ABB LTD
Form 6-K
July 22, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of July 2010

Commission File Number 001-16429

ABB Ltd

(Translation of registrant s name into English)

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

(Address of principal executive office)

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

Form 20-F x Form 40-F o

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

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

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

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

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

Yes o No x

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

This Form 6-K consists of the following:

1. Press release issued by ABB Ltd dated July 22, 2010.

2. Announcements regarding transactions in ABB Ltd s securities made by the directors or members of the Executive Committee.

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

Press Release

Short-cycle recovery, cost take-out lift ABB s Q2 results

- **Orders up 5%(1), base orders 15% higher**
- **Revenues down 5%, pace of decline slows versus previous quarter**
- **Operational performance lifted by more than $400 million savings in the quarter**

Zurich, Switzerland, July 22, 2010 ABB s orders grew 5 percent in the second quarter of 2010, led by increases of more than 20 percent in each of the company s automation divisions on the strength of the global economic recovery.

Industrial customers continued to invest in energy-efficient automation and power solutions to increase productivity and quality. Investments by utilities in large power transmission projects, however, remained cautious in most regions. As a result, base orders (below $15 million) grew 15 percent in local currencies while large orders (above $15 million) declined by 37-percent. The order backlog has grown 5 percent since the beginning of the year.

Revenues were 5 percent lower than the year-earlier period, mainly due to order declines in 2009 and the beginning of 2010 that flowed through to sales in the second quarter.

Earnings before interest and taxes (EBIT) decreased to $975 million, resulting in an EBIT margin of 12.9 percent. Included in EBIT are additional project costs in the Power Systems division of $80 million. Excluding net losses on derivative transactions and restructuring-related costs, the EBIT margin was 14.6 percent(2). Savings in the quarter of more than $400 million from the company s cost take-out program played a key role in maintaining profitability.

Cash from operations in the quarter was $649 million, down versus the same quarter a year earlier, while net income amounted to $623 million.

The strong second quarter results show how we are using our improved cost base and leading position in key industrial markets to take maximum advantage of the global economic recovery, said Joe Hogan, ABB s CEO. It s the great strength of ABB s portfolio that automation can drive profitable growth during a period of lower power demand.

We feel more confident about the recovery in most of our markets than three months ago and believe that our short-cycle businesses will continue to perform well over the rest of 2010. After the severe industrial recession of the last two years, customers have started again to invest in technologies for energy efficiency and productivity. We expect customer capital expenditures, especially on the power side, to recover later in 2010 and into 2011, Hogan said.

2010 Q2 key figures

$ millions unless otherwise indicated	Q2 10	Q2 09	Change US$	Change Local
Orders	7,665	7,309	*5%*	*5%*
Order backlog (end June)	24,437	25,913	*-6%*	*-3%*
Revenues	7,573	7,915	*-4%*	*-5%*
EBIT	975	1,047	*-7%*	
as % of revenues	12.9%	13.2%		
Net income	623	675	*-8%*	
Basic net income per share ($)	0.27	0.30		
Cash flow from operating activities	649	1,067		

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

(2) Please refer to Appendix I

Summary of Q2 2010 results

Orders received and revenues

Demand for ABB s industrial products and solutions continued to improve in the second quarter, reflecting the ongoing economic recovery in most regions. Capital spending by power utilities remained cautious. In both power and automation, most customer investments focused on improving the productivity and efficiency of their existing operations. Large capital expenditures to build new capacity remained at low levels.

Regionally, the largest order increase came in the Middle East and Africa (up 27 percent in local currencies) on higher demand mainly in the minerals and oil and gas sectors. Orders were also higher in Europe, led by a 7-percent increase in western Europe. Asia orders were higher, driven mainly by the need for industrial automation equipment. Orders in China were up 8 percent but declined 41 percent in India. Orders decreased in the Americas, where a 21-percent order increase in the U.S. led by a 52-percent increase in Discrete Automation and Motion was more than offset by lower power orders, mainly in Mexico and Brazil.

Orders in emerging markets were unchanged in local currencies in the second quarter compared to the same quarter a year ago and comprised 51 percent of total orders received.

Large orders as a share of total orders amounted to 11 percent, compared to 19 percent in the year-earlier period. Service orders grew in line with total orders and were up 6 percent in local currencies.

The order backlog at the end of June was $24 billion, a local-currency increase of 5 percent since the beginning of the year and unchanged compared to the end of the previous quarter.

Revenues decreased by 5 percent in local currencies as lower orders received during 2009 and the beginning of 2010, especially in ABB s longer cycle businesses, were converted into sales. Compared to the first quarter of 2010, revenues increased 13 percent. Revenues were up 15 percent in Low-Voltage Products, reflecting the stronger recovery in its short-cycle end markets. Delays in the execution of some large projects contributed to the revenue decrease in the two power divisions. Service revenues were 5 percent higher in the quarter in local currencies compared to the second quarter of 2009.

Earnings before interest and taxes and net income

Included in EBIT in the second quarter is a negative impact of approximately $60 million from losses on derivatives and foreign exchange movements on receivables and payables. Restructuring-related costs amounted to approximately $70 million in the quarter.

Excluding these impacts in the respective periods, the EBIT margin in the second quarter of 2010 increased to 14.6 percent.

The improvement was driven primarily by higher margins in the automation businesses on a combination of volume growth, a favorable product mix and cost reduction benefits. Successful cost take-out measures allowed the Power Products division to maintain its EBIT margin excluding net losses on derivative transactions and restructuring-related costs at the same level as the year before. Power Systems EBIT margin was lower as the result of project costs related to a small number of subsea cable orders.

Net income for the quarter developed in line with EBIT and resulted in basic earnings per share of $0.27 compared to $0.30 in the year-earlier period.

Cost reductions

ABB continues to implement a cost take-out plan aimed at sustainably reducing ABB s costs comprising both cost of sales as well as general and administrative expenses from 2008 levels by a total of $3 billion by the end of 2010. The program focuses on optimizing global sourcing, improving internal processes and adjusting ABB s global manufacturing and engineering footprint to reduce costs, increase our competitiveness and better match shifts in customer demand.

Savings in the second quarter exceeded $400 million, bringing the total for the program to date to approximately $2.3 billion. Costs for the full year 2010 are now expected to reach $350-400 million, compared to earlier estimates of $500 million. Costs associated with the program in the second quarter of 2010 amounted to approximately $70 million and total program costs to date amount to approximately $700 million.

Balance sheet and cash flow

Net cash at the end of the second quarter was $5.9 billion compared to $7.1 billion at the end of the previous quarter and $5.7 billion at the end of the second quarter of 2009. Cash from operating activities decreased in the quarter but was slightly higher for the first six months compared to the previous year. Cash payments in the quarter related to the company s cost take-out program amounted to approximately $60 million.

Net cash used in investing activities includes a payment of more than $1 billion for the acquisition during the second quarter of Ventyx, a U.S.-based software provider to global energy, utility, communications, and other asset-intensive businesses.

In May, ABB also announced an offer to shareholders of ABB Limited, its publicly-listed subsidiary in India, of Rs. 900 per share in order to increase its stake in the company from approximately 52 percent to 75 percent. The potential total value of the transaction, if accepted, is approximately Rs. 44 billion ($965 million based on foreign exchange rates at the time of the announcement). The offer began on July 8, 2010 and is expected to end on July 27, 2010, with payment for the shares expected to take place on August 10, 2010.

On April 26, ABB s Annual General Meeting approved the payment of a dividend in the form of a nominal value reduction of Sfr. 0.51 per share. The dividend payment date was July 15 for shares purchased through the SIX Swiss Exchange, July 19 for shares purchased through the NASDAQ OMX Stockholm Exchange and July 22 for American Depositary Shares purchased through the New York Stock Exchange.

Also as approved at the Annual General Meeting, approximately 23 million shares were cancelled in July following the end of the share repurchase program launched in 2008.

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Compliance

As previously announced, ABB has disclosed to the US Department of Justice and the US Securities and Exchange Commission various suspect payments. Also as previously announced, ABB has been cooperating with various antitrust authorities regarding their investigations into certain alleged anti-competitive practices. With respect to these matters, there could be adverse outcomes beyond our provisions.

Management changes

In June, ABB announced the retirement of Anders Jonsson, a member of the ABB Executive Committee since 2006, effective as of the end of July 2010, after 34 years with the company. In his current position, Jonsson has been responsible for monitoring and coordinating ABB s overall cost reduction and global footprint programs. These responsibilities will be assumed by the company s head of quality and operational excellence who reports directly to ABB s CEO.

Outlook

The sequential quarterly growth of base orders since the middle of 2009 appears to confirm that ABB has seen the bottom of its short-cycle businesses. Industrial customers are spending more on automation and power equipment and solutions to increase the efficiency and productivity of their existing assets. Assuming a continuation of the current economic recovery in most regions, the company is confident that its short-cycle business will continue to support both top and bottom line growth over the remainder of the year.

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

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

On the industrial side, ABB saw higher demand in the second quarter from some later-cycle sectors, such as minerals, pulp and paper and marine. Most customer spending in these industries, however, is focused on equipment upgrades, replacement and service rather than capital expenditures for new capacity.

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

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

Divisional performance Q2 2010

Power Products

$ millions unless otherwise indicated	**Q2 10**	**Q2 09**	**Change US$**	**Change Local**
Orders	2,480	2,760	*-10%*	*-11%*
Order backlog (end June)	7,796	8,664	*-10%*	*-9%*
Revenues	2,528	2,839	*-11%*	*-12%*
EBIT	417	555	*-25%*	
as % of revenues	16.5%	19.5%		
Cash flow from operating activities	384	534		

Orders declined due to continued low spending by utilities on transmission projects, resulting in a decrease of more than 70 percent in large orders. This more than offset increased demand from industrial end-markets and some recovery in power distribution. Base orders decreased 5 percent versus the same period a year ago. Compared to the first quarter of 2010, however, base orders grew by 11 percent in local currencies.

Orders were lower in all regions, although early signs of recovery from low levels in the power distribution business supported steady order intake in western Europe and North America. Orders decreased in China as a result of lower utility spending on large projects and increased local competition.

Revenues decreased in the quarter, primarily as a result of lower order intake in the preceding quarters and continued delays by customers in accepting product delivery.

EBIT was lower than the same period a year earlier, reflecting lower revenues and a negative impact from net losses on derivatives. EBIT margin, adjusted for both derivatives and restructuring, was roughly the same in both years, as cost savings compensated for under absorption and price declines.

Power Systems

$ millions unless otherwise indicated	**Q2 10(1)**	**Q2 09**	**Change US$**	**Change Local**
Orders	1,354	1,697	*-20%*	*-19%*
Order backlog (end June)	9,128	8,918	*2%*	*5%*
Revenues	1,635	1,612	*1%*	*0%*
EBIT	18	122	*-85%*	
as % of revenues	1.1%	7.6%		
Cash flow from operating activities	-65	230		

(1) Power Systems Q2 2010 results reflect the contribution from the Ventyx acquisition as of June 1, 2010

Increased base orders on higher demand from industrial customers in the quarter was offset by lower large orders, reflecting the timing of project awards. Project tendering activity in power transmission achieved new record levels, as the need remains in all regions for new grid capacity and upgrades, regional interconnections and the integration of renewable energies.

Revenues were stable compared to the same quarter a year ago, supported by the execution of the large order backlog.

EBIT was negatively impacted by costs of approximately $80 million associated with installation issues in a small number of cable projects. These charges more than offset savings from cost reduction measures.

The reduction in cash from operations primarily reflects the timing of customer payments.

ABB completed its acquisition of Ventyx in the second quarter and consolidated its financial results into the divisional results effective June 1, 2010. The impact of the acquisition on orders, revenues and EBIT in the quarter was not significant.

Discrete Automation & Motion(1)

$ millions unless otherwise indicated	Q2 10	Q2 09	Change US$	Change Local
Orders	1,476	1,195	*24%*	*24%*
Order backlog (end June)	3,223	3,442	*-6%*	*-4%*
Revenues	1,287	1,354	*-5%*	*-5%*
EBIT	205	190	*8%*	
as % of revenues	15.9%	14.0%		
Cash flow from operating activities	154	255		

(1) Appendix II provides historical results for all divisions following the previously announced realignment of ABB s automation business

Orders increased substantially in the quarter reflecting the industrial recovery in early cycle businesses across all regions. Base orders were almost 40 percent higher in local currencies versus the same quarter a year earlier, while large orders declined. Order growth was strongest in robotics and low-voltage drives and motors. Orders grew in all regions, led by strong double-digit local-currency growth in China, the U.S. and Germany.

Revenues declined in the quarter, although at a slower pace than in the first quarter of the year. This mainly reflects the low opening order backlog in the machines business, which serves later cycle markets. Revenues in most other businesses were close to the previous year s level.

The improvement in EBIT and EBIT margin is mainly the result of a breakeven result in the robotics business compared to a loss in the same quarter of 2009. The EBIT margin also benefited from cost saving measures and a favorable product mix.

Low-Voltage Products(1)

$ millions unless otherwise indicated	Q2 10	Q2 09	Change US$	Change Local
Orders	1,219	1,017	*20%*	*22%*
Order backlog (end June)	879	805	*9%*	*13%*
Revenues	1,102	977	*13%*	*15%*
EBIT	213	95	*124%*	
as % of revenues	19.3%	9.7%		
Cash flow from operating activities	121	151		

(1) Appendix II provides historical results for all divisions following the previously announced realignment of ABB s automation business

The strong improvement in orders received in the quarter reflects continuing demand growth from both construction and industry customers across all regions. Orders were up in all product businesses. Orders grew at a double-digit pace in all regions, with the largest increase in the Americas. Orders were up more than 30 percent in Asia, including a strong double-digit increase in China in local currencies. Orders also grew at a strong double-digit pace in Italy, South Korea and Saudi Arabia.

Revenues grew in line with orders, as most sales are booked in the same quarter in which orders are placed. Service revenues grew by 30 percent in local currencies in the second quarter versus the second quarter in 2009.

EBIT and EBIT margin increased on higher revenues, a positive product mix and the impact of cost saving measures. The increase also reflects the non-recurrence of restructuring-related charges taken in the prior-year period of approximately $40 million. Excluding net losses on derivative transactions and restructuring-related costs in both periods, the EBIT margin in the second quarter of 2010 was approximately 6 percentage-points higher than in the year-earlier quarter.

Process Automation

			Change	
$ millions unless otherwise indicated	**Q2 10**	**Q2 09(1)**	**US$**	**Local**
Orders	1,825	1,452	*26%*	*25%*
Order backlog (end June)	5,585	6,565	*-15%*	*-12%*
Revenues	1,737	1,981	*-12%*	*-12%*
EBIT	189	166	*14%*	
as % of revenues	10.9%	8.4%		
Cash flow from operating activities	143	53		

(1) Q2 2009 results include the instrumentation business transferred to Process Automation as part of the previously-announced realignment of ABB s automation business

Orders increased in the quarter as demand improved, driven primarily by the developing economies. Base orders grew by more than 20 percent in local currencies while large orders increased by more than 30 percent from the low levels of the year-earlier period.

The strongest order growth was recorded in minerals, pulp and paper, marine and turbocharging. Oil, gas and petrochemicals orders remained at the same high level as the second quarter of 2009. Orders from the Middle East and Africa more than tripled in the quarter due to large customer investments in minerals and oil and gas. Asia grew by almost 40 percent on higher orders from metals, minerals and marine customers. Orders in the Americas increased by more than 10 percent in local currencies on higher demand from the minerals and oil and gas sectors.

Lower revenues reflect the decrease in orders in 2009. Lower revenues in the system business were partly offset by a double digit increase in turbocharging and industrial service revenues. EBIT and EBIT margin improved due to the cost take-out program and a larger proportion of higher-margin service and product sales in total revenues compared to the same quarter a year earlier.

More information

The 2010 Q2 results press release is available from July 22, 2010, on the ABB News Center at www.abb.com/news and on the Investor Relations homepage at www.abb.com/investorrelations, where a presentation for investors will also be published.

ABB will host a media conference call starting at 10:00 a.m. Central European Time (CET). U.K. callers should dial +44 20 7107 0611. From Sweden, +46 8 5069 2105, and from the rest of Europe, +41 91 610 56 00. Lines will be open 15 minutes before the start of the conference. Audio playback of the call will start one hour after the call ends and will be available for 96 hours: Playback numbers: +44 20 7108 6233 (U.K.), +41 91 612 4330 (rest of Europe) or +1 (1) 866 416 2558 (U.S./Canada). The code is 10133, followed by the # key.

A conference call for analysts and investors is scheduled to begin today at 3:00 p.m. CET (2:00 p.m. in the UK, 9:00 a.m. EDT). Callers should dial +1 412 858 4600 (from the U.S./Canada) or +41 91 610 56 00 (Europe and the rest of the world). Callers are requested to phone in 15 minutes before the start of the call. The audio playback of the call will start one hour after the end of the call and be available for 24 hours commencing one hour after the conference call. Playback numbers: +1 866 416 2558 (U.S./Canada) or +41 91 612 4330 (Europe and the rest of the world). The code is 15754, followed by the # key.

Investor calendar 2010	
Capital Markets Day 2010	Sept. 10, 2010
Q3 2010 results	Oct. 28, 2010

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

Zurich, July 22, 2010

Joe Hogan, CEO

Important notice about forward-looking information

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

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ABB Q2 and half-year 2010 key figures

$ millions unless otherwise indicated		Q2 10	Q2 09	Change US$	Change Local	H1 10	H1 09	Change US$	Change Local
Orders	**Group**	**7 665**	**7 309**	***5%***	***5%***	**15 732**	**16 459**	**-4%**	**-8%**
	Power Products	2 480	2 760	*-10%*	*-11%*	4 881	5 720	-15%	-19%
	Power Systems	1 354	1 697	*-20%*	*-19%*	3 112	3 976	-22%	-26%
	Discrete Automation & Motion	1 476	1 195	*24%*	*24%*	2 884	2 480	16%	12%
	Low Voltage Products	1 219	1 017	*20%*	*22%*	2 325	2 037	14%	12%
	Process Automation	1 825	1 452	*26%*	*25%*	3 940	4 005	-2%	-6%
	Corporate *(consolidation)*	-689	-812	*15%*	*15%*	-1 410	-1 759	20%	23%
Revenues	**Group**	**7 573**	**7 915**	***-4%***	***-5%***	**14 507**	**15 124**	**-4%**	**-7%**
	Power Products	2 528	2 839	*-11%*	*-12%*	4 847	5 307	-9%	-12%
	Power Systems	1 635	1 612	*1%*	*0%*	3 019	3 029	0%	-4%
	Discrete Automation & Motion	1 287	1 354	*-5%*	*-5%*	2 500	2 655	-6%	-9%
	Low Voltage Products	1 102	977	*13%*	*15%*	2 113	1 910	11%	8%
	Process Automation	1 737	1 981	*-12%*	*-12%*	3 472	3 859	-10%	-14%
	Corporate *(consolidation)*	-716	-848	*16%*	*15%*	-1 444	-1 636	12%	15%
EBIT	**Group**	**975**	**1 047**	***-7%***		**1 684**	**1 909**	**-12%**	
	Power Products	417	555	-25%		765	997	-23%	
	Power Systems	18	122	-85%		4	205	-98%	
	Discrete Automation & Motion	205	190	8%		373	355	5%	
	Low Voltage Products	213	95	124%		363	222	64%	
	Process Automation	189	166	14%		348	312	12%	
	Corporate	-67	-81	17%		-169	-182	7%	
EBIT margin	**Group**	**12.9%**	**13.2%**			**11.6%**	**12.6%**		
	Power Products	16.5%	19.5%			15.8%	18.8%		
	Power Systems	1.1%	7.6%			0.1%	6.8%		
	Discrete Automation & Motion	15.9%	14.0%			14.9%	13.4%		
	Low Voltage Products	19.3%	9.7%			17.2%	11.6%		
	Process Automation	10.9%	8.4%			10.0%	8.1%		

Q2 2010 orders received and revenues by region

$ millions	Orders received Q2 10	Orders received Q2 09	Change US$	Change Local	Revenues Q2 10	Revenues Q2 09	Change US$	Change Local
Europe	2,866	2,825	*1%*	*6%*	2,872	3,236	*-11%*	*-8%*
Americas	1,462	1,503	*-3%*	*-7%*	1,481	1,485	*0%*	*-4%*
Asia	2,165	2,033	*6%*	*3%*	2,175	2,231	*-3%*	*-6%*
Middle East and Africa	1,172	948	*24%*	*27%*	1,045	963	*9%*	*10%*
Group total	**7,665**	**7,309**	***5%***	***5%***	**7,573**	**7,915**	***-4%***	***-5%***

Half-year 2010 orders received and revenues by region

	Orders received	Change	Revenues	Change

$ millions	H1 10	H1 09	US$	Local	H1 10	H1 09	US$	Local
Europe	6,299	6,488	*-3%*	*-6%*	5,647	6,252	*-10%*	*-11%*
Americas	2,959	2,858	*4%*	*-3%*	2,795	2,979	*-6%*	*-11%*
Asia	4,266	4,253	*0%*	*-5%*	4,085	4,114	*-1%*	*-6%*
Middle East and Africa	2,208	2,860	*-23%*	*-25%*	1,980	1,779	*11%*	*9%*
Group total	**15,732**	**16,459**	***-4%***	***-8%***	**14,507**	**15,124**	***-4%***	***-7%***

Appendix I

Reconciliation of non-GAAP financial measures

($ millions, unaudited)

EBIT margin (for the 3 months ended June 30, 2010)	
= EBIT as % of revenues	
Earnings before interest and taxes (EBIT)	975
Revenues	7,573
EBIT margin	**12.9%**
Adjustments to EBIT margin	
EBIT	**975**
adjusted for the effects of	
Unrealized gains and losses on derivatives (FX, commodities, embedded derivatives)	91
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	12
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(46)
Restructuring and restructuring-related expenses	70
EBIT after adjustments	**1,102**
Revenues	7,573
As % of revenues	**14.6%**
Net cash *(at June 30, 2010)*	
= Cash and equivalents plus marketable securities and short-term investments, less total debt	
Short-term debt and current maturities of long-term debt	(237)
Long-term debt	(1,887)
Total debt	**(2,124)**
Cash and equivalents	6,536
Marketable securities and short-term investments	1,478
Cash and marketable securities	**8,014**
Net cash	**5,890**

Appendix II

Key data by division based on realignment of automation divisions effective Jan.1, 2010

		2007 FY	2008 FY	Q1-09	Q2-09	Q3-09	Q4-09	2009 FY
Orders	**Group**	**34,348**	**38,282**	**9,150**	**7,309**	**7,060**	**7,450**	**30,969**
	PP	11,320	13,627	2,960	2,760	2,553	2,667	10,940
	PS	7,744	7,408	2,279	1,697	1,991	1,863	7,830
	DM	6,064	7,129	1,285	1,195	1,080	1,142	4,702
	LP	4,199	4,865	1,020	1,017	1,015	1,027	4,079
	PA	8,476	9,244	2,553	1,452	1,257	1,422	6,684
	Corporate/other	-3,455	-3,991	-947	-812	-836	-671	-3,266
Revenues	**Group**	**29,183**	**34,912**	**7,209**	**7,915**	**7,910**	**8,761**	**31,795**
	PP	9,777	11,890	2,468	2,839	2,823	3,109	11,239
	PS	5,832	6,912	1,417	1,612	1,612	1,908	6,549
	DM	5,414	6,588	1,301	1,354	1,280	1,470	5,405
	LP	4,125	4,747	933	977	1,052	1,109	4,071
	PA	6,936	8,397	1,878	1,981	1,926	2,054	7,839
	Corporate/other	-2,901	-3,622	-788	-848	-783	-889	-3,308
EBIT	**Group**	**4,023**	**4,552**	**862**	**1,047**	**1,419**	**798**	**4,126**
	PP	1,596	2,100	442	555	477	495	1,969
	PS	489	592	83	122	117	66	388
	DM	836	1,066	165	190	159	43	557
	LP	696	819	127	95	148	149	519
	PA	707	958	146	166	161	170	643
	Corporate/other	-301	-983	-101	-81	357	-125	50
EBIT %	**Group**	**13.8%**	**13.0%**	**12.0%**	**13.2%**	**17.9%**	**9.1%**	**13.0%**
	PP	16.3%	17.7%	17.9%	19.5%	16.9%	15.9%	17.5%
	PS	8.4%	8.6%	5.9%	7.6%	7.3%	3.5%	5.9%
	DM	15.4%	16.2%	12.7%	14.0%	12.4%	2.9%	10.3%
	LP	16.9%	17.3%	13.6%	9.7%	14.1%	13.4%	12.7%
	PA	10.2%	11.4%	7.8%	8.4%	8.4%	8.3%	8.2%

ABB Ltd Interim Consolidated Income Statements (unaudited)

($ in millions, except per share data in $)	Six months ended Jun. 30, 2010	Six months ended Jun. 30, 2009	Three months ended Jun. 30, 2010	Three months ended Jun. 30, 2009
Sales of products	12,062	12,809	6,309	6,693
Sales of services	2,445	2,315	1,264	1,222
Total revenues	**14,507**	**15,124**	**7,573**	**7,915**
Cost of products	(8,486)	(9,013)	(4,428)	(4,670)
Cost of services	(1,625)	(1,563)	(835)	(816)
Total cost of sales	**(10,111)**	**(10,576)**	**(5,263)**	**(5,486)**
Gross profit	**4,396**	**4,548**	**2,310**	**2,429**
Selling, general and administrative expenses	(2,714)	(2,639)	(1,337)	(1,362)
Other income (expense), net	2		2	(20)
Earnings before interest and taxes	**1,684**	**1,909**	**975**	**1,047**
Interest and dividend income	50	68	26	30
Interest and other finance expense	(87)	(33)	(45)	(55)
Income from continuing operations before taxes	**1,647**	**1,944**	**956**	**1,022**
Provision for taxes	(486)	(534)	(285)	(294)
Income from continuing operations, net of tax	**1,161**	**1,410**	**671**	**728**
Income (loss) from discontinued operations, net of tax	(1)	22	(2)	11
Net income	**1,160**	**1,432**	**669**	**739**
Net income attributable to noncontrolling interests	(73)	(105)	(46)	(64)
Net income attributable to ABB	**1,087**	**1,327**	**623**	**675**
Amounts attributable to ABB shareholders:				
Income from continuing operations, net of tax	1,088	1,305	625	664
Income (loss) from discontinued operations, net of tax	(1)	22	(2)	11
Net income	**1,087**	**1,327**	**623**	**675**
Basic earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.48	0.57	0.27	0.29
Income (loss) from discontinued operations, net of tax	(0.01)	0.01		0.01
Net income	**0.47**	**0.58**	**0.27**	**0.30**
Diluted earnings per share attributable to ABB shareholders:				
Income from continuing operations, net of tax	0.47	0.57	0.27	0.29
Income (loss) from discontinued operations, net of tax		0.01		0.01
Net income	**0.47**	**0.58**	**0.27**	**0.30**
Average number of shares (in millions) used to compute:				
Basic earnings per share attributable to ABB shareholders	2,289	2,283	2,288	2,283
Diluted earnings per share attributable to ABB shareholders	2,294	2,285	2,293	2,286

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Balance Sheets (unaudited)

($ in millions, except share data)	Jun. 30, 2010	Dec. 31, 2009
Cash and equivalents	6,536	7,119
Marketable securities and short-term investments	1,478	2,433
Receivables, net	9,265	9,451
Inventories, net	4,551	4,550
Prepaid expenses	209	236
Deferred taxes	829	900
Other current assets	648	540
Total current assets	**23,516**	**25,229**
Financing receivables, net	421	452
Property, plant and equipment, net	3,766	4,072
Goodwill	3,940	3,026
Other intangible assets, net	699	443
Prepaid pension and other employee benefits	105	112
Investments in equity method companies	31	49
Deferred taxes	1,028	1,052
Other non-current assets	272	293
Total assets	**33,778**	**34,728**
Accounts payable, trade	3,891	3,853
Billings in excess of sales	1,565	1,623
Accounts payable, other	1,252	1,326
Short-term debt and current maturities of long-term debt	237	161
Advances from customers	1,604	1,806
Deferred taxes	306	327
Provisions for warranties	1,157	1,280
Provisions and other current liabilities	2,428	2,603
Accrued expenses	1,395	1,600
Total current liabilities	**13,835**	**14,579**
Long-term debt	1,887	2,172
Pension and other employee benefits	1,088	1,179
Deferred taxes	447	328
Other non-current liabilities	1,893	1,997
Total liabilities	**19,150**	**20,255**
Commitments and contingencies		
Stockholders equity:		
Capital stock and additional paid-in capital (2,329,324,797 issued shares at June 30, 2010 and December 31, 2009)	3,967	3,943
Retained earnings	13,915	12,828
Accumulated other comprehensive loss	(2,846)	(2,084)
Treasury stock, at cost (45,239,509 shares at June 30, 2010 and 39,901,593 shares at December 31, 2009)	(986)	(897)
Total ABB stockholders equity	**14,050**	**13,790**
Noncontrolling interests	578	683
Total stockholders equity	**14,628**	**14,473**
Total liabilities and stockholders equity	**33,778**	**34,728**

See Notes to the Interim Consolidated Financial Information

ABB Ltd Interim Consolidated Statements of Cash Flows (unaudited)

	Six months ended		Three months ended	
($ in millions)	**Jun. 30, 2010**	**Jun. 30, 2009**	**Jun. 30, 2010**	**Jun. 30, 2009**
Operating activities:				
Net income	1,160	1,432	669	739
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	336	298	167	150
Pension and postretirement benefits	30	9	8	21
Deferred taxes	70	(1)	46	(7)
Net gain from sale of property, plant and equipment	(14)	(9)	(8)	(4)
Income from equity accounted companies	(2)		(3)	(1)
Other	26	(29)	17	49
Changes in operating assets and liabilities:				
Trade receivables, net	(300)	35	(383)	105
Inventories, net	(407)	(15)	(127)	217
Trade payables	320	(505)	295	(130)
Billings in excess of sales	44	70	2	15
Provisions, net	(127)	63	(34)	84
Advances from customers	(96)	(33)	(133)	(9)
Other assets and liabilities, net	36	(352)	133	(162)
Net cash provided by operating activities	**1,076**	**963**	**649**	**1,067**
Investing activities:				
Changes in financing receivables	(20)	(2)	(13)	(4)
Purchases of marketable securities (available-for-sale)	(1,678)	(62)	(1,434)	(42)
Purchases of marketable securities (held-to-maturity)	(65)	(561)	(50)	(339)
Purchases of short-term investments	(1,576)	(351)	(138)	(351)
Purchases of property, plant and equipment and intangible assets	(280)	(409)	(132)	(224)
Acquisition of businesses (net of cash acquired)	(1,154)	(55)	(1,101)	(7)
Proceeds from sales of marketable securities (available-for-sale)	550	42	479	21
Proceeds from maturity of marketable securities (available-for-sale)	220	855	83	
Proceeds from maturity of marketable securities (held-to-maturity)	240		54	
Proceeds from short-term investments	2,945	92	1,302	
Proceeds from sales of property, plant and equipment	24	18	10	10
Proceeds from sales of businesses and equity accounted companies (net of cash disposed)	65	7	66	7
Net cash used in investing activities	**(729)**	**(426)**	**(874)**	**(929)**
Financing activities:				
Net changes in debt with maturities of 90 days or less	36	6	14	(15)
Increase in debt	167	317	86	106
Repayment of debt	(267)	(349)	(203)	(128)
Purchase of treasury shares	(104)		(104)	
Dividends paid to noncontrolling shareholders	(117)	(106)	(101)	(92)
Other	9	(34)	15	(21)
Net cash used in financing activities	**(276)**	**(166)**	**(293)**	**(150)**
Effects of exchange rate changes on cash and equivalents	(654)	52	(354)	284

Net change in cash and equivalents - continuing operations	**(583)**	**423**	**(872)**	**272**
Cash and equivalents beginning of period	7,119	6,399	7,408	6,550
Cash and equivalents end of period	**6,536**	**6,822**	**6,536**	**6,822**
Supplementary disclosure of cash flow information:				
Interest paid	46	85	24	40
Taxes paid	499	554	271	299

See Notes to the Interim Consolidated Financial Information

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

			Accumulated other comprehensive loss								
($ in millions)	Capital stock and additional paid-in capital	Retained earnings	Foreign currency translation adjustment	Unrealized gain (loss) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gain (loss) of cash flow hedge derivatives	Total accumulated other comprehensive loss	Treasury stock	Total ABB stockholders equity	Noncontrolling interests	st
Balance at January 1, 2009	**4,841**	**9,927**	**(1,654)**	**83**	**(978)**	**(161)**	**(2,710)**	**(900)**	**11,158**	**612**	
Comprehensive income:											
Net income		1,327							1,327	105	
Foreign currency translation adjustments			221				221		221	(8)	
Effect of change in fair value of available-for-sale securities, net of tax				(75)			(75)		(75)		
Unrecognized income (loss) related to pensions and other postretirement plans, net of tax					(25)		(25)		(25)	1	
Change in derivatives qualifying as cash flow hedges, net of tax						76	76		76		
Total comprehensive income									**1,524**	**98**	
Changes in noncontrolling interests										(21)	
Dividends paid to noncontrolling shareholders										(147)	
Treasury stock transactions	(3)							3			
Share-based payment arrangements	35								35		
Call options	22								22		
Balance at June 30, 2009	**4,895**	**11,254**	**(1,433)**	**8**	**(1,003)**	**(85)**	**(2,513)**	**(897)**	**12,739**	**542**	

			Accumulated other comprehensive loss								
($ in millions)	Capital stock and additional paid-in capital	Retained earnings	Foreign currency translation adjustment	Unrealized gain (loss) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gain (loss) of cash flow hedge derivatives	Total accumulated other comprehensive loss	Treasury stock	Total ABB stockholders equity	Noncontrolling interests	st
Balance at January 1, 2010	**3,943**	**12,828**	**(1,056)**	**20**	**(1,068)**	**20**	**(2,084)**	**(897)**	**13,790**	**683**	
Comprehensive income:											

Net income		1,087							1,087	73
Foreign currency translation adjustments			(888)				(888)		(888)	(4)
Effect of change in fair value of available-for-sale securities, net of tax				(2)			(2)		(2)	
Unrecognized income related to pensions and other postretirement plans, net of tax					152		152		152	
Change in derivatives qualifying as cash flow hedges, net of tax						(24)	(24)		(24)	
Total comprehensive income									**325**	**69**
Changes in noncontrolling interests	2								2	
Dividends paid to noncontrolling shareholders										(174)
Treasury stock transactions	(12)							(89)	(101)	
Share-based payment arrangements	34								34	
Balance at June 30, 2010	**3,967**	**13,915**	**(1,944)**	**18**	**(916)**	**(4)**	**(2,846)**	**(986)**	**14,050**	**578**

See Notes to the Interim Consolidated Financial Information

Notes to the Interim Consolidated Financial Information (unaudited)

Note 1. The Company and basis of presentation

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

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

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

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

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

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

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

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

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

- growth rates, discount rates and other assumptions used to determine impairment of long-lived assets, and
- assessment of the allowance for doubtful accounts.

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

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

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

Note 2. Recent accounting pronouncements

Applicable in current period

Fair value measurements

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

Notes to the Interim Consolidated Financial Information (unaudited)

Applicable for future periods

Fair value measurements

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

Revenue recognition with multiple deliverable arrangements

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

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

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

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

Revenue arrangements that include software elements

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

Note 3. Acquisitions

Acquisitions in the six months and three months ended June 30, 2010 and 2009, were:

($ in millions, except number of acquired businesses)	Six months ended June 30, 2010	2009	Three months ended June 30, 2010	2009
Acquisitions (net of cash acquired)	1,154	55	1,101	7
Aggregate excess of purchase price over fair value of net assets acquired(1)	1,058	107	1,020	26
Number of acquired businesses	6	5	3	2

(1) Recorded as goodwill

$1,074 million of the Acquisitions above and $1,011 million of the Aggregate excess of purchase price over fair value of net assets acquired above relate to the acquisition of Ventyx, as described below.

Acquisitions of controlling interests have been accounted for under the acquisition method and have been included in the Company s Interim Consolidated Financial Information since the date of acquisition. The

Notes to the Interim Consolidated Financial Information (unaudited)

Company has not presented pro forma results of operations of the acquired businesses as the results are not significant to the Interim Consolidated Financial Information.

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

The Company has not yet finalized the purchase price allocation which is expected to be completed within 12 months of the acquisition date. The main items still to be finalized are: (i) the fair value of acquired intangible assets, (ii) the purchase price, (iii) income and non-income based taxes, (iv) the fair values of certain tangible assets acquired and liabilities assumed, and (v) the residual goodwill.

The preliminary purchase price, settled in cash, has been allocated based on management s estimates of fair values as follows:

($ in millions)	Allocated amount	Weighted-average useful life
Capitalized software for sale	134	5 years
Customer relationships	131	12 years
Trade name	23	10 years
In-process research and development	14	5 years
Order backlog	12	6 years
Deferred tax liabilities	(117)	
Other assets and liabilities, net(1)	(134)	
Goodwill(2)	1,011	
Total	**1,074**	

(1) Including debt assumed upon acquisition

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

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

($ in millions)	Total
Balance at January 1, 2009	**2,817**
Goodwill acquired during the year	147
Exchange rate differences	59
Other	3

Balance at December 31, 2009	**3,026**
Goodwill acquired during the period(1)	1,058
Exchange rate differences	(143)
Other	(1)
Balance at June 30, 2010	**3,940**

(1) Includes $1,011 million in respect of Ventyx, which has been allocated to the Power Systems segment

Pending Offer

ABB Limited, India

In May 2010, the Company announced that it will offer shareholders of ABB Limited, India, its publicly-listed subsidiary in India, 900 rupees per share in order to increase its stake from approximately 52 percent to 75 percent. The aim of the investment is to facilitate the long-term development of the Company s business in India.

Notes to the Interim Consolidated Financial Information (unaudited)

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

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

	June 30, 2010					
($ in millions)	**Cost basis**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	**Cash and equivalents**	**Marketable securities and short-term investments**
Cash	1,849			1,849	1,849	
Time deposits	3,754			3,754	3,629	125
Securities held-to-maturity:						
Corporate commercial papers	69			69	19	50
Other						
Debt securities available-for-sale:						
U.S. government obligations	138	7		145		145
European government obligations	841		(1)	840	824	16
Other government obligations	4		(1)	3		3
Corporate	621	7		628	215	413
Equity securities available-for-sale	719	7		726		726
Total	**7,995**	**21**	**(2)**	**8,014**	**6,536**	**1,478**

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

Note 5. Financial instruments

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

Currency risk

Due to the global nature of the Company s operations, many of its subsidiaries are exposed to currency risk in their operating activities from entering into transactions in currencies other than their functional currency. To manage such currency risks, the Company s policies require the subsidiaries to hedge their foreign currency exposures from binding sales and purchase contracts denominated in foreign currencies, as well as at least fifty percent of the anticipated foreign currency denominated sales volume of standard products and related foreign currency denominated purchases over the next twelve months. Forward

Notes to the Interim Consolidated Financial Information (unaudited)

foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) of contracted and forecasted sales and purchases denominated in foreign currencies.

Commodity risk

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

Interest rate risk

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

Equity risk

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

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

Volume of derivative activity

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

Foreign exchange and interest rate derivatives:

Type of derivative		Total notional amounts	
($ in millions)	**June 30, 2010**	**December 31, 2009**	**June 30, 2009**
Foreign exchange contracts	13,863	14,446	13,250

Embedded foreign exchange derivatives	2,897	3,951	3,772
Interest rate contracts	2,271	2,860	4,047

Derivative commodity contracts:

		Total notional amounts		
Type of derivative	**Unit**	**June 30, 2010**	**December 31, 2009**	**June 30, 2009**
Copper swaps	metric tonnes	23,851	22,002	28,734
Aluminum swaps	metric tonnes	3,668	2,193	5,112
Nickel swaps				