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, 2013.

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.

Note 2. Recent accounting pronouncements

Applicable in current period

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

As of January 2014, the Company adopted an accounting standard update 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 is required to release into net income the entire amount of a cumulative translation adjustment related to its investment in a foreign entity when a parent no longer has control as a result of selling a part or all of its investment in the foreign entity or otherwise 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 is required to be recognized in net income upon a partial sale of the equity-accounted company. This update did not have a material impact on the 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

As of January 2014, the Company adopted an accounting standard update 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 is required to 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 did not have a material impact on the consolidated financial statements.

Reporting discontinued operations and disclosures of disposals of components of an entity

In April 2014, an accounting standard update was issued which changes the criteria for reporting discontinued operations and modifies the related disclosure requirements. Under the update, the Company would report a disposal, or planned disposal, of a component or group of components, as a discontinued operation if the disposal represents a strategic shift that has (or will have) a major effect on the Company's operations and financial results. A strategic shift could include a disposal of a major geographical area, a major line of business, a major equity-method investment, or other major parts of the Company. A component may be a reportable segment or an operating segment, a reporting unit, a subsidiary, or an asset group. In addition to expanding the existing disclosures for discontinued operations, the update requires new disclosures relating to (i) individually significant disposals that do not qualify for discontinued operations presentation, (ii) continuing involvement with a discontinued operation following the date of disposal and (iii) retained equity-method investments in a discontinued operation. The Company has elected to early adopt this update in the first quarter of 2014 and this update did not have a material impact on the consolidated financial statements.

Revenue from contracts with customers

In May 2014, an accounting standard update was issued to clarify the principles for recognizing revenues from contracts with customers. The update, which supersedes the majority of existing guidance, provides a single comprehensive model for recognizing revenues on the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Under the standard it is possible that more judgments and estimates would be required than under existing standards, including identifying the separate performance obligations in a contract, estimating any variable consideration elements, and allocating the transaction price to each separate performance obligation. The update also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The update is effective for the Company for annual and interim periods beginning January 1, 2017, and is applicable either (i) retrospectively to each prior reporting period presented, with the option to elect certain defined practical expedients, or (ii) retrospectively with the cumulative effect of initially applying the update recognized at the date of adoption in retained earnings (with additional disclosure as to the impact on individual financial statement lines affected). The Company is currently evaluating the impact of this update on the consolidated financial statements.

Note 3. Business divestments

For both the six and three months ended June 30, 2014, the Company recorded net gains of $130 million in “Other income (expense), net” and tax expense of $69 million in “Provision for taxes”, relating to the divestment of consolidated businesses. There were no significant amounts recognized in the six and three months ended June 30, 2013.

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:

	June 30, 2014					
($ in millions)	**Cost basis**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	**Cash and equivalents**	**Marketable securities and short-term investments**
Cash	2,282			2,282	2,282	
Time deposits	2,560			2,560	2,558	2
Other short-term investments	282			282		282
Debt securities available-for-sale:						
– U.S. government obligations	102	2	(1)	103	-	103
– Other government obligations	3	-	-	3	-	3
– Corporate	515	4	(2)	517	109	408
Equity securities available-for-sale	155	10	-	165	-	165
Total	**5,899**	**16**	**(3)**	**5,912**	**4,949**	**963**

	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
Debt securities available-for-sale:						
– 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
Total	**6,475**	**16**	**(6)**	**6,485**	**6,021**	**464**

Included in Other short-term investments at June 30, 2014, are receivables of $273 million representing reverse repurchase agreements. These collateralized lendings, made to a financial institution, have maturity dates of less than one year.

Non-current assets

Included in "Other non-current assets" are certain held-to-maturity marketable securities. At June 30, 2014, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were $92 million, $19 million and $111 million, respectively. 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. 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.

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 generally 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). Primarily swap contracts are used to manage the associated price risks of commodities. As of 2014, the Company no longer enters into electricity futures contracts to manage the price risk on its forecasted electricity needs in certain locations.

Interest rate risk

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

Equity risk

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

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

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

Type of derivative ($ in millions)	Total notional amounts		
	June 30, 2014	December 31, 2013	June 30, 2013
Foreign exchange contracts	20,613	19,351	18,814
Embedded foreign exchange derivatives	2,887	3,049	3,414
Interest rate contracts	3,540	4,693	1,289

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		
		June 30, 2014	December 31, 2013	June 30, 2013
Copper swaps	metric tonnes	42,080	42,866	46,222
Aluminum swaps	metric tonnes	3,646	3,525	5,886
Nickel swaps	metric tonnes	6	18	12
Lead swaps	metric tonnes	4,725	7,100	9,900
Zinc swaps	metric tonnes	150	300	325
Silver swaps	ounces	1,958,563	1,936,581	2,037,511
Electricity futures	megawatt hours	-	279,995	380,898
Crude oil swaps	barrels	113,000	113,000	119,450

Equity derivatives:
At June 30, 2014, December 31, 2013, and June 30, 2013, the Company held 54 million, 67 million and 75 million cash-settled call options indexed to ABB Ltd shares (conversion ratio 5:1) with a total fair value of $29 million, $56 million and $42 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 June 30, 2014, and December 31, 2013, "Accumulated other comprehensive loss" included net unrealized losses of $6 million, net of tax, and net unrealized gains of $22 million, net of tax, respectively, on derivatives designated as cash flow hedges. Of the amount at June 30, 2014, net gains of $4 million are expected to be reclassified to earnings in the following 12 months. At June 30, 2014, the longest maturity of a derivative classified as a cash flow hedge was 63 months.

The amount of gains or losses, net of tax, reclassified into earnings due to the discontinuance of cash flow hedge accounting and the amount of ineffectiveness in cash flow hedge relationships directly recognized in earnings were not significant in the six and three months ended June 30, 2014 and 2013.

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:

Six months ended June 30, 2014

Type of derivative designated as a cash flow hedge	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)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	(18)	Total revenues	-	Total revenues	-
		Total cost of sales	5	Total cost of sales	-
Commodity contracts	(2)	Total cost of sales	(2)	Total cost of sales	-
Cash-settled call options	(18)	SG&A expenses(1)	(8)	SG&A expenses(1)	-
Total	**(38)**		**(5)**		**-**

Six months ended June 30, 2013

Type of derivative designated as a cash flow hedge	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)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	-	Total revenues	24	Total revenues	-
		Total cost of sales	(6)	Total cost of sales	-
Commodity contracts	(13)	Total cost of sales	(1)	Total cost of sales	-
Cash-settled call options	7	SG&A expenses(1)	2	SG&A expenses(1)	-
Total	**(6)**		**19**		**-**

Three months ended June 30, 2014

Type of derivative designated as a cash flow hedge	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)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	(12)	Total revenues	(1)	Total revenues	-
		Total cost of sales	2	Total cost of sales	-
Commodity contracts	2	Total cost of sales	(1)	Total cost of sales	-
Cash-settled call options	(14)	SG&A expenses(1)	(7)	SG&A expenses(1)	-
Total	**(24)**		**(7)**		**-**

Three months ended June 30, 2013

Type of derivative designated as a cash flow hedge	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)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	(17)	Total revenues	13	Total revenues	-
		Total cost of sales	(2)	Total cost of sales	-
Commodity contracts	(11)	Total cost of sales	(2)	Total cost of sales	-
Cash-settled call options	-	SG&A expenses(1)	-	SG&A expenses(1)	-
Total	**(28)**		**9**		**-**

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

Net derivative losses of $5 million and net derivative gains of $16 million, both net of tax, were reclassified from "Accumulated other comprehensive loss" to earnings during the six months ended June 30, 2014 and 2013, respectively. During the three months ended June 30, 2014 and 2013, net derivative losses of $6 million and net derivative gains of $7 million, both net of tax, were reclassified from "Accumulated other comprehensive loss" to earnings respectively.

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 six and three months ended June 30, 2014 and 2013, was not significant.

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

Six months ended June 30, 2014

Type of derivative designated as a fair value hedge	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	53	Interest and other finance expense	(52)

Six months ended June 30, 2013

Type of derivative designated as a fair value hedge	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	(40)	Interest and other finance expense	40

Three months ended June 30, 2014

Type of derivative designated as a fair value hedge	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	31	Interest and other finance expense	(30)

Three months ended June 30, 2013

Type of derivative designated as a fair value hedge	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	(22)	Interest and other finance expense	23

Derivatives not designated in hedge relationships

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

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

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

($ in millions)	Gains (losses) recognized in income				
		Six months ended June 30,		Three months ended June 30,	
Type of derivative not designated as a hedge	**Location**	**2014**	**2013**	**2014**	**2013**
Foreign exchange contracts	Total revenues	(97)	(206)	(74)	(214)
	Total cost of sales	(30)	70	(20)	152
	SG&A expenses(1)	1	(2)	-	1
	Interest and other finance expense	(27)	(37)	(31)	106
Embedded foreign exchange contracts	Total revenues	8	73	(2)	86
	Total cost of sales	(1)	(9)	(1)	(11)
Commodity contracts	Total cost of sales	(6)	(67)	16	(54)
	Interest and other finance expense	-	1	-	1
Total		(152)	(177)	(112)	67

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

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

	June 30, 2014			
	Derivative assets		Derivative liabilities	
($ in millions)	**Current in “Other current assets”**	**Non-current in “Other non-current assets”**	**Current in “Other current liabilities”**	**Non-current in “Other non-current liabilities”**
Derivatives designated as hedging instruments:				
Foreign exchange contracts	10	1	9	5
Commodity contracts	1	-	1	-
Interest rate contracts	-	58	-	-
Cash-settled call options	21	7	-	-
Total	**32**	**66**	**10**	**5**
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	105	17	146	23
Commodity contracts	7	-	7	1
Cash-settled call options	1	-	-	-
Embedded foreign exchange derivatives	36	24	38	5
Total	**149**	**41**	**191**	**29**
Total fair value	**181**	**107**	**201**	**34**
Thereof, subject to close-out netting agreements	**115**	**76**	**153**	**29**

($ in millions)	December 31, 2013			
	Derivative assets		Derivative liabilities	
	Current in "Other current assets"	Non-current in "Other non-current assets"	Current in "Other current liabilities"	Non-current in "Other non-current liabilities"
Derivatives designated as hedging instruments:				
Foreign exchange contracts	21	8	10	3
Commodity contracts	2	-	1	-
Interest rate contracts	-	14	-	7
Cash-settled call options	14	40	-	-
Total	**37**	**62**	**11**	**10**
Derivatives not designated as hedging instruments:				
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
Total	**335**	**66**	**191**	**42**
Total fair value	**372**	**128**	**202**	**52**
Thereof, subject to close-out netting agreements	**284**	**63**	**130**	**40**

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 June 30, 2014, and December 31, 2013, 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 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 listed derivatives which are actively traded such as commodity futures, interest rate futures and certain actively-traded debt securities.

Level 2: Valuation inputs consist of observable inputs (other than Level 1 inputs) such as actively-quoted prices for similar assets, quoted prices in inactive markets and inputs other than quoted prices such as interest rate yield curves, credit spreads, or inputs derived from other observable data by interpolation, correlation, regression or other means. The adjustments applied to quoted prices or the inputs used in valuation models may be both observable and unobservable. In these cases, the fair value measurement is classified as Level 2 unless the unobservable portion of the adjustment or the unobservable input to the valuation model is significant, in which case the fair value measurement would be classified as Level 3. Assets and liabilities valued or disclosed using Level 2 inputs include investments in certain funds, certain debt securities that are not actively traded, interest rate swaps, commodity swaps, cash-settled call options, forward foreign exchange contracts, foreign exchange swaps and forward rate agreements, time deposits, as well as financing receivables and debt.

Level 3: Valuation inputs are based on the Company's assumptions of relevant market data (unobservable input).

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

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

Recurring fair value measures

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

	June 30, 2014			
($ in millions)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Available-for-sale securities in "Cash and equivalents":				
Debt securities—Corporate	-	109	-	109
Available-for-sale securities in "Marketable securities and short-term investments":				
Equity securities	-	165	-	165
Debt securities—U.S. government obligations	103	-	-	103
Debt securities—Other government obligations	-	3	-	3
Debt securities—Corporate	-	408	-	408
Derivative assets—current in "Other current assets"	-	181	-	181
Derivative assets—non-current in "Other non-current assets"	-	107	-	107
Total	**103**	**973**	**-**	**1,076**
Liabilities				
Derivative liabilities—current in "Other current liabilities"	-	201	-	201
Derivative liabilities—non-current in "Other non-current liabilities"	-	34	-	34
Total	**-**	**235**	**-**	**235**

($ in millions)	December 31, 2013 Level 1	Level 2	Level 3	Total fair value
Assets				
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
Derivative assets—non-current in “Other non-current assets”	-	128	-	128
Total	**129**	**877**	**-**	**1,006**
Liabilities				
Derivative liabilities—current in “Other current liabilities”	3	199	-	202
Derivative liabilities—non-current in “Other non-current liabilities”	-	52	-	52
Total	**3**	**251**	**-**	**254**

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” and “Marketable securities and short-term investments”:* If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs; however, when markets are not active, these inputs are considered Level 2. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for nonperformance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.

- *Derivatives:* The fair values of derivative instruments are determined using quoted prices of identical instruments from an active market, if available (Level 1). If quoted prices are not available, price quotes for similar instruments, appropriately adjusted, or present value techniques, based on available market data, or option pricing models are used. Cash-settled call options hedging the Company’s WAR liability are valued based on bid prices of the equivalent listed warrant. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.

Non-recurring fair value measures

There were no significant non-recurring fair value measurements during the six and three months ended June 30, 2014 and 2013.

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

	June 30, 2014				
($ in millions)	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets					
Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months):					
Cash	2,282	2,282	-	-	2,282
Time deposits	2,558	-	2,558	-	2,558
Marketable securities and short-term investments (excluding available-for-sale securities):					
Time deposits	2	-	2	-	2
Receivables under reverse repurchase agreements	273	-	273	-	273
Other short-term investments	9	9	-	-	9
Other non-current assets:					
Loans granted	47	-	50	-	50
Held-to-maturity securities	92	-	111	-	111
Restricted cash and cash deposits	193	76	155	-	231
Liabilities					
Short-term debt and current maturities of long-term debt (excluding finance lease liabilities)	1,215	137	1,078	-	1,215
Long-term debt (excluding finance lease liabilities)	7,497	7,743	28	-	7,771
Non-current deposit liabilities in “Other non-current liabilities”	206	-	266	-	266

	December 31, 2013				
($ in millions)	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets					
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
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
Liabilities					
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

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), and Marketable securities and short-term investments (excluding available-for-sale securities):* The carrying amounts approximate the fair values as the items are short-term in nature.

- *Other non-current assets:* Includes (i) loans granted whose fair values are based on the carrying amount adjusted using a present value technique to reflect a premium or discount based on current market interest rates (Level 2 inputs), (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 approximate 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. 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 June 30, 2014, and December 31, 2013, amounted to $8,827 million and $8,023 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)	**June 30, 2014**	**December 31, 2013**
Short-term debt	1,185	423
Current maturities of long-term debt	57	30
Total	**1,242**	**453**

Short-term debt primarily represents issued commercial paper and short-term loans from various banks. At June 30, 2014, and December 31, 2013, the principal amount outstanding under the United States commercial paper program was $845 million and $100 million, respectively.

Long-term debt
The Company's long-term debt at June 30, 2014, and December 31, 2013, amounted to $7,585 million and $7,570 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 single best estimate is not determinable. The required amounts 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".

Environmental provisions included in the Company's Consolidated Balance Sheets were as follows:

($ in millions)	**June 30, 2014**	**December 31, 2013**
Other provisions	33	37
Other non-current liabilities	111	116
Total environmental provisions	**144**	**153**

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

In April 2014, the European Commission announced its decision regarding its investigation of anticompetitive practices in the cables industry and granted the Company full immunity from fines under the European Commission's leniency program. In December 2013, the Company agreed with the Brazilian Antitrust Authority (CADE) to settle its ongoing investigation into the Company's involvement in anticompetitive practices in the cables industry and the Company agreed to pay a fine of approximately 1.5 million Brazilian reals (equivalent to approximately $1 million on date of payment). The Company's cables business remains under investigation for alleged anticompetitive practices in certain other jurisdictions. An informed judgment about the outcome of these remaining investigations or the amount of potential loss or range of loss for the Company, if any, relating to these remaining investigations cannot be made at this stage.

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. In July 2014, the Company received the decision of the Italian Antitrust Agency regarding this matter. The agency closed its investigation without imposing a fine and accepted the non-financial commitments offered by the Company.

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

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 had 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 anticompetitive 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 June 30, 2014, and December 31, 2013, the Company had aggregate liabilities of $193 million and $245 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.

	Maximum potential payments	
($ in millions)	**June 30, 2014**	**December 31, 2013**
Performance guarantees	146	149
Financial guarantees	73	77
Indemnification guarantees	50	50
Total	**269**	**276**

In respect of the above guarantees, the carrying amounts of liabilities at June 30, 2014, and December 31, 2013, 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 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 at both June 30, 2014, and December 31, 2013, 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 June 30, 2014, and December 31, 2013, the maximum potential amount payable under these guarantees as a result of third-party non-performance was $68 million and $70 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 June 30, 2014, and December 31, 2013, the Company had a maximum potential amount payable of $73 million and $77 million, respectively, under financial guarantees outstanding. Of these amounts, $12 million and $15 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. There have been no significant amounts reimbursed to financial institutions under these types of arrangements during the six and three months ended June 30, 2014 and 2013.

Indemnification guarantees
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 June 30, 2014, and December 31, 2013, was $50 million.

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)	2014	2013
Balance at January 1,	**1,362**	**1,291**
Claims paid in cash or in kind	(153)	(126)
Net increase in provision for changes in estimates, warranties issued and warranties expired	64	87
Exchange rate differences	(17)	(33)
Balance at June 30,	**1,256**	**1,219**

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 and several of the plans are not required to be funded according to 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:

	Six months ended June 30,			
	2014	2013	2014	2013
($ in millions)	Defined pension benefits		Other postretirement benefits	
Service cost	125	124	1	1
Interest cost	208	184	5	4
Expected return on plan assets	(246)	(237)	-	-
Amortization of prior service cost (credit)	14	16	(4)	(4)
Amortization of net actuarial loss	48	63	-	2
Curtailments, settlements and special termination benefits	1	-	-	-
Net periodic benefit cost	**150**	**150**	**2**	**3**

($ in millions)	Three months ended June 30,			
	2014	2013	2014	2013
	Defined pension benefits		Other postretirement benefits	
Service cost	61	62	1	1
Interest cost	103	92	3	2
Expected return on plan assets	(122)	(119)	-	-
Amortization of prior service cost (credit)	7	8	(2)	(2)
Amortization of net actuarial loss	22	30	-	1
Curtailments, settlements and special termination benefits	1	-	-	-
Net periodic benefit cost	**72**	**73**	**2**	**2**

Employer contributions were as follows:

($ in millions)	Six months ended June 30,			
	2014	2013	2014	2013
	Defined pension benefits		Other postretirement benefits	
Total contributions to defined benefit pension and other postretirement benefit plans	200	123	7	7
Of which, discretionary contributions to defined benefit pension plans	75	-	-	-

($ in millions)	Three months ended June 30,			
	2014	2013	2014	2013
	Defined pension benefits		Other postretirement benefits	
Total contributions to defined benefit pension and other postretirement benefit plans	69	63	4	3
Of which, discretionary contributions to defined benefit pension plans	-	-	-	-

During the six months ended June 30, 2014, discretionary contributions included available-for-sale debt securities, having a fair value at the contribution date of $25 million, to certain of the Company's pension plans in the United Kingdom.

The Company expects to make contributions totaling approximately $308 million and $17 million to its defined benefit pension plans and other postretirement benefit plans, respectively, for the full year 2014.

Note 10. Stockholders' equity

At the Annual General Meeting of Shareholders in April 2014, shareholders approved the payment of a dividend of 0.70 Swiss francs per share. The dividend was paid in May 2014 and amounted to $1,841 million.

In the second quarter of 2014, the Company purchased on the open market an aggregate of 12 million of its own shares to be held for future delivery in connection with its employee incentive plans. These transactions resulted in an increase in "Treasury stock" of $282 million.

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:

	Six months ended June 30,		Three months ended June 30,	
($ in millions, except per share data in $)	**2014**	**2013**	**2014**	**2013**
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,182	1,439	637	771
Loss from discontinued operations, net of tax	(2)	(12)	(1)	(8)
Net income	**1,180**	**1,427**	**636**	**763**
Weighted-average number of shares outstanding (in millions)	**2,298**	**2,296**	**2,295**	**2,297**
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.51	0.63	0.28	0.34
Loss from discontinued operations, net of tax	-	(0.01)	-	(0.01)
Net income	**0.51**	**0.62**	**0.28**	**0.33**

Diluted earnings per share:

	Six months ended June 30,		Three months ended June 30,	
($ in millions, except per share data in $)	**2014**	**2013**	**2014**	**2013**
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,182	1,439	637	771
Loss from discontinued operations, net of tax	(2)	(12)	(1)	(8)
Net income	**1,180**	**1,427**	**636**	**763**
Weighted-average number of shares outstanding (in millions)	2,298	2,296	2,295	2,297
Effect of dilutive securities:				
Call options and shares	8	7	7	7
Dilutive weighted-average number of shares outstanding	**2,306**	**2,303**	**2,302**	**2,304**
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.51	0.62	0.28	0.33
Loss from discontinued operations, net of tax	-	-	-	-
Net income	**0.51**	**0.62**	**0.28**	**0.33**

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 currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gains (losses) of cash flow hedge derivatives	Total OCI
Balance at January 1, 2013	**(580)**	**24**	**(2,004)**	**37**	**(2,523)**
Other comprehensive (loss) income before reclassifications	(490)	(4)	49	(3)	(448)
Amounts reclassified from OCI	-	(7)	54	(16)	31
Total other comprehensive (loss) income	(490)	(11)	103	(19)	(417)
Less:					
Amounts attributable to noncontrolling interests	(8)	-	1	-	(7)
Balance at June 30, 2013	**(1,062)**	**13**	**(1,902)**	**18**	**(2,933)**

($ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gains (losses) of cash flow hedge derivatives	Total OCI
Balance at January 1, 2014	**(431)**	**7**	**(1,610)**	**22**	**(2,012)**
Other comprehensive (loss) income before reclassifications	(92)	4	(9)	(33)	(130)
Amounts reclassified from OCI	-	(1)	42	5	46
Total other comprehensive (loss) income	(92)	3	33	(28)	(84)
Less:					
Amounts attributable to noncontrolling interests	(4)	-	-	-	(4)
Balance at June 30, 2014	**(519)**	**10**	**(1,577)**	**(6)**	**(2,092)**

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

($ in millions)		Six months ended June 30,		Three months ended June 30,	
Details about OCI components	Location of (gains) losses reclassified from OCI	2014	2013	2014	2013
Pension and other postretirement plan adjustments:					
Amortization of prior service costs	Net periodic benefit cost(1)	10	12	5	6
Amortization of net actuarial losses	Net periodic benefit cost(1)	48	65	22	31
Total before tax		58	77	27	37
Tax	Provision for taxes	(16)	(23)	(8)	(12)
Amounts reclassified from OCI		**42**	**54**	**19**	**25**

(1) These components are included in the computation of net periodic benefit cost (see Note 9).

The amounts in respect of unrealized gains (losses) on available-for-sale securities and unrealized gains (losses) of cash flow hedge derivatives were not significant for the six and three months ended June 30, 2014 and 2013.

Note 13. 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.

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, gains and losses on sale of businesses, 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 six and three months ended June 30, 2014 and 2013, as well as total assets at June 30, 2014, and December 31, 2013.

($ in millions)	Six months ended June 30, 2014 Third-party revenues	Intersegment revenues	Total revenues
Discrete Automation and Motion	4,524	400	4,924
Low Voltage Products	3,611	207	3,818
Process Automation	3,853	102	3,955
Power Products	4,260	793	5,053
Power Systems	3,235	183	3,418
Corporate and Other	178	832	1,010
Intersegment elimination	-	(2,517)	(2,517)
Consolidated	**19,661**	**-**	**19,661**

($ in millions)	Six months ended June 30, 2013 Third-party revenues	Intersegment revenues	Total revenues
Discrete Automation and Motion	4,207	482	4,689
Low Voltage Products	3,518	188	3,706
Process Automation	3,998	110	4,108
Power Products	4,321	949	5,270
Power Systems	3,837	176	4,013
Corporate and Other	59	782	841
Intersegment elimination	-	(2,687)	(2,687)
Consolidated	**19,940**	**-**	**19,940**

($ in millions)	Three months ended June 30, 2014 Third-party revenues	Intersegment revenues	Total revenues
Discrete Automation and Motion	2,330	213	2,543
Low Voltage Products	1,827	109	1,936
Process Automation	1,962	50	2,012
Power Products	2,264	398	2,662
Power Systems	1,703	107	1,810
Corporate and Other	104	421	525
Intersegment elimination	-	(1,298)	(1,298)
Consolidated	**10,190**	**-**	**10,190**

($ in millions)	Three months ended June 30, 2013 Third-party revenues	Intersegment revenues	Total revenues
Discrete Automation and Motion	2,122	240	2,362
Low Voltage Products	1,837	92	1,929
Process Automation	2,077	53	2,130
Power Products	2,287	494	2,781
Power Systems	1,870	92	1,962
Corporate and Other	32	385	417
Intersegment elimination	-	(1,356)	(1,356)
Consolidated	**10,225**	**-**	**10,225**

Notes to the Interim Consolidated Financial Information (unaudited)

($ in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Three months ended June 30, 2014	Three months ended June 30, 2013
Operational EBITDA:				
Discrete Automation and Motion	838	844	443	428
Low Voltage Products	710	687	364	367
Process Automation	512	511	248	252
Power Products	747	781	393	409
Power Systems	(53)	328	(24)	159
Corporate and Other and Intersegment elimination	(152)	(132)	(93)	(54)
Consolidated Operational EBITDA	**2,602**	**3,019**	**1,331**	**1,561**
Depreciation and amortization	(666)	(639)	(333)	(318)
Restructuring and restructuring-related expenses	(87)	(54)	(40)	(35)
Gains and losses on sale of businesses, acquisition-related expenses and certain non-operational items	103	(32)	114	(28)
Foreign exchange/commodity timing differences in income from operations:				
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(89)	(77)	(34)	12
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	10	(11)	(7)	(3)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	34	34	21	(1)
Income from operations	**1,907**	**2,240**	**1,052**	**1,188**
Interest and dividend income	38	35	21	17
Interest and other finance expense	(172)	(177)	(88)	(80)
Income from continuing operations before taxes	**1,773**	**2,098**	**985**	**1,125**

($ in millions)	Total assets(1) June 30, 2014	Total assets(1) December 31, 2013
Discrete Automation and Motion	10,422	10,931
Low Voltage Products	9,192	9,389
Process Automation	4,538	4,537
Power Products	7,829	7,669
Power Systems	7,419	7,905
Corporate and Other	7,675	7,633
Consolidated	**47,075**	**48,064**

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