend income  | 69              | 73              | 19                 | 18             |
| Interest and other finance expense  | (390)           | (293)           | (91)               | (55)           |
| <b>Income from continuing operations before taxes</b>                               | <b>4,066</b>    | <b>3,838</b>    | <b>751</b>         | <b>826</b>     |
| Provision for taxes   | (1,122)         | (1,030)         | (178)              | (202)          |
| <b>Income from continuing operations, net of tax</b>                                | <b>2,944</b>    | <b>2,808</b>    | <b>573</b>         | <b>624</b>     |
| Income (loss) from discontinued operations, net of tax                              | (37)            | 4               | (22)               |                |
| <b>Net income</b>   | <b>2,907</b>    | <b>2,812</b>    | <b>551</b>         | <b>624</b>     |
| Net income attributable to noncontrolling interests                                 | (120)           | (108)           | (26)               | (20)           |
| <b>Net income attributable to ABB</b>   | <b>2,787</b>    | <b>2,704</b>    | <b>525</b>         | <b>604</b>     |
| <b>Amounts attributable to ABB shareholders:</b>                                    |                 |                 |                    |                |
| Income from continuing operations, net of tax                                       | 2,824           | 2,700           | 547                | 604            |
| Net income  | 2,787           | 2,704           | 525                | 604            |
| <b>Basic earnings per share attributable to ABB shareholders:</b>                   |                 |                 |                    |                |
| Income from continuing operations, net of tax                                       | 1.23            | 1.18            | 0.24               | 0.26           |
| Net income  | 1.21            | 1.18            | 0.23               | 0.26           |
| <b>Diluted earnings per share attributable to ABB shareholders:</b>                 |                 |                 |                    |                |
| Income from continuing operations, net of tax                                       | 1.23            | 1.18            | 0.24               | 0.26           |
| Net income  | 1.21            | 1.18            | 0.23               | 0.26           |
| <b>Weighted-average number of shares outstanding (in millions) used to compute:</b> |                 |                 |                    |                |
| Basic earnings per share attributable to ABB shareholders                           | 2,297           | 2,293           | 2,299              | 2,295          |
| Diluted earnings per share attributable to ABB shareholders                         | 2,305           | 2,295           | 2,308              | 2,298          |

See Notes to the Interim Consolidated Financial Information

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

| (\$ in millions)  | Year ended    |               | Three months ended |               |
|---|---------------|---------------|--------------------|---------------|
|   | Dec. 31, 2013 | Dec. 31, 2012 | Dec. 31, 2013      | Dec. 31, 2012 |
| <b>Total comprehensive income, net of tax</b>                                   | <b>3,413</b>  | <b>2,687</b>  | <b>1,037</b>       | <b>246</b>    |
| Total comprehensive income attributable to noncontrolling interests, net of tax | (115)         | (98)          | (31)               | (10)          |
| <b>Total comprehensive income attributable to ABB shareholders, net of tax</b>  | <b>3,298</b>  | <b>2,589</b>  | <b>1,006</b>       | <b>236</b>    |

See Notes to the Interim Consolidated Financial Information

## ABB Ltd Interim Consolidated Balance Sheets (unaudited)

| (\$ in millions, except share data)  | Dec. 31, 2013 | Dec. 31, 2012 |
|--|---------------|---------------|
| Cash and equivalents   | 6,021         | 6,875         |
| Marketable securities and short-term investments   | 464           | 1,606         |
| Receivables, net   | 12,146        | 11,575        |
| Inventories, net   | 6,004         | 6,182         |
| Prepaid expenses   | 252           | 311           |
| Deferred taxes   | 832           | 869           |
| Other current assets   | 706           | 584           |
| <b>Total current assets</b>  | <b>26,425</b> | <b>28,002</b> |
| Property, plant and equipment, net   | 6,254         | 5,947         |
| Goodwill   | 10,670        | 10,226        |
| Other intangible assets, net   | 3,297         | 3,501         |
| Prepaid pension and other employee benefits  | 93            | 71            |
| Investments in equity-accounted companies  | 197           | 213           |
| Deferred taxes   | 370           | 334           |
| Other non-current assets   | 758           | 776           |
| <b>Total assets</b>  | <b>48,064</b> | <b>49,070</b> |
| Accounts payable, trade  | 5,112         | 4,992         |
| Billings in excess of sales  | 1,714         | 2,035         |
| Short-term debt and current maturities of long-term debt   | 453           | 2,537         |
| Advances from customers  | 1,726         | 1,937         |
| Deferred taxes   | 259           | 270           |
| Provisions for warranties  | 1,362         | 1,291         |
| Other provisions   | 1,807         | 1,575         |
| Other current liabilities  | 4,242         | 4,337         |
| <b>Total current liabilities</b>   | <b>16,675</b> | <b>18,974</b> |
| Long-term debt   | 7,570         | 7,534         |
| Pension and other employee benefits  | 1,639         | 2,290         |
| Deferred taxes   | 1,265         | 1,260         |
| Other non-current liabilities  | 1,707         | 1,566         |
| <b>Total liabilities</b>   | <b>28,856</b> | <b>31,624</b> |
| Commitments and contingencies  |               |               |
| <b>Stockholders equity:</b>  |               |               |
| Capital stock and additional paid-in capital (2,314,743,264 issued shares at December 31, 2013 and 2012) | 1,750         | 1,691         |
| Retained earnings  | 19,186        | 18,066        |
| Accumulated other comprehensive loss   | (2,012)       | (2,523)       |
| Treasury stock, at cost (14,093,960 and 18,793,989 shares at December 31, 2013 and 2012, respectively)   | (246)         | (328)         |
| <b>Total ABB stockholders equity</b>   | <b>18,678</b> | <b>16,906</b> |
| Noncontrolling interests   | 530           | 540           |
| <b>Total stockholders equity</b>   | <b>19,208</b> | <b>17,446</b> |
| <b>Total liabilities and stockholders equity</b>   | <b>48,064</b> | <b>49,070</b> |

See Notes to the Interim Consolidated Financial Information





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

| (\$ in millions)  | Year ended     |                | Three months ended |                |
|---|----------------|----------------|--------------------|----------------|
|   | Dec. 31, 2013  | Dec. 31, 2012  | Dec. 31, 2013      | Dec. 31, 2012  |
| <b>Operating activities:</b>  |                |                |                    |                |
| Net income  | 2,907          | 2,812          | 551                | 624            |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i>    |                |                |                    |                |
| Depreciation and amortization   | 1,318          | 1,182          | 352                | 341            |
| Pension and other employee benefits   | 6              | (13)           | 17                 | 43             |
| Deferred taxes  | (137)          | 64             | (126)              | 41             |
| Net gain from sale of property, plant and equipment   | (18)           | (26)           | 2                  | (14)           |
| Other   | 95             | 171            | 35                 | 66             |
| <i>Changes in operating assets and liabilities:</i>   |                |                |                    |                |
| Trade receivables, net  | (571)          | (310)          | 475                | 78             |
| Inventories, net  | 324            | 61             | 633                | 527            |
| Trade payables  | (43)           | (57)           | (29)               | 269            |
| Billings in excess of sales   | (168)          | 152            | (46)               | 95             |
| Provisions, net   | 199            | (109)          | 248                | 182            |
| Advances from customers   | (145)          | 181            | (38)               | 149            |
| Other assets and liabilities, net   | (114)          | (329)          | 18                 | 37             |
| <b>Net cash provided by operating activities</b>  | <b>3,653</b>   | <b>3,779</b>   | <b>2,092</b>       | <b>2,438</b>   |
| <b>Investing activities:</b>  |                |                |                    |                |
| Purchases of marketable securities (available-for-sale)                                     | (526)          | (2,288)        | (102)              | (859)          |
| Purchases of short-term investments   | (30)           | (67)           | (21)               | (37)           |
| Purchases of property, plant and equipment and intangible assets                            | (1,106)        | (1,293)        | (414)              | (455)          |
| Acquisition of businesses (net of cash acquired) and changes in cost and equity investments | (914)          | (3,694)        | (31)               | (8)            |
| Proceeds from sales of marketable securities (available-for-sale)                           | 1,367          | 1,655          | 5                  |                |
| Proceeds from maturity of marketable securities (available-for-sale)                        | 118            |                | 4                  |                |
| Proceeds from short-term investments  | 47             | 27             | 6                  |                |
| Proceeds from sales of property, plant and equipment  | 80             | 40             | 9                  | 19             |
| Proceeds from sales of businesses and equity-accounted companies (net of cash disposed)     | 62             | 16             | 51                 | 7              |
| Other investing activities  | 185            | 29             | 148                | 25             |
| <b>Net cash used in investing activities</b>  | <b>(717)</b>   | <b>(5,575)</b> | <b>(345)</b>       | <b>(1,308)</b> |
| <b>Financing activities:</b>  |                |                |                    |                |
| Net changes in debt with original maturities of 90 days or less                             | (697)          | 570            | (140)              | 467            |
| Increase in debt  | 492            | 5,986          | 50                 | 707            |
| Repayment of debt   | (1,893)        | (1,104)        | (70)               | (201)          |
| Delivery of shares  | 74             | 90             | 71                 | 43             |
| Dividends paid  | (1,667)        | (1,626)        |                    |                |
| Acquisition of noncontrolling interests   | (13)           | (9)            | (8)                | (6)            |
| Dividends paid to noncontrolling shareholders   | (149)          | (121)          | (16)               |                |
| Other financing activities  | (3)            | (24)           | 33                 | (8)            |
|   | <b>(3,856)</b> | <b>3,762</b>   | <b>(80)</b>        | <b>1,002</b>   |

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| <b>Net cash provided by (used in) financing activities</b>        |              |              |              |              |
| Effects of exchange rate changes on cash and equivalents          | 66           | 90           | 58           | 60           |
| <b>Net change in cash and equivalents - continuing operations</b> | <b>(854)</b> | <b>2,056</b> | <b>1,725</b> | <b>2,192</b> |
| Cash and equivalents, beginning of period                         | 6,875        | 4,819        | 4,296        | 4,683        |
| <b>Cash and equivalents, end of period</b>                        | <b>6,021</b> | <b>6,875</b> | <b>6,021</b> | <b>6,875</b> |
| <b>Supplementary disclosure of cash flow information:</b>         |              |              |              |              |
| Interest paid   | 287          | 189          | 108          | 98           |
| Taxes paid  | 1,278        | 1,211        | 394          | 296          |

See Notes to the Interim Consolidated Financial Information

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

| (\$ in millions)   | Capital stock and additional paid-in capital | Retained earnings | Foreign currency translation adjustments | Accumulated other comprehensive loss                       |   |  | Total accumulated other comprehensive loss | Treasury stock | Total ABB stockholders equity | Noncontrolling interests | Total |
|--|--|-------------------|--|--|---|--|--|----------------|-------------------------------|--------------------------|-------|
|  |  |                   |  | Unrealized gains (losses) on available-for-sale securities | Pension and other postretirement plan adjustments | Unrealized gains (losses) of cash flow hedge derivatives |  |                |                               |                          |       |
| <b>Balance at January 1, 2012</b>  | 1,621  | 16,988            | (968)                                    | 20   | (1,472)   | 12   | (2,408)                                    | (424)          | 15,777                        | 559                      |       |
| Comprehensive income:  |  |                   |  |  |   |  |  |                |                               |                          |       |
| Net income   |  | 2,704             |  |  |   |  |  |                | 2,704                         | 108                      |       |
| Foreign currency translation adjustments (net of tax of \$6)   |  |                   | 388                                      |  |   |  | 388  |                | 388                           | (5)                      |       |
| Effect of change in fair value of available-for-sale securities (net of tax of \$2)                      |  |                   |  | 4  |   |  | 4  |                | 4                             |                          |       |
| Unrecognized income (expense) related to pensions and other postretirement plans (net of tax of \$(216)) |  |                   |  |  | (532)   |  | (532)                                      |                | (532)                         | (5)                      |       |
| Change in derivatives qualifying as cash flow hedges (net of tax of \$7)                                 |  |                   |  |  |   | 25   | 25   |                | 25                            |                          |       |
| <b>Total comprehensive income</b>  |  |                   |  |  |   |  |  |                | 2,589                         | 98                       |       |
| Changes in noncontrolling interests  |  |                   |  |  |   |  |  |                |                               | 6                        |       |
| Dividends paid to noncontrolling shareholders  |  |                   |  |  |   |  |  |                |                               | (123)                    |       |
| Dividends paid   |  | (1,626)           |  |  |   |  |  |                | (1,626)                       |                          |       |
| Share-based payment arrangements   | 60   |                   |  |  |   |  |  |                | 60                            |                          |       |
| Delivery of shares   | (6)  |                   |  |  |   |  |  | 96             | 90                            |                          |       |
| Call options   | 10   |                   |  |  |   |  |  |                | 10                            |                          |       |
| Replacement options issued in connection with acquisition  | 5  |                   |  |  |   |  |  |                | 5                             |                          |       |
| Other  | 1  |                   |  |  |   |  |  |                | 1                             |                          |       |
| <b>Balance at December 31, 2012</b>  | 1,691  | 18,066            | (580)                                    | 24   | (2,004)   | 37   | (2,523)                                    | (328)          | 16,906                        | 540                      |       |

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| (\$ in millions)   | Accumulated other comprehensive loss         |                   |  |  |   |  | Treasury stock | Total ABB stockholders equity | Noncontrolling interests | Total stockholders equity |
|--|--|-------------------|--|--|---|--|----------------|-------------------------------|--------------------------|---------------------------|
|  | Capital stock and additional paid-in capital | Retained earnings | 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 |                |                               |                          |                           |
| <b>Balance at January 1, 2013</b>  | <b>1,691</b>                                 | <b>18,066</b>     | <b>(580)</b>                             | <b>24</b>  | <b>(2,004)</b>                                    | <b>37</b>  | <b>(2,523)</b> | <b>(328)</b>                  | <b>16,906</b>            | <b>540</b>                |
| Comprehensive income:  |  |                   |  |  |   |  |                |                               |                          |                           |
| Net income   |  | 2,787             |  |  |   |  |                |                               | 2,787                    | 120                       |
| Foreign currency translation adjustments (net of tax of \$(8))   |  |                   | 149                                      |  |   |  | 149            |                               | 149                      | (8)                       |
| Effect of change in fair value of available-for-sale securities (net of tax of \$(1))                  |  |                   |  | (17)   |   |  | (17)           |                               | (17)                     |                           |
| Unrecognized income (expense) related to pensions and other postretirement plans (net of tax of \$171) |  |                   |  |  | 394   |  | 394            |                               | 394                      | 3                         |
| Change in derivatives qualifying as cash flow hedges (net of tax of \$(6))                             |  |                   |  |  |   | (15)   | (15)           |                               | (15)                     |                           |
| <b>Total comprehensive income</b>  |  |                   |  |  |   |  |                |                               | <b>3,298</b>             | <b>115</b>                |
| Changes in noncontrolling interests  | (17)   |                   |  |  |   |  |                |                               | (17)                     | 25                        |
| Dividends paid to noncontrolling shareholders  |  |                   |  |  |   |  |                |                               |                          | (150)                     |
| Dividends paid   |  | (1,667)           |  |  |   |  |                |                               | (1,667)                  |                           |
| Share-based payment arrangements   | 71   |                   |  |  |   |  |                |                               | 71                       |                           |
| Delivery of shares   | (8)  |                   |  |  |   |  |                | 82                            | 74                       |                           |
| Call options   | 13   |                   |  |  |   |  |                |                               | 13                       |                           |
| Replacement options issued in connection with acquisition  | 2  |                   |  |  |   |  |                |                               | 2                        |                           |
| Other  | (2)  |                   |  |  |   |  |                |                               | (2)                      |                           |
| <b>Balance at December 31, 2013</b>  | <b>1,750</b>                                 | <b>19,186</b>     | <b>(431)</b>                             | <b>7</b>   | <b>(1,610)</b>                                    | <b>22</b>  | <b>(2,012)</b> | <b>(246)</b>                  | <b>18,678</b>            | <b>530</b>                |

See Notes to the Interim Consolidated Financial Information

**Notes to the Interim Consolidated Financial Information (unaudited)**

**Note 1. The Company and basis of presentation**

ABB Ltd and its subsidiaries (collectively, the Company) together form a leading global company in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact. The Company works with customers to engineer and install networks, facilities and plants with particular emphasis on enhancing efficiency, reliability and productivity for customers who generate, convert, transmit, distribute and consume energy.

The Company's Interim 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 Interim 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, 2012.

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 Interim Consolidated Financial Information. The most significant, difficult and subjective of such accounting assumptions and estimates include:

- assumptions and projections, principally related to future material, labor and project-related overhead costs, used in determining the percentage-of-completion on projects,
- estimates of loss contingencies associated with litigation or threatened litigation and other claims and inquiries, environmental damages, product warranties, regulatory and other proceedings,
- assumptions used in the calculation of pension and postretirement benefits and the fair value of pension plan assets,
- recognition and measurement of current and deferred income tax assets and liabilities (including the measurement of uncertain tax positions),
- growth rates, discount rates and other assumptions used in testing goodwill for impairment,
- assumptions used in determining inventory obsolescence and net realizable value,

- estimates and assumptions used in determining the fair values of assets and liabilities assumed in business combinations,
- growth rates, discount rates and other assumptions used to determine impairment of long-lived assets, 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, inventories and provisions related to these contracts which will not be realized within one year that have been classified as current.

In the opinion of management, the unaudited Interim Consolidated Financial Information contains all necessary adjustments to present fairly the financial position, results of operations and cash flows for the reported interim periods. Management considers all such adjustments to be of a normal recurring nature.

The Interim Consolidated Financial Information is presented in United States dollars (\$) unless otherwise stated. Certain amounts reported for prior periods in the Interim Consolidated Financial Information have been reclassified to conform to the current period's presentation. These changes primarily relate to current liabilities, where amounts previously reported in Employee and other payables and Accrued expenses have been reclassified to Other provisions and Other current liabilities.

**Notes to the Interim Consolidated Financial Information (unaudited)**

**Note 2. Recent accounting pronouncements**

**Applicable in current period**

*Disclosures about offsetting assets and liabilities*

As of January 2013, the Company adopted two accounting standard updates regarding disclosures about amounts of certain financial and derivative instruments recognized in the statement of financial position that are either (i) offset or (ii) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. The scope of these updates covers derivatives (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending arrangements. These updates are applicable retrospectively and did not have a significant impact on the consolidated financial statements.

*Reporting of amounts reclassified out of accumulated other comprehensive income*

As of January 2013, the Company adopted an accounting standard update regarding the presentation of amounts reclassified out of accumulated other comprehensive income. Under the update, the Company is required to present, either in a single note or parenthetically on the face of the financial statements, significant amounts reclassified out of accumulated other comprehensive income by the respective income statement line item (if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the reporting period). If a component is not required to be reclassified to net income in its entirety, the Company would instead cross-reference to other U.S. GAAP required disclosures that provide additional information about the amounts. This update is applicable prospectively and resulted in the Company presenting, in a single note, significant reclassifications out of accumulated other comprehensive income (see Note 12).

**Applicable for future periods**

*Parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity*

In March 2013, an accounting standard update was issued regarding the release of cumulative translation adjustments of a parent when it ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity (for the Company, a foreign entity is an entity having a functional currency other than U.S. dollars). Under the update, the Company would release into net income the entire amount of a cumulative translation adjustment related to its investment in a foreign entity when as a parent it either sells a part or all of its investment in the foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within the foreign entity. For foreign equity-accounted companies, a pro rata portion of the cumulative translation adjustment would be recognized in net income upon a partial sale of the equity-accounted company. This update is effective for the Company for annual and interim periods beginning January 1, 2014, and is applicable prospectively. The Company does not believe that this update will have a material impact on its consolidated financial



statements.

*Presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists*

In July 2013, an accounting standard update was issued regarding the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under the update, the Company would present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain defined circumstances. This update is effective for the Company for annual and interim periods beginning January 1, 2014, and is applicable prospectively. The Company does not believe that this update will have a material impact on its consolidated financial statements.

**Notes to the Interim Consolidated Financial Information (unaudited)****Note 3. Acquisitions**

Acquisitions were as follows:

| (\$ in millions, except number of acquired businesses)(1)                    | Year ended<br>December 31, |       | Three months ended<br>December 31, |       |
|--|----------------------------|-------|------------------------------------|-------|
|  | 2013                       | 2012  | 2013                               | 2012  |
| Acquisitions (net of cash acquired)(2)                                       | 897                        | 3,643 | 24                                 | 8     |
| Aggregate excess of purchase price over fair value of net assets acquired(3) | 525                        | 2,895 | 53                                 | (378) |
| Number of acquired businesses  | 7                          | 9     | 1                                  | 2     |

(1) Amounts for the year ended December 31, 2013, relate primarily to the acquisition of Power-One. Amounts for the year ended December 31, 2012, relate primarily to the acquisition of Thomas & Betts.

(2) Excluding changes in cost and equity investments but including \$2 million (in the year ended December 31, 2013) and \$5 million (in the year ended December 31, 2012) representing the fair value of replacement vested stock options issued to Power-One and Thomas & Betts employees, respectively, at the corresponding acquisition dates.

(3) Recorded as goodwill. For all periods presented, amounts include adjustments arising during the measurement period of acquisitions. In the year ended December 31, 2013, and the three months ended December 31, 2012, adjustments amounted to \$63 million and \$386 million, respectively, primarily reflecting a reduction in certain deferred tax liabilities related to Thomas & Betts.

Acquisitions of controlling interests have been accounted for under the acquisition method and have been included in the Company's Interim Consolidated Financial Information since the date of acquisition.

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

On July 25, 2013, the Company acquired all outstanding shares of Power-One, Inc. (Power-One) for \$6.35 per share in cash. The resulting cash outflows for the Company amounted to \$737 million, representing \$705 million for the purchase of the shares (net of cash acquired) and \$32 million related to the cash settlement of Power-One stock options held at the acquisition date. Power-One is a designer and manufacturer of photovoltaic inverters, as well as a provider of renewable energy and energy-efficient power conversion and power management solutions.

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The aggregate preliminary allocation of the purchase consideration for business acquisitions in the year ended December 31, 2013, is as follows:

| (\$ in millions)                                  | Allocated amounts(1) | Weighted-average<br>useful life |
|---|----------------------|---------------------------------|
| Intangible assets                                 | 206                  | 7 years                         |
| Fixed assets                                      | 135                  |                                 |
| Deferred tax liabilities                          | (190)                |                                 |
| Other assets and liabilities, net                 | 158                  |                                 |
| Goodwill(2)                                       | 588                  |                                 |
| <b>Total consideration (net of cash acquired)</b> | <b>897</b>           |                                 |

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(1) Excludes measurement period adjustments related to prior year acquisitions.

(2) The Company does not expect the majority of goodwill recognized to be deductible for income tax purposes.

On May 16, 2012, the Company acquired all outstanding shares of Thomas & Betts Corporation (Thomas & Betts) for \$72 per share in cash. The resulting cash outflows for the Company amounted to \$3,700 million, representing \$3,282 million for the purchase of the shares (net of cash acquired of \$521 million), \$94 million related to cash settlement of Thomas & Betts stock options held at acquisition date and \$324 million for the repayment of debt assumed upon acquisition. Thomas & Betts designs, manufactures and markets components used to manage the connection, distribution, transmission and reliability of electrical power in industrial, construction and utility applications. The acquisition of Thomas & Betts supports the Company's strategy of expanding its Low Voltage Products operating segment into new geographies, sectors and products, and consequently the goodwill acquired represents the future benefits associated with the expansion of market access and product scope.

**Notes to the Interim Consolidated Financial Information (unaudited)**

The final allocation of the purchase consideration for Thomas & Betts is as follows:

| (\$ in millions)                                     | Allocated amounts | Weighted-average<br>useful life |
|--|-------------------|---------------------------------|
| Customer relationships                               | 1,169             | 18 years                        |
| Technology   | 179               | 5 years                         |
| Trade names  | 155               | 10 years                        |
| Order backlog  | 12                | 7.5 months                      |
| <b>Intangible assets</b>                             | <b>1,515</b>      | <b>15 years</b>                 |
| Fixed assets   | 458               |                                 |
| Debt acquired  | (619)             |                                 |
| Deferred tax liabilities                             | (971)             |                                 |
| Inventories  | 300               |                                 |
| Other assets and liabilities, net(1)                 | 49                |                                 |
| Goodwill(2)  | 2,649             |                                 |
| <b>Total consideration (net of cash acquired)(3)</b> | <b>3,381</b>      |                                 |

(1) Gross receivables from the acquisition totaled \$387 million; the fair value of which was \$344 million after rebates and allowance for estimated uncollectable receivables.

(2) Goodwill recognized is not deductible for income tax purposes.

(3) Cash acquired in the acquisition totaled \$521 million. Additional consideration included \$94 million related to the cash settlement of stock options held by Thomas & Betts employees at the acquisition date and \$5 million representing the fair value of replacement vested stock options issued to Thomas & Betts employees at the acquisition date. The fair value of these stock options was estimated using a Black-Scholes model.

The Company's Consolidated Income Statements for the year and three months ended December 31, 2012, include total revenues of \$1,541 million and \$603 million, respectively, related to Thomas & Betts since the date of acquisition. After acquisition-related charges, the Company's Consolidated Income Statements for the year and three months ended December 31, 2012, include a net loss of \$10 million and \$2 million, respectively, related to Thomas & Betts since the date of acquisition.

The unaudited pro forma financial information in the table below summarizes the combined pro forma results of the Company and Thomas & Betts for the year and three months ended December 31, 2012, as if Thomas & Betts had been acquired on January 1, 2011.

| (\$ in millions)                              | Year ended<br>December 31, 2012 | Three months ended<br>December 31, 2012 |
|---|---------------------------------|---|
| Total revenues                                | 40,251                          | 11,021                                  |
| Income from continuing operations, net of tax | 2,924                           | 626                                     |



**Notes to the Interim Consolidated Financial Information (unaudited)**

The unaudited pro forma results above include certain adjustments related to the Thomas & Betts acquisition. The table below summarizes the adjustments necessary to present the pro forma financial information of the Company and Thomas & Betts combined, as if Thomas & Betts had been acquired on January 1, 2011.

| (\$ in millions)   | Year ended<br>December 31, 2012 | Adjustments | Three months ended<br>December 31, 2012 |
|--|---------------------------------|-------------|---|
| Impact on cost of sales from additional amortization of intangible assets (excluding order backlog capitalized upon acquisition) | (26)                            |             |   |
| Impact on cost of sales from amortization of order backlog capitalized upon acquisition  | 11                              |             | 3                                       |
| Impact on cost of sales from fair valuing acquired inventory   | 31                              |             |   |
| Impact on cost of sales from additional depreciation of fixed assets   | (12)                            |             |   |
| Interest expense on Thomas & Betts debt  | 5                               |             |   |
| Impact on selling, general and administrative expenses from Thomas & Betts stock-option plans adjustments                        | 16                              |             |   |
| Impact on selling, general and administrative expenses from acquisition-related costs  | 56                              |             |   |
| Impact on interest and other finance expense from bridging facility costs  | 13                              |             |   |
| Other  | (5)                             |             |   |
| Income taxes   | (7)                             |             | (1)                                     |
| <b>Total pro forma adjustments</b>   | <b>82</b>                       |             | <b>2</b>                                |

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 Thomas & Betts. 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.

Changes in total goodwill were as follows:

| (\$ in millions)                              | Total goodwill |
|---|----------------|
| <b>Balance at January 1, 2012</b>             | <b>7,269</b>   |
| Additions during the period <sup>(1)(2)</sup> | 2,895          |
| Exchange rate differences                     | 62             |
| <b>Balance at December 31, 2012</b>           | <b>10,226</b>  |
| Additions during the period <sup>(1)(3)</sup> | 525            |
| Goodwill allocated to disposals               | (11)           |
| Exchange rate differences                     | (70)           |
| <b>Balance at December 31, 2013</b>           | <b>10,670</b>  |

(1) Includes measurement period adjustments related to prior year acquisitions.

(2) Includes primarily goodwill of \$2,723 million in respect of Thomas & Betts, acquired in May 2012, which has been allocated to the Low Voltage Products operating segment and goodwill in respect of Newave, acquired in February 2012, which has been allocated to the Discrete

Automation and Motion operating segment.

(3) Includes primarily goodwill in respect of Power-One, acquired in July 2013, which has been allocated to the Discrete Automation and Motion operating segment.

## Notes to the Interim Consolidated Financial Information (unaudited)

## Note 4. Cash and equivalents, marketable securities and short-term investments

## Current assets

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

December 31, 2013

| (\$ in millions)                           | Cost basis   | Gross unrealized gains | Gross unrealized losses | Fair value   | Cash and equivalents | Marketable securities and short-term investments |
|--|--------------|------------------------|-------------------------|--------------|----------------------|--|
| Cash                                       | 2,414        |                        |                         | 2,414        | 2,414                |  |
| Time deposits                              | 3,556        |                        |                         | 3,556        | 3,538                | 18   |
| Other short-term investments               | 9            |                        |                         | 9            |                      | 9  |
| <i>Debt securities available-for-sale:</i> |              |                        |                         |              |                      |  |
| U.S. government obligations                | 103          | 2                      | (1)                     | 104          |                      | 104  |
| European government obligations            | 24           | 1                      |                         | 25           |                      | 25   |
| Other government obligations               | 3            |                        |                         | 3            |                      | 3  |
| Corporate                                  | 212          | 4                      | (1)                     | 215          | 69                   | 146  |
| Equity securities available-for-sale       | 154          | 9                      | (4)                     | 159          |                      | 159  |
| <b>Total</b>                               | <b>6,475</b> | <b>16</b>              | <b>(6)</b>              | <b>6,485</b> | <b>6,021</b>         | <b>464</b>                                       |

December 31, 2012

| (\$ in millions)                           | Cost basis   | Gross unrealized gains | Gross unrealized losses | Fair value   | Cash and equivalents | Marketable securities and short-term investments |
|--|--------------|------------------------|-------------------------|--------------|----------------------|--|
| Cash                                       | 2,784        |                        |                         | 2,784        | 2,784                |  |
| Time deposits                              | 3,993        |                        |                         | 3,993        | 3,963                | 30   |
| Other short-term investments               | 15           |                        |                         | 15           |                      | 15   |
| <i>Debt securities available-for-sale:</i> |              |                        |                         |              |                      |  |
| U.S. government obligations                | 152          | 8                      | (1)                     | 159          |                      | 159  |
| Other government obligations               | 3            |                        |                         | 3            |                      | 3  |
| Corporate                                  | 236          | 9                      |                         | 245          | 128                  | 117  |
| Equity securities available-for-sale       | 1,271        | 12                     | (1)                     | 1,282        |                      | 1,282  |
| <b>Total</b>                               | <b>8,454</b> | <b>29</b>              | <b>(2)</b>              | <b>8,481</b> | <b>6,875</b>         | <b>1,606</b>                                     |

## Non-current assets



Included in Other non-current assets are certain held-to-maturity marketable securities. At December 31, 2013, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were \$104 million, \$17 million and \$121 million, respectively. At December 31, 2012, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were \$97 million, \$27 million and \$124 million, respectively. These securities are pledged as security for certain outstanding deposit liabilities and the funds received at the respective maturity dates of the securities will only be available to the Company for repayment of these obligations.

**Notes to the Interim Consolidated Financial Information (unaudited)**

**Note 5. 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 the 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 other than electricity, the Company's policies require that the 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). In certain locations where the price of electricity is hedged, up to a maximum of 90 percent of the forecasted electricity needs, depending on the length of the forecasted exposures, are hedged. Swap and futures 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 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 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<br>(\$ in millions) | Total notional amounts |                   |
|--|------------------------|-------------------|
|  | December 31, 2013      | December 31, 2012 |
| Foreign exchange contracts             | 19,351                 | 19,724            |
| Embedded foreign exchange derivatives  | 3,049                  | 3,572             |
| Interest rate contracts                | 4,693                  | 3,983             |

**Notes to the Interim Consolidated Financial Information (unaudited)***Derivative commodity contracts:*

The following table shows the notional amounts of outstanding commodity derivatives (whether designated as hedges or not), on a net basis, to reflect the Company's requirements in the various commodities:

| Type of derivative  | Unit           | Total notional amounts |                   |
|---------------------|----------------|------------------------|-------------------|
|                     |                | December 31, 2013      | December 31, 2012 |
| Copper swaps        | metric tonnes  | 42,866                 | 45,222            |
| Aluminum swaps      | metric tonnes  | 3,525                  | 5,495             |
| Nickel swaps        | metric tonnes  | 18                     | 21                |
| Lead swaps          | metric tonnes  | 7,100                  | 13,025            |
| Zinc swaps          | metric tonnes  | 300                    | 225               |
| Silver swaps        | ounces         | 1,936,581              | 1,415,322         |
| Electricity futures | megawatt hours | 279,995                | 334,445           |
| Crude oil swaps     | barrels        | 113,000                | 135,471           |

*Equity derivatives:*

At December 31, 2013 and 2012, the Company held 67 million and 67 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of \$56 million and \$26 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. Any ineffectiveness in the hedge relationship, or hedge component excluded from the assessment of effectiveness, is recognized in earnings during the current period.

At December 31, 2013 and 2012, Accumulated other comprehensive loss included net unrealized gains of \$22 million and \$37 million, respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at December 31, 2013, net gains of \$18 million are expected to be reclassified to earnings in the following 12 months. At December 31, 2013, the longest maturity of a derivative classified as a cash flow hedge was 69 months.

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The amounts of gains or losses, net of tax, reclassified into earnings due to the discontinuance of cash flow hedge accounting and recognized in earnings due to ineffectiveness in cash flow hedge relationships were not significant in the year and three months ended December 31, 2013 and 2012.

## Notes to the Interim Consolidated Financial Information (unaudited)

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 as follows:

| Type of derivative designated as a cash flow hedge | Year ended December 31, 2013   |  |                  |  |          |
|--|--|--|------------------|--|----------|
|  | Gains (losses) recognized in OCI on derivatives (effective portion) (\$ in millions) | Gains (losses) reclassified from OCI into income (effective portion) |                  | Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing) |          |
|  |  | Location   | (\$ in millions) |  | Location |
| Foreign exchange contracts                         | 22   | Total revenues   | 52               | Total revenues   |          |
|  |  | Total cost of sales  | (1)              | Total cost of sales  |          |
| Commodity contracts                                | (5)  | Total cost of sales  | (5)              | Total cost of sales  |          |
| Cash-settled call options                          | 16   | SG&A expenses(1)   | 8                | SG&A expenses(1)   |          |
| <b>Total</b>                                       | <b>33</b>  |  | <b>54</b>        |  |          |

| Type of derivative designated as a cash flow hedge | Year ended December 31, 2012   |  |                  |  |          |
|--|--|--|------------------|--|----------|
|  | Gains (losses) recognized in OCI on derivatives (effective portion) (\$ in millions) | Gains (losses) reclassified from OCI into income (effective portion) |                  | Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing) |          |
|  |  | Location   | (\$ in millions) |  | Location |
| Foreign exchange contracts                         | 74   | Total revenues   | 69               | Total revenues   |          |
|  |  | Total cost of sales  | (12)             | Total cost of sales  |          |
| Commodity contracts                                | 4  | Total cost of sales  | (4)              | Total cost of sales  |          |
| Cash-settled call options                          | (4)  | SG&A expenses(1)   | (11)             | SG&A expenses(1)   |          |
| <b>Total</b>                                       | <b>74</b>  |  | <b>42</b>        |  |          |

| Type of derivative designated as a cash flow hedge | Three months ended December 31, 2013   |  |                  |  |          |
|--|--|--|------------------|--|----------|
|  | Gains (losses) recognized in OCI on derivatives (effective portion) (\$ in millions) | Gains (losses) reclassified from OCI into income (effective portion) |                  | Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing) |          |
|  |  | Location   | (\$ in millions) |  | Location |
| Foreign exchange contracts                         | (3)  | Total revenues   | 12               | Total revenues   |          |
|  |  | Total cost of sales  | 5                | Total cost of sales  |          |
| Commodity contracts                                | 1  | Total cost of sales  | (2)              | Total cost of sales  |          |
| Cash-settled call options                          | 11   | SG&A expenses(1)   | 5                | SG&A expenses(1)   |          |
| <b>Total</b>                                       | <b>9</b>   |  | <b>20</b>        |  |          |

| Type of derivative designated as a cash flow hedge | Three months ended December 31, 2012                                |  |  |  |
|--|---|--|--|--|
|  | Gains (losses) recognized in OCI on derivatives (effective portion) | Gains (losses) reclassified from OCI into income (effective portion) |  | Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing) |
|  |   |  |  |  |

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|                            | (\$ in millions) | Location            | (\$ in millions) | Location            | (\$ in millions) |
|----------------------------|------------------|---------------------|------------------|---------------------|------------------|
| Foreign exchange contracts | (1)              | Total revenues      | 22               | Total revenues      |                  |
|                            |                  | Total cost of sales | (4)              | Total cost of sales |                  |
| Commodity contracts        | (5)              | Total cost of sales | (2)              | Total cost of sales |                  |
| Cash-settled call options  | 3                | SG&A expenses(1)    |                  | SG&A expenses(1)    |                  |
| <b>Total</b>               | <b>(3)</b>       |                     | <b>16</b>        |                     |                  |

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

Net derivative gains of \$43 million and \$28 million, both net of tax, were reclassified from Accumulated other comprehensive loss to earnings during the year ended December 31, 2013 and 2012, respectively. During the three months ended December 31, 2013 and 2012, net derivative gains of \$15 million and \$12 million, both net of tax, were reclassified from Accumulated other comprehensive loss to earnings respectively.

## Notes to the Interim Consolidated Financial Information (unaudited)

## 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 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 year and three months ended December 31, 2013 and 2012, was not significant.

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

| Type of derivative designated as a fair value hedge | Year ended December 31, 2013   |                  |  |                  |
|---|--|------------------|--|------------------|
|   | Gains (losses) recognized in income on derivatives designated as fair value hedges |                  | Gains (losses) recognized in income on hedged item |                  |
|   | Location   | (\$ in millions) | Location   | (\$ in millions) |
| Interest rate contracts                             | Interest and other finance expense   | (34)             | Interest and other finance expense                 | 35               |

| Type of derivative designated as a fair value hedge | Year ended December 31, 2012   |                  |  |                  |
|---|--|------------------|--|------------------|
|   | Gains (losses) recognized in income on derivatives designated as fair value hedges |                  | Gains (losses) recognized in income on hedged item |                  |
|   | Location   | (\$ in millions) | Location   | (\$ in millions) |
| Interest rate contracts                             | Interest and other finance expense   | 6                | Interest and other finance expense                 | (6)              |

| Type of derivative designated as a fair value hedge | Three months ended December 31, 2013   |                  |  |                  |
|---|--|------------------|--|------------------|
|   | Gains (losses) recognized in income on derivatives designated as fair value hedges |                  | Gains (losses) recognized in income on hedged item |                  |
|   | Location   | (\$ in millions) | Location   | (\$ in millions) |
| Interest rate contracts                             | Interest and other finance expense   | (18)             | Interest and other finance expense                 | 19               |

| Type of derivative designated as a fair value hedge | Three months ended December 31, 2012   |                  |  |                  |
|---|--|------------------|--|------------------|
|   | Gains (losses) recognized in income on derivatives designated as fair value hedges |                  | Gains (losses) recognized in income on hedged item |                  |
|   | Location   | (\$ in millions) | Location   | (\$ in millions) |
| Interest rate contracts                             | Interest and other finance expense   | (6)              | Interest and other finance expense                 | 6                |



**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.

Notes to the Interim Consolidated Financial Information (unaudited)

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

| (\$ in millions)                                |                                       | Gains (losses) recognized in income |           |                                    |            |
|---|---------------------------------------|-------------------------------------|-----------|------------------------------------|------------|
|   |                                       | Year ended<br>December 31,          |           | Three months ended<br>December 31, |            |
| Type of derivative<br>not designated as a hedge | Location                              | 2013                                | 2012      | 2013                               | 2012       |
| Foreign exchange contracts                      | Total revenues                        | (95)                                | 318       | (34)                               | 32         |
|   | Total cost of sales                   | 80                                  | (193)     | 30                                 | 5          |
|   | SG&A expenses(1)                      | (1)                                 | (3)       |                                    |            |
|   | Interest and other finance<br>expense | 223                                 | 68        | 111                                | 85         |
| Embedded foreign exchange<br>contracts          | Total revenues                        | 101                                 | (148)     | 25                                 | (1)        |
|   | Total cost of sales                   | (10)                                | 28        | (9)                                | (1)        |
| Commodity contracts                             | Total cost of sales                   | (50)                                | 10        | (4)                                | (14)       |
|   | Interest and other finance<br>expense | 1                                   | 1         |                                    |            |
|   | Interest and other finance<br>expense | (3)                                 | (1)       |                                    | (3)        |
| <b>Total</b>                                    |                                       | <b>246</b>                          | <b>80</b> | <b>119</b>                         | <b>103</b> |

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

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

| (\$ in millions)  | December 31, 2013                     |  |  |   |
|---|---------------------------------------|--|--|---|
|   | Derivative assets                     |  | Derivative liabilities                     |   |
|   | Current in<br>Other current<br>assets | Non-current<br>in Other<br>non-current<br>assets | Current in<br>Other current<br>liabilities | Non-current<br>in Other<br>non-current<br>liabilities |
| <i>Derivatives designated as hedging instruments:</i>         |                                       |  |  |   |
| Foreign exchange contracts                                    | 21                                    | 8  | 10   | 3   |
| Commodity contracts   | 2                                     |  | 1  |   |
| Interest rate contracts                                       |                                       | 14   |  | 7   |
| Cash-settled call options                                     | 14                                    | 40   |  |   |
| <b>Total</b>  | <b>37</b>                             | <b>62</b>  | <b>11</b>                                  | <b>10</b>   |
| <i>Derivatives not designated as hedging<br/>instruments:</i> |                                       |  |  |   |
| Foreign exchange contracts                                    | 272                                   | 42   | 121  | 30  |
| Commodity contracts   | 6                                     | 1  | 15   | 1   |
| Cash-settled call options                                     |                                       | 2  |  |   |
| Embedded foreign exchange derivatives                         | 57                                    | 21   | 55   | 11  |
| <b>Total</b>  | <b>335</b>                            | <b>66</b>  | <b>191</b>                                 | <b>42</b>   |
| <b>Total fair value</b>                                       | <b>372</b>                            | <b>128</b>                                       | <b>202</b>                                 | <b>52</b>   |

|   |            |           |            |           |
|---|------------|-----------|------------|-----------|
| <b>Thereof, subject to close-out netting agreements</b> | <b>284</b> | <b>63</b> | <b>130</b> | <b>40</b> |
|---|------------|-----------|------------|-----------|

## Notes to the Interim Consolidated Financial Information (unaudited)

| (\$ in millions)  | December 31, 2012                     |  |  |   |
|---|---------------------------------------|--|--|---|
|   | Derivative assets                     |  | Derivative liabilities                     |   |
|   | Current in<br>Other current<br>assets | Non-current<br>in Other<br>non-current<br>assets | Current in<br>Other current<br>liabilities | Non-current<br>in Other<br>non-current<br>liabilities |
| <i>Derivatives designated as hedging instruments:</i>     |                                       |  |  |   |
| Foreign exchange contracts                                | 34                                    | 20   | 14   | 6   |
| Commodity contracts                                       | 1                                     |  | 1  |   |
| Interest rate contracts                                   | 15                                    | 31   |  | 2   |
| Cash-settled call options                                 | 9                                     | 16   |  |   |
| <b>Total</b>  | <b>59</b>                             | <b>67</b>  | <b>15</b>                                  | <b>8</b>  |
| <i>Derivatives not designated as hedging instruments:</i> |                                       |  |  |   |
| Foreign exchange contracts                                | 204                                   | 62   | 84   | 20  |
| Commodity contracts                                       | 7                                     | 1  | 11   | 1   |
| Cash-settled call options                                 |                                       | 1  |  |   |
| Embedded foreign exchange derivatives                     | 26                                    | 13   | 86   | 40  |
| <b>Total</b>  | <b>237</b>                            | <b>77</b>  | <b>181</b>                                 | <b>61</b>   |
| <b>Total fair value</b>                                   | <b>296</b>                            | <b>144</b>                                       | <b>196</b>                                 | <b>69</b>   |
| <b>Thereof, subject to close-out netting agreements</b>   | <b>245</b>                            | <b>113</b>                                       | <b>93</b>                                  | <b>28</b>   |

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

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at December 31, 2013 and 2012, have been presented on a gross basis.

**Note 6. 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 reliability 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

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observable or unobservable. An observable input is based on market data obtained from independent sources, while an unobservable input reflects the Company's assumptions about market data.

The levels of the fair value hierarchy are as follows:

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

**Notes to the Interim Consolidated Financial Information (unaudited)**

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 using Level 2 inputs include investments in certain funds, certain debt securities that are not actively traded, interest rate swaps, commodity swaps, cash-settled call options, foreign exchange forward contracts, foreign exchange swaps and forward rate agreements, as well as financing receivables and debt.

Level 3: Valuation inputs are based on the Company's assumptions of relevant market data (unobservable inputs). The impairments of certain equity-method investments were calculated using Level 3 inputs.

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

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

**Recurring fair value measures**

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

| (\$ in millions)  | December 31, 2013 |         |         | Total fair value |
|---|-------------------|---------|---------|------------------|
|   | Level 1           | Level 2 | Level 3 |                  |
| <b>Assets</b>   |                   |         |         |                  |
| Available-for-sale securities in Cash and equivalents :                             |                   |         |         |                  |
| Debt securities Corporate   |                   | 69      |         | 69               |
| Available-for-sale securities in Marketable securities and short-term investments : |                   |         |         |                  |
| Equity securities   |                   | 159     |         | 159              |
| Debt securities U.S. government obligations   | 104               |         |         | 104              |
| Debt securities European government obligations                                     | 25                |         |         | 25               |
| Debt securities Other government obligations  |                   | 3       |         | 3                |
| Debt securities Corporate   |                   | 146     |         | 146              |
| Derivative assets current in Other current assets                                   |                   | 372     |         | 372              |

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|                        |                |                               |   |     |  |     |
|------------------------|----------------|-------------------------------|---|-----|--|-----|
| Derivative assets      | non-current in | Other non-current assets      |   | 128 |  | 128 |
| <b>Liabilities</b>     |                |                               |   |     |  |     |
| Derivative liabilities | current in     | Other current liabilities     | 3 | 199 |  | 202 |
| Derivative liabilities | non-current in | Other non-current liabilities |   | 52  |  | 52  |

## Notes to the Interim Consolidated Financial Information (unaudited)

| (\$ in millions)  | December 31, 2012 |         |         | Total fair value |
|---|-------------------|---------|---------|------------------|
|   | Level 1           | Level 2 | Level 3 |                  |
| <b>Assets</b>   |                   |         |         |                  |
| Available-for-sale securities in Cash and equivalents :                             |                   |         |         |                  |
| Debt securities Corporate   |                   | 128     |         | 128              |
| Available-for-sale securities in Marketable securities and short-term investments : |                   |         |         |                  |
| Equity securities   | 3                 | 1,279   |         | 1,282            |
| Debt securities U.S. government obligations   | 159               |         |         | 159              |
| Debt securities Other government obligations  |                   | 3       |         | 3                |
| Debt securities Corporate   |                   | 117     |         | 117              |
| Available-for-sale securities in Other non-current assets :                         |                   |         |         |                  |
| Equity securities   | 2                 |         |         | 2                |
| Derivative assets current in Other current assets                                   |                   | 296     |         | 296              |
| Derivative assets non-current in Other non-current assets                           |                   | 144     |         | 144              |
| <b>Liabilities</b>  |                   |         |         |                  |
| Derivative liabilities current in Other current liabilities                         | 4                 | 192     |         | 196              |
| Derivative liabilities non-current in Other non-current liabilities                 |                   | 69      |         | 69               |

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:

- *Available-for-sale securities in Cash and equivalents*, *Marketable securities and short-term investments* and *Other non-current assets* : If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs; however, when markets are not active, these inputs are considered Level 2. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for 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**

There were no significant non-recurring fair value measurements in the year and three months ended December 31, 2013. During 2012, impairment charges of \$87 million were recorded as an adjustment to the fair value of certain equity-method investments, of which \$67 million was recorded during the three months ended December 31, 2012. The non-recurring fair value measures were determined using a discounted cash flow model adjusted for industry and market conditions using Level 3 inputs and the resulting fair value of those assets remeasured during



2012 and still held at December 31, 2012, was not significant. Other non-recurring fair value measurements in 2012 were not significant.

## Notes to the Interim Consolidated Financial Information (unaudited)

## Disclosure about financial instruments carried on a cost basis

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

| (\$ in millions)  | Carrying value | December 31, 2013 |         |         | Total fair value |
|---|----------------|-------------------|---------|---------|------------------|
|   |                | Level 1           | Level 2 | Level 3 |                  |
| <b>Assets</b>   |                |                   |         |         |                  |
| Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months): |                |                   |         |         |                  |
| Cash  | 2,414          | 2,414             |         |         | 2,414            |
| Time deposits   | 3,538          |                   | 3,538   |         | 3,538            |
| Marketable securities and short-term investments (excluding available-for-sale securities):             |                |                   |         |         |                  |
| Time deposits   | 18             |                   | 18      |         | 18               |
| Other short-term investments  | 9              | 9                 |         |         | 9                |
| Short-term loans in Receivables, net  | 6              |                   | 6       |         | 6                |
| Other non-current assets:   |                |                   |         |         |                  |
| Loans granted   | 54             |                   | 52      |         | 52               |
| Held-to-maturity securities   | 104            |                   | 121     |         | 121              |
| Restricted cash and cash deposits   | 276            | 95                | 219     |         | 314              |
| <b>Liabilities</b>  |                |                   |         |         |                  |
| Short-term debt and current maturities of long-term debt, excluding finance lease liabilities           |                |                   |         |         |                  |
|   | 424            | 107               | 317     |         | 424              |
| Long-term debt, excluding finance lease liabilities   | 7,475          | 7,540             | 34      |         | 7,574            |
| Non-current deposit liabilities in Other non-current liabilities  | 279            |                   | 338     |         | 338              |

| (\$ in millions)  | Carrying value | December 31, 2012 |         |         | Total fair value |
|---|----------------|-------------------|---------|---------|------------------|
|   |                | Level 1           | Level 2 | Level 3 |                  |
| <b>Assets</b>   |                |                   |         |         |                  |
| Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months): |                |                   |         |         |                  |
| Cash  | 2,784          | 2,784             |         |         | 2,784            |
| Time deposits   | 3,963          |                   | 3,963   |         | 3,963            |
| Marketable securities and short-term investments (excluding available-for-sale securities):             |                |                   |         |         |                  |
| Time deposits   | 30             |                   | 30      |         | 30               |
| Other short-term investments  | 15             | 15                |         |         | 15               |
| Short-term loans in Receivables, net  | 7              |                   | 7       |         | 7                |
| Other non-current assets:   |                |                   |         |         |                  |
| Loans granted   | 58             |                   | 59      |         | 59               |
| Held-to-maturity securities   | 97             |                   | 124     |         | 124              |
| Restricted cash and cash deposits   | 271            | 80                | 242     |         | 322              |
| <b>Liabilities</b>  |                |                   |         |         |                  |
|   | 2,512          | 1,328             | 1,184   |         | 2,512            |

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|   |       |       |     |       |
|---|-------|-------|-----|-------|
| Short-term debt and current maturities of long-term debt, excluding finance lease liabilities |       |       |     |       |
| Long-term debt, excluding finance lease liabilities   | 7,449 | 7,870 | 39  | 7,909 |
| Non-current deposit liabilities in Other non-current liabilities                              | 283   |       | 359 | 359   |

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

- *Cash and equivalents (excluding available-for-sale debt securities with original maturities up to 3 months), Marketable securities and short-term investments (excluding available-for-sale securities), and Short-term loans in Receivables, net* : The carrying amounts approximate the fair values as the items are short-term in nature.

**Notes to the Interim Consolidated Financial Information (unaudited)**

- *Other non-current assets:* Includes (i) financing receivables (including 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), (ii) held-to-maturity securities (see Note 4) whose fair values are based on quoted market prices in inactive markets (Level 2 inputs), (iii) restricted cash whose fair values approximates the carrying amounts (Level 1) and (iv) cash deposits pledged in respect of certain non-current deposit liabilities whose fair values are determined using a discounted cash flow methodology based on current market interest rates (Level 2 inputs).
- *Short-term debt and current maturities of long-term debt, excluding finance lease liabilities:* Includes commercial paper, bank borrowings and overdrafts as well as bonds maturing in the next 12 months. The carrying amounts of short-term debt and current maturities of long-term debt, excluding finance lease liabilities, approximate their fair values.
- *Long-term debt excluding finance lease liabilities:* Fair values of outstanding bonds are determined using quoted market prices (Level 1 inputs). The fair values of other debt 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).
- *Non-current deposit liabilities in Other non-current liabilities :* The fair values of non-current deposit liabilities are determined using a discounted cash flow methodology based on risk-adjusted interest rates (Level 2 inputs).

**Note 7. Debt**

The Company's total debt at December 31, 2013 and 2012, amounted to \$8,023 million and \$10,071 million, respectively.

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

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

| (\$ in millions)                     | December 31, 2013 | December 31, 2012 |
|--------------------------------------|-------------------|-------------------|
| Short-term debt                      | 423               | 1,531             |
| Current maturities of long-term debt | 30                | 1,006             |
| <b>Total</b>                         | <b>453</b>        | <b>2,537</b>      |

Short-term debt primarily represents short-term loans from various banks and issued commercial paper.

In June 2013, the Company repaid at maturity the EUR 700 million 4.625% bonds.

At January 31, 2014, the amount of commercial paper outstanding had increased from \$100 million at December 31, 2013, to \$1,253 million, with a corresponding increase in cash and equivalents.

#### **Long-term debt**

The Company's long-term debt at December 31, 2013 and 2012, amounted to \$7,570 million and \$7,534 million, respectively.

#### **Note 8. Commitments and contingencies**

##### **Contingencies Environmental**

The Company is engaged in environmental clean-up activities at certain sites arising under various United States and other environmental protection laws and under certain agreements with third parties. In some cases, these environmental remediation actions are subject to legal proceedings, investigations or claims, and it is uncertain to what extent the Company is actually obligated to perform. Provisions for these unresolved matters have been set up if it is probable that the Company has incurred a liability and the amount of loss can be reasonably estimated. The lower end of an estimated range is accrued when a

**Notes to the Interim Consolidated Financial Information (unaudited)**

single best estimate is not determinable. The required amount of the provisions may change in the future as developments occur.

If a provision has been recognized for any of these matters the Company records an asset when it is probable that it will recover a portion of the costs expected to be incurred to settle them. Management is of the opinion, based upon information presently available, that the resolution of any such obligation and non-collection of recoverable costs would not have a further material adverse effect on the Company's consolidated financial statements.

The Company is involved in the remediation of environmental contamination at present or former facilities, primarily in the United States. The clean-up of these sites involves primarily soil and groundwater contamination. A significant portion of the provisions in respect of these contingencies reflects the provisions of acquired companies. A portion of one of the acquired entities' remediation liability is indemnified by a prior owner. Accordingly, an asset equal to that portion of the remediation liability is included in Other non-current assets.

The total effect of the above environmental obligations on the Company's Consolidated Balance Sheets was as follows:

| (\$ in millions)                             | December 31, 2013 | December 31, 2012 |
|--|-------------------|-------------------|
| <b>Environmental provisions included in:</b> |                   |                   |
| Other provisions                             | 37                | 33                |
| Other non-current liabilities                | 116               | 73                |
|  | <b>153</b>        | <b>106</b>        |

Provisions for the above estimated losses have not been discounted as the timing of payments cannot be reasonably estimated.

**Contingencies Regulatory, Compliance and Legal***Antitrust*

The Company's cables business is under investigation for alleged anticompetitive practices in a number of jurisdictions, including Brazil and the European Union. In December 2013, the Company agreed with the Brazilian Antitrust Authority (CADE) to settle its ongoing investigation into the Company's involvement in these anticompetitive practices and the Company agreed to pay a fine of approximately 1.5 million Brazilian reais (equivalent to approximately \$1 million on date of payment). In the European Union, the Company has received the European Commission's Statement of Objections concerning its investigation into the cables business and in June 2012 participated in the related Oral Hearing. An informed judgment about the outcome of this investigation or the amount of potential loss or range of loss for the Company, if any, relating to this investigation cannot be made at this stage.

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In Brazil, the Company's Gas Insulated Switchgear business is under investigation by the CADE for alleged anticompetitive practices. In addition, the CADE has opened an investigation into certain other power businesses of the Company, including flexible alternating current transmission systems (FACTS) and power transformers. An informed judgment about the outcome of these investigations or the amount of potential loss or range of loss for the Company, if any, relating to these investigations cannot be made at this stage.

In Italy, one of the Company's recently acquired subsidiaries was raided in October 2013 by the Italian Antitrust Agency for alleged anticompetitive practices. An informed judgment about the outcome of this investigation or the amount of potential loss or range of loss for the Company, if any, relating to this investigation cannot be made at this stage.

In September 2012, the German Antitrust Authority (Bundeskartellamt) fined one of the Company's German subsidiaries euro 8.7 million (equivalent to approximately \$11 million on date of payment) for its involvement in anticompetitive practices in the German power transformers business.

With respect to those aforementioned matters which are still ongoing, management is cooperating fully with the antitrust authorities.

**Notes to the Interim Consolidated Financial Information (unaudited)**

*Suspect payments*

In April 2005, the Company voluntarily disclosed to the United States Department of Justice (DoJ) and the United States Securities and Exchange Commission (SEC) certain suspect payments in its network management unit in the United States. Subsequently, the Company made additional voluntary disclosures to the DoJ and the SEC regarding suspect payments made by other Company subsidiaries in a number of countries in the Middle East, Asia, South America and Europe (including to an employee of an Italian power generation company) as well as by its former Lummus business. These payments were discovered by the Company as a result of the Company's internal audit program and compliance reviews.

In September 2010, the Company reached settlements with the DoJ and the SEC regarding their investigations into these matters and into suspect payments involving certain of the Company's subsidiaries in the United Nations Oil-for-Food Program. In connection with these settlements, the Company agreed to make payments to the DoJ and SEC totaling \$58 million, which were settled in the fourth quarter of 2010. One subsidiary of the Company pled guilty to one count of conspiracy to violate the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act and one count of violating those provisions. The Company entered into a deferred prosecution agreement and settled civil charges brought by the SEC. These settlements resolved the foregoing investigations. In lieu of an external compliance monitor, the DoJ and SEC agreed to allow the Company to report on its continuing compliance efforts and the results of the review of its internal processes through September 2013. Further to the Fraud Section of the DoJ determining that the Company has fully complied with all its obligations under the deferred prosecution agreement, on October 1, 2013, the competent court in the U.S. agreed to dismiss all criminal charges against the Company in relation to these matters.

*General*

In addition, 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 anti-competitive practices. Also, the Company is subject to other various legal proceedings, investigations, and claims that have not yet been resolved. With respect to the above-mentioned regulatory matters and commercial litigation contingencies, the Company will bear the costs of the continuing investigations and any related legal proceedings.

*Liabilities recognized*

At December 31, 2013 and 2012, the Company had aggregate liabilities of \$245 million and \$211 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 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 results. 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 millions)           | Maximum potential payments |                   |
|----------------------------|----------------------------|-------------------|
|                            | December 31, 2013          | December 31, 2012 |
| Performance guarantees     | 149                        | 149               |
| Financial guarantees       | 77                         | 83                |
| Indemnification guarantees | 50                         | 190               |
| <b>Total</b>               | <b>276</b>                 | <b>422</b>        |

In respect of the above guarantees, the carrying amounts of liabilities at December 31, 2013 and 2012, were not significant.

*Performance guarantees*

Performance guarantees represent obligations where the Company guarantees the performance of a third party's product or service according to the terms of a contract. Such guarantees may include

**Notes to the Interim Consolidated Financial Information (unaudited)**

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. Performance guarantees include surety bonds, advance payment guarantees and standby letters of credit. The significant performance guarantees are described below.

The Company retained obligations for guarantees related to the Power Generation business contributed in mid-1999 to the former ABB Alstom Power NV joint venture (Alstom Power NV). The guarantees primarily consist of performance guarantees and other miscellaneous guarantees under certain contracts such as indemnification for personal injuries and property damages, taxes and compliance with labor laws, environmental laws and patents. These guarantees have no fixed expiration date. In May 2000, the Company sold its interest in Alstom Power NV to Alstom SA (Alstom). As a result, Alstom and its subsidiaries have primary responsibility for performing the obligations that are the subject of the guarantees. Further, Alstom, the parent company and Alstom Power NV, have undertaken jointly and severally to fully indemnify and hold harmless the Company against any claims arising under such guarantees. Management's best estimate of the total maximum potential amount payable of quantifiable guarantees issued by the Company on behalf of its former Power Generation business was \$65 million and \$78 million at December 31, 2013 and 2012, respectively, and is subject to foreign exchange fluctuations. The Company has not experienced any losses related to guarantees issued on behalf of the former Power Generation business.

The Company is engaged in executing a number of projects as a member of consortia that include third parties. In certain of these cases, the Company guarantees not only its own performance but also the work of third parties. The original maturity dates of these guarantees range from one to six years. At December 31, 2013 and 2012, the maximum potential amount payable under these guarantees as a result of third-party non-performance was \$70 million and \$57 million, respectively.

*Financial guarantees and commercial commitments*

Financial guarantees represent irrevocable assurances that the Company will make payment to a beneficiary in the event that a third party fails to fulfill its financial obligations and the beneficiary under the guarantee incurs a loss due to that failure.

At December 31, 2013 and 2012, the Company had a maximum potential amount payable of \$77 million and \$83 million, respectively, under financial guarantees outstanding. Of these amounts, \$15 million and \$19 million, respectively, was in respect of guarantees issued on behalf of companies in which the Company formerly had or has an equity interest. The guarantees outstanding have various maturity dates up to 2020.

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.

*Indemnification guarantees*

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The Company has indemnified certain purchasers of divested businesses for potential claims arising from the operations of the divested businesses. To the extent the maximum potential loss related to such indemnifications could not be calculated, no amounts have been included under maximum potential payments in the table above. Indemnifications for which maximum potential losses could not be calculated include indemnifications for legal claims. The significant indemnification guarantees for which maximum potential losses could be calculated are described below.

The Company issued, to the purchasers of Lummus Global, guarantees related to assets and liabilities divested in 2007. The maximum potential amount payable relating to this business, pursuant to the sales agreement, at each of December 31, 2013 and 2012, was \$50 million.

The Company issued, to the purchasers of its interest in Jorf Lasfar Energy Company S.C.A., guarantees related to assets and liabilities divested in 2007. The maximum potential amount payable under such guarantees was \$140 million at December 31, 2012. During the second quarter of 2013, a settlement agreement was reached and the Company has no further obligations with respect to these guarantees at December 31, 2013.

**Notes to the Interim Consolidated Financial Information (unaudited)***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)   | 2013         | 2012         |
|--|--------------|--------------|
| Balance at January 1,  | 1,291        | 1,324        |
| Warranties assumed through acquisitions  | 111          | 4            |
| Claims paid in cash or in kind   | (294)        | (219)        |
| Net increase in provision for changes in estimates, warranties issued and warranties expired | 245          | 149          |
| Exchange rate differences  | 9            | 33           |
| <b>Balance at December 31,</b>   | <b>1,362</b> | <b>1,291</b> |

**Note 9. Employee benefits**

The Company operates defined benefit and 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 Company also has several pension plans that are not required to be funded by local government and tax requirements.

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

| (\$ in millions)   | Year ended December 31,     |       |                                  |      |
|--|-----------------------------|-------|----------------------------------|------|
|  | 2013                        | 2012  | 2013                             | 2012 |
|  | Defined pension<br>benefits |       | Other postretirement<br>benefits |      |
| Service cost   | 249                         | 221   | 1                                | 1    |
| Interest cost  | 373                         | 396   | 9                                | 11   |
| Expected return on plan assets                             | (479)                       | (494) |                                  |      |
| Amortization of prior service cost                         | 34                          | 42    | (9)                              | (9)  |
| Amortization of net actuarial loss                         | 136                         | 98    | 4                                | 4    |
| Curtailments, settlements and special termination benefits | 1                           | 2     | 2                                |      |

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|                                  |            |            |          |          |
|----------------------------------|------------|------------|----------|----------|
| <b>Net periodic benefit cost</b> | <b>314</b> | <b>265</b> | <b>7</b> | <b>7</b> |
|----------------------------------|------------|------------|----------|----------|

| (\$ in millions)   | Three months ended December 31, |           |                               |          |
|--|---------------------------------|-----------|-------------------------------|----------|
|  | 2013                            | 2012      | 2013                          | 2012     |
|  | Defined pension benefits        |           | Other postretirement benefits |          |
| Service cost   | 61                              | 50        |                               |          |
| Interest cost  | 92                              | 102       | 2                             | 2        |
| Expected return on plan assets                             | (118)                           | (125)     |                               |          |
| Amortization of prior service cost                         | 8                               | 11        | (2)                           | (2)      |
| Amortization of net actuarial loss                         | 43                              | 36        | 1                             | 1        |
| Curtailments, settlements and special termination benefits | 1                               | 2         | 2                             |          |
| <b>Net periodic benefit cost</b>                           | <b>87</b>                       | <b>76</b> | <b>3</b>                      | <b>1</b> |

**Notes to the Interim Consolidated Financial Information (unaudited)**

Employer contributions were as follows:

| (\$ in millions)  | Year ended December 31,  |      |                               |      |
|---|--------------------------|------|-------------------------------|------|
|   | 2013                     | 2012 | 2013                          | 2012 |
|   | Defined pension benefits |      | Other postretirement benefits |      |
| Total contributions to defined benefit pension and other postretirement benefit plans | 403                      | 347  | 15                            | 15   |
| Of which, discretionary contributions to defined benefit pension plans                | 164                      | 83   |                               |      |

| (\$ in millions)  | Three months ended December 31, |      |                               |      |
|---|---------------------------------|------|-------------------------------|------|
|   | 2013                            | 2012 | 2013                          | 2012 |
|   | Defined pension benefits        |      | Other postretirement benefits |      |
| Total contributions to defined benefit pension and other postretirement benefit plans | 87                              | 98   | 4                             | 2    |
| Of which, discretionary contributions to defined benefit pension plans                | 25                              | 25   |                               |      |

In 2013, the discretionary contributions included available-for-sale debt securities having a fair value at the contribution date of \$160 million to certain of the Company's pension plans in Germany and the United Kingdom, of which \$25 million was contributed to the pension plan in the United Kingdom in the three months ended December 31, 2013. In 2012, the Company contributed available-for-sale securities having a fair value at the contribution date of \$42 million to certain of the Company's pension plans in the United Kingdom and the United States, of which \$24 million was contributed to the pension plan in the United Kingdom in the three months ended December 31, 2012.

The Company expects to make contributions totaling approximately \$310 million and \$18 million to its defined benefit pension plans and other postretirement benefit plans, respectively, during 2014.

**Note 10. Stockholders' equity**

At the Annual General Meeting of Shareholders in April 2013, shareholders approved the payment of a dividend of 0.68 Swiss francs per share. The dividend was paid in May 2013 and amounted to \$1,667 million.

In the fourth quarter of 2013, the Company delivered 3.7 million shares, from treasury stock, under the Employee Share Acquisition Plan.



## Notes to the Interim Consolidated Financial Information (unaudited)

## Note 11. Earnings per share

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

## Basic earnings per share

| (\$ in millions, except per share data in \$)                      | Year ended<br>December 31, |              | Three months ended<br>December 31, |              |
|--|----------------------------|--------------|------------------------------------|--------------|
|  | 2013                       | 2012         | 2013                               | 2012         |
| <i>Amounts attributable to ABB shareholders:</i>                   |                            |              |                                    |              |
| Income from continuing operations, net of tax                      | 2,824                      | 2,700        | 547                                | 604          |
| Income (loss) from discontinued operations, net of tax             | (37)                       | 4            | (22)                               |              |
| <b>Net income</b>  | <b>2,787</b>               | <b>2,704</b> | <b>525</b>                         | <b>604</b>   |
| <b>Weighted-average number of shares outstanding (in millions)</b> |                            |              |                                    |              |
|  | <b>2,297</b>               | <b>2,293</b> | <b>2,299</b>                       | <b>2,295</b> |
| <i>Basic earnings per share attributable to ABB shareholders:</i>  |                            |              |                                    |              |
| Income from continuing operations, net of tax                      | 1.23                       | 1.18         | 0.24                               | 0.26         |
| Income (loss) from discontinued operations, net of tax             | (0.02)                     |              | (0.01)                             |              |
| <b>Net income</b>  | <b>1.21</b>                | <b>1.18</b>  | <b>0.23</b>                        | <b>0.26</b>  |

## Diluted earnings per share

| (\$ in millions, except per share data in \$)                      | Year ended<br>December 31, |              | Three months ended<br>December 31, |              |
|--|----------------------------|--------------|------------------------------------|--------------|
|  | 2013                       | 2012         | 2013                               | 2012         |
| <i>Amounts attributable to ABB shareholders:</i>                   |                            |              |                                    |              |
| Income from continuing operations, net of tax                      | 2,824                      | 2,700        | 547                                | 604          |
| Income (loss) from discontinued operations, net of tax             | (37)                       | 4            | (22)                               |              |
| <b>Net income</b>  | <b>2,787</b>               | <b>2,704</b> | <b>525</b>                         | <b>604</b>   |
| <b>Weighted-average number of shares outstanding (in millions)</b> |                            |              |                                    |              |
|  | <b>2,297</b>               | <b>2,293</b> | <b>2,299</b>                       | <b>2,295</b> |
| <i>Effect of dilutive securities:</i>                              |                            |              |                                    |              |
| Call options and shares  | 8                          | 2            | 9                                  | 3            |
|  | <b>2,305</b>               | <b>2,295</b> | <b>2,308</b>                       | <b>2,298</b> |



**Dilutive weighted-average number of shares outstanding**

*Diluted earnings per share attributable to ABB shareholders:*

|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| Income from continuing operations, net of tax          | 1.23        | 1.18        | 0.24        | 0.26        |
| Income (loss) from discontinued operations, net of tax | (0.02)      |             | (0.01)      |             |
| <b>Net income</b>                                      | <b>1.21</b> | <b>1.18</b> | <b>0.23</b> | <b>0.26</b> |

## Notes to the Interim Consolidated Financial Information (unaudited)

## Note 12. 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<br>currency<br>translation<br>adjustments | Unrealized<br>gains (losses)<br>on available-<br>for-sale<br>securities | Pension and<br>other<br>postretirement<br>plan<br>adjustments | Unrealized<br>gains (losses)<br>of cash flow<br>hedge<br>derivatives | Total OCI      |
|---|---|---|---|--|----------------|
| <b>Balance at January 1, 2013</b>                             | <b>(580)</b>                                      | <b>24</b>   | <b>(2,004)</b>  | <b>37</b>  | <b>(2,523)</b> |
| Other comprehensive (loss) income<br>before reclassifications | 141   | (4)   | 275   | 28   | 440            |
| Amounts reclassified from OCI                                 |   | (13)  | 122   | (43)   | 66             |
| Total other comprehensive (loss)<br>income                    | 141   | (17)  | 397   | (15)   | 506            |
| <i>Less:</i>  |   |   |   |  |                |
| Amounts attributable to<br>noncontrolling interests           | (8)   |   | 3   |  | (5)            |
| <b>Balance at December 31, 2013</b>                           | <b>(431)</b>                                      | <b>7</b>  | <b>(1,610)</b>  | <b>22</b>  | <b>(2,012)</b> |

The following table reflects amounts reclassified out of OCI in respect of Pension and other postretirement plan adjustments and Unrealized gains (losses) of cash flow hedge derivatives:

| (\$ in millions)   | Location of (gains) losses<br>reclassified from OCI | Year ended<br>December 31,<br>2013 | Three months<br>ended<br>December 31,<br>2013 |
|--|---|------------------------------------|---|
| <i>Pension and other postretirement plan adjustments:</i>        |   |                                    |   |
| Amortization of prior service costs                              | Net periodic benefit cost(1)                        | 25                                 | 6   |
| Amortization of net actuarial losses                             | Net periodic benefit cost(1)                        | 140                                | 44  |
| <i>Total before tax</i>  |   | 165                                | 50  |
| Tax  | Provision for taxes                                 | (43)                               | (10)  |
| <b>Amounts reclassified from OCI</b>                             |   | <b>122</b>                         | <b>40</b>                                     |
| <i>Unrealized gains (losses) of cash flow hedge derivatives:</i> |   |                                    |   |
| Foreign exchange contracts                                       | Total revenues                                      | (52)                               | (12)  |
|  | Total cost of sales                                 | 1                                  | (5)   |
| Commodity contracts  | Total cost of sales                                 | 5                                  | 2   |
| Cash-settled call options  | SG&A expenses(2)                                    | (8)                                | (5)   |
| <i>Total before tax</i>  |   | (54)                               | (20)  |
| Tax  | Provision for taxes                                 | 11                                 | 5   |
| <b>Amounts reclassified from OCI</b>                             |   | <b>(43)</b>                        | <b>(15)</b>                                   |

- 
- (1) These components are included in the computation of net periodic benefit cost (see Note 9).
  - (2) SG&A expenses represent Selling, general and administrative expenses .

The amounts in respect of Unrealized gains (losses) on available-for-sale securities are not significant for the year and three months ended December 31, 2013.

**Notes to the Interim Consolidated Financial Information (unaudited)****Note 13. Restructuring and related expenses**

In 2013 and 2012, the Company executed minor restructuring-related activities and incurred expenses of \$252 million and \$180 million, respectively, which were mainly recorded in total cost of sales. Expenses for the three months ended December 31, 2013 and 2012, amounted to \$158 million and \$125 million, respectively. The amount for the three months ended December 31, 2013, included approximately \$50 million of additional restructuring-related charges within the Power Systems segment, while the amount for the three months ended December 31, 2012, included approximately \$40 million related to the repositioning of the Power Systems segment (including the closing of engineering, procurement and construction (EPC) operations in more than 10 countries) announced in December 2012.

| (\$ in millions)  | Year ended<br>December 31, |            | Three months ended<br>December 31, |            |
|---|----------------------------|------------|------------------------------------|------------|
|   | 2013                       | 2012       | 2013                               | 2012       |
| Employee severance costs                                  | 154                        | 92         | 90                                 | 48         |
| Estimated contract settlement, loss order and other costs | 78                         | 72         | 58                                 | 63         |
| Inventory and long-lived asset impairments                | 20                         | 16         | 10                                 | 14         |
| <b>Total</b>  | <b>252</b>                 | <b>180</b> | <b>158</b>                         | <b>125</b> |

**Note 14. Operating segment data**

The Chief Operating Decision Maker (CODM) is the Company's Executive Committee. The CODM allocates resources to and assesses the performance of each operating segment using the information outlined below. The Company's operating segments consist of Discrete Automation and Motion, Low Voltage Products, Process Automation, Power Products and Power Systems. The remaining operations of the Company are included in Corporate and Other.

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

- **Discrete Automation and Motion:** manufactures and sells motors, generators, variable speed drives, programmable logic controllers, robots and robotics, solar inverters, wind converters, rectifiers, excitation systems, power quality and protection solutions, electric vehicle fast charging infrastructure, components and subsystems for railways, and related services for a wide range of applications in discrete automation, process industries, transportation and utilities.
- **Low Voltage Products:** manufactures products and systems that provide protection, control and measurement for electrical installations, as well as enclosures, switchboards, electronics and electromechanical devices for industrial machines, plants and related service. In addition the segment manufactures products for wiring and cable management, cable protection systems, power connection and safety. The segment also makes intelligent building control systems for home and building automation.

- **Process Automation:** develops and sells control and plant optimization systems, automation products and solutions, including instrumentation, as well as industry-specific application knowledge and services for the oil, gas and petrochemicals, metals and minerals, marine and turbocharging, pulp and paper, chemical and pharmaceuticals, and power industries.
- **Power Products:** manufactures and sells high- and medium- voltage switchgear and apparatus, circuit breakers for all current and voltage levels, power and distribution transformers and sensors for electric, gas and water utilities and for industrial and commercial customers.
- **Power Systems:** designs, installs and upgrades high-efficiency transmission and distribution systems and power plant automation and electrification solutions, including monitoring and control products, software and services and incorporating components manufactured by both the Company and by third parties.
- **Corporate and Other:** includes headquarters, central research and development, the Company's real estate activities, Group treasury operations and other minor business activities.

**Notes to the Interim Consolidated Financial Information (unaudited)**

The Company evaluates the profitability of its segments based on Operational EBITDA, which represents income from operations excluding depreciation and amortization, restructuring and restructuring-related expenses, and acquisition-related expenses and certain non-operational items, as well as foreign exchange/commodity timing differences in income from operations consisting of: (i) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded 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/payables (and related assets/liabilities).

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 EBITDA. 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 segment revenues, Operational EBITDA, and the reconciliations of consolidated Operational EBITDA to income from continuing operations before taxes for the year and three months ended December 31, 2013 and 2012, as well as total assets at December 31, 2013 and 2012.

| (\$ in millions)               | Year ended December 31, 2013 |                       |                |
|--------------------------------|------------------------------|-----------------------|----------------|
|                                | Third-party revenues         | Intersegment revenues | Total revenues |
| Discrete Automation and Motion | 8,909                        | 1,006                 | 9,915          |
| Low Voltage Products           | 7,338                        | 391                   | 7,729          |
| Process Automation             | 8,287                        | 210                   | 8,497          |
| Power Products                 | 9,096                        | 1,936                 | 11,032         |
| Power Systems                  | 8,025                        | 350                   | 8,375          |
| Corporate and Other            | 193                          | 1,583                 | 1,776          |
| Intersegment elimination       |                              | (5,476)               | (5,476)        |
| <b>Consolidated</b>            | <b>41,848</b>                |                       | <b>41,848</b>  |

| (\$ in millions)               | Year ended December 31, 2012 |                       |                |
|--------------------------------|------------------------------|-----------------------|----------------|
|                                | Third-party revenues         | Intersegment revenues | Total revenues |
| Discrete Automation and Motion | 8,480                        | 925                   | 9,405          |
| Low Voltage Products           | 6,276                        | 362                   | 6,638          |
| Process Automation             | 7,946                        | 210                   | 8,156          |
| Power Products                 | 8,987                        | 1,730                 | 10,717         |
| Power Systems                  | 7,575                        | 277                   | 7,852          |
| Corporate and Other            | 72                           | 1,505                 | 1,577          |
| Intersegment elimination       |                              | (5,009)               | (5,009)        |
| <b>Consolidated</b>            | <b>39,336</b>                |                       | <b>39,336</b>  |

| (\$ in millions)               | Three months ended December 31, 2013 |                       |                |
|--------------------------------|--------------------------------------|-----------------------|----------------|
|                                | Third-party revenues                 | Intersegment revenues | Total revenues |
| Discrete Automation and Motion | 2,416                                | 271                   | 2,687          |
| Low Voltage Products           | 1,910                                | 112                   | 2,022          |
| Process Automation             | 2,207                                | 54                    | 2,261          |

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|                          |               |         |               |
|--------------------------|---------------|---------|---------------|
| Power Products           | 2,546         | 524     | 3,070         |
| Power Systems            | 2,216         | 84      | 2,300         |
| Corporate and Other      | 78            | 413     | 491           |
| Intersegment elimination |               | (1,458) | (1,458)       |
| <b>Consolidated</b>      | <b>11,373</b> |         | <b>11,373</b> |

## Notes to the Interim Consolidated Financial Information (unaudited)

| (\$ in millions)               | Three months ended December 31, 2012 |                       |                |
|--------------------------------|--------------------------------------|-----------------------|----------------|
|                                | Third-party revenues                 | Intersegment revenues | Total revenues |
| Discrete Automation and Motion | 2,206                                | 283                   | 2,489          |
| Low Voltage Products           | 1,867                                | 103                   | 1,970          |
| Process Automation             | 2,173                                | 57                    | 2,230          |
| Power Products                 | 2,561                                | 507                   | 3,068          |
| Power Systems                  | 2,188                                | 84                    | 2,272          |
| Corporate and Other            | 26                                   | 397                   | 423            |
| Intersegment elimination       |                                      | (1,431)               | (1,431)        |
| <b>Consolidated</b>            | <b>11,021</b>                        |                       | <b>11,021</b>  |

| (\$ in millions)   | Year ended December 31, |              | Three months ended December 31, |              |
|--|-------------------------|--------------|---------------------------------|--------------|
|  | 2013                    | 2012         | 2013                            | 2012         |
| <i>Operational EBITDA:</i>   |                         |              |                                 |              |
| Discrete Automation and Motion   | 1,783                   | 1,735        | 463                             | 435          |
| Low Voltage Products   | 1,468                   | 1,219        | 386                             | 370          |
| Process Automation   | 1,096                   | 1,003        | 296                             | 259          |
| Power Products   | 1,637                   | 1,585        | 467                             | 461          |
| Power Systems  | 419                     | 290          | (50)                            | (55)         |
| Corporate and Other and Intersegment elimination   | (328)                   | (277)        | (144)                           | (97)         |
| <b>Consolidated Operational EBITDA</b>   | <b>6,075</b>            | <b>5,555</b> | <b>1,418</b>                    | <b>1,373</b> |
| Depreciation and amortization  | (1,318)                 | (1,182)      | (352)                           | (341)        |
| Restructuring and restructuring-related expenses   | (252)                   | (180)        | (158)                           | (125)        |
| Acquisition-related expenses and certain non-operational items   | (181)                   | (199)        | (89)                            | (79)         |
| <i>Foreign exchange/commodity timing differences in income from operations:</i>                            |                         |              |                                 |              |
| Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)           | 60                      | 135          | (7)                             | 10           |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | 14                      | (28)         | 20                              | 22           |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)             | (11)                    | (43)         | (9)                             | 3            |
| <b>Income from operations</b>  | <b>4,387</b>            | <b>4,058</b> | <b>823</b>                      | <b>863</b>   |
| Interest and dividend income   | 69                      | 73           | 19                              | 18           |
| Interest and other finance expense   | (390)                   | (293)        | (91)                            | (55)         |
| <b>Income from continuing operations before taxes</b>  | <b>4,066</b>            | <b>3,838</b> | <b>751</b>                      | <b>826</b>   |

| (\$ in millions)               | Total assets(1)   |                   |
|--------------------------------|-------------------|-------------------|
|                                | December 31, 2013 | December 31, 2012 |
| Discrete Automation and Motion | 10,931            | 9,416             |
| Low Voltage Products           | 9,389             | 9,534             |
| Process Automation             | 4,537             | 4,847             |
| Power Products                 | 7,669             | 7,701             |
| Power Systems                  | 7,905             | 8,083             |
| Corporate and Other            | 7,633             | 9,489             |
| <b>Consolidated</b>            | <b>48,064</b>     | <b>49,070</b>     |



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

October December 2013 Q4

ABB Ltd announces that the following members of the **Executive Committee** or **Board of Directors** of ABB have purchased, sold or been granted ABB's registered shares, call options and warrant appreciation rights ( WARs ), in the following amounts:

| Name                  | Date       | Description | Granted * | Purchased | Sold | Price      |
|-----------------------|------------|-------------|-----------|-----------|------|------------|
| Frank Duggan          | 18.11.2013 | Shares      |           | 570       |      | CHF 17.08  |
| Ulrich Spiesshofer    | 18.11.2013 | Shares      |           | 580       |      | CHF 17.08  |
| Eric Elzvik           | 18.11.2013 | Shares      |           | 580       |      | CHF 17.08  |
| Diane de Saint Victor | 18.11.2013 | Shares      |           | 580       |      | CHF 17.08  |
| Bernhard Jucker       | 18.11.2013 | Shares      |           | 580       |      | CHF 17.08  |
| Brice Koch            | 18.11.2013 | Shares      |           | 580       |      | CHF 17.08  |
| Pekka Tiitinen        | 18.11.2013 | Shares      |           | 590       |      | CHF 17.08  |
| Veli-Matti Reinikkala | 18.11.2013 | Shares      |           | 580       |      | CHF 17.08  |
| Hubertus von Grünberg | 21.11.2013 | Shares      | 19616     |           |      | CHF 21.39  |
| Michel de Rosen       | 21.11.2013 | Shares      | 2833      |           |      | CHF 21.39  |
| Michael Treschow      | 21.11.2013 | Shares      | 2802      |           |      | CHF 21.39  |
| Louis R. Hughes       | 21.11.2013 | Shares      | 3233      |           |      | CHF 21.39  |
| Ying Yeh              | 21.11.2013 | Shares      | 2460      |           |      | CHF 21.39  |
| Roger Agnelli         | 21.11.2013 | Shares      | 2419      |           |      | CHF 21.39  |
| Hans-Ulrich Märki     | 21.11.2013 | Shares      | 8966      |           |      | CHF 21.39  |
| Jacob Wallenberg      | 21.11.2013 | Shares      | 2629      |           |      | CHF 21.39  |
| Pekka Tiitinen        | 22.11.2013 | Shares      |           | 2510      |      | SEK 166.50 |

Key:

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\* Granted instruments were delivered as part of the ABB Ltd Director's or Executive Committee Member's compensation

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ABB LTD**

Date: February 18, 2014

By: /s/ Alanna Abrahamson - Haka  
Name: Alanna Abrahamson - Haka  
Title: Group Senior Vice President and  
Head of Investor Relations

By: /s/ Richard A. Brown  
Name: Richard A. Brown  
Title: Group Senior Vice President and  
Chief Counsel Corporate & Finance