ABB LTD
Form 6-K
October 28, 2010

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 6-K

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

**For the month of October 2010**

**Commission File Number 001-16429**

# ABB Ltd

(Translation of registrant s name into English)

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

(Address of principal executive office)

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

Form 20-F x Form 40-F o

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

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

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

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

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

Yes o No x

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

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This Form 6-K consists of the following:

1. Press release issued by ABB Ltd dated October 28, 2010.

The information provided by Item I above is deemed filed for all purposes under the Securities Exchange Act of 1934, including by reference in the Registration Statement on Form S-8 (Registration No. 333-129271).

**Press Release**

**Q3 order growth accelerates, revenues recover**

- **Orders up 18%**(1) **on industrial recovery and large power order**
- **Revenues positive after five quarters of decline**
- **Operational EBIT margin**(2) **up to 14.0% as cost take-out delivers further benefits**

Zurich, Switzerland, Oct. 28, 2010 ABB s order growth accelerated and revenues rose in the third quarter on a combination of continued growth in demand from industrial customers and an increase in large power orders.

Orders rose 18 percent and revenues 2 percent in local currencies, including an 11-percent increase in service revenues. Earnings before interest and taxes (EBIT) amounted to $1.2 billion. The third quarter operational EBIT margin, which excludes net gains on derivative transactions and restructuring-related costs, was 14.0 percent. The operational EBIT margin the year-earlier period, excluding a net positive provision adjustment of approximately $430 million, was 13.0 percent.

Net income in the third quarter 2010 reached $774 million while cash from operations amounted to $1.4 billion.

We continued to take full advantage of the global industrial recovery in the third quarter with excellent order growth, slightly higher revenues and, thanks to our cost take-out program, strong earnings as well, said Joe Hogan, ABB s Chief Executive Officer. Our shorter-cycle automation businesses turned in a particularly positive performance on both the top and bottom line as they grew revenues on a much more competitive cost base.

ABB s two-year program to cut costs by strengthening its presence in emerging markets, improving productivity and streamlining procurement and administration yielded approximately $350 million of savings in the quarter.

ABB won a major order in the quarter to connect an offshore wind farm to the German grid and experienced strong demand from a wide range of industries, including minerals and metals, discrete manufacturing and solar power. Growth in these areas more than offset continued weak utility investments in power transmission equipment in most regions.

Demand from our industrial customers grew significantly in the quarter, especially in the emerging markets, as they increased capacity and invested in solutions to increase energy efficiency and productivity, Hogan said. Utility spending in power transmission equipment remains muted, a trend that we expect to continue into next year. Still, we see plenty of opportunities for growth, especially in areas like renewable energy and industrial efficiency, and in the fast-growing emerging economies.

**2010 Q3 key figures**

| **$ millions unless otherwise indicated** | **Q3 10** | **Q3 09** | **Change US$** | **Change Local** |
|---|---|---|---|---|
| Orders | 8,197 | 7,060 | 16% | 18% |
| *Order backlog (end Sep)* | *26,593* | *26,159* | *2%* | *1%* |
| Revenues | 7,903 | 7,910 | 0% | 2% |
| EBIT | 1,156 | 1,419 | -19% | |
| as % of revenues | 14.6% | 17.9% | | |
| Net income | 774 | 1,034(3) | | |
| Basic net income per share ($) | 0.34 | 0.45 | | |
| Cash flow from operating activities | 1,362 | 1,281 | | |

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

(2) See Reconciliation of Non-GAAP financial measures on page 10

(3) Includes a net gain of $380 million from previously announced provision adjustments

**Summary of Q3 2010 results**

**Orders received and revenues**

Orders increased strongly in the third quarter compared to the year-earlier period, reaching the highest levels since the first quarter of 2009. The main growth driver was higher demand from industrial customers for equipment, services and solutions to increase capacity and to improve productivity and energy efficiency. Demand increased across a broad range of industries, including metals and minerals, marine, pulp and paper, discrete manufacturing and renewable energies. Oil and gas orders remained steady at high levels. Utility spending for power transmission equipment remained weak, however, on uncertainty surrounding the strength and duration of economic growth.

Base orders (below $15 million) increased 15 percent in the quarter while large orders (above $15 million) increased by 32 percent in local currencies when compared to the same quarter in 2009. Large orders represented 20 percent of total orders in the quarter compared with 18 percent in the same quarter a year earlier.

Regionally, orders in local currencies were more than 50 percent higher in Europe compared with the same period in 2009, as both large and base orders increased. Included in Europe orders received in the quarter is an order valued at approximately $700 million to link an offshore wind farm to the German grid.

Orders were up 26 percent in Asia, primarily on higher base orders. Growth was led by Power Systems, followed by Process Automation and Discrete Automation and Motion. Orders in China were 13 percent higher in the quarter and were up at a strong double-digit pace in all divisions except Power Products, where orders declined.

In the Americas, orders decreased by 16 percent as a $540-million power order won in Brazil last year was not repeated. Orders in North America increased by 21 percent, led by higher base orders and including a 37-percent increase in the U.S. Orders from the Middle East and Africa were down on a lower level of large orders compared to the same period in 2009.

Revenues grew in the quarter, mainly the result of strong growth in the short-cycle automation businesses as recent orders flowed through to revenues. Revenues in the longer-cycle businesses were flat to lower, reflecting the decline in orders received during 2009 and the beginning of 2010. Service revenues increased 11 percent.

The order backlog at the end of September 2010 amounted to $26.6 billion, corresponding to a local-currency increase of 7 percent compared to the end of 2009. Compared to the end of the second quarter of 2010, the order backlog is up 2 percent in local currencies.

**Earnings before interest and taxes**

Included in third-quarter 2010 EBIT are restructuring-related costs of approximately $20 million and a net gain of $82 million on derivative transactions. The operational EBIT margin in the quarter, which excludes these effects, was 14.0 percent. For the purposes of comparison, the operational EBIT margin in the same quarter in 2009, excluding the net gain from previously-announced provision adjustments, was 13.0 percent.

EBIT and EBIT margin were positively impacted by cost savings in sourcing, general and administrative expenses, as well as footprint adjustments and operational excellence initiatives, amounting to approximately $350 million in the quarter.

**Net income**

Third-quarter net income amounted to $774 million compared to approximately $1 billion in the same quarter a year ago. The previous year s net income included a positive net impact of $380 million from provision adjustments.

**Balance sheet and cash flow**

Net cash at the end of the third quarter was $5.3 billion compared to $5.9 billion at the end of the previous quarter. Cash flow from operations amounted to $1.4 billion while cash used in financing activities included a dividend payment of $1.1 billion in the form of a nominal value reduction, in July 2010, as approved by shareholders at the Annual General Meeting in April.

In August, ABB completed its previously-announced acquisition of shares in ABB Limited, its publicly-listed subsidiary in India, bringing its ownership stake in the company from approximately 52 percent to 75 percent. The cost of the acquisition amounted to approximately $950 million, including transaction costs.

**Management changes**

ABB announced in August the appointment of Tarak Mehta to ABB s Executive Committee as head of the Low Voltage Products division, effective October 1, 2010. Mehta, previously the head of ABB s global transformer business, replaced Tom Sjökvist, who retired at the end of September after 38 years with the company.

**Compliance**

As previously announced, on September 29, 2010, ABB reached settlements with United States Department of Justice (DoJ) and the United States Securities and Exchange Commission (SEC) regarding their investigations of various suspect payments. In connection with these settlements, ABB agreed to make payments to the DoJ and SEC totaling $58.3 million, ABB Inc. pled guilty to one count of conspiracy to violate the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act and one count of violating those provisions, ABB Ltd entered into a deferred prosecution agreement and ABB Ltd settled civil charges brought by the SEC. These settlements resolved these investigations. The payments related to the resolution of these matters will have no additional impact on ABB s EBIT and net income.

**Cost reductions**

ABB continued to execute its previously-announced cost take-out program during the third quarter. The program aims to sustainably reduce ABB s costs comprising both cost of sales as well as general and administrative expenses from 2008 levels by a total of $3 billion by the end of

2010.

Cost reductions in the third quarter of 2010 amounted to approximately $350 million, of which some 35 percent was achieved by optimizing global sourcing (excluding the impact of commodity price changes) and 25 percent from global footprint initiatives. The remainder was achieved through reductions to general and administrative expenses and operational excellence measures.

The total cost of the program is now expected to be below $1 billion. Costs associated with the program in the third quarter of 2010 amounted to $20 million, bringing the total cost so far in 2010 to approximately $100 million and to $720 million since the beginning of the program. ABB expects further costs in the fourth quarter approaching $200 million.

**Outlook**

Industrial customers are spending more on automation and power equipment and solutions to increase the energy efficiency and productivity of their existing assets. Assuming a continuation of the current economic recovery in most regions, the company is confident that its short- and mid-cycle businesses will continue to support both top and bottom line growth over the remainder of the year and into the beginning of 2011.

For ABB s late-cycle businesses, which make up the majority of the portfolio and which are driven by customer capital expenditure, the outlook for the remainder of 2010 remains mixed.

Upgrades and expansions of existing power infrastructure are needed in all regions, including renewables and smart grids. This is reflected in a near-record level of tendering activity in the Power Systems business. At the same time, lower electricity consumption in some regions has slowed the pace of power project awards in the short term. Furthermore, increased competition in the power sector continues to weigh on orders.

On the industrial side, most customer spending remains focused on equipment upgrades, replacement and service in existing capacity rather than major capital expenditures for new capacity.

The company believes it is well positioned to benefit from a sustained economic recovery. Growth initiatives are under way in selected businesses and countries, mainly in emerging markets. Significant fixed costs have been eliminated since the end of 2008, increasing incremental margins as demand returns. Spending on research and development has remained steady through the downturn in order to secure the company s technological leadership, and this will continue.

Therefore, in the remainder of 2010 and into 2011, management will continue to focus both on adjusting costs and taking advantage of its global footprint, strong balance sheet and leading technologies to tap further opportunities for profitable growth.

**Divisional performance Q3 2010**

**Power Products**

| | | | Change | |
|---|---|---|---|---|
| **$ millions unless otherwise indicated** | **Q3 10** | **Q3 09** | **US$** | **Local** |
| Orders | 2,364 | 2,553 | *-7%* | *-7%* |
| *Order backlog (end Sep)* | *8,259* | *8,712* | *-5%* | *-6%* |
| Revenues | 2,439 | 2,823 | *-14%* | *-13%* |
| EBIT | 404 | 477 | *-15%* | |
| as % of revenues | 16.6% | 16.9% | | |
| Cash flow from operating activities | 467 | 592 | | |

Increased orders for medium-voltage products and distribution transformers, driven mainly by higher power distribution and industrial demand, could not fully compensate a decline in orders for power transformers and high-voltage products, reflecting continued weak utility investments in power transmission projects.

Regionally, orders were slightly higher in the Americas as double-digit growth in North America, where the power distribution business showed continued signs of recovery from a low level, offset lower orders in South America. Orders were higher in the Middle East and Africa, helped by some large orders, but were down in Europe and Asia.

Revenues decreased during the quarter, mainly as a result of lower order intake in preceding quarters.

EBIT and EBIT margin followed the revenue trend lower, reflecting decreased volumes and pricing pressure on orders taken in previous quarters. These effects were partly mitigated by a favorable product mix and cost reduction measures.

**Power Systems**

| **$ millions unless otherwise indicated** | **Q3 10** | **Q3 09** | **Change US$** | **Change Local** |
|---|---|---|---|---|
| Orders | 2,158 | 1,991 | *8%* | *13%* |
| *Order backlog (end Sep)* | *10,446* | *9,770* | *7%* | *7%* |
| Revenues | 1,679 | 1,612 | *4%* | *6%* |
| EBIT | 102 | 117 | *-13%* | |
| as % of revenues | 6.1% | 7.3% | | |
| Cash flow from operating activities | 33 | 11 | | |

Both base and large orders increased in the quarter. Industrial markets continued to show signs of improved demand and large project tendering activity remained strong. However, utility investments in power transmission continue at low levels, largely reflecting the late-cycle nature of this business.

Regionally, orders were higher in Europe, helped by an approximately $700-million HVDC offshore wind power order, the largest order ever booked by the division. Orders also increased in Asia mainly Australia, China and India but were down in the Middle East and Africa. Orders were also lower in the Americas compared to the same quarter in 2009 when the division won a large order in Brazil.

Revenues increased on execution of a strong order backlog. The improvement also reflects a contribution of approximately $50 million from the recent acquisition of Ventyx.

EBIT and EBIT margin were lower due to the less favorable product mix and lower prices on orders taken in previous quarters that are now flowing into revenues. Additional charges in the cable business were offset by a release of provisions related to the business in Russia and to the recently-announced settlements with the SEC and DoJ.

**Discrete Automation and Motion**

| **$ millions unless otherwise indicated** | **Q3 10** | **Q3 09** | **Change US$** | **Change Local** |
|---|---|---|---|---|
| Orders | 1,473 | 1,080 | *36%* | *39%* |
| *Order backlog (end Sep)* | *3,486* | *3,375* | *3%* | *2%* |
| Revenues | 1,460 | 1,280 | *14%* | *16%* |
| EBIT | 268 | 159 | *69%* | |
| as % of revenues | 18.4% | 12.4% | | |
| Cash flow from operating activities | 156 | 272 | | |

Global demand for solutions to improve industrial efficiency and productivity grew in the third quarter, leading to a strong increase in orders received. Orders were higher in all businesses, reflecting improved demand across all end markets. Orders also grew at a double-digit pace in every region, led by the Americas and Asia where growth in China exceeded 30 percent.

Revenues increased as orders taken in the previous quarter began to flow through to sales in low-voltage drives, motors and robotics. Power electronics and medium-voltage drives also showed robust revenue growth on the execution of large projects from the order backlog.

EBIT and EBIT margin in the quarter rose strongly, reflecting both higher revenues and recent cost savings, especially in low-voltage drives, motors and robotics. Included in EBIT is a net gain of approximately $10 million from the break fee related to the withdrawn bid to acquire Chloride Group PLC.

**Low Voltage Products**

| | | | Change | |
|---|---|---|---|---|
| **$ millions unless otherwise indicated** | **Q3 10** | **Q3 09** | **US$** | **Local** |
| Orders | 1,219 | 1,015 | *20%* | *25%* |
| *Order backlog (end Sep)* | *970* | *817* | *19%* | *20%* |
| Revenues | 1,187 | 1,052 | *13%* | *17%* |
| EBIT | 245 | 148 | *66%* | |
| as % of revenues | 20.6% | 14.1% | | |
| Cash flow from operating activities | 240 | 245 | | |

Orders increased significantly in the quarter on higher demand from industrial customers, the solar energy market and construction-related sectors, especially in the emerging markets. All business units recorded double-digit order growth in the quarter. Orders were also higher in all regions, led by strong double-digit growth in the Americas and Asia.

Revenues increased strongly and were higher in all product businesses. Service revenues increased by more than 20 percent in the quarter, reflecting the general industrial recovery in most regions.

EBIT and EBIT margin were up in the quarter on higher revenues and as the result of cost improvements implemented since the beginning of 2009, especially in Control Products, Breakers & Switches and Wiring Accessories.

**Process Automation**

| | | | Change | |
|---|---|---|---|---|
| **$ millions unless otherwise indicated** | **Q3 10** | **Q3 09** | **US$** | **Local** |
| Orders | 1,679 | 1,257 | *34%* | *34%* |
| *Order backlog (end Sep)* | *5,853* | *6,182* | *-5%* | *-5%* |
| Revenues | 1,859 | 1,926 | *-3%* | *-1%* |
| EBIT | 207 | 161 | *29%* | |
| as % of revenues | 11.1% | 8.4% | | |
| Cash flow from operating activities | 236 | 268 | | |

Orders grew significantly in the third quarter despite continued uncertainty in the market regarding the strength of the industrial recovery. Both base and large orders improved. Base order growth was led by the marine, minerals, turbocharging and pulp and paper businesses, while large orders were driven by minerals, marine and metals. Large orders more than doubled compared with the same period a year earlier. Oil and gas orders remained steady at high levels.

Regionally, order growth was up more than 50 percent in Asia on strong growth in minerals and marine. Minerals also drove growth in the Americas as higher commodity prices fuelled customer spending to expand capacity. Orders grew in Europe but were lower in the Middle East and Africa.

Revenues were flat in the quarter, as higher service revenues were offset by lower systems revenues.

Despite the flat revenue development, EBIT and EBIT margin increased on a combination of a net gain from derivative transactions, a higher share of revenues from products and services compared to the third quarter of 2009 and the impact of cost take-out measures executed over the past six quarters.

**More information**

The 2010 Q3 results press release and presentation slides are available from October 28, 2010, on the ABB News Center at www.abb.com/news and on the Investor Relations homepage at www.abb.com/investorrelations.

ABB will host a media conference call starting at 10:00 a.m. Central European Time (CET). U.K. callers should dial +44 20 7107 5862. From Sweden, +46 8 5069 2105, and from the rest of Europe, +41 91 610 56 00. Lines will be open 15 minutes before the start of the conference. Audio playback of the call will start one hour after the call ends and will be available for 24 hours: Playback numbers: +44 20 7108 6233 (U.K.), +41 91 612 4330 (rest of Europe) or +1 866 416 2558 (U.S./Canada). The code is 10041, followed by the # key. The conference will also be available as a podcast on the web sites mentioned above.

A conference call for analysts and investors is scheduled to begin today at 2:30 p.m. CET (8:30 a.m. EDT). Callers should dial +1 866 291 4166 (from the U.S./Canada) or +41 91 610 5600 (Europe and the rest of the world). Callers are requested to phone in 15 minutes before the start of the call. The audio playback of the call will start one hour after the end of the call and be available for 24 hours. Playback numbers: +1 866 416 2558 (U.S./Canada) or +41 91 612 4330 (Europe and the rest of the world). The code is 17888, followed by the # key. The conference will also be available as a podcast on the web sites mentioned above.

| **Investor calendar 2011** | |
|---|---|
| Q4 2010 results | Feb. 17, 2011 |
| Q1 2011 results | April 28, 2011 |
| Annual General Meeting of shareholders | April 29, 2011 |
| Q2 2011 results | July 21, 2011 |
| Q3 2011 results | Oct. 27, 2011 |

ABB (www.abb.com) is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs about 117,000 people.

Zurich, Oct. 28, 2010

Joe Hogan, CEO

**Important notice about forward-looking information**

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

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**ABB Q3 and nine-months (9M) 2010 key figures**

| | | | | Change | | | | Change | |
|---|---|---|---|---|---|---|---|---|---|
| **$ millions unless otherwise indicated** | | **Q3 10** | **Q3 09** | **US$** | **Local** | **9M 10** | **9M 09** | **US$** | **Local** |
| **Orders** | **Group** | **8,197** | **7,060** | ***16%*** | ***18%*** | **23,929** | **23,519** | ***2%*** | ***-1%*** |
| | Power Products | 2,364 | 2,553 | *-7%* | *-7%* | 7,245 | 8,273 | *-12%* | *-15%* |
| | Power Systems | 2,158 | 1,991 | *8%* | *13%* | 5,270 | 5,967 | *-12%* | *-13%* |
| | Discrete Automation & Motion | 1,473 | 1,080 | *36%* | *39%* | 4,357 | 3,560 | *22%* | *20%* |
| | Low Voltage Products | 1,219 | 1,015 | *20%* | *25%* | 3,544 | 3,052 | *16%* | *16%* |
| | Process Automation | 1,679 | 1,257 | *34%* | *34%* | 5,619 | 5,262 | *7%* | *3%* |
| | Corporate *(consolidation)* | (696) | (836) | | | (2,106) | (2,595) | | |
| **Revenues** | **Group** | **7,903** | **7,910** | ***0%*** | ***2%*** | **22,410** | **23,034** | ***-3%*** | ***-4%*** |
| | Power Products | 2,439 | 2,823 | *-14%* | *-13%* | 7,286 | 8,130 | *-10%* | *-12%* |
| | Power Systems | 1,679 | 1,612 | *4%* | *6%* | 4,698 | 4,641 | *1%* | *-1%* |
| | Discrete Automation & Motion | 1,460 | 1,280 | *14%* | *16%* | 3,960 | 3,935 | *1%* | *-1%* |
| | Low Voltage Products | 1,187 | 1,052 | *13%* | *17%* | 3,300 | 2,962 | *11%* | *11%* |
| | Process Automation | 1,859 | 1,926 | *-3%* | *-1%* | 5,331 | 5,785 | *-8%* | *-10%* |
| | Corporate *(consolidation)* | (721) | (783) | | | (2,165) | (2,419) | | |
| **EBIT** | **Group** | **1,156** | **1,419** | ***-19%*** | | **2,840** | **3,328** | ***-15%*** | |
| | Power Products | 404 | 477 | *-15%* | | 1,169 | 1,474 | *-21%* | |
| | Power Systems | 102 | 117 | *-13%* | | 106 | 322 | *-67%* | |
| | Discrete Automation & Motion | 268 | 159 | *69%* | | 641 | 514 | *25%* | |
| | Low Voltage Products | 245 | 148 | *66%* | | 608 | 370 | *64%* | |
| | Process Automation | 207 | 161 | *29%* | | 555 | 473 | *17%* | |
| | Corporate | (70) | 357 | *n.a.* | | (239) | 175 | *n.a.* | |
| **EBIT margin** | **Group** | **14.6%** | **17.9%** | | | **12.7%** | **14.4%** | | |
| | Power Products | 16.6% | 16.9% | | | 16.0% | 18.1% | | |
| | Power Systems | 6.1% | 7.3% | | | 2.3% | 6.9% | | |
| | Discrete Automation & Motion | 18.4% | 12.4% | | | 16.2% | 13.1% | | |
| | Low Voltage Products | 20.6% | 14.1% | | | 18.4% | 12.5% | | |
| | Process Automation | 11.1% | 8.4% | | | 10.4% | 8.2% | | |

**Q3 2010 orders received and revenues by region**

| | Orders received | | Change | | Revenues | | Change | |
|---|---|---|---|---|---|---|---|---|
| **$ millions** | **Q3 10** | **Q3 09** | **US$** | **Local** | **Q3 10** | **Q3 09** | **US$** | **Local** |
| Europe | 3,693 | 2,624 | *41%* | *52%* | 3,173 | 3,371 | *-6%* | *0%* |
| Americas | 1,502 | 1,723 | *-13%* | *-16%* | 1,578 | 1,495 | *6%* | *3%* |
| Asia | 2,413 | 1,864 | *29%* | *26%* | 2,195 | 2,177 | *1%* | *-2%* |
| Middle East and Africa | 589 | 849 | *-31%* | *-30%* | 957 | 867 | *10%* | *14%* |
| **Group total** | **8,197** | **7,060** | ***16%*** | ***18%*** | **7,903** | **7,910** | ***0%*** | ***2%*** |

**Nine months 2010 orders received and revenues by region**

| | Orders received | | Change | | Revenues | | Change | |
|---|---|---|---|---|---|---|---|---|
| **$ millions** | **9M 10** | **9M 09** | **US$** | **Local** | **9M 10** | **9M 09** | **US$** | **Local** |
| Europe | 9,992 | 9,111 | *10%* | *10%* | 8,820 | 9,609 | *-8%* | *-7%* |
| Americas | 4,461 | 4,581 | *-3%* | *-7%* | 4,373 | 4,473 | *-2%* | *-6%* |
| Asia | 6,679 | 6,118 | *9%* | *4%* | 6,280 | 6,305 | *0%* | *-5%* |
| Middle East and Africa | 2,797 | 3,709 | *-25%* | *-26%* | 2,937 | 2,647 | *11%* | *10%* |
| **Group total** | **23,929** | **23,519** | ***2%*** | ***-1%*** | **22,410** | **23,034** | ***-3%*** | ***-4%*** |

**Reconciliation of non-GAAP financial measures regarding Q3 2010**

($ millions, unaudited)

| | 3 months ended Sept. 30, 2010 | 2009 |
|---|---|---|
| **EBIT Margin** | | |
| *(= EBIT as % of revenues)* | | |
| | | |
| Earnings before interest and taxes (EBIT) | 1 156 | 1 419 |
| Revenues | 7 903 | 7 910 |
| **EBIT Margin** | **14.6%** | **17.9%** |
| | | |
| **EBIT as per financial statements** | **1 156** | **1 419** |
| *adjusted for the effects of:* | | |
| Unrealized gains and losses on derivatives (FX, commodities, embedded derivatives) | -182 | -68 |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | -18 | 12 |
| Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities) | 118 | 56 |
| Restructuring and restructuring-related expenses | 20 | 41 |
| **Operational EBIT** | **1 094** | **1 460** |
| *Adjustment for previously announced provision release in 2009* | *n.a.* | *431* |
| Adjusted Operational EBIT | 1 094 | 1 029 |
| | | |
| **Revenues as per financial statements** | **7 903** | **7 910** |
| *adjusted for the effects of:* | | |
| Unrealized gains and losses on derivatives | -180 | -104 |
| Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized | -25 | 29 |
| Unrealized foreign exchange movements on receivables (and related assets) | 104 | 52 |
| **Operational Revenues** | **7 802** | **7 887** |
| | | |
| **Operational EBIT Margin (= Operational EBIT as % of Operational Revenues)** | **14.0%** | **18.5%** |
| Adjusted Operational EBIT Margin (= Adjusted Operational EBIT as % of Operational Revenues) | 14.0% | 13.0% |

| | Sept. 30, 2010 |
|---|---|
| **Net Cash** | |
| *(= Cash and equivalents plus marketable securities and short-term investments, less total debt)* | |
| | |
| Cash and equivalents | 5 269 |
| Marketable securities and short-term investments | 2 353 |
| **Cash and marketable securities** | **7 622** |
| Short-term debt and current maturities of long-term debt | 253 |
| Long-term debt | 2 080 |
| **Total debt** | **2 333** |
| **Net Cash** | **5 289** |

Management believes EBIT margin and operational EBIT margin are useful measures of profitability and uses them as performance targets.

**ABB Ltd Interim Consolidated Income Statements (unaudited)**

| | Nine months ended | | Three months ended | |
|---|---|---|---|---|
| **($ in millions, except per share data in $)** | **Sep. 30, 2010** | **Sep. 30, 2009** | **Sep. 30, 2010** | **Sep. 30, 2009** |
| Sales of products | 18,663 | 19,522 | 6,601 | 6,713 |
| Sales of services | 3,747 | 3,512 | 1,302 | 1,197 |
| **Total revenues** | **22,410** | **23,034** | **7,903** | **7,910** |
| Cost of products | (13,044) | (13,816) | (4,558) | (4,803) |
| Cost of services | (2,466) | (2,363) | (841) | (800) |
| **Total cost of sales** | **(15,510)** | **(16,179)** | **(5,399)** | **(5,603)** |
| **Gross profit** | **6,900** | **6,855** | **2,504** | **2,307** |
| Selling, general and administrative expenses | (4,080) | (3,972) | (1,366) | (1,333) |
| Other income (expense), net | 20 | 445 | 18 | 445 |
| **Earnings before interest and taxes** | **2,840** | **3,328** | **1,156** | **1,419** |
| Interest and dividend income | 70 | 93 | 20 | 25 |
| Interest and other finance expense | (138) | (96) | (51) | (63) |
| **Income from continuing operations before taxes** | **2,772** | **3,325** | **1,125** | **1,381** |
| Provision for taxes | (790) | (831) | (304) | (297) |
| **Income from continuing operations, net of tax** | **1,982** | **2,494** | **821** | **1,084** |
| Income (loss) from discontinued operations, net of tax | (3) | 26 | (2) | 4 |
| **Net income** | **1,979** | **2,520** | **819** | **1,088** |
| Net income attributable to noncontrolling interests | (118) | (159) | (45) | (54) |
| **Net income attributable to ABB** | **1,861** | **2,361** | **774** | **1,034** |
| | | | | |
| ***Amounts attributable to ABB shareholders:*** | | | | |
| Income from continuing operations, net of tax | 1,864 | 2,335 | 776 | 1,030 |
| Income (loss) from discontinued operations, net of tax | (3) | 26 | (2) | 4 |
| Net income | **1,861** | **2,361** | **774** | **1,034** |
| | | | | |
| ***Basic earnings per share attributable to ABB shareholders:*** | | | | |
| Income from continuing operations, net of tax | 0.82 | 1.02 | 0.34 | 0.45 |
| Income (loss) from discontinued operations, net of tax | (0.01) | 0.01 | | |
| Net income | **0.81** | **1.03** | **0.34** | **0.45** |
| | | | | |
| ***Diluted earnings per share attributable to ABB shareholders:*** | | | | |
| Income from continuing operations, net of tax | 0.81 | 1.02 | 0.34 | 0.45 |
| Income (loss) from discontinued operations, net of tax | | 0.01 | | |
| Net income | **0.81** | **1.03** | **0.34** | **0.45** |
| | | | | |
| ***Average number of shares (in millions) used to compute:*** | | | | |
| Basic earnings per share attributable to ABB shareholders | 2,287 | 2,283 | 2,284 | 2,283 |
| Diluted earnings per share attributable to ABB shareholders | 2,292 | 2,286 | 2,288 | 2,289 |

See Notes to the Interim Consolidated Financial Information

**ABB Ltd Interim Consolidated Balance Sheets (unaudited)**

| ($ in millions, except share data) | Sep. 30, 2010 | Dec. 31, 2009 |
|---|---|---|
| Cash and equivalents | 5,269 | 7,119 |
| Marketable securities and short-term investments | 2,353 | 2,433 |
| Receivables, net | 9,806 | 9,451 |
| Inventories, net | 5,109 | 4,550 |
| Prepaid expenses | 250 | 236 |
| Deferred taxes | 804 | 900 |
| Other current assets | 740 | 540 |
| **Total current assets** | **24,331** | **25,229** |
| | | |
| Financing receivables, net | 457 | 452 |
| Property, plant and equipment, net | 4,092 | 4,072 |
| Goodwill | 4,124 | 3,026 |
| Other intangible assets, net | 737 | 443 |
| Prepaid pension and other employee benefits | 118 | 112 |
| Investments in equity method companies | 32 | 49 |
| Deferred taxes | 1,046 | 1,052 |
| Other non-current assets | 362 | 293 |
| **Total assets** | **35,299** | **34,728** |
| | | |
| Accounts payable, trade | 4,394 | 3,853 |
| Billings in excess of sales | 1,627 | 1,623 |
| Accounts payable, other | 1,382 | 1,326 |
| Short-term debt and current maturities of long-term debt | 253 | 161 |
| Advances from customers | 1,698 | 1,806 |
| Deferred taxes | 346 | 327 |
| Provisions for warranties | 1,284 | 1,280 |
| Provisions and other current liabilities | 2,514 | 2,603 |
| Accrued expenses | 1,572 | 1,600 |
| **Total current liabilities** | **15,070** | **14,579** |
| | | |
| Long-term debt | 2,080 | 2,172 |
| Pension and other employee benefits | 1,163 | 1,179 |
| Deferred taxes | 490 | 328 |
| Other non-current liabilities | 1,957 | 1,997 |
| **Total liabilities** | **20,760** | **20,255** |
| | | |
| Commitments and contingencies | | |
| | | |
| **Stockholders equity:** | | |
| Capital stock and additional paid-in capital (2,307,491,247 issued shares at September 30, 2010 and 2,329,324,797 issued shares at December 31, 2009) | 1,421 | 3,943 |
| Retained earnings | 14,689 | 12,828 |
| Accumulated other comprehensive loss | (1,706) | (2,084) |
| Treasury stock, at cost (23,564,509 shares at September 30, 2010 and 39,901,593 shares at December 31, 2009) | (386) | (897) |
| **Total ABB stockholders equity** | **14,018** | **13,790** |
| Noncontrolling interests | 521 | 683 |
| **Total stockholders equity** | **14,539** | **14,473** |
| **Total liabilities and stockholders equity** | **35,299** | **34,728** |

See Notes to the Interim Consolidated Financial Information

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

| ($ in millions) | Nine months ended Sep. 30, 2010 | Nine months ended Sep. 30, 2009 | Three months ended Sep. 30, 2010 | Three months ended Sep. 30, 2009 |
|---|---|---|---|---|
| **Operating activities:** | | | | |
| Net income | 1,979 | 2,520 | 819 | 1,088 |
| *Adjustments to reconcile net income to net cash provided by operating activities:* | | | | |
| Depreciation and amortization | 522 | 467 | 186 | 169 |
| Pension and postretirement benefits | 45 | (1) | 15 | (10) |
| Deferred taxes | 100 | (11) | 30 | (10) |
| Net gain from sale of property, plant and equipment | (17) | (11) | (3) | (2) |
| Income (loss) from equity accounted companies | (2) | 1 | | 1 |
| Other | 53 | (13) | 27 | 16 |
| *Changes in operating assets and liabilities:* | | | | |
| Trade receivables, net | (265) | 172 | 35 | 137 |
| Inventories, net | (462) | 398 | (55) | 413 |
| Trade payables | 506 | (703) | 186 | (198) |
| Billings in excess of sales | (16) | 56 | (60) | (14) |
| Provisions, net | (131) | (370) | (4) | (433) |
| Advances from customers | (104) | (18) | (8) | 15 |
| Other assets and liabilities, net | 230 | (243) | 194 | 109 |
| **Net cash provided by operating activities** | **2,438** | **2,244** | **1,362** | **1,281** |
| | | | | |
| **Investing activities:** | | | | |
| Changes in financing receivables | (46) | (2) | (26) | |
| Purchases of marketable securities (available-for-sale) | (2,545) | (59) | (867) | (17) |
| Purchases of marketable securities (held-to-maturity) | (65) | (799) | | (238) |
| Purchases of short-term investments | (1,772) | (2,071) | (196) | (1,720) |
| Purchases of property, plant and equipment and intangible assets | (433) | (624) | (153) | (215) |
| Acquisition of businesses (net of cash acquired) and increases in interests | (2,245) | (155) | (1,091) | (100) |
| Proceeds from sales of marketable securities (available-for-sale) | 566 | 63 | 16 | 21 |
| Proceeds from maturity of marketable securities (available-for-sale) | 393 | 855 | 173 | |
| Proceeds from maturity of marketable securities (held-to-maturity) | 290 | 273 | 50 | 273 |
| Proceeds from short-term investments | 3,071 | 448 | 126 | 356 |
| Proceeds from sales of property, plant and equipment | 31 | 23 | 7 | 5 |
| Proceeds from sales of businesses and equity accounted companies (net of cash disposed) | 62 | 10 | (3) | 3 |
| Other | | (20) | | |
| **Net cash used in investing activities** | **(2,693)** | **(2,058)** | **(1,964)** | **(1,632)** |
| | | | | |
| **Financing activities:** | | | | |
| Net changes in debt with maturities of 90 days or less | 66 | (28) | 30 | (34) |
| Increase in debt | 197 | 440 | 30 | 123 |
| Repayment of debt | (327) | (523) | (60) | (174) |

| | | | | |
|---|---|---|---|---|
| Issuance of shares | 6 | 3 | 6 | 3 |
| Purchase of treasury shares | (120) | | (16) | |
| Dividends paid in the form of nominal value reduction | (1,112) | (1,027) | (1,112) | (1,027) |
| Dividends paid to noncontrolling shareholders | (188) | (191) | (71) | (85) |
| Other | 13 | (14) | 4 | 20 |
| **Net cash used in financing activities** | **(1,465)** | **(1,340)** | **(1,189)** | **(1,174)** |
| | | | | |
| Effects of exchange rate changes on cash and equivalents | (130) | 257 | 524 | 205 |
| | | | | |
| **Net change in cash and equivalents - continuing operations** | **(1,850)** | **(897)** | **(1,267)** | **(1,320)** |
| | | | | |
| Cash and equivalents beginning of period | 7,119 | 6,399 | 6,536 | 6,822 |
| **Cash and equivalents end of period** | **5,269** | **5,502** | **5,269** | **5,502** |
| | | | | |
| **Supplementary disclosure of cash flow information:** | | | | |
| Interest paid | 72 | 122 | 26 | 37 |
| Taxes paid | 698 | 829 | 199 | 275 |

See Notes to the Interim Consolidated Financial Information

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

| ($ in millions) | Capital stock and additional paid-in capital | Retained earnings | Accumulated other comprehensive loss: Foreign currency translation adjustment | Unrealized gain (loss) on available-for-sale securities | Pension and other postretirement plan adjustments | Unrealized gain (loss) of cash flow hedge derivatives | Total accumulated other comprehensive loss | Treasury stock | Total ABB stockholders equity | Noncontrolling interests | Total stockhol equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2009** | **4,841** | **9,927** | **(1,654)** | **83** | **(978)** | **(161)** | **(2,710)** | **(900)** | **11,158** | **612** | **11** |
| Comprehensive income: | | | | | | | | | | | |
| Net income | | 2,361 | | | | | | | 2,361 | 159 | 2 |
| Foreign currency translation adjustments | | | 672 | | | | 672 | | 672 | 6 | |
| Effect of change in fair value of available-for-sale securities, net of tax | | | | (62) | | | (62) | | (62) | | |
| Unrecognized income (loss) related to pensions and other postretirement plans, net of tax | | | | | (24) | | (24) | | (24) | (3) | |
| Change in derivatives qualifying as cash flow hedges, net of tax | | | | | | 170 | 170 | | 170 | | |
| **Total comprehensive income** | | | | | | | | | **3,117** | **162** | **3** |
| Changes in noncontrolling interests | | | | | | | | | | 17 | |
| Dividends paid to noncontrolling shareholders | | | | | | | | | | (193) | |
| Dividends paid in the form of nominal value reduction | (1,024) | | | | | | | | (1,024) | | (1 |
| Treasury stock transactions | (3) | | | | | | | 3 | | | |
| Share-based payment arrangements | 54 | | | | | | | | 54 | | |
| Issuance of shares | 3 | | | | | | | | 3 | | |
| Call options | 22 | | | | | | | | 22 | | |
| **Balance at September 30, 2009** | **3,893** | **12,288** | **(982)** | **21** | **(1,002)** | **9** | **(1,954)** | **(897)** | **13,330** | **598** | **13** |

**Accumulated other comprehensive loss**

**($ in millions)**

| | Capital stock and additional paid-in capital | Retained earnings | Foreign currency translation adjustment | Unrealized gain (loss) on available-for-sale securities | Pension and other postretirement plan adjustments | Unrealized gain (loss) of cash flow hedge derivatives | Total accumulated other comprehensive loss | Treasury stock | Total ABB stockholders equity | Noncontrolling interests | Total stockhold equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2010** | **3,943** | **12,828** | **(1,056)** | **20** | **(1,068)** | **20** | **(2,084)** | **(897)** | **13,790** | **683** | **14,** |
| Comprehensive income: | | | | | | | | | | | |
| Net income | | 1,861 | | | | | | | 1,861 | 118 | 1, |
| Foreign currency translation adjustments | | | 226 | | | | 226 | | 226 | 13 | |
| Effect of change in fair value of available-for-sale securities, net of tax | | | | 5 | | | 5 | | 5 | | |
| Unrecognized income (loss) related to pensions and other postretirement plans, net of tax | | | | | 74 | | 74 | | 74 | | |
| Change in derivatives qualifying as cash flow hedges, net of tax | | | | | | 73 | 73 | | 73 | | |
| **Total comprehensive income** | | | | | | | | | **2,239** | **131** | **2,** |
| Changes in noncontrolling interests | (834) | | | | | | | | (834) | (104) | ( |
| Dividends paid to noncontrolling shareholders | | | | | | | | | | (189) | ( |
| Dividends paid in the form of nominal value reduction | (1,112) | | | | | | | | (1,112) | | (1, |
| Cancellation of shares repurchased under buyback program | (619) | | | | | | | 619 | | | |
| Treasury stock transactions | (12) | | | | | | | (108) | (120) | | ( |
| Share-based payment arrangements | 56 | | | | | | | | 56 | | |
| Call options | (1) | | | | | | | | (1) | | |
| **Balance at September 30, 2010** | **1,421** | **14,689** | **(830)** | **25** | **(994)** | **93** | **(1,706)** | **(386)** | **14,018** | **521** | **14,** |

See Notes to the Interim Consolidated Financial Information

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

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

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

The Company s Interim Consolidated Financial Information is prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP) for interim financial reporting. As such, the Interim Consolidated Financial Information does not include all the information and notes required under U.S. GAAP for annual consolidated financial statements. Therefore, such financial information should be read in conjunction with the audited consolidated financial statements in the Company s Annual Report for the year ended December 31, 2009.

The preparation of financial information in conformity with U.S. GAAP requires management to make assumptions and estimates that directly affect the amounts reported in the Interim Consolidated Financial Information. The accounting estimates that require the Company s most significant, difficult and subjective judgments include:

- assumptions and projections, principally related to future material, labor and project-related overhead costs, used in determining the percentage-of-completion on projects,

- estimates of loss contingencies associated with litigation or threatened litigation and other claims and inquires, environmental damages, product warranties, regulatory and other proceedings,

- assumptions used in the calculation of pension and postretirement benefits and the fair value of pension plan assets,

- recognition and measurement of current and deferred income tax assets and liabilities (including the measurement of uncertain tax positions),

- growth rates, discount rates and other assumptions used in the Company s annual goodwill impairment test,

- assumptions used in determining inventory obsolescence and net realizable value,

- growth rates, discount rates and other assumptions used to determine impairment of long-lived assets, and

- assessment of the allowance for doubtful accounts.

The actual results and outcomes may differ from the Company s estimates and assumptions.

In the opinion of management, the unaudited Interim Consolidated Financial Information contains all necessary adjustments to present fairly the financial position, results of operations and cash flows for the reported interim periods.

The Interim Consolidated Financial Information is presented in United States dollars ($) unless otherwise stated. Certain amounts reported for prior periods in the Interim Consolidated Financial Information have been reclassified to conform to the current year s presentation.

**Note 2. Recent accounting pronouncements**

***Applicable in current period***

*Fair value measurements*

As of January 1, 2010, the Company adopted an accounting standard update that requires additional disclosure for fair value measurements. The update requires that significant transfers in and out of fair value Level 1 (observable quoted prices) and Level 2 (observable inputs other than Level 1 inputs) be disclosed together with a description of the reasons for the transfers. Adoption of this update did not result in additional disclosure for the nine-month and three-month periods ended September 30, 2010, as there were no significant transfers between Level 1 and Level 2.

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

***Applicable for future periods***

*Fair value measurements*

In January 2010, an accounting standard update was issued that requires additional disclosure for fair value measurements. The update requires disclosure, on a gross basis, about purchases, sales, issuances, and settlements of level 3 (significant unobservable inputs) instruments when reconciling the fair value measurements. This disclosure requirement is effective for the Company for periods beginning January 1, 2011. The Company does not believe that this new disclosure requirement will have a material impact on its consolidated financial statements.

*Revenue recognition with multiple deliverable arrangements*

In October 2009, an accounting standard update on revenue recognition with multiple deliverable arrangements was issued which amends the criteria for allocating consideration in multiple-deliverable revenue arrangements. It establishes a hierarchy of selling prices to determine the selling price of each specific deliverable that includes vendor-specific objective evidence (if available), third-party evidence (if vendor-specific evidence is not available), or estimated selling price if neither of the first two are available. This update also:

- eliminates the residual method for allocating revenue between the elements of an arrangement and requires that arrangement consideration be allocated at the inception of the arrangement, and

- expands the disclosure requirements regarding a vendor s multiple-deliverable revenue arrangements.

This update is effective for arrangements entered into by the Company or materially modified on or after January 1, 2011. The Company is currently evaluating the impact of this update.

*Revenue arrangements that include software elements*

In October 2009, an accounting standard update for the accounting of certain revenue arrangements that include software elements was issued. This update amends the existing guidance on revenue arrangements that contain both hardware and software elements. This update modifies the existing rules to exclude from the software revenue guidance (i) non-software components of tangible products and (ii) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product s essential functionality. Undelivered elements in the arrangement related to the non-software components also are excluded from this guidance. This update is effective for arrangements entered into by the Company or materially modified on or after January 1, 2011. The Company is currently evaluating the impact of this update.

*Disclosures about the credit quality of financing receivables and the allowance for credit losses*

In July 2010, an accounting standard update was issued that requires additional disclosures regarding (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. For disclosures as of the end of a reporting period this update is effective for the Company for the period ending December 31, 2010. For disclosures about activity during a reporting period, this update is effective for the Company for periods beginning January 1, 2011. The Company does not believe that this new disclosure requirement will have a material impact on its consolidated financial statements.

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

**Note 3. Acquisitions and increases in controlling interests**

**Acquisitions**

Acquisitions in the nine and three months ended September 30, 2010 and 2009, (excluding the increase in controlling interest in India described separately below) were:

| ($ in millions, except number of acquired businesses) | Nine months ended September 30, 2010 | 2009 | Three months ended September 30, 2010 | 2009 |
|---|---|---|---|---|
| Acquisitions (net of cash acquired)(1) | 1,291 | 155 | 137 | 100 |
| Aggregate excess of purchase price over fair value of net assets acquired(2) | 1,123 | 146 | 65 | 39 |
| | | | | |
| Number of acquired businesses | 7 | 7 | 1 | 2 |

(1) Including increases in minority and controlling interests (excluding India) and equity investments

(2) Recorded as goodwill

In the table above, $1,074 million of the Acquisitions amount and $1,007 million of the Aggregate excess of purchase price over fair value of net assets acquired amount relate to the acquisition of Ventyx, as described below.

Acquisitions of controlling interests have been accounted for under the acquisition method and have been included in the Company s Interim Consolidated Financial Information since the date of acquisition. The Company has not presented pro forma results of operations of the acquired businesses as the results are not significant to the Interim Consolidated Financial Information.

On June 1, 2010, the Company acquired all of the shares of Ventyx Inc., Ventyx Software Inc. and Ventyx Dutch Holding B.V., representing substantially all of the revenues, assets and liabilities of the Ventyx group. Ventyx provides software solutions to global energy, utility, communications and other asset-intensive businesses and was integrated into the network management business within the Power Systems segment to form a single unit for energy management software solutions. The preliminary purchase price amounted to $1,074 million (net of $31 million cash acquired).

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

The main items still to be finalized are: (i) the fair value of acquired intangible assets, (ii) the purchase price, (iii) income and non-income based taxes, (iv) the fair values of certain tangible assets acquired and liabilities assumed, and (v) the residual goodwill.

The preliminary purchase price, settled in cash, has been allocated as follows:

| **($ in millions)** | **Allocated amount** | **Weighted-average useful life** |
|---|---|---|
| Capitalized software for sale | 128 | 5 years |
| Customer relationships | 122 | 9 years |
| Trade name | 23 | 10 years |
| In-process research and development | 24 | 5 years |
| Order backlog | 15 | 8 years |
| Deferred tax liabilities | (117) | |
| Other assets and liabilities, net(1) | (128) | |
| Goodwill(2) | 1,007 | |
| **Total** | **1,074** | |

(1) Including debt assumed upon acquisition

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

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

Changes in total goodwill in 2009 and the nine months ended September 30, 2010 were as follows:

| ($ in millions) | Total |
|---|---|
| **Balance at January 1, 2009** | **2,817** |
| Goodwill acquired during the year | 147 |
| Exchange rate differences | 59 |
| Other | 3 |
| **Balance at December 31, 2009** | **3,026** |
| Goodwill acquired during the period(1) | 1,123 |
| Exchange rate differences | (24) |
| Other | (1) |
| **Balance at September 30, 2010** | **4,124** |

(1) Includes $1,007 million in respect of Ventyx, which has been allocated to the Power Systems segment

**Increase in controlling interests in India**

In July 2010, the Company announced that it had been successful in its offer to increase its stake in ABB Limited, India (its publicly-listed subsidiary in India) from approximately 52 percent to 75 percent. Cash paid up to September 30, 2010, including transaction costs, amounted to $954 million. The offer of 900 rupees per share resulted in a charge to Capital stock and additional paid-in capital of $836 million, including expenses related to the transaction.

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

At September 30, 2010, and December 31, 2009, cash and equivalents and marketable securities and short-term investments consisted of the following:

| | September 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| ($ in millions) | Cost basis | Gross unrealized gains | Gross unrealized losses | Fair value | Cash and equivalents | Marketable securities and short-term investments |
| Cash | 1,644 | | | 1,644 | 1,644 | |
| Time deposits | 3,129 | | | 3,129 | 2,921 | 208 |
| *Securities held-to-maturity:* | | | | | | |
| Corporate commercial papers | | | | | | |
| Other | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| *Debt securities available-for-sale:* | | | | | | |
| U.S. government obligations | 145 | 9 | | 154 | | 154 |
| European government obligations | 156 | | (1) | 155 | 137 | 18 |
| Other government obligations | 4 | | (1) | 3 | | 3 |
| Corporate | 1,036 | 10 | | 1,046 | 567 | 479 |
| Equity securities available-for-sale | 1,482 | 9 | | 1,491 | | 1,491 |
| **Total** | **7,596** | **28** | **(2)** | **7,622** | **5,269** | **2,353** |

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

| | December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| **($ in millions)** | **Cost basis** | **Gross unrealized gains** | **Gross unrealized losses** | **Fair value** | **Cash and equivalents** | **Marketable securities and short-term investments** |
| Cash | 1,381 | | | 1,381 | 1,381 | |
| Time deposits | 6,170 | | | 6,170 | 4,474 | 1,696 |
| *Securities held-to-maturity:* | | | | | | |
| Corporate commercial papers | 413 | | | 413 | 223 | 190 |
| Other | 43 | | | 43 | | 43 |
| *Debt securities available-for-sale:* | | | | | | |
| U.S. government obligations | 110 | 4 | (1) | 113 | | 113 |
| European government obligations | 737 | | (2) | 735 | 717 | 18 |
| Other government obligations | 4 | | (1) | 3 | | 3 |
| Corporate | 603 | 5 | | 608 | 324 | 284 |
| Equity securities available-for-sale | 71 | 15 | | 86 | | 86 |
| **Total** | **9,532** | **24** | **(4)** | **9,552** | **7,119** | **2,433** |

**Note 5. Financial instruments**

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

**Currency risk**

Due to the global nature of the Company s operations, many of its subsidiaries are exposed to currency risk in their operating activities from entering into transactions in currencies other than their functional currency. To manage such currency risks, the Company s policies require the subsidiaries to hedge their foreign currency exposures from binding sales and purchase contracts denominated in foreign currencies, as well as at least fifty percent of the anticipated foreign currency denominated sales volume of standard products and related foreign currency denominated purchases over the next twelve months. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in foreign currencies.

**Commodity risk**

Various commodity products are used in the Company s manufacturing activities. Consequently it is exposed to volatility in future cash flows arising from changes in commodity prices. To manage such commodity price risk, the Company s policies require that the subsidiaries hedge commodity price risk exposures from binding purchase contracts, as well as at least fifty percent of the anticipated commodity purchases over the next twelve months. Swap contracts on various commodities (primarily copper) are used to manage the associated price risks.

**Interest rate risk**

The Company has issued bonds at fixed rates and in currencies other than the issuing entity s functional currency. Interest rate swaps are used to manage the interest rate and foreign currency risk associated with such debt. In addition, from time to time, the Company uses instruments such as interest rate swaps, bond futures or forward rate agreements to manage interest rate risk arising from the Company s balance sheet structure but does not designate such instruments as hedges.

**Equity risk**

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

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

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

**Volume of derivative activity**

The gross notional amounts of outstanding derivatives (whether designated as hedges or not) were as follows:

*Foreign exchange and interest rate derivatives:*

| Type of derivative ($ in millions) | September 30, 2010 | Total notional amounts December 31, 2009 | September 30, 2009 |
|---|---|---|---|
| Foreign exchange contracts | 17,573 | 14,446 | 13,408 |
| Embedded foreign exchange derivatives | 2,993 | 3,951 | 3,796 |
| Interest rate contracts | 2,533 | 2,860 | 2,627 |

*Derivative commodity contracts:*

| Type of derivative | Unit | September 30, 2010 | Total notional amounts December 31, 2009 | September 30, 2009 |
|---|---|---|---|---|
| Copper swaps | metric tonnes | 21,730 | 22,002 | 25,941 |
| Aluminum swaps | metric tonnes | 3,648 | 2,193 | 2,741 |
| Nickel swaps | metric tonnes | 29 | 24 | 24 |
| Electricity futures | megawatt hours | 1,541,896 | 1,330,978 | 1,681,237 |
| Crude oil swaps | barrels | 138,572 | 154,632 | 159,087 |

*Equity derivatives:*

At September 30, 2010, December 31, 2009, and September 30, 2009, the Company held 64 million, 64 million and 67 million cash-settled call options on ABB Ltd shares with a total fair value of $57 million, $64 million and $84 million respectively.

**Cash flow hedges**

As noted above, the Company mainly uses forward foreign exchange contracts to manage the foreign exchange risk of its operations, commodity swaps to manage its commodity risks and cash-settled call options to hedge its WAR liabilities. Where such instruments are designated and qualify as cash flow hedges, the effective portion of the changes in their fair value is recorded in Accumulated other comprehensive loss and subsequently reclassified into earnings in the same line item and in the same period as the underlying hedged transaction affects earnings. Any ineffectiveness in the hedge relationship, or hedge component excluded from the assessment of effectiveness, is recognized in earnings during the current period.

At September 30, 2010, and December 31, 2009, Accumulated other comprehensive loss included net unrealized gains of $93 million and $20 million, respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at September 30, 2010, net gains of $56 million are expected to be reclassified to earnings in the following twelve months. At September 30, 2010, the longest maturity of a derivative classified as a cash flow hedge was 65 months.

During the nine and three months ended September 30, 2010, net of tax gains of $2 million and $2 million respectively, were reclassified into earnings as a result of the discontinuance of cash flow hedge accounting. During the nine and three months ended September 30, 2010, net of tax gains of $2 million and $2 million respectively, were recognized in earnings due to ineffectiveness in cash flow hedge relationships. In the nine and three months ended September 30, 2009, net of tax gains of $1 million and $2 million respectively were reclassified into earnings as a result of the discontinuance of cash flow hedge accounting. Net of tax gains of $7 million and $3 million, respectively, for the nine and three months ended September 30, 2009, were included in earnings due to ineffectiveness in cash flow hedge relationships.

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

The pre-tax effects of derivative instruments, designated and qualifying as cash flow hedges, on Accumulated other comprehensive loss and the Consolidated Income Statements were as follows:

**Nine months ended September 30, 2010**

| Type of derivative designated as a cash flow hedge | Gains (losses) recognized in OCI(1) on derivatives (effective portion) ($ in millions) | Gains (losses) reclassified from OCI(1) into income (effective portion) Location | ($ in millions) | Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing) Location | ($ in millions) |
|---|---|---|---|---|---|
| Foreign exchange contracts | 96 | Total revenues | 19 | Total revenues | 2 |
| | | Total cost of sales | (3) | Total cost of sales | |
| Commodity contracts | 3 | Total cost of sales | 6 | Total cost of sales | |
| Cash-settled call options | (2) | SG&A expenses(2) | (8) | SG&A expenses(2) | |
| **Total** | **97** | | **14** | | **2** |

**Nine months ended September 30, 2009**

| Type of derivative designated as a cash flow hedge | Gains (losses) recognized in OCI(1) on derivatives (effective portion) ($ in millions) | Gains (losses) reclassified from OCI(1) into income (effective portion) Location | ($ in millions) | Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing) Location | ($ in millions) |
|---|---|---|---|---|---|
| Foreign exchange contracts | 81 | Total revenues | (83) | Total revenues | 9 |
| | | Total cost of sales | 7 | Total cost of sales | |
| Commodity contracts | 21 | Total cost of sales | (36) | Total cost of sales | 1 |
| Cash-settled call options | | SG&A expenses(2) | | SG&A expenses(2) | |
| **Total** | **102** | | **(112)** | | **10** |

**Three months ended September 30, 2010**

| Type of derivative designated as a cash flow hedge | Gains (losses) recognized in OCI(1) on derivatives (effective portion) ($ in millions) | Gains (losses) reclassified from OCI(1) into income (effective portion) Location | ($ in millions) | Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing) Location | ($ in millions) |
|---|---|---|---|---|---|
| Foreign exchange contracts | 99 | Total revenues | 3 | Total revenues | 2 |
| | | Total cost of sales | | Total cost of sales | |
| Commodity contracts | 5 | Total cost of sales | 2 | Total cost of sales | |
| Cash-settled call options | 6 | SG&A expenses(2) | (1) | SG&A expenses(2) | |
| **Total** | **110** | | **4** | | **2** |

**Three months ended September 30, 2009**

| Type of derivative designated as a cash flow hedge | Gains (losses) recognized in OCI(1) on derivatives (effective portion) ($ in millions) | Gains (losses) reclassified from OCI(1) into income (effective portion) Location | ($ in millions) | Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing) Location | ($ in millions) |
|---|---|---|---|---|---|
| Foreign exchange contracts | 80 | Total revenues | (23) | Total revenues | 6 |
| | | Total cost of sales | 2 | Total cost of sales | |
| Commodity contracts | 11 | Total cost of sales | (7) | Total cost of sales | (1) |
| Cash-settled call options | (6) | SG&A expenses(2) | | SG&A expenses(2) | |
| **Total** | **85** | | **(28)** | | **5** |

(1) OCI represents Accumulated other comprehensive loss

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

Derivative gains of $8 million and derivative losses of $86 million, both net of tax, were reclassified from Accumulated other comprehensive loss to earnings during the nine months ended September 30, 2010 and 2009, respectively. During the three months ended September 30, 2010 and 2009, derivative gains of $4 million and losses of $21 million, both net of tax, were reclassified to earnings, respectively.

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

**Fair value hedges**

To reduce its interest rate and foreign currency exposures arising primarily from its debt issuance activities, the Company uses interest rate swaps. Where such instruments are designated as fair value hedges, the changes in fair value of these instruments, as well as the changes in fair value of the risk component of the underlying debt being hedged, are recorded as offsetting gains and losses in Interest and other finance expense . Hedge ineffectiveness in the nine and three months ended September 30, 2010 and 2009, was not significant.

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

**Nine months ended September 30, 2010**

| **Type of derivative designated as a fair value hedge** | **Gains (losses) recognized in income on derivatives designated as fair value hedges** | | **Gains (losses) recognized in income on hedged item** | |
|---|---|---|---|---|
| | **Location** | **($ in millions)** | **Location** | **($ in millions)** |
| Interest rate contracts | Interest and other finance expense | 2 | Interest and other finance expense | (2) |
| Cross-currency swaps | Interest and other finance expense | | Interest and other finance expense | |
| **Total** | | **2** | | **(2)** |

**Nine months ended September 30, 2009**

| **Type of derivative designated as a fair value hedge** | **Gains (losses) recognized in income on derivatives designated as fair value hedges** | | **Gains (losses) recognized in income on hedged item** | |
|---|---|---|---|---|
| | **Location** | **($ in millions)** | **Location** | **($ in millions)** |
| Interest rate contracts | Interest and other finance expense | 50 | Interest and other finance expense | (50) |
| Cross-currency swaps | Interest and other finance expense | 3 | Interest and other finance expense | (3) |
| **Total** | | **53** | | **(53)** |

**Three months ended September 30, 2010**

| **Type of derivative designated as a fair value hedge** | **Gains (losses) recognized in income on derivatives designated as fair value hedges** | | **Gains (losses) recognized in income on hedged item** | |
|---|---|---|---|---|
| | **Location** | **($ in millions)** | **Location** | **($ in millions)** |
| Interest rate contracts | Interest and other finance expense | (2) | Interest and other finance expense | 2 |
| Cross-currency swaps | Interest and other finance expense | | Interest and other finance expense | |
| **Total** | | **(2)** | | **2** |

**Three months ended September 30, 2009**

| Type of derivative designated as a fair value hedge | Gains (losses) recognized in income on derivatives designated as fair value hedges | | Gains (losses) recognized in income on hedged item | |
|---|---|---|---|---|
| | Location | ($ in millions) | Location | ($ in millions) |
| Interest rate contracts | Interest and other finance expense | 11 | Interest and other finance expense | (11) |
| Cross-currency swaps | Interest and other finance expense | | Interest and other finance expense | |
| **Total** | | **11** | | **(11)** |

**Derivatives not designated in hedge relationships**

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

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

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

The gains (losses) recognized in the Consolidated Income Statements on derivatives not designated in hedging relationships are included in the table below:

| ($ in millions) | | Gains (losses) recognized in income | | | |
|---|---|---|---|---|---|
| | | Nine months ended September 30, | | Three months ended September 30, | |
| Type of derivative Not designated as a hedge | Location | 2010 | 2009 | 2010 | 2009 |
| Foreign exchange contracts: | Total revenues | 332 | 327 | 310 | 233 |
| | Total cost of sales | (181) | (168) | (75) | (63) |
| | Interest and other finance expense | 403 | 28 | 78 | 8 |
| Embedded foreign exchange contracts: | Total revenues | (214) | (177) | (89) | (94) |
| | Total cost of sales | 22 | 21 | 33 | 12 |
| Commodity contracts: | Total cost of sales | 7 | 72 | 14 | 22 |
| Cross-currency swaps: | Interest and other finance expense | | | | 2 |
| Interest rate swaps: | Interest and other finance expense | | 2 | | 1 |
| Cash-settled call options: | Interest and other finance expense | | (1) | 1 | (1) |
| **Total** | | **369** | **104** | **272** | **120** |

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

| | September 30, 2010 | | | |
|---|---|---|---|---|
| | Derivative assets | | Derivative liabilities | |
| ($ in millions) | Current in Other current assets | Non-current in Other non-current assets | Current in Provisions and other current liabilities | Non-current in Other non-current liabilities |
| *Derivatives designated as hedging instruments:* | | | | |
| Foreign exchange contracts | 97 | 54 | 16 | 7 |
| Commodity contracts | 4 | | | |