

# LETTER OF OFFER

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer is sent to you as a shareholder(s) / beneficial owner(s) of ABB Limited. If you require any clarifications about the action to be taken, you may consult your stock broker or investment consultant or the Manager to the Offer / Registrar to the Offer. In case you have recently sold your shares in ABB Limited, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed (in case of physical form) to the member of Stock Exchange through whom the said sale was effected.

CASH OFFER AT Rs. 900/- (Rupees Nine Hundred only)  
PER FULLY PAID-UP EQUITY SHARE

(“Offer Price”)

Pursuant to The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereof (the “SEBI (SAST) Regulations” or “Regulations”)

TO ACQUIRE

48,510,997 fully paid-up equity shares of face value Rs. 2/- each (“Offer”)  
representing 22.89% of the fully paid-up equity share capital (“Offer Size”)

OF

**ABB Limited**

*Registered Office: 2nd Floor, East Wing, Khanija Bhavan, 49, Race Course Road, Bengaluru 560 001*

*Tel: +91-80-2294 9150, Fax: +91-80-2294 9148*

(the “Target Company”)

BY

**ABB Asea Brown Boveri Ltd**

*Registered Office: Affolternstrasse 44, CH-8050 Zurich, Switzerland*

*Tel: +41-43-317-7111, Fax: +41-43-317-7992*

(the “Acquirer”)

AND

**ABB Ltd**

*Registered Office: Affolternstrasse 44, CH-8050 Zurich, Switzerland*



*Tel: +41-43-317-7111, Fax: +41-43-317-7992*

The holding company of the Acquirer, which is acting in concert

(the “Person Acting in Concert” or “PAC”)

### Note:

1. The Offer is being made pursuant to and in accordance with the provisions of Regulation 11(1) of the SEBI (SAST) Regulations and subsequent amendments thereto.
2. The Acquirer and the PAC have obtained the Reserve Bank of India (“RBI”) approval dated June 10, 2010 for the acquisition of 48,510,997 equity shares tendered pursuant to the Offer from residents of India, non residents and non-resident Indians (“NRIs”). In terms of the approval, the RBI has provided that the acquisition of equity shares tendered by overseas corporate bodies (“OCBs”) shall be subject to the specific approval of the RBI. To the best of the knowledge of the Acquirer and PAC, no other approvals are required for the Acquirer and PAC to acquire equity shares tendered pursuant to this Offer. If any other statutory approvals become applicable prior to completion of the Offer, the Offer would also be subject to such other statutory approvals.
3. The procedure for acceptance of this Offer is set out in this Letter of Offer. A Form of Acceptance-cum-Acknowledgement and Transfer Deed (where applicable) along with a Form of Withdrawal are enclosed with this Letter of Offer.
4. Should the Acquirer and PAC decide to revise the Offer Price and / or Offer Size upward, such upward revision will be made in terms of Regulation 26 of the SEBI (SAST) Regulations no later than July 16, 2010. If there is any upward revision in the Offer Price and / or Offer Size, the same would be notified by way of a public announcement in the same newspapers in which the public announcement relating to the Offer was made by the Acquirer and PAC on May 17, 2010 (“Public Announcement” or “PA”) appeared. Such revised offer price would be payable to all shareholders who have accepted this Offer and tendered their equity shares at any time during the term of the Offer to the extent to which their acceptance and tenders have been found valid and accepted by the Acquirer and PAC.
5. The Acquirer and PAC may withdraw the Offer in accordance with the conditions specified in Regulation 27 of the Regulations. In the event of such withdrawal, the same would be notified by way of a public announcement in the same newspapers in which the PA appeared.
6. Shareholders who have accepted the Offer by tendering the requisite documents in accordance with the procedures set forth in the PA and this Letter of Offer can withdraw the same up to 3 working days prior to the date of closure of the Offer viz. July 22, 2010.
7. A copy of the PA and the Letter of Offer (including the Form of Acceptance-cum-Acknowledgement and the Form of Withdrawal) will be available on the Securities and Exchange Board of India’s (the “SEBI”) website at [www.sebi.gov.in](http://www.sebi.gov.in) from the Offer opening date viz. July 8, 2010. The Form of Acceptance-cum-Acknowledgement may be downloaded and used to accept the Offer only in jurisdictions where legally permissible. Persons outside India accessing these pages are required to inform themselves of and observe any relevant restrictions.
8. This document has not been filed, registered or approved in any jurisdiction outside India. Recipients of this document resident in jurisdictions outside India should inform themselves of and observe any applicable legal requirements.
9. If there is a competitive bid, the public offers under all the subsisting bids shall close on the same date. As the Offer Price cannot be revised during the 7 working days prior to the closing date of the offers / bids, it would, therefore, be in the interest of shareholders to wait until the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly.
10. This Offer is not conditional upon any minimum level of acceptance.
11. This Offer is not a competitive bid. There has been no competitive bid as of the date of the Letter of Offer.
12. All future correspondence, if any, should be addressed to the Registrar to the Offer shown below:

Manager to the Offer	Registrar to the Offer
 HSBC Securities and Capital Markets (India) Private Limited 52 / 60 M.G.Road, Fort Mumbai 400 001 Telephone: +91-22-2268 1285 / 1264 Facsimile: +91-22-2263 1984 Contact Person: Ms. Sonam Jalan Email: <a href="mailto:abbopenoffer@hsbc.co.in">abbopenoffer@hsbc.co.in</a>	 Karvy Computershare Private Limited Karvy Computershare Private Limited Plot No 17-24, Vithalrao Nagar, Madhapur Hyderabad 500 081 Telephone: +91- 40-2342 0815-23 Facsimile: +91- 40-2343 1551 Contact Person: Mr. M. Murali Krishna Email: <a href="mailto:murali@karvy.com">murali@karvy.com</a>
<b>OFFER OPENS ON : July 8, 2010</b>	<b>OFFER CLOSES ON : July 27, 2010</b>

(For schedule of major activities relating to the Offer, please refer to the next page)

**SCHEDULE OF MAJOR ACTIVITIES RELATING TO THE OFFER:**

<b>Activity</b>	<b>Schedule</b>
Public Announcement date	May 17, 2010 (Monday)
Specified Date (for the purpose of determining the names of shareholders to whom the Letter of Offer would be sent)	June 4, 2010 (Friday)
Last date for a competitive bid	June 7, 2010 (Monday)
Date by which individual Letters of Offer will be dispatched to the shareholders	June 28, 2010 (Monday)
Offer Opening Date	July 8, 2010 (Thursday)
Last date for revising the Offer price / number of shares	July 16, 2010 (Friday)
Last date for withdrawal by shareholders	July 22, 2010 (Thursday)
Offer Closing Date	July 27, 2010 (Tuesday)
Date by which acceptance / rejection would be notified and the corresponding payment for the acquired equity shares and / or the share certificates for the rejected / withdrawn equity shares will be dispatched and / or credited to the beneficiary account in case of dematerialized equity shares	August 10, 2010 (Tuesday)

*All public shareholders (registered or unregistered) of equity shares of the Target Company, except the Acquirer, the PAC and the Subsidiary (as defined on Page 5), are eligible to participate in the Offer anytime before Offer Closing Date.*

## **RISK FACTORS**

### **Risks related to the Open Offer**

- 1) The Offer is subject to the terms and conditions set out in this Letter of Offer. The Acquirer and the PAC have obtained RBI approval dated June 10, 2010 for the acquisition of 48,510,997 equity shares tendered pursuant to the Offer from residents of India, non residents and NRIs. However, in terms of the approval, the RBI has provided that the acquisition of equity shares tendered by OCBs shall be subject to the specific approval of the RBI. To the best of the knowledge of the Acquirer and PAC, no other approvals are required for the Acquirer and / or the PAC to acquire shares tendered pursuant to this Offer. If any other statutory approvals become applicable prior to completion of the Offer, the Offer would also be subject to such other statutory approvals. In the event of (a) statutory approvals not being received in a timely manner, or (b) litigation leading to a stay on the Offer, or (c) SEBI instructing that the Offer should not proceed, the Offer process may be delayed beyond the schedule indicated in this Letter of Offer. In the event of a delay in the schedule of activities, the payment of consideration to the shareholders whose shares have been accepted in the Offer as well as the return of the shares not accepted by the Acquirer or PAC may be delayed. In case of delay due to non-receipt of statutory approvals, as per Regulation 22(12) of the SEBI (SAST) Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to the willful default or negligence on the part of the Acquirer and / or PAC, grant an extension for the purpose of the completion of the Offer subject to the Acquirer and / or PAC agreeing to pay interest as may be specified by SEBI.
- 2) Shareholders should note that after the last date for withdrawal of acceptances under the Offer, i.e. July 22, 2010, shareholders who have tendered their shares in the Offer will not be able to withdraw them even if the acceptance of shares under the Offer and dispatch of consideration gets delayed. The tendered shares and documents will be held in trust by the Registrar to the Offer, till such time as the process of acceptance of tenders and the payment of consideration is completed.
- 3) The shares tendered in the Offer will lie to the credit of the depository escrow account till the completion of the Offer formalities, and the shareholders will not be able to trade such shares. During such period, there may be fluctuations in the market price of the shares. Accordingly, the Acquirer and PAC make no assurance with respect to the market price of the shares both during the period of the Offer and upon the completion of the Offer, and disclaim any responsibility with respect to any decision by any shareholder on whether to participate or not to participate in the Offer.
- 4) In the event of oversubscription in the Offer, the acceptance of the tendered shares will be on a proportionate basis as per Regulation 21(6) of the SEBI (SAST) Regulations in consultation with the Manager to the Offer, taking care to ensure that the basis of acceptance is decided in a fair and equitable manner.
- 5) The Acquirer and PAC accept no responsibility for the statements made, otherwise than in the Public Announcement or the Letter of Offer or in any advertisement or any materials issued by, or at the instance of the Acquirer and PAC and anyone placing reliance on any other source of information would be doing so at his / her / their own risk. The Manager to the Offer accepts no responsibility for the statements made, otherwise than in the Public Announcement or the Letter of Offer or in any advertisement or any materials issued by, or at the instance of the Acquirer, the PAC and the Manager to the Offer and anyone placing reliance on any other source of information would be doing so at his / her / their own risk.

### **Risks related to the Target Company**

- 1) The Acquirer and PAC do not make any assurance with respect to the continuation of the past trend in the financial performance of the Target Company.

The risk factors set forth above are not intended to be a complete analysis of all risks in relation to the Offer or in association with the Acquirer and the PAC, but are only indicative. They do not relate to the present or future business or operations of the Target Company or any other related matters, and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in the participation by a shareholder in the Offer. The shareholders are advised to consult their stockbroker, investment consultant or tax advisor, if any, for further risks with respect to their participation in the Offer.

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*Attached: Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed (where applicable).*

## DEFINITIONS / ABBREVIATIONS

Acquirer	ABB Asea Brown Boveri Ltd, a private limited company incorporated on January 4, 1988 with registration number CH-020.3.900.058-8, under the laws of Switzerland, with its registered office at Affolternstrasse 44, CH-8050 Zurich, Switzerland
BSE	The Bombay Stock Exchange Limited
CDSL	Central Depository Services Limited
CHF	Swiss Franc
Depository Escrow account	The depository account called “ <b>KCPL Escrow Account – ABB Limited Open Offer</b> ”, opened by the Registrar to the Offer with Karvy Stock Broking Limited at National Securities Depository Limited (NSDL). The DP ID is IN300394 and the beneficiary client ID is 17646326
DP	Depository Participant
Eligible Person(s)	All public shareholders (registered and unregistered) of the Target Company whose names appear on the register of members any time before the Offer Closing Date, except the Acquirer, the PAC and the Subsidiary (as defined below)
FEMA	Foreign Exchange Management Act, 1999
GBP	Pound Sterling
Letter of Offer or LOF	The letter of offer to the shareholders of ABB Limited relating to the Offer made by the Acquirer and PAC
Manager to the Offer / HSCI	HSBC Securities and Capital Markets (India) Private Limited, 52 / 60 M.G Road, Fort, Mumbai 400 001
NRI	Non-resident Indian
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	Overseas Corporate Body
Offer or Open Offer	Voluntary offer being made by the Acquirer and PAC to all Eligible Persons of the Target Company on the terms contained in this Letter of Offer
Offer Size	48,510,997 fully paid-up equity shares of Rs.2 each representing 22.89% of the Voting Share Capital
Offer Opening Date	July 8, 2010
Offer Closing Date	July 27, 2010
Offer Price	Rs. 900/- (Rupees Nine Hundred only) per fully paid-up equity share
PAC or Person Acting in Concert	Person acting in concert along with the Acquirer, ABB Ltd, a public listed company incorporated on March 5, 1999 with registration number CH-020.3.021.615-2, under the laws of Switzerland, with its registered office at Affolternstrasse 44, CH-8050 Zurich, Switzerland
Public Announcement or PA	The public announcement relating to the Offer made by the Acquirer and PAC as appeared in the newspapers on May 17, 2010
RBI	Reserve Bank of India
Registrar to the Offer	Karvy Computershare Private Limited, Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI (SAST) Regulations or Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
Specified Date	Date for the purpose of determining the names of shareholders, as appearing in the Register of Members of the Target Company or the beneficial records of the relevant DPs, to whom the Letter of Offer will be sent. This date has been determined as June 4, 2010
Subsidiary	ABB Norden Holding AB, a private limited company incorporated on May 30, 1913 with registration number 556011-5114, under the laws of Sweden, with its registered office at SE-721 83 Vasteras, Sweden
Target Company	ABB Limited, a public listed company incorporated on December 24, 1949 under the laws of India, with its registered office at 2nd Floor, East Wing, Khanija Bhavan, 49, Race Course Road, Bengaluru 560 001
USD	United States Dollars
Voting Share Capital	211,908,375 outstanding equity shares of face value of Rs. 2 each, being the issued, subscribed and fully paid-up equity share capital of the Target Company

## **CURRENCY OF PRESENTATION**

Please note that all financial data contained in USD, CHF, Euro and GBP in this Letter of Offer has been rounded off to the nearest million and all the financial data contained in Rupees in this Letter of Offer has been rounded off to the nearest lakh or million, except where stated otherwise.

- The Rupee equivalent quoted in each case for CHF is calculated in accordance with the average of the buying and selling TT exchange rates appearing in the Economic Times on May 14, 2010 which is Rs. 40.05 per CHF and Rs. 40.80 per CHF, respectively.
- The Rupee equivalent quoted in each case for USD is calculated based on the RBI reference rate of Rs. 45.10 per USD as on May 14, 2010.
- The Rupee equivalent quoted in each case for Euro is calculated based on the RBI reference rate of Rs. 56.57 per Euro as on May 14, 2010.
- The Rupee equivalent quoted in each case for GBP is calculated based on the RBI reference rate of Rs. 65.6859 per GBP as on May 14, 2010.

This Letter of Offer is being issued by the Manager to the Offer, on behalf of the Acquirer and the PAC pursuant to Regulation 11(1) and other applicable provisions of the SEBI (SAST) Regulations.

## **Disclaimer**

AS REQUIRED, A COPY OF THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE FILING OF THE DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF ABB LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER, THE PAC OR OF THE TARGET COMPANY WHOSE EQUITY SHARES / CONTROL ARE / IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ACQUIRER AND THE PAC ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY, AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ACQUIRER AND THE PAC DULY DISCHARGE THEIR RESPONSIBILITIES ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, HSBC SECURITIES AND CAPITAL MARKETS (INDIA) PRIVATE LIMITED, THE MANAGER TO THE OFFER, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED MAY 28, 2010 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS 1997 AND SUBSEQUENT AMENDMENT(S) THERETO. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER OR PAC FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

## **1. Background to the Offer**

- 1.1 The Offer is being made pursuant to the desire of ABB Ltd and ABB Asea Brown Boveri Ltd to further increase control in ABB Limited in order to facilitate the long-term development of ABB's business in India including its export business. The Acquirer and the Subsidiary are already in control of the Target Company and the Acquirer and the PAC are making the Offer in terms of Regulation 11(1) of the SEBI (SAST) Regulations for substantial acquisition of shares without change of control.
- 1.2 The Acquirer along with the PAC is making the Offer to the Eligible Persons to acquire up to 48,510,997 fully paid-up equity shares of the Target Company constituting 22.89% of the Voting Share Capital of the Target Company. The Offer is being made at a price of Rs.900/- per equity share, to be paid in cash, in accordance with the provisions of the SEBI (SAST) Regulations and subject to the terms and conditions mentioned in this Letter of Offer in relation to the Offer.
- 1.3 The Acquirer forms part of the promoter group of the Target Company and holds 97,879,955 equity shares in the Target Company constituting 46.19% of the Voting Share Capital. The Acquirer and the Subsidiary hold an aggregate of 110,420,285 equity shares of the Target Company constituting 52.11% of the Voting Share Capital of the Target Company. There are no partly paid-up equity shares in the Target Company or any other instruments convertible into equity shares of the Target Company at a future date.
- 1.4 Upon completion of the Offer, assuming full acceptances and taking into account the existing holding, the Acquirer, the PAC and the Subsidiary will hold 75.00% of the Voting Share Capital of the Target Company.
- 1.5 As per Clause 40A of the Listing Agreements (as amended) of the Target Company with the BSE and NSE, the Target Company is required to maintain at least 10% public shareholding for listing on a continuous basis. The Securities Contracts (Regulation) Rules, 1957 (the "SCRR") have been amended with effect from June 4, 2010 to provide for a mandatory public shareholding of at least 25% for all listed companies. However, the Listing Agreements have not yet been amended to this effect. Based on the existing Offer Size and the current shareholding of the promoter group of the Target Company, the public shareholding of the Target Company will not fall to less than 25% of the Voting Share Capital upon the successful closure of this offer even assuming full acceptances.
- 1.6 The Offer is voluntary and in accordance with Regulation 11(1) of the SEBI (SAST) Regulations, and has not been triggered by any agreement of the Acquirer and / or the PAC with any person for the purpose of

acquisition of equity shares in the Target Company.

- 1.7 The Acquirer is a private limited company incorporated on January 4, 1988 with registration number CH-020.3.900.058-8, under the laws of Switzerland, with its registered office at Affolternstrasse 44, CH-8050 Zurich, Switzerland, Tel: +41-43-317-7111, Fax: +41-43-317-7992.
- 1.8 The Target Company is a public limited company with its registered office located at 2nd Floor, East Wing, Khanija Bhavan, 49, Race Course Road, Bengaluru 560 001, Tel: +91-80-2294 9150, Fax: +91-80-2294 9148.
- 1.9 None of the Acquirer, PAC or Target Company have been prohibited by SEBI from dealing in securities, in terms of direction issued under Section 11B of the SEBI Act or under any of the regulations made there under.
- 1.10 Neither the Acquirer nor the PAC has any intention to change the board of directors of the Target Company as a direct consequence of the Offer except in the ordinary course of business and in compliance with applicable law.
- 1.11 The Manager to the Offer does not hold any equity shares of the Target Company as on the date preceding the date of the PA. In terms of Regulation 24(5A) of the SEBI (SAST) Regulations, the Manager to the Offer shall not deal in the equity shares of the Target Company during the period commencing from the date of its appointment in terms of Regulation 13 of the SEBI (SAST) Regulations till the expiry of 15 days from the Offer Closing Date.

## 2. Details of the Offer

- 2.1 The Public Announcement of the Offer appeared on May 17, 2010 in the following newspapers in accordance with Regulation 15 of the SEBI (SAST) Regulations:

Newspapers	Language	Edition
Economic Times	English	All editions
Navbharat Times	Hindi	All editions
Samyuktha Karnataka	Kannada	Bangalore edition

A copy of the PA is also available on the SEBI website: [www.sebi.gov.in](http://www.sebi.gov.in)

- 2.2 The issued, subscribed and fully paid-up equity share capital of the Target Company is Rs. 423,816,750 divided into 211,908,375 outstanding equity shares of face value of Rs. 2 each. There are currently no outstanding partly paid-up equity shares or any other instruments convertible into equity shares of the Target Company at a future date.
- 2.3 This Offer to all Eligible Persons is to acquire 48,510,997 equity shares being 22.89% of the Voting Share Capital of the Target Company at the Offer Price of Rs. 900 per share, subject to the terms and conditions mentioned in this Letter of Offer.
- 2.4 The Offer Price will be payable in cash, subject to the terms and conditions mentioned in this Letter of Offer.
- 2.5 The Offer is not conditional upon any minimum level of acceptance. Accordingly, the Acquirer or the PAC will accept all equity shares tendered by Eligible Persons pursuant to the Offer at the Offer Price, subject to the equity shares tendered, not exceeding 48,510,997 equity shares. In case the number of equity shares tendered exceeds this number, the acceptance will be made on a proportionate basis in terms of Regulation 21(6) of the SEBI (SAST) Regulations.
- 2.6 This is not a competitive bid and there has been no competitive bid to this Offer as on the date of this Letter of Offer.
- 2.7 Neither the Acquirer, nor the PAC has acquired any equity shares of the Target Company after the date of the PA and up to the date of this Letter of Offer. Acquisition of shares of the Target Company, if any, by the Acquirer and PAC during the period of the Offer shall be in compliance with Regulation 20(7) of the SEBI (SAST) Regulations.
- 2.8 Any decision for the upward revision in the Offer Price and / or Offer Size by the Acquirer and PAC up to the last date of revision (July 16, 2010) or withdrawal of the Offer would be communicated by way of a public announcement in the same newspapers in which the PA had appeared. In case of an upward revision in the Offer Price, the Acquirer and PAC would pay such revised price for all the equity shares validly tendered at

any time during the Offer and accepted under the Offer. The acquisition of equity shares by the Acquirer and PAC, which are validly tendered under this Offer, will take place on or before August 10, 2010, in accordance with the schedule of events set out in this Letter of Offer.

- 2.9 As the Offer Price cannot be revised during 7 working days prior to the Offer Closing Date, it would, therefore, be in the interest of the shareholders to wait until the commencement of that period to know the final offer price and tender their acceptance accordingly.
- 2.10 Equity shares that are subject to any charge, lien or encumbrance, any court order / any other attachment / dispute are liable to be rejected in the Offer. Applications in respect of equity shares that are the subject matter of litigation wherein the shareholders may be prohibited from transferring the equity shares during the pendency of such litigation are liable to be rejected if the directions / orders permitting transfer of these equity shares are not received together with the equity shares tendered under the Offer.
- 2.11 The Acquirer and PAC will acquire the equity shares free from all liens, charges and encumbrances together with all rights attached thereto, including the rights to all dividends, bonuses and rights subsequently declared. The tender by any shareholder of any equity shares in the Offer must be absolute, unconditional and unqualified.
- 2.12 The Offer will close on July 27, 2010. The record date for determining the shareholders entitled for payment of a dividend for the financial year ended December 31, 2009 in respect of equity shares held in electronic form is as on the closure of business hours on May 4, 2010 and in respect of equity shares held in physical form as on May 4, 2010. The shareholders who tender their equity shares in the Offer shall be eligible for receipt of the dividend declared for the financial year ended December 31, 2009 subject to other applicable conditions for the same.

### **3. Object of the Acquisition / Offer**

- 3.1 The PAC and its subsidiaries 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 PAC and its subsidiaries work 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 Acquirer and the PAC wish to further increase control in the Target Company in order to facilitate the long-term development of ABB's business in India including its export business.
- 3.2 The Acquirer and the Subsidiary hold an aggregate of 110,420,285 equity shares of the Target Company constituting 52.11% of the Voting Share Capital of the Target Company as of the date of the PA. The ABB group wishes to further consolidate its shareholding to 75.00% by making this Offer to Eligible Persons in accordance with Regulation 11(1) of the SEBI (SAST) Regulations.
- 3.3 Neither the Acquirer nor the PAC, except in the ordinary course of business, have plans to make any major change to the existing lines of business of the Target Company or to dispose of or otherwise encumber any substantial assets of the Target Company in the next 24 months.
- 3.4 Under the second proviso to Regulation 16(ix) of the extant SEBI (SAST) Regulations, the Acquirer and PAC undertake that they shall not sell, dispose of or otherwise encumber any substantial asset of the Target Company except with the prior approval of the shareholders of the Target Company to the extent required in terms of the Companies Act, 1956.
- 3.5 Neither the Acquirer nor the PAC has any intention to change the board of directors of the Target Company as a direct consequence of the Offer except in the ordinary course of business and in compliance with applicable law.

### **4. Background of the Acquirer and PAC**

#### **4.1 The Acquirer**

The Acquirer is a private limited company incorporated on January 4, 1988 under the laws of Switzerland (Registration number: CH-020.3.900.058-8).

Address of principal place of business and registered office (with phone numbers)

<b>Principal place of business</b>	Affolternstrasse 44, CH-8050 Zurich, Switzerland Tel: +41-43-317-7111, Fax: +41-43-317-7992
<b>Registered office</b>	Affolternstrasse 44, CH-8050 Zurich, Switzerland Tel: +41-43-317-7111, Fax: +41-43-317-7992

#### 4.1.1 Brief history & major areas of operation:

In January 1988, Asea AB and BBC Brown Boveri AG each contributed almost all of their businesses to the newly formed ABB Asea Brown Boveri Ltd i.e. the Acquirer, of which they each owned 50%. In 1996, Asea AB was renamed ABB AB and BBC Brown Boveri AG was renamed ABB AG. In February 1999, the ABB group announced a group reconfiguration designed to establish a single parent holding company and a single class of shares. The PAC i.e. the parent of the Acquirer, ABB Ltd, was incorporated on March 5, 1999, under the laws of Switzerland and in June 1999, ABB Ltd became the holding company for the Acquirer and for the entire ABB group. The Acquirer directly or indirectly controls group companies which are fully consolidated in the ABB group consolidated financial statements. The Acquirer does not undertake any operational activities other than those connected with its investment in other ABB group companies.

Other than income / expense in connection with its activities as a holding company (including entering into loans to / from direct / indirect subsidiaries and the charge out of certain management costs), the Acquirer has no further sources of income / expense from operations.

#### 4.1.2 Identity of promoters

The PAC owns 100% of the share capital of the Acquirer.

#### 4.1.3 Compliance with Chapter II of the SEBI (SAST) Regulations

The Acquirer and the Subsidiary have complied with Chapter II of the SEBI (SAST) Regulations:

- i) With the exception of Regulation 7 (1) in connection with the transfer of 5.92% of the equity share capital of the Target Company pursuant to the merger of ABB Technology FLB AB into ABB Norden Holding AB in 2005;
- ii) With the exception of Regulation 7(1) in connection with the transfer of 5.92% of the equity share capital of the Target Company pursuant to the merger of ABB Norden Holding AB into ABB Participation AB (which, a few weeks later, was renamed as ABB Norden Holding AB) in 2008;
- iii) Details of the manner in which compliance was effected with the provisions of Regulation 8 (2) between 1997 and 2007 are not available with the Acquirer and / or the Subsidiary. SEBI may view the non availability of this information as a contravention of the SEBI (SAST) Regulations and SEBI may initiate proceedings against the Acquirer and / or the Subsidiary.

In terms of 3 (1) (j) (ii), transfer of shares pursuant to a scheme, arrangement or reconstruction including amalgamation or merger or demerger under any law or regulation, Indian or foreign are exempt from the provisions of Chapter III of the SEBI (SAST) Regulations. There are no separate disclosures which need to be made to avail of the exemption in terms of Regulation 3 (1) (j). In this connection, please note that:

- i) The transfer of 5.92% of the equity share capital of the Target Company in 2005 was pursuant to the merger of ABB Technology FLB AB into ABB Norden Holding AB in 2005 under the provisions of Chapter 14 § 22 of the Swedish Companies Act; and
- ii) The transfer of 5.92% of the equity share capital of the Target Company in 2008 was pursuant to the merger of ABB Norden Holding AB into ABB Participation AB in 2008 under the provisions of Chapter 23 § 8 of the Swedish Companies Act. ABB Participation AB, a few weeks later, was renamed as ABB Norden Holding AB.

#### 4.1.4 Names and addresses of the board of directors of the Acquirer

Name	Address	Designation, date of first appointment
Michel Demaré	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Chairman, Appointed on July 11, 2005
Diane de Saint Victor	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Vice Chairperson, Appointed on January 1, 2007
Alex Hall	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Member, Appointed on March 31, 2009
Thomas Fuerer	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Member, Appointed on July 12, 2004
Hannu Kasi	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Member, Appointed on September 24, 2004

None of the above directors is on the board of directors of the Target Company.

#### 4.1.5 Details of experience and qualifications of the board of directors of the Acquirer as of March 31, 2010

**Michel Demaré** joined ABB's Group Executive Committee as Chief Financial Officer in January 2005, and he assumed responsibilities as Head of Global Markets in October 2008. From February 2008 to August 2008 he was appointed interim CEO in addition to his duties as CFO. He is also a member of the board of directors of UBS AG and IMD Foundation (all Switzerland). From 2002 until 2004, Mr. Demaré was vice president and chief financial officer of Baxter Europe. From 1984 until 2002, he held various positions within Dow Chemical, U.S. Mr. Demaré has obtained an MBA from Katholieke Universiteit Leuven (KUL), Belgium and graduated from Université Catholique de Louvain (UCL), Belgium with a degree in Applied Economics.

**Diane de Saint Victor** joined ABB's Group Executive Committee as General Counsel in January 2007. From 2004 to 2006, she was general counsel of European Aeronautic Defence and Space, EADS, France / Germany. From 2003 to 2004, she was general counsel of SCA Hygiene Products, Germany. From 1993 to 2003, she held various legal positions with Honeywell International, France / Belgium. From 1988 to 1993, she held various legal positions with General Electric, U.S. Ms. de Saint Victor obtained a D.E.A. (L.L.M. equivalent) in Business Law from Paris Law School, a D.E.A. (L.L.M. equivalent) in International Law from Paris Law School and is admitted to bar in Paris.

**Alex Hall** was appointed Group Treasurer of ABB in January 2009. He joined ABB in 1997 working for ABB Financial Services. Prior to taking on his current role he held various positions within the treasury organization including responsibility for capital markets, pension asset management and risk management. He started his career in 1990 at National Westminster Bank in London, specializing in asset and taxed based financing for the infrastructure and transportation industries. In 1995, he moved to Switzerland to establish a pan-European finance vehicle for IBM. He earned a BSc (Economics) in Politics from Swansea University and MSc in International Relations from Bristol University.

**Thomas Fuerer** was appointed Group Function Head Corporate Taxes in January 2009. From 2001 to 2008, he held various tax positions in ABB. From 1992 to 2001 he held various audit and tax positions in Ernst & Young. From 1983 to 1992, he held various accounting positions within Fidinam. He is a Swiss certified tax expert from the Swiss Institute of Certified Tax Consultants and he is a Swiss certified chartered accountant from the Swiss Institute of Certified Accountants.

**Hannu Kasi** was named to this current position in January 2003, responsible for Group Function Finance and Controlling. Previously, Hannu Kasi was Division CFO and CIO for Automation Technology Products. He joined ABB in Germany 1986 and has held a number of senior management positions in controlling in Germany, U.S. and Switzerland. Hannu Kasi received a Master's degree in Economics at the University of Vaasa, Finland and PhD. in Economics at the University of Braunschweig, Germany.

#### 4.1.6 The Acquirer is a holding company which directly or indirectly controls group companies which are fully consolidated in the ABB group financial statements. Consequently, its balance sheet consists primarily of participations and loans and its profit and loss statement contains primarily dividend income, interest income and expense, and income from providing global services to other ABB entities.

Total shareholder's equity of the Acquirer was CHF 11,748 million at December 31, 2009 (equivalent to Rs. 4,749,089 lakhs based on the exchange rate as defined on Page 6). The audited financial statements of the Acquirer have been prepared in accordance with Swiss law. Specifically, in accordance with article 663 f) of the Swiss Code of Obligations, as the Acquirer is included in the consolidated financial statements of the PAC, no consolidated financial statements have been prepared for the Acquirer. The financial highlights based on the audited financial statements of the Acquirer for the years ended December 31, 2007, December 31, 2008, and December 31, 2009, are as follows:

Profit & Loss statement	2007		2008		2009	
	(CHF million)	(Rs. lakhs)	(CHF million)	(Rs. lakhs)	(CHF million)	(Rs. lakhs)
Total revenues <sup>(1)</sup>	2,044	826,328	3,947	1,595,769	2,351	950,427
Total expenditures <sup>(2)</sup>	(667)	(269,829)	(1,508)	(609,662)	(36)	(14,432)
Profit before Depreciation and amortization, Net gain (loss) from merger, liquidation and sale of participations, Revaluation of participations and loans, and Taxes	1,377	556,499	2,439	986,108	2,315	935,996
Depreciation and amortization	(3)	(1,071)	(3)	(1,209)	(5)	(2,002)
Interest <sup>(3)</sup>	-	-	-	-	-	-
Net gain (loss) from merger, liquidation and sale of participations <sup>(4)</sup>	(3)	(1,230)	-	-	-	-
Revaluation of participations and loans <sup>(5)</sup>	4,072	1,646,143	9	3,595	(78)	(31,451)
Profit before taxes <sup>(6)</sup>	5,443	2,200,342	2,445	988,493	2,233	902,543
Provision for tax <sup>(7)</sup>	(54)	(22,009)	(33)	(13,177)	(43)	(17,356)
Profit after tax <sup>(8)</sup>	5,389	2,178,333	2,413	975,316	2,190	885,187
<b>Notes:</b>						
(1) "Total revenues" comprise the following items in the audited financial statements:						
Dividend income	1,642	663,848	3,252	1,314,794	1,815	733,891
Finance income	113	45,573	222	89,722	108	43,495
Other revenues	289	116,908	473	191,253	428	173,042
<b>Total</b>	<b>2,044</b>	<b>826,328</b>	<b>3,947</b>	<b>1,595,769</b>	<b>2,351</b>	<b>950,427</b>
(2) "Total expenditures" comprise of the following items in the audited financial statements:						
Finance expense	(271)	(109,449)	(417)	(168,676)	(110)	(44,400)
Personnel expenses	(92)	(37,098)	(103)	(41,474)	(98)	(39,436)
Other income (other expenses) <sup>(a)</sup>	(305)	(123,282)	(988)	(399,511)	172	69,404
<b>Total</b>	<b>(667)</b>	<b>(269,829)</b>	<b>(1,508)</b>	<b>(609,662)</b>	<b>(36)</b>	<b>(14,432)</b>
(a) "Other income (other expenses)" comprise of general and administrative expenses. In 2008, in addition to such expenses, also included were provisions for the ongoing investigations in the Power Transformers business by the European Commission, the German Federal Cartel Office, as well as the investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice. In 2009, in addition to the general and administrative expenses, there was a partial release of provisions related to the investigations in the Power Transformers business after the European Commission imposed a fine of 33.75 million euros in October 2009 – please refer to 4.2.8.						
(3) Interest income is part of "Finance income" while interest expense is part of "Finance expense" in the audited financial statements.						
(4) "Net gain (loss) from merger, liquidation and sale of participations" in 2007 represents losses on various liquidations and sales of participations.						
(5) "Revaluation of participations and loans" in 2007 represents the reversal (in accordance with the Swiss law) of previous write-downs in investments in subsidiaries.						
(6) "Profit before taxes" represents "Income before taxes" in the audited financial statements.						
(7) "Provision for tax" represents "Income taxes" in the audited financial statements.						
(8) "Profit after tax" represents "Net income" in the audited financial statements.						
NOTE: The CHF figures in the table above have been rounded to the nearest million, based on figures in the audited financial statements. Consequently, totals in the table above may contain rounding differences.						

Balance sheet	December 31,					
	2007		2008		2009	
	(CHF million)	(Rs. lakhs)	(CHF million)	(Rs. lakhs)	(CHF million)	(Rs. lakhs)
<i>Source of funds</i>						
Paid-up share capital	2,768	1,118,964	2,768	1,118,964	2,768	1,118,964
Retained earnings <sup>(1)</sup>	5,394	2,180,341	6,606	2,670,557	7,596	3,070,643
Others <sup>(2)</sup>	1,384	559,482	1,384	559,482	1,384	559,482
<b>Net worth <sup>(3)</sup></b>	<b>9,546</b>	<b>3,858,787</b>	<b>10,758</b>	<b>4,349,003</b>	<b>11,748</b>	<b>4,749,089</b>
Secured loans	-	-	-	-	-	-

Unsecured loans <sup>(4)</sup>	5,637	2,278,716	1,703	688,559	885	357,761
Non-current liabilities <sup>(5)</sup>	136	54,916	787	318,316	252	101,949
<b>Total</b>	<b>15,318</b>	<b>6,192,419</b>	<b>13,249</b>	<b>5,355,878</b>	<b>12,885</b>	<b>5,208,800</b>
<i>Uses of funds</i>						
Net fixed assets <sup>(6)</sup>	15	5,946	12	4,933	10	4,166
Intangible assets <sup>(7)</sup>	1	228	-	32	96	38,837
Investments <sup>(8)</sup>	13,776	5,568,879	9,493	3,837,444	9,155	3,701,085
Other long-term assets <sup>(9)</sup>	1,600	646,735	3,999	1,616,605	3,721	1,504,365
Net current assets (liabilities) <sup>(10)</sup>	(73)	(29,369)	(255)	(103,135)	(98)	(39,653)
Total miscellaneous expenditure not written-off	-	-	-	-	-	-
<b>Total</b>	<b>15,318</b>	<b>6,192,419</b>	<b>13,249</b>	<b>5,355,878</b>	<b>12,885</b>	<b>5,208,800</b>
<b>Notes:</b>						
(1) "Retained earnings" represents the total of "Retained earnings" and "Net income" in the audited financial statements.						
(2) "Others" represents the "Legal reserve" which is a part of stockholder's equity in the audited financial statements and required under Swiss law.						
(3) "Net worth" represents "Total stockholder's equity" in the audited financial statements.						
(4) "Unsecured loans" represent the total of "Long-term loans" from the parent and / or group companies, as per the audited financial statements.						
(5) "Non-current liabilities" mainly represent various long-term provisions shown as "Provisions" in the audited financial statements.						
(6) "Net fixed assets" represents "Fixtures and fittings" in the audited financial statements.						
(7) "Intangible assets" in the audited financial statements represent primarily software acquired.						
(8) "Investments" represent "Participations" in the audited financial statements.						
(9) "Other long-term assets" represent "Long-term loans" granted to group companies as per the audited financial statements.						
(10) "Net current assets (liabilities)" represents the net of "Total current assets", "Current liabilities", "Short-term loans – parent" and "Short-term loans – group" in the audited financial statements.						
NOTE: The CHF figures in the table above have been rounded to the nearest million, based on figures in the audited financial statements. Consequently, totals in the table above may contain rounding differences.						

Other financial data	Year ended December 31,					
	2007		2008		2009	
	(CHF)	(Rs.)	(CHF)	(Rs.)	(CHF)	(Rs.)
Dividend (% of Profit after tax) <sup>(1)</sup>	22%	22%	50%	50%	55%	55%
Earnings per common share – basic and diluted <sup>(2)</sup>	1,946.7	78,697	871.6	35,235	791.1	31,979
Return on net worth (%) <sup>(3)</sup>	72.63%	72.63%	23.77%	23.77%	19.46%	19.46%
Book value per share – basic and diluted <sup>(4)</sup>	3,449	139,407	3,887	157,117	4,244	171,571
<b>Notes:</b>						
(1) "Dividend (% Profit after tax)" is calculated as follows: "Ordinary / Extraordinary dividend" paid (as per the audited financial statements) in the following year divided by "Profit after tax" for the year shown in the table. The dividend for the year 2009 has been declared and will be paid in June 2010.						
(2) "Earnings per common share - basic and diluted" is calculated as follows: "Profit after tax" divided by the average number of issued registered shares for each corresponding year. No dilutive instruments were outstanding at any of the above dates.						
(3) "Return on net worth (%)" is calculated as follows: "Profit after tax" for the respective year, divided by the average of the "Net worth" at the beginning and end of the respective year.						
(4) "Book value per share - basic and diluted" is calculated as follows: Net worth divided by the number of issued registered shares on December 31, of each year. No dilutive instruments were outstanding at any of the above dates.						

4.1.7 Primary reasons for fall / rise in total revenues and net profit of the Acquirer are as under:

#### Year ended December 2009 compared to Year ended December 2008

##### a) Total revenues

- The decrease in total revenues from CHF 3,947 million in 2008 to CHF 2,351 million in 2009, primarily reflects the decrease of CHF 1,437 million in dividend received by the Acquirer in 2009.

##### b) Total expenditures

- The decrease in total expenditures from CHF 1,508 million in 2008 to CHF 36 million in 2009, primarily reflects: i) the charge, in 2008, for provisions for the ongoing investigations in the Power Transformers business by the European Commission, the German Federal Cartel Office, as well as the investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice, ii) the partial release of provisions, in 2009, related to the

investigations in the Power Transformers business after the European Commission imposed a fine 33.75 million euros in October 2009, and iii) a decrease in finance expense due to lower interest expense and currency losses in 2009 compared to 2008.

c) Profit after tax

- The reduction in profit after tax from CHF 2,413 million in 2008 to CHF 2,190 million in 2009, is primarily a result of the fluctuations described above.

**Year ended December 2008 compared to Year ended December 2007**

a) Total revenues

- The increase in total revenues from CHF 2,044 million in 2007 to CHF 3,947 million in 2008, primarily reflects the increase of CHF 1,610 million in dividend received by the Acquirer in 2008.

b) Total expenditures

- The increase in total expenditures from CHF 667 million in 2007 to CHF 1,508 million in 2008, primarily reflects: i) the charge, in 2008, for provisions for the ongoing investigations in the Power Transformers business by the European Commission, the German Federal Cartel Office, as well as the investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice and ii) the increase in finance expense mainly due to higher currency losses in 2008 compared to 2007.

c) Profit after tax

- The reduction in profit after tax from CHF 5,389 million in 2007 to CHF 2,413 million in 2008, primarily reflects the reversal, in 2007, of previous write-downs (in accordance with Swiss law) in investments in subsidiaries, and the fluctuations described above.

4.1.8 As of December 31, 2009, the Acquirer's contingent liabilities are as stated below:

Contingent liabilities	December 31, 2008 (CHF million)	December 31, 2008 (Rs. lakhs)	December 31, 2009 (CHF million)	December 31, 2009 (Rs. lakhs)
Financial guarantees	29	11,659	28	11,133
Financial guarantees – ABB group companies <sup>(1)</sup>	897	362,767	769	310,901
<b>Total</b>	<b>926</b>	<b>374,426</b>	<b>797</b>	<b>322,033</b>

(1) Includes obligations under lease arrangements.

In addition, as of December 31, 2009, the Acquirer has issued support letters (letter of comfort, letter of guarantee or global agreements) to banking institutions for credit facilities of its directly or indirectly owned subsidiaries in the amount of CHF 9,325 million (CHF 7,665 million as of December 31, 2008). These facilities are used for the issuance of bank guarantees and surety bonds on behalf of ABB group companies.

Furthermore to the above stated contingent liabilities, the Acquirer has provided certain guarantees, indemnities and similar instruments (“the Guarantees”) securing the performance of contracts and undertakings of ABB group companies entered into in the normal course of business. At December 31, 2009 and 2008, the Guarantees relate to contracts and undertakings of an aggregate value of approximately CHF 1,329 million and CHF 1,191 million respectively. These Guarantees include CHF 37.7 million (CHF 62.9 million in 2008) representing management’s best estimate of the total maximum potential exposure of quantifiable guarantees issued by the Acquirer on behalf of its former power generation business contributed to the former ABB Alstom Power NV joint venture in May 2000. There are also additional guarantees for which management cannot estimate the maximum potential exposure. The Acquirer has not experienced any losses related to guarantees issued on behalf of the former power generation business.

The Acquirer through certain of its direct and indirect subsidiaries is involved in various regulatory and legal matters. The Acquirer has recorded within provisions certain of the accruals as further described in the consolidated financial statements of the PAC, included in paragraph 4.2.8. There could be material adverse outcomes beyond the accrued liabilities.

The Acquirer is a part of a value added tax group and therefore is jointly liable to the Swiss Federal Tax Department for the value added tax liabilities of the other members.

#### 4.1.9 Significant accounting policies of the Acquirer

##### a) General

The audited financial statements are prepared in accordance with the requirements of Swiss law and the Acquirer's articles of incorporation.

##### b) Loans receivable

Loans receivable represent primarily loans to ABB group companies and are stated at the lower of cost or fair value.

##### c) Investments (represent "Participations" in the audited financial statements)

Participations represent investments in subsidiaries and are stated at the lower of cost or fair value using valuation models accepted under Swiss law.

##### d) Dividend income

Dividend income is recorded upon declaration of the dividend by the subsidiary. If the Acquirer's book value of its participation in the subsidiary exceeds the equity of the subsidiary, then such dividends are considered reimbursements of investments and are recorded directly against participations in the balance sheet and not as dividend income.

##### e) Finance income

Finance income includes interest income, which is recognized pro-rata over the life of the respective loan as well as currency gains.

##### f) Finance expense

Finance expense includes interest expense, which is recognized pro-rata over the life of the respective loan as well as currency losses.

#### 4.1.10 The Acquirer's acquisitions in the Target Company are as below:

Promoter entity	Particulars	No. of equity shares acquired / (sold)	Capital as on date of acquisition / sale (Rs.)	Resultant share-holding	Status of compliance with SEBI (SAST) Regulations and other relevant regulations
Brown Boveri & Co Ltd	Allotment of 60,000 equity shares and purchase of 1 equity share by Brown Boveri & Co Ltd in 1962 <sup>(1)</sup>	60,001	12,000,000	50.00%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Rights Issue of 1:1 in 1964 <sup>(1)</sup>	60,001	24,000,000	50.00%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Sold 54,226 equity shares to Larsen & Toubro and 50 equity shares to others <sup>(1)</sup>	(54,276)	24,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bonus Issue in the ratio of 1:4 on 25.06.1976 <sup>(1)</sup>	16,431	30,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bonus Issue in the ratio of 1:3 on 03.05.1978 <sup>(1)</sup>	27,386	40,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bought 24,000 equity shares from Life Insurance Corporation of India and General Insurance Corporation of India in 1981 <sup>(1)</sup>	24,000	40,000,000	33.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Effective November 1, 1986, Rights issue of 1:4 and additional equity shares to Brown Boveri & Co Ltd - 2,500 equity shares <sup>(1)</sup>	35,886	50,750,000	33.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	20,000 preference shares converted into equity shares in the ratio 1:2 on 04.02.1989 <sup>(1)</sup>	10,000	52,750,000	34.01%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.

Brown Boveri & Co Ltd	179,429 shares of Rs. 100 each were divided into 1,794,290 equity shares of Rs. 10 each on 01.11.1989 pursuant to stock split. <sup>(2)</sup>	--	52,750,000	34.01%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd	Issue of 1,834,215 equity shares pursuant to the merger of HBB and ASEA Limited (India) in line with the global merger of BBC and ASEA on 01.12.1989 <sup>(2)</sup>	1,834,215	98,605,900	36.80%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd	Rights Issues and issue of additional equity shares of 4,754,734 on 12.01.1993 <sup>(2)</sup>	6,841,123	205,316,780	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Flakt AB	Bonus issue in the ratio of 1:3 on 28.02.1994. Merger of Flakt India Limited with ABB Limited on 12.12.1994 on account of which 1,881,050 equity shares were allotted to ABB Flakt AB, Stockholm, Sweden the parent company of Flakt India Limited <sup>(2)</sup>	5,370,926	310,637,670	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Flakt AB	Bonus Issue in the ratio of 1:3 on 23.01.1997 which includes 627,016 bonus equity shares issued to ABB Flakt AB, Sweden <sup>(2)</sup>	5,280,184	414,183,560	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Flakt AB <sup>(4)</sup>	Merger of Introl (India) Limited, ABB Instrumentation Ltd., ABB Lenzohm Service Ltd. & ABB Analytical Ltd. with ABB Limited on account of which 963,319 shares were allotted to ABB Asea Brown Boveri Ltd, the parent company of the above-mentioned 4 entities on 31.12.2001 <sup>(2)</sup>	963,319	423,816,750	52.11%	Since the increase in % of shareholding is less than prescribed % as per the regulations, the requirement of compliance with Chapter II of SEBI (SAST) Regulations does not arise. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	2,508,066 equity shares of Rs. 10 each held by ABB Technology FLB AB were transferred to ABB Norden Holding AB pursuant to the merger of ABB Technology FLB AB with ABB Norden Holding AB on 05.09.2005 <sup>(2)</sup>	--	423,816,750	52.11%	Regulation 7(3) of the SEBI (SAST) Regulations complied with by the Target Company. Regulation 7(1) of the SEBI (SAST) Regulations not complied with by the Subsidiary. The transfer of shares also meets the requirements for exemption under Regulation 3 (1) (j) (ii) of the SEBI (SAST) Regulations. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	22,084,057 shares of Rs. 10 each were divided into 110,420,285 equity shares of Rs. 2 each on 06.07.2007 pursuant to stock split. <sup>(3)</sup>	--	423,816,750	52.11%	Since there is no increase in share holding, SEBI (SAST) Regulations are not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	12,540,330 equity shares of Rs. 2 each held by ABB Norden Holding AB were transferred to ABB Participation AB pursuant to the merger of ABB Norden Holding AB with ABB Participation AB on 02.01.2008 (which a few weeks later was renamed as ABB Norden Holding AB) <sup>(3)</sup>	--	423,816,750	52.11%	Regulation 7(3) of the SEBI (SAST) Regulations not complied with by the Target Company. Regulation 7(1) of the SEBI (SAST) Regulations not complied with by the Subsidiary. The transfer of shares also meets the requirements for exemption under Regulation 3 (1) (j) (ii) of the SEBI (SAST) Regulations. All other applicable regulations have been complied with.

(1) Face value of Rs. 100.

(2) Face value of Rs. 10.

(3) Face value of Rs. 2.

(4) ABB Flakt AB was renamed as ABB Technology FLB AB.

#### 4.1.11 Pending material litigations involving the Acquirer

The Acquirer is not subject to any litigation that could be expected to adversely affect its ability to perform its obligations in connection with the Open Offer. Details of legal proceedings which are material to the PAC (100% holding company of the Acquirer) and its consolidated subsidiaries (which includes the Acquirer) are set out in paragraph 4.2.8(c) and 4.2.12.

#### 4.1.12 Details of acquisitions / spin-offs / demergers of ABB Ltd (the PAC and 100% holding company of

the Acquirer) and its consolidated subsidiaries are set out in paragraph 4.2.13 and 4.2.14.

#### 4.1.13 Shareholding pattern of the Acquirer as on the date of the PA

Name of shareholder	No. of shares held	% shareholding
ABB Ltd	2,768,000	100%

#### 4.1.14 Name and contact details of the Compliance Officer

**Name:** Ms. Diane de Saint Victor (ad interim)  
**Designation:** Executive Vice President  
**Address:** Affolternstrasse 44, CH-8050, Zurich, Switzerland  
**Tel:** +41-43-317-7111, **Fax:** +41-43-317-7992

## 4.2 The PAC

The PAC is a public listed company incorporated under the laws of Switzerland on March 5, 1999 (Registration number: CH-020.3.021.615-2).

Unless otherwise specified herein, statements about the PAC, including its financial information, assets, liabilities, rights and obligations, commitments and contingent liabilities including pending litigations, acquisitions / mergers and divestments reflects the consolidated position of PAC and its subsidiaries.

Address of the principal place of business and registered office (with phone numbers)

<b>Principal place of business</b>	Affolternstrasse 44, CH-8050 Zurich, Switzerland Tel: +41-43-317-7111, Fax: +41-43-317-7992
<b>Registered office</b>	Affolternstrasse 44, CH-8050 Zurich, Switzerland Tel: +41-43-317-7111, Fax: +41-43-317-7992

The principal trading market for PAC's shares is the SIX Swiss Exchange. Its shares are also traded on the NASDAQ OMX Stockholm Exchange and the New York Stock Exchange. The closing price of equity shares of the PAC on the SIX Swiss Exchange as of May 14, 2010 was CHF 20.35 per share (equivalent to Rs. 822.65 per share based on the exchange rate as defined above) which implies a Price Earning multiple (based on 2009 diluted Earnings Per Share) of 16.02x.

#### 4.2.1 Brief history & major areas of operation:

4.2.1.1 The PAC was incorporated on March 5, 1999.

4.2.1.2 The PAC's brief history is as follows:

The ABB group was formed in 1988 through a merger between Asea AB and BBC Brown Boveri AG. Initially founded in 1883, Asea AB was a major participant in the introduction of electricity into Swedish homes and businesses and in the development of Sweden's railway network. In the 1940s and 1950s, Asea AB expanded into the power, mining and steel industries. Brown Boveri and Cie. (later renamed BBC Brown Boveri AG) was formed in Switzerland in 1891 and initially specialized in power generation and turbines. In the early to mid 1900s, it expanded its operations throughout Europe and broadened its business operations to include a wide range of electrical engineering activities.

In January 1988, Asea AB and BBC Brown Boveri AG each contributed almost all of their businesses to the newly formed ABB Asea Brown Boveri Ltd, of which they each owned 50 percent. In 1996, Asea AB was renamed ABB AB and BBC Brown Boveri AG was renamed ABB AG. In February 1999, the ABB group announced a group reconfiguration designed to establish a single parent holding company and a single class of shares. ABB Ltd was incorporated on March 5, 1999, under the laws of Switzerland. In June 1999, ABB Ltd became the holding company for the entire ABB group. This was accomplished by having ABB Ltd issue shares to the shareholders of ABB AG and ABB AB, the two publicly traded companies that formerly owned the ABB group. The ABB Ltd shares were exchanged for the shares of those two companies, which, as a result of the share exchange and certain related transactions, became wholly-owned subsidiaries of ABB Ltd and are no longer publicly traded. ABB Ltd shares are currently listed on the SIX Swiss Exchange, the NASDAQ OMX Stockholm Exchange and the New York Stock Exchange.

4.2.1.3 The PAC is the ultimate holding company of the ABB group. The PAC and its subsidiaries 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. ABB Ltd and its subsidiaries work 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.

Effective January 1, 2010, the PAC reorganized its automation divisions to align their activities more closely with those of its customers. The former Automation Products division has been reorganized into two new divisions, Discrete Automation and Motion and Low Voltage Products. The former Robotics division has been incorporated into the new Discrete Automation and Motion division, while the Process Automation division remains unchanged except for the addition of the instrumentation business from the Automation Products division. The Power Products and Power Systems divisions remain unchanged.

A description of the types of products and services provided by each division 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 and services and incorporating components manufactured by both the ABB group and by third parties.

**Discrete Automation and Motion:** manufactures and sells motors, generators, variable speed drives, programmable logic controllers, rectifiers, excitation systems, robotics, 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, enclosures, switchboards, electronics and electromechanical devices for industrial machines, plants and related service. The segment further 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, and utility automation industries.

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

#### 4.2.2 Identity of promoters and major shareholders

As of December 31, 2009, the paid up share capital (capital stock and additional paid-in capital as in the audited financial statements) of the PAC is USD 3,943 million (equivalent to Rs.1,778,293 lakhs based on the exchange rate as defined above) consisting of 2,329 million issued shares each with a face value of CHF 1.54. The PAC is a widely held listed company and there is no promoter or person who is in control of the PAC. It is 100% held by public shareholders, including holdings by institutional and private investors. The PAC has 494,000 shareholders as of December 31, 2009. There are 2 shareholders of the PAC with ownership of more than 3.00% but less than 10.00% in the PAC who are mentioned below:

Names of shareholders	Shareholding in ABB Ltd
Investor AB	7.16% <sup>(1)</sup>
BlackRock Global Investors	3.03% <sup>(2)</sup>

(1) As of December 31, 2009.

(2) As of April 6, 2010.

#### 4.2.3 Compliance with Chapter II of the SEBI (SAST) Regulations

As the PAC does not directly hold any shares of the Target Company, provisions of Chapter II of the SEBI (SAST) Regulations are not applicable to the PAC.

#### 4.2.4 Names and addresses of the board of directors of the PAC

Name	Address	Designation, date of first appointment
Hubertus von Gruenberg	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Chairman, Appointed on May 3, 2007
Roger Agnelli	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Non-executive member, Appointed on March 12, 2002
Louis R. Hughes	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Non-executive member, Appointed on May 16, 2003
Hans Ulrich Maerki	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Non-executive member, Appointed on March 12, 2002
Michel de Rosen	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Non-executive member, Appointed on March 12, 2002
Michael Treschow	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Non-executive member, Appointed on May 16, 2003
Bernd W. Voss	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Non-executive member, Appointed on March 12, 2002
Jacob Wallenberg	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Non-executive member, Appointed on June 26, 1999

None of the above directors is on the board of directors of the Target Company.

#### 4.2.5 Details of experience and qualifications of the board of directors of the PAC as of March 31, 2010

**Hubertus von Gruenberg** is the Chairman of the PAC since May 3, 2007. Currently, he is also a member of the supervisory board of Allianz Versicherungs AG, Germany and Deutsche Telekom AG, Germany and is on the board of directors of Schindler Holding AG, Switzerland. Previously, Mr. Gruenberg has served as chief executive officer and chairman of the supervisory board of directors of Continental AG, Germany, chief executive officer of ITT Automotive Inc., U.S. and chairman of the management board of Alfred Teves GmbH, Germany. He has a Doctorate in Physics, University of Cologne, Germany.

**Roger Agnelli** has been a Non-executive member of the board of the PAC since March 12, 2002. Currently, he is president and chief executive officer of Vale, Brazil and a member of the Global Advisory Board of Anadarko Petroleum Corp., U.S., International Advisory Council of Brookings Institute, U.S., International Advisory Committee of NYSE, Private Sector Advisory Council in the Foreign Trade Chamber of the Presidency of Brazil, International Advisory Investment Council to the President of the Republic of Mozambique, vice-president of the Center of Industries of the State of Rio de Janeiro and member of the Strategic Superior Council-Federation of Industries of the State of São Paulo. Previously, Mr. Agnelli has served as president and chief executive officer of Bradespar S.A., Brazil and executive director of Banco Bradesco, Brazil. He has a degree in Economics, Fundacao Armando Álvares Penteado in São Paulo.

**Louis R. Hughes** has been a Non-executive member of the board of the PAC since May 16, 2003. Currently, he is chairman and chief executive officer of GBS Laboratories LLC, U.S. and is a member of the board of Akzo Nobel N.V., Netherlands and Alca-Lucent, France. Previously, Mr. Hughes has served as Chief of Staff of the Afghanistan Reconstruction Group - US Department of State, non-executive chairman of OutPerformance Inc., U.S., president and chief operating officer of Lockheed Martin Corp., U.S., member of the supervisory board of Deutsche Bank AG, Germany, executive vice president of General Motors Corp., U.S. and president and chief financial officer of General Motors Europe and president of General Motors International, chairman and managing director of Adam Opel AG, Germany. He has a MBA from Harvard University, U.S. and Bachelor of Mechanical Engineering, Kettering University, U.S.

**Hans Ulrich Maerki** has been a Non-executive member of the board of the PAC since March 12, 2002. Currently, he is a Member of the board of directors of Swiss Re, Switzerland and

Mettler-Toledo International, U.S. He is also a Member of the board of directors of Menuhin Festival Gstaad, Switzerland, Member of the board of Foundation of Schulthess Klinik, Switzerland, Member of the board of trustees of The Hermitage Museum in St. Petersburg, Russia, Member of the International Advisory boards of IESE (Barcelona), HEC (Paris) and Bocconi (Milan). Previously, Mr. Maerki has served as General Manager and Chairman of IBM Europe, Middle-East, Africa and France. He has a MBA from University of Basel, Switzerland and Senior fellow of Advanced Leadership from Harvard University, U.S.

**Michel de Rosen** has been a Non-executive member of the board of the PAC since March 12, 2002. Currently, he is a Member of the board of directors and chief executive officer of Eutelsat Communications, France. He is also a member of the advisory board of Paul Capital Partners Royalty Fund, U.S. Previously, Mr. Rosen has served as chief executive officer of Groupe SGD in France, chief executive officer and president of ViroPharma, U.S., chairman, president, chief executive officer and chief operating officer of Rhone Poulenc Rorer, U.S. and with the French Government as auditor with the Treasury, advisor to the Secretary of Defence and Chief of Staff of the Minister of Industry, Telecommunications, Postal Service and Tourism. He has a degree from HEC Business School, France and Ecole Nationale d'Administration, France.

**Michael Treschow** has been a Non-executive member of the board of the PAC since May 16, 2003. Currently, he is chairman of the board of directors of Ericsson, Sweden, Unilever NV, Netherlands and Unilever PLC, U.K. He is also a board member of The Knut and Alice Wallenberg Foundation, Sweden and a member of the advisory board of Eli Lilly, U.S. Previously, Mr. Treschow has served as president and chief executive officer of Electrolux AB and Atlas Copco AB, Sweden. He has a Master of Science from the Lund Institute of Technology, Sweden.

**Bernd W. Voss** has been a Non-executive member of the board of the PAC since March 12, 2002. Currently, he is also a member of the supervisory board of Continental AG and Wacker-Chemie AG, Germany. Previously, Mr. Voss has served as member of the board of managing directors and in various other positions at Dresdner Bank AG, Germany and was a General Partner of Bankhaus Reuschel & Company, Germany. His educational qualifications include a dissertation on group taxation issues at the University of Cologne, Germany.

**Jacob Wallenberg** has been a Non-executive member of the board of the PAC since June 26, 1999. Currently, he is chairman of the board of directors of Investor AB, Sweden, vice chairman of SEB, Skandinaviska Enskilda Banken, Sweden, vice chairman of Atlas Copco AB, Sweden and vice chairman of SAS AB, Sweden. He is also a member of the board of directors of Coca-Cola Company, U.S., The Knut and Alice Wallenberg Foundation, Sweden and a member of the board of directors of The Stockholm School of Economics, Sweden. Previously, Mr. Wallenberg has served as executive vice president and vice chairman of Investor AB, Sweden and has served as chairman, president, chief executive officer and various other positions of The SEB Group, Sweden. He has an MBA and a Bachelor of Science in Economics from the Wharton School, University of Pennsylvania, U.S. and has been an officer in the Royal Swedish Naval reserve.

- 4.2.6 The consolidated financial statements of the PAC are prepared in accordance with United States of America generally accepted accounting standards (“**U.S. GAAP**”). The financial highlights, based on the audited consolidated financial statements as of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, are shown in the tables below. The balance sheet information presented in the tables below as of December 31, 2007, (except for accounts which are part of "Net worth" which were retrospectively adjusted as a result of the adoption in 2009 of a new accounting standard - see Note 4 to the table below) is based on the comparative figures in the audited consolidated financial statements as of December 31, 2008, which do not reflect certain reclassifications of assets and liabilities made as of December 31, 2009 – see 4.2.9 c) – as only two years’ balance sheets are presented in the audited consolidated financial statements, and consequently December 31, 2007, balance sheet data was not reclassified:

Profit & Loss statement	Year ended December 31,					
	2007		2008		2009	
	(USD million)	(Rs. lakhs)	(USD million)	(Rs. lakhs)	(USD million)	(Rs. lakhs)
Total revenues	29,183	13,161,533	34,912	15,745,312	31,795	14,339,545
Total expenditures <sup>(1)</sup>	(25,160)	(11,347,160)	(30,360)	(13,692,360)	(27,669)	(12,478,719)
Profit before Interest, Provision for tax,	4,023	1,814,373	4,552	2,052,952	4,126	1,860,826

Income (loss) from discontinued operations, net of tax, and Cumulative effect of accounting change, net of tax						
Interest <sup>(2)</sup>	(110)	(49,610)	(34)	(15,334)	(6)	(2,706)
Profit before tax <sup>(3)</sup>	3,913	1,764,763	4,518	2,037,618	4,120	1,858,120
Provision for tax	(595)	(268,345)	(1,119)	(504,669)	(1,001)	(451,451)
Income (loss) from discontinued operations, net of tax	586	264,286	(21)	(9,471)	17	7,667
Cumulative effect of accounting change, net of tax <sup>(4)</sup>	(49)	(22,099)	-	-	-	-
Profit after tax <sup>(5)</sup>	3,855	1,738,605	3,378	1,523,478	3,136	1,414,336
<i>of which:</i>						
Net income attributable to noncontrolling interests	244	110,044	260	117,260	235	105,985
Net income attributable to ABB	3,611	1,628,561	3,118	1,406,218	2,901	1,308,351
<i>Additional information:</i>						
Depreciation and amortization <sup>(6)</sup>	602	271,502	661	298,111	655	295,405
<b>Notes:</b>						
(1) "Total expenditures" comprise of the following items in the audited consolidated financial statements:						
Total cost of sales	(20,215)	(9,116,965)	(23,972)	(10,811,372)	(22,470)	(10,133,970)
Selling, general and administrative expenses	(4,975)	(2,243,725)	(5,822)	(2,625,722)	(5,528)	(2,493,128)
Other income (expenses), net	30	13,530	(566)	(255,266)	329	148,379
<b>Total</b>	<b>(25,160)</b>	<b>(11,347,160)</b>	<b>(30,360)</b>	<b>(13,692,360)</b>	<b>(27,669)</b>	<b>(12,478,719)</b>
(2) "Interest" is the net of "Interest and dividend income" and "Interest and other finance expense" in the audited consolidated financial statements.						
(3) "Profit before tax" represents "Income from continuing operations before taxes and cumulative effect of accounting change" in the audited consolidated financial statements.						
(4) "Cumulative effect of accounting change, net of tax": In 2009, a new accounting standard was adopted that changed the accounting for convertible debt instruments that contained cash settlement features. Although no convertible debt instruments were outstanding at December 31, 2009, 2008 and 2007, the provisions of this new standard were adopted on a retroactive basis to January 1, 2007, as they related to the CHF 1 billion 3.5% convertible bonds (issued 2003) fully converted by bondholders in 2007. The impact on the audited consolidated income statement in 2007 was (i) a loss of USD 49 million from the effect of the accounting change and (ii) a loss of USD 97 million from the conversion of bonds and amortization of discount, recorded in "Net interest and other finance expense".						
(5) "Profit after tax" represents "Net income" in the audited consolidated financial statements.						
(6) "Depreciation and amortization" is included in several lines in the audited consolidated income statements.						

Balance sheet	December 31,					
	2007		2008		2009	
	(USD million)	(Rs. lakhs)	(USD million)	(Rs. lakhs)	(USD million)	(Rs. lakhs)
<i>Source of funds</i>						
Paid-up share capital <sup>(1)</sup>	5,780	2,606,780	4,841	2,183,291	3,943	1,778,293
Retained earnings	6,809	3,070,859	9,927	4,477,077	12,828	5,785,428
Others <sup>(2)</sup>	(1,632)	(736,032)	(3,610)	(1,628,110)	(2,981)	(1,344,431)
<b>Net worth <sup>(3)</sup></b>	<b>10,957</b>	<b>4,941,607</b>	<b>11,158</b>	<b>5,032,258</b>	<b>13,790</b>	<b>6,219,290</b>
Noncontrolling interests	592	266,992	612	276,012	683	308,033
Secured loans	-	-	-	-	-	-
Unsecured loans <sup>(4)</sup>	2,138	964,238	2,009	906,059	2,172	979,572
Non-current liabilities <sup>(5)</sup>	2,835	1,278,585	3,328	1,500,928	3,504	1,580,304
<b>Total</b>	<b>16,522</b>	<b>7,451,422</b>	<b>17,107</b>	<b>7,715,257</b>	<b>20,149</b>	<b>9,087,199</b>
<i>Uses of funds</i>						
Net fixed assets <sup>(6)</sup>	3,246	1,463,946	3,562	1,606,462	4,072	1,836,472
Investments <sup>(7)</sup>	63	28,413	68	30,668	49	22,099
Other non-current assets <sup>(8)</sup>	4,547	2,050,697	5,144	2,319,944	5,378	2,425,478
Net current assets <sup>(9)</sup>	8,666	3,908,366	8,333	3,758,183	10,650	4,803,150
Total miscellaneous expenditure not written-off	-	-	-	-	-	-
<b>Total</b>	<b>16,522</b>	<b>7,451,422</b>	<b>17,107</b>	<b>7,715,257</b>	<b>20,149</b>	<b>9,087,199</b>
<b>Notes:</b>						
(1) "Paid-up share capital" represents "Capital stock and additional paid-in capital" in the audited consolidated financial statements.						
(2) "Others" represents the total of the following items in the audited consolidated financial statements:						

Accumulated other comprehensive loss	(1,330)	(599,830)	(2,710)	(1,222,210)	(2,084)	(939,884)
Treasury stock, at cost	(302)	(136,202)	(900)	(405,900)	(897)	(404,547)
<b>Total</b>	<b>(1,632)</b>	<b>(736,032)</b>	<b>(3,610)</b>	<b>(1,628,110)</b>	<b>(2,981)</b>	<b>(1,344,431)</b>
(3) "Net worth" represents "Total ABB stockholders' equity" in the audited consolidated financial statements.						
(4) "Unsecured loans" represents "Long-term debt" in the audited consolidated financial statements.						
(5) "Non-current liabilities" represents the following items in the audited consolidated financial statements:						
Pension and other employee benefits	631	284,581	1,071	483,021	1,179	531,729
Deferred taxes	407	183,557	355	160,105	328	147,928
Other non-current liabilities	1,797	810,447	1,902	857,802	1,997	900,647
<b>Total</b>	<b>2,835</b>	<b>1,278,585</b>	<b>3,328</b>	<b>1,500,928</b>	<b>3,504</b>	<b>1,580,304</b>
(6) "Net fixed assets" represents "Property, plant and equipment, net" in the audited consolidated financial statements.						
(7) "Investments" represents "Investments in equity method companies" in the audited consolidated financial statements.						
(8) "Other non-current assets" represents the following items in the audited consolidated financial statements:						
Financing receivables, net	487	219,637	445	200,695	452	203,852
Goodwill	2,421	1,091,871	2,817	1,270,467	3,026	1,364,726
Other intangible assets, net	270	121,770	411	185,361	443	199,793
Prepaid pension and other employee benefits	380	171,380	73	32,923	112	50,512
Deferred taxes	862	388,762	1,120	505,120	1,052	474,452
Other non-current assets	127	57,277	278	125,378	293	132,143
<b>Total</b>	<b>4,547</b>	<b>2,050,697</b>	<b>5,144</b>	<b>2,319,944</b>	<b>5,378</b>	<b>2,425,478</b>
(7) "Net current assets" is the net of "Total current assets" and "Total current liabilities" in the audited consolidated financial statements.						

Other financial data	Year ended December 31,					
	2007		2008		2009	
	(USD)	(Rs.)	(USD)	(Rs.)	(USD)	(Rs.)
Dividend pay-out-ratio (%) <sup>(1)</sup>	27%	27%	33%	33%	39%	39%
Earnings per common share – diluted <sup>(2)</sup>	1.57	70.81	1.36	61.34	1.27	57.28
Earnings per common share – basic <sup>(3)</sup>	1.60	72.16	1.36	61.34	1.27	57.28
Return on net worth (%) <sup>(4)</sup>	42.49%	42.49%	28.20%	28.20%	23.26%	23.26%
Book value per share – diluted <sup>(5)</sup>	4.75	214.11	4.86	219.18	6.03	271.82
Book value per share – basic <sup>(6)</sup>	4.85	218.85	4.88	220.04	6.04	272.30
<b>Notes:</b>						
(1) "Dividend pay-out-ratio (%)": Dividend per share (converted to USD at year-end exchange rates) divided by "Earnings per common share – basic".						
(2) "Earnings per common share - diluted" is calculated as follows: "Profit after tax" (for the respective year) divided by the average number of shares (in millions and for the respective year) used to calculate "Diluted earnings per share attributable to ABB shareholders" in the audited consolidated financial statements.						
(3) "Earnings per common share - basic" is calculated as follows: "Profit after tax" (for the respective year) divided by the average number of shares (in millions and for the respective year) used to calculate "Basic earnings per share attributable to ABB shareholders" in the audited consolidated financial statements.						
(4) "Return on net worth (%)" is calculated as follows: Profit after Tax for the respective year, divided by the average of the "Net worth" at the beginning and end of the respective year.						
(5) "Book value per share - diluted" is calculated as follows: "Net worth" (as of Dec. 31 of the respective year) divided by the average number of shares (in millions and for the respective year) used to calculate "Diluted earnings per share attributable to ABB shareholders" in the audited consolidated financial statements.						
(6) "Book value per share - basic" is calculated as follows: "Net worth" (as of Dec. 31 of the respective year) divided by the average number of shares (in millions and for the respective year) used to calculate "Basic earnings per share attributable to ABB shareholders" in the audited consolidated financial statements.						

4.2.7 Primary reasons for fall / rise in total revenues and net profit of the PAC are as under:

#### Year ended December 2009 compared to Year ended December 2008

a) Total revenues (2009: USD 31,795 million; 2008: USD 34,912 million)

- Revenues in 2009 declined 9% (4% in local currencies), primarily driven by lower orders received in the shorter-cycle product business, price erosion, and to a lesser extent, delivery delays triggered by customer schedule changes.
- Revenues in the Power Products division decreased 5% (1% in local currencies) despite a double-digit decline in orders as the division benefited from high initial backlog, particularly in Transformers and High-Voltage Products.

- The Power Systems division reported a decline in revenues of 5% (1% increase in local currencies) where a significant increase of revenues from project implementation in Grid Systems mostly offset the decline of revenues in Substations projects.
  - Revenues in the Automation Products division decreased 13% (9% in local currencies) driven primarily by lower orders received, as the division generated a significant portion of its revenues from the book-and-bill orders of standard products.
  - Revenues in the Process Automation division declined 6% (1% in local currencies) as a result of declining backlog in Pulp and Paper, Process Industries Products and Turbocharging. Revenues, however, increased in the Oil and Gas and in the Minerals businesses upon execution of large projects.
  - Revenues in the Robotics division declined 41% (38% in local currencies) due to declining orders and a weak backlog.
- b) Total expenditures (2009: USD 27,669 million; 2008: USD 30,360 million)
- Cost of sales decreased 6% (1% in local currencies), to USD 22,470 million in 2009, mainly due to lower revenues. However, as a percentage of revenues, cost of sales increased to 70.7% from 68.7% in 2008. This increase was primarily attributable to higher under absorption costs arising from lower business volumes, the impact of price erosion, higher restructuring related charges, and changes in business and product mix (the proportion of revenues from high margin businesses is relatively lower in 2009). The impact of these factors was partly offset by savings realized from measures taken in the areas of supply management, global footprint and operational excellence.
  - Other income (expense), net, typically consists of restructuring-related expenses, gains or losses from the sale of businesses, gains or losses from the sale or disposal of property, plant and equipment, asset write-downs, the PAC's share of income or loss from equity accounted companies and license income. Restructuring-related costs are recorded in various lines within the Consolidated Income Statements depending on the nature of the charges. In 2009, restructuring-related costs reported in Other income (expense), net amounted to USD 111 million (compared to USD 5 million in 2008), and were incurred for restructuring projects in all of the divisions with the highest expenses recorded in the Robotics, Process Automation and Automation Products divisions. In 2009, these costs were more than offset by the partial release of provisions related to the investigations in the Power Transformers business after the European Commission imposed a fine of 33.75 million euros in October 2009.
- c) Net Income attributable to the PAC (2009: USD 2,901 million; 2008: USD 3,118 million)
- The change in Net income attributable to the PAC from 2008 to 2009 is primarily the result of the factors described above.

#### **Year ended December 2008 compared to Year ended December 2007**

- a) Total revenues (2008: USD 34,912 million; 2007: USD 29,183 million)
- Revenues increased 20% (16% in local currencies) supported by all divisions, benefiting from the high order backlog available at the beginning of the year and high volume of book-and-bill orders received in the first two quarters of 2008. Further, revenue growth was supported by efficiency improvements in the production and order execution processes.
  - Revenues in the Power Products and Automation Products divisions grew 22% (18% in local currencies) and 19% (13% in local currencies), respectively, as these divisions continued operating at high capacity levels. The increase in revenues in the product divisions was also driven partly by increases in sales prices to compensate the increase of commodity costs.
  - Power Systems and Process Automation divisions reported revenue growth of 19% (16% in local currencies) and 22% (18% in local currencies), respectively. The growth of revenues in the Power Systems and Process Automation divisions was primarily driven by progress made in the execution of large orders.

- High order backlog at the beginning of 2008 was also the main factor contributing to the growth of revenues in the Robotics division, which increased 17% (11% in local currencies).
- b) Total expenditures (2008: USD 30,360 million; 2007: USD 25,160 million)
- In 2008, cost of sales increased 19% (15% in local currencies) to USD 23,972 million. Cost of sales as a percentage of revenues decreased to 68.7% from 69.3% in 2007 reflecting a continuing trend from earlier years as the operations benefited from increased business volume, higher capacity utilization, better project execution and process improvement programs in the areas of risk management and project cost control. Furthermore, the progress made in the implementation of the PAC's cost migration strategy delivered financial benefits through cost savings in 2008.
  - In 2008, Other income (expense), net primarily consisted of provisions for the ongoing investigations in the Power Transformer business by the European Commission, the German Federal Cartel Office, as well as the investigations by the U.S. Securities and Exchange Commission and the U.S. Department of Justice.
- c) Income (loss) from discontinued operations, net of tax (2008: loss of USD 21 million; 2007: income of USD 586 million)
- In 2007, the income was primarily due to the PAC completing the sale of its downstream oil and gas business (Lummus) to Chicago Bridge & Iron for net cash proceeds of approximately USD 810 million. The PAC recorded a gain on the sale of Lummus of USD 530 million.
- d) Net Income attributable to the PAC (2008: USD 3,118 million; 2007: USD 3,611 million)
- The change in Net income attributable to the PAC from 2007 to 2008 is primarily the result of the factors described above.

4.2.8 As on December 31, 2009 and March 31, 2010 the commitments and contingent liabilities of the PAC are as follows:

a) Contingencies - Environmental

The PAC 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 PAC is actually obligated to perform. Provisions for these unresolved matters have been set up if it is probable that the PAC 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 PAC 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 available, that the resolution of any such obligation and non-collection of recoverable costs would not have a further material adverse effect on the PAC's consolidated financial statements.

- Contingencies related to former Nuclear Technology business

The PAC retains liabilities for certain specific environmental remediation costs at two sites in the United States that were operated by its former subsidiary, ABB CE-Nuclear Power Inc., which the PAC sold to British Nuclear Fuels PLC ("BNFL") in 2000. Pursuant to the sale agreement with BNFL, the PAC 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 PAC believes that it may take at least until 2012 at the Windsor site and at least until 2015 at the Hematite site.

Under the terms of the sale agreement, BNFL is responsible to have the remediation of the Hematite site performed in a cost efficient manner and pursue recovery of remediation costs from other potentially responsible parties as conditions for obtaining cost sharing contributions from the PAC. Westinghouse Electric Company LLC (“**Westinghouse**”), BNFL’s former subsidiary, now oversees remediation activities at the Hematite site. Westinghouse was acquired during 2006 by a consortium led by Toshiba Corporation, Japan. Since then, Westinghouse’s efforts were focused on modifying, finalizing and obtaining regulatory approval of its draft decommissioning plan for the Hematite site.

During 2007, the PAC 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 PAC’s radiological license for the site.

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

The PAC 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 proportion of the provisions in respect of these contingencies reflects the provisions of an acquired company. Substantially all of the acquired entity’s remediation liability is indemnified by a prior owner. Accordingly, an asset equal to this remediation liability is included in Other non-current assets.

The impact of the above environmental obligations on Income from discontinued operations, net of tax, was not significant for the three months ended March 31, 2010, a charge of USD 11 million for the year ended December 31, 2009 and was not significant for the years ended December 31, 2008 and December 31, 2007. The impact of the above obligations on Income from continuing operations, net of tax was not significant for the three months ended March 31, 2010 and for the years ended December 31, 2009, December 31, 2008 and December 31, 2007.

The total effect of the above Nuclear Technology and other environmental obligations on the PAC’s consolidated statements of cash flows was as follows:

Cash expenditures	Year ended December 31, 2007		Year ended December 31, 2008		Year ended December 31, 2009		Three months ended March 31, 2010	
	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs
Nuclear Technology business	3	1,353	4	1,804	11	4,961	4	1,804
Various businesses	4	1,804	8	3,608	18	8,118	2	902
<b>Total</b>	<b>7</b>	<b>3,157</b>	<b>12</b>	<b>5,412</b>	<b>29</b>	<b>13,079</b>	<b>6</b>	<b>2,706</b>

At March 31, 2010, the PAC has estimated further expenditures of USD 23 million for the remainder of 2010.

The total effect of the above Nuclear Technology and other environmental obligations on the PAC’s consolidated balance sheets was as follows:

Provision balance relating to:	December 31, 2008		December 31, 2009		March 31, 2010	
	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs
Nuclear Technology business	241	108,691	230	103,730	226	101,926
Various businesses	52	23,452	67	30,217	65	29,315
<b>Total</b>	<b>293</b>	<b>132,143</b>	<b>297</b>	<b>133,947</b>	<b>291</b>	<b>131,241</b>
Environmental provisions included in:	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs
Provisions and other current liabilities	46	20,746	29	13,079	29	13,079
Other non-current liabilities	247	111,397	268	120,868	262	118,162
<b>Total</b>	<b>293</b>	<b>132,143</b>	<b>297</b>	<b>133,947</b>	<b>291</b>	<b>131,241</b>

Provisions for the above estimated losses have not been discounted.

b) Asbestos obligations

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

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

The effect of asbestos obligations on the PAC's consolidated income statements and statements of cash flows was not significant for the three months ended March 31, 2010, and, for the years ended December 31, 2009, December 31, 2008 and December 31, 2007, was as follows:

	December 31, 2007		December 31, 2008		December 31, 2009	
	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs
Income (loss) from discontinued operations, net of tax	-	-	(31)	(13,981)	-	-
Cash expenditures	382	172,282	100	45,100	1	451

Included in the USD 382 million cash expenditures in 2007 was a payment of USD 28 million related to funding of the Lummus Asbestos PI Trust, completed on May 2, 2007, and payment of USD 204 million to the CE Asbestos PI Trust on November 14, 2007, as required in conjunction with the sale of Lummus that occurred on November 16, 2007.

The effect of asbestos obligations on the PAC's consolidated balance sheets was as follows:

Asbestos provisions included in:	December 31, 2008		December 31, 2009		March 31, 2010	
	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs
Provisions and other current liabilities	4	1,804	28	12,628	28	12,628
Other non-current liabilities	50	22,550	25	11,275	25	11,275
<b>Total</b>	<b>54</b>	<b>24,354</b>	<b>53</b>	<b>23,903</b>	<b>53</b>	<b>23,903</b>

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

c) Contingencies – Regulatory, Compliance and Legal

- Gas Insulated Switchgear business

In May 2004, the PAC announced that it had undertaken an internal investigation which uncovered that certain employees of the PAC, together with employees of other companies active in the Gas Insulated Switchgear business, were involved in anti-competitive practices. The PAC has reported such practices upon identification to the appropriate antitrust

authorities, including the European Commission. The European Commission announced its decision in January 2007, and granted the PAC full immunity from fines assessed to the PAC of Euro 215 million under the European Commission's leniency program.

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

- Power Transformers business

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

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

- Cables business

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

- FACTS business

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

- Suspect payments

In April 2005, the PAC 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 PAC made additional voluntary disclosures to the DoJ and the SEC regarding suspect payments made by other PAC subsidiaries in a number of countries in the Middle East, Asia, South America and Europe as well as by its former Lummus business. These payments were discovered by the PAC as a result of its internal audit program and compliance reviews. The payments may be in violation of the Foreign Corrupt Practices Act or other applicable laws. The PAC is cooperating with the relevant authorities regarding these issues and is continuing its internal investigations and compliance reviews. The PAC anticipates an unfavorable outcome with respect to the investigation of these suspect payments and expects that fines will be imposed.

- Earnings overstatement in an Italian subsidiary

In September 2004, the PAC restated its consolidated financial statements for all prior periods as a result of earnings overstatements by a business unit of the PAC's Power Products division (part of the former Power Technologies division) in Italy. The restatement followed an internal investigation by the PAC which revealed that the business unit had overstated earnings before interest and taxes and net income, as well as that certain employees had participated in arranging improper payments to an employee of an Italian power generation company in order to obtain a contract. The PAC reported this matter to the

Italian authorities, as well as to the SEC and the DoJ. In 2009, the PAC settled matters with the Italian authorities and the case was dismissed. The PAC cannot reasonably predict what action, if any, the SEC or the DoJ may take.

- General

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

At March 31, 2010, December 31, 2009 and December 31, 2008, the PAC accrued aggregate liabilities of USD 280 million, USD 300 million and USD 795 million, respectively, included in provisions and other current liabilities and in other non-current liabilities for the above regulatory, compliance and legal contingencies. The aggregate accrued liabilities of the PAC at December 31, 2009, were impacted primarily by changes in the provisions relating to alleged anti-competitive practices, including, but not limited to, the European Commission's decision in October 2009 on the power transformers business. As it is not possible to make an informed judgment on the outcome of certain matters and as it is not possible based on information currently available to management to estimate the maximum potential liability on other matters, there could be material adverse outcomes beyond such accrued liabilities.

d) Guarantees – General

The following table provides quantitative data regarding the PAC'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 PAC's best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations.

	December 31, 2008				December 31, 2009				March 31, 2010			
	Maximum potential payments		Carrying amount of liabilities		Maximum potential payments		Carrying amount of liabilities		Maximum potential payments		Carrying amount of liabilities	
	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs	USD million	Rs. lakhs
Performance guarantees	413	186,263	1	451	214	96,514	1	451	208	93,808	1	451
Financial guarantees	95	42,845	-	-	91	41,041	-	-	91	41,041	-	-
Indemnification guarantees	277	124,927	6	2,706	282	127,182	1	451	277	124,927	1	451
<b>Total</b>	<b>785</b>	<b>354,035</b>	<b>7</b>	<b>3,157</b>	<b>587</b>	<b>264,737</b>	<b>2</b>	<b>902</b>	<b>576</b>	<b>259,776</b>	<b>2</b>	<b>902</b>

- Performance guarantees

Performance guarantees represent obligations where the PAC 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 PAC will compensate the guaranteed party in cash or in kind. Performance guarantees include surety bonds, advance payment guarantees and performance standby letters of credit. The significant performance guarantees are described below.

The PAC retained obligations for guarantees related to the Power Generation business contributed in mid-1999 to the former ABB Alstom Power NV joint venture (Alstom Power NV). The guarantees primarily consist of performance guarantees, advance payment guarantees and other miscellaneous guarantees under certain contracts such as indemnification for personal injuries and property damages, taxes and compliance with labor laws, environmental laws and patents. The guarantees are related to projects which are

expected to be completed by 2013 but in some cases have no definite expiration date. In May 2000, the PAC 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 PAC against any claims arising under such guarantees. Management's best estimate of the total maximum potential exposure of quantifiable guarantees issued by the PAC on behalf of its former Power Generation business was approximately USD 99 million at both March 31, 2010 and December 31, 2009 and approximately USD 120 million at December 31, 2008. The PAC has not experienced any losses related to guarantees issued on behalf of the former Power Generation business.

The PAC retained obligations for guarantees related to the Upstream Oil and Gas business sold in 2004. The guarantees primarily consist of performance guarantees and have original maturity dates ranging from one to seven years. The maximum amount payable under the guarantees was approximately USD 95 million, USD 98 million and USD 239 million at March 31, 2010, December 31, 2009 and December 31, 2008, respectively. The PAC has the ability to recover potential payments under these guarantees through certain backstop guarantees. The maximum potential recovery under these backstop guarantees was approximately USD 6 million at both March 31, 2010 and December 31, 2009 and approximately USD 16 million at December 31, 2008.

The PAC retained obligations for guarantees related to the Building Systems business in Germany sold in 2007. The guarantees primarily consist of performance guarantees and have original maturity dates ranging from one to thirteen years. The maximum amount payable under the guarantees was approximately USD 13 million, USD 15 million and USD 54 million at March 31, 2010, December 31, 2009 and December 31, 2008, respectively.

- Financial guarantees

Financial guarantees represent irrevocable assurances that the PAC 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 March 31, 2010, December 31, 2009 and December 31, 2008, the PAC had USD 91 million, USD 91 million and USD 95 million, respectively, of financial guarantees outstanding. Of each of those amounts, USD 22 million was issued on behalf of companies in which the PAC currently has or formerly had an equity interest. The guarantees have various maturity dates. The majority of the durations run to 2013, with the longest expiring in 2021.

- Indemnification guarantees

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

The PAC delivered to the purchasers of Lummus guarantees related to assets and liabilities divested in 2007. The maximum liability of USD 50 million at each of March 31, 2010, December 31, 2009 and December 31, 2008, relating to these businesses, will reduce over time, pursuant to the sales agreements.

The PAC delivered to the purchasers of its interest in Jorf Lasfar guarantees related to assets and liabilities divested in 2007. The maximum liability at March 31, 2010, December 31, 2009 and December 31, 2008, of USD 146 million, USD 145 million and USD 143 million, respectively, relating to this business is subject to foreign exchange fluctuations.

The PAC delivered to the purchaser of the Reinsurance business guarantees related to assets and liabilities divested in 2004. The maximum liability at March 31, 2010, December 31, 2009 and December 31, 2008, of USD 81 million, USD 87 million and USD 84 million,

respectively, related to this business will reduce over time, pursuant to the sales agreement, and subject to foreign exchange fluctuations.

In addition, with respect to the sale of Lummus, the PAC retained certain liabilities, including for potential fines and penalties connected with suspect payments made prior to completion of the sale. The PAC has disclosed these suspect payments to the SEC and DoJ. The PAC believes that an unfavorable outcome is likely and has recorded a provision as discussed in more detail in the “Suspect payment” disclosures section in paragraphs 4.2.8 (c) above and 4.2.12 (e).

- Product and order related contingencies

The PAC 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, is as follows:

	2010	
	USD million	Rs. lakhs
Balance at January 1,	1,280	577,280
Claims paid in cash or in kind	(35)	(15,785)
Net increase to provision for changes in estimates, warranties issued and warranties expired	20	9,020
Exchange rate differences	(37)	(16,687)
<b>Balance at March 31,</b>	<b>1,228</b>	<b>553,828</b>

	2008		2009	
	USD million	Rs. lakhs	USD million	Rs. lakhs
Balance at January 1,	1,121	505,571	1,105	498,355
Claims paid in cash or in kind	(173)	(78,023)	(234)	(105,534)
Net increase to provision for changes in estimates, warranties issued and warranties expired	203	91,553	365	164,615
Exchange rate differences	(46)	(20,746)	44	19,844
<b>Balance at December 31,</b>	<b>1,105</b>	<b>498,355</b>	<b>1,280</b>	<b>577,280</b>

e) IBM Outsourcing Agreement

In 2003, the PAC entered into a 10-year global framework agreement with International Business Machines Corporation (“IBM”) to outsource the PAC’s information systems infrastructure services to IBM. The global framework agreement includes an obligation for IBM to lease new personal computers and other IT equipment to the PAC as older equipment is retired. The PAC accounts for these items as capital leases or operating leases based on the terms of the leases.

In December 2009, the PAC and IBM signed an extension to the 2003 agreement for the period up to 2016. The agreement covers the PAC’s information systems infrastructure across 17 countries in Europe, North America and Asia Pacific. IBM will provide server and network management, as well as end user and help desk services for the majority of the PAC’s information systems infrastructure operations.

Pursuant to the global framework agreement, IBM receives monthly payments from the PAC’s subsidiaries in the respective countries related to information systems infrastructure services. Costs for these services in 2009, 2008 and 2007 were USD 269 million, USD 296 million and USD 251 million, respectively.

f) Related party transactions

The PAC conducts business with certain companies where members of the PAC’s board of directors or executive committee act as directors or senior executives. The PAC’s board of directors has determined that the PAC’s business relationships with those companies do not constitute material business relationships. This determination was made in accordance with the

PAC's related party transaction policy which was prepared based on the Swiss Code of Best Practice and the independence criteria set forth in the corporate governance rules of the New York Stock Exchange.

4.2.9 Significant accounting policies followed in the preparation of the consolidated financial statements of the PAC as of December 31, 2009

a) Basis of presentation

The consolidated financial statements are prepared in accordance with U.S. GAAP and are presented in USD unless otherwise stated. The par value of capital stock is denominated in CHF.

b) Scope of consolidation

The consolidated financial statements include the accounts of ABB Ltd and companies which are directly or indirectly controlled by ABB Ltd. Additionally, the PAC consolidates variable interest entities if it has determined that it is the primary beneficiary. Intercompany accounts and transactions have been eliminated. Investments in joint ventures and affiliated companies in which the PAC has the ability to exercise significant influence over operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights), are recorded in the consolidated financial statements using the equity method of accounting.

c) Reclassifications

Certain amounts reported for prior years in the consolidated financial statements and notes have been reclassified to conform to the current year's presentation. These changes primarily relate to the reclassification of cash-settled call options to derivatives (from marketable securities and short-term investments) in the consolidated balance sheets, the presentation of deferred tax assets and liabilities on a net basis (where permitted) rather than on a gross basis in the consolidated balance sheets and the breakdown of lines in the consolidated statements of cash flows related to purchases of, and proceeds from sales of, marketable securities (other-than-trading) and short-term investments in order to provide increased transparency of the transactions.

d) Operating cycle

A portion of the PAC's operating cycle, including long-term construction activities, exceeds one year. For classification of current assets and liabilities related to such construction activities, the PAC 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.

e) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make assumptions and estimates that directly affect the amounts reported in the consolidated financial statements and the accompanying notes. The accounting estimates that require the PAC'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 PAC'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 impairments of long-lived assets, and
- assessment of the allowance for doubtful accounts.

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

f) Cash and equivalents

Cash and equivalents include highly liquid investments with maturities of three months or less at the date of acquisition.

Currency and other local regulatory limitations related to the transfer of funds exist in a number of countries where the PAC operates. Funds, other than regular dividends, fees or loan repayments, cannot be readily transferred offshore from these countries and are therefore deposited and used for working capital needs locally. These funds are included in cash and equivalents as they are not considered restricted.

g) Marketable securities and short-term investments

Management determines the appropriate classification of held-to-maturity and available-for-sale securities at the time of purchase. Debt securities are classified as held-to-maturity when the PAC has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for accretion of discounts or amortization of premiums to maturity computed under the effective interest method. Such accretion or amortization is included in Interest and dividend income. Marketable debt and equity securities not classified as held-to-maturity are classified as available-for-sale.

Marketable debt and equity securities classified as available-for-sale at the time of purchase are reported at fair value. Unrealized gains and losses on available-for-sale securities are excluded from the determination of earnings and are instead recognized in the Accumulated other comprehensive loss component of stockholders' equity, net of tax, until realized. Realized gains and losses on available-for-sale securities are computed based upon the historical cost of these securities using the specific identification method.

The PAC performs a periodic review of its debt and equity securities to determine whether an other-than-temporary impairment has occurred. Generally, when an individual security has been in an unrealized loss position for an extended period of time, the PAC evaluates whether an impairment has occurred. The evaluation is based on specific facts and circumstances at the time of assessment, which include general market conditions, the duration and extent to which the fair value is below cost and, through 2008, the PAC's intent and ability to hold the security for a sufficient period of time to allow for recovery in value. In addition, for equity securities, the PAC assesses whether the cost value will recover within the near-term. If an other-than-temporary impairment is identified, the security is written down to its fair value.

In 2009, the PAC adopted new accounting standards for the recognition and measurement of other-than-temporary impairments of debt securities. The previous criterion of the PAC's intent and ability to hold the security for a sufficient period of time to allow for recovery in value of the debt security was replaced and, under the new standards, if the fair value of a debt security is less than its amortized cost, then an other-than-temporary impairment is recognized if (i) the PAC has the intent to sell the security, (ii) it is more likely than not that the PAC will be required to sell the security before recovery of its amortized cost base or (iii) a credit loss exists in so far as the PAC does not expect to recover the entire recognized amortized cost of the security. Impairment charges relating to such credit losses are recognized in Interest and other finance expense while impairments related to all other factors are recognized in Accumulated other comprehensive loss.

Marketable debt securities are classified as either Cash and equivalents or Marketable securities and short-term investments according to their maturity at the time of acquisition.

h) Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts is

the PAC's best estimate of the amount of probable credit losses in existing accounts receivable. The PAC determines the allowance based on historical write-off experience and customer economic data. The PAC reviews the allowance for doubtful accounts regularly and past due balances are reviewed for collectability. Account balances are charged off against the allowance when the PAC believes that the amount will not be recovered.

i) Concentrations of credit risk

The PAC sells a broad range of products, systems and services to a wide range of industrial, commercial and utility customers as well as various government agencies and quasi-governmental agencies throughout the world. Concentrations of credit risk with respect to accounts receivable are limited, as the PAC's customer base is comprised of a large number of individual customers. Ongoing credit evaluations of customers' financial positions are performed and generally, no collateral is required. The PAC maintains reserves for potential credit losses as discussed above in Accounts receivable and allowance for doubtful accounts. Such losses, in the aggregate, are in line with the PAC's expectations.

It is the PAC's policy to invest cash in deposits with banks throughout the world with certain minimum credit ratings and in high quality, low risk, liquid investments.

The PAC actively manages its credit risk by routinely reviewing the creditworthiness of the banks and the investments held, as well as maintaining such investments in time deposits or other liquid investments. The PAC has not incurred significant credit losses related to such investments.

The PAC's exposure to credit risk on derivative financial instruments is the risk that the counterparty will fail to meet its obligations. To reduce this risk, the PAC has credit policies that require the establishment and periodic review of credit limits for individual counterparties. In addition, the PAC has entered into close-out netting agreements with most counterparties. Close-out netting agreements provide for the termination, valuation and net settlement of some or all outstanding transactions between two counterparties on the occurrence of one or more pre-defined trigger events. However, in the consolidated financial statements derivative transactions are presented on a gross basis.

j) Revenue recognition

The PAC generally recognizes revenues for the sale of goods when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Delivery is considered to occur upon transfer of title and the risks and rewards of ownership.

Revenues under long-term construction-type contracts are recognized using the percentage-of-completion method of accounting. The PAC principally uses the cost-to-cost method to measure progress towards completion on contracts. Under this method, progress of contracts is measured by actual costs incurred in relation to the PAC's best estimate of total estimated costs, which are reviewed and updated routinely for contracts in progress. The cumulative effects of such adjustments are reported in the current period.

Short-term construction-type contracts or long-term contracts for which reasonably dependable estimates cannot be made or for which inherent hazards make estimates difficult, are accounted for under the completed-contract method. Revenues under the completed-contract method are recognized upon substantial completion – that is: acceptance by the customer, compliance with performance specifications demonstrated in a factory acceptance test or similar event.

Revenues from service transactions are recognized as services are performed. For long-term service contracts, revenues are recognized on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided. Service revenues reflect revenues earned from the PAC's activities in providing services to customers primarily subsequent to the sale and delivery of a product or complete system. Such revenues consist principally of maintenance-type contracts.

The PAC offers multiple solutions to meet its customers' needs. These solutions may involve the delivery of multiple products and / or performance of services and the delivery and / or performance may occur at different points in time or over different periods of time. In such

circumstances, if certain criteria are met, the PAC allocates revenues to each delivery of product or performance of service based on the individual elements' relative fair value. If there is no evidence for the fair value of the delivered item, the revenue is allocated based on the residual method, provided that the elements meet the criteria for treatment as a separate unit of accounting.

Unless the percentage-of-completion or completed-contract method applies, revenues from contracts that contain customer acceptance provisions are deferred until customer acceptance occurs, or the PAC has demonstrated the customer-specified objective criteria have been met, or the contractual acceptance period has lapsed.

Taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions between the PAC and its customers, such as sales, use, value-added and some excise taxes are presented on a net basis (excluded from revenues).

k) Product-related expenses and contract loss provisions

Losses on contracts are recognized in the period when they are identified and are based upon the anticipated excess of contract costs over the related contract revenues. Shipping and handling costs are recorded as a component of cost of sales.

l) Inventories

Inventories are stated at the lower of cost (determined using either the first-in, first-out or the weighted-average cost method) or market. Inventoried costs are stated at acquisition cost or actual production cost, including direct material and labor and applicable manufacturing overheads, reduced by amounts recognized in cost of sales. Adjustments to reduce the cost of inventory to its net market value are made, if required for decreases in sales prices, obsolescence or similar impairments.

m) Accounting for discontinued operations

Assets and liabilities that meet certain criteria with respect to the PAC's plans for their sale or abandonment are included in assets and liabilities held for sale and in discontinued operations. Depreciation and amortization cease when the assets meet the criteria to be classified as held for sale. Results from discontinued operations are recognized in the period in which they occur. Assets and liabilities classified as held for sale are measured at the lower of carrying amount or fair value, less cost to sell. Assets and liabilities related to discontinued operations that are retained are not classified into assets or liabilities held for sale and in discontinued operations in the consolidated balance sheets; future adjustments of such balances are recorded through income (loss) from discontinued operations, net of tax, in the consolidated income statements. In the consolidated statements of cash flows, the amounts related to businesses with assets and liabilities held for sale and in discontinued operations are not segregated.

n) Impairment of long-lived assets

Long-lived assets that are held and used are assessed for impairment when events or circumstances indicate that the carrying amount of the asset may not be recoverable. If the asset's net carrying value exceeds the asset's net undiscounted cash flows expected to be generated over its remaining useful life including net proceeds expected from disposition of the asset, if any, the carrying amount of the asset is reduced to its estimated fair value. The estimated fair value is determined using a market, income and / or cost approach.

o) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and is depreciated using the straight-line method. The estimated useful lives of the assets are generally as follows:

- factories and office buildings: 30 to 40 years,
- other facilities: 15 years,
- machinery and equipment: 3 to 15 years,

- furniture and office equipment: 3 to 8 years,
- leasehold improvements are depreciated over their estimated useful life or, for operating leases, over the lease term, if shorter.

p) Goodwill and other intangible assets

Goodwill is tested for impairment annually as of October 1 or more frequently if events or circumstances indicate that the carrying value may not be recoverable. The PAC performs a two-step impairment test. In the first step, the PAC compares the fair value of each reporting unit to its carrying value. A reporting unit is an operating segment or one level below an operating segment. For the annual impairment review, the reporting units were the same as the operating segments for Power Systems, Automation Products and Robotics while for Power Products and Process Automation operating segments, the reporting units were determined to be one level below the operating segment. The PAC determines the fair value of its reporting units based on the income approach whereby the fair value of each reporting unit is calculated based on the present value of future cash flows. If the carrying value of the net assets of a reporting unit exceeds the fair value of the reporting unit then the PAC performs the second step of the impairment test to determine the implied fair value of the reporting unit's goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, the PAC records an impairment charge equal to the difference.

The cost of acquired intangible assets is amortized using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up. The amortization periods typically range from 1 to 10 years. Intangible assets are tested for impairment upon the occurrence of certain triggering events.

q) Capitalized software costs

- Software for internal use: Costs incurred in the application development stage until the software is substantially complete are capitalized and are amortized on a straight-line basis over the estimated useful life of the software, typically ranging from 3 to 5 years.
- Software product to be sold: Costs incurred after the software has demonstrated its technological feasibility until the product is available for general release to the customers are capitalized and amortized on a straight-line basis over the estimated life of the product. The PAC periodically performs an evaluation to determine that the unamortized cost of software to be sold does not exceed the net realizable value.

r) Derivative financial instruments and hedging activities

The PAC uses derivative financial instruments to manage currency, commodity, interest rate and equity exposures, arising from its global operating, financing and investing activities.

The PAC recognizes all derivatives, other than certain derivatives indexed to the PAC's own stock, at fair value in the consolidated balance sheets. Derivatives that are not designated as hedging instruments are reported at fair value with derivative gains and losses reported through earnings and classified consistent with the nature of the underlying transaction. If the derivatives are designated as a hedge, depending on the nature of the hedge, changes in the fair value of the derivatives will either be offset against the change in fair value of the hedged item attributable to the risk being hedged through earnings (in the case of a fair value hedge) or recognized in Accumulated other comprehensive loss until the hedged item is recognized in earnings (in the case of a cash flow hedge). The ineffective portion of a derivative's change in fair value is immediately recognized in earnings consistent with the classification of the hedged item.

If an underlying hedged transaction is terminated early, the hedging derivative instrument is treated as if terminated simultaneously, with any gain or loss on termination of the derivative immediately recognized in earnings. Where derivative financial instruments have been designated as hedges of forecasted transactions and such forecasted transactions are no longer probable of occurring, hedge accounting is discontinued and any derivative gain or loss previously included in Accumulated other comprehensive loss is reclassified into earnings consistent with the nature of the original forecasted transaction.

Certain commercial contracts may grant rights to the PAC or the counterparties, or contain other provisions that are considered to be derivatives. Such embedded derivatives are assessed at inception of the contract and depending on their characteristics, accounted for as separate derivative instruments and shown at their fair value in the balance sheet with their changes in fair value reported in earnings consistent with the nature of the commercial contract to which they relate.

Derivatives are classified in the consolidated statements of cash flows in the same section as the underlying item, primarily within Net cash provided by operating activities.

s) Leases

The PAC leases primarily real estate and office equipment. Rental expense for operating leases is recorded on a straight-line basis over the life of the lease term. Lease transactions where substantially all risks and rewards incident to ownership are transferred from the lessor to the lessee are accounted for as capital leases. All other leases are accounted for as operating leases. Amounts due under capital leases are recorded as a liability. The interest in assets acquired under capital leases is recorded as Property, plant and equipment. Depreciation and amortization of assets recorded under capital leases is included in depreciation and amortization expense.

t) Sale-leasebacks

The PAC occasionally enters into transactions accounted for as sale-leasebacks, in which fixed assets, generally real estate and / or equipment, are sold to a third party and then leased for use by the PAC. Under certain circumstances, the necessary criteria to recognize a sale of these assets may not occur and then the transaction is reflected as a financing transaction, with the proceeds received from the transaction reflected as a borrowing or deposit liability. When the necessary criteria have been met to recognize a sale, gains or losses on the sale of the assets are generally deferred and amortized over the term of the transaction, except in certain limited instances when a portion of the gain or loss may be recognized upon inception. The lease of the asset is accounted for as either an operating lease or a capital lease, depending upon its specific terms.

u) Translation of foreign currencies and foreign exchange transactions

The functional currency for most of the PAC's subsidiaries is the applicable local currency. The translation from the applicable functional currencies into the PAC's reporting currency is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for income statement accounts using average exchange rates prevailing during the year. The resulting translation adjustments are excluded from the determination of earnings and are recognized in Accumulated other comprehensive loss until the subsidiary is sold, substantially liquidated or evaluated for impairment in anticipation of disposal.

Foreign currency exchange gains and losses, such as those resulting from foreign currency denominated receivables or payables, are included in the determination of earnings, except as they relate to intercompany loans that are equity-like in nature with no reasonable expectation of repayment, which are recognized in Accumulated other comprehensive loss. Exchange gains and losses recognized in earnings are included in Total revenues, Total cost of sales, Selling, general and administrative expenses or Interest and other finance expense consistent with the nature of the underlying item.

v) Income taxes

The PAC uses the asset and liability method to account for deferred taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. For financial statement purposes, the PAC records a deferred tax asset when it determines that it is more likely than not that the deduction will be sustained based upon the deduction's technical merit. A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized.

Deferred taxes are provided on unredeemed retained earnings of the PAC's subsidiaries. However, deferred taxes are not provided on such unredeemed retained earnings to the extent it is expected

that the earnings are permanently reinvested. Such earnings may become taxable upon the sale or liquidation of these subsidiaries or upon the remittance of dividends.

The PAC operates in numerous tax jurisdictions and, as a result, is regularly subject to audit by tax authorities. The PAC provides for tax contingencies on the basis of their technical merits, including relative tax law and Organisation for Economic Co-operation and Development (OECD) guidelines, as well as on items relating to potential audits by tax authorities based upon its evaluations of the facts and circumstances as of each reporting period. Changes in the facts and circumstances could result in a material change to the tax accruals. The PAC provides for tax contingencies whenever it is deemed more likely than not that a tax asset has been impaired or a tax liability has been incurred for events such as tax claims or changes in tax laws.

The PAC applies a two-step approach to recognize and measure uncertainty in income taxes. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement.

Expense related to tax penalties is classified in the consolidated financial statements as Provision for taxes, while interest thereon is classified as Interest and other finance expense.

w) Research and development

Research and development costs not related to specific customer orders are expensed as incurred. Such research and development expenses are included in Selling, general and administrative expenses and were USD 1,037 million, USD 1,027 million and USD 871 million in 2009, 2008 and 2007, respectively.

x) Earnings per share

Basic earnings (loss) per share is calculated by dividing income (loss) by the weighted-average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated by dividing income (loss) by the weighted-average number of shares outstanding during the year, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise: outstanding written call options, outstanding options and shares granted subject to certain conditions under the PAC's share-based payment arrangements and, prior to September 2007, shares issuable in relation to outstanding convertible bonds.

y) Share-based payment arrangements

The PAC has various share-based payment arrangements for its employees. Such arrangements are accounted for under the fair value method. For awards that are equity-settled, total compensation is measured at grant date, based on the fair value of the award at that date, and recorded in income over the period the employees are required to render service. For awards that are cash-settled, compensation is initially measured at grant date and subsequently remeasured at each reporting period, based on the fair value and vesting percentage of the award at each of those dates, with changes in the liability recorded in earnings.

z) Fair value measures

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

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

When determining fair values based on quoted prices in an active market, the PAC 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 PAC is required to use another valuation technique, such as an income approach.

aa) Contingencies and asset retirement obligations

The PAC is subject to proceedings, litigation or threatened litigation and other claims and inquiries, related to environmental, labor, product, regulatory and other matters and is required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue, often with assistance from both internal and external legal counsel and technical experts. The required amount of a provision for a contingency of any type may change in the future due to new developments in the particular matter, including changes in the approach to its resolution.

The PAC records a provision for its contingent obligations when it is probable that a loss will be incurred and the amount can be reasonably estimated. Any such provision is generally recognized on an undiscounted basis using the PAC's best estimate of the amount of loss incurred or at the lower end of an estimated range when a single best estimate is not determinable. In some cases, the PAC may be able to recover a portion of the costs relating to these obligations from insurers or other third parties; however, the PAC records such amounts only when it is probable that they will be collected.

The PAC provides for anticipated costs for warranties when it recognizes revenues on the related products or contracts. Warranty costs include calculated costs arising from imperfections in design, material and workmanship in the PAC's products. The PAC makes individual assessments on contracts with risks resulting from order-specific conditions or guarantees and assessments on an overall, statistical basis for similar products sold in larger quantities.

The PAC may have a legal obligation to perform environmental clean-up activities as a result of the normal operation of its business or have other asset retirement obligations. In some cases, the timing or the method of settlement, or both are conditional upon a future event that may or may not be within the control of the PAC, but the underlying obligation itself is unconditional and certain. The PAC recognizes a provision for these and other asset retirement obligations when a liability for the retirement or clean-up activity has been incurred and a reasonable estimate of its value can be made. Asset retirements provisions are initially recognized at fair value, and subsequently adjusted for accrued interest and changes in estimates. Provisions for environmental obligations are not discounted to their present value when the timing of payments cannot be reasonably estimated.

bb) Pensions and other postretirement benefits

The PAC has a number of defined benefit pension and other postretirement plans. The PAC recognizes an asset for such a plan's overfunded status or a liability for such a plan's underfunded status in its consolidated balance sheets. Additionally, the PAC measures such a plan's assets and obligations that determine its funded status as of the end of the year and recognizes the changes in the funded status in the year in which the changes occur. Those changes are reported in Accumulated other comprehensive loss and as a separate component of stockholders' equity.

The PAC uses actuarial valuations to determine its pension and postretirement benefit costs and credits. The amounts calculated depend on a variety of key assumptions, including discount rates and expected return on plan assets. Current market conditions are considered in selecting these assumptions.

cc) New accounting pronouncements

i) Convertible bonds

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

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

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

At December 31, 2009 and 2008, the PAC did not have any convertible debt instruments outstanding. However, the PAC adopted the provisions of the new standard on a retroactive basis to January 1, 2007, as they related to the PAC's CHF 1 billion 3.5% Convertible Bonds (issued in 2003 and due 2010) fully converted by bondholders in 2007. Separately accounting for the equity component on issuance resulted in a discount on issuance of the bonds and subsequent accretion to par over the original life of the bonds. The impact on the PAC's 2007 consolidated income statement was a loss of USD 49 million from the cumulative effect of the accounting change, a loss of USD 90 million arising on the conversions by bondholders during 2007 and a charge to Interest and other finance expense of USD 7 million related to amortization of the discount during 2007 (in addition to the interest expense of USD 9 million representing the nominal interest rate of 3.5% on the bonds).

ii) Noncontrolling interests in consolidated financial statements

As of January 1, 2009, the PAC adopted a new accounting standard which changed the accounting and reporting for minority interests, which are recharacterized as noncontrolling interests and classified as a component of equity. This change was effective prospectively as of January 1, 2009, except for the presentation and disclosure requirements which apply retrospectively for all periods presented. As a result of the adoption, noncontrolling interests of USD 612 million and USD 592 million were reclassified to stockholders' equity at December 31, 2008 and 2007, respectively. Income attributable to noncontrolling interests of USD 235 million, USD 260 million and USD 244 million for 2009, 2008 and 2007, respectively, is included in Net income and is deducted to arrive at Net income attributable to ABB.

iii) Business combinations

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

iv) Fair value and derivatives

As of January 1, 2009, the PAC adopted a new accounting standard that amended and expanded the disclosure requirements for derivatives. Additional qualitative disclosures about the objectives and strategies for using derivatives, additional quantitative disclosures about fair value amounts of gains and losses on derivative instruments and information regarding credit-risk-related contingent features in derivative agreements are required. These additional disclosures do not change the accounting treatment of derivatives.

As of January 1, 2009, the PAC adopted, for all non-financial assets and liabilities accounted for at fair value on a non-recurring basis, the framework for measuring fair value (as described in the Fair value measures section above) and the related disclosure requirements.

v) Disclosures about postretirement benefit plan assets

As of 2009, the PAC adopted a new accounting standard that does not change the accounting treatment but amends the required disclosures for plan assets of defined benefit pension plans and other postretirement plans. The required disclosures include:

- a description of the pension plans' investment policies and strategies,
- the fair value of each major category of plan assets,

- the inputs and valuation techniques used to measure the fair value of plan assets,
- the effect of fair value measurements using significant unobservable inputs on changes in plan assets, and
- the significant concentrations of risk within plan assets.

4.2.10 The PAC has never acquired equity shares in the Target Company. The following are the details of earlier acquisitions by other entities in the ABB group.

Promoter entity	Particulars	No. of equity shares acquired / (sold)	Capital as on date of acquisition / sale (Rs.)	Resultant shareholding	Status of compliance with SEBI (SAST) Regulations and other relevant regulations
Brown Boveri & Co Ltd	Allotment of 60,000 equity shares and purchase of 1 equity share by Brown Boveri & Co Ltd in 1962 <sup>(1)</sup>	60,001	12,000,000	50.00%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Rights Issue of 1:1 in 1964 <sup>(1)</sup>	60,001	24,000,000	50.00%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Sold 54,226 equity shares to Larsen & Toubro and 50 equity shares to others <sup>(1)</sup>	(54,276)	24,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bonus Issue in the ratio of 1:4 on 25.06.1976 <sup>(1)</sup>	16,431	30,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bonus Issue in the ratio of 1:3 on 03.05.1978 <sup>(1)</sup>	27,386	40,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bought 24,000 equity shares from Life Insurance Corporation of India and General Insurance Corporation of India in 1981 <sup>(1)</sup>	24,000	40,000,000	33.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Effective November 1, 1986, Rights issue of 1:4 and additional equity shares to Brown Boveri & Co Ltd - 2,500 equity shares <sup>(1)</sup>	35,886	50,750,000	33.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	20,000 preference shares converted into equity shares in the ratio 1:2 on 04.02.1989 <sup>(1)</sup>	10,000	52,750,000	34.01%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	179,429 shares of Rs. 100 each were divided into 1,794,290 equity shares of Rs. 10 each on 01.11.1989 pursuant to stock split. <sup>(2)</sup>	--	52,750,000	34.01%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd	Issue of 1,834,215 equity shares pursuant to the merger of HBB and ASEA Limited (India) in line with the global merger of BBC and ASEA on 01.12.1989 <sup>(2)</sup>	1,834,215	98,605,900	36.80%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd	Rights Issues and issue of additional equity shares of 4,754,734 on 12.01.1993 <sup>(2)</sup>	6,841,123	205,316,780	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Flakt AB	Bonus issue in the ratio of 1:3 on 28.02.1994. Merger of Flakt India Limited with ABB Limited on 12.12.1994 on account of which 1,881,050 equity shares were allotted to ABB Flakt AB, Stockholm, Sweden the parent company of Flakt India Limited <sup>(2)</sup>	5,370,926	310,637,670	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.

ABB Asea Brown Boveri Ltd & ABB Flakt AB	Bonus Issue in the ratio of 1:3 on 23.01.1997 which includes 627,016 bonus equity shares issued to ABB Flakt AB, Sweden <sup>(2)</sup>	5,280,184	414,183,560	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Flakt AB <sup>(4)</sup>	Merger of Introl (India) Limited, ABB Instrumentation Ltd., ABB Lenzohm Service Ltd. & ABB Analytical Ltd. with ABB Limited on account of which 963,319 shares were allotted to ABB Asea Brown Boveri Ltd, the parent company of the above-mentioned 4 entities on 31.12.2001 <sup>(2)</sup>	963,319	423,816,750	52.11%	Since the increase in % of shareholding is less than prescribed % as per the regulations, the requirement of compliance with Chapter II of SEBI (SAST) Regulations does not arise. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	2,508,066 equity shares of Rs. 10 each held by ABB Technology FLB AB were transferred to ABB Norden Holding AB pursuant to the merger of ABB Technology FLB AB with ABB Norden Holding AB on 05.09.2005 <sup>(2)</sup>	--	423,816,750	52.11%	Regulation 7(3) of the SEBI (SAST) Regulations complied with by the Target Company. Regulation 7(1) of the SEBI (SAST) Regulations not complied with by the Subsidiary. The transfer of shares also meets the requirements for exemption under Regulation 3 (1) (j) (ii) of the SEBI (SAST) Regulations. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	22,084,057 shares of Rs. 10 each were divided into 110,420,285 equity shares of Rs. 2 each on 06.07.2007 pursuant to stock split. <sup>(3)</sup>	--	423,816,750	52.11%	Since there is no increase in share holding, SEBI (SAST) Regulations are not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	12,540,330 equity shares of Rs. 2 each held by ABB Norden Holding AB were transferred to ABB Participation AB pursuant to the merger of ABB Norden Holding AB with ABB Participation AB on 02.01.2008 (which a few weeks later was renamed as ABB Norden Holding AB) <sup>(3)</sup>	--	423,816,750	52.11%	Regulation 7(3) of the SEBI (SAST) Regulations not complied with by the Target Company. Regulation 7(1) of the SEBI (SAST) Regulations not complied with by the Subsidiary. The transfer of shares also meets the requirements for exemption under Regulation 3 (1) (j) (ii) of the SEBI (SAST) Regulations. All other applicable regulations have been complied with.

(1) Face value of Rs. 100.

(2) Face value of Rs. 10.

(3) Face value of Rs. 2.

(4) ABB Flakt AB was renamed as ABB Technology FLB AB.

#### 4.2.11 Current status of corporate governance

##### a) General principles

The PAC is committed to the highest international standards of corporate governance, and supports the general principles as set forth in the Swiss Code of Best Practice for Corporate Governance, as well as those of the capital markets where its equity shares are listed and traded.

In addition to the provisions of the Swiss Code of Obligations, the PAC's key principles and rules on corporate governance are laid down in the PAC's Articles of Incorporation, the PAC's Board Regulations and Corporate Governance Guidelines (which include the regulations of PAC's board committees and PAC's Related Party Transaction Policy), and PAC's Code of Conduct and the Addendum to PAC's Code of Conduct for Members of the board of directors and the Executive Committee. It is the duty of the PAC's board of directors to review and amend or propose amendments to those documents from time to time to reflect the most recent developments and practices, as well as to ensure compliance with applicable laws and regulations.

This section is based on the Directive on Information Relating to Corporate Governance published by the SIX Swiss Exchange. Where an item listed in the directive is not addressed in

this section, it is either inapplicable to or immaterial for the PAC.

b) Duties of directors and officers

The directors and officers of a Swiss corporation are bound, as specified in the Swiss Code of Obligations, to perform their duties with all due care, to safeguard the interests of the corporation in good faith and to extend equal treatment to shareholders in like circumstances.

The Swiss Code of Obligations does not specify what standard of due care is required of the directors of a corporate board. However, it is generally held by Swiss legal scholars and jurisprudence that the directors must have the requisite capability and skill to fulfill their function, and must devote the necessary time to the discharge of their duties. Moreover, the directors must exercise all due care that a prudent and diligent director would have taken in like circumstances. Finally, the directors are required to take actions in the best interests of the corporation and may not take any actions that may be harmful to the corporation.

c) Exercise of powers

Directors, as well as other persons authorized to act on behalf of a Swiss corporation, may perform all legal acts on behalf of the corporation which the business purpose, as set forth in the articles of incorporation of the corporation, may entail. Pursuant to court practice, such directors and officers can take any action that is not explicitly excluded by the business purpose of the corporation. In so doing, however, the directors and officers must still pursue the duty of due care and the duty of loyalty described above and must extend equal treatment to the corporation's shareholders in like circumstances. The PAC's Articles of Incorporation do not contain provisions concerning a director's power, in the absence of an independent quorum, to vote on the compensation to themselves or any members of their body.

d) Conflicts of interest

Swiss law does not have a general provision on conflicts of interest and the PAC's Articles of Incorporation do not limit the PAC's directors' power to vote on a proposal, arrangement or contract in which the director or officer is materially interested. However, the Swiss Code of Obligations requires directors and officers to safeguard the interests of the corporation and, in this connection, imposes a duty of care and loyalty on directors and officers. This rule is generally understood and so recommended by the Swiss Code of Best Practice for Corporate Governance as disqualifying directors and officers from participating in decisions, other than in the shareholders' meeting, that directly affect them.

e) Confidentiality

Confidential information obtained by directors and officers of a Swiss corporation acting in such capacity must be kept confidential during and after their term of office.

f) Sanctions

If directors and officers transact business on behalf of the corporation with bona fide third parties in violation of their statutory duties, the transaction is nevertheless valid, as long as it is not explicitly excluded by the corporation's business purpose as set forth in its articles of incorporation. Directors and officers acting in violation of their statutory duties—whether transacting business with bona fide third parties or performing any other acts on behalf of the company—may, however, become liable to the corporation, its shareholders and its creditors for damages. The liability is joint and several, but the courts may apportion the liability among the directors and officers in accordance with their degree of culpability.

In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person(s) associated therewith, other than at arm's length, must be repaid to the company if the shareholder or director or any person associated therewith was acting in bad faith.

If the board of directors has lawfully delegated the power to carry out day-to-day management to a different corporate body, e.g., the executive committee, it is not liable for the acts of the members of that different corporate body. Instead, the directors can be held liable only for their failure to properly select, instruct and supervise the members of that different corporate body.

#### 4.2.12 Pending material litigations involving the PAC

The PAC is not subject to any litigation that could be expected to adversely affect its ability to perform its obligations in connection with the Open Offer. Details of legal proceedings which are material to the PAC, the Acquirer and the PAC's other consolidated subsidiaries are set out below.

##### a) Gas Insulated Switchgear business

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

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

##### b) Power Transformers business

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

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

##### c) Cables business

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

##### d) FACTS business

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

##### e) Suspect payments

In April 2005, the PAC 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 PAC made additional voluntary disclosures to the DoJ and the SEC regarding suspect payments made by other PAC subsidiaries in a number of countries in the Middle East, Asia, South America and Europe as well as by its former Lummus business. These payments were discovered by the PAC as a result of its internal audit program and compliance reviews. The payments may be in violation of the Foreign Corrupt Practices Act or other applicable laws. The PAC is cooperating with the relevant authorities regarding these issues and is continuing its internal investigations and compliance reviews. The PAC anticipates an unfavorable outcome with respect to the investigation of these suspect

payments and expects that fines will be imposed.

f) Earnings overstatement in an Italian subsidiary

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

g) General

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

At March 31, 2010, December 31, 2009 and December 31, 2008, the PAC accrued aggregate liabilities of USD 280 million, USD 300 million and USD 795 million, respectively, included in provisions and other current liabilities and in other non-current liabilities for the above regulatory, compliance and legal contingencies. The aggregate accrued liabilities of the PAC at December 31, 2009, were impacted primarily by changes in the provisions relating to alleged anti-competitive practices, including, but not limited to, the European Commission's decision in October 2009 on the power transformers business. As it is not possible to make an informed judgment on the outcome of certain matters and as it is not possible based on information currently available to management to estimate the maximum potential liability on other matters, there could be material adverse outcomes beyond such accrued liabilities.

4.2.13 Acquisitions / mergers involving the PAC during the last 3 years ended December 31, 2009, 2008 and 2007

During 2009, 2008 and 2007, acquisitions (net of cash acquired) amounted to USD 209 million, USD 653 million and USD 54 million in 8, 12 and 14 new businesses and joint ventures, respectively.

**Significant acquisitions subsequent to December 31, 2009**

In June 2010, the PAC completed its acquisition of Ventyx (a leading software provider to global energy, utility, communications, and other asset-intensive businesses) for more than USD 1 billion. Based in Atlanta, Georgia, United States, Ventyx has a large installed base in the U.S. market and Europe and operates in more than 40 countries. Ventyx employs 900 people and reported 2009 revenues of about USD 250 million. The PAC paid for the acquisition in cash.

On June 8, 2010, the PAC announced an offer to acquire UK-based Chloride Group PLC at an offer price of 325 pence per share valuing the business at approximately 860 million GBP. The acquisition is subject to approval by Chloride shareholders, the UK High Court and certain regulatory authorities. Based in London, United Kingdom, Chloride employs about 2,500 people and reported revenues of 336 million GBP in its fiscal year ended March 31, 2010. Shares in Chloride are traded on the London Stock Exchange.

**2009**

No individual acquisition was significant.

**2008**

In August 2008, the PAC completed the acquisition of Kuhlman Electric Corporation (Kuhlman), a U.S. based transformer company. The acquisition was integrated into the PAC's Power Products division in North America and complements both the PAC's product range and geographical presence.

Kuhlman manufactures a wide range of high-quality transformers for the industrial and electric utility sectors and has a strong reputation for innovative products and solid, long-term customer relationships. The final purchase price, including assumed debt, was USD 513 million (including USD 5 million cash acquired). The final purchase price allocation resulted in additions of USD 114 million to intangible assets subject to amortization and additions of USD 427 million to goodwill.

## **2007**

No individual acquisition was significant.

### 4.2.14 Divestments

In 2009, 2008 and 2007, the PAC received cash, net of cash disposed, from sales of businesses, joint ventures and affiliated companies of USD 16 million, USD 46 million and USD 1,142 million, respectively. In relation to transactions included in continuing operations, the PAC recognized gains (losses) in 2009, 2008 and 2007, in Other income (expense), net, of USD (1) million, USD 24 million and USD 11 million, respectively. The PAC also recognized gains from dispositions, net of tax, in 2009, 2008 and 2007, in Income (loss) from discontinued operations, net of tax, of USD 18 million, USD 9 million and USD 530 million, respectively. The divestment of these businesses is discussed separately below under Divestitures in 2008 and Divestitures in 2007. Divestitures in 2009 were not significant. All revenues and income reported in the year of sale are through the date of divestment.

## **2009**

Divestitures in 2009 were not significant.

## **2008**

During 2008, the PAC sold its 50% stake in the shares of ABB Powertech Transformers, located in South Africa, to Powertech, a wholly-owned subsidiary of the Altron Group at a gain of USD 11 million. This business was part of the PAC's Power Products division prior to being reclassified to discontinued operations. This business had revenues of USD 29 million and USD 167 million in 2008 and 2007, respectively. Income in 2008 and 2007 was USD 2 million and USD 15 million, respectively, recorded in Income (loss) from discontinued operations, net of tax.

## **2007**

In November 2007, the PAC completed the sale of Lummus to Chicago Bridge & Iron Company and received net cash proceeds of approximately USD 810 million. Lummus had revenues of USD 870 million in 2007. Income for 2007 was USD 9 million and the PAC realized a gain on sale of USD 530 million, all recorded in Income (loss) from discontinued operations, net of tax. In 2008, the PAC recorded certain adjustments that reduced the gain on sale by USD 5 million. In 2009, certain provisions were released increasing the gain on sale by USD 21 million.

In April 2007, the PAC completed the sale of its Building Systems business in Germany, which was reported in discontinued operations. The business had revenues of USD 47 million in 2007 and losses of USD 2 million, recorded in Income (loss) from discontinued operations, net of tax.

In May 2007, the PAC completed the sale of its stake in Jorf Lasfar Energy Company S.C.A. (Jorf Lasfar), a power plant based in Morocco and its stake in S.T.CMS Electric Company Private Limited (Neyveli), a power plant in India. The share of the pre-tax earnings of Jorf Lasfar and Neyveli in 2007 for the PAC was USD 21 million and USD 4 million, respectively. The sale of these investments resulted in a gain of approximately USD 38 million which was included in continuing operations. In 2008, the PAC recorded an additional gain of USD 16 million related to the favorable outcome on an outstanding tax case.

In February 2007, the PAC sold its Power Lines businesses in Brazil and Mexico for a sales price of USD 20 million and at no gain or loss. These businesses had revenues of USD 39 million and losses of USD 3 million in 2007, recorded in Income (loss) from discontinued operations, net of tax.

### 4.2.15 Name and contact details of the Compliance Officer

**Name:** Ms. Diane de Saint Victor (ad interim)

**Designation:** Executive Vice President

**Address:** Affolternstrasse 44, CH-8050, Zurich, Switzerland

**Tel:** +41-43-317-7111, **Fax:** +41-43-317-7992

#### 4.3 Disclosure in terms of Regulation 16(ix)

4.3.1 Neither the Acquirer nor the PAC, except in the ordinary course of business, have plans to make any major change to the existing lines of business of the Target Company or to dispose of or otherwise encumber any substantial assets of the Target Company in the next 24 months.

4.3.2 Under the second proviso to Regulation 16(ix) of the extant SEBI (SAST) Regulations, the Acquirer and PAC undertake that they shall not sell, dispose of or otherwise encumber any substantial asset of the Target Company except with the prior approval of the shareholders of the Target Company to the extent required in terms of the Companies Act, 1956.

#### 4.4 Future plans / strategies of the Acquirer and PAC with regard to the Target Company

4.4.1 The PAC and its subsidiaries 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. ABB Ltd and its subsidiaries work 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 Acquirer and the PAC wish to further increase control in the Target Company in order to facilitate the long-term development of ABB's business including its export business.

### 5. Option in terms of Regulation 21(2)

5.1 The Offer to Eligible Persons is made in accordance with Regulation 11(1) of the SEBI (SAST) Regulations for further consolidating the holding of the ABB group, including the Acquirer, in the Target Company to 75.00% of the Voting Share Capital.

5.2 As per Clause 40A of the Listing Agreements (as amended) of the Target Company with the BSE and NSE, the Target Company is required to maintain at least 10% public shareholding for listing on a continuous basis. The SCRR has been amended with effect from June 4, 2010 to provide for a mandatory public shareholding of at least 25% for all listed companies. However, the Listing Agreements have not yet been amended to this effect.

5.3 Based on the existing Offer Size and the current shareholding of the promoter group of the Target Company, the public shareholding of the Target Company will not fall to less than 25% of the Voting Share Capital upon the successful closure of this offer even assuming full acceptances.

### 6. Background of the Target Company

6.1 The Target Company is a public company incorporated on December 24, 1949 under the laws of India.

6.2 Address of the principal place of business and registered office (with phone numbers)

<b>Principal place of business</b>	2nd Floor, East Wing, Khanija Bhavan, 49, Race Course Road, Bengaluru 560 001 Tel: +91-80-2294 9150, Fax: +91-80-2294 9148
<b>Registered office</b>	2nd Floor, East Wing, Khanija Bhavan, 49, Race Course Road, Bengaluru 560 001 Tel: +91-80-2294 9150, Fax: +91-80-2294 9148

Source: ABB Limited

#### 6.3 Brief history & major areas of operations

The Target Company was incorporated on December 24, 1949 as The Hindustan Electric Company Limited. On September 24, 1965, the Target Company's name was changed to Hindustan Brown Boveri Limited ("HBB"). Pursuant to a court scheme of amalgamation of Asea Limited with HBB with effect from January 1, 1989, the name was further changed to Asea Brown Boveri Limited, with effect from October 13, 1989. Effective April 16, 2003, the name was further changed to ABB Limited.

The equity shares of ABB Limited are listed on the BSE and NSE. The equity shares of the Target Company have been listed on the BSE since August 8, 1955 and on NSE since February 8, 1995. The Target Company voluntarily delisted from the Ahmedabad Stock Exchange on July 31, 2006, Delhi Stock Exchange on September 21, 2006 and Calcutta Stock Exchange on August 10, 2007.

The Target Company provides power and automation technologies for utility and industrial customers. The Target Company's business structure is in line with that of the PAC. On November 27, 2009, the PAC announced a reorganization of its automation divisions to align their activities more closely with those of its customers. Effective January 1, 2010, the businesses in the Automation Products and Robotics divisions have been regrouped into two new divisions—the Discrete Automation and Motion division and the Low Voltage Products division. The Process Automation division remains unchanged except for the addition of the instrumentation business from the previous Automation Products division. Consequently, the Target Company operates in five divisions:

**Power Products:** incorporates ABB's manufacturing network for transformers, switchgear, circuit breakers, cables and associated equipment.

**Power Systems:** offers turnkey systems and services for power transmission and distribution grids and for power plants.

**Discrete Automation and Motion:** provides products, solutions and related services that increase industrial productivity and energy efficiency.

**Low Voltage Products:** manufactures low-voltage circuit breakers, switches, control products, wiring accessories, enclosures and cable systems to protect people, installations and electronic equipment from electrical overload.

**Process Automation:** provides customers with products and solutions for instrumentation, automation and optimization of industrial processes.

#### 6.4 Location and other details of manufacturing facilities

**Manufacturing facilities - Bengaluru Works: Power Systems, Power Products, Low Voltage Products, Discrete Automation and Motion**

Plot Nos 5 & 6, 2nd Phase, Peenya Industrial Estate  
Bengaluru 560 058, Karnataka

**Manufacturing facilities - Faridabad Works: Discrete Automation and Motion, Process Automation**

32 Industrial Area, N.I.T.  
Faridabad 121 003, Haryana

**Manufacturing facilities - Mumbai Works: Power Systems, Process Automation**

22A, Shah Industrial Estate, Off Veera Desai Road, Andheri (W)  
Mumbai 400 053, Maharashtra

**Manufacturing facilities - Haridwar Works: Low Voltage Products**

Plot No. 1, Sector 1B, Integrated Industrial Estate SIDCUL  
Haridwar 249 403, Uttarakhand

**Manufacturing facilities - Nashik Works: Power Products**

Street No 17, Plot No 79, MIDC, Satpur  
Nashik 422 007, Maharashtra

**Manufacturing facilities - Vadodara Works: Power Products, Discrete Automation and Motion, Process Automation**

Maneja, Vadodara 390 013, Gujarat

**Manufacturing facilities - Nelamangala Works: Low Voltage Products, Discrete Automation and Motion**

88 / 3 - 88 / 6 Basavanahalli Village, Bengaluru North  
Nelamangala 562 123, Karnataka

#### 6.5 Share capital structure of the Target Company

Paid-up equity shares of Target Company	No. of equity shares / voting rights	% of equity shares / voting rights
Issued, Subscribed and Fully Paid-up Equity Shares	211,908,375	100%
Issued, Subscribed and Partly Paid-Up Equity Shares	--	--
Total Equity Shares	211,908,375	100%
Total Voting Rights in Target Company	211,908,375	100%

Source: Audited financial statements of ABB Limited as of and for the year ended December 31, 2009.

The Target Company does not have any partly paid-up or forfeited equity shares.

#### 6.6 Build up of the current equity capital structure since inception

Date of allotment	No. & % of shares issued		Cumulative paid up capital		Mode of allotment	Identity of allottees (promoters / ex-promoters / others)	Status of compliance
	No. of shares	% of the paid up capital	Rs.	As on			
1/3/1950	4,030	100.00	403,000	1/3/1950	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
2/3/1950	970	1.90	500,000	2/3/1950	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
31/5/1950	6,000	54.55	1,100,000	31/5/1950	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
28/6/1950	4,000	26.67	1,500,000	28/6/1950	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
4/6/1954	10,000	40.00	2,500,000	4/6/1954	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
2/7/1954	2,500	9.09	2,750,000	2/7/1954	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
5/10/1954	8,491	23.59	3,599,100	5/10/1954	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
14/11/1954	201	0.56	3,619,200	14/11/1954	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
29/1/1955	11	0.03	3,620,300	29/1/1955	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
6/2/1955	2,500	6.46	3,870,300	6/2/1955	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
13/4/1955	40	0.10	3,874,300	13/4/1955	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
15/6/1955	1,257	3.14	4,000,000	15/6/1955	Regular Allotment	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
5/2/1962	3,739	8.55	4,373,900	5/2/1962	Rights issue	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
20/2/1962	7,134	14.02	5,087,300	20/2/1962	Rights issue	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
22/3/1962	69,127	57.61	12,000,000	22/3/1962	1) Rights issue - 9127 2) Regular Allotment - 60000	1) Rights Issue to existing shareholders 2) Regular Allotment to Brown Boveri & Co. Ltd.	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.

9/10/1964	73,555	38.00	19,355,500	9/10/1964	Rights issue	Promoters <sup>(1)</sup> & Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
29/10/1964	46,445	19.35	24,000,000	29/10/1964	Rights issue	Promoters & Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
25/6/1976	60,000	20.00	30,000,000	25/6/1976	Bonus Issue	Promoters & Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
3/5/1978	100,000	25.00	40,000,000	3/5/1978	Bonus Issue	Promoters & Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
1/11/1986	107,404	21.17	50,740,400	1/11/1986	Rights issue (also includes issue to employees)	Promoters & Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
20/8/1987	196	0.04	50,750,000	20/8/1987	Issue to employees	Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
4/2/1989	20,000	3.79	52,750,000	4/2/1989	Issue of shares pursuant to scheme of compromise between Preference and Equity shareholders <sup>(2)</sup>	Promoters & Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
1/11/1989	5,275,000	NIL	52,750,000	1/11/1989	Stock Split of shares of Rs.100 each into shares of Rs. 10/- each	Promoters & Others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
1/12/1989	4,585,590	46.50	98,605,900	1/12/1989	Allotment pursuant to Merger of ASEA Ltd.	Promoters & others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
12/1/1993	10,671,088	51.97	205,316,780	12/1/1993	Rights issue & issues of additional shares to Promoters	Promoters & others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
28/2/1994	6,843,893	25.00	273,755,710	28/2/1994	Bonus issue	Promoters & others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
12/12/1994	3,688,196	11.87	310,637,670	12/12/1994	Allotment pursuant to Merger of Flakt India Ltd.	Promoters & others	SEBI (SAST) Regulations not applicable. Complied with other statutory requirements.
23/1/1997	10,354,589	25.00	414,183,560	23/1/1997	Bonus issue	Promoters & others	SEBI (SAST) Regulations not applicable. Complied with statutory requirements.
31/12/2001	963,319	2.27	423,816,750	31/12/2001	Allotment pursuant to merger of ABB group Companies in India	Promoters	Since the increase in % of shareholding is less than prescribed % as per the regulations, the requirement of compliance with Chapter II of SEBI (SAST) Regulations does not arise. All other applicable regulations have been complied with.

6/7/2007	211,908,375	NIL	423,816,750	6/7/2007	Stock Split of shares of Rs.10 each into shares of Rs. 2/- each	Promoters & others	Since there is no increase in share holding, SEBI (SAST) Regulations are not applicable. All other applicable regulations have been complied with.
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Source: ABB Limited

(1) The term Promoters shall mean ABB group companies holding shares in the Target Company.

(2) 20,000 Equity Shares issued pursuant to cancellation of 40,000 8.57% Preference Shares.

6.7 The trading of equity shares of the Target Company has not been suspended either on the BSE or NSE.

6.8 There have been no instances of non-listing of some and / or all equity shares of the Target Company at any stock exchange(s) as applicable. Furthermore, no penal / punitive action has been taken against the Target Company by any of stock exchanges on which the shares of the Target Company are listed.

6.9 The Target Company has no outstanding warrants, fully convertible debentures, partly convertible debentures, partly paid-up equity shares or any other instruments convertible into equity shares of the Target Company at a future date.

6.10 Compliance with Chapter II of the SEBI (SAST) Regulations

The Target Company is in compliance with Chapter II of the SEBI (SAST) Regulations, with the exception of delays in making filings in terms of Regulation 8(3) in the years 2001 (147 days and 86 days), 2002 (54 days) and 2006 (198 days). The Target Company had submitted disclosures in terms of Regulation 8(3) in the incorrect format for the years 1998, 1999 and 2000 and has, at the request of stock exchanges, resubmitted them in the prescribed format. In addition, it should be noted that the Target Company: (i) did not inform the stock exchange(s) in 2008 in terms of Regulation 7(3); and (ii) does not have complete records in terms of Regulation 8(4) for the years 1997 to 2007. All other applicable regulations have been complied with in connection with acquisition of shares of the Target Company.

The Acquirer and the Subsidiary (who are identified as a part of the promoter group in terms of filings made under Clause 35 of the Listing Agreement) are in compliance with Chapter II of the SEBI (SAST) Regulations except as set out in paragraph 4.1.3.

6.11 The Target Company has duly complied with the various requirements of Clause 49 relating to corporate governance under the Listing Agreements with the BSE and NSE, as amended from time to time.

6.12 Names and addresses of board of directors of the Target Company as on the date of PA

Name	Address	Designation, date of first appointment and Director Identification Number ("DIN")
Gary Steel	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Chairman, Appointed on February 20, 2009 (DIN: 02500073)
Biplab Majumder	No.3298, 12th 'A' Main, HAL 2nd Stage Bangalore 560 008	Vice Chairman & Managing Director, Appointed on January 24, 2006 (DIN: 00064467)
N.S. Raghavan	A2-604, Sobha Opal 39th Cross, 4 'T' Block Jayanagar, Bangalore 560 041	Independent Director, Appointed on February 20, 2002 (DIN: 00287100)
Nasser Munjee	Benedict Villa House No.471, Saudevado Chorao Island, Tiswadi, Goa 403 102	Independent Director, Appointed on February 20, 2002 (DIN: 00010180)
Darius E. Udwardia	Empress Court M.Karve Road, Churchgate Mumbai 400 020	Independent Director, Appointed on July 21, 2005 (DIN: 00009755)
Arun Kanti Dasgupta	D-2, Jeevan Jyot Setalvad Lane, Off. Nepeansea Road Mumbai 400 006	Independent Director, Appointed on April 26, 2007 (DIN: 01462177)
Peter Leupp	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Director, Appointed on July 26, 2007 (DIN: 01626543)

Francis Duggan	Concord Tower, Media City, 10th Floor, Dubai, United Arab Emirates	Director, Appointed on February 26, 2010 (DIN: 02937233)
Bernhard Jucker	Affolternstrasse 44, CH-8050 Zurich, Switzerland	Alternate Director to Mr. Peter Leupp, Appointed on April 30, 2010 (DIN: 00351152)

Source: ABB Limited

- 6.13 Mr. Bernhard Jucker has been appointed as the alternate director to Mr. Peter Leupp.
- 6.14 Mr. Gary Steel, Mr. Peter Leupp, Mr. Bernhard Jucker and Mr. Francis Duggan are employed by companies in the ABB group other than the Target Company, where Mr. Gary Steel is designated as an Executive Committee member responsible for Human Resources, Mr. Peter Leupp is designated as an Executive Committee member responsible for the Power Systems division, Mr. Bernhard Jucker is designated as an Executive Committee member responsible for Power Products division and Mr. Francis Duggan is designated as a Region Manager for India, Middle East and Africa. Mr. Gary Steel, Mr. Peter Leupp, Mr. Bernhard Jucker and Mr. Francis Duggan may therefore be deemed to be persons having an interest in the PAC and hence in terms of Regulation 22(9) of the Takeover Regulations, they shall excuse themselves and not participate in any matters concerning or 'relating' to the Offer including any preparatory steps leading to the Offer.
- 6.15 Details of the experience and qualifications of the board of directors of the Target Company

**Gary Steel** is the Chairman of the Target Company since February 20, 2009. Mr. Steel joined ABB's Group Executive Committee as Head of Human Resources in January 2003. Mr. Steel is a member of the board of directors of Harman International Industries Inc., U.S. In 2002, he was the human resources director, group finance at Royal Dutch Shell, Netherlands. Between 1976 and 2002, he held several human resources and employee relations positions at Royal Dutch Shell. He has completed his Bachelor of Commerce from the University of Edinburgh in Scotland.

**Biplab Majumder** is the Vice Chairman & Managing Director of the Target Company. He has over 40 years of experience in chemical process industries, of which almost 30 years he has spent in the Target Company, in various positions in Automation & Power Generation Segments. He also held the position of chief operating officer of the Target Company from early 2005 till mid 2007. He completed his Bachelors and Masters in Chemical Engineering.

**N. S. Raghavan** is an Independent Director. He served in the Ministry of Defense, Govt. of India for 9 years handling various responsibilities in the Corps of Electrical and Mechanical Engineers. He worked as an engineer in A.P. State Electricity Board and as Head, Electrical Dept. in Kothari Sugars and Chemicals Ltd., Trichy. He was the joint managing director of Infosys Technologies Ltd., Bangalore for 19 years. Mr. Raghavan also has directorships in the following companies: IDFC Private Equity, Nadathur Holdings and Investments Pvt. Ltd., Syndicated Research Worldwide Pvt. Ltd., Flame-Tao Knoware Pvt. Ltd., Ojas Ventures Fund Pte. Ltd., Singapore, Ananta Holdings Pvt. Ltd., Nadathur Arts Pvt. Ltd. and Nadathur Fareast Pte Ltd. Mr. Raghavan is a graduate in Electrical Engineering.

**Nasser Munjee** is an Independent Director. He began his career in 1978 as an executive director with Housing Development Finance Corporation. In 1997, he joined the Infrastructure Development Finance Company (IDFC). He was the managing director and chief executive officer of IDFC. His directorships held in other companies includes Ambuja Cements Ltd., Apollo Health Street Ltd., Bharti AXA Life Insurance Company Ltd., Bharti AXA General Insurance Company Ltd., Britannia Industries Ltd., Cummins India Ltd., Development Credit Bank Ltd., GIBA Holdings Private Ltd., HDFC Ltd., Shipping Corporation of India Ltd., Tata Chemicals Ltd., Tata Motors Ltd., Unichem Laboratories Ltd., Voltas Ltd. and Neptune Developers Ltd. Mr. Munjee completed his post graduation in Economics from The London School of Economics. He also studied at the University of Chicago.

**Darius E. Udawadia** is an Independent Director. He has nearly five decades of active law practice in various matters of corporate laws, mergers / acquisitions & takeovers, corporate restructuring, foreign collaboration, joint ventures etc. He is a solicitor by profession and is a senior partner of a law firm Udawadia & Udeshi, which is one of the leading law firms in Mumbai. Mr. Udawadia is also on the board of ADF Foods Ltd., AstraZeneca Pharma India Ltd., The Bombay Burmah Trading Corp. Ltd., Development Credit Bank Ltd., Eureka Forbes Ltd., ITD Cementation India Ltd., JM Financial Ltd., MPS Ltd., Mechanalysis (India) Ltd., WABCO-TVS (India) Ltd., Wyeth Ltd., Nitesh Estates Ltd., Conservation Corporation of India Pvt. Ltd.,

Habasit Lakoka Pvt. Ltd., JM Financial & Investment Consultancy Services Pvt. Ltd., JM Financial Trustee Co. Pvt. Ltd., JM Financial Consultants Pvt. Ltd., Quantum Advisors Pvt. Ltd., Rossi Gearmotors (India) Pvt Ltd. and R&P Management Communications Pvt., Ltd. Mr. Udadia has obtained Post Graduate Degree from the University of Mumbai.

**Arun Kanti Dasgupta** is an Independent Director. Mr. Dasgupta is the managing director of Life Insurance Corporation of India (“LIC”). Mr. Dasgupta has held various senior positions in LIC such as senior divisional manager, Guwahati and Karnal, deputy general manager, LIC (International) Bahrain, regional manager (Marketing), Western Zone, Mumbai, chief executive, LIC Housing Finance, Mumbai & zonal manager, LIC, Central Zone, Bhopal. Prior to his taking over as managing director, he was heading the International Operations and Corporate Communications Department as executive director in the LIC Corporate Office. Mr. Dasgupta is also on the board of LIC (Nepal) Ltd., Saudi Indian Company for Co-operative Insurance, LIC Pension Fund Ltd., Mahindra & Mahindra Ltd. and Grasim Industries Ltd. Mr. Dasgupta is a science graduate from Dibrugarh University and a PGDBM from Punjab University.

**Peter Leupp** is a Director. Mr. Leupp was appointed Executive Committee member responsible for the Power Systems division in January 2007. From 2005 to 2006, he was ABB’s regional manager for North Asia and from 2001 to 2006 he was ABB’s country manager for China. From 1989 to 2001, he held various positions in ABB. He has a degree in Electrical Engineering from Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland and did an executive training with the University of Zurich, Switzerland.

**Francis Duggan** is a Director. Mr. Duggan is the region manager of ABB's India, Middle East and Africa region. He has been with ABB for 25 years, starting his career at ABB in South Africa. Since then he has held various senior positions across the company, including Transmission & Distribution manager in Poland, country manager of the Czech Republic, Global Business Area manager for Oil, Gas and Petrochemicals, as well as head of Group Account Management. Mr. Duggan obtained an engineering degree from the Engineering College of Technology, Dublin, Ireland.

**Bernhard Jucker** is the Alternate Director to Peter Leupp. Mr. Jucker was appointed Executive Committee member responsible for Power Products division in January 2006. From 2003 to 2006, he was ABB’s country manager for Germany. From 1980 to 2003 he held various positions in ABB. He has a degree in Electrical Engineering from Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.

6.16 No director of the Acquirer or PAC is on the board of directors of the Target Company

6.17 General Body Meeting (Last 3 AGMs)

AGM	Financial year	Date and time	Venue of AGM
60 <sup>th</sup>	FY09	May 11, 2010 11:00 A.M.	The Atria Hotel, “Chancery”, No 1 Palace Road, Bengaluru 560 001
59 <sup>th</sup>	FY08	May 19, 2009 11:00 A.M.	The Lalit Ashok, “Kalinga”, Kumara Krupa High Grounds, Bengaluru 560 001
58 <sup>th</sup>	FY07	June 3, 2008 11:00 A.M.	The Atria Hotel, “Chancery”, No 1 Palace Road, Bengaluru 560 001

Source: Annual Report of ABB Limited as of and for the years ended December 31, 2007, 2008 and 2009.

6.18 Details of merger / de-merger / spin-offs during last 3 years involving the Target Company

There were no merger / de-merger / spin-offs during the last 3 years involving the Target Company

6.19 Change of name since incorporation / listing and dates thereof

The Target Company was incorporated on December 24, 1949 as The Hindustan Electric Company Limited. On September 24, 1965, the Target Company’s name was changed to Hindustan Brown Boveri Limited (“HBB”). Pursuant to a court scheme of amalgamation of Asea Limited with HBB with effect from January 1, 1989, the name was further changed to Asea Brown Boveri Limited, with effect from October 13, 1989. Effective April 16, 2003, the name was further changed to ABB Limited.

6.20 The audited financial statements of the Target Company are prepared in accordance with Indian generally accepted accounting standards. The financial highlights based on the audited financials as of and for the years ended December 31, 2007, December 31, 2008 and December 31, 2009 are as follows:

Profit & Loss statement	Year ended December 31,		
	2007	2008	2009
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
Sales and Services (Net)	593,031	683,703	623,720
Other income	7,105	13,042	7,257
Total income	600,136	696,745	630,977
Total expenditures <sup>(1)</sup>	(520,079)	(606,287)	(570,824)
Profit before depreciation, interest and taxes <sup>(2)</sup>	80,057	90,458	60,153
Depreciation <sup>(3)</sup>	(3,241)	(3,668)	(4,851)
Interest expenses	(1,171)	(3,466)	(2,562)
Net exceptional items (Income / Expense)	--	--	--
Profit before tax	75,646	83,324	52,740
Provision for tax <sup>(4)</sup>	(26,479)	(28,583)	(17,276)
Profit after tax	49,167	54,741	35,464
<b>Notes:</b> (1) 'Total expenditures' comprise the following items in the audited financial statements:			
Costs of materials and erection services	(429,203)	(495,042)	(451,787)
Personnel expenses	(30,607)	(40,296)	(38,923)
Other expenses	(60,268)	(71,388)	(80,268)
Less: Expenses capitalized	0	439	155
Total expenditures	(520,079)	(606,287)	(570,824)
(2) 'Profit before depreciation, interest and taxes' is calculated as 'Total income' minus 'Total expenditures'.			
(3) 'Depreciation' is calculated as 'Depreciation / Amortization' net of a 'Transfer from Revaluation Reserve', as presented in the audited financial statements.			
(4) 'Provision for tax' comprises 'Current tax', 'Deferred tax' and 'Fringe benefits tax' in the audited financial statements.			
NOTE: The Rupee figures in the table above have been rounded to the nearest lakh, based on figures in the audited financial statements. Consequently, totals in the table above may contain rounding differences.			

Balance sheet	As of December 31,		
	2007	2008	2009
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
<i>Source of funds</i>			
Paid-up share capital	4,238	4,238	4,238
Reserves and surplus	158,396	207,657	238,135
Net worth <sup>(1)</sup>	162,634	211,895	242,373
Secured loans <sup>(2)</sup>	57	2	--
Unsecured loans	--	--	--
Deferred tax liability (Net)	1,280	380	--
<b>Total</b>	<b>163,971</b>	<b>212,278</b>	<b>242,373</b>
<i>Uses of funds</i>			
Net fixed assets <sup>(3)</sup>	45,787	68,335	78,947
Investments	7,045	6,112	1,688
Net current assets	111,139	137,831	161,729
Deferred tax assets (Net)	--	--	10
Total miscellaneous expenditure not written off	--	--	--
<b>Total</b>	<b>163,971</b>	<b>212,278</b>	<b>242,373</b>
<b>Notes:</b> (1) 'Net Worth' is the total of 'Paid-up share capital' and 'Reserves and surplus', as presented in the audited financial statements.			
(2) 'Secured loans' represents 'Finance lease obligations' in the audited financial statements.			
(3) 'Net fixed assets' is calculated as 'Fixed assets - Net Block' plus 'Capital Work in Progress including Capital Advances', as presented in the audited financial statements.			
NOTE: The Rupee figures in the table above have been rounded to the nearest lakh, based on figures in the audited financial statements. Consequently, totals in the table above may contain rounding differences.			

Other financial data	Year ended December 31,		
	2007	2008	2009
	(Rs.)	(Rs.)	(Rs.)
Dividend (%) <sup>(1)</sup>	9.5%	8.5%	12.0%
Reported earnings per share – basic and diluted	23.20	25.83	16.74

Return on net worth (%) <sup>(2)</sup>	34.84%	29.23%	15.61%
Book Value per share <sup>(3)</sup>	76.75	99.99	114.38
<b>Notes:</b> (1) "Dividend (%)" is calculated as "Proposed Dividend" for the respective year divided by the corresponding "Profit After Tax" for the year, as presented in the audited financial statements.			
(2) "Return on Equity after taxes (%)" is calculated as "Profit after Tax" for the respective year, divided by the average of the "Net Worth" at the beginning and end of the respective year, as presented in the audited financial statements.			
(3) 'Book Value per Share' is calculated as, 'Net Worth' divided by the number of 'Issued, Subscribed and Paid Up shares' as per December 31 of the respective year, as presented in the audited financial statements.			

Source: Audited financial statements of ABB Limited as of and for the years ended December 31, 2007, 2008 and 2009.

## 6.21 Primary reasons for fall / rise in total income and Profit after tax

### **Year ended December 2009 compared to Year ended December 2008**

#### **Sales and Services**

Sales and Services (Net) during the year were at Rs. 623,720 lakhs registering a decline of 9% over the previous year's Sales and Services (Net) of Rs. 683,703 lakhs. Slowing down of orders for products, particularly in the first two quarters of 2009, increased credit risk, decision to exit from rural electrification business in Power Systems division and requests from certain customers to defer the supplies affected overall sales growth.

#### **Profit before tax**

Profit before tax was lower at Rs. 52,740 lakhs as compared to Rs. 83,324 lakhs in the previous year. Profit before tax for the year was lower on account of lower revenues, cost of early exit / foreclosure of certain contracts in the rural electrification business, adverse impact from fair valuation of forward exchange and embedded derivative contracts, building of organization and manufacturing capacities for higher expected scale of operation and significant provision against receivables due to higher credit and other risks. During 2009, the management of the Target Company continued to pursue several cost optimization measures, which partially helped improve profitability.

#### **Profit after tax**

Profit after tax at Rs. 35,464 lakhs for the year was lower by 35% compared to that of the previous year, mainly the result of the factors described above.

### **Year ended December 2008 compared to Year ended December 2007**

#### **Sales and Services (Net)**

Sales and Services (Net) during the year were at Rs. 683,703 lakhs, a growth of 16% over the previous year's Sales and Services (Net) of Rs. 593,031 lakhs. Reduced order inflow, increased credit risk and request from certain customers to defer supplies in the second half of 2008, affected overall rate of revenue growth. Due to execution of international products undertaken in the Process Automation division, there was significant growth in export orders and revenues.

#### **Profit before tax**

Profit before tax was Rs. 83,324 lakhs 10% higher than Rs. 75,646 lakhs in the previous year. Planned addition of new as well as revamped manufacturing capabilities together with matching addition in human resources and expanded sales organization aimed at higher expected scale of operations, increase in interest expenses and significant provision for bad and doubtful debts affected the profitability.

#### **Profit after tax**

Profit after tax at Rs. 54,741 lakhs for the year was 11% higher than the previous year, mainly the result of the factors described above.

6.22 Pre and post offer shareholding pattern in the format prescribed by SEBI

Shareholder category	Shareholding / Voting rights prior to the Offer (as on March 31, 2010)		Equity shares / Voting rights to be acquired in the Offer (assuming full acceptances)		Shareholder / Voting rights after the Offer (assuming full acceptances)	
	(A)		(B)		(A+B)	
	No. of Equity shares	%	No. of Equity shares	%	No. of Equity shares	%
<i>(1) Promoter and Promoter group</i>						
ABB Asea Brown Boveri Ltd	97,879,955	46.2%	48,510,997	22.9%	146,390,952	69.1%
ABB Norden Holding AB	12,540,330	5.9%			12,540,330	5.9%
<b>Total (1)</b>	<b>110,420,285</b>	<b>52.1%</b>	<b>48,510,997</b>	<b>22.9%</b>	<b>158,931,282</b>	<b>75.0%</b>
<i>(2) Public (other than Acquirer)</i>			Nil			
Institutions			Nil		Will depend on the response to the offer	
<i>Mutual Funds &amp; UTI Banks, Financial Institutions</i>	6,092,963	2.9%				
<i>FII's / foreign mutual funds</i>	43,751,786	20.6%	Nil			
<i>Sub Total</i>	21,364,706	10.1%	Nil			
Indian Public	71,209,455	33.6%				
Others	22,925,069	10.8%				
<i>Private Corporate Bodies</i>	6,549,321	3.1%				
<i>Directors and relatives</i>	3,500	0.0%				
<i>Clearing members</i>	337,458	0.2%				
<i>Trusts</i>	44,024	0.0%				
<i>Non Resident Indians</i>	419,263	0.2%				
<i>Sub Total</i>	7,353,566	3.5%				
<b>Total (2)</b>	<b>101,488,090</b>	<b>47.9%</b>	<b>Nil</b>		<b>52,977,093</b>	<b>25.00%</b>
<b>GRAND TOTAL (1 to 2)</b>	<b>211,908,375</b>	<b>100.00%</b>			<b>211,908,375</b>	<b>100.00%</b>

(1) Equity shares of Rs.2 each

Source: NSE

The total number of public shareholders of the Target Company as on March 31, 2010 is 105,878.

6.23 The Acquirer and PAC have not acquired any equity shares of the Target Company after the Public Announcement up to the date of the Letter of Offer.

6.24 Details of change in shareholding of Promoters since inception (as and when it happened)

Promoter entity	Particulars	No. of equity shares acquired / (sold)	Capital as on date of acquisition / sale (Rs.)	Resultant shareholding	Status of compliance with SEBI (SAST) Regulations and other relevant regulations
Brown Boveri & Co Ltd	Allotment of 60,000 equity shares and purchase of 1 equity share by Brown Boveri & Co Ltd in 1962 <sup>(1)</sup>	60,001	12,000,000	50.00%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Rights Issue of 1:1 in 1964 <sup>(1)</sup>	60,001	24,000,000	50.00%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Sold 54,226 equity shares to Larsen & Toubro and 50 equity shares to others <sup>(1)</sup>	(54,276)	24,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bonus Issue in the ratio of 1:4 on 25.06.1976 <sup>(1)</sup>	16,431	30,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bonus Issue in the ratio of 1:3 on 03.05.1978 <sup>(1)</sup>	27,386	40,000,000	27.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	Bought 24,000 equity shares from Life Insurance Corporation of India and General Insurance Corporation of India in 1981 <sup>(1)</sup>	24,000	40,000,000	33.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.

Brown Boveri & Co Ltd	Effective November 1, 1986, Rights issue of 1:4 and additional equity shares to Brown Boveri & Co Ltd - 2,500 equity shares <sup>(1)</sup>	35,886	50,750,000	33.39%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	20,000 preference shares converted into equity shares in the ratio 1:2 on 04.02.1989 <sup>(1)</sup>	10,000	52,750,000	34.01%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
Brown Boveri & Co Ltd	179,429 shares of Rs. 100 each were divided into 1,794,290 equity shares of Rs. 10 each on 01.11.1989 pursuant to stock split. <sup>(2)</sup>	--	52,750,000	34.01%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd	Issue of 1,834,215 equity shares pursuant to the merger of HBB and ASEA Limited (India) in line with the global merger of BBC and ASEA on 01.12.1989 <sup>(2)</sup>	1,834,215	98,605,900	36.80%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd	Rights Issues and issue of additional equity shares of 4,754,734 on 12.01.1993 <sup>(2)</sup>	6,841,123	205,316,780	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Flakt AB	Bonus issue in the ratio of 1:3 on 28.02.1994. Merger of Flakt India Limited with ABB Limited on 12.12.1994 on account of which 1,881,050 equity shares were allotted to ABB Flakt AB, Stockholm, Sweden the parent company of Flakt India Limited <sup>(2)</sup>	5,370,926	310,637,670	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Flakt AB	Bonus Issue in the ratio of 1:3 on 23.01.1997 which includes 627,016 bonus equity shares issued to ABB Flakt AB, Sweden <sup>(2)</sup>	5,280,184	414,183,560	50.99%	SEBI (SAST) Regulations is not applicable. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Flakt AB <sup>(4)</sup>	Merger of Introl (India) Limited, ABB Instrumentation Ltd., ABB Lenzohm Service Ltd. & ABB Analytical Ltd. with ABB Limited on account of which 963,319 shares were allotted to ABB Asea Brown Boveri Ltd, the parent company of the above-mentioned 4 entities on 31.12.2001 <sup>(2)</sup>	963,319	423,816,750	52.11%	Since the increase in % of shareholding is less than prescribed % as per the regulations, the requirement of compliance with Chapter II of SEBI (SAST) Regulations does not arise. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	2,508,066 equity shares of Rs. 10 each held by ABB Technology FLB AB were transferred to ABB Norden Holding AB pursuant to the merger of ABB Technology FLB AB with ABB Norden Holding AB on 05.09.2005 <sup>(2)</sup>	--	423,816,750	52.11%	Regulation 7(3) of the SEBI (SAST) Regulations complied with by the Target Company. Regulation 7(1) of the SEBI (SAST) Regulations not complied with by the Subsidiary. The transfer of shares also meets the requirements for exemption under Regulation 3 (1) (j) (ii) of the SEBI (SAST) Regulations. All other applicable regulations have been complied with.
ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	22,084,057 shares of Rs. 10 each were divided into 110,420,285 equity shares of Rs. 2 each on 06.07.2007 pursuant to stock split. <sup>(3)</sup>	--	423,816,750	52.11%	Since there is no increase in share holding, SEBI (SAST) Regulations are not applicable. All other applicable regulations have been complied with.

ABB Asea Brown Boveri Ltd & ABB Norden Holding AB	12,540,330 equity shares of Rs. 2 each held by ABB Norden Holding AB were transferred to ABB Participation AB pursuant to the merger of ABB Norden Holding AB with ABB Participation AB on 02.01.2008 (which a few weeks later was renamed as ABB Norden Holding AB) <sup>(3)</sup>	--	423,816,750	52.11%	Regulation 7(3) of the SEBI (SAST) Regulations not complied with by the Target Company. Regulation 7(1) of the SEBI (SAST) Regulations not complied with by the Subsidiary. The transfer of shares also meets the requirements for exemption under Regulation 3 (1) (j) (ii) of the SEBI (SAST) Regulations. All other applicable regulations have been complied with.
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(1) Face value of Rs. 100.

(2) Face value of Rs. 10.

(3) Face value of Rs. 2.

(4) ABB Flakt AB was renamed as ABB Technology FLB AB.

6.25 There are no material litigations / contingent liabilities of the Target Company, except as disclosed below:

- a) Contingent liabilities as of December 31, 2009
  - i) Claims against the Target Company not acknowledged as debts in respect of sales tax, excise and other matters at Rs. 16,854 lakhs.
  - ii) Income tax matters in dispute include Rs. 1,304 lakhs.
- b) Contingent liabilities subsequent to December 31, 2009

Subsequent to the balance sheet date, the Target Company has received assessment orders from Sales Tax authorities of State of Uttar Pradesh wherein a sales tax liability of Rs. 2,720 lakhs has been imposed. The Target Company will challenge the assessment orders by filing appeals with appropriate authorities.

6.26 Name and details of the Compliance Officer

**Name:** Mr. B Gururaj

**Designation:** Company Secretary and Compliance Officer

**Address:** 2nd Floor, East Wing, Khanija Bhawan, 49 Race Course Road, Bengaluru 560 001

**Tel:** +91-80-2294 9109, **Fax:** +91-80-2294 9148

## 7. Offer Price and Financial Arrangements

### 7.1 Justification of Offer Price

7.1.1 The equity shares of the Target Company are listed on the BSE and NSE. Based on the information available, the equity shares of the Target Company are frequently traded on the BSE and the NSE (within the meaning of explanation (i) to Regulation 20(5) of the SEBI (SAST) Regulations) and are most frequently traded on the NSE.

The annualized trading turnover during the preceding 6 calendar months prior to the month in which the PA was made, in terms of number and percentage of total listed equity shares on each stock exchange, is as follows.

Stock Exchange	Total number of equity shares traded during the 6 calendar months prior to the month in which the PA was made (November 1, 2009 to April 30, 2010)	Total equity shares listed	Trading turnover (annualized) (% of total equity shares listed)
BSE	6,834,933	211,908,375	6.5%
NSE	35,644,349	211,908,375	33.6%

7.1.2 The Offer Price of Rs. 900 is justified in terms of Regulation 20(4) of the SEBI (SAST) Regulations. As per Regulation 20(4), the minimum Offer Price should be the highest of the following:

- (a) Negotiated price under an agreement for acquisition of equity shares or voting rights in the Target Company by the Acquirer or PAC – Not applicable
- (b) Price paid by the Acquirer or PAC for acquisition of equity shares during the 26 week period prior to the date of this PA – Not applicable

(c) The Offer Price computed under explanation (c) of Regulation 20(4), as below:

The average of the weekly high and low of the closing prices* of the equity shares of the Target Company during the 26 week period preceding the date of the PA	Rs. 792.32
The average of the daily high and low of the prices* of the equity shares of the Target Company during the 2 week period preceding the date of the PA	Rs. 711.12

\*The share price data of ABB Limited is sourced from the NSE, where its is most frequently traded preceding the date of this PA.

Source: NSE website, [www.nseindia.com](http://www.nseindia.com)

7.1.3 The 26 weeks average of weekly high and low of NSE closing prices prior to date of the Public Announcement:

Week	Week ending	Low (Rs.)	High (Rs.)	Average (Rs.)	Volume <sup>(1)</sup>
1	May 14, 2010	673.40	699.70	686.55	1,535,845
2	May 07, 2010	682.80	744.65	713.73	3,435,643
3	April 30, 2010	792.40	815.00	803.70	1,958,599
4	April 23, 2010	824.00	859.80	841.90	1,939,415
5	April 16, 2010	833.95	845.80	839.88	1,212,019
6	April 09, 2010	825.80	847.80	836.80	2,177,069
7	April 01, 2010	823.55	830.00	826.78	1,873,637
8	March 26, 2010	822.95	835.45	829.20	1,138,383
9	March 19, 2010	845.90	861.10	853.50	1,035,052
10	March 12, 2010	838.60	871.90	855.25	2,056,565
11	March 05, 2010	782.50	822.20	802.35	1,426,692
12	February 26, 2010	794.60	811.05	802.83	1,280,481
13	February 19, 2010	794.15	806.85	800.50	801,625
14	February 11, 2010	784.60	792.30	788.45	883,658
15	February 06, 2010	777.80	813.40	795.60	1,436,657
16	January 29, 2010	778.45	815.00	796.73	1,420,307
17	January 22, 2010	807.75	859.70	833.73	2,329,551
18	January 15, 2010	799.25	856.30	827.78	3,873,596
19	January 08, 2010	763.45	796.00	779.73	1,925,490
20	December 31, 2009	756.30	767.10	761.70	705,270
21	December 24, 2009	756.25	770.85	763.55	1,187,779
22	December 18, 2009	752.25	762.70	757.48	2,108,629
23	December 11, 2009	734.95	750.90	742.93	1,906,458
24	December 04, 2009	734.50	743.70	739.10	1,338,480
25	November 27, 2009	737.25	768.05	752.65	1,586,295
26	November 20, 2009	761.25	774.45	767.85	1,471,641

(1). Volume is calculated as the sum of the total number of shares traded on the BSE and NSE for the corresponding week.

The average of the weekly high and low of the closing price of the equity shares of the Target Company during the 26 week period preceding the date of the Public Announcement is Rs. 792.32.

The 2 weeks average of daily high and low of NSE daily prices prior to the date of the Public Announcement:

Week	Date	Low (Rs.)	High (Rs.)	Average (Rs.)	Volume <sup>(1)</sup>
1	May 03, 2010	741.20	785.00	763.10	774,110
2	May 04, 2010	724.00	753.80	738.90	512,566
3	May 05, 2010	707.00	729.00	718.00	359,703
4	May 06, 2010	692.00	731.25	711.63	780,593
5	May 07, 2010	669.15	695.90	682.53	1,008,671
6	May 10, 2010	690.50	784.00	737.25	474,213
7	May 11, 2010	682.00	700.80	691.40	304,219
8	May 12, 2010	676.80	696.00	686.40	310,315
9	May 13, 2010	683.00	696.00	689.50	242,203
10	May 14, 2010	670.00	715.00	692.50	204,895

(1). Volume is calculated as the sum of the total number of shares traded on the BSE and NSE as on that day.

The average of the daily high and low of the equity shares of the Target Company during the 2 week period preceding the date of the Public Announcement is Rs. 711.12.

- 7.1.4 The equity shares of the Target Company are not infrequently traded on any exchange in terms of Regulation 20(5) of the SEBI (SAST) Regulations.
- 7.1.5 On the basis of the above, i.e. paragraphs 7.1.1, 7.1.2, 7.1.3 and 7.1.4, Offer Price of Rs. 900 per equity share is in full compliance with and is justified in terms of Regulation 20 of the SEBI (SAST) Regulations.
- 7.1.6 There is no non-compete agreement entered into by the Acquirer or PAC with the Target Company.
- 7.1.7 As per the SEBI (SAST) Regulations, the Acquirer or PAC can revise the Offer Price and / or Offer Size up to 7 working days (i.e. by July 16, 2010) prior to the Offer Closing Date and the revision, if any, would be announced in the same newspapers where the Public Announcement has appeared and the revised price, if applicable will be paid for all equity shares acquired pursuant to this Offer.
- 7.1.8 If the Acquirer or PAC acquire equity shares of the Target Company after the date of the PA and up to 7 working days prior to the Offer Closing Date at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all the valid applications received and accepted under the Offer.

## 7.2 Financial Arrangements

- 7.2.1 As per its latest Annual Report for the year ended December 31, 2009, the PAC (whose consolidated financial statements include the accounts of the PAC, the Acquirer and other companies which are directly or indirectly controlled by the PAC), has consolidated cash and equivalents amounting to USD 7,119 million (equivalent to Rs. 3,210,669 lakhs based on the exchange rate as defined above) and marketable securities and short-term investments amounting to USD 2,433 million (equivalent to Rs. 1,097,283 lakhs based on the exchange rate as defined above). The Acquirer along with the PAC has adequate resources to meet the financial requirements of the Offer in terms of the SEBI (SAST) Regulations and have made firm financial arrangements to meet their obligations in full under the Offer. The Offer is proposed to be funded from the aforesaid resources of the Acquirer and the PAC.
- 7.2.2 The total funding requirement for the Offer (assuming full acceptances) i.e. for the acquisition of up to 48,510,997 equity shares held by shareholders in the Target Company at Rs. 900 per equity share is Rs. 43,659,897,300 (Rupees Four thousand three hundred and sixty five crores, ninety eight lakhs, ninety seven thousand and three hundred).
- 7.2.3 HSBC Bank plc, incorporated in United Kingdom, with its main office at 8 Canada Square, London, United Kingdom E14 5HQ, has issued a letter dated May 14, 2010 confirming that the Acquirer and PAC have sufficient means and financial capability for the purpose of acquiring in cash up to 48,510,997 fully paid up equity shares (being 22.89% of the Voting Share Capital of the Target Company) at the Offer Price for a total consideration of Rs. 43,659,897,300 (Rupees Four thousand three hundred and sixty five crores, ninety eight lakhs, ninety seven thousand and three hundred).
- 7.2.4 Ernst & Young Ltd, located at Bleicherweg 21, CH-8002 Zurich, Switzerland (Tel: +41-58-286-3111, Fax: +41-58-286-3004), who are the statutory auditors for the Acquirer and PAC, have by their letter dated May 14, 2010 concluded that nothing has come to their attention to indicate that the Acquirer along with the PAC, as of December 31, 2009, did not have adequate financial resources to fulfill the financial obligations arising for the purpose of acquiring up to 48,510,997 fully paid up equity shares (being 22.89% of the issued share capital of the Target Company) at the Offer Price for a total consideration of approximately Rs. 43,659,897,300 (Rupees Four thousand three hundred and sixty five crores, ninety eight lakhs, ninety seven thousand and three hundred).
- 7.2.5 The Acquirer and PAC have by a certificate dated May 14, 2010 given an undertaking to the Manager to the Offer to meet their financial obligations under the Offer.
- 7.2.6 By way of security for performance of the Acquirer and PAC's obligations under the SEBI (SAST) Regulations, an unconditional, irrevocable and on demand bank guarantee dated May 14, 2010 ("**Bank Guarantee**") has been issued by HSBC Bank plc (Registered office: 8 Canada Square, London, United Kingdom E14 5HQ), on behalf of the Acquirer in favour of the Manager to the Offer which is valid up to and including November 17, 2010 for an amount up to Rs. 4,515,989,730 (Rupees Four hundred and fifty one crores, fifty nine lakhs, eighty nine thousand, seven hundred and thirty) being the amount required under Regulation 28(2) of the SEBI (SAST) Regulations, i.e., 25% of the first Rs. 100 Crores and 10% thereafter. In the event the Offer process is delayed beyond the

schedule indicated in this Letter of Offer, the Acquirer, PAC and the Manager to the Offer shall as may be required under Regulation 28(6) of the Takeover Regulations ensure that the Bank Guarantee shall be valid at least for a period commencing from the date of the Public Announcement until twenty days after the revised closing date of the Offer.

- 7.2.7 Further, the Acquirer has created an Escrow Account named “ABB Limited Open Offer Escrow Account” (“**Escrow Account – Cash**”) with The Hongkong and Shanghai Banking Corporation Limited (Shiv Building, Plot No. 139-140 B, Western Express Highway, Sahar Road Junction, Vile Parle (East), Mumbai 400 057), and has deposited a sum of Rs. 477,360,000 (Rupees Forty seven crores, seventy three lakhs and sixty thousand) in the said Escrow Account – Cash, being the amount required under Regulation 28(10) of the SEBI (SAST) Regulations, i.e., in excess of 1% of the total consideration. The Bank Guarantee and Escrow Account – Cash are together referred to as “**Escrow Accounts**”.
- 7.2.8 HSCI has been duly authorized to realize the value of the aforesaid Escrow Accounts in terms of the SEBI (SAST) Regulations.
- 7.2.9 HSCI is satisfied with the ability of the Acquirer and the PAC to implement the Offer in accordance with the SEBI (SAST) Regulations as firm financial arrangements are in place to fulfill the obligations under the SEBI (SAST) Regulations.

## **8. Terms and Conditions of the Offer**

- 8.1 The Letter of Offer, together with a Form of Acceptance-cum-Acknowledgement, will be mailed on or before June 28, 2010 to all shareholders of the Target Company, except the Acquirer, the PAC and the Subsidiary, whose names appear in the Register of Members of the Target Company and the beneficial owners of the equity shares, whose names appear on the beneficial records of the respective depositories, in each case at the close of business hours on June 4, 2010 and to all persons, except the Acquirer, the PAC and the Subsidiary, who own shares of the Target Company at any time prior to the Offer Closing Date but may or may not be the registered shareholders. Accidental omission to dispatch this Letter of Offer or any further communication to any person to whom this Letter of Offer is or should be made or the non-receipt of this Letter of Offer by any such person shall not invalidate the Offer in any way.
- 8.2 The Offer shall open on July 8, 2010 and will remain open until July 27, 2010.
- 8.3 The acceptance of the Offer is entirely at the discretion of the shareholders of the Target Company and each shareholder of the Target Company to whom the Offer is being made, is free to offer his shareholding in the Target Company, in whole or in part while accepting the Offer. The Acquirer will not be responsible in any manner for any loss of equity share certificate(s) and offer acceptance documents during transit and the shareholders of the Target Company are advised to adequately safeguard their interest in this regard.
- 8.4 Equity shares that are subject to any charge, lien or encumbrance are liable to be rejected. Applications in respect of equity shares of the Target Company that are subject matter of litigation wherein the shareholders of the Target Company may be prohibited from transferring the equity shares during the pendency of the said litigation are liable to be rejected if the directions / orders regarding these equity shares are not received together with the equity shares tendered under the Offer. The Letter of Offer in some of these cases, wherever possible, will be forwarded to the concerned statutory authorities for further action by such authorities. The securities transaction tax will not be applicable to the equity shares accepted in the Offer.
- 8.5 Shareholders having their beneficiary account in CDSL will, in addition, have to use an inter - depository delivery instruction slip.
- 8.6 All owners (registered or unregistered) of equity shares of the Target Company are eligible to participate in the Offer at any time before the Offer Closing Date.
- 8.7 Locked-in-equity shares: There are no locked-in-equity shares in the Target Company.

## **9. Statutory Approvals**

- 9.1 The Acquirer and the PAC have obtained RBI approval dated June 10, 2010 for the acquisition of 48,510,997 equity shares tendered pursuant to the Offer from residents of India, non residents and NRIs. In terms of the approval, the RBI has provided that the acquisition of equity shares tendered by OCBs shall be subject to the specific approval of the RBI.

- 9.2 To the best of the knowledge of the Acquirer and PAC, no other approvals are required for the Acquirer and/or PAC to acquire shares tendered pursuant to this Offer. If any other statutory approvals become applicable prior to completion of the Offer, the Offer would be subject to such statutory approvals. The Acquirer and PAC will, in terms of Regulation 27 of the SEBI (SAST) Regulations, have the right not to proceed with the Offer in the event any of the statutory approvals that are required are refused. Subject to the receipt of statutory and other approvals, the Acquirer and PAC shall complete all procedures relating to the Offer, including dispatch of consideration or provide instructions to the clearing system for payment of consideration through the National Electronic Clearing service (“NECS”), Direct Credit, Real Time Gross Settlement (“RTGS”), National Electronic Fund Transfer (“NEFT”) (together, “Electronic Mode”) on or before August 10, 2010 to those shareholders whose share certificates and / or other documents are found valid and in order and are approved for acquisition by the Acquirer and PAC.
- 9.3 In case of delay due to the non-receipt of statutory approvals, as per Regulation 22(12) of the SEBI (SAST) Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to the willful default or negligence of the Acquirer and / or PAC or failure of the Acquirer and / or PAC to diligently pursue the applications for such approvals, grant an extension for the purpose of completion of this Offer, subject to the Acquirer and / or PAC agreeing to pay to the shareholders interest as may be specified by SEBI for any delay in dispatch of consideration or providing instructions to the clearing system for payment of consideration through Electronic Mode beyond August 10, 2010.
- 9.4 However, if the delay occurs on account of the willful default or neglect or inaction or non-action of the Acquirer and / or PAC in obtaining the requisite approval(s), the amount held in the escrow accounts shall be subject to forfeiture and be dealt with in the manner provided in Regulation 28(12) of the SEBI (SAST) Regulations.
- 9.5 To the best of their knowledge, the Acquirer and PAC do not require any approvals from financial institutions or banks for the Offer.

## 10. Procedure for Acceptance and Settlement

- 10.1 Procedure for accepting the Offer by Eligible Persons, unregistered shareholders, owners of equity shares who have sent them for transfer or those who did not receive the Letter of Offer is as below.
- 10.2 Shareholders of the Target Company, who wish to accept this Offer are free to offer their shareholding, in whole or in part, and should forward the under-mentioned documents to the Registrar to the Offer at their office at Karvy Computershare Private Limited, Unit : ABB Limited – Open Offer, (Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, Tel: +91 40 2342 0815-23, Fax: +91 40 2343 1551, E-mail: murali@karvy.com, Contact Person: Mr. M. Murali Krishna) (“Registrar”) either by hand delivery on weekdays or by registered post, on or before the Offer Closing Date, i.e., no later than July 27, 2010 or at any of the collection centers mentioned in paragraph no. 10.12, so as to reach the Registrar to the Offer / collection centers on or before the close of business hours, i.e., no later than 3:00 pm on July 27, 2010 in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance-cum-Acknowledgement. Shareholders are advised to ensure that the Form of Acceptance-cum-Acknowledgement and other documents are complete in all respect; otherwise, the same is liable to be rejected. In the case of dematerialized equity shares, the shareholders are advised to ensure that their equity shares are credited in favour of the special depository account before the Offer Closing Date. The Form of Acceptance-cum-Acknowledgement of such dematerialized equity shares, not credited in favour of the special depository account before the Offer Closing Date, will be rejected.
- 10.3 For equity shares held in physical form:
- a) Shareholders of the Target Company who are holding equity shares in physical form and who wish to tender their equity shares will be required to send the Form of Acceptance-cum-Acknowledgement, original share certificate(s) and transfer deed(s) duly signed to the Registrar to the Offer, Karvy Computershare Private Limited, Unit : ABB Limited – Open Offer, (Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, Tel: +91 40 2342 0815-23, Fax : (91) - 40-2343 1551, E-mail: murali@karvy.com, Contact Person: Mr. M. Murali Krishna), either by hand delivery on weekdays or by registered post, so as to reach the Registrar on or before the close of the Offer, i.e., no later than July 27, 2010 (by 3:00 pm) in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance-cum-Acknowledgement. They can also tender their equity shares by hand delivery at any of the collection centers mentioned in paragraph no. 10.12.

- b) Unregistered owners can send their application in writing to the Registrar, on plain paper stating the name, address, number of equity shares held, number of equity shares tendered, distinctive numbers, folio number, together with the original share certificate(s), valid transfer deeds and the original contract notes issued by the broker through whom they acquired their equity shares and valid share transfer forms as received from the market. No indemnity is required from the unregistered owners. Unregistered owners should not sign the transfer deed and the transfer deed should be valid for transfer.

10.4 For equity shares held in dematerialized form:

Beneficial owners (holders of equity shares in dematerialized form) who wish to tender their equity shares of the Target Company will be required to send their Form of Acceptance-cum-Acknowledgement, along with the photocopy of the delivery instruction in “Off-market” mode or counterfoil of the delivery instructions in “Off-market” mode, duly acknowledged by the Depository Participant (“DP”), in favour of the special depository account “**KCPL Escrow Account - ABB Limited Open Offer**”. For each delivery instruction, the beneficial owner should submit a separate Form of Acceptance-cum-Acknowledgement. The credit for the delivered equity shares should be received in the special depository account on or before the Offer Closing Date, i.e., no later than July 27, 2010 (by 3:00 pm). The above-mentioned documents needs to be sent to the Registrar to the offer, Karvy Computershare Private Limited, Unit : ABB Limited – open offer, (Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, Tel: +91 40 2342 0815-23, Fax: +91 40 2343 1551, E-mail: murali@karvy.com, Contact Person: Mr. M. Murali Krishna), either by hand delivery on weekdays or by registered post acknowledgement due, so as to reach the Registrar on or before the Offer Closing Date, i.e., no later than July 27, 2010 (by 3:00 pm) in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance-cum-Acknowledgement. They can also tender their equity shares by hand delivery at any of the collection centers mentioned in paragraph no 10.12.

- 10.5 The Registrar to the Offer has opened a special depository account called “**KCPL Escrow Account - ABB Limited Open Offer**” with Karvy Stock Broking Ltd at NSDL. The DP ID is IN300394 and the Client ID is 17646326. Shareholders of the Target Company having their beneficiary account in CDSL shall use the inter-depository delivery instruction slip for the purpose of crediting their equity shares in favor of the special depository account with NSDL.
- 10.6 Shareholders who have sent their equity shares for dematerialization need to ensure that the process of getting their equity shares dematerialized is completed in time for the credit in the special depository account to be received on or before the Offer Closing Date, i.e., no later than July 27, 2010 (by 3.00 p.m.), or else their application will be rejected.
- 10.7 Equity shares and other relevant documents should not be sent to the Acquirer / PAC / Target Company / Manager to the Offer.
- 10.8 In case of non-receipt of the Letter of Offer, the Eligible Persons may (i) download the Letter of Offer and Form of Acceptance-cum-Acknowledgement from the SEBI website, (<http://www.sebi.gov.in>) (ii) obtain a copy of the same by writing to the Registrar to the Offer, or (iii) may send their consent to the Registrar, on plain paper stating the name, address, number of equity shares held, distinctive numbers, folio number, number of equity shares offered, along with documents as mentioned above, so as to reach the Registrar on or before the Offer Closing Date, i.e., no later than July 27, 2010, or in case of beneficial owners, they may send the application in writing to the Registrar, on plain paper stating the name, address, number of equity shares held, number of equity shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in “Off-market” mode or counterfoil of the delivery instruction in “Off-market” mode, duly acknowledged by the DP, in favour of the special depository account, “**KCPL Escrow Account - ABB Limited Open Offer**”, so as to reach the Registrar, on or before the Offer Closing Date, i.e., no later than July 27, 2010 (by 3.00 p.m.). Unregistered owners should not sign the transfer deed and the transfer deed should be valid for transfer.
- 10.9 All shares tendered and accepted under the Offer will be acquired by the Acquirer or PAC subject to the terms and conditions set out in this Letter of Offer. If the aggregate of the valid responses to the Offer exceeds the Offer size of 48,510,997 equity shares of the Target Company (representing 22.89% of the Voting Share Capital), then the Acquirer and PAC shall accept the valid applications received on a proportionate basis in accordance with Regulation 21(6) of the SEBI (SAST) Regulations. The equity shares of the Target Company are compulsorily traded in dematerialized form, hence the minimum acceptance will be one share.
- 10.10 While tendering the equity shares under the Offer, NRIs / OCBs / foreign shareholders will be required to submit, along with the Form of Acceptance-cum-Acknowledgement, the previous RBI approvals (specific or

general) that they may have been required to obtain prior to acquiring the equity shares of the Target Company. In case the previous RBI approvals are not submitted, the Acquirer reserves the right to reject such equity shares tendered.

#### 10.11 Tax to be deducted at source

As per the provisions of section 195(1) of the Income Tax Act, 1961 (“**Income Tax Act**”) any person responsible for paying to a non-resident any sum chargeable to tax is required to deduct tax at source (including surcharge and education cess as applicable). The consideration received by the shareholders for equity shares accepted in the Offer may be chargeable to tax in India either as capital gains under section 45 of the Income Tax Act, 1961 or as business profits, as the case may be, depending on the facts and circumstances of the case. The Acquirer will need to deduct tax at source (including surcharge and education cess) at the applicable tax rate as per the Income Tax Act. Please note that the securities transaction tax will not be applicable on equity shares accepted in this Offer. Shareholders may please note the following:

- a) While tendering their equity shares under the Offer, NRIs / OCBs / other non-resident shareholders will be required to submit a No Objection Certificate (“**NOC**”) or Tax Clearance Certificate (“**TCC**”) or Certificate for Deduction of Tax at Lower Rate issued by the income tax authorities under the Income Tax Act, along with the Form of Acceptance-cum-Acknowledgement, indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which the Acquirer will arrange to deduct tax at the maximum marginal rate, as may be applicable, to the relevant category to which the shareholder belongs under the Income Tax Act, 1961 on the entire consideration amount payable to such shareholder.
- b) As per the provisions of Section 196D(2) of the Income Tax Act, no deduction of tax at source will be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Income Tax Act to a Foreign Institutional Investor as defined in Section 115AD of the Income Tax Act. However, the interest payment for delay in payment of consideration, if any, will not be governed by this provision.
- c) For the purpose of determining as to whether the capital gains are short-term or long-term in nature, the Acquirer shall take actions based on the certification submitted along with the Form of Acceptance-cum-Acknowledgment by the shareholders. NRIs / OCBs / other non-resident shareholders should certify their residential status in the Form of Acceptance-cum-Acknowledgment along with the fact whether the equity shares are held by them on investment / capital account or on trade account and whether the investment are held as long-term capital asset or short-term capital asset (with appropriate evidences). In case the Acquirer is of the view that the information / documents provided by the shareholder is inaccurate or incomplete or insufficient, then tax may be deducted at source at the applicable maximum marginal rate.
- d) For interest payments, if any, NRIs / OCBs / other non-resident shareholders will be required to submit a NOC or TCC or Certificate for Deduction of Tax at Lower Rate from the income tax authorities under the Income Tax Act, along with the Form of Acceptance-cum-Acknowledgement, indicating the amount of tax to be deducted before remitting the consideration, failing which the Acquirer and the PAC will arrange to deduct tax at the maximum marginal rate as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, on the entire consideration amount payable to such shareholder.
- e) In case of resident shareholders, unless otherwise specified under the Income Tax Act, tax will be deducted only on the interest component exceeding Rs. 5,000 at the applicable current prevailing rates. If the resident shareholder requires that no tax is to be deducted or tax is to be deducted at a lower rate than the prescribed rate, such shareholders will be required to submit a NOC or TCC or Certificate for Deduction of Tax at Lower Rate from the income tax authorities under the Income Tax Act indicating the amount of tax to be deducted or a self-declaration in form 15G of Form 15H as may be applicable, along with the Form of Acceptance-cum-Acknowledgement. Resident shareholders eligible to receive interest component exceeding Rs. 5,000 would be required to submit their Permanent Account Number for income tax purposes. Clauses relating to payment of interest will become applicable only if the Acquirer and PAC become liable to pay interest for delay in release of purchase consideration.
- f) No tax will be deducted at source for any other category of shareholders who are residents in India.
- g) Securities transaction tax will not be applicable to the equity shares accepted in the Offer.

Shareholders are advised to consult their tax advisors with regard to the tax consequences of tendering their equity shares in the Offer and the appropriate course of action that they should take. The Acquirer and PAC, the Manager to the Offer and the Registrar to the Offer do not accept any responsibility for the accuracy or otherwise of such advice.

10.12 In addition to the above-mentioned address of the Registrar, the shareholders of the Target Company who wish to accept the Offer can also deliver the Form of Acceptance-cum-Acknowledgement, along with all of the relevant documents, to any of the collection centers specified below in accordance with the procedure as set out in this Letter of Offer on or before the Offer Closing Date, i.e., no later than July 27, 2010. All of the centers of the Registrar mentioned herein below will be open as follows: (Monday to Friday - 10:00 am to 4:00 pm and Saturday - 10:00 am to 1:00 pm). *The centers will be closed on Sundays and Public Holidays.*

#	Collection center	Address of collection centers	Contact person	Phone no.	Fax	Mode of delivery
1.	Mumbai	Karvy Computershare Pvt. Ltd. Maharashtra Chamber of Commerce Lane, Opp. MSC Bank, Fort Mumbai 400 023	Ms. Nutan Shirke	022-66381747 / 22842666	022-66331135	Hand Delivery
2.	New Delhi	Karvy Computershare Pvt. Ltd. 105-108, Arunachal Bldg., 19, Barakhamba Road, New Delhi 110 001	Mr. Rakesh Kr Jamwal / Vinod Singh Negi	011-43509200	011-41036370	Hand Delivery
3.	Ahmedabad	Karvy Computershare Pvt. Ltd. 201-203, Shail, Opp: Madhusudhan House Behind Girish Cold Drinks, Off C G Road, Ahmedabad 380 006	Mr. Aditya Gupta / Robert Joeboy	079-26400527 / 66614772	079-26565551	Hand Delivery
4.	Chennai	Karvy Computershare Pvt. Ltd., No. 33 / 1, Venkatraman Street, T.Nagar, Chennai 600 017	Mr. Gunashekhar	044-28151793 / 1794	044-28153181	Hand Delivery
5.	Hyderabad	Karvy Computershare Pvt. Ltd., Plot No 17-24, Vithalrao Nagar, Madhapur, Hyderabad 500 081	Ms. Rinki Sareen	040- 44655000 / 23420818-23	040-23431551	Hand Delivery / Registered Post
6.	Kolkata	Karvy Computershare Pvt. Ltd., 49, Jatin Das Road, Nr. Deshpriya Park, Kolkata 700 029	Mr. Sujit Kundu / Mr. Debnath	033-24644891	033-24644866	Hand Delivery
7.	Bengaluru	Karvy Computershare Pvt. Ltd., No.59, Skanda, Putana Road, Basavanagudi Bengaluru 560 004	Mr. Kumaraswamy / Ms. V Sudha	080-26621192	080-26621169	Hand Delivery
8.	Vadodara	Karvy Computershare Pvt. Ltd., Sb-5, Mangaldeep Complex, Opp. Masonic Hall, Bpc Road, Alkapuri, Vadodara-390 007	Mr. Rahul Patel	0265-6640870 / 871	N / A	Hand Delivery
9.	Pune	Karvy Computershare Pvt. Ltd. Shrinath Plaza, C wing, Office No.58 & 59, 3rd Floor, Dyaneshwar Paduka Chowk, Slno.184 / 4. Off-FC Road. Pune 411 004	Ms. Sandhya	020-25532078 / 783	N / A	Hand Delivery
10.	Jaipur	Karvy Computershare Pvt. Ltd., S-16 / A, Land mark. Opp: Jaiclub Mahaveer Marg C-Scheme, Jaipur 302 001	Mr. Vinod	0141-2375099	N / A	Hand Delivery

10.13 Pursuant to Regulation 22(5A) of the SEBI (SAST) Regulations, shareholders of the Target Company desirous of withdrawing the acceptance tendered by them in the Offer may do so up to 3 working days prior to the closing date of the Offer. The withdrawal option can be exercised by submitting the documents as per the instructions below, so as to reach the Registrar at any of the collection centers mentioned above as per the mode of delivery indicated therein on or before July 22, 2010.

- a) The withdrawal option can be exercised by submitting the Form of Withdrawal, which is enclosed with the Letter of Offer.
- b) In case of non-receipt of the Form of Withdrawal, the withdrawal option can be exercised by making a plain paper application to the Registrar, along with the following details:
  - In case of physical equity shares: name, address, distinctive numbers, folio number, number of

equity shares tendered; and

- In case of dematerialized equity shares: name, address, number of equity shares offered, DP name, DP ID, beneficiary account number and a photocopy of the delivery instruction in “Off-market” mode or counterfoil of the delivery instruction in “Off-market” mode, duly acknowledged by the DP, in favor of the special depository account.
- c) Shareholders can also download the Form of Withdrawal placed on the SEBI website [www.sebi.gov.in](http://www.sebi.gov.in) and send in their withdrawal by filling the same.
- d) The withdrawal of equity shares will be available only for the share certificates / shares that have been received by the Registrar / special depository account. The notification of returned equity shares to the shareholders will be at the address, through registered post, as per the records of the Target Company / Depository as the case may be. In case of partial withdrawal of equity shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from Target Company. Partial withdrawal of tendered equity shares can be done only by the registered shareholders / beneficial owners. In the case of partial withdrawal, the earlier Form of Acceptance will stand revised to that effect. Shareholders holding equity shares in dematerialized form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.

10.14 In case of delay due to the non-receipt of statutory approvals, as per Regulation 22(12) of the SEBI (SAST) Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to the willful default or negligence of the Acquirer and / or PAC or failure of the Acquirer and / or PAC to diligently pursue the applications for such approvals, grant an extension for the purpose of completion of this Offer, subject to the Acquirer and / or PAC agreeing to pay to the shareholders interest as may be specified by SEBI for any delay in dispatch of consideration or providing instructions to the clearing system for payment of consideration through Electronic Mode beyond August 10, 2010. However, if the delay occurs on account of the willful default or neglect or inaction or non-action of the Acquirer and PAC in obtaining the requisite approval(s), the amount held in the escrow account shall be subject to forfeiture and be dealt with in the manner provided in Regulation 28(12) of the SEBI (SAST) Regulations.

10.15 Payment of consideration will be made through Electronic Mode as detailed below or by way of a crossed account payee cheque / demand draft / pay order and sent by registered post incase of payment of a value in excess of Rs.1,500/- and ordinary post incase of payment of a value less than Rs.1,500/-, to those shareholders / unregistered owners and at their own risk, whose shares / share certificates and other documents are found in order and accepted by Acquirer and PAC. In case of joint registered holders, cheques / demand drafts will be drawn in the name of the sole / first named holder / unregistered owner and will be sent to him / her. In case of unregistered owners of equity shares, payment will be made in the name of the person stated in the contract note. It is desirable that shareholders provide bank details in the Form of Acceptance-cum-Acknowledgment, so that the same can be incorporated in the cheque / demand draft.

#### 10.15.1 Payment of Consideration through Electronic Mode:

Credit for the consideration will be paid to the shareholders who have tendered equity shares in the Offer by Electronic Mode or crossed account payee cheques / pay orders / demand drafts.

The payment of consideration, if any, would be done through various modes as given hereunder:

- NECS: Payment of consideration would be done through NECS for applicants who have provided their complete bank account details including the Magnetic Ink Character Recognition (“MICR”) code in the Form of Acceptance-cum-Acknowledgement.
- Direct Credit: Applicants having bank accounts with the same bank through which payment consideration shall be made shall also be eligible to receive consideration through direct credit in their respective bank accounts as mentioned in the Form of Acceptance-cum-Acknowledgement.
- RTGS: Applicants whose payment consideration exceeds Rs. 1 lakh, have the option to receive funds through RTGS. Such eligible applicants who indicate their preference to receive consideration through RTGS are required to provide the Indian Financial System Code (“IFSC”) code, type of account and account number in the Form of Acceptance-cum-Acknowledgement. In the event the same is not provided, payment consideration shall be made through other electronic modes or by cheques, pay orders or

demand drafts payable.

- NEFT: Payment of consideration shall be undertaken through NEFT wherever the shareholders bank has been assigned the IFSC, which can be linked to a MICR code, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of consideration, duly mapped with MICR numbers. Wherever the shareholder has registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of consideration will be made to the applicants through this method. The process flow in respect of consideration by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- For all other applicants, including those applicants whose payment consideration is not credited by NECS / Direct credit due to technical errors or incomplete / incorrect bank account details, payment consideration will be dispatched by registered post incase of payment of a value in excess of Rs.1,500/- or by ordinary post incase of payment of a value less than Rs.1,500/-, at the shareholder's sole risk. Such payment consideration will be made by cheques, pay orders or demand drafts payable at par at places where the address of the shareholder is registered.

In case payment consideration is rejected through the NECS / Direct credit facility, the Registrar to the Offer would endeavor to dispatch the payment consideration within three (3) working days of such rejection.

The bank account details for NECS / Direct Credit / RTGS / NEFT will be directly taken from the depositories' database or from the details as mentioned by the shareholders in the Form of Acceptance-cum-Acknowledgement.

10.16 Unaccepted share certificates, transfer forms and other documents, if any, will be returned by registered post / speed post at the shareholder's / unregistered owner's sole risk to the sole / first shareholder. Unaccepted equity shares held in dematerialized form will be credited back to the beneficial owners' depository account with the respective depository participant as per the details furnished by the beneficial owner in the Form of Acceptance-cum-Acknowledgement.

10.17 The Registrar will hold in trust the shares / share certificates, shares held in credit of the special depository account, Form of Acceptance-cum-Acknowledgement, if any, and the transfer form(s) on behalf of the shareholders of the Target Company who have accepted the Offer, until the cheques / drafts for the consideration or the unaccepted shares / share certificates are dispatched / returned.

10.18 The marketable lot of the equity shares of the Target Company is one equity share.

## 11. Documents for Inspection

11.1 The following documents are regarded as material documents and are available for inspection at the office of HSBC Securities and Capital Market (India) Private Limited, 52 / 60 M.G.Road, Fort, Mumbai 400 001 from 10.30 am to 3.00 pm on any day, except Saturdays, Sundays, and Public / Bank Holidays until the Offer Closing Date:

- a) Certificate of Incorporation, Memorandum and Articles of Association of the Acquirer
- b) Letter from Ernst & Young Ltd dated May 14, 2010, concluding that nothing has come to their attention to indicate that the Acquirer along with the PAC, as of December 31, 2009, did not have adequate financial resources to fulfill the financial obligations for the purpose of the Offer
- c) Audited annual reports of the Target Company for the years ending December 31, 2007, 2008, 2009
- d) Audited annual reports of the Acquirer and audited standalone and consolidated annual reports of the PAC for the years ending December 31, 2007, 2008 and 2009
- e) Copy of the Bank Guarantee issued by HSBC Bank plc (Registered office: 8 Canada Square, London, United Kingdom E14 5HQ dated May 14, 2010 for Rs. Rs. 43,659,897,300 (Rupees Four thousand three hundred and sixty five crores, ninety eight lakhs, ninety seven thousand and three hundred)
- f) Copy of the letter dated May 14, 2010 from The Hongkong and Shanghai Banking Corporation Limited (Shiv Building, Plot No. 139-140 B, Western Express Highway, Sahar Road Junction, Vile Parle (East), Mumbai 400 057) confirming the amount of Rupees Rs. 477,360,000 (Rupees Forty seven crores, seventy three lakhs and sixty thousand) kept in the Escrow Account – Cash and that a lien has been

- marked in favour of the Manager to the Offer
- g) Copy of the Public Announcement dated May 17, 2010
  - h) Copy of the letter dated June 18, 2010 from SEBI in terms of provision to Regulation 18(2) of the SEBI (SAST) Regulations
  - i) Copy of the RBI approval dated June 10, 2010 for the Acquirer and PAC to acquire 48,510,997 shares in the Offer
  - j) Copy of the agreement between the Registrar and Acquirer as the Depository Participant for opening the Depository Escrow Account for the purpose of the Offer
  - k) Copy of the mandate letter between the Acquirer and the Registrar for the purpose of the Offer

## 12. Declaration by the Acquirer and the PAC

- 12.1 The Acquirer, its directors and the PAC accept full responsibility for the information contained in this Letter of Offer. Each of the Acquirer and the PAC is jointly and severally liable for ensuring compliance with the SEBI (SAST) Regulations.

### **Acquirer:**

Michel Demaré	Richard A. Brown
Place: Zurich, Switzerland	Place: Zurich, Switzerland
Date: June 28, 2010	Date: June 28, 2010

### **PAC:**

Michel Demaré	Richard A. Brown
Place: Zurich, Switzerland	Place: Zurich, Switzerland
Date: June 28, 2010	Date: June 28, 2010

The persons signing the Letter of Offer are duly and legally authorized by the Acquirer and PAC to sign the Letter of Offer.

### **Enclosed:**

1. Form of Acceptance-cum-Acknowledgement
2. Form of Withdrawal
3. Transfer deed for shareholders holding equity shares in physical form

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION  
FORM OF ACCEPTANCE-CUM-ACKNOWLEDGEMENT  
ABB Limited Open Offer**

From:  
Folio No. / DP ID No. / Client ID No.:  
Address:  
Tel no:  
Fax no:  
Email ID:

<b>OFFER OPENS ON</b>	<b>: Thursday, July 8, 2010</b>
<b>OFFER CLOSSES ON</b>	<b>: Tuesday, July 27, 2010</b>

**To,**  
**The Acquirer**  
**C/o Karvy Computershare Private Limited**  
Unit: ABB Limited – Open Offer  
Plot No 17-24, Vithalrao Nagar  
Madhapur, Hyderabad 500 081

Please tick ( ) shareholders status (For taxation / TDS purpose)	
	Person resident in India who is an individual / HUF / Association of Persons, having an aggregate income upto Rs. 10,00,000
	Person resident in India who is an individual / HUF / Association of Persons, having an aggregate income exceeding Rs. 10,00,000
	Person resident in India who is a partnership firm
	Person resident in India who is a domestic company
	Person resident outside India who is a company
	Person resident outside India who is an individual / association of persons having an aggregate income upto Rs. 10,00,000
	Person resident outside India who is an individual / association of persons having an aggregate income exceeding Rs. 10,00,000
	Domestic venture capital fund and mutual fund which is a domestic company
	International venture capital fund which is a domestic company
	International venture capital fund which is a foreign company
	Person resident outside India which is a partnership firm
	Non-Resident Indian(s)
	Foreign Institutional Investors
	Multilateral Agency
	Bilateral Development Financial Institution
	Financial Institutions
	Banks
	Insurance Company
	Others (Specify )

Dear Sir,

**Subject: Open Offer by ABB Asea Brown Boveri Ltd (“Acquirer”) and ABB Ltd (“PAC”) to the equity shareholders of ABB Limited (“Target Company”) to acquire 48,510,997 equity shares, pursuant to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (“Open Offer”)**

I / We refer to the Letter of Offer dated June 28, 2010 for acquiring the equity shares held by me / us in ABB Limited. I / We, the undersigned have read the Letter of Offer and understood their contents including the terms and conditions as mentioned therein.

**SHARES IN DEMATERIALIZED FORM**

I / We, holding equity shares in the dematerialized form, accept the Offer and enclose the photocopy of the Delivery Instruction in "Off-market" mode, duly acknowledged by the Depository Participant ("DP") in respect of my shares as detailed below:

DP Name	DP ID	Client ID	Beneficiary Name	No. of equity shares

Depository Name	National Securities Depository Limited
DP Name	Karvy Stock Broking Ltd
DP ID Number	IN300394
Client ID	17646326
Beneficiary Account Name	KCPL Escrow Account - ABB Limited Open Offer
ISIN	INE117A01022
Market	Off market

-----TEAR ALONG THIS LINE -----

**ACKNOWLEDGEMENT SLIP  
ABB Limited Open Offer**

Received from Mr. / Ms. / M/s. \_\_\_\_\_ residing at \_\_\_\_\_

a Form of Acceptance-cum-Acknowledgement for shares along with :

Copy of delivery instruction slip from DP ID \_\_\_\_\_ Client ID \_\_\_\_\_

\_\_\_\_\_ Share Certificate(s) \_\_\_\_\_ transfer deed(s) under folio number (s) \_\_\_\_\_ for accepting the Offer made by the Acquirer

Stamp of Collection Centre:	Signature of Official:	Date of Receipt:	
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I / We note and understand that the equity shares would lie in the special depository account until the time the Acquirer dispatches the purchase consideration as mentioned in the Letter of Offer. I / We also note and understand that the Acquirer will pay the purchase consideration only after verification of the documents and signatures.

**SHARES IN PHYSICAL FORM**

I / We, accept the Offer and enclose the original share certificate (s) and duly signed transfer deed(s) in respect of my / our equity shares as detailed below:

S. No.	Ledger Folio No(s)	Certificate No(s)	Distinctive No(s)		No. of equity shares
			From	To	
1					
2					
3					
4					
5					
(In case the space provided is inadequate, please attach a separate sheet with details)					
<b>Total No. of Equity Shares</b>					

I / We note and understand that the Registrar to the Offer will hold the original share certificate(s) and valid share transfer deed in trust for me / us until the time the Acquirer dispatches the purchase consideration as mentioned in the Letter of Offer. I / We also note and understand that the Acquirer will pay the purchase consideration only after verification of the documents and signatures.

**For NRIs / OCBs / FIIs / Foreign Shareholders:**

I / We have enclosed the following documents:

- No Objection Certificate / Tax Clearance Certificate / Certificate for Deduction of Tax at Lower Rate from Income Tax Authorities.
- RBI approvals for acquiring equity shares of ABB Limited hereby tendered in the Offer.
- Copy of Permanent Account Number / PAN Card

I / We, confirm that the tax deduction on account of equity shares of ABB Limited held by me / us is to be deducted on (tick whichever is applicable):

- Long-term capital gains
- Short-term capital gains
- Trade Account

In order to avail the benefit of lower rate of tax deduction under the applicable Double Taxation Avoidance Agreement (“DTAA”), if any, kindly enclose a certificate stating that you are a tax resident of your country of incorporation in terms of the DTAA entered into between India and your country of residence

**For FII Shareholders:**

I / We, confirm that the equity shares of ABB Limited are held by me / us on (select whichever is applicable):

- Investment / Capital Account
- Trade Account

In case the shares are held on trade account, kindly enclose a certificate stating that you are a tax resident of your country of residence / incorporation and that you do not have a permanent establishment in India in terms of the DTAA entered into between India and your country of residence. Where the tax is to be deducted on account of long-term capital gains, the shareholders should submit a certificate from a Chartered Accountant (along with proof such as demat account statement) certifying that the equity shares have been held for more than one year. In order to claim the benefit of computation of tax liability on the net capital gains (i.e. after reducing the cost of acquisition of shares), the shareholder should obtain a tax clearance certificate from the appropriate income tax authorities certifying the net income chargeable to capital gains tax. In the absence of the above tax would be deducted at the maximum marginal rate on the entire consideration paid to the shareholders.

For the purpose of determining as to whether the capital gains are short-term or long-term in nature, the Acquirer shall take actions based on the certification submitted along with this Form of Acceptance-cum-Acknowledgment by the shareholders. NRI / OCB / other non-resident shareholders should provide certification as to their residential status along with this Form of Acceptance-cum-Acknowledgment. Declarations in this Form of Acceptance-cum-Acknowledgment as to the fact whether the shares are held, by the NRI / OCB / other non-resident shareholders, on investment / capital account or on trade account and whether the equity shares are held as long-term capital asset or short-term capital asset should be accompanied with appropriate evidences. In case the Acquirer is of the view that the information / documents provided by the shareholder is inaccurate or incomplete or insufficient, then tax may be deducted at source at the applicable maximum marginal rate on the entire consideration paid to the shareholders.

**Bank Details**

So as to avoid fraudulent encashment in transit, the shareholder(s) holding equity shares in physical form should provide details of bank account of the first / sole shareholder and the consideration cheque or demand draft will be drawn accordingly. For equity shares that are tendered in demat form, the Bank account as obtained from the beneficiary download to be provided by the depositories will be considered and the warrants will be issued with the said Bank particulars, and not any details provided herein.

Name of the Bank		Branch	
Account No.		Current / Savings / (Others : please specify)	
9 Digit MICR Code		IFSC Code	

Details for RTGS / NEFT

In addition to the above Bank Details, Shareholders opting for the RTGS / NEFT option should provide the following details:

Payment through RTGS (Yes / No): \_\_\_\_\_

Payment through NEFT (Yes / No): \_\_\_\_\_

IFSC Code of the Branch where account is maintained: \_\_\_\_\_

I / We confirm that the equity shares of ABB Limited, which are being tendered herewith by me / us under this Offer, are free from liens, charges and encumbrances of any kind whatsoever. I / We authorize the Acquirer to accept the equity shares so offered which it may decide to accept in consultation with the Manager to the Offer and in terms of the Letter of Offer and I / we further authorize the Acquirer to return to me / us, Share certificates(s) / equity shares in respect of which the Offer is not found valid / not accepted without specifying the reasons thereof.

I / We authorize the Acquirer and the Registrar to the Offer and the Manager to the Offer to send by registered post / UPC as may be applicable at my / our risk, the draft / cheque / warrant, in full and final settlement of the amount due to me / us and / or other documents or papers or correspondence to the sole / first holder at the address mentioned below. In case I / we have tendered my equity shares in dematerialised form, I / we authorize Acquirer and the Registrar to the Offer and the Manager to the Offer to use my details regarding my address and bank account details as obtained from my depository participant for the purpose of mailing the aforementioned instruments.

I / We authorize the Acquirer to accept the equity shares so offered or such lesser number of equity shares that it may decide to accept in terms of the Letter of Offer and I / we authorize the Acquirer to split / consolidate the share certificates comprising the equity shares that are not acquired to be returned to me / us and for the aforesaid purposes the Acquirer is hereby authorized to do all such things and execute such documents as may be found necessary and expedient for the purpose.

Yours faithfully,  
Signed and Delivered

	FULL NAME(S) OF THE SHAREHOLDERS	SIGNATURE(S)
First / Sole Holder		
Joint Holder 1		
Joint Holder 2		
Joint Holder 3		

Address of First / Sole Shareholder:  
Place:  
Date:

-----TEAR ALONG THIS LINE-----

**All future correspondence, if any, should be addressed to the Registrar to the Offer at the following address quoting your reference Folio No. / DP ID / Client ID**

**Karvy Computershare Private Limited**

Unit: ABB Limited – Open Offer

Plot No 17-24, Vithalrao Nagar

Madhapur, Hyderabad 500 081

Tel: +91 40 2342 0815-23, Fax: +91 40 2343 1551

E-mail: [murali@karvy.com](mailto:murali@karvy.com), Contact Person: Mr. M. Murali Krishna

**FORM OF WITHDRAWAL  
ABB Limited Open Offer**

From:  
Folio No. / DP ID No. / Client ID No.:  
Address :  
Tel no:  
Fax no:  
Email ID:

<b>OFFER OPENS ON : Thursday, July 8, 2010</b>
<b>LAST DATE OF WITHDRAWAL : Thursday, July 22, 2010</b>
<b>OFFER CLOSES ON : Tuesday, July 27, 2010</b>

To,  
**The Acquirer**  
**C/o Karvy Computershare Private Limited**  
Unit : ABB Limited – Open Offer  
Plot No 17-24, Vithalrao Nagar  
Madhapur, Hyderabad 500 081

Please tick ( ) shareholders status (For taxation / TDS purpose)	
<input type="checkbox"/>	Person resident in India who is an individual / HUF / Association of Persons, having an aggregate income upto Rs. 10,00,000
<input type="checkbox"/>	Person resident in India who is an individual / HUF / Association of Persons, having an aggregate income exceeding Rs. 10,00,000
<input type="checkbox"/>	Person resident in India who is a partnership firm
<input type="checkbox"/>	Person resident in India who is a domestic company
<input type="checkbox"/>	Person resident outside India who is a company
<input type="checkbox"/>	Person resident outside India who is an individual / association of persons having an aggregate income upto Rs. 10,00,000
<input type="checkbox"/>	Person resident outside India who is an individual / association of persons having an aggregate income exceeding Rs. 10,00,000
<input type="checkbox"/>	Domestic venture capital fund and mutual Fund who is a domestic company
<input type="checkbox"/>	International venture Capital Fund who is a domestic Company
<input type="checkbox"/>	International venture Capital Fund who is a foreign Company
<input type="checkbox"/>	Person resident outside India which is a Partnership firm
<input type="checkbox"/>	Non-Resident Indian(s)
<input type="checkbox"/>	Foreign Institutional Investors
<input type="checkbox"/>	Multilateral Agency
<input type="checkbox"/>	Bilateral Development Financial Institution
<input type="checkbox"/>	Financial Institutions
<input type="checkbox"/>	Banks
<input type="checkbox"/>	Insurance Company
<input type="checkbox"/>	Others (Specify _____ )

Dear Sir,

**Subject: Open Offer by ABB Asea Brown Boveri Ltd (“Acquirer”) and ABB Ltd (“PAC”) to the equity shareholders of ABB Limited (“Target Company”) to acquire 48,510,997 equity shares, pursuant to the SEBI (“Substantial Acquisition of Shares and Takeovers”) Regulations, 1997 (“Open Offer”)**

I / We refer to the Letter of Offer dated June 28, 2010 for acquiring the equity shares held by me / us in ABB Limited. I / We, the undersigned have read the Letter of Offer and understood their contents including the terms and conditions as mentioned therein.

I / We hereby consent unconditionally and irrevocable to withdraw my / our equity shares from the Offer and I / we further authorize the Acquirer to return to me / us, the tendered Share Certificate(s) / Share (s) at my / our sole risk.

I / We note that upon withdrawal of my / our equity shares from the Offer, no claim or liability shall lie against the Acquirer / Manager to the Offer / Registrar to the Offer.

I / We note that this Form of Withdrawal should reach the Registrar to the Offer on or before the last date of withdrawal i.e. Thursday, July 22, 2010.

I / We note the Acquirer / Manager to the Offer / Registrar to the Offer shall not be liable for any postal delay / loss in transit of the equity shares held in physical form and also for the non-receipt of equity shares held in the dematerialized form in the DP account due to inaccurate / incomplete particulars / instructions.

I / We also note and understand that the Acquirer will return the original share certificate(s), share transfer deed(s) / equity shares in dematerialized form only on completion of verification of the documents, signatures and beneficiary position as available with the depositories from time to time.

-----TEAR ALONG THIS LINE -----

**ACKNOWLEDGEMENT SLIP  
ABB Limited Open Offer**

Received from Mr. / Ms. / M/s. \_\_\_\_\_ residing at \_\_\_\_\_  
a Form of Withdrawal for \_\_\_\_\_ shares along with :  
 Copy of delivery instruction slip from DP ID \_\_\_\_\_ Client ID \_\_\_\_\_  
 Copy of acknowledgement slip issued when depositing dematerialized equity shares  
 Copy of acknowledgement slip issued when depositing physical equity shares for withdrawing from the Offer made by the Acquirer

Stamp of Collection Centre:	Signature of Official:	Date of Receipt:
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The particulars of tendered original share certificate (s) and duly signed transfer deed(s) are detailed below:

S. No.	Ledger Folio No(s)	Certificate No(s)	Distinctive No(s)		No. of equity shares
			From	To	
1					
2					
3					
4					
5					
(In case the space provided is inadequate, please attach a separate sheet with details)					<b>Total No. of Equity Shares</b>

I / We hold the following equity shares in dematerialized form and had executed an off-market transaction for crediting the equity shares to the "KCPL Escrow Account – ABB Limited Open Offer". Please find enclosed a photocopy of the depository delivery instruction(s) duly acknowledged by DP. The particulars of the account from which my / our equity shares have been tendered are as follows:

DP Name	DP ID	Client ID	Beneficiary Name	No. of equity shares

I / We note that the equity shares will be credited back only to that depository account, from which the equity shares have been tendered and necessary standing instructions have been issued in this regard.

I / We confirm that the particulars given above are true and correct.

In case of dematerialized equity shares, I / we confirm that the signatures have been verified by the DP as per their records and the same have been duly attested.

Yours faithfully,

Signed and Delivered

	FULL NAME(S) OF THE SHAREHOLDERS	SIGNATURE(S)
<b>First / Sole Holder</b>		
<b>Joint Holder 1</b>		
<b>Joint Holder 2</b>		
<b>Joint Holder 3</b>		

Address of First / Sole Shareholder: \_\_\_\_\_

Place:

Date:

-----TEAR ALONG THIS LINE-----

**All future correspondence, if any, should be addressed to the Registrar to the Offer at the following address quoting your reference Folio No. / DP ID / Client ID**

**Karvy Computershare Private Limited**

Unit: ABB Limited – Open Offer

Plot No 17-24, Vithalrao Nagar

Madhapur, Hyderabad 500 081

Tel: +91 40 2342 0815-23, Fax: +91 40 2343 1551

E-mail: [murali@karvy.com](mailto:murali@karvy.com), Contact Person: Mr. M. Murali Krishna

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