Note 1. The Company and basis of presentation

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

The Company's Interim Consolidated Financial Information is prepared in accordance with United States of America generally accepted accounting principles (U.S. GAAP) for interim financial reporting. As such, the Interim Consolidated Financial Information does not include all the information and notes required under U.S. GAAP for annual consolidated financial statements. Therefore, such financial information should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report for the year ended December 31, 2010.

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

- assumptions and projections, principally related to future material, labor and project-related overhead costs, used in determining the percentage-of-completion on projects,
- estimates of loss contingencies associated with litigation or threatened litigation and other claims and inquiries, environmental damages, product warranties, regulatory and other proceedings,
- assumptions used in the calculation of pension and postretirement benefits and the fair value of pension plan assets,
- recognition and measurement of current and deferred income tax assets and liabilities (including the measurement of uncertain tax positions),
- growth rates, discount rates and other assumptions used in the Company's annual goodwill impairment test,
- assumptions used in determining inventory obsolescence and net realizable value,
- estimates and assumptions used in determining the fair values of assets and liabilities assumed in business combinations,
- growth rates, discount rates and other assumptions used to determine impairment of long-lived assets, and
- assessment of the doubtful debt allowance.

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

A portion of the Company's activities (primarily long-term construction activities) has an operating cycle that exceeds one year. For classification of current assets and liabilities related to such activities, the Company elected to use the duration of the individual contracts as its operating cycle. Accordingly, there are accounts receivable, inventories and provisions related to these contracts which will not be realized within one year that have been classified as current.

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

The Interim Consolidated Financial Information is presented in United States dollars ($) unless otherwise stated. Certain amounts reported for prior periods in the Interim Consolidated Financial Information have been reclassified to conform to the current year's presentation. These changes primarily relate to non-current assets, where "Financing and other non-current receivables, net" have been included in "Other non-current assets".

Note 2. Recent accounting pronouncements

Applicable in current period

Fair value measurements
As of January 1, 2011, the Company adopted an accounting standard update 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. The adoption of this update did not result in additional disclosures for the year and three months ended December 31, 2011, as there were no significant financial assets and liabilities measured at fair value using Level 3 of the fair value hierarchy within the scope of this update.

Disclosures about the credit quality of financing receivables and the allowance for credit losses
As of January 1, 2011, the Company adopted an accounting standard update that requires additional disclosures regarding the changes and reasons for those changes in the allowance for credit losses. The new disclosure requirements did not have a material impact on the consolidated financial statements for the year and three months ended December 31, 2011.

Revenue recognition for multiple deliverable arrangements
The Company adopted an accounting standard update on revenue recognition for multiple deliverable arrangements, for such arrangements entered into or materially modified by the Company on or after January 1, 2011. This update 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 is 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.

The adoption of this update did not have a significant impact on the consolidated financial statements for the year and three months ended December 31, 2011.

Revenue arrangements that include software elements
The Company adopted an accounting standard update for certain revenue arrangements that include software elements, entered into or materially modified by the Company on or after January 1, 2011. 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. The adoption of this update did not have a significant impact on the consolidated financial statements for the year and three months ended December 31, 2011.

Goodwill impairment test for reporting units with zero or negative carrying amounts
As of January 1, 2011, the Company adopted an accounting standard update which clarifies that the Company is required to perform the second step of the goodwill impairment test (determining whether goodwill has been impaired and calculating the amount of the impairment) also for reporting units with zero or negative carrying amounts, if it is more likely than not that a goodwill impairment exists. In determining whether a goodwill impairment exists, the Company considers whether there are any adverse qualitative factors indicating such an impairment. A reporting unit is an operating segment or one level below an operating segment. The adoption of this update did not have a significant impact on the consolidated financial statements for the year and three months ended December 31, 2011.

Disclosure of supplementary pro forma information for business combinations
For business combinations entered into on or after January 1, 2011, that are material on an individual or aggregate basis, the Company has adopted an accounting standard update that clarifies the requirement regarding the disclosure of pro forma information for business combinations. Under the update, the Company is required to disclose pro forma revenues and earnings of the combined entity as though the business combination(s) had occurred as of the beginning of the comparable prior annual reporting period only. This update also expands the disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. See Note 3 for pro forma disclosures related to the acquisition of Baldor Electric Company.

A creditor's determination of whether a restructuring is a troubled debt restructuring
As of July 1, 2011, the Company adopted an accounting standard update that provides clarifying guidance regarding whether a restructuring of receivables constitutes a troubled debt restructuring and requires additional disclosures. The adoption of this update did not have a significant impact on the consolidated financial statements for the year and three months ended December 31, 2011.

Disclosures about an employer's participation in a multiemployer plan
As of December 31, 2011, the Company adopted an accounting standard update that requires additional quantitative and qualitative disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. The adoption of this update did not result in additional disclosures for the year ended December 31, 2011, as the Company's participation in multiemployer plans was not significant.

Applicable for future periods

Amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs
In May 2011, an accounting standard update was issued that provides guidance that results in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. These amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the amendments in this update are not intended to result in a change in the application of the requirements of U.S. GAAP. Some of the amendments clarify the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. This update is effective for the Company for periods beginning January 1, 2012. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Presentation of comprehensive income
In June 2011, an accounting standard update was issued regarding the presentation of comprehensive income. This was revised in a further update in December 2011. Under the updates, the Company is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income and a total amount for comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. These updates are effective for the Company for periods beginning January 1, 2012, and are applicable retrospectively. Upon adoption the Company will present two separate but consecutive statements.

Testing goodwill for impairment
In September 2011, an accounting standard update was issued regarding the testing of goodwill for impairment. Under the update, the Company has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company would not be required to calculate the fair value of a reporting unit unless it determines, based on the qualitative assessment, that it is more likely than not that the reporting unit's fair value is less than its carrying amount. The update includes examples of events and circumstances to be considered in conducting the qualitative assessment. This update is effective for the Company for periods beginning January 1, 2012. The Company does not believe that this update will have a significant impact on its consolidated financial statements.

Disclosures about Offsetting Assets and Liabilities
In December 2011, an accounting standard update was issued regarding disclosures about amounts of financial and derivative instruments recognized in the statement of financial position that are either (i) offset or (ii) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset. The scope of the update includes derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. This update is effective for the Company for annual and interim periods beginning January 1, 2013, and is applicable retrospectively. The Company is currently evaluating the impact of this additional disclosure requirement.

Note 3. Acquisitions and increases in controlling interests

Acquisitions were as follows:

($ in millions, except number of acquired businesses) (1)	**Year ended December 31,**		**Three months ended December 31,**	
	2011	**2010**	**2011**	**2010**
Acquisitions (net of cash acquired)(2)	3,805	1,275	227	25
Aggregate excess of purchase price over fair value of net assets acquired(3)	3,261	1,091	32	(39)
Number of acquired businesses	10	9	3	2

(1) Amounts include adjustments arising during the measurement period of the acquisitions. In the year and three months ended December 31, 2011, adjustments included in “Aggregate excess of purchase price over fair value of net assets acquired” amounted to $(121) million and $(83) million, respectively. The adjustments in the year ended December 31, 2011, primarily relate to Baldor and Mincom. The adjustments in the three months ended December 31, 2011, primarily relate to Mincom. In the three months ended December 31, 2010, adjustments included in “Aggregate excess of purchase price over fair value of net assets acquired” amounted to $(62) million and primarily relate to Ventyx.
(2) Excluding changes in cost and equity investments but including $19 million (in the year ended December 31, 2011) representing the fair value of replacement vested stock options issued to Baldor employees at the acquisition date.
(3) Recorded as goodwill.

In the table above, the “Acquisitions” and “Aggregate excess of purchase price over fair value of net assets acquired” amounts for the year ended December 31, 2011, relate primarily to the acquisitions of Baldor and Mincom. For the year ended December 31, 2010, these amounts relate primarily to the acquisition of Ventyx.

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.

On January 26, 2011, the Company acquired 83.25 percent of the outstanding shares of Baldor Electric Company (Baldor) for $63.50 per share in cash. On January 27, 2011, the Company exercised its top-up option contained in the merger agreement, bringing its shareholding in Baldor to 91.6 percent, allowing the Company to complete a short-form merger under Missouri, United States, law. On the same date, the Company completed the purchase of the remaining 8.4 percent of outstanding shares. The resulting cash outflows for the Company amounted to $4,276 million, representing $2,966 million for the purchase of the shares, net of cash acquired, $70 million related to cash settlement of Baldor options held at acquisition date and $1,240 million for the repayment of debt assumed upon acquisition.

Baldor markets, designs and manufactures industrial electric motors, mechanical power transmission products, drives and generators. The acquisition broadens the product offering of the Company’s Discrete Automation and Motion operating segment, closing the gap in the Company’s automation portfolio in North America by adding Baldor’s NEMA (National Electrical Manufacturers Association) motors product line as well as adding Baldor’s growing mechanical power transmission business.

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

The aggregate preliminary purchase consideration for business acquisitions in the year ended December 31, 2011, has been allocated as follows:

($ in millions)	Allocated amounts			Weighted-average useful life
	Baldor	Other(1)	Total	Baldor
Customer relationships	996	220	1,216	19 years
Technology	259	156	415	7 years
Trade name	121	32	153	10 years
Order backlog	15	36	51	2 months
Other intangible assets	15	3	18	5 years
Intangible assets	**1,406**	**447**	**1,853**	**16 years**
Fixed assets	382	40	422	
Debt acquired	(1,241)	(202)	(1,443)	
Deferred tax liabilities	(693)	(99)	(792)	
Inventories	422	35	457	
Other assets and liabilities, net(2)	51	(4)	47	
Goodwill(3)	2,728	533	3,261	
Total consideration (net of cash acquired) (4)	**3,055**	**750**	**3,805**	

(1) The allocated amounts in Other primarily relate to the acquisitions of Mincom, Trasfor and Lorentzen & Wettre.
(2) Gross receivables from the Baldor acquisition totaled $266 million; the fair value of which was $263 million after allowance for estimated uncollectable receivables.
(3) The Company does not expect the majority of goodwill recognized to be deductible for income tax purposes.
(4) Cash acquired in the Baldor acquisition totaled $48 million. Additional consideration for the Baldor acquisition included $70 million related to the cash settlement of stock options held by Baldor employees at the acquisition date and $19 million representing the fair value of replacement vested stock options issued to Baldor employees at the acquisition date. The fair value of these stock options was estimated using a Black-Scholes model.

The Company’s Consolidated Income Statements for the year and three months ended December 31, 2011, include total revenues of $1,950 million and $525 million, respectively, and net income (including acquisition-related charges) of $155 million and $48 million, respectively, related to Baldor since the date of acquisition.

The unaudited pro forma financial information in the table below summarizes the combined pro forma results of the Company and Baldor for the year and three months ended December 31, 2011 and 2010, as if Baldor had been acquired on January 1, 2010.

($ in millions)	Year ended December 31,		Three months ended December 31,	
	2011	2010	2011	2010
Total revenues	38,100	33,310	10,571	9,610
Income from continuing operations, net of tax	3,391	2,726	870	762

The pro forma results are for information purposes only and do not include any anticipated cost synergies or other effects of the integration of Baldor. Accordingly, such pro forma amounts are not necessarily indicative of the results that would have occurred had the acquisition been completed on the date indicated, nor are they indicative of the future operating results of the combined company.

The unaudited pro forma results above include certain adjustments related to the Baldor acquisition. The table below summarizes the adjustments necessary to present the pro forma financial information of the combined entity as if Baldor had been acquired on January 1, 2010.

	Adjustments			
	Year ended December 31,		Three months ended December 31,	
($ in millions)	**2011**	**2010**	**2011**	**2010**
Impact on cost of sales from additional amortization of intangible assets (excluding order backlog capitalized upon acquisition)	(7)	(91)	-	(23)
Impact on cost of sales from amortization of order backlog capitalized upon acquisition	15	(15)	-	-
Impact on cost of sales from fair valuing acquired inventory	57	(57)	2	(2)
Interest expense on Baldor's debt	11	106	-	26
Baldor stock-option plans adjustments	66	-	-	-
Impact on selling, general and administrative expenses from acquisition-related costs	64	(24)	1	8
Taxation adjustments	(65)	26	(1)	(1)
Other	-	(23)	-	(4)
Total pro forma adjustments	**141**	**(78)**	**2**	**4**

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 Power Systems segment.

The aggregate purchase price of business acquisitions in the year ended December 31, 2010, settled in cash, has been allocated as follows:

($ in millions)	**Allocated amount**	**Weighted-average useful life**
Intangible assets(1)	356	8 years
Deferred tax liabilities	(147)	
Other assets and liabilities, net(2)	(25)	
Goodwill(3)	1,091	
Total (4)	**1,275**	

(1) Includes mainly capitalized software for sale and customer relationships.
(2) Including debt assumed upon acquisition.
(3) Goodwill recognized is not deductible for income tax purposes.
(4) Primarily relates to the acquisition of Ventyx.

Changes in total goodwill were as follows:

($ in millions)	**Total goodwill**
Balance at January 1, 2010	**3,026**
Additions during the period(1)	1,091
Exchange rate differences	(24)
Other	(8)
Balance at December 31, 2010	**4,085**
Additions during the period(2)	3,261
Exchange rate differences	(73)
Other	(4)
Balance at December 31, 2011	**7,269**

(1) Includes primarily goodwill in respect of Ventyx, acquired in June 2010, which has been allocated to the Power Systems operating segment.
(2) Includes primarily goodwill of $2,728 million in respect of Baldor, acquired in January 2011, which has been allocated to the Discrete Automation and Motion operating segment and goodwill in respect of Mincom, acquired in July 2011, which has been allocated to the Power Systems operating 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 in 2010, including transaction costs, amounted to $956 million. The offer of 900 rupees per share resulted in a charge to “Capital stock and additional paid-in capital” of $838 million, including expenses related to the transaction.

ABB to acquire Thomas & Betts Corporation

On January 30, 2012, the Company announced that it had reached an agreement to acquire the Thomas & Betts Corporation. Thomas & Betts designs, manufactures and markets essential components used to manage the connection, distribution, transmission and reliability of electrical power in industrial, construction and utility applications. The anticipated cash outflows for the Company upon closing the transaction amount to approximately $3.9 billion, based on a purchase price of $72 per share for the acquisition of the outstanding shares. The transaction is subject to approval by Thomas & Betts shareholders as well as to customary regulatory approvals, and is expected to close by the middle of 2012.

Note 4. Cash and marketable securities

Current assets

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

	December 31, 2011					
($ in millions)	**Cost basis**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	**Cash and equivalents**	**Marketable securities and short-term investments**
Cash	1,655			1,655	1,655	-
Time deposits	2,986			2,986	2,984	2
Debt securities available-for-sale:						
– U.S. government obligations	753	8	-	761	-	761
– Other government obligations	3	-	-	3	-	3
– Corporate	298	8	(1)	305	180	125
Equity securities available-for-sale	50	10	(3)	57	-	57
Total	**5,745**	**26**	**(4)**	**5,767**	**4,819**	**948**

	December 31, 2010					
($ in millions)	**Cost basis**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	**Cash and equivalents**	**Marketable securities and short-term investments**
Cash	1,851			1,851	1,851	-
Time deposits	4,044			4,044	3,665	379
Debt securities available-for-sale:						
– U.S. government obligations	147	5	(1)	151	-	151
– Other government obligations	4	-	(1)	3	-	3
– Corporate	708	8	-	716	381	335
Equity securities available-for-sale	1,836	11	(2)	1,845	-	1,845
Total	**8,590**	**24**	**(4)**	**8,610**	**5,897**	**2,713**

Non-current assets
In 2011, the Company purchased shares in a listed company and, as such, classified these as available-for-sale equity securities. The investment is recorded in “Other non-current assets”. At December 31, 2011, an other-than-temporary impairment was recognized on these securities but was not significant.

In addition, certain held-to-maturity marketable securities (pledged in respect of a certain non-current deposit liability) are recorded in “Other non-current assets”. At December 31, 2011, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were $92 million, $28 million and $120 million, respectively. At December 31, 2010, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were $84 million, $19 million and $103 million, respectively. The maturity dates of these securities range from 2014 to 2021.

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. For forecasted foreign currency denominated sales of standard products and the related foreign currency denominated purchases, the Company’s policy is to hedge up to a maximum of 100 percent of the forecasted foreign currency denominated exposure, depending on the length of the forecasted exposures. Forecasted exposures greater than 12 months are not hedged. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in foreign currencies.

Commodity risk
Various commodity products are used in the Company’s manufacturing activities. Consequently it is exposed to volatility in future cash flows arising from changes in commodity prices. To manage the price risk of commodities other than electricity, the Company’s policies require that the subsidiaries hedge the commodity price risk exposures from binding contracts, as well as at least 50 percent (up to a maximum of 100 percent) of the forecasted commodity exposure over the next 12 months or longer (up to a maximum of 18 months). In certain locations where the price of electricity is hedged, up to a maximum of 90 percent of the forecasted electricity needs, depending on the length of the forecasted exposures, are hedged. Swap and futures contracts are used to manage the associated price risks of commodities.

Interest rate risk
The Company has issued bonds at fixed rates and in currencies other than the issuing entity’s functional currency. Interest rate swaps are used to manage the interest rate 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.

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

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

Type of derivative	Total notional amounts	
($ in millions)	December 31, 2011	December 31, 2010
Foreign exchange contracts	16,503	16,971
Embedded foreign exchange derivatives	3,439	2,891
Interest rate contracts	5,535	2,357

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

Type of derivative	Unit	Total notional amounts	
		December 31, 2011	December 31, 2010
Copper swaps	metric tonnes	38,414	20,977
Aluminum swaps	metric tonnes	5,068	3,050
Nickel swaps	metric tonnes	18	36
Lead swaps	metric tonnes	13,325	9,525
Zinc swaps	metric tonnes	125	-
Silver swaps	ounces	1,981,646	-
Electricity futures	megawatt hours	326,960	363,340
Crude oil swaps	barrels	113,397	121,979

Equity derivatives:
At December 31, 2011 and 2010, the Company held 61 million and 58 million cash-settled call options on ABB Ltd shares with a total fair value of $21 million and $45 million, respectively.

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

At December 31, 2011 and 2010, "Accumulated other comprehensive loss" included net unrealized gains of $12 million and $92 million respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at December 31, 2011, net gains of $8 million are expected to be reclassified to earnings in the following 12 months. At December 31, 2011, the longest maturity of a derivative classified as a cash flow hedge was 74 months.

The amounts of gains or losses, net of tax, reclassified into earnings due to the discontinuance of cash flow hedge accounting and recognized in earnings due to ineffectiveness in cash flow hedge relationships were not significant in the year and three months ended December 31, 2011 and 2010.

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:

Year ended December 31, 2011

Type of derivative designated as a cash flow hedge	Gains (losses) recognized in OCI[1] on derivatives (effective portion)	Gains (losses) reclassified from OCI[1] into income (effective portion)		Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	11	Total revenues	113	Total revenues	-
		Total cost of sales	(9)	Total cost of sales	-
Commodity contracts	(17)	Total cost of sales	2	Total cost of sales	-
Cash-settled call options	(21)	SG&A expenses[2]	(18)	SG&A expenses[2]	-
Total	**(27)**		**88**		**-**

Year ended December 31, 2010

Type of derivative designated as a cash flow hedge	Gains (losses) recognized in OCI[1] on derivatives (effective portion)	Gains (losses) reclassified from OCI[1] into income (effective portion)		Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	107	Total revenues	36	Total revenues	2
		Total cost of sales	(4)	Total cost of sales	-
Commodity contracts	9	Total cost of sales	8	Total cost of sales	1
Cash-settled call options	(4)	SG&A expenses[2]	(11)	SG&A expenses[2]	-
Total	**112**		**29**		**3**

Three months ended December 31, 2011

Type of derivative designated as a cash flow hedge	Gains (losses) recognized in OCI[1] on derivatives (effective portion)	Gains (losses) reclassified from OCI[1] into income (effective portion)		Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	33	Total revenues	11	Total revenues	1
		Total cost of sales	(2)	Total cost of sales	-
Commodity contracts	3	Total cost of sales	(5)	Total cost of sales	1
Cash-settled call options	3	SG&A expenses[2]	-	SG&A expenses[2]	-
Total	**39**		**4**		**2**

Three months ended December 31, 2010

Type of derivative designated as a cash flow hedge	Gains (losses) recognized in OCI[1] on derivatives (effective portion)	Gains (losses) reclassified from OCI[1] into income (effective portion)		Gains (losses) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
	($ in millions)	Location	($ in millions)	Location	($ in millions)
Foreign exchange contracts	11	Total revenues	17	Total revenues	-
		Total cost of sales	(1)	Total cost of sales	-
Commodity contracts	6	Total cost of sales	2	Total cost of sales	1
Cash-settled call options	(2)	SG&A expenses[2]	(3)	SG&A expenses[2]	-
Total	**15**		**15**		**1**

(1) OCI represents "Accumulated other comprehensive loss".
(2) SG&A expenses represent "Selling, general and administrative expenses".

Derivative gains of $61 million and $19 million, both net of tax, were reclassified from "Accumulated other comprehensive loss" to earnings during the year ended December 31, 2011 and 2010, respectively. During the three months ended December 31, 2011 and 2010, derivative gains of $5 million and $11 million both net of tax, were reclassified from "Accumulated other comprehensive loss" to earnings, respectively.

Fair value hedges

To reduce its interest rate exposure arising primarily from its debt issuance activities, the Company uses interest rate swaps. Where such instruments are designated as fair value hedges, the changes in fair value of these instruments, as well as the changes in fair value of the risk component of the underlying debt being hedged, are recorded as offsetting gains and losses in “Interest and other finance expense”. Hedge ineffectiveness of instruments designated as fair value hedges for the year and three months ended December 31, 2011 and 2010, was not significant.

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

Year ended December 31, 2011

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	(24)	Interest and other finance expense	24

Year ended December 31, 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	(12)	Interest and other finance expense	12

Three months ended December 31, 2011

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)

Three months ended December 31, 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	(14)	Interest and other finance expense	14

Derivatives not designated in hedge relationships

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

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

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

($ in millions)	Gains (losses) recognized in income				
		Year ended December 31,		Three months ended December 31,	
Type of derivative not designated as a hedge	Location	2011	2010	2011	2010
Foreign exchange contracts	Total revenues	(93)	436	11	104
	Total cost of sales	(25)	(263)	(109)	(82)
	Interest and other finance expense	265	563	(105)	160
Embedded foreign exchange contracts	Total revenues	(31)	(279)	(31)	(65)
	Total cost of sales	11	17	12	(5)
Commodity contracts	Total cost of sales	(59)	38	1	31
	Interest and other finance expense	1	-	-	-
Cash-settled call options	Interest and other finance expense	(1)	(1)	(1)	(1)
Total		**68**	**511**	**(222)**	**142**

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

	December 31, 2011			
	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	37	6	26	10
Commodity contracts	1	-	6	-
Interest rate contracts	-	40	-	-
Cash-settled call options	13	6	-	-
Total	**51**	**52**	**32**	**10**
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	142	38	289	28
Commodity contracts	9	1	33	3
Interest rate contracts	-	-	-	1
Cash-settled call options	1	1	-	-
Embedded foreign exchange derivatives	51	13	77	19
Total	**203**	**53**	**399**	**51**
Total fair value	**254**	**105**	**431**	**61**

($ in millions)	December 31, 2010 Derivative assets: Current in "Other current assets"	Derivative assets: Non-current in "Other non-current assets"	Derivative liabilities: Current in "Provisions and other current liabilities"	Derivative liabilities: Non-current in "Other non-current liabilities"
Derivatives designated as hedging instruments:				
Foreign exchange contracts	106	39	23	12
Commodity contracts	8	-	-	-
Interest rate contracts	14	50	-	-
Cash-settled call options	18	25	-	-
Total	146	114	23	12
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	435	62	140	14
Commodity contracts	42	2	7	-
Interest rate contracts	-	-	-	1
Cash-settled call options	-	2	-	-
Embedded foreign exchange derivatives	23	4	134	50
Total	500	70	281	65
Total fair value	**646**	**184**	**304**	**77**

Although the Company is party to close-out netting agreements with most derivative counterparties, the fair values in the tables above and in the Consolidated Balance Sheets at December 31, 2011 and 2010, have been presented on a gross basis.

Note 6. Fair values

The Company uses fair value measurement principles to record certain financial assets and liabilities on a recurring basis and, when necessary, to record certain non-financial assets at fair value on a non-recurring basis, as well as to determine fair value disclosures for certain financial instruments carried at amortized cost in the financial statements. Financial assets and liabilities recorded at fair value on a recurring basis include foreign currency, commodity and interest rate derivatives as well as cash-settled call options and available-for-sale securities. Non-financial assets recorded at fair value on a non-recurring basis include long-lived assets that are reduced to their estimated fair value due to impairments.

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

The levels of the fair value hierarchy are as follows:

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

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

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

Recurring fair value measures

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

	December 31, 2011			
($ in millions)	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Available-for-sale securities in “Cash and equivalents”				
Debt securities—Corporate	-	180	-	180
Available-for-sale securities in “Marketable securities and short-term investments”				
Equity securities	3	54	-	57
Debt securities—U.S. government obligations	761	-	-	761
Debt securities—Other government obligations	-	3	-	3
Debt securities—Corporate	-	125	-	125
Available-for-sale securities in “Other non-current assets”				
Equity securities	5	-	-	5
Derivative assets—current in “Other current assets”	2	252	-	254
Derivative assets—non-current in “Other non-current assets”	-	105	-	105
Total	**771**	**719**	**-**	**1,490**
Liabilities				
Derivative liabilities—current in “Provisions and other current liabilities”	4	427	-	431
Derivative liabilities—non-current in “Other non-current liabilities”	-	61	-	61
Total	**4**	**488**	**-**	**492**

($ in millions)	December 31, 2010 Level 1	Level 2	Level 3	Total fair value
Assets				
Available-for-sale securities in “Cash and equivalents”				
Debt securities—Corporate	-	381	-	381
Available-for-sale securities in “Marketable securities and short-term investments”				
Equity securities	3	1,842	-	1,845
Debt securities—U.S. government obligations	151	-	-	151
Debt securities—Other government obligations	3	-	-	3
Debt securities—Corporate	-	335	-	335
Available-for-sale securities in “Other non-current assets”				
Equity securities	-	-	-	-
Derivative assets—current in “Other current assets”	12	634	-	646
Derivative assets—non-current in “Other non-current assets”	-	184	-	184
Total	**169**	**3,376**	**-**	**3,545**
Liabilities				
Derivative liabilities—current in “Provisions and other current liabilities”	7	297	-	304
Derivative liabilities—non-current in “Other non-current liabilities”	-	77	-	77
Total	**7**	**374**	**-**	**381**

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

- *Available-for-sale securities in “Cash and equivalents”, “Marketable securities and short-term investments” and “Other non-current assets*”*:* If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs. 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. Where the Company has invested in shares of funds, which do not have readily determinable fair values, Net Asset Value (NAV) is used as a practical expedient of fair value (without any adjustment) as these funds invest in high-quality, short-term fixed income securities which are accounted for at fair value. As the Company has the ability to redeem its shares in such funds at NAV without any restrictions, notice period or further funding commitments, NAV is considered Level 2.

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

Non-recurring fair value measures
There were no significant non-recurring fair value measurements during the year and three months ended December 31, 2011 and 2010.

Disclosure about financial instruments carried on a cost basis
Cash and equivalents, receivables, accounts payable, and short-term debt and current maturities of long-term debt:
The carrying amounts approximate the fair values as the items are short-term in nature.

Marketable securities and short-term investments:
Includes time deposits whose carrying amounts approximate their fair values (see Note 4).

Other non-current assets:
Includes financing receivables (including loans granted) carried at amortized cost, less an allowance for credit losses, if required. Fair values are determined using a discounted cash flow methodology based upon loan rates of similar instruments and reflecting appropriate adjustments for non-performance risk. The carrying values and estimated fair values of long-term loans granted and outstanding at December 31, 2011, were $52 million and $54 million, respectively and at December 31, 2010, were $56 million and $58 million, respectively.

Includes held-to-maturity marketable securities (described in Note 4) whose carrying values and estimated fair values at December 31, 2011, were $92 million and $120 million, respectively, and at December 31, 2010, were $84 million and $103 million, respectively.

Long-term debt excluding finance lease liabilities:
Fair values of bond issues are determined using quoted market prices. The fair values of other debt are determined using a discounted cash flow methodology based upon borrowing rates of similar debt instruments and reflecting appropriate adjustments for non-performance risk. The carrying value and estimated fair value of long-term debt, excluding finance lease liabilities, at December 31, 2011, were $3,151 million and $3,218 million, respectively, and at December 31, 2010, were $1,036 million and $1,098 million, respectively.

Note 7. Credit quality of receivables

Accounts receivable and doubtful debt allowance
Accounts receivable are recorded at the invoiced amount. The doubtful debt allowance is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer economic data. If an amount has not been settled within its contractual payment term then it is considered past due. The Company reviews the doubtful debt allowance regularly and receivable balances are reviewed for collectability. Account balances are charged off against the allowance when the Company believes that the amount will not be recovered.

The Company has a group-wide policy on the management of credit risk. The policy includes a credit assessment methodology to assess the creditworthiness of customers and assign to those customers a risk category on a scale from "A" (lowest likelihood of loss) to "E" (highest likelihood of loss), as shown in the following table:

Risk category:	**Equivalent Standard & Poor's rating**
A	AAA to AA-
B	A+ to BBB-
C	BB+ to BB-
D	B+ to CCC-
E	CC+ to D

Third-party agencies' ratings are considered, if available. For customers where agency ratings are not available, the customer's most recent financial statements, payment history and other relevant information is considered in the assignment to a risk category. Customers are assessed at least annually or more frequently when information on significant changes in the customers' financial position becomes known. In addition to the assignment to a risk category, a credit limit per customer is set.

Information on the credit quality of trade receivables with an original maturity greater than one year and financing receivables is presented in the respective sections below.

Receivables classified as current assets

The gross amounts of, and doubtful debt allowance for, trade receivables with a contractual maturity of more than one year and other receivables (excluding tax and other receivables which are not considered to be of a financing nature), recorded in receivables, net, were as follows:

	December 31, 2011		
($ in millions)	**Trade receivables with original contractual maturity > 1 year**	**Other receivables**	**Total**
Recorded gross amount:			
- Individually evaluated for impairment	252	108	360
- Collectively evaluated for impairment	282	129	411
Total	**534**	**237**	**771**
Doubtful debt allowance:			
- From individual impairment evaluation	(41)	(5)	(46)
- From collective impairment evaluation	(9)	-	(9)
Total	**(50)**	**(5)**	**(55)**
Recorded net amount	**484**	**232**	**716**

	December 31, 2010		
($ in millions)	**Trade receivables with original contractual maturity > 1 year**	**Other receivables**	**Total**
Recorded gross amount:			
- Individually evaluated for impairment	154	82	236
- Collectively evaluated for impairment	391	71	462
Total	**545**	**153**	**698**
Doubtful debt allowance:			
- From individual impairment evaluation	(27)	-	(27)
- From collective impairment evaluation	(10)	-	(10)
Total	**(37)**	**-**	**(37)**
Recorded net amount	**508**	**153**	**661**

Changes in the doubtful debt allowance for trade receivables with original contractual maturity > 1 year in 2011 were as follows:

($ in millions)	**Year ended December 31, 2011**
Trade receivables with original contractual maturity > 1 year:	
Balance at January 1, 2011	37
Reversal of allowance	(13)
Additions to allowance	36
Amounts written off	(3)
Exchange rate differences	(7)
Balance at December 31, 2011	**50**

($ in millions)	Three months ended December 31, 2011
Trade receivables with original contractual maturity > 1 year:	
Balance at October 1, 2011	35
Reversal of allowance	-
Additions to allowance	23
Amounts written off	(2)
Exchange rate differences	(6)
Balance at December 31, 2011	**50**

Changes in the doubtful debt allowance for other receivables during the year and three months ended December 31, 2011, were not significant.

The following table shows the credit risk profile, on a gross basis, of trade receivables with an original contractual maturity of more than one year and other receivables (excluding tax and other receivables which are not considered to be of a financing nature) based on the internal credit risk categories which are used as a credit quality indicator:

	December 31, 2011		
($ in millions)	Trade receivables with original contractual maturity > 1 year	Other receivables	Total
Risk category:			
A	251	196	447
B	134	18	152
C	122	20	142
D	22	1	23
E	5	2	7
Total gross amount	**534**	**237**	**771**

	December 31, 2010		
($ in millions)	Trade receivables with original contractual maturity > 1 year	Other receivables	Total
Risk category:			
A	219	125	344
B	199	5	204
C	87	12	99
D	37	2	39
E	3	9	12
Total gross amount	**545**	**153**	**698**

The following table shows an aging analysis, on a gross basis, of trade receivables with an original contractual maturity of more than one year and other receivables (excluding tax and other receivables which are not considered to be of a financing nature):

	December 31, 2011						
	Past due						
($ in millions)	0 – 30 days	30 – 60 days	60 – 90 days	> 90 days and not accruing interest	> 90 days and accruing interest	Not due at December 31, 2011(1)	Total
Trade receivables with original contractual maturity > 1 year	73	6	5	49	6	395	534
Other receivables	4	1	1	15	3	213	237
Total gross amount	**77**	**7**	**6**	**64**	**9**	**608**	**771**

($ in millions)	December 31, 2010						
	Past due						
	0 – 30 days	30 – 60 days	60 – 90 days	> 90 days and not accruing interest	> 90 days and accruing interest	Not due at December 31, 2010(1)	Total
Trade receivables with original contractual maturity > 1 year	49	7	6	40	9	434	545
Other receivables	1	-	-	18	-	134	153
Total gross amount	**50**	**7**	**6**	**58**	**9**	**568**	**698**

(1) Trade receivables with original contractual maturity greater than 1 year principally represent contractual retention amounts that will become due subsequent to the completion of the long-term contract.

Receivables classified as non-current assets
At December 31, 2011 and 2010, the gross amounts of loans granted and the related doubtful debt allowance (recorded in other non-current assets) were not significant. The changes in such allowance were not significant during the year and three months ended December 31, 2011.

Note 8. Debt

Short-term debt
The Company has in place several commercial paper programs: a $1 billion commercial paper program for the private placement of U.S. dollar-denominated commercial paper in the United States; a $1 billion Euro-commercial paper program for the issuance of commercial paper in a variety of currencies and a 5 billion Swedish krona commercial paper program for the issuance of Swedish krona- and euro-denominated commercial paper. During the second half of 2011, the Company utilized the U.S. $1 billion program and at December 31, 2011, short-term debt included $435 million of commercial paper issued under this program.

Long-term debt
In June 2011, the Company issued the following bonds at a discount and raised gross proceeds of $1,236 million:

- $600 million aggregate principal, 2.5%, due 2016, and
- $650 million aggregate principal, 4.0%, due 2021.

In September 2011, the Company launched the following bonds and received and recorded the net proceeds in October 2011:

- CHF 500 million aggregate principal, 1.25%, due 2016
- CHF 350 million aggregate principal, 2.25%, due 2021

Total net proceeds from these bonds amounted to CHF 839 million (equivalent to approximately $920 million on date of settlement). The Company entered into interest rate swaps to hedge its obligations on these bonds.

In January 2012, the Company issued the following bonds and recorded net proceeds of CHF 346 million (equivalent to approximately $370 million on date of settlement):

- CHF 350 million aggregate principal, 1.50%, due 2018

Each of the above bond issuances will be accreted to par over the respective periods to maturity.

Note 9. 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. 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 retained 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 then 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 at least until 2012 at the Windsor site and at least until 2015 at the Hematite site.

In February 2011, the Company and Westinghouse Electric Company LLC (BNFL's former subsidiary) agreed to settle and release the Company from its continuing environmental obligations under the sale agreement in respect of the Hematite site. Consequently, at December 31, 2010, these obligations were reclassified to current liabilities and reduced to reflect the amount of the agreed settlement; the amount was paid by the Company in February 2011.

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 groundwater contamination. A significant portion of the provisions in respect of these contingencies reflects the provisions of acquired companies. A substantial portion of one of the acquired entities remediation liability is indemnified by a prior owner. Accordingly, an asset equal to that portion of the remediation liability is included in "Other non-current assets".

The impact of the above Nuclear Technology and other environmental obligations on "Income from continuing operations, net of tax" was not significant for the year and three months ended December 31, 2011 and 2010. The impact on "Income from discontinued operations, net of tax" was not significant for the year and three months ended December 31, 2011, and was an income of $29 million for the year and three months ended December 31, 2010.

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

	Year ended December 31,		Three months ended December 31,	
($ in millions)	**2011**	**2010**	**2011**	**2010**
Cash expenditures:				
Nuclear Technology business	145	20	6	5
Various businesses	4	6	1	2
	149	**26**	**7**	**7**

The Company has estimated cash expenditures of $16 million for 2012. These expenditures are covered by provisions included in “Provisions and other current liabilities”.

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

	December 31,	
($ in millions)	**2011**	**2010**
Provision balance relating to:		
Nuclear Technology business	24	181
Various businesses	68	65
	92	**246**
Environmental provisions included in:		
Provisions and other current liabilities	22	161
Other non-current liabilities	70	85
	92	**246**

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

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.

In December 2010, the Company made a payment of $25 million to the CE Asbestos PI Trust and thereby discharged its remaining payment obligations to the CE Asbestos PI Trust.

The effect of asbestos obligations on the Company’s Consolidated Income Statements was not significant for the year and three months ended December 31, 2011 and 2010.

The effect of asbestos obligations on the Company's Consolidated Statements of Cash Flows was not significant for the year and three months ended December 31, 2011, and amounted to $51 million and $26 million, respectively, for the year and three months ended December 31, 2010.

The effect of asbestos obligations on the Company's Consolidated Balance Sheets at December 31, 2011 and 2010, was not significant.

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 or range of loss from potential fines, if any, can be made.

Power Transformers business
In October 2009, the European Commission announced its decision regarding its investigation into alleged anti-competitive practices of certain manufacturers of power transformers. The European Commission 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 or range of loss from potential fines, if any, can be made.

Cables business
The Company's cables business is under investigation for alleged anti-competitive practices. Management is cooperating fully with the antitrust authorities, including the European Commission, in their investigations. In July 2011, the European Commission announced that it had issued its Statement of Objections in its investigation into alleged anti-competitive practices in the cables business. An informed judgment about the outcome of these investigations or the amount of potential loss or range of loss for the Company, if any, relating to these investigations cannot be made at this stage.

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. In the United States, the Department of Justice (DoJ) also conducted an investigation into this business. The Company has been informed that the European Commission and the DoJ have closed their investigations. No fines have been imposed on the Company.

The Company's FACTS business remains under investigation in one other jurisdiction for anti-competitive practices. Management is cooperating fully with the antitrust authority in its investigation. An informed judgment about the outcome of that investigation or the amount of potential loss or range of loss for the Company, if any, relating to that investigation cannot be made at this stage.

Suspect payments
In April 2005, the Company voluntarily disclosed to the DoJ and the United States Securities and Exchange Commission (SEC) certain suspect payments in its network management unit in the United States. Subsequently, the Company made additional voluntary disclosures to the DoJ and the SEC regarding suspect payments made by other Company subsidiaries in a number of countries in the Middle East, Asia, South America and Europe (including to an employee of an Italian power generation

company) as well as by its former Lummus business. These payments were discovered by the Company as a result of the Company's internal audit program and compliance reviews.

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

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.

Liabilities recognized
At December 31, 2011 and 2010, the Company had aggregate liabilities of $208 million and $220 million, respectively, included in "Provisions and other current liabilities" and in "Other non-current liabilities", for the above regulatory, compliance and legal contingencies. As it is not possible to make an informed judgment on the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be material adverse outcomes beyond the amounts accrued.

Guarantees

General
The following table provides quantitative data regarding the Company's third-party guarantees. The maximum potential payments represent a "worst-case scenario", and do not reflect management's expected results. The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations.

	Maximum potential payments	
($ in millions)	**December 31, 2011**	**December 31, 2010**
Performance guarantees	148	125
Financial guarantees	85	84
Indemnification guarantees	194	203
Total	**427**	**412**

In respect of the above guarantees, the carrying amounts of liabilities at December 31, 2011 and 2010, were not significant.

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

The Company retained obligations for guarantees related to the Power Generation business contributed in mid-1999 to the former ABB Alstom Power NV joint venture (Alstom Power NV). The guarantees primarily consist of performance guarantees and other miscellaneous guarantees under certain contracts such as indemnification for personal injuries and property damages, taxes and compliance with labor laws, environmental laws and patents. 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 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 $87 million at December 31, 2011 and 2010, and is subject to foreign exchange fluctuations. The Company has not experienced any losses related to guarantees issued on behalf of the former Power Generation business.

The Company 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 potential amount payable under the guarantees was approximately $8 million and $13 million at December 31, 2011 and 2010, 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 not significant at December 31, 2011 and 2010.

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 potential amount payable under the guarantees was approximately $8 million and $10 million at December 31, 2011 and 2010, respectively.

The Company is engaged in executing a number of projects as a member of a consortium that includes third parties. In certain of these cases, the Company guarantees not only its own performance but also the work of third parties. The original maturity dates of these guarantees range from one to four years. At December 31, 2011 and 2010, the maximum potential payable amount under these guarantees as a result of third-party non-performance was $45 million and $15 million, 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, 2011 and 2010, the Company had a maximum potential payable amount of $85 million and $84 million, respectively, under financial guarantees outstanding. Of each of those amounts, $19 million and $16 million, respectively, was in respect of guarantees issued on behalf of companies in which the Company formerly had or has an equity interest. The guarantees outstanding have various maturity dates up to 2020.

Indemnification guarantees

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

The Company delivered to the purchasers of Lummus guarantees related to assets and liabilities divested in 2007. The maximum potential payment relating to this business, pursuant to the sales agreement, at each of December 31, 2011 and 2010, was $50 million.

The Company delivered to the purchasers of its interest in Jorf Lasfar guarantees related to assets and liabilities divested in 2007. The maximum potential payment at December 31, 2011 and 2010, of $141 million and $147 million, respectively, relating to this business, is subject to foreign exchange fluctuations

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, was as follows:

($ in millions)	2011	2010
Balance at January 1,	1,393	1,280
Warranties assumed through acquisitions	10	-
Claims paid in cash or in kind	(177)	(183)
Net increase in provision for changes in estimates, warranties issued and warranties expired	124	280
Exchange rate differences	(26)	16
Balance at December 31,	**1,324**	**1,393**

Note 10. 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.

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

	Year ended December 31,			
	2011	2010	2011	2010
($ in millions)	Defined pension benefits		Other postretirement benefits	
Service cost	242	210	2	2
Interest cost	402	389	12	12
Expected return on plan assets	(507)	(422)	-	-
Amortization of transition liability	-	-	1	1
Amortization of prior service cost	44	26	(9)	(9)
Amortization of net actuarial loss	52	71	3	5
Curtailments, settlements and special termination benefits	3	8	-	-
Net periodic benefit cost	**236**	**282**	**9**	**11**

($ in millions)	Three months ended December 31, 2011	2010	2011	2010
	Defined pension benefits		Other postretirement benefits	
Service cost	65	54	1	-
Interest cost	104	103	3	3
Expected return on plan assets	(131)	(111)	-	-
Amortization of transition liability	-	-	-	1
Amortization of prior service cost	11	7	(2)	(1)
Amortization of net actuarial loss	13	19	-	1
Curtailments, settlements and special termination benefits	2	6	-	-
Net periodic benefit cost	**64**	**78**	**2**	**4**

Employer contributions were as follows:

($ in millions)	Year ended December 31, 2011	2010	2011	2010
	Defined pension benefits		Other postretirement benefits	
Total contributions to defined benefit pension and other postretirement benefit plans	305	567	16	13
Of which, discretionary contributions to defined benefit pension plans	36	331	-	-

($ in millions)	Three months ended December 31, 2011	2010	2011	2010
	Defined pension benefits		Other postretirement benefits	
Total contributions to defined benefit pension and other postretirement benefit plans	76	387	-	1
Of which, discretionary contributions to defined benefit pension plans	4	331	-	-

The Company expects to make cash contributions totaling approximately $297 million and $18 million to its defined benefit pension plans and other postretirement benefit plans, respectively, for the full year 2012.

Note 11. Stockholders' equity

At the Annual General Meeting of Shareholders in April 2011, shareholders approved the payment of a dividend of 0.60 Swiss francs per share. The dividend was paid in May 2011 and amounted to $1,569 million.

Upon and in connection with each launch of the Company's management incentive plan (MIP), the Company sold call options to a bank at fair value, giving the bank the right to acquire shares equivalent to the number of shares represented by the MIP warrants and warrant appreciation rights awarded to participants. In the second quarter of 2011, the bank exercised a portion of the call options it held. As a result, 6.0 million shares were issued by the Company from contingent capital resulting in an increase in capital stock and additional paid-in capital of $105 million. In February 2012, the bank exercised another portion of the call options and the Company issued 2.7 million shares out of treasury stock.

Note 12. Earnings per share

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

Basic earnings per share

	Year ended December 31,		Three months ended December 31,	
($ in millions, except per share data in $)	**2011**	**2010**	**2011**	**2010**
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	3,159	2,551	822	687
Income from discontinued operations, net of tax	9	10	8	13
Net income	**3,168**	**2,561**	**830**	**700**
Weighted-average number of shares outstanding (in millions)	**2,288**	**2,287**	**2,290**	**2,285**
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	1.38	1.12	0.36	0.30
Income from discontinued operations, net of tax	-	-	-	0.01
Net income	**1.38**	**1.12**	**0.36**	**0.31**

Diluted earnings per share

	Year ended December 31,		Three months ended December 31,	
($ in millions, except per share data in $)	**2011**	**2010**	**2011**	**2010**
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	3,159	2,551	822	687
Income from discontinued operations, net of tax	9	10	8	13
Net income	**3,168**	**2,561**	**830**	**700**
Weighted-average number of shares outstanding (in millions)	2,288	2,287	2,290	2,285
Effect of dilutive securities:				
Call options and shares	3	4	1	4
Dilutive weighted-average number of shares outstanding	**2,291**	**2,291**	**2,291**	**2,289**
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	1.38	1.11	0.36	0.30
Income from discontinued operations, net of tax	-	0.01	-	0.01
Net income	**1.38**	**1.12**	**0.36**	**0.31**

Note 13. Restructuring and related expenses

Restructuring-related activities
In 2011, the Company executed minor restructuring-related activities. In the year ended December 31, 2011, the Company incurred costs of $164 million which were mainly recorded in total cost of sales. These costs related to employee severance ($83 million), estimated contract settlement, loss order and other costs ($53 million) as well as inventory and long-lived asset impairments ($28 million).

At December 31, 2011 and 2010, the balance of restructuring and related liabilities is primarily included in "Provisions and other current liabilities".

Cost take-out program

In December 2008, the Company announced a two-year cost take-out program that aimed to sustainably reduce the Company's cost of sales and general and administrative expenses. The savings have been derived from initiatives such as internal process improvements, low-cost sourcing, and further measures to adjust the Company's global manufacturing and engineering footprint to shifts in customer demand. As of December 31, 2010, the Company had substantially completed the cost take-out program.

The Company recorded the following expenses under this program:

($ in millions)	Cumulative costs incurred up to December 31, 2010
Employee severance costs	536
Estimated contract settlement, loss order and other costs	230
Inventory and long-lived asset impairments	70
Total	**836**

These expenses were recorded as follows:

($ in millions)	Year ended December 31, 2010
Total cost of sales	110
Selling, general and administrative expenses	36
Other income (expense), net	67
Total	**213**

Costs incurred under the program, per operating segment, were as follows:

($ in millions)	Cumulative costs incurred up to December 31, 2010
Power Products	122
Power Systems	139
Discrete Automation and Motion	256
Low Voltage Products	114
Process Automation	183
Corporate and Other	22
Total	**836**

Note 14. Operating segment data

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

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

- **Power Products:** manufactures and sells high- and medium- voltage switchgear and apparatus, circuit breakers for all current and voltage levels, power and distribution transformers and sensors for electric, gas and water utilities and for industrial and commercial customers.

- **Power Systems:** designs, installs and upgrades high-efficiency transmission and distribution systems and power plant automation and electrification solutions, including monitoring and control products, software and services and incorporating components manufactured by both the Company and by third parties.

- **Discrete Automation and Motion:** manufactures and sells motors, generators, variable speed drives, rectifiers, excitation systems, robotics, programmable logic controllers, and related services for a wide range of applications in factory automation, process industries, and utilities.

- **Low Voltage Products:** manufactures products and systems that provide protection, control and measurement for electrical installations, as well as enclosures, switchboards, electronics and electromechanical devices for industrial machines, plants and related service. The segment also makes intelligent building control systems for home and building automation to improve comfort, energy efficiency and security.

- **Process Automation:** develops and sells control and plant optimization systems, automation products and solutions, including instrumentation, as well as industry-specific application knowledge and services for the oil, gas and petrochemicals, metals and minerals, marine and turbocharging, pulp and paper, chemical and pharmaceuticals and power industries.

- **Corporate and Other:** includes headquarters, central research and development, the Company's real estate activities, Group treasury operations and other minor activities.

In 2011, the Company changed its primary measures of segment performance from earnings before interest and taxes (EBIT) to operational earnings before interest, taxes, depreciation and amortization (Operational EBITDA) and Operational EBITDA margin (being Operational EBITDA as a percentage of Operational revenues).

EBIT excludes interest and dividend income, interest and other finance expense, provision for taxes, and income (loss) from discontinued operations, net of tax. Operational EBITDA represents EBIT excluding depreciation and amortization, restructuring and restructuring-related expenses, adjusted for the following: (i) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives), (ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, (iii) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities), (iv) acquisition-related expenses and (v) certain non-recurring items.

Operational revenues are total revenues adjusted for the following: (i) unrealized gains and losses on derivatives, (ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (iii) unrealized foreign exchange movements on receivables (and related assets).

The CODM primarily reviews the results of each segment on a basis that is before the elimination of profits made on inventory sales between segments. Since June 30, 2011, segment results below are presented before these eliminations, with a total deduction for intersegment profits to arrive at the Company's consolidated Operational EBITDA. Furthermore, in the second quarter of 2011, the Company refined its methodology to eliminate profit on inventory resulting from intersegment revenues. These changes in presentation resulted in no significant reclassifications between segments and no change to the Company's consolidated Operational EBITDA.

In the following tables, the Company presents segment revenues, Operational EBITDA, Operational EBITDA margin, as well as reconciliations of Operational EBITDA to EBIT and Operational revenues to Total revenues. Intersegment sales and transfers are accounted for as if the sales and transfers were to third parties, at current market prices.

($ in millions except Operational EBITDA margin in %)	Year ended December 31, 2011					
	Third-party revenues	Intersegment revenues	Total revenues	Operational revenues	Operational EBITDA(1)	Operational EBITDA margin (%)
Power Products	9,028	1,841	10,869	10,901	1,782	16.3%
Power Systems	7,833	268	8,101	8,128	743	9.1%
Discrete Automation and Motion	8,047	759	8,806	8,817	1,664	18.9%
Low Voltage Products	4,953	351	5,304	5,315	1,059	19.9%
Process Automation	8,078	222	8,300	8,318	1,028	12.4%
Corporate and Other	51	1,508	1,559	1,558	(194)	-
Intersegment elimination	-	(4,949)	(4,949)	(4,949)	(68)	-
Consolidated	**37,990**	**-**	**37,990**	**38,088**	**6,014**	**15.8%**

($ in millions except Operational EBITDA margin in %)	Year ended December 31, 2010					
	Third-party revenues	Intersegment revenues	Total revenues	Operational revenues	Operational EBITDA(1)	Operational EBITDA margin (%)
Power Products	8,486	1,713	10,199	10,202	1,861	18.2%
Power Systems	6,590	196	6,786	6,783	304	4.5%
Discrete Automation and Motion	4,978	639	5,617	5,613	1,026	18.3%
Low Voltage Products	4,263	291	4,554	4,554	926	20.3%
Process Automation	7,209	223	7,432	7,427	925	12.5%
Corporate and Other	63	1,468	1,531	1,532	(230)	-
Intersegment elimination	-	(4,530)	(4,530)	(4,530)	12	-
Consolidated	**31,589**	**-**	**31,589**	**31,581**	**4,824**	**15.3%**

($ in millions except Operational EBITDA margin in %)	Three months ended December 31, 2011					
	Third-party revenues	Intersegment revenues	Total revenues	Operational revenues	Operational EBITDA(1)	Operational EBITDA margin (%)
Power Products	2,578	505	3,083	3,102	460	14.8%
Power Systems	2,329	83	2,412	2,400	238	9.9%
Discrete Automation and Motion	2,139	226	2,365	2,366	411	17.4%
Low Voltage Products	1,244	104	1,348	1,350	256	19.0%
Process Automation	2,257	60	2,317	2,308	272	11.8%
Corporate and Other	24	373	397	394	(90)	-
Intersegment elimination	-	(1,351)	(1,351)	(1,351)	21	-
Consolidated	**10,571**	**-**	**10,571**	**10,569**	**1,568**	**14.8%**

($ in millions except Operational EBITDA margin in %)	Three months ended December 31, 2010					
	Third-party revenues	Intersegment revenues	Total revenues	Operational revenues	Operational EBITDA(1)	Operational EBITDA margin (%)
Power Products	2,438	475	2,913	2,923	527	18.0%
Power Systems	2,033	55	2,088	2,093	69	3.3%
Discrete Automation and Motion	1,484	173	1,657	1,651	301	18.2%
Low Voltage Products	1,164	90	1,254	1,253	252	20.1%
Process Automation	2,041	60	2,101	2,125	293	13.8%
Corporate and Other	19	391	410	410	(124)	-
Intersegment elimination	-	(1,244)	(1,244)	(1,244)	6	-
Consolidated	**9,179**	**-**	**9,179**	**9,211**	**1,324**	**14.4%**

(1) Operational EBITDA is presented before the elimination of intersegment profits made on inventory sales.

($ in millions except Operational EBITDA margin in %)	Year ended December 31, 2011 Power Products	Power Systems	Discrete Automation and Motion	Low Voltage Products	Process Automation	Corporate and Other and Intersegment elimination	Consolidated
Operational revenues	**10,901**	**8,128**	**8,817**	**5,315**	**8,318**	**(3,391)**	**38,088**
Unrealized gains and losses on derivatives	(49)	(56)	(29)	(16)	(39)	1	(188)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(17)	(19)	1	-	2	-	(33)
Unrealized foreign exchange movements on receivables (and related assets)	34	48	17	5	19	-	123
Total revenues	**10,869**	**8,101**	**8,806**	**5,304**	**8,300**	**(3,390)**	**37,990**
Operational EBITDA	**1,782**	**743**	**1,664**	**1,059**	**1,028**	**(262)**	**6,014**
Depreciation and amortization	(200)	(144)	(251)	(116)	(83)	(201)	(995)
Acquisition-related expenses and certain non-recurring items	-	-	(90)	-	-	(17)	(107)
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(58)	(16)	(29)	(21)	4	(38)	(158)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(14)	(19)	(2)	-	2	1	(32)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	36	38	12	2	20	1	109
Restructuring and restructuring-related expenses	(70)	(54)	(10)	(20)	(8)	(2)	(164)
EBIT	**1,476**	**548**	**1,294**	**904**	**963**	**(518)**	**4,667**
Operational EBITDA margin (%)	**16.3%**	**9.1%**	**18.9%**	**19.9%**	**12.4%**	**-**	**15.8%**

($ in millions except Operational EBITDA margin in %)	Year ended December 31, 2010 Power Products	Power Systems	Discrete Automation and Motion	Low Voltage Products	Process Automation	Corporate and Other and Intersegment elimination	Consolidated
Operational revenues	**10,202**	**6,783**	**5,613**	**4,554**	**7,427**	**(2,998)**	**31,581**
Unrealized gains and losses on derivatives	20	30	16	3	11	-	80
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	6	9	(1)	1	12	1	28
Unrealized foreign exchange movements on receivables (and related assets)	(29)	(36)	(11)	(4)	(18)	(2)	(100)
Total revenues	**10,199**	**6,786**	**5,617**	**4,554**	**7,432**	**(2,999)**	**31,589**
Operational EBITDA	**1,861**	**304**	**1,026**	**926**	**925**	**(218)**	**4,824**
Depreciation and amortization	(177)	(84)	(78)	(105)	(76)	(182)	(702)
Acquisition-related expenses and certain non-recurring items	-	-	-	-	-	-	-
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	10	(8)	6	4	(33)	18	(3)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	4	(15)	-	-	3	(1)	(9)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(18)	(35)	(8)	(1)	(16)	(1)	(79)
Restructuring and restructuring-related expenses	(44)	(48)	(35)	(36)	(44)	(6)	(213)
EBIT	**1,636**	**114**	**911**	**788**	**759**	**(390)**	**3,818**
Operational EBITDA margin (%)	**18.2%**	**4.5%**	**18.3%**	**20.3%**	**12.5%**	**-**	**15.3%**

($ in millions except Operational EBITDA margin in %)	Three months ended December 31, 2011 Power Products	Power Systems	Discrete Automation and Motion	Low Voltage Products	Process Automation	Corporate and Other and Intersegment elimination	Consolidated
Operational revenues	**3,102**	**2,400**	**2,366**	**1,350**	**2,308**	**(957)**	**10,569**
Unrealized gains and losses on derivatives	(12)	24	3	(1)	15	5	34
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	(24)	-	-	(2)	-	(28)
Unrealized foreign exchange movements on receivables (and related assets)	(5)	12	(4)	(1)	(4)	(2)	(4)
Total revenues	**3,083**	**2,412**	**2,365**	**1,348**	**2,317**	**(954)**	**10,571**
Operational EBITDA	**460**	**238**	**411**	**256**	**272**	**(69)**	**1,568**
Depreciation and amortization	(53)	(45)	(61)	(29)	(20)	(57)	(265)
Acquisition-related expenses and certain non-recurring items	-	-	(3)	-	-	(17)	(20)
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(12)	(9)	(7)	(1)	4	(19)	(44)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)	(17)	(1)	-	(2)	-	(21)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	3	11	-	2	(4)	-	12
Restructuring and restructuring-related expenses	(44)	(33)	(1)	(19)	(7)	(3)	(107)
EBIT	**353**	**145**	**338**	**209**	**243**	**(165)**	**1,123**
Operational EBITDA margin (%)	**14.8%**	**9.9%**	**17.4%**	**19.0%**	**11.8%**	**-**	**14.8%**

Notes to the Interim Consolidated Financial Information (unaudited)

($ in millions except Operational EBITDA margin in %)	Three months ended December 31, 2010						
	Power Products	Power Systems	Discrete Automation and Motion	Low Voltage Products	Process Automation	Corporate and Other and Intersegment elimination	Consolidated
Operational revenues	**2,923**	**2,093**	**1,651**	**1,253**	**2,125**	**(834)**	**9,211**
Unrealized gains and losses on derivatives	(1)	(10)	9	(1)	(14)	-	(17)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	18	(1)	-	3	-	21
Unrealized foreign exchange movements on receivables (and related assets)	(10)	(13)	(2)	2	(13)	-	(36)
Total revenues	**2,913**	**2,088**	**1,657**	**1,254**	**2,101**	**(834)**	**9,179**
Operational EBITDA	**527**	**69**	**301**	**252**	**293**	**(118)**	**1,324**
Depreciation and amortization	(50)	(28)	(22)	(27)	(20)	(48)	(195)
Acquisition-related expenses and certain non-recurring items	-	-	-	-	-	-	-
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	-	(10)	10	(2)	(36)	12	(26)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	-	3	(1)	1	1	(2)	2
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	-	(8)	2	5	(11)	1	(11)
Restructuring and restructuring-related expenses	(23)	(23)	(10)	(29)	(29)	(2)	(116)
EBIT	**454**	**3**	**280**	**200**	**198**	**(157)**	**978**
Operational EBITDA margin (%)	**18.0%**	**3.3%**	**18.2%**	**20.1%**	**13.8%**	**-**	**14.4%**

($ in millions)	Total assets[1]	
	December 31, 2011	December 31, 2010
Power Products	7,355	7,205
Power Systems	7,469	6,039
Discrete Automation and Motion	9,195	3,696
Low Voltage Products	3,333	2,899
Process Automation	4,777	4,728
Corporate and Other	7,519	11,728
Consolidated	**39,648**	**36,295**

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