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, 2011.

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

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

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

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

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

The Interim Consolidated Financial Information is presented in United States dollars ($) unless otherwise stated.

Note 2. Recent accounting pronouncements

Applicable in current period

Amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs
In January 2012, the Company adopted an accounting standard update which 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, while other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption of this update did not have a significant impact on the consolidated financial statements.

Presentation of comprehensive income
In January 2012, the Company adopted two accounting standard updates regarding the presentation of comprehensive income. 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 retrospectively and resulted in the Company presenting two separate but consecutive statements.

Testing goodwill for impairment
In January 2012, the Company adopted an accounting standard update regarding the testing of goodwill for impairment under which the Company has elected the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Consequently, the Company is not 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 adoption of this update did not have a significant impact on the consolidated financial statements.

Applicable for future periods

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 these additional disclosures.

Note 3. Acquisitions

Acquisitions were as follows:

($ in millions, except number of acquired businesses) (1)	Nine months ended September 30,		Three months ended September 30,	
	2012	2011	2012	2011
Acquisitions (net of cash acquired)(2)	3,635	3,578	57	441
Aggregate excess of purchase price over fair value of net assets acquired(3)	3,273	3,229	30	532
Number of acquired businesses	7	7	3	2

(1) Amounts include adjustments arising during the measurement period of acquisitions. In the nine and three months ended September 30, 2012, adjustments included in "Aggregate excess of purchase price over fair value of net assets acquired" were not significant. In the three months ended September 30, 2011, adjustments included in "Aggregate excess of purchase price over fair value of net assets acquired" amounted to $116 million; the adjustments were not significant in the nine months ended September 30, 2011.

(2) Excluding changes in cost and equity investments but including $5 million (in the nine months ended September 30, 2012) and $19 million (in the nine months ended September 30, 2011) representing the fair value of replacement vested stock options issued to Thomas & Betts and Baldor employees, respectively, at the corresponding acquisition dates.

(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 nine months ended September 30, 2012, relate primarily to the acquisition of Thomas & Betts Corporation (Thomas & Betts). For the nine months ended September 30, 2011, these amounts relate primarily to the acquisitions of Baldor Electric Company (Baldor), Mincom Pty Ltd (Mincom) and AB Lorentzen & Wettre.

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.

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.

On May 16, 2012, the Company acquired all outstanding shares of Thomas & Betts for $72 per share in cash. The resulting cash outflows for the Company amounted to $3,700 million, representing $3,282 million for the purchase of the shares (net of cash acquired of $521 million), $94 million related to cash settlement of Thomas & Betts options held at acquisition date and $324 million for the repayment of debt assumed upon acquisition. Thomas & Betts designs, manufactures and markets components used to manage the connection, distribution, transmission and reliability of electrical power in industrial, construction and utility applications. The acquisition of Thomas & Betts supports the Company's strategy of expanding its Low Voltage Products operating segment into new geographies, sectors and products.

The aggregate preliminary allocation of the purchase consideration for business acquisitions in the nine months ended September 30, 2012, is as follows:

	Allocated amounts			Weighted-average useful life
($ in millions)	**Thomas & Betts**	**Other**	**Total**	**Thomas & Betts**
Customer relationships	1,180	22	1,202	18 years
Technology	179	41	220	5 years
Trade names	155	7	162	10 years
Order backlog	12	2	14	7.5 months
Intangible assets	**1,526**	**72**	**1,598**	**15 years**
Fixed assets	413	32	445	
Debt acquired	(620)	-	(620)	
Deferred tax liabilities	(1,303)	(25)	(1,328)	
Inventories	300	35	335	
Other assets and liabilities, net(1)	(42)	(26)	(68)	
Goodwill(2)	3,107	166	3,273	
Total consideration (net of cash acquired) (3)	**3,381**	**254**	**3,635**	

(1) Gross receivables from the Thomas & Betts acquisition totaled $387 million; the fair value of which was $344 million after rebates and allowance for estimated uncollectable receivables.
(2) The Company does not expect the majority of goodwill recognized to be deductible for income tax purposes.
(3) Cash acquired in the Thomas & Betts acquisition totaled $521 million. Additional consideration for the Thomas & Betts acquisition included $94 million related to the cash settlement of stock options held by Thomas & Betts employees at the acquisition date and $5 million representing the fair value of replacement vested stock options issued to Thomas & Betts employees at the acquisition date. The fair value of these stock options was estimated using a Black-Scholes model.

The preliminary estimated fair values of the assets acquired and liabilities assumed for business combinations in the nine months ended September 30, 2012, are based on preliminary calculations and valuations, and facts and circumstances that existed at the respective acquisition dates. The Company's estimates and assumptions are subject to change during the measurement periods of those acquisitions. The areas where preliminary estimates are not yet finalized primarily relate to certain tangible assets and deferred tax liabilities.

The Company’s Consolidated Income Statements for the nine and three months ended September 30, 2012, include total revenues of $938 million and $625 million, respectively, and net income (including acquisition-related charges) of $1 million and $40 million, respectively, of Thomas & Betts 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 Thomas & Betts for the nine and three months ended September 30, 2012 and 2011, as if Thomas & Betts had been acquired on January 1, 2011.

($ in millions)	Nine months ended September 30,		Three months ended September 30,	
	2012	**2011**	**2012**	**2011**
Total revenues	29,230	29,113	9,745	9,942
Income from continuing operations, net of tax	2,307	2,485	816	859

The unaudited pro forma results above include certain adjustments related to the Thomas & Betts acquisition. The table below summarizes the adjustments necessary to present the pro forma financial information of the Company and Thomas & Betts combined, as if Thomas & Betts had been acquired on January 1, 2011.

	Adjustments			
	Nine months ended September 30,		Three months ended September 30,	
($ in millions)	2012	2011	2012	2011
Impact on cost of sales from additional amortization of intangible assets (excluding order backlog capitalized upon acquisition)	(26)	(52)	-	(17)
Impact on cost of sales from amortization of order backlog capitalized upon acquisition	9	(12)	6	(2)
Impact on cost of sales from fair valuing acquired inventory	31	(31)	15	-
Interest expense on Thomas & Betts debt	5	16	-	6
Impact on selling, general and administrative expenses from Thomas & Betts stock-option plans adjustments	16	-	-	-
Impact on selling, general and administrative expenses from acquisition-related costs	54	(19)	-	2
Impact on interest and other finance expense from bridging facility costs	13	-	-	-
Other	(10)	(20)	-	(7)
Taxation adjustments	(1)	30	-	5
Total pro forma adjustments	**91**	**(88)**	**21**	**(13)**

The pro forma results are for information purposes only and do not include any anticipated cost synergies or other effects of the planned integration of Thomas & Betts. 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.

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 final allocation of the purchase consideration for the Baldor acquisition is as follows:

($ in millions)	Allocated amounts	Weighted-average useful life
Customer relationships	996	19 years
Technology	259	7 years
Trade name	121	10 years
Order backlog	15	2 months
Other intangible assets	15	5 years
Intangible assets	**1,406**	**16 years**
Fixed assets	382	
Debt acquired	(1,241)	
Deferred tax liabilities	(693)	
Inventories	422	
Other assets and liabilities, net(1)	51	
Goodwill(2)	2,728	
Total consideration (net of cash acquired) (3)	**3,055**	

(1) Gross receivables totaled $266 million; the fair value of which was $263 million after allowance for estimated uncollectable receivables.
(2) Goodwill recognized is not deductible for income tax purposes.
(3) Cash acquired totaled $48 million. Additional consideration 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 nine and three months ended September 30, 2011, include total revenues of $1,425 million and $532 million, respectively, and net income (including acquisition-related charges) of $107 million and $71 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 nine and three months ended September 30, 2011, as if Baldor had been acquired on January 1, 2010.

($ in millions)	Nine months ended September 30, 2011	Three months ended September 30, 2011
Total revenues	27,529	9,337
Income from continuing operations, net of tax	2,521	814

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 Company and Baldor combined, for the nine and three months ended September 30, 2011, as if Baldor had been acquired on January 1, 2010.

	Adjustments	
($ in millions)	Nine months ended September 30, 2011	Three months ended September 30, 2011
Impact on cost of sales from additional amortization of intangible assets (excluding order backlog capitalized upon acquisition)	(7)	-
Impact on cost of sales from amortization of order backlog capitalized upon acquisition	15	(2)
Impact on cost of sales from fair valuing acquired inventory	55	(4)
Interest expense on Baldor's debt	11	-
Baldor stock-option plans adjustments	66	-
Impact on selling, general and administrative expenses from acquisition-related costs	63	-
Taxation adjustments	(64)	2
Total pro forma adjustments	**139**	**(4)**

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.

Changes in total goodwill were as follows:

($ in millions)	**Total goodwill**
Balance at January 1, 2011	**4,085**
Additions during the period(1)	3,261
Exchange rate differences	(74)
Other	(3)
Balance at December 31, 2011	**7,269**
Additions during the period(2)	3,273
Exchange rate differences	58
Balance at September 30, 2012	**10,600**

(1) 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.
(2) Includes primarily goodwill of $3,107 million in respect of Thomas & Betts, acquired in May 2012, which has been allocated to the Low Voltage Products operating segment and goodwill in respect of Newave, acquired in February 2012, which has been allocated to the Discrete Automation and Motion operating segment.

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

Current assets

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

	September 30, 2012					
($ in millions)	**Cost basis**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	**Cash and equivalents**	**Marketable securities and short-term investments**
Cash	2,275			2,275	2,275	-
Time deposits	2,227			2,227	2,227	-
Other short-term investments	26			26	-	26
Debt securities available-for-sale:						
– U.S. government obligations	177	8	-	185	-	185
– Other government obligations	3	-	(1)	2	-	2
– Corporate	291	9	-	300	181	119
Equity securities available-for-sale	399	12	(1)	410	-	410
Total	**5,398**	**29**	**(2)**	**5,425**	**4,683**	**742**

($ in millions)	December 31, 2011 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**

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 September 30, 2012, the cost basis, the gross unrealized loss and fair value of these equity securities were not significant. 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 September 30, 2012, the amortized cost, gross unrecognized gain and fair value (based on quoted market prices) of these securities were $96 million, $29 million and $125 million, respectively. 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. 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. In addition, within its treasury operations, the Company primarily uses foreign exchange swaps and forward foreign exchange contracts to manage the currency and timing mismatches arising in its liquidity management activities.

Commodity risk
Various commodity products are used in the Company's manufacturing activities. Consequently it is exposed to volatility in future cash flows arising from changes in commodity prices. To manage the price risk of commodities other than electricity, the Company's policies require that the subsidiaries hedge the commodity price risk exposures from binding contracts, as well as at least 50 percent (up to a maximum of 100 percent) of the forecasted commodity exposure over the next 12 months or longer (up to a maximum of 18 months). 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. Interest rate swaps are used to manage the interest rate risk associated with certain debt. In addition, from time to time, the Company uses instruments such as interest rate swaps, interest rate futures, bond futures or forward rate agreements to manage interest rate risk arising from the Company's balance sheet structure but does not designate such instruments as hedges.

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

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)	September 30, 2012	December 31, 2011	September 30, 2011
Foreign exchange contracts	19,008	16,503	17,409
Embedded foreign exchange derivatives	3,555	3,439	3,607
Interest rate contracts	3,092	5,535	4,759

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		
		September 30, 2012	December 31, 2011	September 30, 2011
Copper swaps	metric tonnes	38,046	38,414	33,608
Aluminum swaps	metric tonnes	6,308	5,068	5,265
Nickel swaps	metric tonnes	24	18	30
Lead swaps	metric tonnes	11,900	13,325	11,525
Zinc swaps	metric tonnes	100	125	175
Silver swaps	ounces	1,357,380	1,981,646	1,633,172
Electricity futures	megawatt hours	459,782	326,960	411,865
Crude oil swaps	barrels	147,820	113,397	128,482

Equity derivatives:
At September 30, 2012, December 31, 2011, and September 30, 2011, the Company held 68 million, 61 million and 64 million cash-settled call options on ABB Ltd shares with a total fair value of $23 million, $21 million and $18 million, respectively.

Cash flow hedges

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

At September 30, 2012, and December 31, 2011, “Accumulated other comprehensive loss” included net unrealized gains of $51 million and $12 million, respectively, net of tax, on derivatives designated as cash flow hedges. Of the amount at September 30, 2012, net gains of $40 million are expected to be reclassified to earnings in the following 12 months. At September 30, 2012, the longest maturity of a derivative classified as a cash flow hedge was 65 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 nine and three months ended September 30, 2012 and 2011.

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

Nine months ended September 30, 2012

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	69	Total revenues	47	Total revenues	-
		Total cost of sales	(8)	Total cost of sales	-
Commodity contracts	9	Total cost of sales	(2)	Total cost of sales	-
Cash-settled call options	(6)	SG&A expenses(2)	(11)	SG&A expenses(2)	-
Total	**72**		**26**		**-**

Nine months ended September 30, 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	(22)	Total revenues	102	Total revenues	(1)
		Total cost of sales	(7)	Total cost of sales	-
Commodity contracts	(20)	Total cost of sales	7	Total cost of sales	(1)
Cash-settled call options	(24)	SG&A expenses(2)	(18)	SG&A expenses(2)	-
Total	**(66)**		**84**		**(2)**

Three months ended September 30, 2012

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	53	Total revenues	20	Total revenues	-
		Total cost of sales	(6)	Total cost of sales	-
Commodity contracts	8	Total cost of sales	-	Total cost of sales	-
Cash-settled call options	4	SG&A expenses(2)	-	SG&A expenses(2)	-
Total	**65**		**14**		**-**

Three months ended September 30, 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	(57)	Total revenues	24	Total revenues	-
		Total cost of sales	(4)	Total cost of sales	-
Commodity contracts	(17)	Total cost of sales	1	Total cost of sales	(1)
Cash-settled call options	(24)	SG&A expenses(2)	(14)	SG&A expenses(2)	-
Total	**(98)**		**7**		**(1)**

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

Derivative gains of $16 million and $56 million, both net of tax, were reclassified from "Accumulated other comprehensive loss" to earnings during the nine months ended September 30, 2012 and 2011, respectively. During the three months ended September 30, 2012 and 2011, derivative gains of $11 million and $2 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 nine and three months ended September 30, 2012 and 2011, was not significant.

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

Nine months ended September 30, 2012

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)

Nine months ended September 30, 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	(26)	Interest and other finance expense	26

Three months ended September 30, 2012

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 September 30, 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	(3)	Interest and other finance expense	3

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				
		Nine months ended September 30,		Three months ended September 30,	
Type of derivative not designated as a hedge	Location	2012	2011	2012	2011
Foreign exchange contracts	Total revenues	286	(104)	234	(248)
	Total cost of sales	(198)	84	(113)	65
	SG&A expenses(1)	(3)	-	(2)	-
	Interest and other finance expense	(17)	370	36	(133)
Embedded foreign exchange contracts	Total revenues	(147)	-	(84)	61
	Total cost of sales	29	(1)	19	(19)
Commodity contracts	Total cost of sales	24	(60)	27	(43)
	Interest and other finance expense	1	1	2	1
Cash-settled call options	Interest and other finance expense	-	-	-	-
Interest rate contracts	Interest and other finance expense	2	-	1	-
Total		**(23)**	**290**	**120**	**(316)**

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

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

	September 30, 2012			
	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	64	25	18	8
Commodity contracts	3	-	-	-
Interest rate contracts	21	30	-	-
Cash-settled call options	7	14	-	-
Total	**95**	**69**	**18**	**8**
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	267	66	108	24
Commodity contracts	18	1	8	1
Interest rate contracts	-	-	-	-
Cash-settled call options	1	1	-	-
Embedded foreign exchange derivatives	35	7	96	48
Total	**321**	**75**	**212**	**73**
Total fair value	**416**	**144**	**230**	**81**

	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**

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 September 30, 2012, and December 31, 2011, 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 interest rate futures, and certain actively-traded debt securities.

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

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:

($ in millions)	September 30, 2012 Level 1	Level 2	Level 3	Total fair value
Assets				
Available-for-sale securities in "Cash and equivalents"				
Debt securities—Corporate	-	181	-	181
Available-for-sale securities in "Marketable securities and short-term investments"				
Equity securities	3	407	-	410
Debt securities—U.S. government obligations	185	-	-	185
Debt securities—Other government obligations	-	2	-	2
Debt securities—Corporate	-	119	-	119
Available-for-sale securities in "Other non-current assets"				
Equity securities	2	-	-	2
Derivative assets—current in "Other current assets"	1	415	-	416
Derivative assets—non-current in "Other non-current assets"	-	144	-	144
Total	**191**	**1,268**	**-**	**1,459**
Liabilities				
Derivative liabilities—current in "Provisions and other current liabilities"	4	226	-	230
Derivative liabilities—non-current in "Other non-current liabilities"	-	81	-	81
Total	**4**	**307**	**-**	**311**

($ in millions)	December 31, 2011 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**

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

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

Non-recurring fair value measures
There were no significant non-recurring fair value measurements during the nine and three months ended September 30, 2012 and 2011.

Disclosure about financial instruments carried on a cost basis
Cash and equivalents (excluding available-for-sale debt securities with original maturities up to 3 months):
The carrying amounts of "Cash and equivalents" approximate their fair values, of which, at September 30, 2012, $2,275 million and $2,227 million, were determined using Level 1 and Level 2 inputs, respectively.

Marketable securities and short-term investments:
In addition to the "Available-for-sale securities" disclosed in the "Recurring fair value measures" section above, "Marketable securities and short-term investments" at September 30, 2012, included other short-term investments of $26 million. The carrying amount of the investments approximates the fair value, which was determined using Level 1 inputs.

Receivables, net:
The carrying amounts of "Receivables, net" approximate their fair values and include short-term loans granted. At September 30, 2012, the carrying amounts of the short-term loans were $8 million, and the fair values were determined using Level 2 inputs.

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 September 30, 2012, were $59 million and $58 million, respectively, and at December 31, 2011, were $52 million and $54 million, respectively. The fair values of long-term loans granted at September 30, 2012, were determined using Level 2 inputs.

Includes held-to-maturity marketable securities (see Note 4) whose carrying values and estimated fair values at September 30, 2012, were $96 million and $125 million, respectively, and at December 31, 2011, were $92 million and $120 million, respectively. The fair values of these securities at September 30, 2012, were determined using Level 2 inputs.

Includes restricted cash and cash deposits (pledged in respect of a certain non-current deposit liability) totaling $282 million at September 30, 2012. Their carrying amounts approximate their fair values, which were determined using Level 1 inputs.

Accounts payable, trade:
The carrying amounts of "Accounts payable, trade" approximate their fair values.

Short-term debt and current maturities of long-term debt, excluding finance lease liabilities:
Includes commercial paper, bank borrowings and overdrafts as well as bonds maturing in the next 12 months. The carrying amounts of short-term debt and current maturities of long-term debt, excluding finance lease liabilities, approximate their fair values, of which, at September 30, 2012, $1,042 million and $962 million were determined using Level 1 and Level 2 inputs, 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 values and estimated fair values of long-term debt, excluding finance lease liabilities, at September 30, 2012, were $6,970 million and $7,402 million, respectively, and at December 31, 2011, were $3,151 million and

$3,218 million, respectively. Of the fair value amount of $7,402 million at September 30, 2012, $7,359 million was determined using Level 1 inputs, with the remaining amount determined using Level 2 inputs.

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 specific 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 past due 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 (excluding those with a contractual maturity of one year or less) and other financing receivables is presented below.

Receivables classified as current assets

The gross amounts of, and doubtful debt allowance for, trade receivables (excluding those with a contractual maturity of one year or less) 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:

	September 30, 2012		
($ in millions)	**Trade receivables (excluding those with a contractual maturity of one year or less)**	**Other receivables**	**Total**
Recorded gross amount:			
- Individually evaluated for impairment	291	130	421
- Collectively evaluated for impairment	363	100	463
Total	**654**	**230**	**884**
Doubtful debt allowance:			
- From individual impairment evaluation	(35)	(5)	(40)
- From collective impairment evaluation	(10)	-	(10)
Total	**(45)**	**(5)**	**(50)**
Recorded net amount	**609**	**225**	**834**

	December 31, 2011		
($ in millions)	**Trade receivables (excluding those with a contractual maturity of one year or less)**	**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**

Changes in the doubtful debt allowance for trade receivables (excluding those with a contractual maturity of one year or less) were as follows:

($ in millions)	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Trade receivables (excluding those with a contractual maturity of one year or less):		
Balance at January 1,	50	37
Reversal of allowance	(6)	(13)
Additions to allowance	6	13
Amounts written off	(1)	(1)
Exchange rate differences	(4)	(1)
Balance at September 30,	**45**	**35**

($ in millions)	Three months ended September 30, 2012	Three months ended September 30, 2011
Trade receivables (excluding those with a contractual maturity of one year or less):		
Balance at July 1,	42	34
Reversal of allowance	-	(3)
Additions to allowance	2	6
Amounts written off	(1)	-
Exchange rate differences	2	(2)
Balance at September 30,	**45**	**35**

Changes in the doubtful debt allowance for other receivables during the nine and three months ended September 30, 2012 and 2011, were not significant.

The following table shows the credit risk profile, on a gross basis, of trade receivables (excluding those with a contractual maturity of one year or less) 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:

	September 30, 2012		
($ in millions)	Trade receivables (excluding those with a contractual maturity of one year or less)	Other receivables	Total
Risk category:			
A	262	176	438
B	208	21	229
C	131	28	159
D	46	2	48
E	7	3	10
Total gross amount	**654**	**230**	**884**

($ in millions)	December 31, 2011 Trade receivables (excluding those with a contractual maturity of one year or less)	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**

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

	September 30, 2012						
	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 September 30, 2012(1)	Total
Trade receivables (excluding those with a contractual maturity of one year or less)	38	1	4	58	10	543	654
Other receivables	4	2	4	11	9	200	230
Total gross amount	**42**	**3**	**8**	**69**	**19**	**743**	**884**

	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 (excluding those with a contractual maturity of one year or less)	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**

(1) Trade receivables (excluding those with a contractual maturity of one year or less) 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 September 30, 2012, and December 31, 2011, the net recorded amounts of loans granted were $59 million and $52 million, respectively, and were included in other non-current assets (see Note 6). The related doubtful debt allowance was not significant at both dates. The changes in such allowance were not significant during the nine and three months ended September 30, 2012 and 2011.

Note 8. Debt

The Company's total debt at September 30, 2012, and December 31, 2011, amounted to $9,078 million and $3,996 million, respectively.

Short-term debt and current maturities of long-term debt

The Company's "Short-term debt and current maturities of long-term debt" consisted of the following:

($ in millions)	September 30, 2012	December 31, 2011
Short-term debt	1,057	689
Current maturities of long-term debt	966	76
Total	**2,023**	**765**

Short-term debt primarily represented issued commercial paper and short-term loans from various banks.

At September 30, 2012, and December 31, 2011, the Company had in place three commercial paper programs: a $1 billion Euro-commercial paper program for the issuance of commercial paper in a variety of currencies; a 5 billion Swedish krona commercial paper program for the issuance of Swedish krona- and euro-denominated commercial paper and, since the third quarter of 2012, a $2 billion commercial paper program for the private placement of U.S. dollar-denominated commercial paper in the United States that replaced the previous $1 billion program that was terminated in the third quarter of 2012. At September 30, 2012, and December 31, 2011, $740 million and $435 million, were outstanding under the $2 billion and $1 billion programs, respectively, in the United States.

Long-term debt

The Company's long-term debt at September 30, 2012, and December 31, 2011, amounted to $7,055 million and $3,231 million, respectively.

Outstanding bonds (including maturities within the next 12 months) were as follows:

	September 30, 2012			December 31, 2011		
(in millions)	Nominal outstanding		Carrying value(1)	Nominal outstanding		Carrying value(1)
Bonds:						
4.625% EUR Instruments, due 2013	EUR	700	$915	EUR	700	$910
2.5% USD Notes, due 2016	USD	600	$597	USD	600	$596
1.25% CHF Bonds, due 2016	CHF	500	$545	CHF	500	$535
1.625% USD Notes, due 2017	USD	500	$497			-
1.50% CHF Bonds, due 2018	CHF	350	$374			-
2.625% EUR Instruments, due 2019	EUR	1,250	$1,614			-
4.0% USD Notes, due 2021	USD	650	$641	USD	650	$640
2.25% CHF Bonds, due 2021	CHF	350	$392	CHF	350	$378
5.625% USD Notes, due 2021	USD	250	$292			-
2.875% USD Notes, due 2022	USD	1,250	$1,224			-
4.375% USD Notes, due 2042	USD	750	$726			-
Total outstanding bonds			**$7,817**			**$3,059**

(1) USD carrying value is net of bond discounts and includes adjustments for fair value hedge accounting, where appropriate.

In January 2012, the Company issued bonds with an aggregate principal of CHF 350 million, due 2018, that pay interest annually in arrears at a fixed rate of 1.5 percent per annum. The Company recorded net proceeds of CHF 346 million (equivalent to approximately $370 million on date of settlement).

In March 2012, the Company issued instruments with an aggregate principal of EUR 1,250 million, due 2019, that pay interest annually in arrears at a fixed rate of 2.625 percent per annum. The Company recorded proceeds (net of fees) of EUR 1,245 million (equivalent to approximately $1,648 million on date of settlement).

In May 2012, the Company issued the following notes with a principal of:

- $500 million, due 2017, paying interest semi-annually in arrears at a fixed rate of 1.625 percent per annum,
- $1,250 million, due 2022, paying interest semi-annually in arrears at a fixed rate of 2.875 percent per annum, and
- $750 million, due 2042, paying interest semi-annually in arrears at a fixed rate of 4.375 percent per annum.

The aggregate net proceeds of these bond issues, after underwriting discount and other fees, amounted to $2,431 million.

In May 2012, upon the acquisition of Thomas & Betts, the Company acquired notes with an aggregate principal of $250 million, due 2021, paying interest semi-annually in arrears at a fixed rate of 5.625 percent per annum. These notes have been recorded at their fair value on the date of acquisition and will be amortized to par over the period 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 2013 at the Windsor 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. The settlement 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 the Company's Consolidated Income Statements was not significant for the nine and three months ended September 30, 2012 and 2011.

The effect of the above Nuclear Technology and other environmental obligations on the Company's Consolidated Statements of Cash Flows was not significant for the nine and three months ended September 30, 2012, as well as the three months ended September 30, 2011. For the nine months ended September 30, 2011, cash expenditures totaled $142 million, primarily in respect of the Nuclear Technology business.

The Company's estimated cash expenditures for the remainder of 2012 are insignificant and 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:

($ in millions)	**September 30, 2012**	**December 31, 2011**
Provision balance relating to:		
Nuclear Technology business	8	24
Various businesses	95	68
	103	**92**
Environmental provisions included in:		
Provisions and other current liabilities	21	22
Other non-current liabilities	82	70
	103	**92**

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

Contingencies—Regulatory, Compliance and Legal

Antitrust

In January 2007, the European Commission granted the Company full immunity from fines under its leniency program for the Company's involvement in anti-competitive practices in the Gas Insulated Switchgear (GIS) business. The Company's GIS business remains under investigation for alleged anti-competitive practices in certain other jurisdictions, including Brazil.

In October 2009, the European Commission fined the Company euro 33.75 million (equivalent to $49 million on date of payment) for its involvement in anti-competitive practices in the power transformers business. In September 2012, the German Antitrust Authority (Bundeskartellamt) fined one of the Company's German subsidiaries euro 8.7 million (equivalent to approximately $11 million on date of payment) for its involvement in anti-competitive practices in the German power transformers business.

The Company's cables business is under investigation for alleged anti-competitive practices in a number of jurisdictions, including the European Union and Brazil. The Company has received the European Commission's Statement of Objections concerning its investigation into the cables business and in June 2012 participated in the related Oral Hearing before the European Commission. The Company has also received an initial summary of the Brazilian Antitrust Authority's (CADE) allegations regarding its investigation into the cables business.

In May 2012, the Brazilian Antitrust Authority opened an investigation into certain power businesses of the Company, including its FACTS and power transformers business.

Management is cooperating fully with the antitrust authorities in their ongoing investigations. 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.

Suspect payments
In April 2005, the Company voluntarily disclosed to the United States Department of Justice (DoJ) and the United States Securities and Exchange Commission (SEC) certain suspect payments in its network management unit in the United States. Subsequently, the Company made additional voluntary disclosures to the DoJ and the SEC regarding suspect payments made by other Company subsidiaries in a number of countries in the Middle East, Asia, South America and Europe (including to an employee of an Italian power generation company) as well as by its former Lummus business. These payments were discovered by the Company as a result of the Company's internal audit program and compliance reviews.

In September 2010, the Company reached settlements with the DoJ and the SEC regarding their investigations into these matters and into suspect payments involving certain of the Company's subsidiaries in the United Nations Oil-for-Food Program. In connection with these settlements, the Company agreed to make payments to the DoJ and SEC totaling $58 million, which were settled in the fourth quarter of 2010. One subsidiary of the Company pled guilty to one count of conspiracy to violate the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act and one count of violating those provisions. The Company entered into a deferred prosecution agreement and settled civil charges brought by the SEC. These settlements resolved the foregoing investigations. In lieu of an external compliance monitor, the DoJ and SEC 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 with regard to certain actual or alleged anti-competitive practices. 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 September 30, 2012, and December 31, 2011, the Company had aggregate liabilities of $216 million and $208 million, respectively, included primarily 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)	**September 30, 2012**	**December 31, 2011**
Performance guarantees	157	148
Financial guarantees	84	85
Indemnification guarantees	190	194
Total	**431**	**427**

In respect of the above guarantees, the carrying amounts of liabilities at September 30, 2012, and December 31, 2011, 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 amount payable of quantifiable guarantees issued by the Company on behalf of its former Power Generation business was $87 million at both September 30, 2012, and December 31, 2011, and is subject to foreign exchange fluctuations. The Company has not experienced any losses related to guarantees issued on behalf of the former Power Generation business.

The Company is engaged in executing a number of projects as a member of consortia that include third parties. In certain of these cases, the Company guarantees not only its own performance but also the work of third parties. The original maturity dates of these guarantees range from one to six years. At September 30, 2012, and December 31, 2011, the maximum potential amount payable under these guarantees as a result of third-party non-performance was $55 million and $45 million, respectively.

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 although these have original maturity dates ranging from one to seven years, the Company has not yet been formally released from all of these guarantees. The maximum potential amount payable under the guarantees was approximately $8 million at both September 30, 2012, and December 31, 2011.

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 $7 million and $8 million, at September 30, 2012, and December 31, 2011, 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 September 30, 2012, and December 31, 2011, the Company had a maximum potential amount payable of $84 million and $85 million under financial guarantees outstanding. Of these amounts, $19 million at both September 30, 2012, and December 31, 2011, 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 amount payable relating to this business, pursuant to the sales agreement, at each of September 30, 2012, and December 31, 2011, 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 amount payable under such guarantees at September

30, 2012, and December 31, 2011, was $140 million and $141 million, respectively, and 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 "Provisions for warranties", including guarantees of product performance, was as follows:

($ in millions)	**2012**	**2011**
Balance at January 1,	1,324	1,393
Warranties assumed through acquisitions	4	10
Claims paid in cash or in kind	(158)	(119)
Net increase in provision for changes in estimates, warranties issued and warranties expired	72	56
Exchange rate differences	20	6
Balance at September 30,	**1,262**	**1,346**

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:

	Nine months ended September 30,			
	2012	2011	2012	2011
($ in millions)	**Defined pension benefits**		**Other postretirement benefits**	
Service cost	171	177	1	1
Interest cost	294	298	9	9
Expected return on plan assets	(369)	(376)	-	-
Amortization of transition liability	-	-	-	1
Amortization of prior service cost	31	33	(7)	(7)
Amortization of net actuarial loss	62	39	3	3
Curtailments, settlements and special termination benefits	-	1	-	-
Net periodic benefit cost	**189**	**172**	**6**	**7**

	Three months ended September 30,			
	2012	2011	2012	2011
($ in millions)	**Defined pension benefits**		**Other postretirement benefits**	
Service cost	62	53	-	-
Interest cost	107	93	4	3
Expected return on plan assets	(134)	(118)	-	-
Amortization of transition liability	-	-	-	1
Amortization of prior service cost	11	10	(3)	(2)
Amortization of net actuarial loss	21	12	1	1
Curtailments, settlements and special termination benefits	-	1	-	-
Net periodic benefit cost	**67**	**51**	**2**	**3**

Employer contributions were as follows:

	Nine months ended September 30,			
	2012	2011	2012	2011
($ in millions)	**Defined pension benefits**		**Other postretirement benefits**	
Total contributions to defined benefit pension and other postretirement benefit plans	249	229	13	17
Of which, discretionary contributions to defined benefit pension plans	58	32	-	-

	Three months ended September 30,			
	2012	2011	2012	2011
($ in millions)	**Defined pension benefits**		**Other postretirement benefits**	
Total contributions to defined benefit pension and other postretirement benefit plans	78	36	4	5
Of which, discretionary contributions to defined benefit pension plans	19	-	-	-

The Company expects to make contributions totaling approximately $355 million and $19 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 2012, shareholders approved the payment of a dividend of 0.65 Swiss francs per share. The dividend was paid in May 2012 and amounted to $1,626 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 first quarter of 2012, the bank exercised a portion of the call options it held. Consequently, the Company delivered 2.7 million treasury shares, resulting in a $48 million decrease in 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

	Nine months ended September 30,		Three months ended September 30,	
($ in millions, except per share data in $)	**2012**	**2011**	**2012**	**2011**
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	2,096	2,337	760	788
Income (loss) from discontinued operations, net of tax	4	1	(1)	2
Net income	**2,100**	**2,338**	**759**	**790**
Weighted-average number of shares outstanding (in millions)	**2,293**	**2,287**	**2,293**	**2,290**
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.91	1.02	0.33	0.34
Income (loss) from discontinued operations, net of tax	0.01	-	-	-
Net income	**0.92**	**1.02**	**0.33**	**0.34**

Diluted earnings per share

($ in millions, except per share data in $)	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	2,096	2,337	760	788
Income (loss) from discontinued operations, net of tax	4	1	(1)	2
Net income	**2,100**	**2,338**	**759**	**790**
Weighted-average number of shares outstanding (in millions)	2,293	2,287	2,293	2,290
Effect of dilutive securities:				
Call options and shares	2	3	2	1
Dilutive weighted-average number of shares outstanding	**2,295**	**2,290**	**2,295**	**2,291**
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.91	1.02	0.33	0.34
Income (loss) from discontinued operations, net of tax	0.01	-	-	-
Net income	**0.92**	**1.02**	**0.33**	**0.34**

Note 13. Operating segment data

The Chief Operating Decision Maker (CODM) is the Company's Executive Committee. The CODM allocates resources to and assesses the performance of each operating segment using the information outlined below. The Company's operating segments consist of 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. In addition the segment manufactures products for wiring and cable management, cable protection systems, power connection and safety. The segment also makes intelligent building control systems for home and building automation 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.

The Company evaluates the performance of its segments based on operational earnings before interest, taxes, depreciation and amortization (Operational EBITDA) and Operational EBITDA margin (being Operational EBITDA as a percentage of Operational revenues).

Operational EBITDA represents Earnings before interest and taxes (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-operational 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. Segment results below are presented before these eliminations, with a total deduction for intersegment profits to arrive at the Company's consolidated Operational EBITDA.

The following tables present 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.

	Nine months ended September 30, 2012					
($ in millions, except Operational EBITDA margin in %)	**Third-party revenues**	**Intersegment revenues**	**Total revenues**	**Operational revenues**	**Operational EBITDA[(1)]**	**Operational EBITDA margin (%)**
Power Products	6,426	1,223	7,649	7,650	1,124	14.7%
Power Systems	5,387	193	5,580	5,536	345	6.2%
Discrete Automation and Motion	6,274	642	6,916	6,917	1,300	18.8%
Low Voltage Products	4,409	259	4,668	4,661	849	18.2%
Process Automation	5,773	153	5,926	5,902	744	12.6%
Corporate and Other	46	1,108	1,154	1,155	(119)	-
Intersegment elimination	-	(3,578)	(3,578)	(3,578)	(61)	-
Consolidated	**28,315**	**-**	**28,315**	**28,243**	**4,182**	**14.8%**

	Nine months ended September 30, 2011					
($ in millions, except Operational EBITDA margin in %)	**Third-party revenues**	**Intersegment revenues**	**Total revenues**	**Operational revenues**	**Operational EBITDA[(1)]**	**Operational EBITDA margin (%)**
Power Products	6,450	1,336	7,786	7,799	1,322	17.0%
Power Systems	5,504	185	5,689	5,728	505	8.8%
Discrete Automation and Motion	5,908	533	6,441	6,451	1,253	19.4%
Low Voltage Products	3,709	247	3,956	3,965	803	20.3%
Process Automation	5,821	162	5,983	6,010	756	12.6%
Corporate and Other	27	1,135	1,162	1,164	(104)	-
Intersegment elimination	-	(3,598)	(3,598)	(3,598)	(89)	-
Consolidated	**27,419**	**-**	**27,419**	**27,519**	**4,446**	**16.2%**

($ in millions, except Operational EBITDA margin in %)	Three months ended September 30, 2012 Third-party revenues	Intersegment revenues	Total revenues	Operational revenues	Operational EBITDA(1)	Operational EBITDA margin (%)
Power Products	2,142	384	2,526	2,525	374	14.8%
Power Systems	1,831	70	1,901	1,847	109	5.9%
Discrete Automation and Motion	2,097	209	2,306	2,308	437	18.9%
Low Voltage Products	1,796	84	1,880	1,876	366	19.5%
Process Automation	1,856	48	1,904	1,889	233	12.3%
Corporate and Other	23	360	383	385	(25)	-
Intersegment elimination	-	(1,155)	(1,155)	(1,155)	(11)	-
Consolidated	**9,745**	**-**	**9,745**	**9,675**	**1,483**	**15.3%**

($ in millions, except Operational EBITDA margin in %)	Three months ended September 30, 2011 Third-party revenues	Intersegment revenues	Total revenues	Operational revenues	Operational EBITDA(1)	Operational EBITDA margin (%)
Power Products	2,236	440	2,676	2,704	464	17.2%
Power Systems	1,767	64	1,831	1,899	184	9.7%
Discrete Automation and Motion	2,113	200	2,313	2,330	456	19.6%
Low Voltage Products	1,280	84	1,364	1,375	273	19.9%
Process Automation	1,935	53	1,988	2,013	261	13.0%
Corporate and Other	6	396	402	405	41	-
Intersegment elimination	-	(1,237)	(1,237)	(1,237)	(99)	-
Consolidated	**9,337**	**-**	**9,337**	**9,489**	**1,580**	**16.7%**

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

($ in millions, except Operational EBITDA margin in %)	Power Products	Power Systems	Discrete Automation and Motion	Low Voltage Products	Process Automation	Corporate and Other and Intersegment elimination	Consolidated
	Nine months ended September 30, 2012						
Operational revenues	**7,650**	**5,536**	**6,917**	**4,661**	**5,902**	**(2,423)**	**28,243**
Unrealized gains and losses on derivatives	22	91	(5)	13	22	1	144
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	(40)	1	-	3	(1)	(39)
Unrealized foreign exchange movements on receivables (and related assets)	(21)	(7)	3	(6)	(1)	(1)	(33)
Total revenues	**7,649**	**5,580**	**6,916**	**4,668**	**5,926**	**(2,424)**	**28,315**
Operational EBITDA	**1,124**	**345**	**1,300**	**849**	**744**	**(180)**	**4,182**
Depreciation and amortization	(155)	(129)	(192)	(159)	(60)	(146)	(841)
Acquisition-related expenses and certain non-operational items	(1)	(3)	(7)	(104)	(1)	(4)	(120)
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	37	37	2	28	22	(1)	125
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(6)	(41)	1	-	(3)	(1)	(50)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(23)	(9)	(1)	(7)	(5)	(1)	(46)
Restructuring and restructuring-related expenses	(27)	(3)	(5)	(10)	(7)	(3)	(55)
EBIT	**949**	**197**	**1,098**	**597**	**690**	**(336)**	**3,195**
Operational EBITDA margin (%)	**14.7%**	**6.2%**	**18.8%**	**18.2%**	**12.6%**	**-**	**14.8%**

Notes to the Interim Consolidated Financial Information (unaudited)

($ in millions, except Operational EBITDA margin in %)	Nine months ended September 30, 2011						
	Power Products	**Power Systems**	**Discrete Automation and Motion**	**Low Voltage Products**	**Process Automation**	**Corporate and Other and Intersegment elimination**	**Consolidated**
Operational revenues	**7,799**	**5,728**	**6,451**	**3,965**	**6,010**	**(2,434)**	**27,519**
Unrealized gains and losses on derivatives	(37)	(80)	(32)	(15)	(54)	(4)	(222)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(15)	5	1	-	4	-	(5)
Unrealized foreign exchange movements on receivables (and related assets)	39	36	21	6	23	2	127
Total revenues	**7,786**	**5,689**	**6,441**	**3,956**	**5,983**	**(2,436)**	**27,419**
Operational EBITDA	**1,322**	**505**	**1,253**	**803**	**756**	**(193)**	**4,446**
Depreciation and amortization	(147)	(99)	(190)	(87)	(63)	(144)	(730)
Acquisition-related expenses and certain non-operational items	-	-	(87)	-	-	-	(87)
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(46)	(7)	(22)	(20)	-	(19)	(114)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(13)	(2)	(1)	-	4	1	(11)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	33	27	12	-	24	1	97
Restructuring and restructuring-related expenses	(26)	(21)	(9)	(1)	(1)	1	(57)
EBIT	**1,123**	**403**	**956**	**695**	**720**	**(353)**	**3,544**
Operational EBITDA margin (%)	**17.0%**	**8.8%**	**19.4%**	**20.3%**	**12.6%**	**-**	**16.2%**

Notes to the Interim Consolidated Financial Information (unaudited)

	Three months ended September 30, 2012						
($ in millions, except Operational EBITDA margin in %)	Power Products	Power Systems	Discrete Automation and Motion	Low Voltage Products	Process Automation	Corporate and Other and Intersegment elimination	Consolidated
Operational revenues	**2,525**	**1,847**	**2,308**	**1,876**	**1,889**	**(770)**	**9,675**
Unrealized gains and losses on derivatives	19	90	(2)	8	12	(1)	126
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	(19)	1	-	6	(1)	(15)
Unrealized foreign exchange movements on receivables (and related assets)	(16)	(17)	(1)	(4)	(3)	-	(41)
Total revenues	**2,526**	**1,901**	**2,306**	**1,880**	**1,904**	**(772)**	**9,745**
Operational EBITDA	**374**	**109**	**437**	**366**	**233**	**(36)**	**1,483**
Depreciation and amortization	(51)	(45)	(66)	(78)	(20)	(47)	(307)
Acquisition-related expenses and certain non-operational items	(1)	-	(2)	(20)	(1)	(25)	(49)
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	28	49	3	17	14	(2)	109
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(3)	(20)	-	1	1	(3)	(24)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(15)	(22)	(1)	(3)	(4)	-	(45)
Restructuring and restructuring-related expenses	(8)	1	(9)	(5)	1	(1)	(21)
EBIT	**324**	**72**	**362**	**278**	**224**	**(114)**	**1,146**
Operational EBITDA margin (%)	**14.8%**	**5.9%**	**18.9%**	**19.5%**	**12.3%**	**-**	**15.3%**

Notes to the Interim Consolidated Financial Information (unaudited)

($ in millions, except Operational EBITDA margin in %)	Three months ended September 30, 2011 Power Products	Power Systems	Discrete Automation and Motion	Low Voltage Products	Process Automation	Corporate and Other and Intersegment elimination	Consolidated
Operational revenues	**2,704**	**1,899**	**2,330**	**1,375**	**2,013**	**(832)**	**9,489**
Unrealized gains and losses on derivatives	(42)	(94)	(28)	(16)	(28)	(3)	(211)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(3)	(17)	1	-	(1)	-	(20)
Unrealized foreign exchange movements on receivables (and related assets)	17	43	10	5	4	-	79
Total revenues	**2,676**	**1,831**	**2,313**	**1,364**	**1,988**	**(835)**	**9,337**
Operational EBITDA	**464**	**184**	**456**	**273**	**261**	**(58)**	**1,580**
Depreciation and amortization	(50)	(42)	(64)	(29)	(22)	(50)	(257)
Acquisition-related expenses and certain non-operational items	-	-	4	-	-	-	4
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(45)	(61)	(28)	(21)	(3)	(12)	(170)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(2)	(9)	1	-	1	-	(9)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	16	38	10	1	10	-	75
Restructuring and restructuring-related expenses	(27)	(6)	3	2	(1)	-	(29)
EBIT	**356**	**104**	**382**	**226**	**246**	**(120)**	**1,194**
Operational EBITDA margin (%)	**17.2%**	**9.7%**	**19.6%**	**19.9%**	**13.0%**	**-**	**16.7%**

($ in millions)	Total assets(1) September 30, 2012	December 31, 2011
Power Products	7,607	7,355
Power Systems	7,878	7,469
Discrete Automation and Motion	9,546	9,195
Low Voltage Products	9,913	3,333
Process Automation	4,752	4,777
Corporate and Other	7,247	7,519
Consolidated	**46,943**	**39,648**

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