

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 Company's audited financial statements for the year ended December 31, 2008.

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,
- 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.

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

In the opinion of management, the 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.

For the purposes of this Interim Consolidated Financial Information, the Company has evaluated subsequent events up to February 18, 2010.

Note 2. Accounting pronouncements

Noncontrolling interests in consolidated financial statements

As of January 1, 2009, the Company adopted a new accounting standard which changed the accounting and reporting for minority interests, which are recharacterized as noncontrolling interests and classified as a component of equity. This change was effective prospectively as of January 1, 2009, except for the presentation and disclosure requirements which apply retrospectively for all periods presented. As a result of the adoption, noncontrolling interests of \$612 million were reclassified to stockholders' equity at December 31, 2008. Income attributable to noncontrolling interests of \$235 million and \$260 million for the years ended December 31, 2009 and 2008, respectively, and \$76 million for both the three months ended December 31, 2009 and 2008, is included in "Net income" and is deducted to arrive at "Net income attributable to ABB".

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Business combinations

As of January 1, 2009, the Company adopted a new accounting standard for business combinations that have an acquisition date on or after January 1, 2009. Assets acquired, liabilities assumed, contractual contingencies and contingent consideration are recognized at their fair value on the acquisition date. Acquisition-related costs are recognized separately from the acquisition and expensed as incurred. Restructuring costs are expensed in periods subsequent to the acquisition date. Changes in deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period (the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination) impact income tax expense in periods subsequent to the acquisition date. Acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life.

Revenue recognition with multiple deliverable arrangements

In October 2009, a new accounting standard update on revenue recognition with multiple deliverable arrangements was issued which amends the criteria for separating 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 new standard 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, a new accounting standard update for the accounting of certain revenue arrangements that include software elements was issued. This update amends how to account for revenue arrangements that contain both hardware and software elements. This update modifies the existing rules to exclude (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 the software revenue 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.

Note 3. Financial instruments

The Company uses fair value measurement principles to record certain financial assets and liabilities on a recurring basis. Financial assets and liabilities recorded at fair value on a recurring basis include foreign currency, commodity, interest rate and equity derivatives and available-for-sale securities.

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation techniques including the market approach (using observable market data for identical or similar assets and liabilities) and the income approach (discounted cash flow models). Inputs used to determine the fair value of assets and liabilities are defined by a three-level hierarchy depending on the reliability of those inputs. The Company has categorized its financial assets and liabilities measured at fair value within this hierarchy based on whether the inputs to the valuation technique are observable or unobservable. An observable input is based on market data obtained from independent sources, while an unobservable input reflects the Company's assumptions about market data.

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The levels of the fair value hierarchy are as follows:

- Level 1: Valuation inputs consist of quoted prices in an active market for identical assets or liabilities (observable quoted prices). Assets and liabilities valued using Level 1 inputs include exchange-traded equity securities, listed derivatives which are actively traded such as foreign exchange futures and most U.S. government securities.
- Level 2: Valuation inputs consist of observable inputs (other than Level 1 inputs) such as actively quoted prices for similar assets, quoted prices in inactive markets and inputs other than quoted prices such as interest rate yield curves, credit spreads, or inputs derived from other observable data by interpolation, correlation, regression or other means. The adjustments applied to quoted prices or the inputs used in valuation models may be both observable and unobservable. In these cases, the fair value measurement is classified as Level 2 unless the unobservable portion of the adjustment or the unobservable input to the valuation model is significant, in which case the fair value measurement would be classified as Level 3. Assets and liabilities valued using Level 2 inputs include interest rate swaps, cross-currency swaps, commodity swaps, cash-settled call options, as well as foreign exchange forward contracts and foreign exchange swaps.
- Level 3: Valuation inputs are based on the Company's assumptions of relevant market data (unobservable input).

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

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

The following table shows the fair value of financial assets and liabilities measured at fair value on a recurring basis:

(\$ in millions)	December 31, 2009			Total fair value
	Level 1	Level 2	Level 3	
Assets				
Available-for-sale securities in "Cash and equivalents":				
Debt securities – European government obligations	717	-	-	717
Debt securities – Corporate	-	324	-	324
Available-for-sale securities in "Marketable securities and short-term investments":				
Equity securities	49	37	-	86
Debt securities – U.S. government obligations	113	-	-	113
Debt securities – European government obligations	18	-	-	18
Debt securities – Other government obligations	3	-	-	3
Debt securities – Corporate	-	284	-	284
Current derivative assets in "Other current assets"	6	401	-	407
Non-current derivative assets in "Other non-current assets"	-	199	-	199
Total	906	1,245	-	2,151
Liabilities				
Current derivative liabilities in "Provisions and other current liabilities"	7	242	-	249
Non-current derivative liabilities in "Other non-current liabilities"	-	67	-	67
Total	7	309	-	316

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(\$ in millions)	December 31, 2008			Total fair value
	Level 1	Level 2	Level 3	
Assets				
Available-for-sale securities in "Cash and equivalents":				
Debt securities – European government obligations	-	550	-	550
Available-for-sale securities in "Marketable securities and short-term investments":				
Equity securities	38	35	-	73
Debt securities – U.S. government obligations	100	-	-	100
Debt securities – European government obligations	17	934	-	951
Debt securities – Other government obligations	8	-	-	8
Debt securities – Corporate	5	124	-	129
Current derivative assets in "Other current assets"	5	640	-	645
Non-current derivative assets in "Other non-current assets"	-	200	-	200
Total	173	2,483	-	2,656
Liabilities				
Current derivative liabilities in "Provisions and other current liabilities"	7	789	-	796
Non-current derivative liabilities in "Other non-current liabilities"	-	180	-	180
Total	7	969	-	976

The Company uses the following methods and assumptions in estimating fair values of financial assets and liabilities measured at fair value on a recurring basis:

- *Available-for-sale securities in "Cash and equivalents"*: includes available-for-sale marketable debt securities, which are measured at fair value. If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for nonperformance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.
- *Available-for-sale securities in "Marketable securities and short-term investments"*: includes available-for-sale marketable debt securities, equity securities and other marketable securities, such as fund investments. If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for nonperformance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.
- *Derivatives*: the fair values of derivative instruments are determined using quoted prices of identical instruments from an active market, if available (Level 1). If quoted prices are not available, price quotes for similar instruments, appropriately adjusted, or a discounted cash flow methodology, based on available market data, or option pricing models are used. Cash-settled call options hedging the Company's warrant appreciation rights liability are valued based on bid prices of the equivalent listed warrant. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.

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Note 4. Debt

In October 2009, the Company cancelled its existing \$2 billion credit facility, originally entered into in 2005 and expiring in 2010, and replaced it with a new 3-year \$2 billion multicurrency credit facility. Interest costs of drawings under the new facility are LIBOR, STIBOR or EURIBOR (depending on currency of drawings) plus a margin of 100 basis points, while commitment fees payable on the unused portion of the facility amount to 0.40% per annum. Utilization fees, payable on drawings, amount to 0.25% per annum on drawings over one-third but less than or equal to two-thirds of the total facility, or 0.50% per annum on drawings over two-thirds of the total facility. No utilization fees are payable on drawings less than one-third of the total facility.

Note 5. Commitments and contingencies

Contingencies – Environmental

The Company is engaged in environmental clean-up activities at certain sites arising under various United States and other environmental protection laws and under certain agreements with third parties. In some cases, these environmental remediation actions are subject to legal proceedings, investigations or claims, and it is uncertain to what extent the Company is actually obligated to perform. Provisions for these unresolved matters have been set up if it is probable that the Company has incurred a liability and the amount of loss can be reasonably estimated. Estimated losses for environmental obligations are not discounted to their present value because the timing of payments cannot be reasonably estimated. If a provision has been recognized for any of these matters the Company records an asset when it is probable that it will recover a portion of the costs expected to be incurred to settle them. Management is of the opinion, based upon information presently available, that the resolution of any such obligation and non-collection of recoverable costs would not have a further material adverse effect on the Company's consolidated financial statements.

Contingencies related to former Nuclear Technology business

The Company retains liabilities for certain specific environmental remediation costs at two sites in the United States that were operated by its former subsidiary, ABB CE-Nuclear Power Inc., which the Company sold to British Nuclear Fuels PLC (BNFL) in 2000. Pursuant to the sale agreement with BNFL, the Company has retained the environmental liabilities associated with its Combustion Engineering, Inc. subsidiary's Windsor, Connecticut, facility and agreed to reimburse BNFL for a share of the costs that BNFL incurs for environmental liabilities associated with its former Hematite, Missouri, facility. The primary environmental liabilities associated with these sites relate to the costs of remediating radiological and chemical contamination. Such costs are not incurred until a facility is taken out of use and generally are incurred over a number of years. Although it is difficult to predict with accuracy the amount of time it may take to remediate this contamination, based on available information, the Company believes that it may take until 2012 at the Windsor site and until 2015 at the Hematite site.

Under the terms of the sale agreement, BNFL is responsible to have the remediation of the Hematite site performed in a cost efficient manner and pursue recovery of remediation costs from other potentially responsible parties as conditions for obtaining cost sharing contributions from the Company.

Westinghouse Electric Company LLC (Westinghouse), BNFL's former subsidiary, now oversees remediation activities at the Hematite site. Westinghouse was acquired during 2006 by a consortium led by Toshiba Corporation, Japan. During the 2007 through 2009 period, Westinghouse's efforts were focused on modifying, finalizing and obtaining regulatory approval of its draft decommissioning plan for the Hematite site.

During 2007, the Company reached an agreement with U.S. government agencies to transfer oversight of the remediation of the portion of the Windsor site under the U.S. Government's Formerly Utilized Sites Remedial Action Program from the U.S. Army Corps of Engineers to the Nuclear Regulatory Commission which has oversight responsibility for the remaining radiological areas of that site and the Company's radiological license for the site.

Contingencies related to other present and former facilities primarily in North America

The Company is involved in the remediation of environmental contamination at present or former facilities, primarily in the United States. The clean up of these sites involves primarily soil and

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groundwater contamination. A significant proportion of the provisions in respect of these contingencies reflect the provisions of an acquired company. Substantially all of the acquired entity's remediation liability is indemnified by a prior owner. Accordingly, an asset equal to this remediation liability is included in "Other non-current assets".

The impact of the above environmental obligations on "Income (loss) from discontinued operations, net of tax", was a charge of \$11 million and \$9 million for the year and three months ended December 31, 2009, and was not significant for the year and three months ended December 31, 2008. The impact of the above obligations on "Income from continuing operations, net of tax", was not significant for the year and three months ended December 31, 2009 and 2008.

The total effect of the above Nuclear Technology and other environmental obligations on the Company's Consolidated Statements of Cash Flows was as follows:

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2009	2008	2009	2008
Cash expenditures:				
Nuclear Technology business	11	4	4	1
Various businesses	18	8	6	3
	29	12	10	4

The Company has estimated 2010 expenditures to be \$29 million.

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

(\$ in millions)	December 31,	
	2009	2008
Provision balance relating to:		
Nuclear Technology business	230	241
Various businesses	67	52
	297	293
Environmental provisions included in:		
Provisions and other current liabilities	29	46
Other non-current liabilities	268	247
	297	293

Asbestos obligations

The Company's Combustion Engineering, Inc. subsidiary (CE) was a co-defendant in a large number of lawsuits claiming damage for personal injury resulting from exposure to asbestos. A smaller number of claims were also brought against the Company's former Lummus subsidiary as well as against other entities of the Company. Separate plans of reorganization for CE and Lummus, as amended, were filed under Chapter 11 of the U.S. Bankruptcy Code. The CE plan of reorganization and the Lummus plan of reorganization (collectively, the Plans) became effective on April 21, 2006 and August 31, 2006, respectively.

Under the Plans, separate personal injury trusts were created and funded to settle future asbestos related claims against CE and Lummus and on the respective Plan effective dates, channeling injunctions were issued pursuant to Section 524(g) of the U.S. Bankruptcy Code under which all present and future asbestos-related personal injury claims filed against the Company and its affiliates and certain other entities that relate to the operations of CE and Lummus are channeled to the CE Asbestos PI Trust or the Lummus Asbestos PI Trust, respectively.

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The effect of asbestos obligations on the Company's Consolidated Income Statements and Statements of Cash Flows was as follows:

(\$ in millions)	Year ended December 31,		Three months ended December 31,	
	2009	2008	2009	2008
Income (loss) from discontinued operations, net of tax	-	(31)	-	(31)
Cash expenditures	1	100	1	25

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

(\$ in millions)	December 31,	
	2009	2008
Asbestos provisions included in:		
Provisions and other current liabilities	28	4
Other non-current liabilities	25	50
	53	54

Included in the asbestos provisions above are two additional payments of \$25 million each to the CE Asbestos PI Trust for which the Company is liable on a contingent basis. One additional payment of \$25 million is payable in 2010 or 2011 if the Company attains an earnings before interest and taxes (EBIT) margin of 9% for 2009 or 14% in 2010. The other payment of \$25 million is payable in 2011 if the Company attains an EBIT margin of 9.5% in 2010. During 2008, the Company recorded both of these contingent payment obligations as, based on forecasted financial results, it expected to achieve the target EBIT margins in 2009 and 2010. If the Company is found by the U.S. Bankruptcy Court (the Bankruptcy Court) to have defaulted on its asbestos payment obligations, the CE Asbestos PI Trust may petition the Bankruptcy Court to terminate the CE channeling injunction and the protections afforded by that injunction to the Company and other entities of the Company, as well as certain other entities, including Alstom SA.

Contingencies – Regulatory, Compliance and Legal

Gas Insulated Switchgear business

In May 2004, the Company announced that it had undertaken an internal investigation which uncovered that certain of its employees together with employees of other companies active in the Gas Insulated Switchgear business were involved in anti-competitive practices. The Company has reported such practices upon identification to the appropriate antitrust authorities, including the European Commission. The European Commission announced its decision in January 2007 and granted the Company full immunity from fines assessed to the Company of euro 215 million under the European Commission's leniency program.

The Company continues to cooperate with other antitrust authorities in several locations globally, including Brazil, which are investigating anti-competitive practices related to Gas Insulated Switchgear. At this stage of the proceedings, no reliable estimate of the amount of potential fines, if any, can be made.

Power Transformers business

The European Commission has recently concluded an investigation into alleged anti-competitive practices of certain manufacturers of power transformers. The European Commission announced its decision in October 2009 and fined the Company euro 33.75 million (equivalent to \$49 million on date of payment).

The German Antitrust Authority (*Bundeskartellamt*) and other antitrust authorities are also reviewing those alleged practices which relate to the German market and other markets. Management is cooperating fully with the authorities in their investigations. The Company anticipates that the German Antitrust Authority's review will result in an unfavorable outcome with respect to the alleged anti-competitive practices and expects that a fine will be imposed. At this stage of the proceedings with the other antitrust authorities, no reliable estimate of the amount of potential fines, if any, can be made.

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Cables business

The Company's cables business is under investigation for alleged anti-competitive practices. Management is cooperating fully with the antitrust authorities in their investigations. An informed judgment about the outcome of these investigations or the amount of potential loss for the Company, if any, relating to these investigations cannot be made at this stage.

FACTS business

In January 2010, the European Commission conducted raids at the premises of the Company's flexible alternating current transmission systems (FACTS) business in Sweden as part of its investigation into alleged anti-competitive practices of certain FACTS manufacturers. Management is cooperating fully with the European Commission in its investigation. An informed judgment about the outcome of this investigation or the amount of potential loss for the Company, if any, relating to this investigation cannot be made at this stage.

Suspect payments

In April 2005, the Company voluntarily disclosed to the United States Department of Justice (DoJ) and the United States Securities and Exchange Commission (SEC) certain suspect payments in its network management unit in the United States. Subsequently, the Company made additional voluntary disclosures to the DoJ and the SEC regarding suspect payments made by other Company subsidiaries in a number of countries in the Middle East, Asia, South America and Europe as well as by its former Lummus business. These payments were discovered by the Company as a result of the Company's internal audit program and compliance reviews. The payments may be in violation of the Foreign Corrupt Practices Act or other applicable laws. The Company is cooperating with the relevant authorities regarding these issues and is continuing its internal investigations and compliance reviews. The Company anticipates an unfavorable outcome with respect to the investigation of these suspect payments and expects that fines will be imposed.

Earnings overstatement in an Italian subsidiary

In September 2004, the Company restated its Consolidated Financial Statements for all prior periods as a result of earnings overstatements by a business unit of the Company's Power Products division (part of the former Power Technologies division) in Italy. The restatement followed an internal investigation by the Company which revealed that the business unit had overstated earnings before interest and taxes and net income, as well as that certain employees had participated in arranging improper payments to an employee of an Italian power generation company in order to obtain a contract. The Company reported this matter to the Italian authorities, as well as to the SEC and the DoJ. In 2009, the Company settled matters with the Italian authorities and the case was dismissed. The Company cannot reasonably predict what action, if any, the SEC or the DoJ may take.

General

In addition, the Company is aware of proceedings, or the threat of proceedings, against it and others in respect of private claims by customers and other third parties alleging harm with regard to various actual or alleged cartel cases. Also, the Company is subject to other various legal proceedings, investigations, and claims that have not yet been resolved. With respect to the abovementioned regulatory matters and commercial litigation contingencies, the Company will bear the costs of the continuing investigations and any related legal proceedings.

At December 31, 2009 and 2008, the Company accrued aggregate liabilities of \$309 million and \$795 million, respectively, included in provisions and other current liabilities and in other non-current liabilities for the above regulatory, compliance and legal contingencies. The Company's aggregate accrued liabilities at December 31, 2009, were impacted primarily by changes in the provisions relating to alleged anti-competitive practices, including, but not limited to, the European Commission's decision in October 2009 on the power transformers business. As it is not possible to make an informed judgment on the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be material adverse outcomes beyond the amounts accrued.

Guarantees

General

The following table provides quantitative data regarding the Company's third-party guarantees. The maximum potential payments represent a "worst-case scenario", and do not reflect management's

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expected results. The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations.

(\$ in millions)	December 31, 2009		December 31, 2008	
	Maximum potential payments	Carrying amount of liabilities	Maximum potential payments	Carrying amount of liabilities
Performance guarantees	237	1	413	1
Financial guarantees	91	-	95	-
Indemnification guarantees	282	1	277	6
Total	610	2	785	7

Performance guarantees

Performance guarantees represent obligations where the Company guarantees the performance of a third party's product or service according to the terms of a contract. Such guarantees may include guarantees that a project will be completed within a specified time. If the third party does not fulfill the obligation, the Company will compensate the guaranteed party in cash or in kind. Performance guarantees include surety bonds, advance payment guarantees and performance standby letters of credit. The significant performance guarantees are described below.

The Company retained obligations for guarantees related to the Power Generation business contributed in mid-1999 to the former ABB Alstom Power NV joint venture (Alstom Power NV). The guarantees primarily consist of performance guarantees, advance payment guarantees and other miscellaneous guarantees under certain contracts such as indemnification for personal injuries and property damages, taxes and compliance with labor laws, environmental laws and patents. The guarantees are related to projects which are expected to be completed by 2013 but in some cases have no definite expiration date. In May 2000, the Company sold its interest in the Alstom Power NV to Alstom SA (Alstom). As a result, Alstom and its subsidiaries have primary responsibility for performing the obligations that are the subject of the guarantees. Further, Alstom, the parent company and Alstom Power NV, have undertaken jointly and severally to fully indemnify and hold harmless the Company against any claims arising under such guarantees. Management's best estimate of the total maximum potential exposure of quantifiable guarantees issued by the Company on behalf of its former Power Generation business was approximately \$99 million and \$120 million at December 31, 2009 and 2008, respectively. The Company has not experienced any losses related to guarantees issued on behalf of the former Power Generation business.

The Company retained obligations for guarantees related to the Upstream Oil and Gas business sold in 2004. The guarantees primarily consist of performance guarantees and have original maturity dates ranging from one to seven years. The maximum amount payable under the guarantees was approximately \$98 million and \$239 million at December 2009 and 2008, respectively. The Company has the ability to recover potential payments under these guarantees through certain backstop guarantees. The maximum potential recovery under these backstop guarantees was approximately \$6 million and \$16 million at December 31, 2009 and 2008, respectively.

The Company retained obligations for guarantees related to the Building Systems business in Germany sold in 2007. The guarantees primarily consist of performance guarantees and have original maturity dates ranging from one to thirteen years. The maximum amount payable under the guarantees was approximately \$38 million and \$54 million at December 31, 2009 and 2008, respectively.

Financial guarantees

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

At December 31, 2009 and 2008, the Company had \$91 million and \$95 million, respectively, of financial guarantees outstanding. Of each of those amounts, \$22 million was issued on behalf of companies in

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which the Company currently has or formerly had an equity interest. The guarantees have various maturity dates. The majority of the durations run to 2013, with the longest expiring in 2021.

Indemnification guarantees

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

The Company delivered to the purchasers of Lummus guarantees related to assets and liabilities divested in 2007. The maximum liability at each of December 31, 2009 and 2008, of \$50 million, relating to these businesses will reduce over time, pursuant to the sales agreements.

The Company delivered to the purchasers of its interest in Jorf Lasfar guarantees related to assets and liabilities divested in 2007. The maximum liability at December 31, 2009 and 2008, of \$145 million and \$143 million, respectively, relating to this business will reduce over time, pursuant to the sales agreement.

The Company delivered to the purchaser of the Reinsurance business guarantees related to assets and liabilities divested in 2004. The maximum liability at December 31, 2009 and 2008, of \$87 million and \$84 million, respectively, related to this business will reduce over time, pursuant to the sales agreement, and subject to foreign exchange fluctuations.

In addition, with respect to the sale of Lummus, the Company retained certain liabilities, including for potential fines and penalties connected with suspect payments made prior to completion of the sale. The Company has disclosed these suspect payments to the SEC and DoJ. The Company believes that an unfavorable outcome is likely and has recorded a provision as discussed in more detail in the "Suspect payment" disclosures section above.

Product and order related contingencies

The Company calculates its provision for product warranties based on historical claims experience and specific review of certain contracts.

The reconciliation of the provision for warranties, including guarantees of product performance, is as follows:

(\$ in millions)	2009	2008
Balance at January 1,	1,105	1,121
Claims paid in cash or in kind	(234)	(173)
Net increase to provision for changes in estimates, warranties issued and warranties expired	365	203
Exchange rate differences	44	(46)
Balance at December 31,	1,280	1,105

Note 6. Employee benefits

The Company operates pension plans, including defined benefit, defined contribution and termination indemnity plans in accordance with local regulations and practices. These plans cover a large portion of the Company's employees and provide benefits to employees in the event of death, disability, retirement, or termination of employment. Certain of these plans are multi-employer plans. The Company also operates other postretirement benefit plans in certain countries.

Some of these plans require employees to make contributions and enable employees to earn matching or other contributions from the Company. The funding policies of the Company's plans are consistent with the local government and tax requirements. The Company has several pension plans that are not required to be funded pursuant to local government and tax requirements. The Company uses a December 31 measurement date for its plans.

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Net periodic benefit cost consisted of the following:

(\$ in millions)	Year end December 31,			
	2009	2008	2009	2008
	Pension benefits		Other benefits	
Service cost	154	177	2	2
Interest cost	432	438	13	13
Expected return on plan assets	(384)	(471)	-	-
Amortization of transition liability	-	-	1	1
Amortization of prior service cost	13	14	(11)	(11)
Amortization of net actuarial loss	71	13	6	5
Curtailments, settlements and special termination benefits	2	38	(8)	-
Net periodic benefit cost	288	209	3	10

(\$ in millions)	Three months ended December 31,			
	2009	2008	2009	2008
	Pension benefits		Other benefits	
Service cost	31	50	1	1
Interest cost	104	121	3	3
Expected return on plan assets	(89)	(135)	-	-
Amortization of transition liability	-	-	1	1
Amortization of prior service cost	2	6	(3)	(9)
Amortization of net actuarial loss	17	12	2	4
Curtailments, settlements and special termination benefits	-	11	-	-
Net periodic benefit cost	65	65	4	-

Employer contributions were as follows:

(\$ in millions)	Year ended December 31,			
	2009	2008	2009	2008
	Pension benefits		Other benefits	
Contributions to pension and other postretirement plans	307	273	13	16
Discretionary contributions to pension plans	49	54	-	-

(\$ in millions)	Three months ended December 31,			
	2009	2008	2009	2008
	Pension benefits		Other benefits	
Contributions to pension and other postretirement plans	75	106	3	6
Discretionary contributions to pension plans	33	54	-	-

The Company expects to contribute approximately \$270 million and \$18 million to its pension benefit plans and other benefit plans, respectively, in 2010.

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Note 7. Stockholders' equity

During 2009, a bank holding call options related to management incentive plan launches during 2003 and 2004 which had been issued at fair value and with strike prices of CHF 7.00 and CHF 7.50, respectively, exercised a portion of the calls held. As a result, approximately 1 million shares were issued and there was an increase in capital stock and additional paid-in capital of approximately \$7 million.

In the fourth quarter of 2009, the Company issued 5.5 million shares from contingent capital stock to its employees in connection with its employee share acquisition plan. This share issuance resulted in an increase in capital stock and additional paid-in capital of \$83 million.

In February 2008, the Company announced a share-buyback program up to a maximum value of CHF 2.2 billion (equivalent to \$2 billion at then-current exchange rates) with the intention of completing the buyback program prior to the Annual General Meeting of Shareholders in 2010 and of proposing the cancellation of the shares at that meeting. Up to December 31, 2008, a total of 22.675 million shares were repurchased under the program at a total cost of CHF 652 million (\$619 million, using exchange rates effective at the respective repurchase dates). The repurchased shares are included in "Treasury stock". In February 2009, the Company stated that given the market uncertainty, the Company was not actively pursuing new purchases under the program. Consequently, no repurchases took place in 2009.

As of January 1, 2009, the Company adopted a new accounting standard that changed the accounting for convertible debt instruments that contained cash settlement features. Under the previous accounting standards, such convertible debt, in its entirety, was accounted for on a historic cost basis. This new standard requires the issuer of such instruments to separately account, upon issuance, for the liability and the equity components of the convertible instrument. The liability component is calculated as the fair value of a similar debt instrument that does not have a conversion feature, while the equity component is the difference between the total net proceeds on issuance and the liability component. Consequently on issuance, the carrying amount of the bonds may be less than par and, over the period to maturity of the bonds, this discount on issuance is amortized to interest expense so that interest expense during the life of the bonds reflects the issuer's borrowing rate for nonconvertible debt.

Under the new accounting standard, if an instrument within its scope is derecognized prior to maturity, the settlement consideration (shares, cash or a combination of both) transferred to bondholders is calculated and allocated to the liability component and equity component of the debt as follows:

- The amount of the consideration allocated to the liability component is the fair value, immediately prior to extinguishment, of a similar debt instrument that does not have a conversion feature. Any difference between this amount and the sum of the carrying amount of the liability and the unamortized issuance costs, is recognized in the income statement as a gain (loss) on debt extinguishment.
- The remaining settlement consideration is allocated to the reacquisition of the equity component and recognized as a reduction in stockholders' equity.

At December 31, 2009 and 2008, the Company did not have any convertible debt instruments outstanding. However, the Company adopted the provisions of the new standard on a retroactive basis to January 1, 2007, as they related to the Company's 1 billion Swiss francs 3.5% Convertible Bonds (issued in 2003 and due 2010) fully converted by bondholders in 2007. Separately accounting for the equity component on issuance resulted in a discount on issuance of the bonds and subsequent accretion to par over the original life of the bonds. The total impact on the Company's 2007 Consolidated Income Statement was a loss of \$146 million. Consequently, as of January 1, 2008, retained earnings were reduced by \$146 million and there was a corresponding increase in "Capital stock and additional paid-in capital", with total stockholders' equity remaining unchanged.

Notes to the Interim Consolidated Financial Information (unaudited)

Note 8. Operating segment data

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

- Power Products manufactures and sells high- and medium-voltage switchgear and apparatus, circuit breakers for all current and voltage levels, power and distribution transformers and sensors for electric, gas and water utilities and for industrial and commercial customers.
- Power Systems designs, installs and upgrades high-efficiency transmission and distribution systems and power plant automation and electrification solutions, including monitoring and control products and services and incorporating components manufactured by both the Company and by third parties.
- Automation Products produces low-voltage switchgear, breakers, switches, control products, DIN-rail components, enclosures, wiring accessories, instrumentation, drives, motors, generators, power electronics systems and services related to these products that help customers to increase productivity, save energy and increase safety.
- Process Automation develops and sells control, plant optimization, automation products and solutions, industry specific application knowledge and services for the oil, gas and petrochemicals, metals and minerals, marine and turbocharging, pulp and paper, and utility automation industries.
- Robotics offers robot products, systems and service for the automotive and other manufacturing industries.
- Corporate and Other includes headquarters, central research and development, the Company's real estate activities, Group treasury operations and other minor activities.

The Company evaluates the performance of its segments based on earnings before interest and taxes, which excludes interest and dividend income, interest and other finance expense, provision for taxes and income (loss) from discontinued operations, net of tax. The Company presents segment revenues, earnings before interest and taxes, and total assets. The Company accounts for intersegment sales and transfers as if the sales and transfers were to third parties, at current market prices.

The following tables summarize the information for each segment:

(\$ in millions)	Year ended December 31, 2009				December 31, 2009
	Third party revenues	Intersegment revenues	Total revenues	Earnings before interest and taxes ⁽¹⁾	Total assets ⁽¹⁾
Power Products	9,370	1,869	11,239	1,969	6,918
Power Systems	6,356	193	6,549	388	4,617
Automation Products	7,897	1,033	8,930	1,330	5,768
Process Automation	7,150	197	7,347	685	4,336
Robotics	959	11	970	(296)	568
Corporate and Other	63	1,504	1,567	50	12,521
Intersegment elimination	-	(4,807)	(4,807)	-	-
Consolidated	31,795	-	31,795	4,126	34,728

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(\$ in millions)	Year ended December 31, 2008				December 31, 2008
	Third party revenues	Intersegment revenues	Total revenues	Earnings before interest and taxes ⁽¹⁾	Total assets ⁽¹⁾
Power Products	9,866	2,024	11,890	2,100	7,136
Power Systems	6,673	239	6,912	592	4,402
Automation Products	9,100	1,150	10,250	1,908	5,782
Process Automation	7,574	241	7,815	926	4,384
Robotics	1,612	30	1,642	9	910
Corporate and Other	87	1,606	1,693	(983)	10,397
Intersegment elimination	-	(5,290)	(5,290)	-	-
Consolidated	34,912	-	34,912	4,552	33,011

(1) Earnings before interest and taxes, and total assets are after intersegment eliminations.

(\$ in millions)	Three months ended December 31, 2009			
	Third party revenues	Intersegment revenues	Total revenues	Earnings before interest and taxes ⁽¹⁾
Power Products	2,608	501	3,109	495
Power Systems	1,853	55	1,908	66
Automation Products	2,197	251	2,448	351
Process Automation	1,854	54	1,908	199
Robotics	233	(2)	231	(188)
Corporate and Other	16	375	391	(125)
Intersegment elimination	-	(1,234)	(1,234)	-
Consolidated	8,761	-	8,761	798

(\$ in millions)	Three months ended December 31, 2008			
	Third party revenues	Intersegment revenues	Total revenues	Earnings before interest and taxes ⁽¹⁾
Power Products	2,694	514	3,208	444
Power Systems	1,842	60	1,902	181
Automation Products	2,165	319	2,484	422
Process Automation	2,031	57	2,088	240
Robotics	394	13	407	(73)
Corporate and Other	14	394	408	(755)
Intersegment elimination	-	(1,357)	(1,357)	-
Consolidated	9,140	-	9,140	459

(1) Earnings before interest and taxes are after intersegment eliminations.

The Company does not segregate revenues derived from transactions with external customers for each type or group of products and services. Accordingly, it is not practicable for the Company to present revenues from external customers by product and service type.

2010 Realignment of automation segments

In November 2009, the Company announced a reorganization of its automation segments to align their activities more closely with those of its customers.

Effective January 1, 2010, the businesses previously in the Automation Products and Robotics segments have been regrouped into two new segments – the Discrete Automation and Motion segment, and the Low Voltage Products segment. The Process Automation segment remains unchanged except for the addition of the instrumentation business from the previous Automation Products segment.