ABB LTD
Form 20-F
March 07, 2014

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As filed with the Securities and Exchange Commission on March 7, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-16429

ABB Ltd

(Exact name of registrant as specified in its charter)

Switzerland
(Jurisdiction of incorporation or organization)

Affolternstrasse 44
CH-8050 Zurich
Switzerland
(Address of principal executive offices)

Richard A. Brown
Affolternstrasse 44
CH-8050 Zurich
Switzerland
Telephone: +41-43-317-7111
Facsimile: +41-43-317-7992
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
American Depositary Shares, each representing one Registered Share	New York Stock Exchange
Registered Shares, par value CHF 1.03	New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None.**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None.**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 2,314,743,264 Registered Shares (including treasury shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

If this is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý Accelerated filer o Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP ý

International Financial Reporting Standards as issued by the International Accounting Standards Board o Other o

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. item 17 o item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

* Listed on the New York Stock Exchange not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

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INTRODUCTION

ABB Ltd is a corporation organized under the laws of Switzerland. In this Annual Report, "the ABB Group," "ABB," the "Company," "we," "our" and "us" refer to ABB Ltd and its consolidated subsidiaries (unless the context otherwise requires). We also use these terms to refer to ABB Asea Brown Boveri Ltd and its subsidiaries prior to the establishment of ABB Ltd as the holding company for the entire ABB Group in 1999, as described in this Annual Report under "Item 4. Information on the Company Introduction History of the ABB Group". Our American Depositary Shares (each representing one registered share of ABB Ltd) are referred to as "ADSs". The registered shares of ABB Ltd are referred to as "shares". Our principal corporate offices are located at Affolternstrasse 44, CH-8050 Zurich, Switzerland, telephone number +41-43-317-7111.

FINANCIAL AND OTHER INFORMATION

ABB Ltd has prepared its statutory unconsolidated financial statements in accordance with the Swiss Code of Obligations. The Consolidated Financial Statements of ABB Ltd, including the notes thereto, as of December 31, 2013 and 2012, and for each of the years in the three-year period ended December 31, 2013 (our Consolidated Financial Statements) have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP).

In this Annual Report: (i) "$," "U.S. dollar" and "USD" refer to the lawful currency of the United States of America; (ii) "CHF" and "Swiss franc" refer to the lawful currency of Switzerland; (iii) "EUR" and "euro" refer to the lawful currency of the participating member states of the European Economic and Monetary Union (Eurozone); (iv) "SEK" and "Swedish krona" refer to the lawful currency of Sweden; (v) "Chinese renminbi" refers to the lawful currency of the People's Republic of China; (vi) "AED" refers to the lawful currency of the United Arab Emirates; (vii) "AUD" and "Australian dollar" refer to the lawful currency of Australia; (viii) "Canadian dollar" refers to the lawful currency of Canada; and (ix) "INR" and "Indian Rupee" refer to the lawful currency of India.

Except as otherwise stated, all monetary amounts in this Annual Report are presented in U.S. dollars. Where specifically indicated, amounts in Swiss francs have been translated into U.S. dollars. These translations are provided for convenience only, and they are not representations that the Swiss franc could be converted into U.S. dollars at the rate indicated. These translations have been made using the twelve o'clock buying rate in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York as of December 31, 2013, unless otherwise indicated. The twelve o'clock buying rate for Swiss francs on December 31, 2013 was $1.00 = CHF 0.8904. The twelve o'clock buying rate for Swiss francs on February 28, 2014 was $1.00 = CHF 0.8810.

FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will," or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, dispositions, strategies and the countries and industries in which we operate.

These forward-looking statements include, but are not limited to the following:

- statements in "Item 3. Key Information Dividends and Dividend Policy" regarding our policy on future dividend payments,

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statements in "Item 3. Key Information Risk Factors,"

statements in "Item 4. Information on the Company" regarding the timing of intended capital expenditures,

statements in "Item 5. Operating and Financial Review and Prospects" regarding our management objectives, including our mid-term outlook, as well as trends in results, prices, volumes, operations, margins and overall market trends, and

statements in "Item 8. Financial Information Legal Proceedings" regarding the outcome of certain legal and compliance matters.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the countries and industries in which we operate, may differ materially from those described in or suggested by the forward-looking statements contained in this Annual Report. In addition, even if our results of operations, financial condition and liquidity, and the development of the countries and industries in which we operate, are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause actual results to differ materially from our expectations are contained in cautionary statements in this Annual Report and include, without limitation, the following:

Our business is exposed to risks associated with the volatile global economic environment and political conditions.

Illegal behavior by any of our employees or agents could have a material adverse impact on our consolidated operating results, cash flows, and financial position as well as on our reputation and our ability to do business.

Our operations in emerging markets expose us to risks associated with conditions in those markets.

Undertaking long-term, fixed price or turnkey projects exposes our businesses to risk of loss should our actual costs exceed our estimated or budgeted costs.

We operate in very competitive markets and could be adversely affected if we fail to keep pace with technological changes.

Our multi-national operations expose us to the risk of fluctuations in currency exchange rates.

Our hedging activities may not protect us against the consequences of significant fluctuations in exchange rates, interest rates or commodity prices on our earnings and cash flows.

Increases in costs or limitation of supplies of raw materials may adversely affect our financial performance.

An inability to protect our intellectual property rights could adversely affect our business.

Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, require state-of-the-art manufacturing expertise or are dependent upon factors not wholly within our control. Failure to meet these obligations could adversely affect our profitability and future prospects.

Industry consolidation could result in more powerful competitors and fewer customers.

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We are subject to environmental laws and regulations in the countries in which we operate. We incur costs to comply with such regulations, and our ongoing operations may expose us to environmental liabilities.

We may be the subject of product liability claims.

We may encounter difficulty in managing our business due to the global nature of our operations.

If we are unable to obtain performance and other guarantees from financial institutions, we may be prevented from bidding on, or obtaining, some contracts, or our costs with respect to such contracts could be higher.

Examinations by tax authorities and changes in tax regulations could result in lower earnings and cash flows.

If we are unable to attract and retain qualified management and personnel then our business may be adversely affected.

Anticipated benefits of existing and potential future mergers, acquisitions, joint ventures or strategic alliances may not be realized.

We could be affected by future laws or regulations enacted to address climate change concerns as well as the physical effects of climate change.

Increased information technology (IT) security threats and more sophisticated cyber-attacks could pose a risk to our systems, networks, products, solutions and services.

We urge you to read the sections of this Annual Report entitled "Item 3. Key Information Risk Factors," "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects" for a more complete discussion of the factors that could affect our future performance and the countries and industries in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking circumstances described in this Annual Report and the assumptions underlying them may not occur.

Except as required by law or applicable stock exchange rules or regulations, we undertake no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Annual Report.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable

Item 2. Offer Statistics and Expected Timetable

Not applicable

Item 3. Key Information

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SELECTED FINANCIAL DATA

The following table presents our selected financial and operating information at the dates and for each of the periods indicated. You should read the following information together with the information contained in "Item 5. Operating and Financial Review and Prospects," as well as our Consolidated Financial Statements and the Notes thereto, included elsewhere in this Annual Report.

Our selected financial data are presented in the following tables in accordance with U.S. GAAP and have been derived from our published Consolidated Financial Statements. Our Consolidated Financial Statements as of and for each of the years ended December 31, 2013, 2012, 2011, 2010 and 2009 were audited by Ernst & Young AG.

INCOME STATEMENT DATA:

($ in millions, except per share data in $)	**2013**	**2012**	**2011**	**2010**	**2009**
Total revenues	**41,848**	**39,336**	**37,990**	**31,589**	**31,795**
Total cost of sales	**(29,856)**	**(27,958)**	**(26,556)**	**(22,060)**	**(22,470)**
Gross profit	**11,992**	**11,378**	**11,434**	**9,529**	**9,325**
Selling, general and administrative expenses	(6,094)	(5,756)	(5,373)	(4,615)	(4,491)
Non-order related research and development expenses	(1,470)	(1,464)	(1,371)	(1,082)	(1,037)
Other income (expense), net	(41)	(100)	(23)	(14)	329
Income from operations	**4,387**	**4,058**	**4,667**	**3,818**	**4,126**
Interest and dividend income	69	73	90	95	121
Interest and other finance expense	(390)	(293)	(207)	(173)	(127)
Income from continuing operations before taxes	**4,066**	**3,838**	**4,550**	**3,740**	**4,120**
Provision for taxes	(1,122)	(1,030)	(1,244)	(1,018)	(1,001)
Income from continuing operations, net of tax	**2,944**	**2,808**	**3,306**	**2,722**	**3,119**
Income (loss) from discontinued operations, net of tax	(37)	4	9	10	17
Net income	**2,907**	**2,812**	**3,315**	**2,732**	**3,136**
Net income attributable to noncontrolling interests	(120)	(108)	(147)	(171)	(235)
Net income attributable to ABB	**2,787**	**2,704**	**3,168**	**2,561**	**2,901**
Amounts attributable to ABB shareholders:					
Income from continuing operations, net of tax	2,824	2,700	3,159	2,551	2,884
Net income	2,787	2,704	3,168	2,561	2,901
Basic earnings per share attributable to ABB shareholders:					
Income from continuing operations, net of tax	1.23	1.18	1.38	1.12	1.26
Net income	1.21	1.18	1.38	1.12	1.27
Diluted earnings per share attributable to ABB shareholders:					
Income from continuing operations, net of tax	1.23	1.18	1.38	1.11	1.26
Net income	1.21	1.18	1.38	1.12	1.27
Weighted-average number of shares outstanding (in millions) used to compute:					
Basic earnings per share attributable to ABB shareholders	2,297	2,293	2,288	2,287	2,284
Diluted earnings per share attributable to ABB shareholders	2,305	2,295	2,291	2,291	2,288

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BALANCE SHEET DATA:

	December 31,				
($ in millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Cash and equivalents	6,021	6,875	4,819	5,897	7,119
Marketable securities and short-term investments	464	1,606	948	2,713	2,433
Total assets	48,064	49,070	39,648	36,295	34,728
Long-term debt (excluding current maturities of long-term debt)	7,570	7,534	3,231	1,139	2,172
Total debt[(1)]	8,023	10,071	3,996	2,182	2,333
Capital stock and additional paid-in capital	1,750	1,691	1,621	1,454	3,943
Total stockholders' equity (including noncontrolling interests)	19,208	17,446	16,336	15,458	14,473

CASH FLOW DATA:

($ in millions)	**2013**	**2012**	**2011**	**2010**	**2009**
Net cash provided by operating activities	3,653	3,779	3,612	4,197	4,027
Net cash used in investing activities	(717)	(5,575)	(3,253)	(2,747)	(2,172)
Net cash provided by (used in) financing activities	(3,856)	3,762	(1,208)	(2,530)	(1,349)

(1) Total debt is equal to the sum of short-term debt (including current maturities of long-term debt) and long-term debt.

DIVIDENDS AND DIVIDEND POLICY

Payment of dividends is subject to general business conditions, ABB's current and expected financial condition and performance and other relevant factors including growth opportunities. ABB's current dividend policy is to pay a steadily rising, sustainable annual dividend over time.

The unconsolidated statutory financial statements of ABB Ltd are prepared in accordance with Swiss law. Based on these financial statements, dividends may be paid only if ABB Ltd has sufficient distributable profits from previous years or sufficient free reserves to allow the distribution of a dividend. As a holding company, ABB Ltd's main sources of income are dividend and interest from its subsidiaries.

At December 31, 2013, of the CHF 11,637 million total stockholders' equity recorded in ABB Ltd's unconsolidated statutory financial statements, CHF 2,384 million represented share capital, CHF 3,938 million was attributable to legal reserves (of which CHF 2,642 million represented the capital contribution reserve, CHF 296 million represented the reserve for own shares, and CHF 1,000 million was in respect of ordinary legal reserves), and CHF 5,315 million was attributable to free reserves, principally representing net income and retained earnings available for distribution.

With respect to the years ended December 31, 2009, 2010 , 2011 and 2012, ABB Ltd paid a dividend of CHF 0.51 (USD 0.48) per share, CHF 0.60 (USD 0.69) per share, CHF 0.65 (USD 0.69) per share, and CHF 0.68 (USD 0.71) per share, respectively. The dividend in respect of the year ended December 31, 2009 was paid by way of a nominal value reduction (reduction in the par value of each share). The USD amounts for each of the foregoing dividend payments made in CHF have been translated using the average rates of the month in which the dividends were paid.

With respect to the year ended December 31, 2013, ABB Ltd's Board of Directors has proposed to pay a dividend of CHF 0.70 per share, subject to approval by shareholders at ABB's 2014 Annual General Meeting.

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For further information on dividends and dividend policy see "Item 6. Directors, Senior Management and Employees Shareholders' participation Shareholders' dividend rights".

RISK FACTORS

You should carefully consider all of the information set forth in this Annual Report and the following description of risks and uncertainties that we currently believe may exist. Our business, financial condition or results of operations could be adversely affected by any of these risks. Additional risks of which we are unaware or that we currently deem immaterial may also impair our business operations. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those described below and elsewhere in this Annual Report. See "Forward-Looking Statements".

Our business is exposed to risks associated with the volatile global economic environment and political conditions.

Adverse changes in economic or political conditions, both inside and outside the U.S., could have a material adverse effect on our business, financial condition, results of operations and liquidity. Economic volatility and financial market disruptions may adversely impact the demand for our products and services. These and other factors may prevent our customers and suppliers from obtaining the financing required to pursue their business activities as planned, which may force them to modify, delay or cancel plans to purchase or supply our products or services. In addition, if our customers do not generate sufficient revenue, or fail to obtain access to the capital markets, they may not be able to pay, or may delay payment of, the amounts they owe us. Customers with liquidity issues may lead to additional bad debt expense for us, which may adversely affect our results of operations and cash flows. We are also subject to the risk that the counterparties to our credit agreements and hedging transactions may go bankrupt if they suffer catastrophic demand on their liquidity that prevents them from fulfilling their contractual obligations to us.

Apart from effects relating to the financial crisis and the global economic slowdown that it entailed, our business environment is influenced by numerous other economic or political uncertainties which will affect the global economy and the international capital markets. In periods of slow economic growth or decline, our customers are more likely to decrease expenditures on the types of products and systems we supply and we are more likely to experience decreased revenues as a result. Our power technology divisions are affected by the level of investments by utilities, and our automation technology divisions are affected by conditions in a broad range of industries, including the automotive, pharmaceutical, pulp and paper, marine, metals and minerals and manufacturing and consumer industries. At various times during the last several years, we also have experienced, and may experience in the future, gross margin declines in certain businesses, reflecting the effect of items such as competitive pricing pressures, inventory write-downs, charges associated with the cancellation of planned expansion, increases in pension and postretirement benefit expenses, and increases in component and manufacturing costs resulting from higher labor and material costs borne by our manufacturers and suppliers that, as a result of competitive pricing pressures or other factors, we are unable to pass on to our customers. Economic downturns also may lead to restructuring actions and associated expenses. Uncertainty about future economic conditions makes it difficult for us to forecast operating results and to make decisions about future investments.

In addition, we are subject to the risks that our business operations in or with certain countries may be adversely affected by trade or economic sanctions or other restrictions imposed on these countries and that actual or potential investors that object to these business operations may adversely affect the price of our shares by disposing of, or deciding not to, purchase our shares. These countries may from time to time include countries that are identified by the United States as state sponsors of terrorism. In 2013, our total revenues from business with countries identified by the U.S. government as

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state sponsors of terrorism represented a very small percentage of our total revenues. Based on the amount of revenues and other relevant quantitative and qualitative factors, we have determined that our business in 2013 with countries identified by the U.S. government as state sponsors of terrorism was not material.

Illegal behavior by any of our employees or agents could have a material adverse impact on our consolidated operating results, cash flows, and financial position as well as on our reputation and our ability to do business.

Certain of our employees or agents have taken, and may in the future take, actions that violate or are alleged to violate the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), legislation promulgated pursuant to the 1997 Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, applicable antitrust laws and other applicable laws or regulations. For more information regarding investigations of past actions taken by certain of our employees, see "Item 8. Financial Information Legal Proceedings". Such actions have resulted, and in the future could result, in governmental investigations, enforcement actions, civil and criminal penalties, including monetary penalties and other sanctions, and civil litigation. It is possible that any governmental investigation or enforcement action arising from such matters could conclude that a violation of applicable law has occurred and the consequences of any such investigation or enforcement action may have a material adverse impact on our consolidated operating results, cash flows and financial position. In addition, such actions, whether actual or alleged, could damage our reputation and ability to do business.

Further, detecting, investigating and resolving such actions could be expensive and could consume significant time and attention of our senior management. While we are committed to conducting business in a legal and ethical manner, our internal control systems have not been, and in the future may not be, completely effective to prevent and detect such improper activities by our employees and agents.

Our operations in emerging markets expose us to risks associated with conditions in those markets.

A significant amount of our operations is conducted in the emerging markets in South America, Asia, and the Middle East and Africa. In 2013, approximately 46 percent of our consolidated revenues were generated from these emerging markets. Operations in emerging markets can present risks that are not encountered in countries with well-established economic and political systems, including:

economic instability, which could make it difficult for us to anticipate future business conditions in these markets, cause delays in the placement of orders for projects that we have been awarded and subject us to volatile geographic markets,

political or social instability, such as the recent political unrest in Northern Africa, which could make our customers less willing to make cross-border investments in such regions and could complicate our dealings with governments regarding permits or other regulatory matters, local businesses and workforces,

boycotts and embargoes that may be imposed by the international community on countries in which we operate could adversely affect the ability of our operations in those countries to obtain the materials necessary to fulfill contracts and our ability to pursue business or establish operations in those countries,

foreign state takeovers of our facilities,

significant fluctuations in interest rates and currency exchange rates,

the imposition of unexpected taxes or other payments on our revenues in these markets,

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the ability to obtain financing and/or insurance coverage from export credit agencies, and

the introduction of exchange controls and other restrictions by foreign governments.

Additionally, political and social instability resulting from increased violence in certain countries in which we do business has raised concerns about the safety of our personnel. These concerns may hinder our ability to send personnel abroad and to hire and retain local personnel. Such concerns may require us to increase security for personnel traveling to such facilities or to conduct more operations from our other facilities rather than from facilities located in such countries, which may negatively impact our operations and result in higher costs and inefficiencies.

In addition, the legal and regulatory systems of many emerging market countries are less developed and less well-enforced than in industrialized countries. Therefore, our ability to protect our contractual and other legal rights in these countries could be limited. Consequently, our exposure to the conditions in or affecting emerging markets may adversely affect our business, financial condition, results of operations and liquidity.

Undertaking long-term, fixed price or turnkey projects exposes our businesses to risk of loss should our actual costs exceed our estimated or budgeted costs.

We derive a portion of our revenues from long-term, fixed price or turnkey projects that are awarded on a competitive basis and can take many months, or even years, to complete. Such contracts involve substantial risks, including the possibility that we may underbid and the fact that we typically assume substantially all of the risks associated with completing the project and the post-completion warranty obligations. These risks include the project's technical risk, meaning that we must tailor our products and systems to satisfy the technical requirements of a project even though, at the time we are awarded the project, we may not have previously produced such a product or system. The revenue, cost and gross profit realized on such contracts can vary, sometimes substantially, from our original projections because of changes in conditions, including but not limited to:

unanticipated technical problems with the equipment being supplied or developed by us which may require us to incur incremental expenses to remedy the problem,

changes in the cost of components, materials or labor,

difficulties in obtaining required governmental permits or approvals,

project modifications that create unanticipated costs,

delays caused by force majeure or local weather and geological conditions, including natural disasters,

customer delays,

shortages of construction equipment,

changes in law or government policy,

supply bottlenecks, especially of key components, and

suppliers', subcontractors' or consortium partners' failure to perform.

These risks are exacerbated if the duration of the project is extended because then there is an increased risk that the circumstances upon which we originally bid and quoted a price change in a manner that increases our costs. In addition, we sometimes bear the risk of delays caused by unexpected conditions or events. Our project contracts often make us subject to penalties if we cannot complete portions of the project in accordance with agreed-upon time limits and guaranteed performance levels.

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We operate in very competitive markets and could be adversely affected if we fail to keep pace with technological changes.

We operate in very competitive environments in particular with respect to product performance, developing integrated systems and applications that address the business challenges faced by our customers, pricing, new product introduction time and customer service. The relative importance of these factors differs across the geographic markets and product areas that we serve. The markets for our products and services are characterized by evolving industry standards (particularly for our automation technology products and systems), rapidly changing technology and increased competition as a result of privatization (particularly for our power products and systems). For example, as power transmission and distribution providers throughout the world have been undergoing substantial privatization, their need has increased for timely product and service innovations that increase efficiency and allow them to compete in a deregulated environment. Additionally, the continual development of advanced technologies for new products and product enhancements is an important way in which we maintain acceptable pricing levels. If we fail to keep pace with technological changes in the industrial sectors that we serve, we may experience price erosion and lower margins.

All of our primary competitors are sophisticated companies with significant resources that may develop products and services that are superior to our products and services or may adapt more quickly than we do to new technologies, industry changes or evolving customer requirements. We are also facing increased competition from low cost competitors in emerging markets, which may give rise to increased pressure to reduce our prices. Our failure to anticipate or respond quickly to technological developments or customer requirements could adversely affect our business, results of operations, financial condition and liquidity.

Our multi-national operations expose us to the risk of fluctuations in currency exchange rates.

Exchange rate fluctuations have had, and could continue to have, a material impact on our operating results, the comparability of our results between periods, the value of assets or liabilities as recorded on our Consolidated Balance Sheet and the price of our securities. The global financial crisis has led to increased volatility in exchange rates, which makes it harder to predict exchange rates and thus do accurate financial planning. Changes in exchange rates can unpredictably and adversely affect our consolidated operating results and could result in exchange losses.

Currency Translation Risk. The results of operations and financial position of most of our non-U.S. companies are initially recorded in the currency, which we call "local currency," of the country in which the respective company resides. That financial information is then translated into U.S. dollars at the applicable exchange rates for inclusion in our Consolidated Financial Statements. The exchange rates between local currencies and the U.S. dollar can fluctuate substantially, which could have a significant translation effect on our reported consolidated results of operations and financial position.

Increases and decreases in the value of the U.S. dollar versus local currencies will affect the reported value of our local currency assets, liabilities, revenues and costs in our Consolidated Financial Statements, even if the value of these items has not changed in local currency terms. These translations could significantly and adversely affect our results of operations and financial position from period to period.

Currency Transaction Risk. Currency risk exposure also affects our operations when our sales are denominated in currencies that are different from those in which our manufacturing or sourcing costs are incurred. In this case, if after the parties agree on a price, the value of the currency in which the price is to be paid were to weaken relative to the currency in which we incur manufacturing or sourcing costs, there would be a negative impact on the profit margin for any such transaction. This transaction risk may exist regardless of whether or not there is also a currency translation risk as described above.

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Currency exchange rate fluctuations in those currencies in which we incur our principal manufacturing expenses or sourcing costs may adversely affect our ability to compete with companies whose costs are incurred in other currencies. If our principal expense currencies appreciate in value against such other currencies, our competitiveness may be weakened.

Our hedging activities may not protect us against the consequences of significant fluctuations in exchange rates, interest rates or commodity prices on our earnings and cash flows.

Our policy is to hedge material currency exposures by entering into offsetting transactions with third-party financial institutions. Given the effective horizons of our risk management activities and the anticipatory nature of the exposures intended to be hedged, there can be no assurance that our currency hedging activities will fully offset the adverse financial impact resulting from unfavorable movements in foreign exchange rates. In addition, the timing of the accounting for recognition of gains and losses related to a hedging instrument may not coincide with the timing of gains and losses related to the underlying economic exposures.

As a resource-intensive operation, we are exposed to a variety of market and asset risks, including the effects of changes in commodity prices and interest rates. We monitor and manage these exposures as an integral part of our overall risk management program, which recognizes the unpredictability of markets and seeks to reduce the potentially adverse effects on our business. As part of our effort to manage these exposures, we may enter into commodity price and interest rate hedging arrangements. Nevertheless, changes in commodity prices and interest rates cannot always be predicted or hedged.

If we are unable to successfully manage the risk of changes in exchange rates, interest rates or commodity prices or if our hedging counterparties are unable to perform their obligations under our hedging agreements with them, then changes in these rates and prices could have an adverse effect on our financial condition and results of operations.

Increases in costs or limitation of supplies of raw materials may adversely affect our financial performance.

We purchase large amounts of commodity-based raw materials, including steel, copper, aluminum and oil. Prevailing prices for such commodities are subject to fluctuations due to changes in supply and demand and a variety of additional factors beyond our control, such as global political and economic conditions. Historically, prices for some of these raw materials have been volatile and unpredictable, and such volatility is expected to continue. Therefore, commodity price changes may result in unexpected increases in raw material costs, and we may be unable to increase our prices to offset these increased costs without suffering reduced volumes, revenues or operating income. We do not fully hedge against changes in commodity prices and our hedging procedures may not work as planned.

We depend on third parties to supply raw materials and other components and may not be able to obtain sufficient quantities of these materials and components, which could limit our ability to manufacture products on a timely basis and could harm our profitability. For some raw materials and components, we rely on a single supplier or a small number of suppliers. If one of these suppliers were unable to provide us with a raw material or component we need, our ability to manufacture some of our products could be adversely affected until we are able to establish a new supply arrangement. We may be unable to find a sufficient alternative supply channel in a reasonable time period or on commercially reasonable terms, if at all. If our suppliers are unable to deliver sufficient quantities of materials on a timely basis, the manufacture and sale of our products may be disrupted, we might have obligations under our performance guarantees and our sales and profitability could be materially adversely affected.

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An inability to protect our intellectual property rights could adversely affect our business.

Our intellectual property rights are fundamental to all of our businesses. We generate, maintain, utilize and enforce a substantial portfolio of trademarks, trade dress, patents and other intellectual property rights globally. Intellectual property protection is subject to applicable laws in various local jurisdictions where interpretations and protections vary or can be unpredictable and costly to enforce. We use our intellectual property rights to protect the goodwill of our products, promote our product recognition, protect our proprietary technology and development activities, enhance our competitiveness and otherwise support our business goals and objectives. However, there can be no assurance that the steps we take to obtain, maintain and protect our intellectual property rights will be adequate. Our intellectual property rights may fail to provide us with significant competitive advantages, particularly in foreign jurisdictions that do not have, or do not enforce, strong intellectual property rights. The weakening of protection of our trademarks, trade dress, patents and other intellectual property rights could adversely affect our business.

Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex, require state-of-the-art manufacturing expertise or are dependent upon factors not wholly within our control. Failure to meet these obligations could adversely affect our profitability and future prospects.

We design, develop and manufacture technologically advanced and innovative products and services applied by our customers in a variety of environments. Problems and delays in our development or delivery of products or services as a result of issues with respect to design, technology, licensing and patent rights, labor, learning curve assumptions or materials and components could prevent us from achieving contractual requirements.

In addition, our products cannot be tested and proven in all situations and are otherwise subject to unforeseen problems. Examples of unforeseen problems that could negatively affect revenue and profitability include premature failure of products that cannot be accessed for repair or replacement, problems with quality, country of origin, delivery of subcontractor components or services and unplanned degradation of product performance. Among the factors that may affect revenue and profits could be unforeseen costs and expenses not covered by insurance or indemnification from the customer, diversion of management focus in responding to unforeseen problems, loss of follow-on work, and, in the case of certain contracts, repayment to the customer of contract cost and fee payments we previously received as well as potential damages, which may significantly exceed the contract price.

Industry consolidation could result in more powerful competitors and fewer customers.

Competitors in the industries in which we operate are consolidating. In particular, the automation industry is undergoing consolidation that is reducing the number but increasing the size of companies that compete with us. As our competitors consolidate, they likely will increase their market share, gain economies of scale that enhance their ability to compete with us and/or acquire additional products and technologies that could displace our product offerings.

Our customer base also is undergoing consolidation. Consolidation within our customers' industries (such as the marine and cruise industry, the automotive, aluminum, steel, pulp and paper and pharmaceutical industries and the oil and gas industry) could affect our customers and their relationships with us. If one of our competitors' customers acquires any of our customers, we may lose that business. Additionally, as our customers become larger and more concentrated, they could exert pricing pressure on all suppliers, including us. For example, in an industry such as power transmission, which historically has consisted of large and concentrated customers such as utilities, price competition can be a factor in determining which products and services will be selected by a customer.

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We are subject to environmental laws and regulations in the countries in which we operate. We incur costs to comply with such regulations, and our ongoing operations may expose us to environmental liabilities.

Our operations are subject to U.S., European and other laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Our manufacturing facilities use and produce paint residues, solvents, metals, oils and related residues. We use petroleum-based insulation in transformers, polyvinylchloride (PVC) resin to manufacture PVC cable and chloroparaffin as a flame retardant. We have manufactured and sold, and we are using in some of our factories, certain types of transformers and capacitors containing polychlorinated biphenyls (PCBs). These are considered to be hazardous substances in many jurisdictions in which we operate. We may be subject to substantial liabilities for environmental contamination arising from the use of such substances. All of our manufacturing operations are subject to ongoing compliance costs in respect of environmental matters and the associated capital expenditure requirements.

In addition, we may be subject to significant fines and penalties if we do not comply with environmental laws and regulations including those referred to above. Some environmental laws provide for joint and several or strict liability for remediation of releases of hazardous substances, which could result in us incurring a liability for environmental damage without regard to our negligence or fault. Such laws and regulations could expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts which were in compliance with all applicable laws at the time the acts were performed. Additionally, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Changes in the environmental laws and regulations, or claims for damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities to us.

We may be the subject of product liability claims.

We may be required to pay for losses or injuries purportedly caused by the design, manufacture or operation of our products and systems. Additionally, we may be subject to product liability claims for the improper installation of products and systems designed and manufactured by others.

Product liability claims brought against us may be based in tort or in contract, and typically involve claims seeking compensation for personal injury or property damage. If the claimant runs a commercial business, claims are often made also for financial losses arising from interruption of operations. Based on the nature and application of many of the products we manufacture, a defect or alleged defect in one of these products could have serious consequences. For example:

- If the products produced by our power technology divisions are defective, there is a risk of fires, explosions and power surges, and significant damage to electricity generating, transmission and distribution facilities as well as electrical shock causing injury or death.

- If the products produced by our automation technology divisions are defective, our customers could suffer significant damage to facilities and equipment that rely on these products and systems to properly monitor and control their manufacturing processes. Additionally, people could be exposed to electrical shock and/or other harm causing injury or death.

- If any of the products produced by us contain hazardous substances then there is a risk that such products or substances could injure or kill people.

If we were to incur a very large product liability claim, our insurance protection might not be adequate or sufficient to cover such a claim in terms of paying any awards or settlements, and/or paying for our defense costs. Further, some claims may be outside the scope of our insurance coverage. If a litigant were successful against us, a lack or insufficiency of insurance coverage could result in an adverse effect on our business, financial condition, results of operations and liquidity. Additionally, a well-publicized actual or perceived problem could adversely affect our market reputation which could

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result in a decline in demand for our products. Furthermore, if we were required or we otherwise determined to make a product recall, the costs could be significant.

We may encounter difficulty in managing our business due to the global nature of our operations.

We operate in approximately 100 countries around the world and, as of December 31, 2013, employed approximately 150,000 people. As of December 31, 2013, approximately 44 percent of our employees were located in Europe, approximately 23 percent in the Americas, approximately 27 percent in Asia and approximately 6 percent in the Middle East and Africa. In order to manage our day-to-day operations, we must overcome cultural and language barriers and assimilate different business practices. In addition, we are required to create compensation programs, employment policies and other administrative programs that comply with the laws of multiple countries. We also must communicate and monitor group-wide standards and directives across our global network. Our failure to manage successfully our geographically diverse operations could impair our ability to react quickly to changing business and market conditions and to enforce compliance with group-wide standards and procedures.

If we are unable to obtain performance and other guarantees from financial institutions, we may be prevented from bidding on, or obtaining, some contracts, or our costs with respect to such contracts could be higher.

In the normal course of our business and in accordance with industry practice, we provide a number of guarantees including bid-bonds, advance payment guarantees and performance guarantees, which guarantee our own performance. These guarantees may include guarantees that a project will be completed or that a project or particular equipment will achieve defined performance criteria. If we fail to attain the defined criteria, we must make payments in cash or in kind. Performance guarantees frequently are requested in relation to large projects in our core power and automation businesses.

Some customers require that performance guarantees be issued by a financial institution. In considering whether to issue a guarantee on our behalf, financial institutions consider our credit ratings. In addition, the global financial crisis has made it more difficult and expensive to obtain these guarantees. If, in the future, we cannot obtain such a guarantee from a financial institution on commercially reasonable terms or at all, we could be prevented from bidding on, or obtaining, some contracts, or our costs with respect to such contracts could be higher, which would reduce the profitability of the contracts. If we cannot obtain guarantees on commercially reasonable terms or at all from financial institutions in the future, there could be a material impact on our business, financial condition, results of operations or liquidity.

Examinations by tax authorities and changes in tax regulations could result in lower earnings and cash flows.

We operate in approximately 100 countries and therefore are subject to different tax regulations. Changes in tax law could result in higher tax expense and payments. Furthermore, this could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. In addition, the uncertainty of tax environment in some regions could limit our ability to enforce our rights. As a globally operating organization, we conduct business in countries subject to complex tax rules, which may be interpreted in different ways. Future interpretations or developments of tax regimes may affect our tax liability, return on investments and business operations. We are regularly examined by tax authorities in various jurisdictions.

If we are unable to attract and retain qualified management and personnel then our business may be adversely affected.

Our success depends in part on our continued ability to hire, assimilate and retain highly qualified personnel, particularly our senior management team and key employees. Competition for highly

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qualified management and technical personnel remains intense in the industries and regions in which we operate. If we are unable to attract and retain members of our senior management team and key employees this could have an adverse effect on our business.

Anticipated benefits of existing and potential future mergers, acquisitions, joint ventures or strategic alliances may not be realized.

As part of our overall strategy, we may, from time to time, acquire businesses or interests in businesses, including noncontrolling interests, or form joint ventures or create strategic alliances. Whether we realize the anticipated benefits from these transactions depends, in part, upon the integration between the businesses involved, the performance and development of the underlying products, capabilities or technologies, our correct assessment of assumed liabilities and the management of the operations in question. Accordingly, our financial results could be adversely affected by unanticipated performance and liability issues, transaction-related charges, amortization related to intangibles, charges for impairment of long-term assets and partner performance. Although we believe that we have established appropriate and adequate procedures and processes to identify and mitigate these risks, there is no assurance that these transactions will be successful.

We could be affected by future laws or regulations enacted to address climate change concerns as well as the physical effects of climate change.

Although we do not believe existing or pending laws and regulations intended to address climate change concerns will materially adversely affect our current business or operations, such laws and regulations could materially affect us in the future. We may need to incur additional costs to comply with these laws and regulations. We could also be affected indirectly by increased prices for goods or services provided to us by companies that are directly affected by these laws and regulations and pass their increased costs through to their customers. At this time, we cannot estimate what impact such costs may have on our business, results of operations or financial condition. We could also be affected by the physical consequences of climate change itself, although we cannot estimate what impact those consequences might have on our business or operations.

Increased information technology (IT) security threats and more sophisticated cyber-attacks could pose a risk to our systems, networks, products, solutions and services.

We have observed a global increase in IT security threats and more sophisticated cyber-attacks, both in general and against us, which pose a risk to the security of systems and networks and the confidentiality, availability and integrity of data stored and transmitted on those systems and networks. While we attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems such as firewalls and virus scanners, our systems, networks, products, solutions and services remain potentially vulnerable to attacks. Depending on their nature and scope, such attacks could potentially lead to the compromising of confidential information, improper use of our systems and networks, or those we supplied to our customers, manipulation and destruction of data, defective products, production downtimes and supply shortages, which in turn could adversely affect our reputation, competitiveness and results of operations.

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Item 4. Information on the Company

INTRODUCTION

About ABB

We are a global leader in power and automation technologies. We are committed to improving the performance and lowering the environmental impact for our industry and utility customers. We provide a broad range of products, systems, solutions and services that are designed to boost industrial productivity, increase power grid reliability, and enhance energy efficiency. Our automation businesses serve a full range of industries with process optimization, control, measurement and protection applications. Our power businesses focus on power transmission, distribution and power-plant automation, and support electric, gas and water utilities, as well as industrial and commercial customers.

History of the ABB Group

The ABB Group was formed in 1988 through a merger between Asea AB and BBC Brown Boveri AG. Initially founded in 1883, Asea AB was a major participant in the introduction of electricity into Swedish homes and businesses and in the development of Sweden's railway network. In the 1940s and 1950s, Asea AB expanded into the power, mining and steel industries. Brown Boveri and Cie. (later renamed BBC Brown Boveri AG) was formed in Switzerland in 1891 and initially specialized in power generation and turbines. In the early to mid-1900s, it expanded its operations throughout Europe and broadened its business operations to include a wide range of electrical engineering activities.

In January 1988, Asea AB and BBC Brown Boveri AG each contributed almost all of their businesses to the newly formed ABB Asea Brown Boveri Ltd, of which they each owned 50 percent. In 1996, Asea AB was renamed ABB AB and BBC Brown Boveri AG was renamed ABB AG. In February 1999, the ABB Group announced a group reconfiguration designed to establish a single parent holding company and a single class of shares. ABB Ltd was incorporated on March 5, 1999, under the laws of Switzerland. In June 1999, ABB Ltd became the holding company for the entire ABB Group. This was accomplished by having ABB Ltd issue shares to the shareholders of ABB AG and ABB AB, the two companies that formerly owned the ABB Group. The ABB Ltd shares were exchanged for the shares of those two companies, which, as a result of the share exchange and certain related transactions, became wholly-owned subsidiaries of ABB Ltd. ABB Ltd shares are currently listed on the SIX Swiss Exchange, the NASDAQ OMX Stockholm Exchange and the New York Stock Exchange (in the form of American Depositary Shares).

Organizational structure

Our business is international in scope and we generate revenues in numerous currencies. We operate in approximately 100 countries across four regions: Europe, the Americas, Asia, and the Middle East and Africa (MEA). We are headquartered in Zurich, Switzerland.

We manage our business based on a divisional structure, with five divisions: Discrete Automation and Motion, Low Voltage Products, Process Automation, Power Products, and Power Systems. For a breakdown of our consolidated revenues (i) by operating division and (ii) derived from each geographic region in which we operate, see "Item 5. Operating and Financial Review and Prospects Analysis of Results of Operations Revenues."

Our principal corporate offices are located at Affolternstrasse 44, CH-8050 Zurich, Switzerland, telephone number +41-43-317-7111. Our agent for U.S. federal securities law purposes is ABB Holdings Inc., located at 12040 Regency Parkway, Suite 200, Cary, North Carolina 27518.

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BUSINESS DIVISIONS

Industry background

Our five divisions operate across two key markets: automation and power. Our divisions serve these markets through a global production, engineering and service base. The markets and our divisions are discussed in more detail below. Revenue figures presented in this Business Divisions section are before interdivisional eliminations.

Automation Market

We serve the automation market with a wide variety of products, systems and services designed primarily to improve industrial productivity, energy efficiency and product quality in industrial and manufacturing applications. These also reflect the main demand drivers in the automation market, such as the need by our customers to reduce energy and raw material costs, improve product and process quality, increase process and manufacturing safety, lower their environmental impacts and improve the management of large assets such as manufacturing plants. The automation market can be divided into three sectors:

Process automation refers to measurement, control, electrification and other applications used in processes where the main objective is continuous production, such as in the oil and gas, power, chemicals, mining, metals, and pulp and paper industries. Product lines for this market include distributed control systems, plant electrification, instrumentation, analytical measurement, control products and motors and drives.

Factory automation refers to discrete operations that manufacture individual items in applications such as material handling, picking and packing, metal fabrication, welding, painting and foundry. Typical industries where factory automation is used include automotive, consumer electronics and food and beverage. Product lines for this market include robotic products, systems and services, modular manufacturing solutions, control products and systems, as well as motors, drives and low-voltage products for control and power applications.

Building automation comprises product lines and applications aimed at improving the energy efficiency of buildings through automated control of indoor climate, lighting and security. Product lines for this market include a wide range of low-voltage products.

Power Market

We serve the power market with products, systems and services designed primarily to deliver electricity. Electricity is generated in power stations of various types, including thermal, wind, solar and hydro plants and is then fed into an electricity grid through which it is transmitted and distributed to consumers. Transmission systems link power generation sources to distribution systems, often over long distances. Distribution systems then branch out over shorter distances to carry electricity to end users. These electricity networks incorporate sophisticated devices to transmit electricity, control and monitor the power flow and ensure efficiency, reliability, quality and safety.

The primary demand driver in the power market is the growing need for reliable electricity supplies to support economic growth and address the global environmental challenge. This is also driving increased demand for renewable energy and high-efficiency power systems and equipment. As new power sources and loads are added, there is a need for grids and power networks to become more flexible, reliable and smarter. Power quality, stability and security of supply become key priorities. Additional drivers vary by region. Capacity addition across the power value chain is the key market driver in emerging markets, mainly in Asia, the Middle East, South America and Africa. In North America, the focus is on upgrading and replacing aging infrastructure, improving grid reliability and enabling smarter power networks. In Europe, the focus is on upgrading the power infrastructure,

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integrating renewable energy sources such as wind power, and building interconnections to allow more efficient use of power.

Discrete Automation and Motion Division

Overview

The Discrete Automation and Motion division offers a wide range of products and services including drives, motors, generators, power electronics systems, rectifiers, power quality and power protection products, mechanical power transmission of rotating equipment, traction converters, solar inverters, wind turbine converters, electric vehicle charging infrastructure, programmable logic controllers (PLCs), and industrial robots. These products help customers to improve productivity, quality, and energy efficiency, and generate energy. Key applications include energy conversion, data processing, actuation, automation, standardized manufacturing cells for applications such as machine tending, welding, cutting, painting, finishing, picking, packing and palletizing, and engineered systems for the automotive industry. The majority of these applications are for industrial applications including discrete manufacturing, process automation and hybrid or batch manufacturing, with others provided for infrastructure and buildings, transportation, and utilities. The division also provides a full range of life-cycle services, from product and system maintenance to system design, including energy efficiency appraisals and preventive maintenance services.

Revenues are generated both from direct sales to end users as well as from indirect sales through distributors, machine builders and OEMs (original equipment manufacturers), system integrators, and panel builders.

The Discrete Automation and Motion division had approximately 30,200 employees as of December 31, 2013, and generated $9.9 billion of revenues in 2013.

Products and Services

The Discrete Automation and Motion division provides low-voltage and medium-voltage drive products and systems for industrial, commercial and residential applications. Drives provide speed, motion and torque control for equipment such as fans, pumps, compressors, conveyors, kilns, centrifuges, mixers, hoists, cranes, extruders, printing machinery and textile machines. The drives are used in the building automation, marine, power, transportation and manufacturing industries, among others.

The division also produces a range of power conversion products. These include static excitation and synchronizing systems that provide stability for power stations, uninterruptible power supply modular systems, as well as high power rectifiers that convert alternating current (AC) power to direct current (DC) power for very high-amperage applications such as furnaces in aluminum smelters. The division also manufactures solar inverters, wind turbine converters and converters for power protection, grid interconnections, and energy storage and grid stabilization. Rail traction converters and a range of solutions for the charging of electric vehicles are also part of the division's portfolio.

Discrete Automation and Motion supplies a comprehensive range of electrical motors and generators, including high-efficiency motors that conform to leading environmental and Minimum Energy Performance Standards (MEPS). Efficiency is an important selection criterion for customers, because electric motors account for nearly two-thirds of the electricity consumed by industrial plants. The Discrete Automation and Motion division manufactures synchronous motors for the most demanding applications and a full range of low- and high-voltage induction motors, for both IEC (International Electrotechnical Commission) and NEMA (National Electrical Manufacturers Association) standards.

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The Discrete Automation and Motion division offers robots, controllers and software systems and services for the automotive manufacturers and their sub-suppliers as well as for general manufacturing industries, to improve product quality, productivity and consistency in manufacturing processes. Robots are also used in activities or environments which may be hazardous to employee health and safety, such as repetitive lifting, dusty, hot or cold rooms, or painting booths. In the automotive industry, the robot products and systems are used in such areas as press shop, body shop, paint shop, power train assembly, trim and final assembly. General industry segments in which robotics solutions are used range from metal fabrication, foundry, plastics, food and beverage, chemicals and pharmaceuticals to consumer electronics, solar and wood. Typical general industry applications include welding, material handling, painting, picking, packing and palletizing.

The division also offers services that complement its products, including design and project management, engineering, installation, training and life-cycle care, energy efficiency appraisals and preventive maintenance.

Customers

The Discrete Automation and Motion division serves a wide range of customers. Customers include machinery manufacturers, process industries such as pulp and paper, oil and gas, and metals and mining companies, hybrid and batch manufacturers such as food and beverage companies, rail equipment manufacturers, discrete manufacturing companies, utilities and renewable energy suppliers, particularly in the wind and solar sectors, as well as customers in the automotive industry.

Sales and Marketing

Sales are made both through direct sales forces as well as through third-party channel partners, such as distributors, wholesalers, installers, machine builders and OEMs, system integrators, and panel builders. The proportion of direct sales compared to channel partner sales varies among the different industries, product technologies and geographic markets.

Competition

The Discrete Automation and Motion division's principal competitors vary by product line but include Alstom, Fanuc Robotics, Kuka Robot Group, Rockwell Automation, Schneider, Siemens, Yaskawa, SMA and WEG Industries.

Capital Expenditures

The Discrete Automation and Motion division's capital expenditures for property, plant and equipment totaled $214 million in 2013, compared to $197 million and $202 million in 2012 and in 2011, respectively. Principal investments in 2013 were primarily related to equipment replacement and upgrades. Geographically, in 2013, the Americas represented 51 percent of the capital expenditures, followed by Europe (34 percent), Asia (13 percent) and MEA (2 percent).

Low Voltage Products Division

Overview

The Low Voltage Products division helps customers to improve productivity, save energy and increase safety. The division offers a wide range of products and systems, with related services, that provide protection, control and measurement for electrical installations, enclosures, switchboards, electronics and electromechanical devices for industrial machines and plants. The main applications are in industry, building, infrastructure, rail and sustainable transportation, renewable energies and e-mobility applications.

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The Low Voltage Products division had approximately 31,700 employees as of December 31, 2013, and generated $7.7 billion of revenues in 2013.

A majority of the division's revenues comes from sales through distributors, wholesalers, OEMs, system integrators, and panel builders, although a portion of the division's revenues comes from direct sales to end users and utilities.

Products and Services

The Low Voltage Products division offering covers a wide range of products and services including low-voltage switchgears, breakers, switches, control products, DIN-rail components, automation and distribution enclosures, wiring accessories and installation material for any kind of application.

The division offers solutions for restoring service rapidly in case of a fault and providing optimum protection of the electrical installation and people using such installation. The product offering ranges from miniature circuit breakers to high-capacity molded-case and air circuit breakers, and includes safety switches used for power distribution in factories and buildings, fuse gear systems for short circuit and overload protection as well as cabling and connection components.

The Low Voltage Products division also offers terminal blocks and printed circuit board connectors used by panel builders and OEMs to produce standard distribution and control panels as well as specialized applications in industries such as traction, energy, maritime, explosive atmospheres and electronics. In addition, the division offers a range of contactors, soft starters, starters, proximity sensors, safety products for industrial protection, limit switches and manual motor starters, along with electronic relays and overload relays.

The division provides smart home and intelligent building control systems, also known as KNX protocol, a complete system for all energy-reducing building application areas such as lighting and shutters, heating, ventilation, cooling and security. In addition, the division's IEC and NEMA compliant switchgear technology integrates intelligent motor and feeder control solutions to enhance protection, digital control, condition monitoring and plant-wide data access by process control systems, electrical control systems and other plant computers.

The Low Voltage Products division has also developed a range of products for new markets, such as those used by electric vehicles (e-mobility) and in photovoltaic, solar and wind applications. These include circuit breakers, energy meters, switch-disconnectors, residual current-operated circuit breakers, interface relays and other products designed for outdoor installation.

The division also supplies a wide range of electrical components including conduits, boxes, covers, fittings, connectors, fasteners, wiring ducts, terminals, cable trays, struts, grounding, insulation, switchgear, metal framing, earthing & lightning protection and industrial lighting products for various types of application.

Customers

The Low Voltage Products division serves a wide range of customers, including residential and commercial building contractors, process industries, rail equipment manufacturers, manufacturing companies, utilities and renewable energy suppliers, particularly in the wind and solar sectors.

Sales and Marketing

Sales are made both through direct sales forces as well as through third-party channel partners, such as distributors, wholesalers, installers, machine builders and OEMs, system integrators, and panel builders. The proportion of direct sales compared to channel partner sales varies among the different industries, product technologies and geographic markets.

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Competition

The Low Voltage Products division's principal competitors vary by product line but include Eaton Corporation, Legrand, Mitsubishi, Schneider, Siemens, Leviton and Rittal.

Capital Expenditures

The Low Voltage Products division's capital expenditures for property, plant and equipment totaled $204 million in 2013, compared to $208 million and $149 million in 2012 and 2011, respectively. Investments in 2013 related to investments in production capacity and productivity improvements throughout the division's global footprint. Geographically, in 2013, Europe represented 43 percent of the capital expenditures, followed by the Americas (34 percent), Asia (22 percent) and MEA (1 percent).

Process Automation Division

Overview

The Process Automation division provides products, systems, and services for the automation and electrification of industrial processes. Our core industries are pulp and paper, metals, minerals and mining, chemical, oil and gas, and marine. Each industry has unique business drivers, yet share common requirements for operational productivity, safety, energy efficiency, minimal project risk and environment compliance. The division's core competence is the application of automation and electrification technologies to solve these generic requirements, but tailored to the characteristics of each of its core industries. The division is organized around industry and product businesses along with a specialized business focusing on performance-based outsourced maintenance contracts. The division had approximately 25,900 employees as of December 31, 2013, and generated revenues of $8.5 billion in 2013.

The Process Automation division offering is made available as separately sold products or as part of a total automation system. The division's technologies are sold both through direct sales forces and third-party channels.

Products and Services

The Process Automation division offers standalone products, engineered systems and services for process control and measurement, safety, plant electrification, information management, assets management and industry-specific applications for a variety of industries, primarily pulp and paper, metals, minerals and mining, chemical, oil and gas, marine, pharmaceuticals and the power industry. Some of the Discrete Automation and Motion, Power Products and Low Voltage Products divisions' products are integrated into the process control and electrification systems offered by the Process Automation division.

Our automation systems are used in applications such as continuous and batch control, asset optimization, energy management and safety. They are the hubs that link instrumentation, measurement devices and systems for control and supervision of industrial processes and enable customers to integrate their production systems with their enterprise, resource and planning systems, thereby providing a link to their ordering, billing and shipping processes. This link allows customers to manage their entire manufacturing and business process based on real-time access to plant information. Additionally, it allows customers to increase production efficiency, optimize their assets and reduce environmental waste.

A key element of this division's product offering is its System 800xA process automation platform. This product extends the capability of traditional process control systems, introducing advanced functions such as batch management, asset optimization and field device integration which "plug in" to

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a common user environment. The same user interface may also be used to manage components of existing multiple ABB control systems that have been installed in the market over approximately the past 25 years. In this way, System 800xA gives customers a way to migrate to new functions one step at a time, rather than having to make a large-scale capital investment to replace their entire control system. By creating a common user interface that can be used to manage multiple systems, the System 800xA also reduces the research and development investment needed to achieve a "one size fits all" solution across our large installed systems base. The division also offers a full line of instrumentation and analytical products to actuate, measure, record and control industrial and power processes.

The division's product offerings for the pulp and paper industries include quality control systems for pulp and paper mills, control systems, drive systems, on-line sensors, actuators and field instruments. On-line sensors measure product properties, such as weight, thickness, color, brightness, moisture content and additive content. Actuators allow the customer to make automatic adjustments during the production process to improve the quality and consistency of the product. Field instruments measure properties of the process, such as flow rate, chemical content and temperature.

We offer our customers in the metals, cement and mining industries specialized products and services, as well as total production systems. We design, plan, engineer, supply, erect and commission electric equipment, drives, motors and equipment for automation and supervisory control within a variety of areas including mining, mineral handling, aluminum smelting, hot and cold steel applications and cement production.

In the oil and gas sector, we provide solutions for onshore and offshore production and exploration, refining, and petrochemical processes, and oil and gas transportation and distribution. In the pharmaceuticals and fine chemicals areas, we offer applications to support manufacturing, packaging, quality control and compliance with regulatory agencies.

In the marine industry, we provide global shipbuilders with power and automation technologies for luxury cruise liners, ferries, tankers, offshore oil rigs and special purpose vessels. We design, engineer, build, supply and commission electrical and automation systems for marine power generation, power distribution and diesel electric propulsion, as well as turbochargers to improve efficiency for diesel and gasoline engines.

We also offer a complete range of lifecycle services across all of our customer segments to help customers optimize their assets. Demand for our process automation services is increasing as our customers seek to increase productivity by improving the performance of existing equipment.

Customers

The Process Automation division's end customers are primarily companies in the oil and gas, minerals and mining, metals, pulp and paper, chemicals and pharmaceuticals, and the marine industries. Customers for this division are looking for complete automation and electrification solutions which demonstrate value mainly in the areas of lower capital costs, increased plant availability, lower lifecycle costs and reduced project costs.

Sales and Marketing

The Process Automation division uses a direct sales force as well as third-party channel partners, such as distributors, system integrators and OEMs. For the division as a whole, the majority of revenues are derived through the division's own direct sales channels.

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Competition

The Process Automation division's principal competitors vary by industry or product line. Competitors include Emerson, Honeywell, Invensys, Metso Automation, Rockwell Automation, Schneider, Siemens, Voith, and Yokogawa Electric Corporation.

Capital Expenditures

The Process Automation division's capital expenditures for property, plant and equipment totaled $68 million in 2013, compared to $91 million and $72 million in 2012 and 2011, respectively. Principal investments in 2013 were in factory equipment, and training and service facilities. Geographically, in 2013, Europe represented 65 percent of the capital expenditures, followed by Asia (20 percent), the Americas (12 percent) and MEA (3 percent).

Power Products Division

Overview

Our Power Products division primarily serves electric, gas and water utilities as well as industrial and commercial customers, with a vast portfolio of products and services across a wide voltage range to facilitate power generation, transmission and distribution. Direct sales account for a significant part of the division's total revenues, and external channel partners, such as wholesalers, distributors and OEMs, account for the rest. Key technologies include high- and medium-voltage switchgear, circuit breakers for a range of current ratings and voltage levels, power, distribution, traction and other special transformers, as well as products to help control and protect electrical networks. The division had approximately 35,600 employees as of December 31, 2013, and generated $11.0 billion of revenues in 2013.

Products and Services

Our Power Products division manufactures products that can be placed in three broad categories: high-voltage products, medium-voltage products and transformers. The division sells primarily to utilities and also through channels such as distributors, wholesalers, installers and OEMs. Some of the division's products are also integrated into the turnkey offerings of systems divisions such as Power Systems and Process Automation or sold through engineering, procurement and construction (EPC) firms.

The high-voltage products business supplies high-voltage equipment, ranging from 50 to 1,200 kilovolts, mainly to power transmission utilities and also serves industrial customers. This equipment primarily enables the transmission grid to operate more reliably and efficiently with minimum environmental impact. As part of its portfolio, this business designs and manufactures a range of air-, gas-insulated and hybrid switchgear, generator circuit breakers, capacitors, high-voltage circuit breakers, surge arresters, instrument transformers, cable accessories and a variety of high-voltage components. This is supported by a range of service solutions to support the products throughout their life cycle.

The medium-voltage business offers products and services that largely serve the power distribution sector, often serving as the link between high-voltage transmission systems and lower voltage users. Medium-voltage products help utility and industrial customers to improve power quality and control, reduce outage time and enhance operational reliability and efficiency. This business reaches customers directly and through channels such as distributors and OEMs. Its comprehensive offering includes medium-voltage equipment (1 to 50 kilovolts), indoor and outdoor circuit breakers, reclosers, fuses, contactors, relays, instrument transformers, sensors, motor control centers, ring main units for primary and secondary distribution, as well as a range of air- and gas-insulated switchgear. It also produces

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indoor and outdoor modular systems and other solutions to facilitate efficient and reliable power distribution.

The transformers business of the division designs and manufactures power transformers (72.5 to 1,200 kilovolts) for utility and industrial customers that help to step up or step down voltage levels and include special applications such as high voltage direct current (HVDC) transformers or phase shifters. This business also supplies transformer components and insulation material, such as bushings and tap changers. It also manufactures a wide range of distribution transformers (up to 72.5 kilovolts) for use in the power distribution sector, industrial facilities and commercial buildings. These transformers are designed to step down electrical voltage bringing it to consumption levels. They can be oil- or dry-type and, although oil-type transformers are more commonly used, demand for dry-type transformers is growing because they minimize fire hazards and are well-suited for applications such as office buildings, windmills, offshore drilling platforms, marine vessels and large industrial plants. Another part of the offering includes traction transformers for use in electric locomotives, special application transformers, as well as a wide range of service and retrofit solutions for utilities and industry customers.

Customers

The Power Products division serves electric utilities, owners and operators of power generating plants and power transmission and distribution networks. It also serves industries across the spectrum. Customers include electric, gas, water and other utilities, as well as industrial and commercial customers.

Sales and Marketing

The Power Products division sells its products individually and as part of wider solutions through our systems divisions. Direct sales account for a significant part of the division's business and the rest are sold through external channel partners, such as wholesalers, distributors, system integrators, EPCs and OEMs. As the Power Products and Power Systems divisions share many of the same customers and technologies and are influenced by similar market drivers, they also have a common front-end sales organization to maximize market synergies and coverage across countries, regions, and sectors for the entire power portfolio.

Competition

On a global basis, the main competitors for the Power Products division are Siemens, Alstom and Schneider Electric. The division also faces global competition in some product categories from competitors in emerging markets. It also competes in specific geographies with companies such as Eaton Corporation, Hyundai, Hyosung, Crompton Greaves, Larsen & Toubro and Bharat Heavy Electricals.

Capital Expenditure

The Power Products division's capital expenditures for property, plant and equipment totaled $252 million in 2013, compared to $259 million and $192 million in 2012 and 2011, respectively. Principal investments in 2013 related to upgrades and expansion of existing facilities in Sweden, China, United States, Germany, and India as well as new factories in China, India, Bulgaria and Poland. Geographically, in 2013, Europe represented 54 percent of the division's capital expenditures, followed by Asia (23 percent), the Americas (20 percent), and MEA (3 percent).

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Power Systems Division

Overview

Our Power Systems division serves utilities, as well as industrial and commercial customers with system solutions and services for the generation, transmission and distribution of electricity. Turnkey solutions include power plant electrification and automation, bulk power transmission, substations and network management. The division had approximately 20,300 employees as of December 31, 2013, and generated $8.4 billion of revenues in 2013.

Products and Services

Our Power Systems division delivers solutions through four businesses: Power Generation, Grid Systems, Substations and Network Management. The scope of work in a typical turnkey contract includes design, system engineering, supply, installation, commissioning and testing of the system. As part of the business model, the Power Systems division integrates products from both the Power Products division and external suppliers, adding value through design, engineering and project management to deliver turnkey solutions.

Our Power Generation business is a leading provider of integrated power and automation solutions for all types of power generation plants, including coal, gas, combined-cycle, nuclear, waste-to-energy and a range of renewables including hydro, solar, wind and biomass. With an extensive offering that includes electrical balance of plant and instrumentation and control systems, ABB technologies help optimize performance, improve reliability, enhance efficiency and minimize environmental impact throughout the plant life cycle. The business also serves the water industry, including applications such as pumping stations and desalination plants.

As part of the Grid Systems business, ABB provides a comprehensive offering of AC and DC transmission systems, which help customers to reduce transmission losses, maximize efficiency and improve grid reliability. ABB pioneered HVDC technology nearly 60 years ago. HVDC technology is designed to reliably and efficiently transmit electrical power over long distances via overhead lines and underground or submarine cables with minimum losses. HVDC is also widely used for grid interconnections. HVDC Light®, a more compact form of ABB's classic HVDC technology, is ideal for linking offshore installations, such as wind farms or oil and gas platforms, to mainland grids and for interconnections, often via subsea links. It is used to transmit electricity. The environmental benefits of HVDC Light®, include neutral electromagnetic fields, oil-free cables and compact converter stations.

ABB also offers a comprehensive range of land and submarine cables through its Grid Systems business, as well as accessories and services for a range of applications from medium- to high-voltage AC and DC systems. The portfolio includes high-performance XLPE (cross-linked polyethylene) insulated cables for high efficiency transmission systems at voltages up to 320 kilovolts. When it comes to transmission grid solutions, ABB manufactures its own power semiconductors, which is a key enabler for HVDC, flexible alternating current transmission systems (FACTS) and other technologies, serving a range of sectors including transportation and wind.

Substations are key installations in the power grid that facilitate the efficient transmission and distribution of electricity with minimal environmental impact. They perform the vital function of monitoring and controlling power flows, feeding power from generating stations into the grid and providing the link between transmission and distribution networks as well as end consumers. ABB has successfully delivered air- and gas-insulated substations in all kinds of environments, from deserts and mountains to offshore rigs and crowded city centers. ABB's substation automation offering is compliant with IEC 61850, the open communication standard, which provides a common framework for substation control and protection and facilitates interoperability across devices and systems. ABB's substation offering covers a range of voltage levels up to 1,100 kilovolts, serving utility, industry and commercial customers as well as sectors such as railways, urban transportation and renewables.

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FACTS technologies are also part of the Substations business offering. FACTS solutions help improve power quality and can significantly increase the capacity of existing AC transmission systems by as much as 50 percent while maintaining and improving system reliability. FACTS technologies also boost transmission efficiency, relieve bottlenecks and can be used for the safe integration of intermittent power sources, such as wind and solar, into the grid. By enhancing the capacity of existing transmission infrastructure, FACTS solutions can alleviate the need for capital investment, reducing the time, cost and environmental impact associated with the construction of new generating facilities and transmission lines. By improving efficiency, FACTS technologies help to deliver more power to consumers, reducing the need for more electricity generation, and improving power supply and quality. ABB is a global leader in the growing field of FACTS, and has delivered more than 800 such installations across the world.

ABB's Network Management business offers solutions to help manage power networks. The offering covers network management and utility communications solutions to monitor, control, operate and protect power systems. These solutions are designed to ensure the reliability of electricity supplies and enable real-time management of power plants, transmission grids, distribution networks and energy trading markets. The portfolio includes control and protection systems for power generation, transmission and distribution, supervisory control and data acquisition (SCADA) systems, as well as software solutions for central electricity markets and mixed utilities (electricity, district heating, gas and water). The portfolio also covers wireless and fixed communication systems for power, water and gas utilities. It includes fiber optics, microwave radio and power line applications for data networking and broadband network management, as well as teleprotection and substation communication networks and voice switching management systems.

Network management systems are key smart-grid enablers by providing automated power systems to incorporate and manage centralized and distributed power generation, intermittent sources of renewable energy, real-time pricing and load-management data. The Ventyx and Mincom acquisitions have made ABB a global leader in enterprise software and services for essential industries such as energy, mining, public infrastructure and transportation. These solutions bridge the gap between information technologies (IT) and operational technologies (OT), enabling clients to make faster, better-informed decisions in both daily operations and long-term planning strategies. Some of the world's largest private and public enterprises rely on Ventyx solutions to minimize risk, enhance operational and financial performance, and execute the right strategies for the future.

In addition, the Power Systems division offers a range of services aimed at optimizing operations and reducing maintenance requirements of customers, across the value chain. These services range from support agreements and retrofits to spare parts, service and training. The division also undertakes consulting activities such as energy efficiency studies for power plants and grids, analyses and design of new transmission and distribution systems as well as asset optimization based on technical, economic and environmental considerations.

Customers

The Power Systems division's principal customers include power generation utilities and companies, transmission and distribution utilities, owners and operators as well as industrial and commercial customers. Other customers include gas and water utilities including multi-utilities, which are involved in the transmission or distribution of more than one commodity.

Sales and Marketing

The Power Systems division promotes its offering primarily through a direct sales force of specialized sales engineering teams. Some sales are also handled through third-party channels, such as EPC firms, OEMs and system integrators. As the Power Products and Power Systems divisions share

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many of the same customers and technologies and are influenced by similar market drivers, they also have a common front-end sales organization that helps maximize market synergies across countries and regions.

Competition

On a global basis, the Power Systems division faces competition mainly from Siemens and Alstom. Emerson, General Electric, Prysmian and Nexans are additional competitors in parts of the business. The division also sees emerging competitors in specific regions.

Capital Expenditure

The Power Systems division's capital expenditures for property, plant and equipment totaled $101 million in 2013, compared to $194 million and $136 million in 2012 and 2011, respectively. Principal investments in 2013 were related to capacity expansion as well as the replacement of existing equipment, particularly in Sweden and in Switzerland. Geographically, in 2013, Europe represented 77 percent of the capital expenditures, followed by the Americas (14 percent), Asia (7 percent) and MEA (2 percent).

Corporate and Other

Corporate and Other includes headquarters, central research and development, our real estate activities, Group treasury operations and other minor business activities.

Corporate headquarters and stewardship activities include the operations of our corporate headquarters in Zurich, Switzerland, as well as corresponding subsidiary operations in various countries. These activities cover staff functions with group-wide responsibilities, such as accounting and financial reporting, corporate finance and taxes, planning and controlling, internal audit, legal affairs and compliance, risk management and insurance, corporate communications, information systems, investor relations and human resources.

Corporate research and development primarily covers our research activities, as our development activities are organized under the five business divisions. We have two global research laboratories, one focused on power technologies and the other focused on automation technologies, which both work on technologies relevant to the future of our five business divisions. Each laboratory works on new and emerging technologies and collaborates with universities and other external partners to support our divisions in advancing relevant technologies and in developing cross-divisional technology platforms. We have corporate research operations in eight countries (United States, Sweden, Switzerland, Poland, China, Germany, Norway and India).

Corporate and Other had approximately 4,000 employees at December 31, 2013.

CAPITAL EXPENDITURES

Total capital expenditures for property, plant and equipment and intangible assets (excluding intangibles acquired through business combinations) amounted to $1,106 million, $1,293 million and $1,021 million in 2013, 2012 and 2011, respectively. In 2013 capital expenditures were 16 percent lower than depreciation and amortization, while in 2012 and 2011, capital expenditures exceeded total depreciation and amortization expenses for the respective year. This change is due partly to a reduction in capital expenditures but also to an increase in amortization expense from intangible assets acquired in business combinations.

Capital expenditures in 2013 remained at a significant level in mature markets, reflecting the geographic distribution of our existing production facilities. Capital expenditures in Europe and North America in 2013 were driven primarily by upgrades and maintenance of existing production facilities,

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mainly in the United States, Sweden, Switzerland and Germany, as well as new facilities in Sweden and the United States. Capital expenditures in emerging markets were reduced in 2013 compared to 2012, with expenditures, mainly for new facilities, being highest in China, Poland, Brazil and Bulgaria. Capital expenditures in emerging markets were made to increase production capacity by investment in new or expanded facilities. The share of emerging markets capital expenditures as a percentage of total capital expenditures in 2013, 2012 and 2011 was 33 percent, 31 percent and 34 percent, respectively.

At December 31, 2013 and 2012, construction in progress for property, plant and equipment was $645 million and $627 million, respectively, mainly in Sweden, the United States, Switzerland, Germany and Brazil, while at December 31, 2011, it was $548 million, mainly in Sweden, Switzerland, the United States, Brazil and China.

Our capital expenditures relate primarily to property, plant and equipment. For 2014, we plan to increase our capital expenditures and estimate the expenditures for property, plant and equipment will be higher than our annual depreciation charge. We anticipate investments will be higher in the Americas and Asia but will decrease in Europe.

SUPPLIES AND RAW MATERIALS

We purchase a variety of raw materials and products which contain raw materials for use in our production and project execution processes. The primary materials used in our products, by weight, are copper, aluminum, carbon steel, mineral oil and various plastics. We also purchase a wide variety of fabricated products and electronic components. We operate a worldwide supply chain management network with employees dedicated to this function in our businesses and key countries. Our supply chain management network consists of a number of teams, each focusing on different product categories. These category teams, on global, divisional and/or regional level, take advantage of opportunities to leverage the scale of ABB and to optimize the efficiency of our supply networks, in a sustainable manner.

Our supply chain management organization's activities have continued to expand in recent years, to:

- pool and leverage procurement of materials and services,
- provide transparency of ABB's global spending through a comprehensive performance and reporting system linked to all of our enterprise resource planning (ERP) systems,
- strengthen ABB's supply chain network by implementing an effective product category management structure and extensive competency-based training, and
- monitor and develop our supply base to ensure sustainability, both in terms of materials and processes used.

We buy many categories of products which contain steel, copper, aluminum, crude oil and other commodities. Continuing global economic growth in many emerging economies, coupled with the volatility in foreign currency exchange rates, has led to significant fluctuations in these raw material costs over the last few years. While we expect global commodity prices to remain highly volatile, some market volatility will be offset through the use of long-term contracts and global sourcing.

We seek to mitigate the majority of our exposure to commodity price risk by entering into hedges. For example, we manage copper and aluminum price risk using principally swap contracts based on prices for these commodities quoted on leading exchanges. ABB's hedging policy is designed to safeguard margins by minimizing price volatility and providing a stable cost base during order execution. In addition to using hedging to reduce our exposure to fluctuations in raw materials prices, in some cases we can reduce this risk by incorporating changes in raw materials prices into the prices of our products (through price escalation clauses).

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Overall, during 2013 supply chain management personnel in our businesses, and in the countries in which we operate, along with the global category teams, continued to focus on value chain optimization efforts in all areas, while maintaining and improving quality and delivery performance.

In August 2012, the United States Securities and Exchange Commission (SEC) issued its final rules regarding "Conflict Minerals", as required by section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. We have initiated processes, including working with our suppliers, to enable us to comply with these rules, and to assist our customers regarding their disclosure obligations, as required by these "Conflict Minerals" rules. Further information on ABB's Conflict Minerals policy and supplier requirements can be found under "Material Compliance" at www.abb.com/about/supplying

PATENTS AND TRADEMARKS

As a technology-driven company, we believe that intellectual property rights are crucial to protect the assets of our business. Over the past ten years, we have substantially increased the number of first patent filings, and we intend to continue our aggressive approach to seeking patent protection. Currently, we have more than 24,000 patent applications and registrations, of which about 8,000 are pending. In addition to these patents, we have about 3,000 utility model and design applications and registrations, of which approximately 500 are pending. In 2013, we filed about 1,000 patent, utility model and design applications for approximately 1,500 new inventions. Based on our existing intellectual property strategy, we believe that we have adequate control over our core technologies. The "ABB" trademarks and logo are protected in all of the countries in which we operate. We aggressively defend our intellectual property rights to safeguard the reputation associated with the ABB technology and brand. While these intellectual property rights are fundamental to all of our businesses, there is no dependency of the business on any single patent, utility model or design application.

SUSTAINABILITY ACTIVITIES

Sustainability management is one of our highest business priorities. We seek to address sustainability issues in all our business operations in order to improve our social, safety and environmental performance continuously, and to enhance the quality of life in the communities and countries where we operate.

Our social and environmental efforts include:

- regularly implementing sustainability objectives covering all relevant parts of our operations,
- joining initiatives that foster economic, environmental, social and educational development, and strengthen observance of human rights in business practice,
- making positive contributions in the communities where we operate so they welcome us and consider ABB a good neighbor, an attractive employer and a good investment,
- offering our customers eco-efficient products that save energy and are safe to use, that optimize the use of natural resources, minimize waste and reduce environmental impact over their complete life cycles,
- applying non-financial risk assessment to key business decision-making processes, and to projects,
- sharing our latest technologies with emerging markets by, for example, helping customers in developing countries implement environmentally sound processes and technologies and providing environmental awareness and safety training to our business partners,
- ensuring that our operations and processes comply with applicable environmental and health and safety standards and social legislation. Specifically, every operating unit must implement an

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environmental management system that seeks to continuously improve its environmental performance and a health and safety management system that similarly seeks to continuously improve health and safety performance,

ensuring that our social, health and safety and environmental policies are communicated and implemented,

working towards achieving best practices in occupational health and safety, and ensuring the health and safety of our employees, contractors and others involved in or affected by our activities,

ensuring that suppliers have sustainability policies and systems that are comparable with our own, and

continuing our program to decontaminate sites that were polluted by historical manufacturing processes.

To manage environmental aspects of our own operations, we have implemented environmental management systems according to the ISO 14001 standard at our manufacturing and service sites. For non-manufacturing sites we have implemented an adapted environmental management system in order to ensure management of environmental aspects and continual improvement of performance. Almost all of these sites currently work in compliance with the requirements of the standard (more than 550 sites and offices).

We have Environmental Product Declarations to communicate the environmental performance of our core products. These describe the significant environmental aspects and impacts of a product line, viewed over its complete life cycle. Declarations are based on Life Cycle Assessment studies, created according to the international standard ISO/TR 14025. Approximately 80 declarations for major product lines are published on our Web site (*www.abb.com*), some of which have been externally certified by agencies such as DNV (Det Norske Veritas) of Norway and the RINA Management System Certification Society in Italy.

In 2013, a total of 88 percent of our employees were covered by confirmed data gathered through ABB's formal environmental reporting system that is verified by an independent verification body. The operations of companies acquired during 2013 are not yet covered by our environmental reporting. We expect that this reporting will be implemented in 2014. The remaining parts of our business that are not yet covered by our environmental reporting system, mainly sales, have very limited environmental exposure. A total of 20 environmental incidents were reported in 2013, none of which had a material environmental impact.

In 2013, a total of 94 percent of employees were covered by confirmed data gathered through ABB's formal social reporting system that is verified by an independent verification body. The operations of companies acquired during 2013 are not yet covered by our social reporting. We expect that this reporting will be implemented in 2014. The remaining parts of our business that are not yet covered by our social reporting system, mainly sales offices in countries where we do not perform manufacturing, have very limited social exposure.

REGULATION

Our operations are subject to numerous governmental laws and regulations including those governing antitrust and competition, corruption, the environment, securities transactions and disclosures, import and export of products, currency conversions and repatriation, taxation of foreign earnings and earnings of expatriate personnel and use of local employees and suppliers.

As a reporting company under Section 12 of the U.S. Securities Exchange Act of 1934, we are subject to the FCPA's anti-bribery provisions with respect to our conduct around the world.

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Our operations are also subject to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The convention obliges signatories to adopt national legislation that makes it a crime to bribe foreign public officials. Those countries which have adopted implementing legislation and have ratified the convention include the United States and several European nations in which we have significant operations.

We conduct business in certain countries known to experience governmental corruption. While we are committed to conducting business in a legal and ethical manner, our employees or agents have taken, and in the future may take, actions that violate the U.S. FCPA, legislation promulgated pursuant to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, antitrust laws or other laws or regulations. These actions have resulted and could result in monetary or other penalties against us and could damage our reputation and, therefore, our ability to do business. For more information, see "Item 8. Financial Information Legal Proceedings."

The U.S. Iran Threat Reduction and Syria Human Rights Act of 2012 requires U.S. listed companies to disclose information relating to certain transactions with Iran. In December 2012, ABB completed or exited all of its then remaining business in Iran. This concluded a process which started with ABB's decision in November 2007 to wind down its business in that country.

ORGANIZATIONAL STRUCTURE

See "Item 6. Directors, Senior Management and Employees Group structure and shareholders Group structure" for a list of ABB's significant subsidiaries.

DESCRIPTION OF PROPERTY

As of December 31, 2013, we occupy real estate in around 100 countries throughout the world. The facilities consist mainly of manufacturing plants, office buildings, research centers and warehouses. A substantial portion of our production and development facilities are situated in the United States, China, Sweden, Italy, Germany, Finland, Switzerland, India, Canada, and Poland. We also own or lease other properties, including office buildings, warehouses, research and development facilities and sales offices in many countries. We own substantially all of the machinery and equipment used in our manufacturing operations.

From time to time, we have a surplus of space arising from acquisitions, production efficiencies and/or restructuring of operations. Normally, we seek to sell such surplus space which may involve leasing property to third parties for an interim period.

The net book value of our property, plant and equipment at December 31, 2013, was $6,254 million, of which machinery and equipment represented $2,868 million, land and buildings represented $2,741 million and construction in progress represented $645 million. We believe that our current facilities are in good condition and are adequate to meet the requirements of our present and foreseeable future operations.

Item 4A. Unresolved Staff Comments

Not applicable

Item 5. Operating and Financial Review and Prospects

MANAGEMENT OVERVIEW

During 2013, we continued to deliver power and automation solutions that help our customers meet the challenges of a rapidly-changing world. Foremost among these are climate change and the

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need to use electrical energy more efficiently and with less impact on the environment. We addressed the challenges in several ways, as described below.

One is a long-term commitment to technology leadership in areas such as high-efficiency power transmission; automation and control systems to manage complex industrial processes using less energy; and technologies to capture the full potential of renewable energies, such as wind and solar power. In 2013, for example, we launched Emax 2, the first low-voltage circuit breaker with integrated energy management functions. Replacing existing traditional breakers with the Emax 2 breaker has the potential to achieve annual electricity savings equivalent to the consumption of 1.4 million European Union households per year, corresponding to a 4-million-ton reduction in CO_2 emissions. We also entered a five-year joint industry program with the Norwegian oil and gas company, Statoil, to develop transmission, distribution and power-conversion systems for subsea oil and gas installations at depths of up to 3,000 meters. Subsea pumping and gas compression contribute to improved utilization of oil and gas resources through greater recovery rates and reduced production costs. We won an order in April 2013 to provide the world's largest-ever mine hoist system, including a new generation of mine hoist braking technology, for a potash project in Canada by Australia-based mining company BHP Billiton. We also delivered the 262-kilometer East West Interconnector to EirGrid, the Irish transmission system operator. The 500-megawatt transmission connection is the highest capacity link of its kind to go into commercial operation. The interconnector enables cross-border power flows, enhances grid reliability, and allows Ireland to export surplus wind-generated electricity to the United Kingdom. In May 2013, we announced the development of a new technology to power the world's first high-capacity flash charging electric bus system in Geneva, Switzerland. The ultrafast-charging system, with no overhead lines, enables new opportunities for next generation silent, flexible, zero-emission urban mass transportation. ABB was also recognized in February 2013 by the Massachusetts Institute of Technology (MIT) Technology Review for the hybrid HVDC breaker developed in 2012, placing it among the ten most important technology milestones of the past year.

A second way is our development and manufacturing presence in more than 100 countries around the world. This allows us to meet the needs of our customers faster and with solutions that are better suited to their local requirements. It positions us to benefit from the rapid growth expected in the emerging markets in the coming years while also supporting our large and important markets in the world's mature economies. In 2013, we took further actions to adjust our geographic and portfolio balance, such as the acquisition in September 2013 of Turkey-based ELBI Elektrik to improve our position in the Turkish low-voltage products segment and to expand our existing business in Eastern Europe. We also invested $50 million in new high-voltage switchgear and distribution transformer factories in India and established a joint venture in China to design, manufacture and service high-voltage instrument transformers. Furthermore, our geographic scope provides us with access to a large pool of talented and highly qualified people from very diverse cultural and business backgrounds a key competitive advantage. In 2013, we generated approximately 46 percent of our revenues from emerging markets.

A third way is our ability to combine both power and automation technologies into packaged solutions that meet the needs of new growth sectors such as renewable power generation and electrically-powered automobiles as well as traditional markets, such as marine. For example, in 2013 we expanded our position in the global solar inverter market through the acquisition of U.S.-based Power-One Inc. (Power-One), aimed at creating the global leader in the most attractive and "intelligent" part of the photovoltaic (PV) value chain. We also announced plans to begin production of solar inverters in South Africa to support the rapidly growing local PV market, adding to our existing capacities in Estonia, India and China. In addition, we were selected by Fastned to supply chargers to more than 200 electric vehicle fast-charging stations in the Netherlands, bringing an electric vehicle fast charger capable of charging electric vehicles in 15-30 minutes within 50 kilometers of all of the country's 17 million inhabitants. We also launched the world's first nationwide fast-charging

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network for electric vehicles in Estonia, using 165 web-connected DC fast chargers and in 2014, we announced a strategic collaboration with Shenzhen BYD Daimler New Technology to supply high-power DC chargers in China over the next six years for Denza. In the marine industry, we delivered to a Norwegian ship owner our first Onboard DC Grid solution, a highly efficient power distribution, automation and electric propulsion system that reduces fuel consumption and emissions by up to 20 percent and the space needed onboard for electrical equipment by up to 30 percent.

Economic uncertainties continued in 2013 in areas such as sovereign debt levels in Europe and the United States and the pace of economic recovery in various markets. As a result, some of our customers postponed the award of large infrastructure projects, mainly in the utility, mining and metals sectors, which was reflected in lower orders in our power divisions as well as our Process Automation division and, as a result, lower total orders in 2013. However, the broad scope of our business portfolio helped us mitigate some of these developments and we were able to take advantage of areas of growth. For example, our larger exposure to the North American automation market, through the acquisitions of Baldor Electric in 2011 and Thomas & Betts in 2012, allowed us to increase both orders and sales in our Discrete Automation and Motion, and Low Voltage Products divisions. The Process Automation division continued to benefit from investments in the oil and gas sector but experienced some order declines in the mining sector, where our customers have been reducing their capital expenditures in response to low commodity prices and overcapacity. In 2013, we maintained the profitability of our Power Products division despite the continued challenging market environment through successful cost savings and productivity improvements as well as our ability to be more selective in the orders we take, thanks to our broad product and geographic scope. Our Power Systems division experienced weather-related delays in the execution of certain offshore wind projects in December 2013 and some operational issues that affected profitability. Our new management team in the division began to take actions in the fourth quarter to address these issues, largely based on accelerating the repositioning of the division first announced at the end of 2012 to focus on higher-margin products, systems, services and software activities. Our strong positions in fast-growing emerging markets and selected mature markets, our flexible global production base and technological leadership, as well as the operational improvements we continue to make in our businesses, also supported our business in 2013.

Foremost among these improvements was the successful reduction of costs to adapt to changing demand. Savings in 2013 amounted to more than $1 billion and were principally achieved by making better use of global sourcing opportunities and eliminating operational and process inefficiencies.

Strategy 2011-2015

In November 2011, we announced an updated strategy for the period 2011 to 2015, along with financial targets to measure our success in achieving them. The strategy is based on five priorities:

Drive competitiveness in our current markets by developing, producing, sourcing and selling to better match market needs, thereby profitably growing the business while increasing productivity and quality.

Capitalize on megatrends, such as the growing need for resource and energy efficiency, increasing urbanization, electrification, digitization and growth in emerging economies.

Expand our core businesses to secure the next level of growth, for example, growing the service business by tapping opportunities in our installed base and by building the software business for our core power and automation customers.

Execute a disciplined approach to value-creating acquisitions that close key gaps across product, end market and geographic lines.

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Find and exploit disruptive opportunities, such as the application of direct current electricity solutions to improve power efficiency and performance compared to conventional alternating current technologies.

Furthermore, in 2011, we introduced a new target measure of cash return on invested capital (CROI) that we believe provides a more accurate reflection of our operational performance by focusing on cash returns, which are less prone to non-operational accounting adjustments that may be applied to income from operations from time to time. CROI is defined as the total of net cash provided by operating activities and interest paid, as a percentage of capital invested. Capital invested is defined as the total of fixed assets (property, plan and equipment, goodwill, intangibles, and investments in equity-accounted companies) before accumulated depreciation and amortization plus net working capital less deferred tax liabilities recognized in certain acquisitions.

In September 2013, Ulrich Spiesshofer assumed the role of CEO for the ABB Group and affirmed his intention to maintain continuity in the execution of the 2011-15 strategy. At the same time, he highlighted opportunities to improve the performance of the company in the areas of:

profitable growth through a combination of improved penetration of existing markets, innovation in technology and ways of going to market, and expansion into attractive markets through both organic growth and by continuing to fill gaps in the business portfolio through bolt-on acquisitions,

business-led collaboration across our business segments to create more customer value by delivering our combined automation and power portfolio, and

relentless execution to drive sustainable cost savings, cash flow and capital efficiency and to ensure successful integrations of our acquisitions to maximize the return on investment.

In February 2014, we announced that we are entering a new strategic planning phase and will communicate the outcome and new long-term targets to drive earnings per share and CROI at our Capital Markets Day in September 2014.

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 U.S. 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.

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APPLICATION OF CRITICAL ACCOUNTING POLICIES

General

We prepare our Consolidated Financial Statements in accordance with U.S. GAAP and present these in United States dollars unless otherwise stated.

The preparation of our financial statements requires us to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis, including, but not limited to, those related to: costs expected to be incurred to complete projects; costs of product guarantees and warranties; provisions for bad debts; recoverability of inventories, investments, fixed assets, goodwill and other intangible assets; the fair values of assets and liabilities assumed in business combinations; income tax related expenses and accruals; provisions for restructuring; gross profit margins on long-term construction-type contracts; pensions and other postretirement benefit assumptions and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our estimates and assumptions.

We deem an accounting policy to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that reasonably could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our Consolidated Financial Statements. We also deem an accounting policy to be critical when the application of such policy is essential to our ongoing operations. We believe the following critical accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. These policies should be considered when reading our Consolidated Financial Statements.

Revenue recognition

We generally recognize revenues for the sale of goods when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. With regards to the sale of products, delivery is not considered to have occurred, and therefore no revenues are recognized, until the customer has taken title to the products and assumed the risks and rewards of ownership of the products specified in the purchase order or sales agreement. Generally, the transfer of title and risks and rewards of ownership are governed by the contractually-defined shipping terms. We use various International Commercial shipping terms (as promulgated by the International Chamber of Commerce) such as Ex Works (EXW), Free Carrier (FCA) and Delivered Duty Paid (DDP). Subsequent to delivery of the products, we generally have no further contractual performance obligations that would preclude revenue recognition.

Revenues under long-term construction-type contracts are generally recognized using the percentage-of-completion method of accounting. We principally use the cost-to-cost method to measure progress towards completion on contracts. Under this method, progress of contracts is measured by actual costs incurred in relation to management's best estimate of total estimated costs, which are reviewed and updated routinely for contracts in progress. The cumulative effect of any change in estimate is recorded in the period in which the change in estimate is determined.

The percentage-of-completion method of accounting involves the use of assumptions and projections, principally relating to future material, labor and project-related overhead costs. As a consequence, there is a risk that total contract costs will exceed those we originally estimated and the margin will decrease or the long-term construction-type contract may become unprofitable. This risk

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increases if the duration of a contract increases because there is a higher probability that the circumstances upon which we originally developed estimates will change, resulting in increased costs that we may not recover. Factors that could cause costs to increase include:

- unanticipated technical problems with equipment supplied or developed by us which may require us to incur additional costs to remedy,
- changes in the cost of components, materials or labor,
- difficulties in obtaining required governmental permits or approvals,
- project modifications creating unanticipated costs,
- suppliers' or subcontractors' failure to perform,
- penalties incurred as a result of not completing portions of the project in accordance with agreed-upon time limits, and
- delays caused by unexpected conditions or events.

Changes in our initial assumptions, which we review on a regular basis between balance sheet dates, may result in revisions to estimated costs, current earnings and anticipated earnings. We recognize these changes in the period in which the changes in estimates are determined. By recognizing changes in estimates cumulatively, recorded revenue and costs to date reflect the current estimates of the stage of completion of each project. Additionally, losses on long-term contracts are recognized in the period when they are identified and are based upon the anticipated excess of contract costs over the related contract revenues.

Short-term construction-type contracts, or long-term construction-type contracts for which reasonably dependable estimates cannot be made or for which inherent hazards make estimates difficult, are accounted for under the completed-contract method. Revenues under the completed-contract method are recognized upon substantial completion that is: acceptance by the customer, compliance with performance specifications demonstrated in a factory acceptance test or similar event.

For non construction-type contracts that contain customer acceptance provisions, revenue is deferred until customer acceptance occurs or we have demonstrated the customer-specified objective criteria have been met or the contractual acceptance period has lapsed.

Revenues from service transactions are recognized as services are performed. For long-term service contracts, revenues are recognized on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided. Service revenues reflect revenues earned from our activities in providing services to customers primarily subsequent to the sale and delivery of a product or complete system. Such revenues consist of maintenance-type contracts, field service activities that include personnel and accompanying spare parts, and installation and commissioning of products as a stand-alone service or as part of a service contract.

Revenues for software license fees are recognized when persuasive evidence of a non-cancelable license agreement exists, delivery has occurred, the license fee is fixed or determinable, and collection is probable. In software arrangements that include rights to multiple software products and/or services, the total arrangement fee is allocated using the residual method, under which revenue is allocated to the undelivered elements based on vendor-specific objective evidence (VSOE) of fair value of such undelivered elements and the residual amounts of revenue are allocated to the delivered elements. Elements included in multiple element arrangements may consist of software licenses, maintenance (which includes customer support services and unspecified upgrades), hosting, and consulting services. VSOE is based on the price generally charged when an element is sold separately or, in the case of an element not yet sold separately, the price established by authorized management, if it is probable that the price, once established, will not change once the element is sold separately. If VSOE does not exist

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for an undelivered element, the total arrangement fee will be recognized as revenue over the life of the contract or upon delivery of the undelivered element.

We offer multiple element arrangements to meet our customers' needs. These arrangements may involve the delivery of multiple products and/or performance of services (such as installation and training) and the delivery and/or performance may occur at different points in time or over different periods of time. Deliverables of such multiple element arrangements are evaluated to determine the unit of accounting and if certain criteria are met, we allocate revenues to each unit of accounting based on its relative selling price. A hierarchy of selling prices is used to determine the selling price of each specific deliverable that includes VSOE (if available), third-party evidence (if VSOE is not available), or estimated selling price if neither of the first two is available. The estimated selling price reflects our best estimate of what the selling prices of elements would be if the elements were sold on a stand-alone basis. Revenue is allocated between the elements of an arrangement consideration at the inception of the arrangement. Such arrangements generally include industry-specific performance and termination provisions, such as in the event of substantial delays or non-delivery.

Revenues are reported net of customer rebates and similar incentives. Taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions between us and our customers, such as sales, use, value-added and some excise taxes, are excluded from revenues.

These revenue recognition methods require the collectability of the revenues recognized to be reasonably assured. When recording the respective accounts receivable, allowances are calculated to estimate those receivables that will not be collected. These reserves assume a level of default based on historical information, as well as knowledge about specific invoices and customers. The risk remains that actual defaults will vary in number and amount from those originally estimated. As such, the amount of revenues recognized might exceed or fall below the amount which will be collected, resulting in a change in earnings in the future. The risk of deterioration is likely to increase during periods of significant negative industry, economic or political trends.

As a result of the above policies, judgment in the selection and application of revenue recognition methods must be made.

Contingencies

As more fully described in "Item 8. Financial Information Legal Proceedings" and in "Note 15 Commitments and contingencies" to our Consolidated Financial Statements, we are subject to proceedings, litigation or threatened litigation and other claims and inquiries related to environmental, labor, product, regulatory, tax (other than income tax) and other matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue, often with assistance from both internal and external legal counsel and technical experts. The required amount of a provision for a contingency of any type may change in the future due to new developments in the particular matter, including changes in the approach to its resolution.

We record provisions for our contingent obligations when it is probable that a loss will be incurred and the amount can be reasonably estimated. Any such provision is generally recognized on an undiscounted basis using our best estimate of the amount of loss or at the lower end of an estimated range when a single best estimate is not determinable. In some cases, we may be able to recover a portion of the costs relating to these obligations from insurers or other third parties; however, we record such amounts only when it is probable that they will be collected.

We provide for anticipated costs for warranties when we recognize revenues on the related products or contracts. Warranty costs include calculated costs arising from imperfections in design,

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material and workmanship in our products. We generally make individual assessments on contracts with risks resulting from order-specific conditions or guarantees and assessments on an overall, statistical basis for similar products sold in larger quantities. There is a risk that actual warranty costs may exceed the amounts provided for, which would result in a deterioration of earnings in the future when these actual costs are determined.

We may have legal obligations to perform environmental clean-up activities related to land and buildings as a result of the normal operations of our business. In some cases, the timing or the method of settlement, or both are conditional upon a future event that may or may not be within our control, but the underlying obligation itself is unconditional and certain. We recognize a provision for these obligations when it is probable that a liability for the clean-up activity has been incurred and a reasonable estimate of its fair value can be made. The provision is initially recognized at fair value, and subsequently adjusted for accrued interest and changes in estimates. In some cases, we may be able to recover a portion of the costs expected to be incurred to settle these matters. An asset is recorded when it is probable that we will collect such amounts. Provisions for environmental obligations are not discounted to their present value when the timing of payments cannot be reasonably estimated.

Pension and other postretirement benefits

As more fully described in "Note 17 Employee benefits" to our Consolidated Financial Statements, we have a number of defined benefit pension and other postretirement plans and recognize an asset for a plan's overfunded status or a liability for a plan's underfunded status in our Consolidated Balance Sheets. We measure such a plan's assets and obligations that determine its funded status as of the end of the year.

Significant differences in actual experience or significant changes in assumptions may materially affect the pension obligations. The effects of actual results differing from assumptions and the changing of assumptions are included in net actuarial loss within "Accumulated other comprehensive loss".

We recognize actuarial gains and losses gradually over time. Any cumulative unrecognized actuarial gain or loss that exceeds 10 percent of the greater of the present value of the projected benefit obligation (PBO) and the fair value of plan assets is recognized in earnings over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized in the Consolidated Income Statements.

We use actuarial valuations to determine our pension and postretirement benefit costs and credits. The amounts calculated depend on a variety of key assumptions, including discount rates, mortality rates and expected return on plan assets. Under U.S. GAAP, we are required to consider current market conditions in making these assumptions. In particular, the discount rates are reviewed annually based on changes in long-term, highly-rated corporate bond yields. Decreases in the discount rates result in an increase in the PBO and in pension costs. Conversely, an increase in the discount rates results in a decrease in the PBO and in pension costs. The mortality assumptions are reviewed annually by management. Decreases in mortality rates result in an increase in the PBO and in pension costs. Conversely, an increase in mortality rates results in a decrease in the PBO and in pension costs.

Holding all other assumptions constant, a 0.25 percentage-point decrease in the discount rate would have increased the PBO related to our defined benefit pension plans by $413 million, while a 0.25 percentage-point increase in the discount rate would have decreased the PBO related to our defined benefit pension plans by $372 million.

The expected return on plan assets is reviewed regularly and considered for adjustment annually based on current and expected asset allocations and represents the long-term return expected to be achieved. Decreases in the expected return on plan assets result in an increase to pension costs. An

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increase or decrease of 0.25 percentage-points in the expected long-term rate of asset return would have decreased or increased, respectively, the net periodic benefit cost in 2013 by $25 million.

The funded status, which can increase or decrease based on the performance of the financial markets or changes in our assumptions, does not represent a mandatory short-term cash obligation. Instead, the funded status of a defined benefit pension plan is the difference between the PBO and the fair value of the plan assets. At December 31, 2013, our defined benefit pension plans were $1,133 million underfunded compared to an underfunding of $1,781 million at December 31, 2012. Our other postretirement plans were underfunded by $236 million and $281 million at December 31, 2013 and 2012, respectively.

We have multiple non-pension postretirement benefit plans. Our health care plans are generally contributory with participants' contributions adjusted annually. For purposes of estimating our health-care costs, we have assumed health-care cost increases to be 8.15 percent per annum for 2014, gradually declining to 5 percent per annum by 2028 and to remain at that level thereafter.

Income taxes

In preparing our Consolidated Financial Statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. Tax expense from continuing operations is reconciled from the weighted-average global tax rate (rather than from the Swiss domestic statutory tax rate) as the parent company of the ABB Group, ABB Ltd, is domiciled in Switzerland. Income which has been generated in jurisdictions outside of Switzerland (hereafter "foreign jurisdictions") and has already been subject to corporate income tax in those foreign jurisdictions is, to a large extent, tax exempt in Switzerland. Therefore, generally no or only limited Swiss income tax has to be provided for on the repatriated earnings of foreign subsidiaries. There is no requirement in Switzerland for a parent company of a group to file a tax return of the group determining domestic and foreign pre-tax income and as our consolidated income from continuing operations is predominantly earned outside of Switzerland, corporate income tax in foreign jurisdictions largely determines our global weighted-average tax rate.

We account for deferred taxes by using the asset and liability method. Under this method, we determine deferred tax assets and liabilities based on temporary differences between the financial reporting and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. We recognize a deferred tax asset when it is more likely than not that the asset will be realized. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based upon historical losses, projected future taxable income and the expected timing of the reversals of existing temporary differences. To the extent we increase or decrease this allowance in a period, we recognize the change in the allowance within "Provision for taxes" in the Consolidated Income Statements unless the change relates to discontinued operations, in which case the change is recorded in "Income (loss) from discontinued operations, net of tax". Unforeseen changes in tax rates and tax laws, as well as differences in the projected taxable income as compared to the actual taxable income, may affect these estimates.

Certain countries levy withholding taxes, dividend distribution taxes or additional corporate income taxes (hereafter "withholding taxes") on dividend distributions. Such taxes cannot always be fully reclaimed by the shareholder, although they have to be declared and withheld by the subsidiary. Switzerland has concluded double taxation treaties with many countries in which we operate. These treaties either eliminate or reduce such withholding taxes on dividend distributions. It is our policy to distribute retained earnings of subsidiaries, insofar as such earnings are not permanently reinvested or no other reasons exist that would prevent the subsidiary from distributing them. No deferred tax liability is set up, if retained earnings are considered as permanently reinvested, and used for financing

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current operations as well as business growth through working capital and capital expenditure in those countries.

We operate in numerous tax jurisdictions and, as a result, are regularly subject to audit by tax authorities. We provide for tax contingencies whenever it is deemed more likely than not that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws. Contingency provisions are recorded based on the technical merits of our filing position, considering the applicable tax laws and Organisation for Economic Co-operation and Development (OECD) guidelines and are based on our evaluations of the facts and circumstances as of the end of each reporting period. Changes in the facts and circumstances could result in a material change to the tax accruals. Although we believe that our tax estimates are reasonable and that appropriate tax reserves have been made, the final determination of tax audits and any related litigation could be different than that which is reflected in our income tax provisions and accruals.

An estimated loss from a tax contingency must be accrued as a charge to income if it is more likely than not that a tax asset has been impaired or a tax liability has been incurred and the amount of the loss can be reasonably estimated. We apply a two-step approach to recognize and measure uncertainty in income taxes. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50 percent likely of being realized upon ultimate settlement. The required amount of provisions for contingencies of any type may change in the future due to new developments.

Business combinations

The amount of goodwill initially recognized in a business combination is based on the excess of the purchase price of the acquired company over the fair value of the assets acquired and liabilities assumed. The determination of these fair values requires us to make significant estimates and assumptions. For instance, when assumptions with respect to the timing and amount of future revenues and expenses associated with an asset are used to determine its fair value, but the actual timing and amount differ materially, the asset could become impaired. In some cases, particularly for large acquisitions, we may engage independent third-party appraisal firms to assist in determining the fair values.

Critical estimates in valuing certain intangible assets include but are not limited to: future expected cash flows of the acquired business, brand awareness, customer retention, technology obsolescence and discount rates.

In addition, uncertain tax positions and tax-related valuation allowances assumed in connection with a business combination are initially estimated at the acquisition date. We reevaluate these items quarterly, based upon facts and circumstances that existed at the acquisition date with any adjustments to our preliminary estimates being recorded to goodwill provided that we are within the twelve-month measurement period. Subsequent to the measurement period or our final determination of the tax allowance's or contingency's estimated value, whichever comes first, changes to these uncertain tax positions and tax-related valuation allowances will affect our provision for income taxes in our Consolidated Income Statements and could have a material impact on our results of operations and financial position. The fair values assigned to the intangible assets acquired are described in "Note 3 Acquisitions" as well as "Note 11 Goodwill and other intangible assets", to our Consolidated Financial Statements.

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Goodwill and other intangible assets

We review goodwill for impairment annually as of October 1, or more frequently if events or circumstances indicate the carrying value may not be recoverable. We use either a qualitative or quantitative assessment method for each reporting unit. The qualitative assessment involves determining, based on an evaluation of qualitative factors, whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, based on this qualitative assessment, it is determined to be more likely than not that the reporting unit's fair value is less than its carrying value, the two-step quantitative impairment test is performed. If we elect not to perform the qualitative assessment for a reporting unit, then we perform the two-step impairment test.

Our reporting units are the same as our business divisions for Discrete Automation and Motion, Low Voltage Products, Power Products and Power Systems. For the Process Automation division, we determined the reporting units to be one level below the division, as the different products produced or services provided by this division do not share sufficiently similar economic characteristics to permit testing of goodwill on a total division level.

When performing the qualitative assessment, we first determine, for a reporting unit, factors which would affect the fair value of the reporting unit including: (i) macroeconomic conditions related to the business, (ii) industry and market trends, and (iii) the overall future financial performance and future opportunities in the markets in which the business operates. We then consider how these factors would impact the most recent quantitative analysis of the reporting unit's fair value. Key assumptions in determining the value of the reporting unit include the projected level of business operations, the weighted-average cost of capital, the income tax rate and the terminal growth rate.

If, after performing the qualitative assessment, we conclude that events or circumstances have occurred which would indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying value, or if we have elected not to perform a qualitative assessment, the two-step quantitative impairment test is performed. In the first step, we calculate the fair value of the reporting unit (using an income approach whereby the fair value is calculated based on the present value of future cash flows applying a discount rate that represents our weighted-average cost of capital) and compare it to the reporting unit's carrying value. Where the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further testing is performed. However, if the carrying value of the net assets assigned to the reporting unit is equal to or exceeds the reporting unit's fair value, we would perform the second step of the impairment test. In the second step, we would determine the implied fair value of the reporting unit's goodwill and compare it to the carrying value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill were to exceed its implied fair value, then we would record an impairment loss equal to the difference. Any goodwill impairment losses would be recorded as a separate line item in the income statement in continuing operations, unless related to a discontinued operation, in which case the losses would be recorded in "Income (loss) from discontinued operations, net of tax".

In 2013, we performed a qualitative assessment for all of our reporting units except for Power Systems where we elected to perform a quantitative test. Based on the qualitative assessments performed in 2013 and 2012 (when the qualitative assessment covered all our reporting units), we determined that it was not more likely than not that the fair value was below the carrying value for these reporting units, and as a result, concluded that it was not necessary to perform the two-step quantitative impairment test. In 2011, under the previous accounting standard, we performed the first step of the two-step impairment test described above on all reporting units. As the fair values of all reporting units in 2011 exceeded their carrying values, we determined that none of the reporting units was at "risk" of failing the goodwill impairment test. Consequently, the second step of the impairment test was not performed and we concluded goodwill was not impaired in 2011.

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The quantitative test for Power Systems was undertaken in response to the low order intake in 2013. The calculated fair value of the Power Systems reporting unit on October 1, 2013, exceeded the reporting unit's carrying value by more than 50 percent and as the carrying value was not zero or negative, we concluded that Power Systems was not "at risk" of failing the goodwill impairment test. Consequently, the second step of the impairment test was not performed.

The projected future cash flows used in the fair value calculation for Power Systems were based on an approved business plan for the reporting unit which covered a period of four years plus a calculated terminal value. The projected future cash flows required significant estimates and judgments involving variables such as future sales volumes, sales prices, awards of large orders, production and other operating costs, capital expenditures, net working capital requirements and other economic factors. The after-tax weighted-average cost of capital used (9 percent) was based on variables such as the risk-free rate derived from the yield of 10-year U.S. treasury bonds, as well as an ABB-specific risk premium. The terminal value growth rate was assumed to be 1 percent. The mid-term tax rate used in the test was 27 percent. We based our fair value estimates on assumptions we believed to be reasonable, but which are inherently uncertain. Consequently, actual future results may differ from those estimates.

The assumptions used in the fair value calculation were challenged through the use of sensitivity analysis to determine the impact on the fair value of the reporting unit. Our sensitivity analysis for Power Systems in 2013 showed no significant change in fair values if the assumptions changed. A 1 percentage-point increase in the discount rate would have reduced the calculated fair value by approximately 11 percent, while a 1 percentage-point decrease in the terminal value growth rate would have reduced the calculated fair value by approximately 7.5 percent.

Intangible assets are reviewed for recoverability upon the occurrence of certain triggering events (such as a decision to divest a business or projected losses of an entity) or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We record impairment charges in "Other income (expense), net", in our Consolidated Income Statements, unless they relate to a discontinued operation, in which case the charges are recorded in "Income (loss) from discontinued operations, net of tax".

NEW ACCOUNTING PRONOUNCEMENTS

For a description of accounting changes and recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our Consolidated Financial Statements, see "Note 2 Significant accounting policies" to our Consolidated Financial Statements.

RESEARCH AND DEVELOPMENT

Each year, we invest significantly in research and development. Our research and development focuses on developing and commercializing the technologies of our businesses that are of strategic importance to our future growth. In 2013, 2012 and 2011, we invested $1,470 million, $1,464 million and $1,371 million, respectively, or approximately 3.5 percent, 3.7 percent and 3.6 percent, respectively, of our annual consolidated revenues on research and development activities. We also had expenditures of $274 million, $282 million and $338 million, respectively, or approximately 0.7 percent, 0.7 percent and 0.9 percent, respectively, of our annual consolidated revenues in 2013, 2012 and 2011, on order-related development activities. These are customer- and project-specific development efforts that we undertake to develop or adapt equipment and systems to the unique needs of our customers in connection with specific orders or projects. Order-related development amounts are initially recorded in inventories as part of the work in process of a contract and then are reflected in cost of sales at the time revenue is recognized in accordance with our accounting policies.

In addition to continuous product development, and order-related engineering work, we develop platforms for technology applications in our automation and power businesses in our research and

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development laboratories, which operate on a global basis. Through active management of our investment in research and development, we seek to maintain a balance between short-term and long-term research and development programs and optimize our return on investment.

Our research and development strategy focuses on three objectives: (i) to monitor and develop emerging technologies and create an innovative, sustainable technology base for ABB, (ii) to develop technology platforms that enable efficient product design for our power and automation customers, and (iii) to create the next generation of power and automation products and systems that we believe will be the engines of profitable growth.

Universities are incubators of future technology, and a central task of our research and development team is to transform university research into industry-ready technology platforms. We collaborate with a number of universities and research institutions to build research networks and foster new technologies. We believe these collaborations shorten the amount of time required to turn basic ideas into viable products, and they additionally help us recruit and train new personnel. We have built numerous university partnerships in the U.S., Europe and Asia, including long-term, strategic relationships with the Carnegie Mellon University, Massachusetts Institute of Technology, ETH Zurich, EPFL Lausanne, Chalmers Gothenburg, KTH Stockholm, Cambridge University and Imperial College London. Our collaborative projects include research on materials, sensors, micro-engineered mechanical systems, robotics, controls, manufacturing, distributed power and communication. Common platforms for power and automation technologies are developed around advanced materials, efficient manufacturing, information technology and data communication, as well as sensor and actuator technology.

Common applications of basic power and automation technologies can also be found in power electronics, electrical insulation, and control and optimization. Our power technologies, including our insulation technologies, current interruption and limitation devices, power electronics, flow control and power protection processes, apply as much to large, reliable, blackout-free transmission systems as they do to everyday household needs. Our automation technologies, including our control and optimization processes, power electronics, sensors and microelectronics, mechatronics and wireless communication processes, are designed to improve efficiency in plants and factories around the world, including our own.

ACQUISITIONS

During 2013, 2012 and 2011, ABB paid $897 million, $3,643 million and $3,805 million to purchase 7, 9 and 10 new businesses, respectively. The amounts exclude changes in cost and equity investments.

There were no significant acquisitions in 2013; the largest being Power-One, acquired in July 2013.

The principal acquisition in 2012 was Thomas & Betts, which was acquired in May 2012. 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 complementary combination of Thomas & Betts' electrical components and ABB's low-voltage protection, control and measurement products creates a broader low-voltage portfolio (in our Low Voltage Products division) that can be distributed through Thomas & Betts' network of more than 6,000 distributor locations and wholesalers in North America, and through ABB's well-established distribution channels in Europe and Asia.

The principal acquisition in 2011 was Baldor Electric Company (Baldor), acquired in January 2011. Baldor markets, designs and manufactures industrial electric motors, mechanical power transmission products, drives and generators. The acquisition broadens the product offering of our Discrete Automation and Motion division, closing the gap in our automation portfolio in North America by

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adding Baldor's NEMA motors product line, as well as adding Baldor's growing mechanical power transmission business.

For more information on our acquisitions, see "Note 3 Acquisitions" to our Consolidated Financial Statements.

EXCHANGE RATES

We report our financial results in U.S. dollars. Due to our global operations, a significant amount of our revenues, expenses, assets and liabilities are denominated in other currencies. As a consequence, movements in exchange rates between currencies may affect: (i) our profitability, (ii) the comparability of our results between periods, and (iii) the reported carrying value of our assets and liabilities.

We translate non-USD denominated results of operations, assets and liabilities to USD in our Consolidated Financial Statements. Balance sheet items are translated to USD using year-end currency exchange rates. Income statement and cash flow items are translated to USD using the relevant monthly average currency exchange rate.

Increases and decreases in the value of the USD against other currencies will affect the reported results of operations in our Consolidated Income Statements and the value of certain of our assets and liabilities in our Consolidated Balance Sheets, even if our results of operations or the value of those assets and liabilities have not changed in their original currency. As foreign exchange rates impact our reported results of operations and the reported value of our assets and liabilities, changes in foreign exchange rates could significantly affect the comparability of our reported results of operations between periods and result in significant changes to the reported value of our assets, liabilities and stockholders' equity.

While we operate globally and report our financial results in USD, exchange rate movements between the USD and both the euro and the Swiss franc are of particular importance to us due to (i) the location of our significant operations and (ii) our corporate headquarters being in Switzerland.

The exchange rates between the USD and the EUR and the USD and the CHF at December 31, 2013, 2012 and 2011, were as follows:

Exchange rates into $	**2013**	**2012**	**2011**
EUR 1.00	1.38	1.32	1.29
CHF 1.00	1.12	1.09	1.06

The average exchange rates between the USD and the EUR and the USD and the CHF for the years ended December 31, 2013, 2012 and 2011, were as follows:

Exchange rates into $	**2013**	**2012**	**2011**
EUR 1.00	1.33	1.29	1.39
CHF 1.00	1.08	1.07	1.13

When we incur expenses that are not denominated in the same currency as the related revenues, foreign exchange rate fluctuations could affect our profitability. To mitigate the impact of exchange rate movements on our profitability, it is our policy to enter into forward foreign exchange contracts to manage the foreign exchange transaction risk of our operations.

In 2013, approximately 81 percent of our consolidated revenues were reported in currencies other than USD. The following percentages of consolidated revenues were reported in the following currencies:

Euro, approximately 19 percent,

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Chinese renminbi, approximately 10 percent,

Swedish krona, approximately 6 percent, and

Canadian dollar, approximately 5 percent.

In 2013, approximately 79 percent of our cost of sales and selling, general and administrative expenses were reported in currencies other than USD. The following percentages of consolidated cost of sales and selling, general and administrative expenses were reported in the following currencies:

Euro, approximately 18 percent,

Chinese renminbi, approximately 9 percent,

Swedish krona, approximately 5 percent, and

Canadian dollar, approximately 5 percent.

We also incur expenses other than cost of sales and selling, general and administrative expenses in various currencies.

The results of operations and financial position of many of our subsidiaries outside of the United States are reported in the currencies of the countries in which those subsidiaries are located. We refer to these currencies as "local currencies." Local currency financial information is then translated into USD at applicable exchange rates for inclusion in our Consolidated Financial Statements.

The discussion of our results of operations below provides certain information with respect to orders, revenues, income from operations and other measures as reported in USD (as well as in local currencies). We measure period-to-period variations in local currency results by using a constant foreign exchange rate for all periods under comparison. Differences in our results of operations in local currencies as compared to our results of operations in USD are caused exclusively by changes in currency exchange rates.

While we consider our results of operations as measured in local currencies to be a significant indicator of business performance, local currency information should not be relied upon to the exclusion of U.S. GAAP financial measures. Instead, local currencies reflect an additional measure of comparability and provide a means of viewing aspects of our operations that, when viewed together with the U.S. GAAP results, provide a more complete understanding of factors and trends affecting the business. As local currency information is not standardized, it may not be possible to compare our local currency information to other companies' financial measures that have the same or a similar title. We encourage investors to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

ORDERS

Our policy is to book and report an order when a binding contractual agreement has been concluded with a customer covering, at a minimum, the price and scope of products or services to be supplied, the delivery schedule and the payment terms. The reported value of an order corresponds to the undiscounted value of revenues that we expect to recognize following delivery of the goods or services subject to the order, less any trade discounts and excluding any value added or sales tax. The value of orders received during a given period of time represents the sum of the value of all orders received during the period, adjusted to reflect the aggregate value of any changes to the value of orders received during the period and orders existing at the beginning of the period. These adjustments, which may in the aggregate increase or decrease the orders reported during the period, may include changes in the estimated order price up to the date of contractual performance, changes in the scope of products or services ordered and cancellations of orders.

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The undiscounted value of revenues we expect to generate from our orders at any point in time is represented by our order backlog. Approximately 11 percent of the value of total orders we recorded in 2013 were "large orders," which we define as orders from third parties involving a value of at least $15 million for products or services. Approximately 43 percent of the total value of large orders in 2013 were recorded by our Power Systems division and approximately 29 percent in our Process Automation division. The Power Products division and the Discrete Automation and Motion division accounted for the remainder of the total large orders recorded during 2013. The remaining portion of total orders recorded in 2013 was "base orders," which we define as orders from third parties with a value of less than $15 million for products or services.

The level of orders fluctuates from year to year. Portions of our business involve orders for long-term projects that can take months or years to complete and many large orders result in revenues in periods after the order is booked. Consequently, the level of large orders and orders generally cannot be used to accurately predict future revenues or operating performance. Orders that have been placed can be cancelled, delayed or modified by the customer. These actions can reduce or delay any future revenues from the order or may result in the elimination of the order.

PERFORMANCE MEASURES

We evaluate the performance of our divisions primarily based on orders received, revenues and 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).

See "Note 23 Operating segment and geographic data" to our Consolidated Financial Statements for a reconciliation of the total consolidated Operational EBITDA to income from continuing operations before taxes.

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ANALYSIS OF RESULTS OF OPERATIONS

Our consolidated results from operations were as follows:

($ in millions, except per share data in $)	2013	2012	2011
Orders	38,896	40,232	40,210
Order backlog at December 31,	26,046	29,298	27,508
Revenues	41,848	39,336	37,990
Cost of sales	(29,856)	(27,958)	(26,556)
Gross profit	**11,992**	**11,378**	**11,434**
Selling, general and administrative expenses	(6,094)	(5,756)	(5,373)
Non-order related research and development expenses	(1,470)	(1,464)	(1,371)
Other income (expense), net	(41)	(100)	(23)
Income from operations	**4,387**	**4,058**	**4,667**
Net interest and other finance expense	(321)	(220)	(117)
Provision for taxes	(1,122)	(1,030)	(1,244)
Income from continuing operations, net of tax	**2,944**	**2,808**	**3,306**
Income (loss) from discontinued operations, net of tax	(37)	4	9
Net income	**2,907**	**2,812**	**3,315**
Net income attributable to noncontrolling interests	(120)	(108)	(147)
Net income attributable to ABB	**2,787**	**2,704**	**3,168**
Amounts attributable to ABB shareholders:			
Income from continuing operations, net of tax	2,824	2,700	3,159
Net income	2,787	2,704	3,168
Basic earnings per share attributable to ABB shareholders:			
Income from continuing operations, net of tax	1.23	1.18	1.38
Net income	1.21	1.18	1.38
Diluted earnings per share attributable to ABB shareholders:			
Income from continuing operations, net of tax	1.23	1.18	1.38
Net income	1.21	1.18	1.38

A more detailed discussion of the orders, revenues, Operational EBITDA and income from operations for our divisions follows in the sections of "Divisional analysis" below entitled "Discrete Automation and Motion," "Low Voltage Products," "Process Automation," "Power Products," "Power Systems" and "Corporate and Other." Orders and revenues of our divisions include interdivisional transactions which are eliminated in the "Corporate and Other" line in the tables below.

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Orders

				% Change	
($ in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Discrete Automation and Motion	9,771	9,625	9,566	2%	1%
Low Voltage Products	7,696	6,720	5,364	15%	25%
Process Automation	8,000	8,704	8,726	(8)%	
Power Products	10,459	11,040	11,068	(5)%	
Power Systems	5,949	7,973	9,278	(25)%	(14)%
Operating divisions	**41,875**	**44,062**	**44,002**	**(5)%**	
Corporate and Other[(1)]	(2,979)	(3,830)	(3,792)	n.a.	n.a.
Total	**38,896**	**40,232**	**40,210**	**(3)%**	

(1) Includes interdivisional eliminations

In 2013, total order volume declined 3 percent (3 percent in local currencies) as lower large orders were not offset by base order growth. Orders were supported by our automation divisions where customer investments to improve operational efficiency and the demand for services increased during the year. The key demand drivers for the power divisions, such as capacity expansion in emerging markets, upgrading of aging infrastructure in mature markets and the integration of renewable energy supplies into power grids, remain intact. Despite strong project tendering activity, some customers have delayed order awards due to macroeconomic uncertainties and this has resulted in order declines in the power divisions compared to 2012.

Supported by growth in the second half of the year, orders in the Discrete Automation and Motion division grew 2 percent (2 percent in local currencies) in 2013, as higher orders in the Robotics business and the positive impact of acquiring Power-One more than compensated the decreases in the Motors and Generators business. Orders increased 15 percent (14 percent in local currencies) in the Low Voltage Products division, due primarily to the impact of including Thomas & Betts for the full year in 2013 (compared to approximately seven months in 2012). In addition, orders in all businesses in this division grew except the Low Voltage Systems business. Orders in the Process Automation division decreased 8 percent (8 percent in local currencies) as stable orders in the product businesses were more than offset by the impact of lower large orders. Orders decreased 5 percent (5 percent in local currencies) in the Power Products division, mainly driven by lower transformer orders. Significantly lower large orders led to a decline of 25 percent (25 percent in local currencies) in orders in the Power Systems division as customers postponed large investments and as a result of our order selectivity and focus on higher-margin business that is part of the division's strategic repositioning (announced in December 2012).

During 2013, base orders grew 2 percent (2 percent in local currencies) as the economic environment improved in the second half of 2013. As fewer large orders from projects in the Power Systems and Process Automation divisions were received, large orders declined 31 percent (31 percent in local currencies).

In 2012, total order volume remained on the same level as 2011 (increased 4 percent in local currencies and was steady, in local currencies, excluding Thomas & Betts) despite challenging markets.

In 2012, order growth was 1 percent (4 percent in local currencies) in the Discrete Automation and Motion division, reflecting the generally low growth in industrial production in most markets and weakness in the renewable energy sector in 2012. Orders were 25 percent higher in the Low Voltage Products division (29 percent in local currencies) mainly due to Thomas & Betts (flat in local currencies excluding Thomas & Betts). The Process Automation division's orders reached the prior

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year's level (increase of 4 percent in local currencies) supported by demand from the oil and gas and the mining sectors. Orders in the Power Products division were flat compared to the previous year (increased 3 percent in local currencies) as the distribution sector remained stable and industrial demand was supported by demand from the oil and gas sector. In the Power Systems division, orders declined 14 percent (10 percent in local currencies) as capital expenditures in power infrastructure continued to be restrained due to ongoing economic uncertainties, especially in certain mature economies. Transmission utilities invested selectively, with emerging markets focusing on capacity addition and mature markets focusing mainly on existing grid upgrades.

Base orders growth slowed in the first half of 2012 as economic growth remained under pressure, however base orders remained on the same level as 2011, primarily driven by demand for industrial automation and energy-saving equipment. In the second half of 2012, base orders increased moderately due to Thomas & Betts. During 2012, base orders grew 3 percent (6 percent in local currencies or 1 percent, in local currencies, excluding Thomas & Betts). Following the double-digit growth in 2011, large orders in 2012 decreased 11 percent (7 percent in local currencies) as fewer large projects were recorded in the power divisions.

We determine the geographic distribution of our orders based on the location of the customer, which may be different from the ultimate destination of the products' end use. The geographic distribution of our consolidated orders was as follows:

				% Change	
($ in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Europe	13,334	13,512	15,202	(1)%	(11)%
The Americas	11,365	12,152	9,466	(6)%	28%
Asia	10,331	10,346	12,103		(15)%
Middle East and Africa	3,866	4,222	3,439	(8)%	23%
Total	**38,896**	**40,232**	**40,210**	**(3)%**	

Orders in 2013 declined 6 percent (5 percent in local currencies) in the Americas, driven by lower orders in Brazil and lower large orders in the power sector in the U.S. and Canada. However, orders in the U.S. remained stable as base order growth (due primarily to the impact of including Thomas & Betts for the full year in 2013) compensated lower large power orders. In Asia, orders remained unchanged (increased 1 percent in local currencies) as growth in the automation divisions was offset by lower orders in the power businesses, primarily in India and Australia. China returned to growth as most divisions received higher orders than in the previous year from that country. Europe declined 1 percent (decrease of 3 percent in local currencies), as a moderate increase in the industrial sectors was offset by lower orders in the power divisions. Order growth in Germany, France and Spain mostly compensated declines in Italy, the United Kingdom, Russia as well as in most Nordic countries. Orders decreased in MEA by 8 percent (7 percent in local currencies) as large orders received in Kuwait and the United Arab Emirates could not offset lower large orders from the power sector in Saudi Arabia and Iraq, as well as from the oil and gas sector in Oman.

In 2012, orders grew 28 percent (32 percent in local currencies) in the Americas due to Thomas & Betts (which operates primarily in the U.S. and Canada), as well as on organic growth in existing businesses. The U.S. recorded higher orders in every division. Additionally, Canada and Brazil remained significant growth areas in this region. In Asia, orders were down 15 percent (13 percent in local currencies) primarily on lower large orders from the power sector in China and India, as well as from the marine sector in South Korea. Europe declined 11 percent (6 percent in local currencies) despite increases in Finland and the United Kingdom, as a $1 billion offshore wind order in Germany received in 2011 was not repeated in 2012, as well as on lower orders in Sweden, Norway and Italy. Orders grew in MEA by 23 percent (28 percent in local currencies) on large orders from the power

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sector in Saudi Arabia, solar power orders in South Africa as well as orders from the oil and gas sector in Oman.

Order backlog

	December 31,			% Change	
($ in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Discrete Automation and Motion	4,351	4,426	4,120	(2)%	7%
Low Voltage Products	1,057	1,117	887	(5)%	26%
Process Automation	5,772	6,416	5,771	(10)%	11%
Power Products	7,946	8,493	8,029	(6)%	6%
Power Systems	9,435	12,107	11,570	(22)%	5%
Operating divisions	**28,561**	**32,559**	**30,377**	**(12)%**	**7%**
Corporate and Other[1]	(2,515)	(3,261)	(2,869)	n.a.	n.a.
Total	**26,046**	**29,298**	**27,508**	**(11)%**	**7%**

(1) Includes interdivisional eliminations

In 2013, consolidated order backlog declined 11 percent (10 percent in local currencies) with decreases in all divisions but primarily decreases in the Power Systems and Process Automation divisions. The decrease in the Power Systems division was due mainly to customers postponing investments, resulting in delays in the award of large orders, as well as reduced order intake resulting from the division's increased project selectivity, as part of the division's repositioning announced in December 2012. Order backlog in the Process Automation division decreased primarily due to a reduction in large orders received in the industrial sector. Despite an improvement of the macroeconomic environment in the second half of the year, order backlog in the Low Voltage Products division as well as in the Discrete Automation and Motion division was below the respective levels at the end of 2012.

In 2012, order backlog increased 7 percent (5 percent in local currencies) compared to 2011. Although global economic conditions remained challenging, order backlog increased in 2012 in the Discrete Automation and Motion division. While the Low Voltage Products division grew, a substantial portion of the increase in the order backlog was due to Thomas & Betts. The order backlog in the Process Automation division grew on orders from the mining as well as the oil and gas sectors. The order backlog in the Power Products division grew in all businesses in 2012 while the Power Systems division also increased its order backlog despite a lower level of large orders.

Revenues

				% Change	
($ in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Discrete Automation and Motion	9,915	9,405	8,806	5%	7%
Low Voltage Products	7,729	6,638	5,304	16%	25%
Process Automation	8,497	8,156	8,300	4%	(2)%
Power Products	11,032	10,717	10,869	3%	(1)%
Power Systems	8,375	7,852	8,101	7%	(3)%
Operating divisions	**45,548**	**42,768**	**41,380**	**7%**	**3%**
Corporate and Other[1]	(3,700)	(3,432)	(3,390)	n.a.	n.a.

Total	**41,848**	**39,336**	**37,990**	**6%**	**4%**

(1) Includes interdivisional eliminations

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Revenues in 2013 increased 6 percent (7 percent in local currencies) due primarily to execution from prior year's high order backlog and due to the impact of including Thomas & Betts for the full year in 2013.

Revenues rose 5 percent (5 percent in local currencies) in the Discrete Automation and Motion division as the Robotics business grew for the fourth consecutive year. In the Low Voltage Products division, revenues grew 16 percent (16 percent in local currencies) as most businesses recorded higher revenues, and due to the impact of including Thomas & Betts for the full year in 2013. Revenues in the Process Automation division, were 4 percent (5 percent in local currencies) higher in 2013, supported by the execution of orders from the 2012 order backlog, especially in the marine, mining, and oil and gas sectors. Revenues in the Power Products division increased 3 percent (3 percent in local currencies), as all businesses reported higher revenues, assisted by strong order execution from the 2012 order backlog. In the Power Systems division, revenues increased 7 percent (8 percent in local currencies) on execution from the 2012 order backlog, led by the Power Generation and Grid Systems businesses.

In 2012, revenues increased 4 percent (7 percent in local currencies) based on a solid order level recorded in the previous year, as well as on the impact of Thomas & Betts. Excluding Thomas & Betts, revenues were steady, decreasing 1 percent despite a difficult economic environment (increase of 3 percent in local currencies).

In 2012, revenues rose 7 percent (10 percent in local currencies) in the Discrete Automation and Motion division, as the Robotics business continued to grow at a double-digit rate. In the Low Voltage Products division, revenues grew 25 percent (29 percent in local currencies); excluding Thomas & Betts, revenues decreased 4 percent (stable in local currencies) following double-digit growth in 2011. Revenues in the Process Automation division were 2 percent lower but increased 2 percent in local currencies supported by demand from oil and gas related sectors, while revenues declined in other businesses such as Turbochargers and Full Service. Revenues in the Power Products division declined 1 percent (increased 2 percent in local currencies) impacted by lower revenues from the Transformers business. In the Power Systems division, revenues were 3 percent lower but increased 2 percent in local currencies, as orders recorded in the previous year were executed and translated into revenues.

We determine the geographic distribution of our revenues based on the location of the customer, which may be different from the ultimate destination of the products' end use. The geographic distribution of our consolidated revenues was as follows:

				% Change	
($ in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Europe	14,385	14,073	14,657	2%	(4)%
The Americas	12,115	10,699	9,043	13%	18%
Asia	11,230	10,750	10,136	4%	6%
Middle East and Africa	4,118	3,814	4,154	8%	(8)%
Total	**41,848**	**39,336**	**37,990**	**6%**	**4%**

In 2013, revenues in Europe increased 2 percent (flat in local currencies) with higher revenues in all divisions except Power Systems. Revenue increases in Sweden, Norway, United Kingdom, Finland, France and the Netherlands more than offset revenue declines in Germany, Italy, Switzerland and Spain. Revenues from the Americas increased 13 percent (15 percent in local currencies) with higher revenues in all five divisions, and from the impact of including Thomas & Betts for the full year in 2013. Revenues increased at a double-digit rate in the U.S., Canada and Brazil, the main markets in this region. Revenues from Asia increased 4 percent (6 percent in local currencies) with stable or higher revenues in all divisions except Power Products. The revenue increase in Asia was due to higher

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revenues from the Low Voltage Products division, as well as the successful execution, in the Process Automation division, of marine orders for the oil and gas sector in China and South Korea. In India revenues grew moderately. Revenues in MEA grew by 8 percent (11 percent in local currencies) primarily from increases in the Power Products division, while revenues from the oil and gas sector declined. Saudi Arabia, South Africa and Iraq recorded significant revenue increases.

In 2012, revenues in Europe decreased 4 percent (increased 2 percent in local currencies), despite growth in the Discrete Automation and Motion division, as the other divisions recorded lower revenues. Growth in Germany, Sweden, Norway and the United Kingdom was offset by declines in Italy, France and Spain. Revenues from the Americas increased 18 percent (20 percent in local currencies and 4 percent, in local currencies, excluding Thomas & Betts) on higher industrial demand for the automation divisions. The U.S. grew 25 percent (8 percent excluding Thomas & Betts), while Brazil recorded lower revenues than in the previous year. Revenues from Asia increased 6 percent (8 percent in local currencies) on growth in all divisions. Within this region, revenues in South Korea grew on the execution of large marine orders, while China recorded stable revenues and India recorded lower revenues. Revenues in MEA declined 8 percent (5 percent in local currencies) on lower revenues generated in the power and the oil and gas sectors in the region.

Cost of sales

Cost of sales consists primarily of labor, raw materials and component costs but also includes indirect production costs, expenses for warranties, contract and project charges, as well as order-related development expenses incurred in connection with projects for which corresponding revenues have been recognized.

In 2013, cost of sales increased 7 percent (8 percent in local currencies) to $29,856 million. As a percentage of revenues, cost of sales increased from 71.1 percent in 2012 to 71.3 percent in 2013. Despite margin improvements in the Low Voltage Products division, cost of sales as a percentage of revenues increased due to a negative business mix and margin reductions on the execution of lower margin orders from the backlog in the Power Products division. Furthermore, additional negative impacts from project-related charges in the Power Systems division were recorded. Cost of sales as a percentage of service revenues decreased due to productivity gains and a positive business mix.

In 2012, cost of sales increased 5 percent (9 percent in local currencies) to $27,958 million. Excluding the impact from Thomas & Betts, cost of sales increased 1 percent (5 percent in local currencies). As a percentage of revenues, cost of sales increased to 71.1 percent from 69.9 percent in 2011. Higher cost of sales as a percentage of revenues is the result of price erosion on the execution of order backlog, an unfavorable business mix arising from a higher proportion of revenues generated from lower margin types of businesss, margin erosion in certain projects and charges associated with repositioning the Power Systems division. Such cost increases were partly compensated by cost saving initiatives.

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Selling, general and administrative expenses

The components of selling, general and administrative expenses were as follows:

($ in millions)	2013	2012	2011
Selling expenses	4,071	3,862	3,533
Selling expenses as a percentage of orders received	*10.5%*	*9.6%*	*8.8%*
General and administrative expenses	2,023	1,894	1,840
General and administrative expenses as a percentage of revenues	*4.8%*	*4.8%*	*4.8%*
Total selling, general and administrative expenses	**6,094**	**5,756**	**5,373**
Total selling, general and administrative expenses as a percentage of revenues	*14.6%*	*14.6%*	*14.1%*
Total selling, general and administrative expenses as a percentage of the average of orders received and revenues	*15.1%*	*14.5%*	*13.7%*

In 2013, selling expenses increased 5 percent (5 percent in local currencies) mainly due to the increase in the number of sales-related employees added in certain key markets.

In 2012, selling expenses increased 9 percent (14 percent in local currencies); excluding Thomas & Betts, selling expenses increased 4 percent (9 percent in local currencies) compared to 2011. The increase in selling expenses in 2012 was mainly driven by additional sales force employees to develop new markets and implement sales and marketing programs in order to secure market positions in a competitive environment.

In 2013, general and administrative expenses increased 7 percent (7 percent in local currencies) driven partly by the incremental costs of newly-acquired companies and investment in information technology infrastructure. However, general and administrative expenses as a percentage of revenues, remained unchanged.

In 2012, general and administrative expenses increased 3 percent (6 percent in local currencies). Excluding Thomas & Betts, general and administrative expenses declined 5 percent (2 percent in local currencies), reflecting tighter cost control throughout the organization. As a percentage of revenues, general and administrative expenses remained unchanged.

In 2013, selling, general and administrative expenses increased 6 percent (6 percent in local currencies). As a percentage of the average of orders and revenues, selling, general and administrative expenses increased 0.6 percentage-points to 15.1 percent, primarily due to the decrease in orders received and increased selling expenses (explained above).

In 2012, selling, general and administrative expenses increased 7 percent (11 percent in local currencies). Excluding Thomas & Betts, selling, general and administrative expenses increased 1 percent (5 percent in local currencies). As a percentage of the average of orders and revenues, selling, general and administrative expenses increased 0.8 percentage-points to 14.5 percent as orders intake was flat.

Non-order related research and development expenses

In 2013, non-order related research and development expenses remained flat (declined 1 percent in local currencies).

In 2012, non-order related research and development expenses increased 7 percent (11 percent in local currencies), mainly due to increased research and development activities, as well as to the incremental costs of newly-acquired companies.

Non-order related research and development expenses as a percentage of revenues decreased to 3.5 percent in 2013, after increasing slightly to 3.7 percent in 2012 from 3.6 percent in 2011.

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Other income (expense), net

($ in millions)	2013	2012	2011
Restructuring and restructuring-related expenses[1]	(45)	(54)	(26)
Net gains on sale of assets	15	28	40
Asset impairments	(29)	(111)	(29)
Income from equity-accounted companies and other income (expense)	18	37	(8)
Total	**(41)**	**(100)**	**(23)**

(1) Excluding asset impairments

"Other income (expense), net" primarily includes certain restructuring and restructuring-related expenses, gains or losses from the sale of businesses and sale of property, plant and equipment, recognized asset impairments, as well as license income and our share of income or loss from equity-accounted companies. "Other income (expense), net" decreased to an expense of $41 million from $100 million in 2012, mostly due to the impact in 2012 of $87 million of impairments recognized for certain equity-method investments. "Other income (expense), net" increased to an expense of $100 million in 2012 from $23 million in 2011, due primarily to the $87 million of impairments recorded in 2012.

Income from operations

				% Change	
($ in millions)	2013	2012	2011	2013	2012
Discrete Automation and Motion	1,458	1,469	1,294	(1)%	14%
Low Voltage Products	1,092	856	904	28%	(5)%
Process Automation	990	912	963	9%	(5)%
Power Products	1,331	1,328	1,476		(10)%
Power Systems	171	7	548	n.a.	n.a.
Operating divisions	**5,042**	**4,572**	**5,185**	**10%**	**(12)%**
Corporate and Other	(650)	(524)	(542)	24%	(3)%
Intersegment elimination	(5)	10	24		
Total	**4,387**	**4,058**	**4,667**	**8%**	**(13)%**

In 2013 and 2012, changes in income from operations were a result of the factors discussed above and in the divisional analysis below.

Net interest and other finance expense

Net interest and other finance expense consists of "Interest and dividend income" offset by "Interest and other finance expense".

"Interest and other finance expense" includes interest expense on our debt, the amortization of upfront costs associated with our credit facility and our debt securities, commitment fees on our credit facility and exchange losses on financial items, offset by gains on marketable

securities and exchange gains on financial items.

($ in millions)	2013	2012	2011
Interest and dividend income	69	73	90
Interest and other finance expense	(390)	(293)	(207)
Net interest and other finance expense	**(321)**	**(220)**	**(117)**

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In 2013, "Interest and dividend income" declined compared to 2012, mainly resulting from lower cash and equivalents, and marketable securities and short-term investments balances during 2013.

In 2012, "Interest and dividend income" declined compared to 2011, due primarily to the impact of lower market interest rates for certain currencies, mainly the euro.

In 2013, "Interest and other finance expense" increased compared to 2012, mainly resulting from (i) the increase in interest expense, as bonds issued in 2012 were outstanding for a full year in 2013, and (ii) interest expense in 2012 included a release of provisions for expected interest due on certain income tax obligations, primarily due to the favorable resolution of a tax dispute see "Note 16 Taxes" to our Consolidated Financial Statements.

In 2012, "Interest and other finance expense" increased compared to 2011, primarily reflecting (i) higher interest expense due to higher debt (resulting from the issuance of bonds in 2012), partially offset by (ii) the impact of a net release of provisions for expected interest due on tax penalties, as described above.

Provision for taxes

($ in millions)	2013	2012	2011
Income from continuing operations, before taxes	4,066	3,838	4,550
Provision for taxes	(1,122)	(1,030)	(1,244)
Effective tax rate for the year	27.6%	26.8%	27.3%

The provision for taxes in 2013 included a net increase in valuation allowance on deferred taxes of $31 million, as we determined it was not more likely than not that such deferred tax assets would be realized. This amount included an expense of $104 million related to certain of our operations in Central Europe and South America. It also included a benefit of $42 million related to certain of our operations in Central Europe.

The provision for taxes in 2012 included a net increase in valuation allowance on deferred taxes of $44 million, as we determined it was not more likely than not that such deferred tax assets would be realized. This amount included $36 million related to certain of our operations in Central Europe.

The provision for taxes in 2011 included the net reduction in valuation allowance on deferred taxes of approximately $22 million, as we determined it was more likely than not that such deferred tax assets would be realized.

The provision for taxes in 2013, 2012 and 2011, also included tax credits, arising in foreign jurisdictions, for which the technical merits did not allow a benefit to be taken.

Income from continuing operations, net of tax

As a result of the factors discussed above, income from continuing operations, net of tax, increased $136 million to $2,944 million in 2013 compared to 2012, and decreased $498 million to $2,808 million in 2012 compared to 2011.

Income (loss) from discontinued operations, net of tax

The loss (net of tax) from discontinued operations for 2013 related primarily to provisions for certain environmental obligations. The income from discontinued operations, net of tax, for 2012 and 2011 was not significant.

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Net income attributable to ABB

As a result of the factors discussed above, net income attributable to ABB increased $83 million to $2,787 million in 2013 compared to 2012, and decreased $464 million to $2,704 million in 2012 compared to 2011.

Earnings per share attributable to ABB shareholders

(in $)	2013	2012	2011
Income from continuing operations, net of tax:			
Basic	1.23	1.18	1.38
Diluted	1.23	1.18	1.38
Net income attributable to ABB:			
Basic	1.21	1.18	1.38
Diluted	1.21	1.18	1.38

Basic earnings per share is calculated by dividing income by the weighted-average number of shares outstanding during the year. Diluted earnings per share is calculated by dividing income by the weighted-average number of shares outstanding during the year, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise: outstanding written call options; outstanding options and shares granted subject to certain conditions under our share-based payment arrangements. See "Note 20 Earnings per share" to our Consolidated Financial Statements.

Divisional analysis

Discrete Automation and Motion

The financial results of our Discrete Automation and Motion division were as follows:

				% Change	
($ in millions)	2013	2012	2011	2013	2012
Orders	9,771	9,625	9,566	2%	1%
Order backlog at December 31,	4,351	4,426	4,120	(2)%	7%
Revenues	9,915	9,405	8,806	5%	7%
Income from operations	1,458	1,469	1,294	(1)%	14%
Operational EBITDA	1,783	1,735	1,664	3%	4%

Orders

Orders in 2013 were up 2 percent (2 percent in local currencies) as both the growth in orders in our Robotics business and the impact of including Power-One (acquired July 2013) were partly offset by decreases in orders in our Motors and Generators business. Orders were negatively impacted by weak industrial demand in mature markets and reduced growth rates in emerging markets compared to 2012. In the Robotics business, strong demand from the automotive sector generated high levels of orders, while orders in the Motors and Generators business were lower due to weak market demand for industrial motors. In addition, orders increased due to large orders received from rail customers in our Power Conversion business. Orders in the Drives and Controls business were steady compared to 2012.

In 2012, orders were flat (up 4 percent in local currencies) due to slower industrial growth globally in a more challenging macroeconomic environment. Lower demand from the renewable energy sector was offset by increased volumes from large orders in other sectors. The highest growth was achieved in the Robotics business due to several larger automotive orders. Growth was also recorded in our Motors and Generators business.

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The geographic distribution of orders for our Discrete Automation and Motion division was as follows:

(in %)	2013	2012	2011
Europe	38	37	37
The Americas	32	34	32
Asia	27	26	28
Middle East and Africa	3	3	3
Total	**100**	**100**	**100**

In 2013, the geographic distribution of our orders remained similar to 2012. Large orders in the Robotics business contributed to the increase in the share of orders from Asia, while fewer large orders were received in the Americas, reducing its share. In addition, the weak demand for motors in the U.S. also reduced the share of orders from the Americas. The share of orders from Europe increased slightly due to several larger traction orders in our Power Conversion business.

In 2012, the share of orders in the Americas increased due to double-digit growth in South America, as well as single-digit growth in North America. The share of orders in Europe was unchanged compared to 2011, as double-digit growth in the United Kingdom and Finland was offset by a decline in Germany and Spain. The share in Asia declined due to slower industrial growth and the weakening of the renewable energy business. Orders from MEA showed double-digit growth while its share of total orders remained at the same level, compared to 2011, as orders in other regions also increased.

Order backlog

Order backlog in 2013 was 2 percent lower (1 percent in local currencies) compared to 2012, as both an increase in order backlog in Robotics and the increase in order backlog from acquiring Power-One were offset by a decrease in order backlog in the Drives and Controls, and Motors and Generators businesses.

Order backlog in 2012 grew 7 percent (6 percent in local currencies) as the order intake from large orders increased in our Robotics and Motors and Generators businesses, which have a longer execution time.

Revenues

In 2013, revenues increased 5 percent (5 percent in local currencies) due to the impact of including Power-One as well as growth in the Robotics and Drives and Controls businesses. However, revenue decreases in the Motors and Generator business lowered the overall growth rate of the division.

In 2012, revenues grew 7 percent (6 in local currencies) due to higher execution from the backlog in the Robotics business as well as in the Drives and Controls business. The Motors and Generators business reported single-digit growth in revenues compared to 2011.

The geographic distribution of revenues for our Discrete Automation and Motion division was as follows:

(in %)	2013	2012	2011
Europe	39	37	38
The Americas	32	33	32
Asia	26	27	27
Middle East and Africa	3	3	3
Total	**100**	**100**	**100**

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In 2013, Europe's share of total revenues increased as several large projects were executed from the 2012 order backlog. Revenue growth was achieved in Sweden, Norway, Italy, Finland and Switzerland. The share of the Americas decreased as revenue growth in Brazil and Canada was offset by a revenue decrease in the U.S. Asia's share of revenues declined as revenues in India, Australia and South Korea were lower than 2012, while China recorded moderate growth.

In 2012, the share of revenues from the Americas increased due to higher orders. Revenues in Europe grew due to the solid execution of the order backlog but Europe's share was lower as revenues in the other regions grew faster. Asia achieved single-digit revenue growth but its share remained at the same level as 2011, as the revenues in other regions grew faster.

Income from operations

In 2013, income from operations was stable compared to 2012. The benefit of higher revenues was offset by a reduction in operating margins, primarily due to changes in product mix. In addition, higher depreciation expense, the costs of acquiring Power-One and higher restructuring-related costs compared with 2012, negatively impacted income from operations in 2013. Depreciation and amortization increased to $285 million in 2013, mainly due to the acquisition of Power-One.

In 2012, income from operations grew 14 percent compared to 2011, mainly due to higher revenues. The increase was primarily due to increases in the Robotics and Motors and Generators businesses. Acquisition-related expenses and certain non-operational items in 2012, of $8 million, were mainly transaction costs relating to the acquisition of Newave in Switzerland. Such acquisition-related expenses were substantially lower than the $90 million recorded in 2011, which included expenses related to the acquisition of Baldor. Depreciation and amortization increased to $263 million in 2012, mainly due to the acquisition of Newave.

Operational EBITDA

The reconciliation of income from operations to Operational EBITDA for the Discrete Automation and Motion division was as follows:

($ in millions)	**2013**	**2012**	**2011**
Income from operations	**1,458**	**1,469**	**1,294**
Depreciation and amortization	285	263	251
Restructuring and restructuring-related expenses	19	(4)	10
Acquisition-related expenses and certain non-operational items	33	8	90
FX/commodity timing differences in income from operations	(12)	(1)	19
Operational EBITDA	**1,783**	**1,735**	**1,664**

In 2013, Operational EBITDA increased 3 percent compared to 2012, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

In 2012, Operational EBITDA increased 4 percent compared to 2011, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

Fiscal year 2014 outlook

The uncertainty around the growth prospects in Europe and North America affects our business forecast. Orders and revenues are expected to grow in 2014, especially in emerging markets. We expect that the need for improved energy efficiency and productivity in a wide range of industries will

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continue to support the demand for automation solutions and energy-efficient products provided by the Discrete Automation and Motion division.

Low Voltage Products

The financial results of our Low Voltage Products division were as follows:

				% Change	
($ in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Orders	7,696	6,720	5,364	15%	25%
Order backlog at December 31,	1,057	1,117	887	(5)%	26%
Revenues	7,729	6,638	5,304	16%	25%
Income from operations	1,092	856	904	28%	(5)%
Operational EBITDA	1,468	1,219	1,059	20%	15%

Orders

Orders increased 15 percent (14 percent in local currencies) in 2013, driven primarily by the impact of including Thomas & Betts for the full year in 2013. In addition, orders grew moderately in most product businesses, while in the systems business orders decreased.

Order growth in 2012 of 25 percent (29 percent in local currencies) was driven by the contribution from Thomas & Betts, which was acquired in May 2012. Excluding Thomas & Betts, orders decreased 4 percent (flat in local currencies). There was moderate growth in the systems business, while the product businesses decreased.

The geographic distribution of orders for our Low Voltage Products division was as follows:

(in %)	**2013**	**2012**	**2011**
Europe	39	43	55
The Americas	32	26	9
Asia	22	24	28
Middle East and Africa	7	7	8
Total	**100**	**100**	**100**

In 2013, the share of orders from the Americas increased and the share of orders from both Europe and Asia decreased, due primarily to the impact of including Thomas & Betts for the full year in 2013, which operates primarily in the U.S. and Canada.

In 2012, orders in North America increased significantly due to Thomas & Betts, resulting in a more balanced geographic distribution of orders worldwide. Excluding Thomas & Betts, orders increased in Northern Europe and South Asia, but at the same time the division faced weaker demand in industrial and construction sectors in several of ABB's largest markets, such as Central and Southern Europe.

Order backlog

In 2013, order backlog decreased 5 percent (4 percent in local currencies), driven mainly by certain product businesses.

Excluding Thomas & Betts, order backlog increased 5 percent (4 percent in local currencies) in 2012. The higher backlog was driven by both product and systems businesses.

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Revenues

In 2013, revenues increased 16 percent (16 percent in local currencies) primarily due to the impact of including Thomas & Betts for the full year in 2013. In addition, revenues grew in our product businesses, while revenues were lower in the systems business.

In 2012, revenues increased 25 percent (29 percent in local currencies). Excluding Thomas & Betts, revenues decreased 4 percent (flat in local currencies), as lower revenues from the product businesses were not fully offset by increased systems business revenues.

The geographic distribution of revenues for our Low Voltage Products division was as follows:

(in %)	2013	2012	2011
Europe	39	43	56
The Americas	33	26	9
Asia	22	24	28
Middle East and Africa	6	7	7
Total	**100**	**100**	**100**

In 2013, the share of revenues from the Americas increased and the share of revenues from both Europe and Asia decreased, due primarily to the impact of including Thomas & Betts for the full year in 2013.

In 2012, the share of revenues from the Americas increased significantly due to Thomas & Betts. Excluding Thomas & Betts, the geographical distribution of revenue reflects the weaker demand in certain key markets, such as Central and Southern Europe.

Income from operations

In 2013, income from operations increased 28 percent, due mainly to the impact of including Thomas & Betts for the full year in 2013 and also due to the inclusion in 2012 of $106 million of acquisition-related expenses and certain non-operational items (which mainly included certain employee-related expenses and transaction costs for Thomas & Betts). Depreciation and amortization of $323 million was higher than in 2012, due primarily to including Thomas & Betts for a full year. In addition, the change in geographic distribution of revenues in 2013, as well as a different revenue mix between products and systems, increased profitability.

In 2012, income from operations decreased 5 percent due to an increased proportion of revenues from the lower margin systems business, and lower volumes in certain key markets partly offset by the benefits from including Thomas & Betts. Excluding Thomas & Betts, income from operations decreased 10 percent. Acquisition-related expenses and certain non-operational items of $106 million negatively impacted income from operations. Depreciation and amortization of $250 million was substantially higher in 2012, compared to 2011 ($116 million), due to Thomas & Betts.

Operational EBITDA

The reconciliation of income from operations to Operational EBITDA for the Low Voltage Products division was as follows:

($ in millions)	2013	2012	2011
Income from operations	**1,092**	**856**	**904**
Depreciation and amortization	323	250	116
Restructuring and restructuring-related expenses	31	23	20
Acquisition-related expenses and certain non-operational items	16	106	
FX/commodity timing differences in income from operations	6	(16)	19
Operational EBITDA	**1,468**	**1,219**	**1,059**

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In 2013, Operational EBITDA increased 20 percent compared to 2012, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

In 2012, Operational EBITDA increased 15 percent compared to 2011, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above. Excluding Thomas & Betts, Operational EBITDA declined 11 percent.

Fiscal year 2014 outlook

The outlook for 2014 continues to be uncertain, despite some positive early cycle macroeconomic signs. In emerging markets trends are improving but the level of growth depends on the strength of the economic development. Some key markets in Europe remain challenging, including the Mediterranean countries.

Process Automation

The financial results of our Process Automation division were as follows:

				% Change	
($ in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Orders	8,000	8,704	8,726	(8)%	
Order backlog at December 31,	5,772	6,416	5,771	(10)%	11%
Revenues	8,497	8,156	8,300	4%	(2)%
Income from operations	990	912	963	9%	(5)%
Operational EBITDA	1,096	1,003	1,028	9%	(2)%

Orders

Orders in 2013 declined 8 percent (8 percent in local currencies), reflecting the response of our customers to ongoing economic uncertainty. Order declines were primarily due to reductions in large orders as tender activity for major expansion projects decreased across most sectors. Orders during the year largely reflected customer investment in productivity improvements for existing assets rather than investment in capacity expansion. Orders from the oil and gas and marine sectors remained strong but were lower than in 2012, while orders from metals and pulp and paper customers decreased.

Despite economic uncertainty across many parts of the world, orders in 2012 reached the same level as 2011 (increased 4 percent in local currencies) driven by key markets in marine, mining, and oil and gas. Orders from pulp and paper, and metals sectors were weaker however, especially in Europe, China and India. Certain short-cycle product businesses, such as Measurement Products, also recorded lower volumes in the second half of the year.

The geographic distribution of orders for our Process Automation division was as follows:

(in %)	**2013**	**2012**	**2011**
Europe	37	37	39
The Americas	23	25	23
Asia	31	27	30
Middle East and Africa	9	11	8
Total	**100**	**100**	**100**

In 2013, the share of orders from Asia grew while declining in the Americas and MEA. In Asia, the increase was primarily from China, where higher orders were mainly driven by the marine sector

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while the mining sector remained weak. South Korea also remained strong in the marine sector. In Europe, the offshore oil and gas market in the North Sea continued to see capital investments based on current high oil prices and improving reservoir assessment technology. The European shipbuilding sector also saw renewed activity, although economic constraints such as overcapacity and the lack of financing have affected this sector. Overall, Europe, with the same share of orders as in 2012, had a moderate decrease in orders, although still at high levels. Orders in the Americas were impacted by a reduction in investments made by the mining sector, while the MEA region decreased primarily due to a reduction in large orders received from the oil and gas sector.

Growth in 2012 was driven by the MEA region and the Americas, while Europe retained its high share of total orders. Growth in MEA was driven by several oil and gas investments across the region, as well as harbor cranes investments in the United Arab Emirates and a mining investment in Mozambique. In the Americas, South America recorded the strongest growth, driven by several mining investments in Chile and Peru, as well as a large marine order in Brazil. North America also continued to be strong, largely driven by mining investments in Canada. Growth in Europe was overall low, as growth in Central Europe, driven by the marine and cranes sector, was offset by declines in Northern Europe. Asia recorded lower orders as the historically high activity level in the South Korean marine sector in 2011 was not repeated, while China grew moderately.

Order backlog

Order backlog at December 31, 2013, was 10 percent lower (8 percent in local currencies) than in 2012, reflecting the impact of a reduction in order intake during the year.

Order backlog at December 31, 2012, was 11 percent higher (8 percent in local currencies) than in 2011. Order backlog growth was largely driven by our Marines and Cranes, Mining, and Oil, Gas and Petrochemical businesses.

Revenues

Although orders decreased in 2013, revenues were 4 percent higher than 2012 (5 percent in local currencies) as we executed on projects in the order backlog from 2012. Revenue growth resulted primarily from the systems businesses, particularly in the marine and mining sectors. The Oil, Gas and Petrochemical business also recorded modest growth, while revenues declined in the Paper, Metals & Cement business. Revenues in our product businesses grew moderately, particularly in Measurement Products and Control Technologies. Life-cycle services also showed modest growth.

In 2012, revenues were down 2 percent (up 2 percent in local currencies) compared to 2011. We continued to execute from a strong order backlog. Revenue growth was led by the systems business, where the marine, and pulp and paper sectors recorded strong growth, while the metals and minerals sectors were lower. Our Oil, Gas, and Petrochemical business was flat. Product businesses grew moderately, where growth in our Measurement Products business was offset by a decline in our Turbo Products business. Life-cycle services continued to be strong and recorded a moderate growth, while our Full Service business was down, as we continued to refocus our portfolio towards higher value-added activities.

The geographic distribution of revenues for our Process Automation division was as follows:

(in %)	**2013**	**2012**	**2011**
Europe	36	37	39
The Americas	24	23	22
Asia	32	30	27
Middle East and Africa	8	10	12
Total	**100**	**100**	**100**

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In 2013, revenues grew across most regions. The share of revenues from Asia increased as revenues grew in South Korea and China with high demand from the marine sector, while in Australia revenues grew in the oil and gas and mining sectors. The share of revenues from the Americas also increased as revenues grew primarily in South America, driven by the mining sector in Chile and Peru, while revenue levels in North America were maintained. Although the share of revenues from Europe decreased, revenues from Europe increased, mainly from higher revenues in the oil and gas sector in Northern Europe, while the rest of Europe was slightly lower. The share of revenues from MEA was lower primarily due to the timing of large projects in Africa.

In 2012, revenue growth was led by Asia and the Americas. In Asia, strong growth was recorded in South Korea, driven by the Marine business, as well as growth in Singapore and Australia. China and India however declined. In the Americas, revenue growth was driven by the mining sector in Chile, as well as the oil and gas sector in Canada. Europe's share of revenues decreased, although still at high levels, as growth in the Oil and Gas, and Marine businesses in Northern Europe was offset by lower growth in Central Europe.

Income from operations

In 2013, income from operations increased primarily due to higher revenues, as well as a favorable product mix resulting from stronger growth rates in our higher-margin businesses. Improved project execution in the systems businesses and strict cost control also contributed to the increase.

In 2012, income from operations declined slightly compared to the previous year. The biggest driver for the decline was lower profitability in the Turbocharging business which was impacted by difficult market conditions, as well as $20 million additional restructuring expenses to further align our business structure to prevailing market conditions. Most of the restructuring expenses were recorded in the Turbocharging and Full Service businesses, as well as the Paper Metals and Cement businesses. In the systems business, the margin was on the same level as in 2011, while in the services business, life-cycle services continued to be strong and achieved a higher margin.

Operational EBITDA

The reconciliation of income from operations to Operational EBITDA for the Process Automation division was as follows:

($ in millions)	**2013**	**2012**	**2011**
Income from operations	**990**	**912**	**963**
Depreciation and amortization	87	82	83
Restructuring and restructuring-related expenses	31	28	8
Acquisition-related expenses and certain non-operational items	(6)	2	
FX/commodity timing differences in income from operations	(6)	(21)	(26)
Operational EBITDA	**1,096**	**1,003**	**1,028**

In 2013, Operational EBITDA increased 9 percent compared to 2012, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

In 2012, Operational EBITDA declined slightly compared to 2011, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

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Fiscal year 2014 outlook

The outlook for 2014 is mixed and is industry dependent. The oil and gas industry is expected to be one key source of growth, not only because demand is expected to remain high and continue to grow, but also because new technologies (such as hydraulic fracturing) and new challenges (such as subsea automation) will drive capital expenditure. However, the mining and metals industry suffers from both overcapacity and increasing exploration cost. The pulp and paper industry has invested in fiber production during last two years, however future growth in this industry is expected to be limited.

Power Products

The financial results of our Power Products division were as follows:

				% Change	
($ in millions)	**2013**	**2012**	**2011**	**2013**	**2012**
Orders	10,459	11,040	11,068	(5)%	
Order backlog at December 31,	7,946	8,493	8,029	(6)%	6%
Revenues	11,032	10,717	10,869	3%	(1)%
Income from operations	1,331	1,328	1,476		(10)%
Operational EBITDA	1,637	1,585	1,782	3%	(11)%

Orders

In 2013, orders decreased 5 percent (5 percent in local currencies), as a result of a challenging market environment and restrained investment by power utilities. Although demand in the industrial and distribution sectors continued to offer opportunities, order intake was affected by lower demand in the power transmission sector.

In 2012, order intake was maintained at the level of 2011 (increased 3 percent in local currencies) despite challenging economic and market conditions. Order intake was driven by steady demand in the industrial and distribution sectors and selective investments in the power transmission sector.

The geographic distribution of orders for our Power Products division was as follows:

(in %)	**2013**	**2012**	**2011**
Europe	31	33	32
The Americas	28	27	26
Asia	29	29	33
Middle East and Africa	12	11	9
Total	**100**	**100**	**100**

In 2013, the higher share of orders from MEA reflected continued development of power infrastructure in the region. The share of the Americas was steady, mainly driven by distribution upgrades. Asia maintained its share of total orders with China showing growth while Australia declined, as demand from industrial customers was lower, especially the mining sector. Europe's share of orders declined, reflecting the current market uncertainty.

In 2012, the share of orders from MEA increased as a result of power transmission infrastructure orders. The share of the Americas was driven by grid upgrades in North America and capacity-related investments in South America. Asia's share declined in comparison to 2011 which included a large order in China. Europe was steady despite continued economic challenges restraining large scale investments.

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Order backlog

In 2013, order backlog decreased 6 percent (5 percent in local currencies) compared to 2012. This resulted from lower order intake (described above) and the higher revenues executed from the 2012 backlog.

In 2012, order backlog increased 6 percent (4 percent in local currencies) compared to 2011. The increase was mainly driven by transmission orders, which have a longer order-to-revenue conversion cycle, and steady base orders.

Revenues

In 2013, revenues increased 3 percent (3 percent in local currencies), mainly reflecting the execution of the 2012 order backlog. This included the execution of orders with longer lead times, as well as higher revenues from industries typically having a shorter lead time, such as the distribution and industry sectors. Service revenues continued to grow but represented the same share of total division revenues as in 2012.

In 2012, revenues decreased 1 percent (increased 2 percent in local currencies), reflecting the timing of order backlog conversion and market conditions. Revenues from distribution- and industry-related sectors were steady while the decrease in transmission-related volumes reflected the order backlog conversion. Service revenues grew and represented an increased share of total division revenues.

The geographic distribution of revenues for our Power Products division was as follows:

(in %)	2013	2012	2011
Europe	32	32	34
The Americas	27	27	27
Asia	30	32	30
Middle East and Africa	11	9	9
Total	**100**	**100**	**100**

In 2013, the shares of revenues from both the Americas and Europe remained unchanged, reflecting the current economic environment. The share of revenues from Asia fell as revenues in certain key markets decreased slightly compared to 2012. The increase in the share of revenues from MEA was primarily driven by revenue increases in Saudi Arabia.

In 2012, Asia increased its share of revenues reflecting the timing of order execution. The share of Europe declined due to continued economic uncertainty and selective capital investments by customers. The Americas maintained its share of revenues due to higher demand in the U.S.

Income from operations

In 2013, income from operations was at the same level as 2012, as benefits from higher revenues were mostly offset by higher non-operational charges and higher depreciation and amortization. Operating margins were maintained as price pressure from lower margin orders in the backlog was largely offset by cost savings. In 2013, the gains from FX/commodity derivative timing differences were lower than in 2012. Restructuring-related expenses were at the same level as 2012.

In 2012, income from operations was lower than in 2011, primarily reflecting the execution of lower-margin order backlog as a result of pricing pressure. Cost saving initiatives helped to partially reduce the impact, as did a positive effect from FX/commodity timing differences and slightly lower restructuring and restructuring-related expenses.

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Operational EBITDA

The reconciliation of income from operations to Operational EBITDA for the Power Products division was as follows:

($ in millions)	2013	2012	2011
Income from operations	**1,331**	**1,328**	**1,476**
Depreciation and amortization	223	209	200
Restructuring and restructuring-related expenses	66	65	70
Acquisition-related expenses and certain non-operational items	19	1	
FX/commodity timing differences in income from operations	(2)	(18)	36
Operational EBITDA	**1,637**	**1,585**	**1,782**

In 2013, Operational EBITDA increased 3 percent compared to 2012, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

In 2012, Operational EBITDA decreased 11 percent compared to 2011, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

Fiscal year 2014 outlook

Utility transmission and distribution investments continue to be restrained, based on the overall macroeconomic environment, as industrial growth varies across geographies and markets. Emerging markets are selectively investing in infrastructure projects, while mature markets focus on upgrades and essentials driven by power reliability, efficiency and environmental concerns. Industrial investment remains largely focused in sectors such as oil and gas. The power transmission utility sector is still seeing selective project investments while distribution demand seems to be leveling out, driven by a deceleration in electricity consumption growth rates. The overall market remains competitive.

Power Systems

The financial results of our Power Systems division were as follows:

				% Change	
($ in millions)	2013	2012	2011	2013	2012
Orders	5,949	7,973	9,278	(25)%	(14)%
Order backlog at December 31,	9,435	12,107	11,570	(22)%	5%
Revenues	8,375	7,852	8,101	7%	(3)%
Income from operations	171	7	548	n.a.	n.a.
Operational EBITDA	419	290	743	44%	(61)%

Orders

Order intake in 2013 was 25 percent lower (25 percent lower in local currencies), as customers postponed investments and delayed the award of large orders. In addition, we increased our project selectivity and focused on higher-margin business as part of the division's strategic repositioning (announced in December 2012). Power infrastructure spending was restrained due to economic uncertainties in most regions, while transmission utilities continued to invest selectively, focusing on additional capacity in emerging markets while mature markets focused mainly on grid upgrades. Large orders in 2013 included a $110 million order for a HVDC converter station to facilitate the connection

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of the Lithuanian and Polish power grids, an $80 million order to power Canada's largest solar photovoltaic plant, and substation orders of $160 million in Kuwait to help strengthen the country's power grid and support its growing infrastructure. Continued price pressure, resulting from ongoing macroeconomic weakness in certain key geographical markets, also negatively impacted our order levels in 2013.

Order intake in 2012 decreased 14 percent (10 percent in local currencies), mainly due to a lower volume of large orders compared with 2011, which had included a $1 billion offshore wind farm order in Germany and an Ultrahigh Voltage Direct Current (UHVDC) power transmission order in India of around $900 million. The level of base orders was slightly lower than in 2011, with decreases in all businesses except Network Management where software orders increased. Large orders secured in 2012 included a $260 million converter station upgrade from the U.S. to improve power reliability in Oregon, a $170 million contract for a power link between an oil and gas field in the North Sea and the Norwegian grid, and multiple power infrastructure-related orders in Saudi Arabia and Iraq with a combined value of around $700 million. Mincom (an Australia-based software company specializing in solutions for mining and other asset-intensive industries, acquired in the third quarter of 2011) contributed $137 million to orders in 2012, compared with $47 million in 2011.

The geographic distribution of orders for our Power Systems division was as follows:

(in %)	2013	2012	2011
Europe	35	30	40
The Americas	25	31	17
Asia	17	18	27
Middle East and Africa	23	21	16
Total	**100**	**100**	**100**

In 2013, orders declined across all regions compared to 2012. The change in the geographic share of orders primarily reflects changes in the geographical locations of large orders received during 2013 compared to 2012. The order decrease in the Americas mainly resulted from the strong level of large orders in 2012. Regionally, the percentage of our orders from Europe was the highest, although both large and base orders were lower than in the previous year.

In 2012, the Americas was the largest region in terms of order intake, attributable to strong order growth in the U.S., Canada and Brazil. The order share of Europe decreased in 2012 compared with 2011, reflecting the $1 billion order in Germany booked in 2011. Growth in the MEA region was mainly driven by large orders in Saudi Arabia and Iraq. Asia's share of orders in 2012 was lower than in the previous year, mainly due to a lower level of large orders from India, where the $900 million order was booked in 2011.

Order backlog

Order backlog at December 31, 2013, was $9,435 million, a decrease of 22 percent (21 percent in local currencies) compared with 2012. Order backlog was impacted significantly by the lower level of large orders received in 2013, particularly the lack of very large project orders which typically have execution times stretching over several years.

Order backlog at December 31, 2012, reached a record level of $12,107 million, corresponding to an increase of 5 percent (2 percent in local currencies) compared with 2011.

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Revenues

Revenues in 2013 increased 7 percent (8 percent in local currencies), with growth in all businesses. The increase was achieved primarily through the execution of projects from the 2012 order backlog. The strong order backlog level at the beginning of 2013 provided the division a strong base from which to generate revenues in 2013 and more than compensated for the lower level of orders received in 2013.

Revenues in 2012 decreased 3 percent (increased 2 percent in local currencies), mainly reflecting the scheduled execution of our order backlog. Lower revenues in the Power Generation business could not be fully offset by revenue growth in our Network Management business. Revenues in the Grid Systems and Substations businesses were marginally down in U.S. dollar terms, but showed a small increase in local currencies. Revenues in 2012 included $138 million from Mincom.

The geographic distribution of revenues for the Power Systems division was as follows:

(in %)	2013	2012	2011
Europe	36	40	40
The Americas	23	19	20
Asia	20	19	18
Middle East and Africa	21	22	22
Total	**100**	**100**	**100**

The regional distribution of revenues reflects the geographical end-user markets of the projects we are executing, and consequently varies over time. In 2013, Europe remained the largest region in terms of revenues, despite a decrease in share of revenues compared to previous year. The higher share of revenues from the Americas was due primarily to execution in 2013 of projects from the 2012 order backlog in the U.S. and Brazil.

In 2012, Europe was the largest region in terms of revenues, partly reflecting the execution of offshore wind projects. The share of revenues from MEA was stable, despite a minor revenue decline in the region compared to 2011, caused by a revenue decrease in the United Arab Emirates and Qatar which could only partly be compensated by growth in Saudi Arabia and Iraq. Revenues grew in Asia, mainly driven by Australia, while the Americas saw a drop due to the timing of execution of some projects in Brazil.

Income from operations

In 2013, income from operations increased to $171 million, from $7 million in 2012, due partly to the impacts on 2012 from the repositioning of the Power Systems division (announced in December 2012 and described below). Income from operations in 2013 was also negatively impacted by operational charges in the fourth quarter of approximately $260 million, a significant portion of which related to certain offshore wind projects, where severe winter storms in the North Sea caused time delays and increased costs. The remaining operational charges in the fourth quarter related to project cost increases in certain projects in other businesses. Restructuring-related expenses in 2013 of $101 million were higher than the $52 million in 2012, and included charges to adjust the size of certain operations in response to lower order intake. However, income from operations benefitted from the contribution of higher revenues and lower research and development spending. Additionally, cost savings from supply chain management and operational excellence activities helped mitigate the impact of price pressures in projects executed from the order backlog.

In 2012, income from operations decreased to $7 million. Income from operations was negatively impacted by the execution of lower margin projects from the order backlog, as well as charges totaling

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approximately $350 million relating to a repositioning of the Power Systems division. The $350 million included charges totaling approximately $100 million related to certain impairments and restructuring-related activities in connection with the closure of low value-adding contracting operations in a number of countries. However, overall, restructuring-related expenses in 2012 of $52 million were marginally lower than the amount recorded in 2011. An increase in sales expenses, as well as research and development spending, related mainly to the acquisitions of Mincom and Tropos Networks Inc. In addition to the impact from acquisitions, sales expenses were also affected by increased tender activity. The impact from lower prices on past orders, now flowing through to revenues, was mitigated by cost savings from supply chain management and operational excellence activities. Income from operations was also impacted by higher depreciation and amortization expenses of $174 million in 2012, compared to $144 million in 2011, mainly resulting from additional depreciation from the Mincom acquisition.

Operational EBITDA

The reconciliation of income from operations to Operational EBITDA for the Power Systems division was as follows:

($ in millions)	2013	2012	2011
Income from operations	171	7	548
Depreciation and amortization	183	174	144
Restructuring and restructuring-related expenses	101	52	54
Acquisition-related expenses and certain non-operational items	4	70	
FX/commodity timing differences in income from operations	(40)	(13)	(3)
Operational EBITDA	**419**	**290**	**743**

In 2013, Operational EBITDA increased 44 percent compared to 2012, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

In 2012, Operational EBITDA decreased 61 percent compared to 2011, primarily due to the reasons described under "Income from operations", excluding the explanations related to the reconciling items in the table above.

Fiscal year 2014 outlook

Fundamental market drivers for the Power Systems division remain intact; these include power infrastructure investments in emerging markets to add capacity, aging infrastructure upgrades in mature markets, a focus on renewables, energy efficiency, and the development of more reliable, flexible and smarter grids. There is, however, uncertainty in terms of the timing of investments, stemming from continued macroeconomic challenges in several economies, as well as ongoing project execution risks in line with the nature of the systems business.

Corporate and Other

Income from operations for Corporate and Other was as follows:

($ in millions)	2013	2012	2011
Corporate headquarters and stewardship	(372)	(341)	(342)
Corporate research and development	(187)	(192)	(202)
Corporate real estate	49	50	56
Other	(140)	(41)	(54)
Total Corporate and Other	**(650)**	**(524)**	**(542)**

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In 2013, Corporate headquarters and stewardship costs increased by $31 million, primarily due to increases in personnel expenses and additional investments in information systems infrastructure. In 2012, Corporate headquarters and stewardship costs were in line with 2011.

In 2013, Corporate research and development costs totaled $187 million, marginally lower than the costs reported in 2012. Corporate research and development costs decreased $10 million in 2012, as the amount spent on the growth fund was lower in 2012 than in 2011.

Corporate real estate primarily includes the income from property rentals and gains from the sale of real estate properties. In 2013, 2012 and 2011, income from operations in Corporate real estate includes gains of $23 million, $26 million, $37 million, respectively, from the sales of real estate property in various countries.

"Other" consists of operational costs of our Global Treasury Operations, operating income or loss in non-core businesses, and certain other charges. In 2013, "Other" included primarily certain legal compliance cases, certain environmental expenses, acquisition-related expenses, the loss on sale of a non-core business and the impairment of certain investments. In 2012, "Other" primarily included the release of a compliance-related provision, partially offset by a provision for certain pension claims in the U.S. and charges from the impairments of our investments in the shares of a public company. In 2011, "Other" included losses from the non-core distributed energy business in the United Kingdom, an impairment of our investment in the shares of a public company, as well as charges related to the deconsolidation of a Russian subsidiary and a sale of another Russian subsidiary.

Restructuring

Cost savings initiative

In 2013, 2012 and 2011, we executed cost saving measures to sustainably reduce ABB's costs and protect our profitability. Costs associated with these measures amounted to $252 million, $180 million and $164 million in 2013, 2012 and 2011, respectively. Estimated cost savings initiatives amounted to around $1.2 billion in 2013, and $1.1 billion in each of 2012 and 2011. These savings were achieved by optimizing global sourcing (excluding changes in commodity prices), through reductions to general and administrative expenses, as well as adjustments to our global manufacturing and engineering footprint.

LIQUIDITY AND CAPITAL RESOURCES

Principal sources of funding

In 2013, 2012 and 2011, we met our liquidity needs principally using cash from operations, proceeds from the issuance of debt instruments (bonds and commercial paper), short-term bank borrowings and the proceeds from sales of marketable securities.

During 2013, 2012 and 2011, our financial position was strengthened by the positive cash flow from operating activities of $3,653 million, $3,779 million and $3,612 million, respectively.

Our net debt is shown in the table below:

	December 31,	
($ in millions)	**2013**	**2012**
Cash and equivalents	6,021	6,875
Marketable securities and short-term investments	464	1,606
Short-term debt and current maturities of long-term debt	(453)	(2,537)
Long-term debt	(7,570)	(7,534)
Net debt (defined as the sum of the above lines)	**(1,538)**	**(1,590)**

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Net debt at December 31, 2013, decreased $52 million compared to December 31, 2012, as cash flows from operating activities during 2013 of $3,653 million were mostly offset by cash outflows for the payment of dividends ($1,667 million), the acquisition of businesses ($914 million, net of cash acquired), and purchases of property, plant and equipment ($1,106 million) during 2013. See "Financial Position", "Net cash used in investing activities" and "Net cash used in financing activities" for further details.

Our Group Treasury Operations is responsible for providing a range of treasury management services to our group companies, including investing cash in excess of current business requirements. At December 31, 2013 and 2012, the proportion of our aggregate "Cash and equivalents" and "Marketable securities and short-term investments" managed by our Group Treasury Operations amounted to approximately 55 percent and 65 percent, respectively.

Throughout 2013 and 2012, the investment strategy for cash (in excess of current business requirements) has been to predominantly invest in short-term time deposits with maturities of less than 3 months, supplemented at times by investments in corporate commercial paper, AAA-rated money market liquidity funds, and government securities, primarily in the U.S. With ongoing credit risk concerns in the eurozone economic area, we restrict bank exposures in the eurozone area. We continue to also restrict the counterparties with whom we are prepared to place cash and we limit our deposits with banks in the eurozone. We actively monitor credit risk in our investment portfolio and hedging activities. Credit risk exposures are controlled in accordance with policies approved by our senior management to identify, measure, monitor and control credit risks. We closely monitor developments in the credit markets and make appropriate changes to our investment policy as deemed necessary. The rating criteria we require for our counterparts have remained unchanged during 2013 (compared to 2012) as follows a minimum rating of A/A2 for our banking counterparts, while the minimum required rating for investments in short-term corporate paper is A-1/P-1. In addition to rating criteria, we have specific investment parameters and approved instruments as well as restricting the types of investments we make. These parameters are closely monitored on an ongoing basis and amended as we consider necessary.

We believe the cash flows generated from our business, supplemented, when necessary, through access to the capital markets (including short-term commercial paper) and our credit facilities are sufficient to support business operations, capital expenditures, business acquisitions, the payment of dividends to shareholders and contributions to pension plans. Due to the nature of our operations, our cash flow from operations generally tends to be weaker in the first half of the year than in the second half of the year. Consequently, we believe that our ability to obtain funding from these sources will continue to provide the cash flows necessary to satisfy our working capital and capital expenditure requirements, as well as meet our debt repayments and other financial commitments for the next 12 months. See "Disclosures about contractual obligations and commitments".

Debt and interest rates

Total outstanding debt was as follows:

	December 31,	
($ in millions)	**2013**	**2012**
Short-term debt including current maturities of long-term debt (including bonds)	453	2,537
Long-term debt:		
bonds (excluding portion due within one year)	7,414	7,380
other long-term debt	156	154
Total debt	**8,023**	**10,071**

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The decrease in short-term debt in 2013 was primarily due to the repayment at maturity of our EUR 700 million 4.625% Instruments due 2013 and the decrease in issued commercial paper ($100 million at December 31, 2013, compared to $1,019 million outstanding at December 31, 2012).

Our debt has been obtained in a range of currencies and maturities and on various interest rate terms. We use derivatives to reduce the interest rate exposures arising on certain of our debt obligations. For example, we use interest rate swaps to effectively convert fixed rate debt into floating rate liabilities. After considering the effects of interest rate swaps, the effective average interest rate on our floating rate long-term debt (including current maturities) of $2,211 million and our fixed rate long-term debt (including current maturities) of $5,389 million was 1.2 percent and 3.1 percent, respectively. This compares with an effective rate of 1.6 percent for floating rate long-term debt of $2,353 million and 3.1 percent for fixed-rate long-term debt of $6,187 million at December 31, 2012.

For a discussion of our use of derivatives to modify the interest characteristics of certain of our individual bond issuances, see "Note 12 Debt" to our Consolidated Financial Statements.

Credit facility

We have a $2 billion multicurrency revolving credit facility, maturing in 2015. No amount was drawn under this committed credit facility at December 31, 2013 and 2012. The facility is for general corporate purposes and serves as a back-stop facility to our commercial paper programs to the extent that we issue commercial paper under the programs described below. The facility contains cross-default clauses whereby an event of default would occur if we were to default on indebtedness, as defined in the facility, at or above a specified threshold.

The credit facility does not contain significant covenants that would restrict our ability to pay dividends or raise additional funds in the capital markets. For further details of the credit facility, see "Note 12 Debt" to our Consolidated Financial Statements.

Commercial paper

At December 31, 2013, we had in place three commercial paper programs:

- a $2 billion commercial paper program for the private placement of USD-denominated commercial paper in the United States,
- a $1 billion Euro-commercial paper program for the issuance of commercial paper in a variety of currencies, and
- a 5 billion Swedish krona program (equivalent to approximately $778 million, using December 31, 2013, exchange rates), allowing us to issue short-term commercial paper in either Swedish krona or euro.

At December 31, 2013, $100 million was outstanding under the $2 billion program in the United States, compared to $1,019 million outstanding at December 31, 2012. As described in "Note 12 Debt" to our Consolidated Financial Statements, the amount outstanding increased subsequent to December 31, 2013.

No amounts were outstanding under either the $1 billion Euro-commercial paper program or the 5 billion Swedish krona program at either December 31, 2013 or 2012.

In February 2014, the $1 billion Euro-commercial paper program was terminated and replaced by a $2 billion Euro-commercial paper program, also for issuance in a variety of currencies.

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European program for the issuance of debt

At December 31, 2013 and 2012, $1,722 million and $2,579 million, respectively, of our total debt outstanding, represented debt issuances under this program that allows the issuance of up to (the equivalent of) approximately $8 billion in certain debt instruments. The terms of the program do not obligate any third party to extend credit to us and the terms and possibility of issuing any debt under the program are determined with respect to, and as of the date of issuance of, each debt instrument. At December 31, 2013, it was more than 12 months since the program had been updated. New bonds could be issued under the program but could not be listed without us formally updating the program.

Australian program for the issuance of debt

During 2012, we set up a program for the issuance of up to AUD 1 billion (equivalent to approximately $892 million, using December 31, 2013 exchange rates) of medium-term notes and other debt instruments. The terms of the program do not obligate any third party to extend credit to us and the terms and possibility of issuing any debt under the program are determined with respect to, and as of the date of issuance of, each debt instrument. At December 31, 2013 and 2012, debt issuance under this program amounted to $353 million and $413 million, respectively.

Credit ratings

Credit ratings are assessments by the rating agencies of the credit risk associated with ABB and are based on information provided by us or other sources that the rating agencies consider reliable. Higher ratings generally result in lower borrowing costs and increased access to capital markets. Our ratings are of "investment grade" which is defined as Baa3 (or above) from Moody's and BBB- (or above) from Standard & Poor's.

At December 31, 2013 and 2012, our long-term company ratings were A2 and A from Moody's and Standard & Poor's, respectively.

Limitations on transfers of funds

Currency and other local regulatory limitations related to the transfer of funds exist in a number of countries where we operate, including: Algeria, Argentina, Chile, China, Colombia, Egypt, India, Indonesia, Korea, Malaysia, Peru, Russia, Taiwan, Thailand and Turkey. Funds, other than regular dividends, fees or loan repayments, cannot be readily transferred offshore from these countries and are therefore deposited and used for working capital needs in those countries. In addition, there are certain countries where, for tax reasons, it is not considered optimal to transfer the cash offshore. As a consequence, these funds are not available within our Group Treasury Operations to meet short-term cash obligations outside the relevant country. The above described funds are reported as cash in our Consolidated Balance Sheets, but we do not consider these funds immediately available for the repayment of debt outside the respective countries where the cash is situated, including those described above. At December 31, 2013 and 2012, the balance of "Cash and equivalents" and "Marketable securities and other short-term investments" under such limitations (either regulatory or sub-optimal from a tax perspective) totaled approximately $1,785 million and $1,985 million, respectively.

During 2013, we continued to direct our subsidiaries in countries with restrictions to place such cash with our core banks or investment grade banks, in order to minimize credit risk on such cash positions. We continue to closely monitor the situation to ensure bank counterparty risks are minimized.

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FINANCIAL POSITION

Balance sheets

($ in millions)	December 31, 2013	2012
Current assets		
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
Total current assets	**26,425**	**28,002**

For a discussion on cash and equivalents, see "Liquidity and Capital Resources Principal sources of funding" for further details.

Marketable securities and short-term investments decreased as investments were sold during 2013 to provide cash required to fund investing and financing activities (see " Net cash used in investing activities" below).

Receivables increased 4.9 percent (7.2 percent in local currencies) compared to 2012, primarily due to an increase in unbilled receivables, net (see "Note 7 Receivables, net"), as several large projects experienced execution delays, thus delaying the timing of invoicing and collection. Ongoing working capital improvement projects resulted in a reduction of 5 days sales outstanding in trade receivables but this was more than offset by the increase resulting from acquisitions and higher revenues. Working capital improvement programs also resulted in a reduction in inventories of 2.9 percent (3.8 percent in local currencies) compared to 2012, despite the increases due to acquisitions and higher revenues.

For a summary of the components of deferred tax assets and liabilities, see "Note 16 Taxes" to our Consolidated Financial Statements.

The increase in "Other current assets" primarily reflects higher income tax receivables and higher fair values for foreign currency derivatives.

($ in millions)	December 31, 2013	2012
Current liabilities		
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
Total current liabilities	**16,675**	**18,974**

Total current liabilities at December 31, 2013, decreased primarily due to the repayment on maturity of bonds, and a reduction in outstanding commercial paper and other short-term debt (see "Note 12 Debt" to our Consolidated Financial Statements).

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Accounts payable increased 2.4 percent (3.3 percent in local currencies) compared to 2012, mainly due to acquisitions. Billings in excess of sales decreased 15.8 percent (13.7 percent in local currencies) compared to 2012 due to the timing of billings and collections for contracts under the percentage-of-completion or completed-contract method. Advances from customers declined 10.9 percent (7.6 percent in local currencies) compared to 2012, due to the timing of cash receipts for advances on large projects with the largest decreases in the Power Systems and Process Automation divisions. Provisions for warranties increased 5.5 percent (5.4 percent in local currencies) compared to 2012, primarily due to acquisitions. Other provisions increased 14.7 percent (15.1 percent in local currencies), largely due to increased provisions for certain projects and increases in certain litigation- and compliance-related provisions. Other current liabilities decreased 2.2 percent (1.4 percent in local currencies) primarily due to a reduction in non-trade payables and a reduction of other tax liabilities.

	December 31,	
($ in millions)	**2013**	**2012**
Non-current assets		
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		