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U.S. SECURITIES & EXCHANGE COMMISSION

Litigation Release No. 21673 / September 29, 2010

Accounting and Auditing Enforcement Release No. 3191 / September 29, 2010

U.S. Securities and Exchange Commission v. ABB Ltd, Civil Action No. 1:10-CV-01648 (DDC) (PLF)

SEC CHARGES ABB FOR BRIBERY SCHEMES IN MEXICO AND IRAQ - ABB TO PAY \$39 MILLION IN DISGORGEMENT AND CIVIL PENALTIES

The Securities and Exchange Commission announced today that it filed a settled civil action against ABB Ltd ("ABB") in the United States District Court for the District of Columbia, charging the company with violations of the Foreign Corrupt Practices Act. ABB is a Swiss corporation that provides power and automation products and services worldwide. The SEC alleges that ABB, through its subsidiaries, paid bribes to government officials in Mexico to obtain business with government owned power companies, and paid kickbacks to the former regime in Iraq to obtain contracts under the United Nations Oil for Food Program. As alleged in the complaint, ABB's subsidiaries made at least \$2.7 million in illicit payments in these schemes to obtain contracts that generated more than \$100 million in revenues for ABB.

In the Mexican bribery scheme, the SEC alleges that from 1999 through 2004, ABB Network Management ("ABB NM"), a business unit within ABB's U.S. subsidiary, ABB, Inc., bribed officials in Mexico to obtain and retain business with two government owned electric utilities, Comision Federal de Electricidad ("CFE") and Luz y Fuerza del Centro ("LyFZ"). According to the complaint, the bribes were funneled through ABB NM's agent and two other companies in Mexico. The complaint alleges that ABB failed to conduct due diligence on these payments and entities and improperly recorded the bribes on its books as payments for commissions and services on projects in Mexico. Examples of illicit payments in the complaint include checks and wire transfers to relatives of CFE officials, cash bribes to CFE officials, and payment of a Mediterranean cruise vacation for CFE officials and their wives. The SEC alleges that, as a result of this bribery scheme, ABB NM was awarded contracts with CFE and LyFZ that generated over \$90 million in revenues, and \$13 million in profits, for ABB.

The SEC further alleges that from approximately 2000 to 2004 ABB participated in the United Nations Oil for Food Program (the "Program"). The Program was intended to provide humanitarian relief for the Iraqi population, which faced hardship under the international trade sanctions that followed Iraq's 1990 invasion of Kuwait. According to the complaint, ABB participated in the Program through six subsidiaries: ABB Near East Trading Ltd. ("ABB Jordan"), ABB Automation, ABB Industrie AC Machines and ABB Solyvent-Ventec (collectively referred to as "ABB France"), ABB AG ("ABB Austria"), and ABB Elektrik Sanayi AS ("ABB Turkey"). The SEC alleges that these subsidiaries developed various schemes to pay secret kickbacks to Iraq to obtain contracts under the Program. ABB's Jordanian subsidiary acted as a conduit for other ABB subsidiaries by making the kickback payments on their behalf. Some of the kickbacks were made in the form of bank guarantees and cash payments. ABB improperly recorded the kickbacks on its books as legitimate payments for after sales services, consultation costs, and commissions. According to the complaint, the Oil for Food contracts obtained as a result of the kickback schemes generated \$13.5 million in revenues, and \$3.8 million in profits, for ABB.

Without admitting or denying the allegations in the complaint, ABB has agreed to settle the SEC's action by consenting to the entry of a final judgment that permanently enjoins the company from future violations of Sections 30A, 13(b)(2)(A), and 13(b)(2) (B) of the Securities Exchange Act of 1934, orders the company to pay \$22,804,262 in disgorgement and prejudgment interest, orders the company to pay a \$16,510,000 civil penalty, and requires the company to comply with certain undertakings regarding its FCPA compliance program.

In related criminal proceedings, ABB has reached a settlement with the U.S. Department of Justice in which ABB has agreed to pay \$19 million in criminal penalties.

The Commission acknowledges the assistance of the Department of Justice, Criminal Division, Fraud Section, the Federal Bureau of Investigation, and the United Nations Independent Inquiry Committee.

<http://www.sec.gov/litigation/litreleases/2010/lr21673.htm>

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