UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(MARK ONE)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006 **Commission file number 1-2189**

Abbott Laboratories

An Illinois Corporation **36-0698440**
(I.R.S. employer identification number)

100 Abbott Park Road
Abbott Park, Illinois 60064-6400

(847) 937-6100
(telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, Without Par Value	New York Stock Exchange Chicago Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ü No ___

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes ___ No ü

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ü No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ü]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ü Accelerated Filer ___ Non-accelerated Filer ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ___ No ü

The aggregate market value of the 1,465,928,862 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 30, 2006), was approximately $63,929,157,671. Abbott has no non-voting common equity.

Number of common shares outstanding as of January 31, 2007: 1,543,073,501

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2007 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 19, 2007.

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Abbott Laboratories is an Illinois corporation, incorporated in 1900. Abbott's* principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products.

FINANCIAL INFORMATION RELATING TO INDUSTRY SEGMENTS, GEOGRAPHIC AREAS, AND CLASSES OF SIMILAR PRODUCTS

Incorporated herein by reference is Note 6 entitled "Segment and Geographic Area Information" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

NARRATIVE DESCRIPTION OF BUSINESS

Abbott has four reportable revenue segments: Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Vascular Products. Abbott also has a 50 percent owned joint venture, TAP Pharmaceutical Products Inc. During the first half of 2006, Abbott acquired the vascular intervention and endovascular solutions businesses of Guidant Corporation. Effective with this acquisition, Abbott's base vascular business and the acquired Guidant businesses are reported as the Vascular Products segment.

In December 2006, Abbott acquired Kos Pharmaceuticals, Inc., a specialty pharmaceutical company that developed and marketed proprietary medications for the treatment of cardiovascular, metabolic and respiratory diseases.

In January 2007, Abbott announced that it had entered into a definitive agreement to sell Abbott's core laboratory diagnostic businesses, including point of care, to General Electric Company ("GE") for $8.13 billion, in cash. This divestiture does not include Abbott's Molecular Diagnostics and Diabetes Care businesses. The sale is expected to close in the first half of 2007 and is subject to customary closing conditions, including regulatory approvals.

* As used throughout the text of this report on Form 10-K, the term "Abbott" refers to Abbott Laboratories, an Illinois corporation, or Abbott Laboratories and its consolidated subsidiaries, as the context requires.

Pharmaceutical Products

The Pharmaceutical Products segment's products include a broad line of adult and pediatric pharmaceuticals manufactured, marketed and sold worldwide, which are sold primarily on the prescription, or recommendation, of physicians. In 2006, Abbott announced a collaboration with AstraZeneca to co-develop and market a fixed-dose combination lipid management therapy of Crestor® (rosuvastatin/AstraZeneca) with either Tricor® (Abbott's fenofibrate) or Abbott's next generation fenofibrate, ABT 335.

The principal products included in the Pharmaceutical Products segment are:

- TriCor®, for the treatment of dyslipidemia;
- Niaspan®, for the treatment of high cholesterol;
- HUMIRA®, for the treatment of rheumatoid arthritis, psoriatic arthritis and ankylosing spondylitis;
- the anti-infectives clarithromycin (sold under the trademarks Biaxin®, Klacid® and Klaricid®), Omnicef®, an oral cephalosporin antibiotic, tosufloxacin, sold in Japan under the trademark Tosuxacin®, and various forms of the antibiotic erythromycin, sold primarily as PCE® or polymer-coated erythromycin, Erythrocin®, and E.E.S.®;
- Synthroid®, for the treatment of hypothyroidism;
- Meridia® and Reductil® (also marketed as Reductyl™ and Reductal™) for the treatment of obesity;
- the anti-virals Kaletra® and Norvir®, protease inhibitors for the treatment of HIV infection;
- Depakote®, an agent for the treatment of epilepsy and bipolar disorder and the prevention of migraines;
- the anesthesia products sevoflurane (sold in the United States under the trademark Ultane® and outside of the United States primarily under the trademark Sevorane® and in a few other markets as Ultane®), isoflurane, and enflurane;
- the specialty injectables Zemplar®, for the treatment of hyperparathyroidism, Calcijex®, and Survanta®;
- Lupron®, also marketed as Lucrin®, and Lupron Depot® used for the palliative treatment of advanced prostate cancer, treatment of endometriosis and central precocious puberty, and for the preoperative treatment of patients with anemia caused by uterine fibroids;
- Ogastro®, also marketed as Prevacid® (lansoprazole), a proton pump inhibitor for the short-term treatment of duodenal ulcers, gastric ulcers, and erosive esophagitis; and
- various cardiovascular products, including Mavik® (also marketed as Goptin®), Isoptin® and Tarka® for the treatment of hypertension.

The Pharmaceutical Products segment markets its products worldwide and generally sells its products directly to wholesalers, government agencies, health care facilities, and independent retailers from Abbott-owned distribution centers and public warehouses. Certain products are co-marketed or co-promoted with other companies. Some of these products are marketed and distributed through distributors. This segment directs its primary marketing efforts toward securing the prescription of Abbott's brand of products by physicians. Managed care providers (for example, health maintenance organizations and pharmacy benefit managers) and state and federal governments and agencies (for example, the Department of Veterans Affairs and the Department of Defense) are also important customers.

Competition in the Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. The search for technological innovations in pharmaceutical products is a significant aspect of competition in this segment. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence in the Pharmaceutical Products segment. Price can also be a factor. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products which are off-patent.

Diagnostic Products

The Diagnostic Products segment's products include diagnostic systems and tests for blood banks, hospitals, commercial laboratories, physicians' offices, alternate-care testing sites, plasma protein therapeutic companies, and consumers.

The principal products included in the Diagnostic Products segment are:

- immunoassay systems, including ARCHITECT®, AxSYM®, IMx®, Abbott Quantum™, Commander®, Abbott PRISM®, TDx®, and TDxFlx®;
- chemistry systems such as ARCHITECT® c8000® and Aeroset®;
- assays used for screening and/or diagnosis for drugs of abuse, cancer, therapeutic drug monitoring, fertility, physiological diseases, and infectious diseases such as hepatitis and HIV;
- the Vysis® product line of genomic-based tests, including the PathVysion® HER-2 DNA probe kit and the UroVysion™ bladder cancer recurrence kit;
- a full line of hematology systems and reagents known as the Cell-Dyn® series;
- the product line of FreeStyle® blood glucose monitoring meters, test strips, data management software and accessories for people with diabetes, including FreeStyle®Freedom™, FreeStyle®, FreeStyle Flash® (sold in certain international markets as FreeStyle® Mini), FreeStyle Papillon™, and FreeStyle Tracker®, and other blood glucose monitoring meters, test strips, data management software and accessories, including Precision Xtra™, MediSense Optium™, Precision PCx®, Precision Q.I.D.®, MediSense II™, TrueMeasure® strips, Precision Link® Direct, and Precision® Sure-Dose® insulin syringes; and

· the i-STAT® point-of-care diagnostic systems and tests for blood analysis, including the i-STAT® system.

In addition, under its strategic alliance with Celera Diagnostics, a business of the Celera Genomics Group of Applera Corporation, the Diagnostic Products segment develops, manufactures and markets a broad range of *in vitro* molecular diagnostic products for disease detection, disease progression monitoring, and therapy selection. Through a sales and marketing agreement with Enfer Scientific Ltd., the Diagnostic Products segment also distributes diagnostic tests in Europe and Japan that are used to detect bovine spongiform encephalopathy (BSE) in cattle.

The Diagnostic Products segment markets its products worldwide. These products are generally marketed and sold directly to hospitals, laboratories, clinics, and physicians' offices from Abbott-owned distribution centers and public warehouses. Outside the United States, sales are made either directly to customers or through distributors, depending on the market served. Blood glucose monitoring meters and test strips for people with diabetes are also marketed and sold over-the-counter to consumers.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, long-term supply contracts, and product potential for overall cost-effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence. Although Abbott has benefited from technological

advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products. Certain of this segment's products are subject to restrictions on their sale in the United States under a consent decree entered in 1999. The consent decree is discussed in the section captioned, "Regulation" on pages 7 through 9.

Nutritional Products

The Nutritional Products segment's products include a broad line of pediatric and adult nutritionals manufactured, marketed and sold worldwide. These products are sold directly to consumers, often on the recommendation or prescription of physicians or other health care professionals, and to health care facilities and government agencies. The segment also includes specialty pharmaceuticals.

Principal products in the Nutritional Products segment include:

· various forms of prepared infant formula and follow-on formula, including Similac®Advance®, Similac®, Similac® With Iron, Similac®2, Isomil® Advance®, Isomil®, Isomil®2, Alimentum®, Similac® NeoSure®, Gain®, and Abbott Grow®;

· adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® High Protein, Glucerna®, ProSure®, PediaSure®, and Pedialyte®;

· nutritional products used in enteral feeding in health care institutions, including Jevity®, Osmolite®, and Nepro®;

· the pharmaceutical product Survanta®; and

· Zone Perfect® bars and the EAS family of nutritional brands, including AdvantEdge® and Myoplex®.

The Nutritional Products segment's products are distributed from Abbott-owned distribution centers or public warehouses.

The segment generally sells nutritional products directly to retailers, wholesalers, health care facilities, and government agencies. Primary marketing efforts for nutritional products are directed toward securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products sold as Isomil® Advance®, Gain®, Abbott Grow®, PediaSure®, Pedialyte®, Ensure®, Glucerna®, Zone Perfect®, and EAS® are promoted directly to the public by consumer marketing efforts. These products are generally sold directly to retailers and wholesalers.

The segment's pharmaceutical products are generally marketed directly to physicians, health care facilities, and government agencies and sold through wholesalers. Primary marketing efforts for this segment's pharmaceutical products are directed at securing the prescription of these products by physicians.

Competition for nutritional products in the segment is generally other diversified consumer and health care manufacturers. Competitive factors include consumer advertising, formulation, packaging, scientific innovation, price, and availability of private label product forms. Competition for pharmaceutical products in the segment is generally from other health care and pharmaceutical companies. A significant aspect of competition is the search for technological innovations. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence. In addition, the substitution of generic drugs for the brand prescribed has increased competitive pressures on pharmaceutical products which are off-patent.

Vascular Products

The Vascular Products segment's products include a broad line of coronary, endovascular and vessel closure devices used in the treatment of vascular disease. In April 2006, Abbott acquired Guidant Corporation's vascular intervention and endovascular solutions businesses.

The principal products included in the Vascular Products segment are:

· Multi-Link Vision®, and Multi-Link Mini Vision®, coronary metallic stents;

· Xience V®, a next-generation drug-eluting coronary stent system developed on the Multi-Link Vision platform;

· BMW® and Asahi coronary guidewires;

· StarClose®, a vessel closure device;

· Acculink®/Accunet® and Xact®/Emboshield®, carotid stent systems; and

· Voyager® balloon dilation products.

The Vascular Products segment markets its products worldwide. These products are generally marketed and sold directly to hospitals from Abbott-owned distribution centers and public warehouses. Outside the United States, sales are made either directly to customers or through distributors, depending on the

market served.

The Vascular Products segment's products are subject to competition in technological innovation, price, convenience of use, service, product performance, long-term supply contracts, and product potential for overall cost-effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

TAP Pharmaceutical Products Inc.

Under an agreement between Abbott and Takeda Pharmaceutical Company, Limited of Japan (Takeda), TAP Pharmaceutical Products Inc. (owned 50 percent by Abbott and 50 percent by an affiliate of Takeda), together with its subsidiary, TAP Pharmaceuticals Inc. (TAP), develops and markets pharmaceutical products primarily for the United States. TAP markets Lupron®, an LH-RH analog, and Lupron Depot®, a sustained release form of Lupron®, in the United States. Lupron® and Lupron Depot® are used principally for the palliative treatment of advanced prostate cancer, for the treatment of endometriosis and central precocious puberty and for the preoperative treatment of patients with anemia caused by uterine fibroids. TAP also markets Prevacid® (lansoprazole), a proton pump inhibitor. Its principal indications are for short-term treatment of gastroesophageal reflux disease, duodenal ulcers, gastric ulcers, and erosive esophagitis.

TAP's products are generally sold directly to physicians, retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed for TAP from Abbott-owned distribution centers. Primary marketing efforts for pharmaceutical products are directed toward securing the prescription of TAP's brand of products by physicians. Managed care purchasers (for example, health maintenance organizations and pharmacy benefit managers) are increasingly important customers.

Competition is generally from other pharmaceutical companies. A significant aspect of competition is the search for technological innovations. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence. Price can also be a factor. In addition, the availability of over-the-counter drugs or the substitution of generic drugs for the brand prescribed has increased competitive pressures.

INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL

Sources and Availability of Raw Materials

Abbott purchases, in the ordinary course of business, raw materials and supplies essential to Abbott's operations from numerous suppliers in the United States and abroad. There have been no recent significant availability problems or supply shortages.

Patents, Trademarks, and Licenses

Abbott is aware of the desirability for patent and trademark protection for its products. Accordingly, where possible, patents and trademarks are sought and obtained for Abbott's products in the United States and all countries of major marketing interest to Abbott. Abbott owns and is licensed under a substantial number of patents and patent applications. Principal trademarks and the products they cover are discussed in the Narrative Description of Business on pages 1 through 5. These, and various patents which expire during the period 2007 to 2026, in the aggregate are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, trademark (or related group of patents, licenses, or trademarks), except for those related to adalimumab (which is sold under the trademark HUMIRA®), are material in relation to Abbott's business as a whole. The United States composition of matter patents covering adalimumab will expire in 2016. In addition, the following patents, licenses, and trademarks are significant for Abbott's Pharmaceutical Products segment: those related to clarithromycin (which is sold under the trademarks Biaxin®, Klacid®, and Klaricid®), those related to divalproex sodium (which is sold under the trademark Depakote®), those related to lansoprazole (which is sold under the trademarks Prevacid® and Ogastro®), those related to cefdinir (which is sold under the trademark Omnicef®), those related to lopinavir/ritonavir (which is sold under the trademark Kaletra®), those related to fenofibrate (which is sold under the trademark TriCor®), and those related to sevoflurane (which is sold under the trademarks Sevorane® and Ultane®). The United States composition of matter patent covering clarithromycin is licensed from Taisho Pharmaceutical Co., Ltd. of Tokyo, Japan, and expired in 2005. The United States composition of matter patents covering divalproex sodium will expire in 2008. The United States composition of matter patent covering lansoprazole is licensed by TAP from Takeda and will expire in 2009. The United States composition of matter patent covering lopinavir will expire in 2015. The United States composition of matter patents covering ritonavir will expire in 2015. The United States composition of matter patent covering lopinavir/ritonavir will expire in 2016. The United States composition of matter patent covering cefdinir is licensed from Astellas Corporation and expires in 2007. The United States crystal form of cefdinir is licensed from Astellas Corporation and expires is 2011. The principal United States non-composition of matter patents covering the fenofibrate products will expire in 2009, 2011, 2018, and 2020. The principal non-composition of matter patents covering sevoflurane in the Pharmaceutical Products segment's major markets will expire in 2018. Litigation involving Abbott's patents covering adalimumab, cefdinir, clarithromycin, divalproex sodium, and sevoflurane, as well as litigation involving patents used in the operation of Abbott's Vascular Products segment, is discussed in Legal Proceedings on pages 16 and 17.

Although the expiration of a composition of matter patent may lead to increased competition, in most cases Abbott owns or has a license to other patents that expire after the composition of matter patent related to particular formulations, uses, or processes for manufacturing the pharmaceutical. These non-composition of matter patents and Abbott's other intellectual property, along with such other factors as a competitor's need to obtain regulatory approvals prior to marketing a competitive product and the nature of the market, may allow Abbott to continue to maintain exclusivity or have other commercial advantages after the expiration of the composition of matter patent.

Seasonal Aspects, Customers, Backlog, and Renegotiation

There are no significant seasonal aspects to Abbott's business. The incidence of certain infectious diseases which occur at various times in different areas of the world does, however, affect the demand for Abbott's anti-infective products. Orders for Abbott's products are generally filled on a current basis, and order backlog is not material to Abbott's business. Abbott has no single customer that, if the customer were lost, would have a material adverse effect on Abbott. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of the government.

Research and Development

Abbott spent $2,255,271,000 in 2006, $1,821,175,000 in 2005, and $1,696,753,000 in 2004 on research to discover and develop new products and processes and to improve existing products and processes. The majority of research and development expenditures is concentrated on pharmaceutical products.

Environmental Matters

Abbott believes that its operations comply in all material respects with applicable laws and regulations concerning environmental protection. Regulations under federal and state environmental laws impose stringent limitations on emissions and discharges to the environment from various manufacturing operations. Abbott's capital and operating expenditures for pollution control in 2006 were approximately $8 million and $58 million, respectively. Capital and operating expenditures for pollution control in 2007 are estimated to be $6 million and $62 million, respectively.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States including Puerto Rico under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. Abbott is also engaged in remediation at several other sites, some of which are owned by Abbott, in cooperation with the Environmental Protection Agency (EPA) or similar agencies. While it is not feasible to predict with certainty the final costs related to those investigations and remediation activities, Abbott believes that such costs, together with other expenditures to maintain compliance with applicable laws and regulations concerning environmental protection, should not have a material adverse effect on Abbott's financial position, cash flows, or operations.

Employees

Abbott employed approximately 66,663 persons as of December 31, 2006.

Regulation

The development, manufacture, sale, and distribution of Abbott's products are subject to comprehensive government regulation. Government regulation by various federal, state, and local agencies, which includes detailed inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, marketing and promotion, sampling, distribution, record keeping, storage, and disposal practices, and achieving compliance with these regulations, substantially increases the time, difficulty, and costs incurred in obtaining and maintaining the approval to market newly developed and existing products. Government regulatory actions can result in delay in the release of products, seizure or recall of products, suspension or revocation of the authority necessary for their production and sale, and other civil or criminal sanctions. In addition, governmental regulatory agencies require prescription drug and medical device manufacturers to pay fees, such as application, product, and establishment fees.

Abbott is a party to a consent decree entered in 1999 that requires Abbott to ensure its diagnostics manufacturing processes in Lake County, Illinois conform with the FDA's Quality System Regulation and restricts the sale in the United States of certain products in the Diagnostics Product segment. In 2003, the FDA concluded that those operations were in substantial conformity with that regulation. Abbott is introducing new diagnostics products manufactured at its Lake County, Illinois facilities and continuing the process of reintroducing products removed from the market as a result of the consent decree.

International operations are also subject to a significant degree of government regulation and country-specific rules and regulations. Many countries, directly or indirectly, through reimbursement limitations, control the selling price of most health care products. Furthermore, many countries limit the importation of raw materials and finished products.

Continuing studies of the utilization, safety, efficacy, and outcomes of health care products and their components are being conducted by industry, government agencies, and others. Such studies, which employ increasingly sophisticated methods and techniques, can call into question the utilization, safety, and efficacy of previously marketed products and in some cases have resulted, and may in the future result, in the discontinuance of marketing of such products and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to and the cost of human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in the United States and other countries. In the United States, most states have enacted generic substitution legislation requiring or permitting a dispensing pharmacist to substitute a different manufacturer's version of a pharmaceutical product for the one prescribed. In 2006, a prescription drug benefit was implemented under the Medicare program, providing eligible individuals with greater access to prescription drugs. Increases in sales volume may be offset by federal government efforts to manage the costs of the Medicare program. In addition, the federal government follows a diagnosis-related group (DRG) payment system for certain institutional services provided under Medicare or Medicaid and has implemented a prospective payment system (PPS) for services delivered in hospital outpatient, nursing home, and home health settings. DRG and PPS entitle a health care facility to a fixed reimbursement based on diagnosis rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Under federal law, manufacturers must pay certain statutorily-prescribed rebates to state Medicaid programs on prescription drugs reimbursed under state Medicaid plans. In addition, a majority of states are seeking additional rebates. The Veterans Health Care Act of 1992 requires manufacturers to extend additional discounts on pharmaceutical products to various federal agencies, including the Department of Veterans Affairs, Department of Defense, Public Health Service entities and institutions, as well as certain other covered entities.

In the United States, governmental cost containment efforts have extended to the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). All states are mandated to have in place a cost containment program for infant formula. As a result, states obtain rebates from manufacturers of infant formula whose products are used in the program through competitive bidding.

Abbott expects debate to continue during 2007 at both the federal and the state level over the availability, method of delivery, and payment for health care products and services. Abbott believes that if legislation is enacted, it could have the effect of reducing prices, or reducing the rate of price increases, for health care products and services.

Efforts to reduce health care costs are also being made in the private sector. Health care providers have responded by instituting various cost reduction and containment measures.

It is not possible to predict the extent to which Abbott or the health care industry in general might be affected by the matters discussed above.

INTERNATIONAL OPERATIONS

Abbott markets products in approximately 130 countries through affiliates and distributors. Most of the products discussed in the preceding sections of this report are also sold outside the United States. In addition, certain products of a local nature and variations of product lines to meet local regulatory requirements and marketing preferences are manufactured and marketed to customers outside the United States. International operations are subject to certain additional risks inherent in conducting business outside the United States, including price and currency exchange controls, changes in currency exchange rates, limitations on foreign participation in local enterprises, expropriation, nationalization, and other governmental action.

INTERNET INFORMATION

Copies of Abbott's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Abbott's investor relations website (www.abbottinvestor.com) as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission.

Abbott's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of Abbott's audit committee, compensation committee, nominations and governance committee, and public policy committee are all available on Abbott's investor relations website (www.abbottinvestor.com) or by sending a request for a paper copy to: Abbott Laboratories, 100 Abbott Park Road, Dept. 362, AP6D2, Abbott Park, Illinois 60064-6048, attn. Investor Relations.

ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following risk factors should be considered before deciding to invest in any of Abbott's securities. Additional risks and uncertainties not presently known to Abbott, or risks Abbott currently considers immaterial, could also affect Abbott's actual results. Abbott's business, financial condition, results of operations or prospects could be materially adversely affected by any of these risks.

Abbott may acquire other businesses, license rights to technologies or products, form alliances, or dispose of or spin-off businesses, which could cause it to incur significant expenses and could negatively affect profitability.

Abbott may pursue acquisitions, technology licensing arrangements, and strategic alliances, or dispose of or spin-off some of its businesses, as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. If Abbott is successful in making an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects could cause a deterioration of Abbott's credit rating and result in increased borrowing costs and interest expense.

Abbott holds a significant investment in Boston Scientific and is subject to market and credit risk.

On April 21, 2006, in connection with Abbott's acquisition of the vascular intervention and endovascular solutions businesses of Guidant Corporation, Abbott purchased 64.6 million shares of Boston Scientific stock for $1.4 billion and loaned BSC International Holding, Limited (a wholly-owned subsidiary of Boston Scientific) $900 million on a subordinated basis. As long as Abbott holds the shares, Abbott will have a substantial undiversified equity investment in Boston Scientific and, therefore, will be subject to the risk of changes in the market value of those shares. Until October 2007, Abbott generally may not, in any one month period, sell more than approximately 5.4 million shares. Additionally, Abbott is required to dispose of these shares no later than October 31, 2008. As long as the loan is outstanding, Abbott will be a general unsecured creditor of Boston Scientific with respect to the $900 million loan and, as such, is subject to credit risk.

The expiration or loss of patent protection and licenses may affect Abbott's future revenues and operating income.

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other businesses, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's business will suffer. To the extent that countries do not enforce Abbott's intellectual property rights or to the extent that countries require compulsory licensing of its intellectual property, Abbott's future revenues and operating income will be reduced. Abbott's principal patents and trademarks are described in greater detail in the sections captioned, "Patents, Trademarks, and Licenses" and "Financial Review," and litigation regarding these patents is described in the section captioned "Legal Proceedings."

Competitors' intellectual property may prevent Abbott from selling its products or have a material adverse effect on Abbott's future profitability and financial condition.

Competitors may claim that an Abbott product infringes upon their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require Abbott to enter into royalty or license agreements. If this should be necessary, Abbott cannot guarantee that it would be able to obtain royalty or license agreements on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Abbott to significant damages or an injunction preventing the manufacture, sale or use of affected Abbott products. Any of these events could have a material adverse effect on Abbott's profitability and financial condition.

Abbott is subject to cost-containment efforts that could cause a reduction in future revenues and operating income.

In the United States and other countries, Abbott's businesses have experienced downward pressure on product pricing. Cost-containment efforts by the government and private organizations are described in greater detail in the section captioned "Regulation." To the extent these cost containment efforts are not offset by greater patient access to healthcare or other factors, Abbott's future revenues and operating income will be reduced.

Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.

Abbott's products are subject to rigorous regulation by the U.S. Food and Drug Administration, and numerous other national, supranational, federal and state authorities. The process of obtaining regulatory approvals to market a drug or medical device can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain approvals for, future products, or new indications and uses, could result in delayed realization of product revenues and in substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once clearance or approval has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling and advertising and postmarketing reporting, including adverse event reports and field alerts due to manufacturing quality concerns. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. Possible regulatory actions could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products and criminal prosecution. These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls or seizures of Abbott's products; a total or partial shutdown of production in one or more of Abbott's facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market clearances or approvals; and withdrawals or suspensions of current products from the market. Any of these events could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

Laws and regulations affecting government benefit programs could impose new obligations on Abbott, require Abbott to change its business practices, and restrict its operations in the future.

Abbott's industry is also subject to various federal, state and international laws and regulations pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, the Medicaid Rebate Statute, the Veterans Health Care Act and individual state laws relating to pricing and sales and marketing practices. Violations

of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment and exclusion from participation in federal and state health care programs, including Medicare, Medicaid, and Veterans Administration health programs. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability and financial condition.

If Abbott does not introduce new products in a timely manner, Abbott's products may become obsolete over time, customers may not buy Abbott's products, and Abbott's revenue and profitability may decline.

Demand for Abbott's products may change in ways Abbott does not anticipate. This could occur, for example, due to changing customer needs, the introduction by others of new products and technologies, or changing industry standards. Without the timely introduction of new products and enhancements, Abbott's products may become obsolete over time, causing Abbott's revenue and operating results to suffer. Even if Abbott succeeds in creating new product candidates, these candidates may not become commercially successful products if Abbott does not achieve positive clinical outcomes, meet regulatory requirements, or establish and maintain its intellectual property rights.

Even if Abbott successfully develops new products or enhancements or new generations of Abbott's existing products, they may be quickly rendered obsolete by changing customer preferences or the introduction by Abbott's competitors of products embodying new technologies or features. Finally, innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice, the need for regulatory clearance, and uncertainty over third-party reimbursement.

The manufacture of many of Abbott's products is a highly exacting and complex process, and if Abbott or one of its suppliers encounters problems manufacturing products, Abbott's business could suffer.

The manufacture of many of Abbott's products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters and environmental factors. If problems arise during the production of a batch of product, that batch of product may have to be discarded. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. To the extent Abbott or one of its suppliers experiences significant manufacturing problems, this could have a material adverse effect on Abbott's revenues and profitability.

The international nature of Abbott's business subjects it to additional business risks that may cause its revenue and profitability to decline.

Abbott's business is subject to risks associated with doing business internationally. Sales outside of the United States make up more than 45% of Abbott's net sales. The risks associated with Abbott's operations outside the United States include:

- changes in foreign medical reimbursement policies and programs;
- multiple foreign regulatory requirements that are subject to change and that could restrict Abbott's ability to manufacture and sell its products;
- differing local product preferences and product requirements;

- trade protection measures and import or export licensing requirements;
- difficulty in establishing, staffing, and managing foreign operations;
- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- political and economic instability;
- inflation, recession and fluctuations in foreign currency exchange and interest rates; and
- diminished protection of intellectual property in some countries.

These risks may, individually or in the aggregate, have a material adverse effect on Abbott's revenues and profitability.

Significant safety issues could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.

All health care products receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive, studies. If new safety issues are reported, Abbott may be required to amend the conditions of use for a product. For example, Abbott may be required to provide additional warnings on a product's label or narrow its approved indication, either of which could reduce the product's market acceptance. If serious safety issues with an Abbott product arise, sales of the product could be halted by Abbott or by regulatory authorities.

In addition, in the ordinary course of business, Abbott is the subject of product liability claims and lawsuits alleging that its products have resulted or could result in an unsafe condition or injury to patients. Product liability claims and lawsuits and safety alerts or product recalls, regardless of their ultimate outcome, may have a material adverse effect on Abbott's business and reputation and on Abbott's ability to attract and retain customers. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

Other factors can have a material adverse effect on Abbott's future profitability and financial condition.

Many other factors can affect Abbott's profitability and its financial condition, including:

- Changes in the assumptions used to calculate the recorded amount of certain assets and liabilities, such as those used to calculate the cost for pension and post-employment benefits and stock-based compensation, or actual results differing from those assumptions.
- Changes in or interpretations of laws and regulations including changes in accounting standards, taxation requirements and environmental laws in domestic or foreign jurisdictions.
- Changes in the rate of inflation, interest rates, market value of Abbott's equity investments, and the performance of investments held by Abbott's employee benefit trusts.
- Changes in business and political conditions, including (i) war, political instability, terrorist attacks in the U.S. and other parts of the world, the threat of future terrorist activity in the U.S. and other parts of the world and related military action, (ii) natural disasters, (iii) the cost and availability of insurance due to any of the foregoing events, and (iv) labor disputes, strikes, slow-downs or other forms of labor or union activity.
- Changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies, changing

product mix, changes in tax rates both in the U.S. and abroad and opportunities existing now or in the future.

- Changes in the buying patterns of a major distributor, retailer, or wholesale customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors, or other problems with licensors, suppliers, distributors and business partners.
- Legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, adverse litigation decisions, and issues regarding compliance with any governmental consent decree or corporate integrity agreement.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are based on management's current expectations, estimates and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under "Item 1A. Risk Factors" of this Form 10-K, may cause actual results to differ materially from current expectations, estimates, projections, forecasts and from past results. No assurance can be made that any expectation, estimate or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other future events. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

Abbott's corporate offices are located at 100 Abbott Park Road, Abbott Park, Illinois 60064-6400. The locations of Abbott's principal plants, as of December 31, 2006, are listed below.

Location	Reportable Segments of Products Produced
Abbott Park, Illinois	Pharmaceutical Products and Diagnostic Products
Alameda, California*	Diagnostic Products
Altavista, Virginia	Pharmaceutical Products and Nutritional Products
Barceloneta, Puerto Rico	Pharmaceutical Products and Diagnostic Products
Brockville, Canada	Nutritional Products
Campoverde di Aprilia, Italy	Pharmaceutical Products
Casa Grande, Arizona	Pharmaceutical Products and Nutritional Products
Clonmel, Ireland	Vascular Products
Columbus, Ohio	Pharmaceutical Products and Nutritional Products
Cootehill, Ireland	Nutritional Products
Dartford, England*	Diagnostic Products
Des Plaines, Illinois	Diagnostic Products
Edison, New Jersey*	Pharmaceutical Products
Fairfield, California*	Nutritional Products
Irving, Texas	Diagnostic Products
Jayuya, Puerto Rico	Pharmaceutical Products
Kanata, Ontario, Canada*	Diagnostic Products
Karachi, Pakistan	Pharmaceutical Products
Katsuyama, Japan	Pharmaceutical Products
Ludwigshafen, Germany	Pharmaceutical Products
Mexico City, Mexico	Pharmaceutical Products
North Chicago, Illinois	Pharmaceutical Products
Queenborough, Kent, England	Pharmaceutical Products
Redwood City, California*	Vascular Products
Rio de Janeiro, Brazil	Pharmaceutical Products
Santa Clara, California	Diagnostic Products
Sligo, Ireland	Nutritional Products and Diagnostic Products
South Pasadena, California	Diagnostic Products
Sturgis, Michigan	Pharmaceutical Products and Nutritional Products
Temecula, California	Vascular Products
Whippany, New Jersey	Pharmaceutical Products
Wiesbaden, Delkenheim, Germany	Diagnostic Products
Witney, Oxon, England	Diagnostic Products
Worcester, Massachusetts	Pharmaceutical Products
Zwolle, the Netherlands	Nutritional Products

* Leased property

In addition to the above, Abbott has manufacturing facilities in six other locations in the United States, including Puerto Rico. Outside the United States, manufacturing facilities are located in thirteen other countries. Abbott's facilities are deemed suitable and provide adequate productive capacity.

In the United States, including Puerto Rico, Abbott owns nine distribution centers. Outside the United States, Abbott owns ten distribution centers. Abbott also has twenty-one United States research and development facilities located at: Abbott Park, Illinois; Alameda, California; Austin, Texas; Columbus, Ohio (two locations); Cranbury, New Jersey; Des Plaines, Illinois; East Windsor, New Jersey; Fairfield, California; Golden, Colorado; Hollywood, Florida; Irving, Texas; Long Grove, Illinois; North Chicago, Illinois; Parsippany, New Jersey; Redwood City, California; Santa Clara, California; South Brunswick, New Jersey; Temecula, California; Weston, Florida; and Worcester, Massachusetts. Outside the United States, Abbott has research and development facilities in Australia, Belgium, Canada, France, Germany, Ireland, Japan, the Netherlands, South Africa, Spain, Switzerland, and the United Kingdom.

Except as noted, the corporate offices, and those principal plants in the United States listed above, are owned by Abbott or subsidiaries of Abbott. The remaining manufacturing plants and all other facilities are owned or leased by Abbott or subsidiaries of Abbott. There are no material encumbrances on the properties.

ITEM 3. LEGAL PROCEEDINGS

Abbott is involved in various claims, legal proceedings and investigations, including (as of January 31, 2007) those described below.

Six cases are pending in which Abbott seeks to enforce its patents relating to divalproex sodium (a drug that Abbott sells under the trademark Depakote®). In one case (filed December 2006 in the U.S. District Court for the Central District of California), Abbott seeks injunctive relief against Anchen Pharmaceuticals, Inc. and Anchen International Pharmaceuticals Company, Ltd. and their proposed generic version of extended-release Depakote®. In two of the actions (filed in November 2005 and April 2006, respectively) pending in the U.S. District Court for the Northern District of Illinois, Abbott seeks injunctive relief against Mylan Pharmaceuticals' proposed generic version of extended-release Depakote®. Abbott filed two other cases (June 2005 and May 2006) in the U.S. District Court for the Northern District of Illinois against Nu-Pharm Inc., Apotex Inc., and Apotex Corp. relating to generic versions of delayed-release Depakote®. These actions are currently stayed while Apotex appeals a decision enjoining the approval of Nu-Pharm's ANDA. The sixth case against Alra Laboratories, Inc. (filed in August 1992 in the U.S. District Court for the Northern District of Illinois) relates to a generic version of delayed-release Depakote®.

One case was pending in the United States District Court for the Eastern District of Texas, *Chiron Corporation and Rockefeller University v. Abbott and Centocor*, involving patents regarding monoclonal antibodies, which plaintiffs claimed covered adalimumab (a drug sold by Abbott under the trademark Humira®). The litigation was resolved through binding arbitration.

Six cases are pending related to Abbott's patents for sevoflurane (an anesthesia product Abbott sells under the trademarks Ultane® and Sevorane®). Two cases brought by Abbott and Central Glass Company, Ltd. (Central Glass) against Baxter Healthcare Corporation (Baxter) are pending in the United States District Court for the Northern District of Illinois and allege that Baxter's proposed generic sevoflurane product infringes their patent(s). In one of those cases, the Federal Circuit Court of Appeals held one of Abbott's patents invalid. One case, filed by Baxter and Baxter Healthcare Ltd. in June 2005 against Abbott and Central Glass, is pending in the United Kingdom, High Court of Justice. A trial was held in December 2006. In another case, filed by Abbott and Central Glass in May 2005 against Baxter Company, Ltd., in the Tokyo District Court in Japan, Abbott obtained an injunction against Baxter's sales of its products. Baxter has appealed that decision. Two cases regarding a generic sevoflurane product sold by Cristalia Productos Quimicos Farmaceuticos, Ltda. are pending in the Sao Paulo State Court in Brazil.

Abbott is involved in litigation pending in the United States District Court for the Northern District of Illinois related to Abbott's patents for clarithromycin extended release (a drug Abbott sells under the

trademark Biaxin® XL) and the proposed extended release products of the following companies: Andrx Pharmaceuticals, Inc. (filed in March 2005), and Sandoz, Inc. (filed in September 2005). In November 2005, Abbott obtained a preliminary injunction against Andrx preventing Andrx from launching its extended release clarithromycin product. In January 2007, the United States Court of Appeals for the Federal Circuit affirmed the preliminary injunction. In December 2006, Abbott's motion for a temporary restraining order against Sandoz was denied. In January 2007, Abbott filed a motion for preliminary injunction against Sandoz. Litigation relating to Abbott's clarithromycin patents is also pending in Canada and South Africa.

One case is pending in which Abbott seeks to enforce a patent covering cefdinir (a drug that Abbott sells in the United States under the trademark Omnicef®). In October 2006, Abbott was served with a complaint filed by Lupin Limited in the U.S. District Court for the Eastern District of Virginia alleging that one of the patents covering cefdinir is invalid or not infringed by Lupin's generic product. Lupin also challenges the validity of the patent term extension for this patent. Abbott is the exclusive licensee of this patent, which covers the crystalline forms of cefdinir, in the United States. In November 2006, Abbott filed a counterclaim against Lupin Limited and Lupin Pharmaceuticals, Inc. for infringement of this patent.

Twenty-one lawsuits, including fifteen purported class actions, are pending against Abbott, Fournier Industrie et Sante, and Laboratories Fournier, S.A. (Fournier), alleging antitrust and unfair competition claims in connection with the sale of fenofibrate formulations. One purported class action, *Paul T. Regan* (filed in July 2005), is pending in the United States District Court for the Central District of California. The other fourteen purported class actions and six individual actions are pending in the United States District Court for the District of Delaware: *Alberto Litter* (filed in August 2005), *Allied Services Division Welfare Fund and Hector Valdes* (filed in June 2005), *American Sales Company, Inc.* (filed in March 2006), *Cindy Cronin* (filed in July 2005), *Diana Kim* (filed in June 2005), *Local 28 Sheet Metal Workers* (filed in July 2005), *Louisiana Wholesale Drug Company, Inc.* (filed in June 2005), *Meijer, Inc.* (filed in June 2005), *Painters District Council No. 30 Health and Welfare Fund* (filed in June 2005), *Pennsylvania Employees Benefit Trust Fund* (filed in June 2005), *Philadelphia Federation of Teachers Health and Welfare Fund* (filed in July 2005), *Elaine M. Pullman* (filed in June 2005), *Rochester Drug Co-Operative, Inc.* (filed in June 2005), *Charles M. Shain* (filed in July 2005), and *Vista Healthplan, Inc.* (filed in June 2005), *CVS Pharmacy, Inc.* (filed in August 2005), *Impax Laboratories* (filed in June 2005), *Pacificare Health Systems, Inc.* (filed in August 2005), *Teva Pharmaceuticals USA, Inc.* (filed in June 2005), and *Walgreen Co.* (filed in June 2005). The plaintiffs seek actual damages, treble damages and other relief.

A number of cases, brought as purported class actions or representative actions on behalf of individuals or entities, are pending that allege generally that Abbott and numerous other pharmaceutical companies reported false pricing information in connection with certain drugs that are reimbursable under Medicare and Medicaid and by private payors. These cases, brought by private plaintiffs, the U.S. Department of Justice, State Attorneys General, and other state government entities, generally seek monetary damages and/or injunctive relief and attorneys' fees. Abbott has filed or intends to file a response in each case denying all substantive allegations. The federal court cases have been consolidated for pre-trial purposes in the United States District Court for the District of Massachusetts under the Multi District Litigation Rules as *In re: Pharmaceutical Industry Average Wholesale Price Litigation, MDL 1456*. MDL 1456 includes: (a) a purported class action case in which plaintiffs seek to certify a nationwide class of Medicare Part B consumers and two Massachusetts classes of third party payors and other consumers, filed in June 2003; (b) eleven State Attorney General and five state county suits, including a consolidated New York counties/City of New York suit filed in June 2005; and (c) a civil whistle-blower suit brought by the United States Department of Justice (filed in federal court in the Southern District of Florida in May 2006). Abbott has filed a motion to dismiss the Department of Justice case.

In addition, eight cases are also pending in state courts: *State of West Virginia*, filed in October 2001 in the Circuit Court of Kanawha County, West Virginia; *Swanston*, filed in March 2002 in the Superior Court

for Maricopa County, Arizona; *International Union of Operating Engineers*, filed in June 2003 in the Superior Court of Monmouth County, New Jersey; *Commonwealth of Kentucky*, filed in September 2003 in the Circuit Court of Franklin County, Kentucky; *State of Texas*, filed in May 2004 in the District Court of Travis County, Texas; *State of Alabama*, filed in January 2005 in the Circuit Court of Montgomery County, Alabama; *State of Hawaii*, filed in April 2006 in the First Circuit Court of Hawaii; and the *State of South Carolina* (on behalf of the State Health Plan), filed in August 2006 in the Court of Common Pleas, Fifth Judicial Circuit of Richland County. Certain state agencies, including the Attorneys General of Florida and Idaho, are investigating Abbott's marketing and pricing practices with respect to certain Medicare and Medicaid reimbursable products. These civil investigations seek to determine whether these practices violated any laws, including the Federal False Claims Act, or constituted fraud in connection with the Medicare and/or Medicaid reimbursement paid to third parties. While it is not feasible to predict with certainty the outcome of the proceedings and investigations related to pricing information for drugs reimbursable under Medicare and Medicaid, their ultimate dispositions could be material to cash flows or results of operations for a quarter.

The United States Department of Justice, through the United States Attorneys for the Eastern District of Wisconsin and the Western District of Louisiana, are investigating the sales and marketing practices of Kos Pharmaceuticals, Inc., a company Abbott acquired in December 2006. The United States Attorney for the Eastern District of Wisconsin is working together with the Office of Inspector General of the United States Department of Health and Human Services. In addition, the Louisiana U.S. Attorney is investigating Kos' calculation and reporting of Medicaid rebates. The government is seeking to determine whether any of these practices resulted in any violations of civil and/or criminal laws, including the Federal False Claims Act, the Anti-Kickback Statute, and the Medicaid Rebate Statute in connection with the Medicare and/or Medicaid reimbursement paid to third parties.

In addition, the U.S. Department of Justice, through the United States Attorney for Maryland, is investigating the sales and marketing practices of Abbott for Micardis, a drug co-promoted with (until March 31, 2006) and manufactured by Boehringer Ingelheim. The government is seeking to determine whether

any of these practices resulted in any violations of civil and/or criminal laws, including the Federal False Claims Act, and the Anti-Kickback Statute in connection with the Medicare and/or Medicaid reimbursement paid to third parties.

Abbott is a defendant in numerous lawsuits involving the drug oxycodone (a drug sold under the trademark OxyContin®), which is manufactured by Purdue Pharma. Abbott previously promoted OxyContin under a co-promotion agreement with Purdue Pharma. Most of the lawsuits allege generally that plaintiffs suffered personal injuries as a result of taking OxyContin. A few lawsuits allege consumer protection violations and unfair trade practices. One suit by a third party payor alleges antitrust pricing violations and overpricing of the drug. As of December 31, 2006, there are a total of 123 lawsuits pending in which Abbott is a party. Three cases are pending in federal court and 120 cases are pending in state court. 117 cases are brought by individual plaintiffs, and 6 cases are brought as purported class action lawsuits. Purdue Pharma is a defendant in each lawsuit and, pursuant to the co-promotion agreement, Purdue is required to indemnify Abbott in each lawsuit.

Abbott is a defendant in several lawsuits originally filed in the United States District Court for the District of Minnesota and consolidated under the caption *In re Canadian Import Antitrust Litigation* alleging generally that Abbott and numerous other pharmaceutical manufacturers violated antitrust laws by conspiring to prevent re-importation of drugs from Canada. The district court dismissed with prejudice plaintiff's federal law claims and dismissed without prejudice plaintiff's state law claims. In November 2006, the Eighth Circuit Court of Appeals affirmed the district court's decision.

A case against Takeda Pharmaceutical Company Limited and Takeda America Holdings, Inc. ("Takeda") was filed in the United States District Court for the Northern District of Illinois alleging Takeda breached its fiduciary duty to Abbott in that Takeda is improperly diverting to itself profits that

rightly belong jointly to Abbott and Takeda as equal joint venture partners in TAP Pharmaceutical Products Inc. (owned 50 percent by Abbott and 50 percent by Takeda). Abbott seeks injunctive relief and compensatory and punitive damages. In February 2006, the trial court granted Takeda's motion to dismiss, ruling that Abbott must pursue its claim against Takeda in Japan. The U.S. Court of Appeals for the Seventh Circuit affirmed the dismissal.

In September 2006, Johnson & Johnson filed a lawsuit against Guidant Corporation, Boston Scientific Corporation and Abbott in the U.S. District Court for the Southern District of New York alleging that Abbott and Boston Scientific tortiously interfered with the proposed merger agreement between Johnson & Johnson and Guidant and that Guidant breached that agreement. Johnson & Johnson seeks monetary damages. The defendants have filed motions to dismiss.

Abbott is a defendant in a class action lawsuit pending in the United States District Court for the Northern District of Illinois under the name *Myla Nauman, Jane Roller and Michael Loughery v. Abbott Laboratories and Hospira, Inc.* The plaintiffs are former Abbott employees who allege that their transfer to Hospira, Inc., as part of the spin-off of Hospira, adversely affected their employee benefits in violation of the Employee Retirement Income Security Act, and that in their transfer, Abbott breached a fiduciary duty to plaintiffs involving employee benefits. Plaintiffs generally seek reinstatement as Abbott employees, or reinstatement as participants in Abbott's employee benefit plans, or an award for the employee benefits they have allegedly lost. Abbott filed a response denying all substantive allegations. Plaintiff's motion for class certification on the breach of fiduciary duty claim is pending.

A case is pending in the U.S. District Court for the Northern District of California in which Medtronic Vascular, Inc., Medtronic USA, Inc., and Medtronic Vascular Galway, Ltd. (collectively Medtronic) and Evysio Medical Devices ULC (Evysio) claim that Abbott's Multi-Link Vision®, Penta®, Zeta®, and Xience V Coronary Stent Systems infringe certain Evysio stent design patents. Medtronic and Evysio seek damages, an injunction, and other relief. Abbott has filed its response denying the infringement claims and asserting that the patents are invalid and/or unenforceable. Evysio has also brought lawsuits in France, Ireland (in which Medtronic is also a plaintiff) and Germany claiming that the Vision®, Penta®, and/or Xience V infringe the European counterparts of these patents. In France, a court enjoined the launch of the Xience V stent. Abbott intends to appeal this decision and has filed responses in each of these European courts denying the infringement claims and asserting that the patents are invalid and/or unenforceable. In the United Kingdom, Abbott filed an action seeking a declaration that its stents do not infringe Evysio's patents and that the patents are invalid. Evysio filed a counterclaim accusing Abbott's stents of infringement and seeking a declaration of validity.

A case is pending in the U.S. District Court for Delaware brought by Advanced Cardiovascular Systems, Inc., now an Abbott subsidiary, against Arterial Vascular Engineering, Inc. (now known as Medtronic Vascular, Inc.) alleging that certain models of Medtronic's stents infringe four of the company's Lau patents, and seeking injunctive relief and damages. The court bifurcated the issues of liability and damages. In February 2005, a jury found that Abbott's Lau patents were valid and infringed by all of the Medtronic stents in question, including its Driver® coronary stent. In June 2005, the court held a hearing on Medtronic's claim that the patents are unenforceable. The court has not rendered a decision on this issue or on the parties' post-trial motions and the issues of willful infringement and damages have not been tried.

While it is not feasible to predict the outcome of such pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate dispositions should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations, except as noted above.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of Abbott are elected annually by the board of directors. All other officers may be elected by the board or appointed by the chairman of the board. All officers are either elected at the first meeting of the board of directors held after the annual shareholder meeting or appointed by the chairman after that board meeting. Each officer holds office until a successor has been duly elected or appointed and qualified or until the officer's death, resignation, or removal. Vacancies may be filled at any time by the board. Any officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of Abbott. Any officer appointed by the chairman of the board may be removed by the chairman whenever, in the chairman's judgment, removal would serve the best interests of Abbott. A vacancy in any office appointed by the chairman of the board may be filled by the chairman.

Abbott's executive officers, their ages as of February 16, 2007, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment from January 2002 to February 16, 2007 are also shown. Unless otherwise stated, employment was by Abbott for the period indicated. There are no family relationships between any corporate officers or directors.

Miles D. White, 51

2002 to present — Chairman of the Board and Chief Executive Officer, and Director.

Elected Corporate Officer — 1993.

Richard A. Gonzalez, 53

2006 to present — President and Chief Operating Officer, and Director.

2002 to 2006 — President and Chief Operating Officer, Medical Products Group, and Director.

Elected Corporate Officer — 1995.

Richard W. Ashley, 63

2004 to present — Executive Vice President, Corporate Development.

2002 to 2003 — Senior Director, McKinsey and Company (a management consulting firm).

Elected Corporate Officer — 2004.

William G. Dempsey, 55

2006 to present — Executive Vice President, Pharmaceutical Products Group.

2003 to 2006 — Senior Vice President, Pharmaceutical Operations.

2002 to 2003 — Senior Vice President, International Operations.

Elected Corporate Officer — 1996.

Thomas C. Freyman, 52

2004 to present — Executive Vice President, Finance and Chief Financial Officer.

2002 to 2004 — Senior Vice President, Finance and Chief Financial Officer.

Elected Corporate Officer — 1991.

Holger Liepmann, 55

2006 to present — Executive Vice President, Global Nutrition.

2006 — Executive Vice President, Pharmaceutical Products Group.

2004 to 2006 — Senior Vice President, International Operations.

2002 to 2004 — Vice President, Japan Operations, Abbott International Division.

Elected Corporate Officer — 2001.

Joseph M. Nemmers Jr., 52

2006 to present — Executive Vice President, Diagnostic and Animal Health Divisions.

2003 to 2006 — Senior Vice President, Diagnostic Operations.

2002 to 2003 — Vice President, Global Commercial Operations, Diagnostic Products.

2002 — Vice President, Hospital Products Business Sector.

Elected Corporate Officer — 2001.

Jeffrey R. Binder, 43

2006 to present — Senior Vice President, Diagnostic Operations.

2005 to 2006 — Vice President and President, Abbott Spine.

2004 to 2005 — Vice President and President, Spinal Concepts.

2003 to 2004 — President, Spinal Concepts.

2002 to 2003 — President and CEO, Spinal Concepts, Inc. (innovator in spinal fixation technology).

Elected Corporate Officer — 2004.

Olivier Bohuon, 48

2006 to present — Senior Vice President, International Operations.

2003 to 2006 — Vice President, European Operations.

2002 to 2003 — Senior Vice President, European Commercial Operations, GlaxoSmithKline (a British based pharmaceutical, biologicals and healthcare company).

Elected Corporate Officer — 2003.

John M. Capek, 45

2006 to present — Senior Vice President, Abbott Vascular.

2006 — Vice President, Abbott Vascular.

2005 to 2006 — President, Guidant Vascular Intervention.

2003 to 2005 — Vice President and General Manager, Bioabsorbable Vascular Solutions (a subsidiary of Guidant Corporation).

2002 to 2003 — President, Guidant Vascular Intervention.

Elected Corporate Officer — 2006.

Thomas F. Chen, 57

2006 to present — Senior Vice President, Nutrition International Operations.

2005 to 2006 — Vice President, Nutrition International, Asia and Latin America.

2005 — Vice President, Nutrition International, Asia, Canada, Latin America.

2002 to 2005 — Vice President, Abbott International, Pacific/Asia/Africa Operations.

Elected Corporate Officer — 1998.

Stephen R. Fussell, 49

2005 to present — Senior Vice President, Human Resources.

2002 to 2005 — Vice President, Compensation and Development.

Elected Corporate Officer — 1999.

Robert B. Hance, 47

2006 to present — Senior Vice President, Diabetes Care Operations.

2002 to 2006 — Vice President and President, Vascular Solutions.

Elected Corporate Officer — 1999.

John C. Landgraf, 54

2004 to present — Senior Vice President, Global Pharmaceutical Manufacturing and Supply.

2003 to 2004 — Vice President, Quality Assurance and Compliance, Medical Products Group.

2002 to 2003 — Vice President, Operations, Diagnostic Products.

2002 — Vice President, Corporate Engineering.

Elected Corporate Officer — 2000.

Gary E. McCullough, 48

2003 to present — Senior Vice President, Ross Products.

2002 to 2003 — Senior Vice President — Americas, Wm. Wrigley Jr. Company (a manufacturer and marketer of quality confectionery products, primarily chewing gum).

Elected Corporate Officer — 2003.

Laura J. Schumacher, 43

2005 to present — Senior Vice President, Secretary and General Counsel. (Ms. Schumacher has been elected Executive Vice President, Secretary and General Counsel, effective March 1, 2007).

2003 to 2005 — Vice President, Secretary and Deputy General Counsel.

2002 to 2003 — Divisional Vice President, Litigation.

Elected Corporate Officer — 2003.

James L. Tyree, 53

2006 to present — Senior Vice President, Pharmaceutical Operations.

2006 — Senior Vice President, Global Nutrition.

2005 to 2006 — Senior Vice President, Nutrition International Operations.

2002 to 2005 — Vice President, Global Licensing/New Business Development.

Elected Corporate Officer — 2001.

Greg W. Linder, 50

2002 to present — Vice President and Controller.

Elected Corporate Officer — 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

The principal market for Abbott's common shares is the New York Stock Exchange. Shares are also listed on the Chicago Stock Exchange and are traded on the Boston, Philadelphia, and National Stock Exchanges, as well as on the NYSE Arca and NASDAQ iM markets. Outside the United States, Abbott's shares are listed on the London Stock Exchange and the Swiss Stock Exchange.

	Market Price Per Share			
	2006		2005	
	high	low	high	low
First Quarter	$ 45.58	$ 39.18	$ 48.16	$ 43.34
Second Quarter	43.61	40.55	49.98	45.98
Third Quarter	49.87	43.25	50.00	41.57
Fourth Quarter	49.10	45.41	44.36	37.50

Shareholders

There were 77,727 shareholders of record of Abbott common shares as of December 31, 2006.

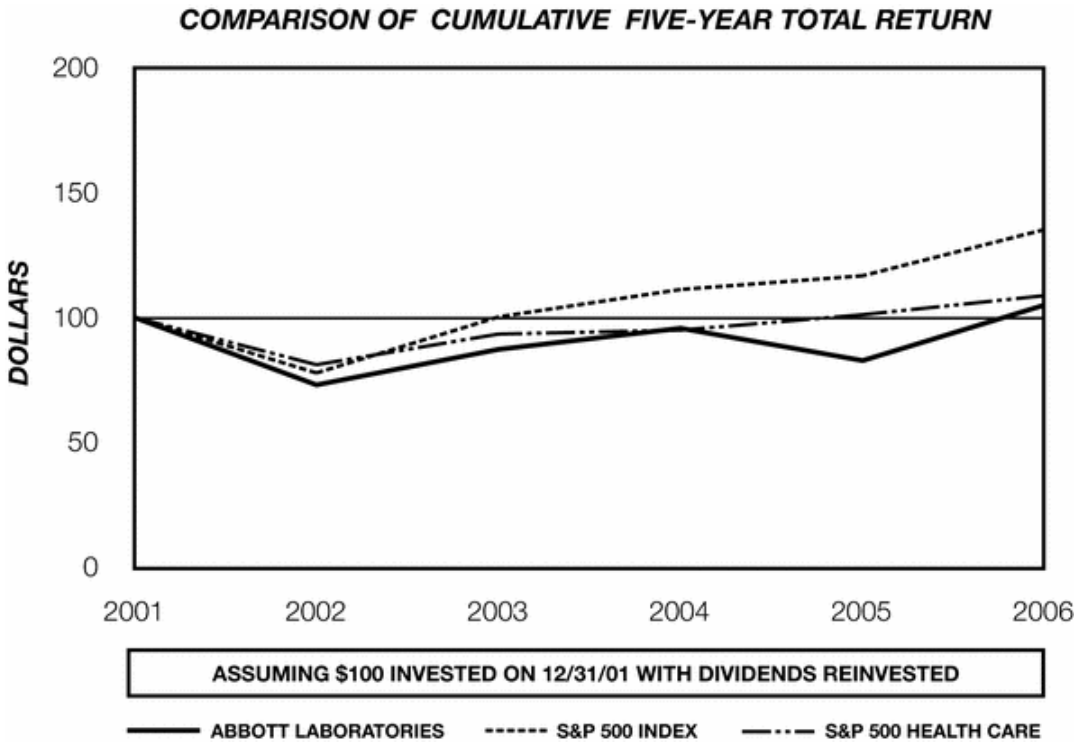
Dividends

Quarterly dividends of $.295 and $.275 per share were declared on common shares in 2006 and 2005, respectively.

Abbott Laboratories is an Illinois High Impact Business (HIB) and is located in a federal Foreign Trade Sub-Zone (Sub-Zone 22F). Dividends may be eligible for a subtraction from base income for Illinois income tax purposes. If you have questions, please contact your tax advisor.

Performance Graph

The following graph compares the change in Abbott's cumulative total shareholder return on its common shares with the Standard & Poor's 500 Index and the Standard & Poor's 500 Health Care Index.



Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plan or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2006 — October 31, 2006	73,859[1]	$ 35.519	0	$ 2,500,000,000
November 1, 2006 — November 30, 2006	158,747[1]	$ 34.18	0	$ 2,500,000,000
December 1, 2006 — December 31, 2006	325,876[1]	$ 36.64	0	$ 2,500,000,000
Total	558,482	$ 35.7923	0	$ 2,500,000,000[2]

1. These shares represent:

   (i) the shares deemed surrendered to Abbott to pay the exercise price in connection with the exercise of employee stock options — 60,859 in October; 145,747 in November; and 312,876 in December; and

   (ii) the shares purchased on the open market for the benefit of participants in the Abbott Canada Stock Retirement Plan — 13,000 in October; 13,000 in November; and 13,000 in December.

   These shares do not include the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock or restricted stock units.

2. On October 18, 2006, Abbott announced that its board of directors approved the purchase of up to $2.5 billion of its common shares.

ITEM 6. SELECTED FINANCIAL DATA

	Year ended December 31				
	2006	2005	2004	2003	2002
	(dollars in millions, except per share data)				
Net sales (a)	$ 22,476.3	$ 22,337.8	$ 19,680.0	$ 17,280.3	$ 15,279.5
Earnings from continuing operations	1,716.8(b)	3,372.1	3,175.8	2,504.7	2,547.0
Net earnings	1,716.8(b)	3,372.1	3,235.9	2,753.2	2,793.7
Basic earnings per common share from continuing operations	1.12(b)	2.17	2.03	1.60	1.63
Basic earnings per common share	1.12(b)	2.17	2.07	1.76	1.79
Diluted earnings per common share from continuing operations	1.12(b)	2.16	2.02	1.59	1.62
Diluted earnings per common share	1.12(b)	2.16	2.06	1.75	1.78
Total assets	36,178.2	29,141.2	28,767.5	26,039.3	23,592.7
Long-term debt	7,009.7	4,571.5	4,787.9	3,452.3	4,274.0
Cash dividends declared per common share	1.18	1.10	1.04	0.98	0.94

(a) Net sales for 2003 and 2002 have been adjusted to reflect the presentation of Hospira, Inc. as a discontinued operation.

(b) In 2006, Abbott recorded pre-tax charges of $2,014 for acquired in-process and collaborations research and development primarily related to the acquisition of Guidant's vascular intervention and endovascular solutions businesses and Kos Pharmaceuticals, Inc.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract or by a pharmacy benefit manager most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales. Abbott's primary products are prescription pharmaceuticals, nutritional products, vascular products and diagnostic testing products. Abbott also owns 50 percent of TAP Pharmaceutical Products Inc. that Abbott accounts for on the equity method.

The worldwide launch of *HUMIRA*, the acquisition of Guidant's vascular business, the amendment of the Boehringer Ingelheim agreement, and the loss of patent protection for some pharmaceutical products have impacted Abbott's sales, costs and financial position over the last three years.

Pharmaceutical research and development is focused on therapeutic areas that include immunology, oncology, neuroscience, metabolism, and viral diseases. In 2003, Abbott began the worldwide launch of *HUMIRA*, which increased its worldwide sales to $2.0 billion in 2006 compared to $1.4 billion in 2005. Substantial research and development and selling support has been and continues to be dedicated to maximizing the worldwide potential of *HUMIRA*. In December 2006, Abbott acquired Kos Pharmaceuticals which complements Abbott's existing franchise in the dyslipidemia market and strengthens the late-stage and mid-term pharmaceutical pipeline with opportunities in cholesterol management, asthma and inhaled insulin. In 2005, Abbott and Boehringer Ingelheim (BI) amended their agreement whereby Abbott distributed and promoted BI products. Effective January 1, 2006, Abbott no longer distributed or recorded sales for distribution activities for the BI products. Abbott's gross margins for BI products from the prior agreement in effect through December 31, 2005 were substantially lower than its average gross margins. Sales of BI products were $150 million and $2.3 billion in 2006 and 2005, respectively. In addition, increased generic competition resulted in worldwide sales of clarithromycin declining 23 percent in 2006.

In 2005 and 2006, Abbott's nutritional products businesses were reorganized into a worldwide business to better leverage the opportunities available for strong nutritional brands. Significant efforts have been focused on capturing those opportunities, particularly in developing markets.

In April 2006, Abbott acquired Guidant's vascular intervention and endovascular solutions businesses and began to integrate it with Abbott's vascular business. The acquisition significantly improved Abbott's competitive position in this business that is characterized by rapid innovation. In 2006, Abbott received European Union approval to market the *XIENCE V* drug eluting stent.

Abbott's diagnostic segment is comprised of four separate divisions — immunoassay/hematology, diabetes care, molecular, and point of care. In early 2004, Abbott acquired TheraSense for $1.2 billion, and began to integrate it with Abbott's diabetes care business. In January 2007, Abbott announced that it had agreed to sell its core laboratory diagnostics business, including Abbott Point of Care, to GE for $8.13 billion in cash. Abbott expects the sale to close in the first half of 2007. Abbott's Molecular Diagnostics and Diabetes Care businesses are not part of this transaction and will remain part of Abbott.

Abbott's short- and long-term debt totaled $12.4 billion at December 31, 2006, largely incurred to finance recent acquisitions. Operating cash flows in excess of capital expenditures and cash dividends have allowed Abbott to fund acquisitions over the last three years. At December 31, 2006, Abbott's long-term debt rating was AA by Standard and Poor's Corporation and A1 by Moody's Investors Service.

In 2007, Abbott will focus on several key initiatives. In the pharmaceutical business, Abbott will continue the launch of newly approved indications for *HUMIRA*, and will also focus on the integration of Kos Pharmaceuticals into the Pharmaceutical Products segment. Pharmaceutical research and development efforts will continue to focus on the therapeutic areas noted above with a significant portion of the development expenditures allocated to new *HUMIRA* indications. Abbott expects to submit additional pharmaceutical regulatory filings in 2007. In the vascular business, Abbott will continue the launch of the *XIENCE V* drug-eluting stent in Europe, and will launch in the U.S. upon approval by the FDA. For diabetes care, Abbott anticipates the approval of *FreeStyle Navigator*. Effort will also be required for the sale and separation of Abbott's core laboratory and point of care diagnostics businesses. In the other business segments, Abbott will focus on developing or acquiring differentiated technologies in higher growth segments of those markets.

Critical Accounting Policies

Sales Rebates — Approximately 40 percent of Abbott's consolidated gross revenues are subject to various forms of rebates and allowances that Abbott records as reductions of revenues at the time of sale. Most of these rebates and allowances are in the Pharmaceutical Products segment and the Nutritional Products segment. Abbott provides rebates to pharmacy benefit management companies, to state agencies that administer the federal Medicaid and Medicare programs and the Special Supplemental Food Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from two to 24 months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2006, 2005 and 2004 amounted to approximately $2.6 billion, $2.5 billion and $2.4 billion, respectively, or 23.2 percent, 22.9 percent and 25.6 percent, respectively, based on gross sales of approximately $11.0 billion, $10.9 billion and $9.3 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales and operating earnings by approximately $110 million in 2006. Other allowances charged against gross sales were approximately $247 million, $284 million and $233 million for cash discounts in 2006, 2005 and 2004, respectively, and $209 million, $162 million and $163 million for returns in 2006, 2005 and 2004, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the level of inventory in the distribution channel. Management internally estimates the inventory in the retail channel that is not on the retail shelf. A third party continuously measures time on the retail shelf, which is a relatively significant portion of the time inventory is in the distribution channel. Except for a transition period before or after a change in the supplier for the WIC business in a state, inventory in the distribution channel does not vary substantially. Management also estimates the states' processing lag time based on claims data. In addition, internal processing time is a factor in estimating the accrual. In the WIC business, the state where the sale is made, which is the determining factor for the applicable price, is reliably estimable. Estimates are required for the amount of WIC sales within each state where Abbott has the WIC business. External data sources utilized for that estimate are participant data from the

U.S. Department of Agriculture (USDA), which administers the WIC program, participant data from some of the states, and internally administered market surveys. The USDA has been making its data available for many years. Internal data includes historical redemption rates and pricing data. At December 31, 2006, Abbott had the exclusive WIC business in 11 states.

In the domestic pharmaceutical business, the most significant charges against gross sales are for Medicaid and Medicare Rebates, Pharmacy Benefit Manager Rebates and Wholesaler Chargebacks. In order to evaluate the adequacy of the ending accrual balances, management uses both internal and external estimates of the level of inventory in the distribution channel and the rebate claims processing lag time. External data sources used to estimate the inventory in the distribution channel include inventory levels periodically reported by wholesalers and third party market data purchased by Abbott. Management estimates the processing lag time based on periodic sampling of claims data. To estimate the price rebate percentage, systems and calculations are used to track sales by product by customer and to estimate the contractual or statutory price. Abbott's systems and calculations have developed over time as rebates have become more significant, and Abbott believes they are reliable.

The following table is an analysis of the four largest rebate accruals**,** which comprise approximately 76 percent of the consolidated rebate provisions charged against revenues in 2006. Remaining rebate provisions charged against gross sales are not significant in the determination of operating earnings. (*dollars in thousands*)

		Domestic Pharmaceutical Products		
	Domestic Nutritionals WIC Rebates	Medicaid and Medicare Rebates	Pharmacy Benefit Manager Rebates	Wholesaler Chargebacks
Balance at January 1, 2004	$ 113,362	$ 229,070	$ 145,195	$ 37,093
Provisions	671,817	596,330	279,681	419,486
Payments	(687,132)	(452,342)	(271,078)	(412,526)

Balance at December 31, 2004	98,047	373,058	153,798	44,053
Provisions	641,189	663,043	253,499	450,901
Payments	(644,460)	(581,098)	(273,166)	(446,867)
Balance at December 31, 2005	94,776	455,003	134,131	48,087
Provisions	636,849	527,860	281,221	532,847
Payments	(595,477)	(533,632)	(246,456)	(513,905)
Balance at December 31, 2006	$ 136,148	$ 449,231	$ 168,896	$ 67,029

Adjustments for prior years' rebate accruals have not been material. Abbott employs various techniques to verify the accuracy of claims submitted to it, and where possible, works with the organizations submitting claims to gain insight into changes that might affect the rebate amounts. For Medicaid, Medicare and other government agency programs, the calculation of a rebate involves interpretations of relevant regulations, which are subject to challenge or change in interpretation.

Income Taxes — Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items are often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment amounts where possible. As part of Abbott's calculation of the provision for taxes on earnings, Abbott records the amount that it expects to incur as a result of audits. Each quarter, Abbott reviews its exposures in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies." In the U.S., Abbott's federal income tax returns through 2003 are settled, and the income tax returns for years after 2003 are open. Except for taxes on dividends that were remitted under the

American Jobs Creation Act of 2004, Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries. On January 1, 2007, Abbott must adopt the provisions of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" which changes the measurement of tax contingencies. Under this Interpretation, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. This Interpretation will result in significantly more effort to assess tax uncertainties than was required under SFAS No. 5, and may result in initial recording of tax expense that exceeds the expected resolution of tax uncertainties. The adoption of this Interpretation is not expected to have a material effect on Abbott's January 1, 2007 balance sheet or the 2007 provision for income taxes.

Pension and Post-Employment Benefits — Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to calculate its obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rate, discount rate and the expected return on plan assets. The discount rates used to measure liabilities as of December 31, 2006 and 2005 were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. Prior to December 31, 2005, the discount rate was determined by reference to a composite corporate AA bond index. The health care cost trend rate represents Abbott's expected annual rates of change in the cost of health care benefits and is a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for decades, can be significant in relation to the obligations and the annual cost recorded for these programs. Recent low interest rates have significantly increased actuarial losses for these plans. At December 31, 2006, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) for Abbott's defined benefit plans and medical and dental plans were $1.4 billion and $537 million, respectively. Actuarial losses and gains are amortized over the remaining service periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Footnote 4 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point. On December 31, 2006, Abbott adopted the provisions of SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The provisions of this statement require the immediate recognition of the deferrals on the balance sheet with a corresponding charge to Accumulated other comprehensive income (loss). Adoption of this statement on December 31, 2006 resulted in a decrease in Abbott's shareholders' equity of approximately $1.3 billion.

Valuation of Intangible Assets — Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value. Those assets which do not yet have regulatory approval and for which there are no alternative uses are expensed as acquired in-process research and development, and those that have regulatory approval are capitalized. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash inflows, risk, the cost of capital, and terminal values. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for significant acquisitions of intangibles. Abbott reviews intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill is reviewed for impairment annually or

when an event that could result in an impairment of goodwill occurs. At December 31, 2006 goodwill and intangibles amounted to $9.4 billion and $6.4 billion, respectively, and amortization expense for intangible assets amounted to $575 million in 2006. There were no impairments of goodwill in 2006, 2005 or 2004. At December 31, 2006 the valuations for the Guidant and Kos acquisitions have not been finalized.

Litigation — Abbott accounts for litigation losses in accordance with SFAS No. 5, "Accounting for Contingencies." Under SFAS No. 5, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional

loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Except for one group of cases relating to pharmaceutical pricing for which Abbott is unable to estimate a loss, if any, Abbott estimates the range of possible loss to be from approximately $165 million to $295 million for its legal proceedings and environmental exposures. Reserves of approximately $200 million have been recorded at December 31, 2006 for these proceedings and exposures. These reserves represent management's best estimate of probable loss, as defined by SFAS No. 5.

Stock Compensation — Through December 31, 2005, Abbott measured compensation cost using the intrinsic value-based method of accounting for stock options granted to employees and disclosed the impact of the fair value method in the footnotes to the consolidated financial statements. On January 1, 2006, Abbott adopted SFAS No. 123 (revised 2004), "Share-Based Payment," which requires that fair value be recorded in the results of operations. Since there is no market for trading employee stock options, management must use a fair value method. There is no certainty that the results of a fair value method would be the value at which employee stock options would be traded for cash. Fair value methods require management to make several assumptions, the most significant of which are the selection of a fair value model, stock price volatility and the average life of an option. Abbott has readily available grant-by-grant historical activity for several years in its option administration system that it uses in developing some of its assumptions. Abbott uses the Black-Scholes method to value stock options. The results of the Black-Scholes model are periodically compared to the binomial model and the results have been comparable. Abbott uses both historical volatility of its stock price and the implied volatility of currently traded options to develop the volatility assumptions. Abbott uses the historical grant activity, combined with expectations about future exercise activity, to develop the average life assumptions. Abbott has also used the historical grant data to evaluate whether certain holders of stock options exercised their options differently than other holders and has not found any differentiating pattern among holders. Abbott quantified the additional paid in capital amount available for use in determining tax effects of early exercise for measurement of tax expense. Abbott used the modified prospective method of adoption. Under this method, prior years' financial results do not include the impact of recording stock options using fair value. Footnote 9 quantifies the effect in 2005 and 2004 had compensation cost been determined using the fair value method.

Results of Operations

Sales

The following table details the components of sales growth by reportable segment for the last three years:

	Total % Change	Components of Change %		
		Price	Volume	Exchange
Total Net Sales				
2006 vs. 2005	0.6(a)	0.6	0.2	(0.2)
2005 vs. 2004	13.5	0.1	12.1	1.3
2004 vs. 2003	13.9	1.6	9.1	3.2
Total U.S.				
2006 vs. 2005	(7.5)(a)	2.4	(9.9)	—
2005 vs. 2004	13.0	0.8	12.2	—
2004 vs. 2003	12.8	3.8	9.0	—
Total International				
2006 vs. 2005	10.9	(1.3)	12.7	(0.5)
2005 vs. 2004	14.2	(0.7)	12.0	2.9
2004 vs. 2003	15.3	(1.0)	8.9	7.4
Pharmaceutical Products Segment				
2006 vs. 2005	(9.5)(a)	1.8	(11.0)	(0.3)
2005 vs. 2004	14.9	0.6	13.0	1.3
2004 vs. 2003	16.2	3.2	9.6	3.4
Diagnostic Products Segment				
2006 vs. 2005	5.9	(1.7)	8.1	(0.5)
2005 vs. 2004	11.2	(0.7)	9.9	2.0
2004 vs. 2003	11.1	(1.2)	6.9	5.4
Nutritional Products Segment				
2006 vs. 2005	9.6	(0.4)	9.7	0.3
2005 vs. 2004	9.7	(0.5)	9.4	0.8
2004 vs. 2003	10.2	(0.1)	8.9	1.4
Vascular Products Segment				
2006 vs. 2005	327.7	(4.6)	333.2	(0.9)
2005 vs. 2004	14.7	(0.4)	14.5	0.6
2004 vs. 2003	19.3	(1.7)	21.0	—

(a) The Pharmaceutical Products segment had an agreement with Boehringer Ingelheim (BI) to co-promote and distribute three of its products in the U.S. In 2005, Abbott and BI amended the agreement and effective January 1, 2006, Abbott no longer distributed or recorded sales for distribution activities for the BI products. The increases in sales for 2006 excluding BI products were 11.6 percent for total net sales, 12.3 percent for total U.S. sales and 7.8 percent for Pharmaceutical Products segment sales.

A comparison of significant product group sales is as follows. Percent changes are versus the prior year and are based on unrounded numbers.

	2006	Percent Change	2005	Percent Change	2004	Percent Change
	(dollars in millions)					
Pharmaceuticals —						
U.S. Specialty	$ 3,505	25	$ 2,799	16	$ 2,410	26
U.S. Primary Care	2,505	2	2,463	—	2,466	12
International Pharmaceuticals	5,157	8	4,776	14	4,202	18
Diagnostics —						
Immunoassay	2,272	4	2,187	2	2,141	2
Diabetes Care	1,136	6	1,067	35	791	46
Nutritionals —						
U.S. Pediatric Nutritionals	1,128	3	1,097	(4)	1,146	5
International Pediatric Nutritionals	899	29	698	17	598	13
U.S. Adult Nutritionals	1,097	2	1,077	15	934	15
International Adult Nutritionals	785	10	716	8	665	13

Increased sales volume of *HUMIRA* and increased volume and price for *Kaletra* and *Depakote* favorably impacted U.S. Specialty sales. Increased sales volume for *TriCor* and *Omnicef* favorably impacted U.S. Primary Care sales and were partially offset by lower U.S. sales of *Biaxin* due primarily to generic competition for the immediate-release formulation. U.S. sales of *Biaxin* were $151 million, $306 million and $458 million in 2006, 2005 and 2004, respectively. Increased sales volume of *HUMIRA* favorably impacted International Pharmaceuticals sales, partially offset by decreased sales volume in 2006 due to generic competition for clarithromycin. Diabetes Care product sales growth in 2005 and 2004 was favorably impacted by the acquisition of TheraSense in the second quarter of 2004. The decrease in sales of U.S. pediatric nutritionals in 2005 was primarily due to overall infant nutritionals non-WIC category decline and competitive share loss. International Pediatric Nutritionals sales increases were due primarily to volume growth in developing countries. U.S. Adult Nutritionals sales in 2005 and 2004 were favorably impacted by the acquisition of EAS in the fourth quarter of 2004. Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in footnote 1 to the consolidated financial statements. Related net sales were $199 million in 2006, $177 million in 2005 and $144 million in 2004.

The expiration of licenses, patent protection and generic competition can affect the future revenues and operating income of Abbott. Significant ongoing generic activities, and significant patent and license expirations in the next three years are as follows. The U.S. composition of matter patent for *Depakote* expires in 2008. Abbott holds non-composition of matter patents on the extended release form of *Depakote*. U.S. sales of *Depakote* in 2006 were $1.2 billion. In 2004, the FDA granted approval for generic competition to *Synthroid* and generic competitors have entered the market. U.S. sales of *Synthroid* were $470 million in 2006 and $498 million in 2005. Clarithromycin is now subject to generic competition in most European markets. European market sales of clarithromycin in 2006 and 2005 were $329 million and $416 million, respectively. In the U.S., clarithromycin is marketed in two forms, the immediate release and the extended release forms. In May 2005, the composition of matter patent on clarithromycin expired, and several immediate release generic products were launched by competitors. Abbott holds non-composition of matter patents for the extended release form of clarithromycin. In December 2006, an extended release generic product was launched by a competitor. The U.S. District Court of the Northern District of Illinois has denied Abbott's request for grant of a temporary restraining order against the competitor. There may

be further generic competition for clarithromycin in other countries in 2007 depending on the results of legal proceedings related to the patents. Upon the December 2005 expiration of a court order related to licenses for sevoflurane, Baxter is now permitted to market a competitive form of sevoflurane. In addition, sevoflurane has been subject to generic competition from other competitors in isolated markets outside of the U.S. and further generic competition in international markets is possible. Worldwide sales of sevoflurane in 2006 and 2005 were $799 million and $874 million, respectively. The composition of matter patent for *Omnicef* expires in May 2007. Abbott holds an additional non-composition of matter patent for *Omnicef*. Sales of *Omnicef* in 2006 and 2005 were $637 million and $495 million, respectively. The Pharmaceutical Products segment markets all of the above products. The patent for *Prevacid*, which is licensed by TAP Pharmaceuticals (TAP), expires in 2009. Abbott records TAP's results on the equity method.

Operating Earnings

Gross profit margins were 56.3 percent of net sales in 2006, 52.4 percent in 2005 and 54.9 percent in 2004. The increase in the gross profit margin in 2006 was due to favorable product mix, primarily as a result of decreased sales of Boehringer Ingelheim products that have lower margins than for other products in the Pharmaceutical Products segment and the decrease in the gross profit margin in 2005 was due to unfavorable product mix, primarily as a result of increased sales of Boehringer Ingelheim products. Restructuring charges, discussed below, reduced the gross profit margins in 2006 and 2005 by 1.1 percentage points and 0.8 percentage points, respectively. The gross profit margin in 2004 was impacted by the favorable mix effect of exchange on the gross profit margin and by unfavorable product mix, primarily increased sales of lower margin Boehringer Ingelheim products in the Pharmaceutical Products segment. Gross profit margins in all years were also affected by productivity improvements, higher project expenses for new products, higher manufacturing capacity costs for anticipated unit growth and the effects of inflation.

In the U.S., states receive price rebates from manufacturers of infant formula under the federally subsidized Special Supplemental Food Program for Women, Infants, and Children. There are also rebate programs for pharmaceutical products. These rebate programs continue to have a negative effect on the gross profit margins of the Nutritional and Pharmaceutical Products segments. In addition, pricing pressures unfavorably impacted the gross profit margins for the Nutritional Products segment in 2006, 2005 and 2004.

The gross profit margins for the Pharmaceutical Products segment were favorably impacted in 2006 and unfavorably impacted in 2005 and 2004 by product mix. The favorable product mix in 2006 was due to decreased sales of lower margin Boehringer Ingelheim products and the unfavorable product mix in 2005 and 2004 was due primarily to increased sales of lower margin Boehringer Ingelheim products and higher other manufacturing costs.

Research and development expense, excluding acquired in-process and collaborations research and development, was $2.3 billion in 2006, $1.8 billion in 2005 and $1.7 billion in 2004 and represented increases of 23.8 percent in 2006, 7.3 percent in 2005 and 4.5 percent in 2004. The effect of recording compensation expense relating to share-based awards and additional costs associated with Abbott's decision to discontinue the commercial development of

the *ZoMaxx* drug-eluting stent increased research and development expenses by 6.3 percentage points over 2005. The remaining increase was due to the acquisition of Guidant's vascular intervention and endovascular solutions businesses and increased spending to support pipeline programs, including follow-on indications for *HUMIRA*, and other late-stage clinical programs in pharmaceuticals, diabetes care and vascular. The majority of research and development expenditures are concentrated on pharmaceutical products**.**

Selling, general and administrative expenses increased 15.5 percent in 2006 compared to increases of 11.7 percent in 2005 and 2.4 percent in 2004. 2006 includes the effect of recording compensation expense

relating to share-based awards, a philanthropic contribution to the Abbott Fund and the acquisition of Guidant's vascular intervention and endovascular solutions businesses. These items increased selling, general and administrative expenses by 8.6 percentage points over 2005. The restructuring charges discussed below and an increase in a bad debt reserve associated with an unfavorable court ruling increased the percent change from 2004 by 2.7 percentage points in 2005. In 2003, Abbott recorded in selling, general and administrative expenses, a pretax charge of $614 million related to a settlement. This 2003 charge reduced the increase in selling, general and administrative expenses by 15.0 percentage points for 2004. The remaining increases in selling, general and administrative expenses were due primarily to increased selling and marketing support for new and existing products, including continued spending for *HUMIRA*, as well as spending on other marketed pharmaceutical products. These increases also reflect the effects of the acquisitions of TheraSense and EAS in 2004. Increases in all three years also reflect inflation and additional selling and marketing support primarily in the Pharmaceutical Products segment.

Restructurings
(dollars in millions)

In 2006 and 2005, Abbott management approved plans to realign its worldwide pharmaceutical manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2006 and 2005, Abbott recorded pretax charges against earnings of approximately $210 and $256, respectively, reflecting the impairment of manufacturing facilities and other assets, employee severance and other related charges. Approximately $181 and $174, respectively, is classified as cost of products sold, $29 and $10, respectively, as research and development and $72, in 2005, as selling, general and administrative. An additional $70 and $14 were subsequently recorded in 2006 and 2005, respectively, relating to these restructurings, primarily for accelerated depreciation. As a result of product re-registration timelines required under manufacturing regulations in a number of countries, manufacturing related realignments are expected to continue into 2007.

The following summarizes the activity for restructurings:

	Employee-Related and Other	Asset Impairments	Total
2005 restructuring charges	$ 191.7	$ 63.8	$ 255.5
Payments and impairments	(36.9)	(63.8)	(100.7)
Accrued balance at December 31, 2005	154.8	—	154.8
2006 restructuring charges	117.7	92.6	210.3
Payments, impairments and other adjustments	(79.2)	(92.6)	(171.8)
Accrued balance at December 31, 2006	$ 193.3	$ —	$ 193.3

Abbott expects to incur up to an additional $128 in future periods for restructuring plans, primarily for accelerated depreciation.

Net Interest Expense

Net interest expense increased in 2006 due primarily to higher borrowings as a result of the acquisition of Guidant's vascular intervention and endovascular solutions businesses, and Abbott's investments in the common stock of Boston Scientific and a note receivable; partially offset by higher interest income.

Other (income) expense, net

The increase in Other (income) expense in 2006 is primarily due to fair-value gain adjustments to certain derivative financial instruments related to the investment in Boston Scientific common stock.

Taxes on Earnings

The effective income tax rates on income from continuing operations were 24.6 percent in 2006, 27.0 percent in 2005 and 23.0 percent in 2004. Taxes on earnings in 2006 reflect the effect of the tax rates applied to acquired in-process and collaborations research and development and the resolution of prior years' income tax audits and the effect of discrete tax events. For 2006, the tax rates applied to acquired in-process and collaborations research and development increased the effective tax rate by 6.6 percentage points and the effect of the income tax audit resolution and discrete tax events decreased the effective tax rate by 5.5 percentage points. In 2005, Abbott remitted $4.3 billion of foreign earnings in accordance with the American Jobs Creation Act of 2004 and recorded additional tax expense of $245 million, which increased the effective tax rate by approximately 5.3 percentage points. This was partially offset by adjustments of prior years' tax accounts resulting primarily from resolution of prior years' accrual requirements, which decreased the effective tax rate by 2.3 percentage points. The effective tax rate for 2004 reflects adjustments of prior years' tax requirements primarily as a result of resolutions of prior years' tax audits and the effect of non-deductible acquired in-process research and development. The effect of these items for 2004 was to decrease the effective tax rate by approximately 1.2 percentage points. Abbott expects to apply an annual effective rate of approximately 22.5 percent in 2007.

Spin-off of Abbott's Core Hospital Products Business

In 2004, Abbott's Board of Directors declared a special dividend distribution of all of the outstanding shares of common stock of Hospira, Inc., payable on April 30, 2004. Hospira included the operations relating to the manufacture and sale of hospital products including specialty injectable pharmaceuticals, medication delivery systems and critical care devices and injectable pharmaceutical contract manufacturing. Hospira included Abbott's Hospital Products segment, after that segment's reorganization on January 1, 2004, and portions of the former International segment. The income and cash flows of Hospira and the direct transaction costs of the spin-off have been presented as discontinued operations in the Consolidated Statement of Earnings and Statement of Cash Flows.

Abbott has retained liabilities for taxes on income prior to the spin-off, defined benefit, post-employment medical and dental plan obligations and assets, as of the spin-off, for most of Hospira's U.S. retired employees and U.S. retirement eligible employees and certain potential liabilities, if any, related to alleged improper pricing practices prior to the spin-off in connection with federal, state and private reimbursement for certain drugs.

Business Combinations, Technology Acquisitions and Related Transactions

In December 2006, Abbott acquired Kos Pharmaceuticals Inc. for cash of approximately $3.8 billion, net of cash held by Kos Pharmaceuticals, to expand Abbott's presence in the lipid management market and to provide several on-market and late-stage pipeline products. Kos Pharmaceuticals Inc. is a specialty pharmaceutical company that develops and markets proprietary medications for the treatment of chronic cardiovascular, metabolic and respiratory diseases. This business was acquired on December 13, 2006 and the financial results of the acquired operations are included in these financial statements beginning on that date. The acquisition was financed primarily with short-term debt. The preliminary allocation of the acquisition cost is shown in the table below *(in millions of dollars)*.

Goodwill, primarily non-deductible	$1,824
Acquired in-process research and development	1,262
Acquired intangible assets, primarily product rights for marketed products	821
Acquired net tangible assets	97
Deferred income taxes recorded at acquisition	(234)
Total preliminary allocation of acquisition cost	$3,770

Acquired intangible assets will be amortized over 1 to 15 years. Non-deductible acquired in-process research and development was charged to income in 2006. The net tangible assets acquired consist primarily of trade accounts receivable, inventories and property and equipment, net of assumed liabilities, primarily accrued salaries and wages and other liabilities.

In order to expand Abbott's presence in the growing vascular market, Abbott acquired Guidant's vascular intervention and endovascular solutions businesses for approximately $4.1 billion, in cash, in connection with Boston Scientific's acquisition of Guidant. These businesses were acquired on April 21, 2006 and the financial results of the acquired operations are included in these financial statements beginning on that date. In addition, Abbott will also pay to Boston Scientific $250 million each upon government approvals to market the *XIENCE V* drug-eluting stent in the U.S. and in Japan. Each $250 million payment will result in the recording of additional goodwill. The preliminary allocation of the acquisition cost is shown in the table below *(in millions of dollars)*. The valuation of intellectual property, including intangible assets and acquired in-process research and development, is substantially complete, but the valuations of the other assets and liabilities are preliminary. The allocation will be finalized when certain information regarding the other assets and liabilities is known.

Goodwill, primarily deductible	$1,688
Acquired intangible assets, primarily product rights for marketed products	1,195
Acquired in-process research and development	665
Acquired net tangible assets	580
Total preliminary allocation of acquisition cost	$4,128

Acquired intangible assets will be amortized over 3 to 15 years (average of approximately 10 years). Tax deductible acquired in-process research and development was charged to income in 2006. The net tangible assets acquired consist primarily of property and equipment of approximately $530 million, trade accounts receivable of approximately $250 million and inventories of approximately $120 million, net of assumed liabilities, primarily trade accounts payable, litigation reserves and other liabilities.

In order to facilitate Boston Scientific's acquisition of Guidant, Abbott also acquired 64.6 million shares of Boston Scientific common stock directly from Boston Scientific and loaned $900 million to a wholly-owned subsidiary of Boston Scientific. Abbott is required to dispose of the shares by October 2008. Sales of the shares are limited to approximately 5.4 million shares per month until October 2007. The amount recorded upon the acquisition of the shares includes a discount to market, based on an appraisal, to reflect the value of the restrictions on sale. On the date of acquisition, half of the shares were recorded as available for sale in accordance with SFAS No. 115 and the remainder under the cost method in accordance with APB No. 18. As of December 31, 2006, all of the shares are recorded as available for sale in accordance with SFAS No. 115. The loan, which is due in April 2011, is guaranteed by Boston Scientific and bears a favorable effective interest rate of 4 percent, which is reflected in the valuation of the note receivable. In connection with the acquisition of the shares, Boston Scientific is entitled to certain after-tax gains upon Abbott's sale of the shares. Abbott would retain any gains on the sale of the Boston Scientific shares up to a sales price of $23.83; Boston Scientific would receive any after-tax gains on the sale of the shares for the portion of the sales price in excess of $23.83 but lower than $26.00; and Boston Scientific would receive one-half of any after-tax gain for the portion of the sales price in excess of $25.99. Based on an appraisal, Abbott recorded approximately $114 million for this gain-sharing derivative financial instrument liability. In addition, Boston Scientific agreed to reimburse Abbott for certain borrowing costs on debt incurred to acquire the Boston Scientific shares. After Abbott incurs the first $10 million of interest cost on debt incurred to acquire the shares, Boston Scientific will reimburse Abbott for the next $60 million of interest cost. Reimbursement for the incremental interest cost will be in the form of additional common stock of Boston Scientific, payable 18 months after the acquisition. Abbott recorded

approximately $55 million for this interest derivative financial instrument asset. The effect of recording the shares, the loan to Boston Scientific and the derivative financial instruments at fair value on the date of acquisition resulted in the recording of additional goodwill of approximately $204 million. The financial assets and liability acquired from Boston Scientific were valued and recorded at acquisition as follows *(in millions of dollars)*:

Boston Scientific common stock	$1,326
Note receivable	829
Derivative financial instruments, net	(59)
Total	$2,096

In 2005, Abbott acquired the remaining interest in a small medical products company that was previously accounted for under the equity method of accounting and a less than 50 percent equity interest in a small medical products company. The aggregate cash purchase price was approximately $25 million. Acquisition accounting resulted in the recording of non-tax deductible goodwill of approximately $69 million, intangible assets of approximately $22 million and a charge of approximately $17 million for acquired in-process research and development. In 2005, Abbott acquired additional rights related to *HUMIRA* for approximately $270 million, which are being amortized over 13 years.

In 2004, Abbott acquired TheraSense, Inc., a leader in the development, manufacturing and marketing of blood glucose self-monitoring systems, for approximately $1.2 billion in cash; i-STAT Corporation, a manufacturer of point-of-care diagnostic products for blood analysis, for approximately $394 million in cash; EAS, a nutritional company with a portfolio of nationally recognized brands, for approximately $320 million in cash; and Spine Next, a manufacturer of orthopedic spinal implant devices, for approximately $58 million in cash plus additional milestone payments of up to $23 million upon achievement of future targets. Abbott also acquired certain other product technologies for approximately $352 million. These acquisitions resulted in a charge of $271 million for acquired in-process research and development, intangible assets of approximately $1.3 billion, non-tax deductible goodwill of approximately $923 million and deferred income taxes of approximately $406 million. Acquired intangible assets, primarily trade names, are amortized over 5 to 20 years (average of approximately 14 years).

Had the above acquisitions taken place on January 1 of the previous year, consolidated net sales and income would not have been significantly different from reported amounts.

Subsequent Event — Announced Sales of Businesses

On January 18, 2007, Abbott announced that it had agreed to sell its core laboratory diagnostics business, including Abbott Point of Care, to GE for $8.13 billion in cash. The sale is expected to close in the first half of 2007 and is subject to customary closing conditions, including regulatory approvals. The carrying amount of the assets and liabilities included in the sale is estimated to be approximately $2.6 billion and net sales for these businesses were approximately $2.7 billion in 2006. Abbott estimates tax expense of approximately $2.0 billion will be recorded on the gain.

Financial Condition

Cash Flow

Net cash from operating activities of continuing operations amounted to $5.3 billion, $5.0 billion and $4.3 billion in 2006, 2005 and 2004, respectively. The increase in cash from operating activities in 2006 compared to 2005 is due to higher net earnings adjusted for after-tax non-cash charges for acquired in-process research and development and share-based compensation and higher contributions to retirement benefit plans in 2005 compared to 2006; partially offset by higher income tax payments in 2006, including tax payments related to the 2005 remittances of foreign earnings under the American Jobs Creation Act. In 2006, 2005 and 2004, $200 million, $641 million and $482 million, respectively, was contributed to the main domestic defined benefit plan. Abbott expects pension funding for its main domestic pension plan of $200 million annually. The increased contribution in 2005 was due, in part, to the investment of cash remitted under the American Jobs Creation Act of 2004. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

Debt and Capital

At December 31, 2006, Abbott's long-term debt rating was AA by Standard & Poor's Corporation and A1 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of $7.0 billion, including a $4 billion short-term facility, that support commercial paper borrowing arrangements. Subsequent to the announced potential acquisition of Kos Pharmaceuticals Inc., Standard and Poor's affirmed its current debt ratings for Abbott and maintained its current "stable" outlook and Moody's Investors Service affirmed its current debt ratings for Abbott and affirmed its current "negative" outlook.

In October 2006, the board of directors authorized the purchase of $2.5 billion of Abbott's common shares from time to time and no shares were purchased under this authorization in 2006. In 2006, 2005 and 2004, Abbott purchased approximately 17.3 million, 30.0 million and 11.7 million, respectively, of its common shares under prior authorizations at a cost of approximately $755 million, $1.3 billion and $500 million, respectively.

Under a registration statement filed with the Securities and Exchange Commission in February 2006, Abbott issued $4.0 billion of long-term debt in 2006 that matures in 2009 through 2016 with interest rates ranging from 5.375 percent to 5.875 percent. Proceeds from this debt were used to pay down domestic commercial paper borrowings that were incurred to partially fund the acquisition of Guidant's vascular intervention and endovascular solutions businesses. The acquisition of Kos Pharmaceuticals was financed primarily with commercial paper borrowings. In addition, commercial paper borrowings were used to repay $1.9 billion of long-term debt in 2006. In 2005, Abbott borrowed $1.9 billion of long-term debt that matures in May 2008 with variable interest rates above LIBOR. In 2006, $1.6 billion of this debt was paid prior to maturity. In 2004, Abbott issued $1.5 billion of long-term debt that matures in 2009 through 2014 with interest rates ranging from 3.5 percent to 4.35 percent.

Working Capital

At December 31, 2006 current liabilities exceeded current assets by approximately $669 million as a result of increased short-term borrowings used to acquire Kos Pharmaceuticals in December 2006. Working capital was $4.0 billion at December 31, 2005 and $3.9 billion at December 31, 2004.

Capital Expenditures

Capital expenditures of $1.3 billion in 2006, $1.2 billion in 2005 and $1.3 billion in 2004 were principally for upgrading and expanding manufacturing, research and development, investments in information technology and administrative support facilities in all segments, and for laboratory instruments placed with customers.

Contractual Obligations

The following table summarizes Abbott's estimated contractual obligations as of December 31, 2006.

	Payment Due By Period				
	Total	2007	2008-2009	2010-2011	2012 and Thereafter
	(dollars in millions)				
Long-term debt, including current maturities and future interest payments	$ 9,148	$ 432	$ 2,775	$ 2,564	$ 3,377
Operating lease obligations	404	80	121	80	123
Capitalized auto lease obligations	86	28	58	—	—
Purchase commitments (a)	2,751	2,574	130	36	11
Other long-term liabilities reflected on the consolidated balance sheet —					
Benefit plan obligations	1,964	—	279	312	1,373
Other	1,141	—	558	207	376
Total	$15,494	$3,114	$3,921	$3,199	$5,260

(a) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.

Contingent Obligations

Abbott has periodically entered into agreements in the ordinary course of business, such as assignment of product rights, with other companies which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. In addition, Abbott periodically acquires small companies or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds.

In connection with the acquisition of the common shares of Boston Scientific, Boston Scientific is entitled to certain after-tax gains, if any, upon Abbott's sales of the Boston Scientific shares. In addition, Abbott has retained liabilities for taxes on income prior to the spin-off of Hospira and certain potential liabilities, if any, related to alleged improper pricing practices in connection with federal, state and private reimbursement for certain drugs.

Recently Issued Accounting Standards

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." This Interpretation requires that a recorded tax benefit must be more likely than not of being sustained upon examination by tax authorities based upon its technical merits. The amount of benefit recorded is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Upon adoption, any adjustment will be recorded directly to beginning retained earnings. The Interpretation is effective for Abbott beginning no later than January 1, 2007. Abbott has not yet adopted the provisions of this Interpretation. The adoption of this Interpretation is not expected to have a material effect on Abbott's January 1, 2007 balance sheet or the 2007 provision for income taxes.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." The new statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. Adoption of the provisions of this statement is not expected to have a material effect on the results of operations or financial position of Abbott.

Legislative Issues

In August 2006, the President of the United States signed the Pension Protection Act of 2006. Among other things, the Act establishes new minimum funding requirements for plan years beginning in 2008. Abbott does not expect this Act to significantly impact future fundings of its domestic defined benefit pension plans.

Abbott's primary markets are highly competitive and subject to substantial government regulation throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. Abbott believes that if legislation is enacted, it could have the effect of reducing access to health care products and services, or reducing prices or the rate of price increases for health care products and services. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, and Item 1A, Risk Factors on Form 10-K.

Private Securities Litigation Reform Act of 1995 — A Caution Concerning Forward-Looking Statements

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Abbott cautions investors that any forward-looking statements or projections made by Abbott, including those made in this document, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in 1A, Risk Factors, to the Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Instruments and Risk Management

Investment in Boston Scientific Common Stock and Note Receivable

At December 31, 2006, Abbott holds 64.6 million shares, or approximately $1.0 billion of Boston Scientific common stock and has a $900 million loan to a wholly-owned subsidiary of Boston Scientific. Abbott's cost basis in the shares is approximately $1.3 billion. A hypothetical 20 percent decrease in Boston Scientific's share price would decrease the value of the Boston Scientific shares by approximately $205 million. Abbott is required to dispose of the shares by October 2008. Sales of Boston Scientific's shares are limited to approximately 5.4 million shares per month until October 2007. Abbott is also a creditor of Boston Scientific for the $900 million loan that is due in 2011 and, as such, is subject to credit risk. In addition, Abbott holds a derivative financial instrument liability relating to certain gain sharing aspects of the investment in Boston Scientific common stock and an interest derivative financial instrument asset relating to the loan.

Other Market Price Sensitive Investments

Abbott holds available-for-sale equity securities from strategic technology acquisitions. The market value of these investments, excluding Boston Scientific, was approximately $97 million and $99 million, respectively, as of December 31, 2006 and 2005. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in value occurs. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2006 by approximately $20 million. (A 20 percent decrease is believed to be a reasonably possible near-term change in share prices.)

Non-Publicly Traded Equity Securities

Abbott holds equity securities from strategic technology acquisitions that are not traded on public stock exchanges. The carrying value of these investments was approximately $33 million and $17 million as of December 31, 2006 and 2005, respectively. No individual investment is in excess of $13 million. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in estimated value occurs.

Interest Rate Sensitive Financial Instruments

At December 31, 2006 and 2005, Abbott had interest rate hedge contracts totaling $1.5 billion to manage its exposure to changes in the fair value of debt due in 2009 through 2014. The effect of these hedges is to change the fixed interest rate to a variable rate. Abbott does not use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its investment securities. At December 31, 2006, Abbott had $5.0 billion of domestic commercial paper outstanding with an average annual interest rate of 5.3% with an average remaining life of 38 days. The fair market value of long-term debt at December 31, 2006 and 2005 amounted to $7.1 billion and $6.4 billion, respectively (average interest rates of 4.7% and 4.2%, respectively) with maturities through 2023. At December 31, 2006 and 2005, the fair market value of current and long-term investment securities amounted to $941 million and $80 million, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or market values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

Foreign Currency Sensitive Financial Instruments

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and

receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2006 and 2005, Abbott held $5.6 billion and $3.9 billion, respectively, of such contracts, which mature in the next twelve months.

In addition, certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are marked-to-market with the resulting gains or losses reflected in Accumulated other comprehensive income (loss). Gains or losses will be included in Cost of products sold at the time the products are sold, generally within the next twelve months. At December 31, 2006 and 2005, Abbott held $768 million and $222 million, respectively, of such contracts, which all mature in the following calendar year.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2006 and 2005:

	2006			2005		
	Contract Amount	Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
	(dollars in millions)					
Receive primarily U.S. Dollars in exchange for the following currencies:						
Euro	$ 2,644	1.301	$ (38.4)	$ 1,519	1.184	$ (1.4)
British Pound	1,910	1.928	(14.4)	1,148	1.738	7.2
Japanese Yen	898	115.5	(3.0)	513	113.4	(18.4)
Canadian Dollar	332	1.115	6.4	425	1.176	(2.1)
All other currencies	603	N/A	(2.6)	487	N/A	—
Total	$ 6,387		$ (52.0)	$ 4,092		$ (14.7)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings
(dollars and shares in thousands except per share data)

	Year Ended December 31		
	2006	2005	2004
Net Sales	$ 22,476,322	$ 22,337,808	$ 19,680,016
Cost of products sold	9,815,147	10,641,111	8,884,157
Research and development	2,255,271	1,821,175	1,696,753
Acquired in-process and collaborations research and development	2,014,000	17,131	279,006
Selling, general and administrative	6,349,685	5,496,123	4,921,780
Total Operating Cost and Expenses	20,434,103	17,975,540	15,781,696
Operating Earnings	2,042,219	4,362,268	3,898,320
Net interest expense	292,347	153,662	149,087
(Income) from TAP Pharmaceutical Products Inc. joint venture	(475,811)	(441,388)	(374,984)
Net foreign exchange (gain) loss	28,441	21,804	29,059
Other (income) expense, net	(79,128)	8,270	(30,442)
Earnings from Continuing Operations Before Taxes	2,276,370	4,619,920	4,125,600
Taxes on Earnings from Continuing Operations	559,615	1,247,855	949,764
Earnings from Continuing Operations	1,716,755	3,372,065	3,175,836
Earnings from Discontinued Operations, net of taxes	—	—	60,015
Net Earnings	$ 1,716,755	$ 3,372,065	$ 3,235,851
Basic Earnings Per Common Share —			
Continuing Operations	$ 1.12	$ 2.17	$ 2.03
Discontinued Operations	—	—	0.04
Net Earnings	$ 1.12	$ 2.17	$ 2.07
Diluted Earnings Per Common Share —			
Continuing Operations	$ 1.12	$ 2.16	$ 2.02
Discontinued Operations	—	—	0.04
Net Earnings	$ 1.12	$ 2.16	$ 2.06
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,529,848	1,552,457	1,560,557
Dilutive Common Stock Options and Awards	6,876	11,646	10,054
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options and Awards	1,536,724	1,564,103	1,570,611

Outstanding Common Stock Options Having No Dilutive Effect	23,567	22,469	44,005

The accompanying notes to consolidated financial statements are an integral part of this statement.

Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows
(dollars in thousands)

	Year Ended December 31		
	2006	2005	2004
Cash Flow From (Used in) Operating Activities of Continuing Operations:			
Net earnings	$ 1,716,755	$ 3,372,065	$ 3,235,851
Less: Earnings from discontinued operations, net of taxes	—	—	60,015
Earnings from continuing operations	1,716,755	3,372,065	3,175,836
Adjustments to reconcile earnings from continuing operations to net cash from operating activities of continuing operations —			
Depreciation	983,485	868,808	840,591
Amortization of intangible assets	575,265	490,131	448,109
Share-based compensation	329,957	30,140	28,989
Acquired in-process research and development	1,927,300	17,131	279,006
Investing and financing (gains) losses, net	277,388	125,328	47,400
Trade receivables	(101,781)	(98,216)	(588,575)
Inventories	104,653	(88,257)	(285,328)
Prepaid expenses and other assets	(283,455)	(406,858)	(431,436)
Trade accounts payable and other liabilities	(183,203)	199,703	602,605
Income taxes	(84,275)	537,429	188,826
Net Cash From Operating Activities of Continuing Operations	5,262,089	5,047,404	4,306,023
Cash Flow From (Used in) Investing Activities of Continuing Operations:			
Acquisitions of businesses and technologies, net of cash acquired	(7,923,163)	(295,123)	(2,327,821)
Investment in Boston Scientific common stock, note receivable and derivative financial instruments	(2,095,780)	—	—
Acquisitions of property and equipment	(1,337,818)	(1,207,493)	(1,291,633)
Other purchases of investment securities	(33,632)	(15,670)	(543,292)
Proceeds from sales of investment securities	18,476	783,599	224,923
Other	(25,712)	14,600	14,433
Net Cash (Used in) Investing Activities of Continuing Operations	(11,397,629)	(720,087)	(3,923,390)
Cash Flow From (Used in) Financing Activities of Continuing Operations:			
Proceeds from (repayments of) commercial paper, net	5,004,000	(1,619,000)	813,000
Proceeds from issuance of long-term debt	4,000,000	1,851,013	1,500,000
Repayment of long-term debt	(3,532,408)	(150,000)	(1,650,000)
Other borrowing transactions, net	179,225	90,820	142,998
Purchases of common shares	(754,502)	(1,302,314)	(499,745)
Proceeds from stock options exercised, including income tax benefit	502,782	223,637	155,197
Dividends paid	(1,777,170)	(1,686,472)	(1,599,770)
Net Cash From (Used in) Financing Activities of Continuing Operations	3,621,927	(2,592,316)	(1,138,320)
Effect of exchange rate changes on cash and cash equivalents	73,966	(193,954)	184,271
Net cash provided by operating activities of discontinued operations and cash (used in) from investing and financing activities of $(59,088) and $700,000 in 2004, respectively	67,152	127,012	801,920
Net (Decrease) Increase in Cash and Cash Equivalents	(2,372,495)	1,668,059	230,504
Cash and Cash Equivalents, Beginning of Year	2,893,687	1,225,628	995,124
Cash and Cash Equivalents, End of Year	$ 521,192	$ 2,893,687	$ 1,225,628

The accompanying notes to consolidated financial statements are an integral part of this statement.

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in thousands)

	December 31		
	2006	2005	2004
Assets			
Current Assets:			
Cash and cash equivalents	$ 521,192	$ 2,893,687	$ 1,225,628
Investments	852,243	62,406	833,334

Trade receivables, less allowances of — 2006: $215,443; 2005: $203,683; 2004: $231,704	4,231,142	3,576,794	3,696,115
Inventories —			
Finished products	1,338,349	1,203,557	1,488,939
Work in process	686,425	630,267	582,787
Materials	781,647	708,155	548,737
Total inventories	2,806,421	2,541,979	2,620,463
Deferred income taxes	1,716,916	1,248,569	1,031,746
Other prepaid expenses and receivables	1,153,969	932,691	1,080,143
Assets held for sale	—	129,902	247,056
Total Current Assets	11,281,883	11,386,028	10,734,485
Investments	1,229,873	134,013	145,849
Property and Equipment, at Cost:			
Land	488,342	370,949	338,428
Buildings	3,228,485	2,655,356	2,519,492
Equipment	9,947,503	8,813,517	8,681,655
Construction in progress	737,609	920,599	962,114
	14,401,939	12,760,421	12,501,689
Less: accumulated depreciation and amortization	7,455,504	6,757,280	6,493,815
Net Property and Equipment	6,946,435	6,003,141	6,007,874
Intangible Assets, net of amortization	6,403,619	4,741,647	5,171,594
Goodwill	9,449,281	5,219,247	5,685,124
Deferred Income Taxes and Other Assets	867,081	1,624,201	952,929
Assets Held for Sale	—	32,926	69,639
	$ 36,178,172	$ 29,141,203	$ 28,767,494

Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet
(dollars in thousands)

	December 31		
	2006	2005	2004
Liabilities and Shareholders' Investment			
Current Liabilities:			
Short-term borrowings	$ 5,305,985	$ 212,447	$ 1,836,649
Trade accounts payable	1,175,590	1,032,516	1,054,464
Salaries, wages and commissions	807,283	625,254	637,333
Other accrued liabilities	3,850,723	2,722,685	2,491,956
Dividends payable	453,994	423,335	405,730
Income taxes payable	262,344	488,926	156,417
Current portion of long-term debt	95,276	1,849,563	156,034
Liabilities of operations held for sale	—	60,788	87,061
Total Current Liabilities	11,951,195	7,415,514	6,825,644
Long-term Debt	7,009,664	4,571,504	4,787,934
Post-employment Obligations and Other Long-term Liabilities	3,163,127	2,154,775	2,606,410
Liabilities of Operations Held for Sale	—	1,062	1,644
Deferred Income Taxes	—	583,077	220,079
Commitments and Contingencies			
Shareholders' Investment:			
Preferred shares, one dollar par value Authorized — 1,000,000 shares, none issued	—	—	—
Common shares, without par value Authorized — 2,400,000,000 shares Issued at stated capital amount — Shares: 2006: 1,550,590,438; 2005: 1,553,769,958; 2004: 1,575,147,418	4,290,929	3,477,460	3,189,465
Common shares held in treasury, at cost — Shares: 2006: 13,347,272; 2005: 14,534,979; 2004: 15,123,800	(195,237)	(212,255)	(220,854)
Earnings employed in the business	9,568,728	10,404,568	10,033,440
Accumulated other comprehensive income (loss)	389,766	745,498	1,323,732
Total Shareholders' Investment	14,054,186	14,415,271	14,325,783
	$ 36,178,172	$ 29,141,203	$ 28,767,494

The accompanying notes to consolidated financial statements are an integral part of this statement.

Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment
(dollars in thousands except per share data)

	Year Ended December 31		
	2006	2005	2004
Common Shares:			
Beginning of Year			
Shares: 2006: 1,553,769,958; 2005: 1,575,147,418; 2004: 1,580,247,227	$ 3,477,460	$ 3,189,465	$ 2,977,718
Issued under incentive stock programs			
Shares: 2006: 14,456,341; 2005: 8,752,085; 2004: 6,811,550	526,435	299,329	208,880
Tax benefit from option shares and vesting of restricted stock awards (no share effect)	42,062	52,363	22,871
Share-based compensation	337,428	28,731	28,725
Issuance of restricted stock awards	(52,392)	(27,125)	(25,528)
Retired — Shares: 2006: 17,635,861; 2005: 30,129,545; 2004: 11,911,359	(40,064)	(65,303)	(23,201)
End of Year			
Shares: 2006: 1,550,590,438; 2005: 1,553,769,958; 2004: 1,575,147,418	$ 4,290,929	$ 3,477,460	$ 3,189,465
Common Shares Held in Treasury:			
Beginning of Year			
Shares: 2006: 14,534,979; 2005: 15,123,800; 2004: 15,729,296	$ (212,255)	$ (220,854)	$ (229,696)
Issued under incentive stock programs			
Shares: 2006: 1,197,838; 2005: 588,821; 2004: 605,496	17,492	8,599	8,842
Purchased			
Shares: 2006: 10,131	(474)	—	—
End of Year			
Shares: 2006: 13,347,272; 2005: 14,534,979; 2004: 15,123,800	$ (195,237)	$ (212,255)	$ (220,854)
Earnings Employed in the Business:			
Beginning of Year	$ 10,404,568	$ 10,033,440	$ 9,691,484
Net earnings	1,716,755	3,372,065	3,235,851
Cash dividends declared on common shares (per share — 2006: $1.18; 2005: $1.10; 2004: $1.04)	(1,807,829)	(1,704,077)	(1,622,148)
Spin-off of Hospira, Inc.	—	—	(761,916)
Cost of common shares retired in excess of stated capital amount	(780,152)	(1,315,397)	(527,197)
Cost of treasury shares issued below market value	35,386	18,537	17,366
End of Year	$ 9,568,728	$ 10,404,568	$ 10,033,440
Accumulated Other Comprehensive Income (Loss):			
Beginning of Year	$ 745,498	$ 1,323,732	$ 632,752
Other comprehensive income (loss) and spin-off of Hospira, Inc.	898,266	(578,234)	690,980
End of Year, before adoption of new accounting standard	1,643,764	745,498	1,323,732
Adjustment to recognize net actuarial gain (loss) and prior service cost as a component of accumulated other comprehensive income (loss), net of tax	(1,253,998)	—	—
End of Year	$ 389,766	$ 745,498	$ 1,323,732
Comprehensive Income	$ 2,615,021	$ 2,793,831	$ 3,906,932

The accompanying notes to consolidated financial statements are an integral part of this statement.

Abbott Laboratories and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

NATURE OF BUSINESS — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products.

CONCENTRATION OF RISK AND GUARANTEES — Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations, except that three U.S. wholesalers accounted for 23 percent, 24 percent and 20 percent of trade receivables as of December 31, 2006, 2005 and 2004, respectively. Product warranties are not significant.

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value, except the derivative financial instruments related to the investment in the Boston Scientific common stock and loan. Abbott has periodically entered into agreements in the ordinary course of business, such as assignment of product rights, with other companies which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. Abbott periodically acquires small companies or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds. In connection with the spin-off of Hospira,

Abbott has retained liabilities for taxes on income prior to the spin-off and certain potential liabilities, if any, related to alleged improper pricing practices in connection with federal, state and private reimbursement for certain drugs.

BASIS OF CONSOLIDATION — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions. The accounts of foreign subsidiaries are consolidated as of November 30, due to the time needed to consolidate these subsidiaries. In December 2005, certain foreign subsidiaries borrowed approximately $1.4 billion. These borrowings and related interest expense have been reflected on the December 31, 2005 Consolidated Balance Sheet and 2005 Consolidated Statement of Earnings. No other events occurred related to these foreign subsidiaries in December 2006, 2005 and 2004 that materially affected the financial position, results of operations or cash flows.

USE OF ESTIMATES — The financial statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for sales rebates, income taxes, pension and other post-employment benefits, valuation of intangible assets, litigation, share-based compensation, derivative financial instruments, and inventory and accounts receivable exposures.

REVENUE RECOGNITION — Revenue from product sales is recognized upon passage of title and risk of loss to customers. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights. Revenue from license of product rights, or for performance of research or selling activities, is recorded over the periods earned.

Note 1 — Summary of Significant Accounting Policies (Continued)

INCOME TAXES — Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. U.S. income taxes are provided on those earnings of foreign subsidiaries which are intended to be remitted to the parent company. Except for taxes on dividends that were remitted under the American Jobs Creation Act of 2004, deferred income taxes are not provided on undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment. Loss contingency provisions are recorded for the estimated amount of audit settlements under the provisions of Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies."

PENSION AND POST-EMPLOYMENT BENEFITS — Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. Abbott must develop long-term assumptions, the most significant of which are the health care costs trend rate, discount rate and the expected return on plan assets. Differences between the expected long-term return on plan assets and the actual return are amortized over a five-year period. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method. On December 31, 2006, Abbott adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The new statement requires immediate recognition of the deferrals on the balance sheet with a corresponding charge to Accumulated other comprehensive income (loss). Adoption of this statement on December 31, 2006 resulted in a decrease in Abbott's shareholders' equity of approximately $1.3 billion.

VALUATION OF INTANGIBLE ASSETS — Purchased intangible assets are recorded at fair value. The fair value of significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash inflows, risk, the cost of capital and terminal values. Intangible assets and goodwill are reviewed for impairment at least on a quarterly and annual basis, respectively.

SHARE-BASED COMPENSATION — Through December 31, 2005, Abbott measured compensation cost using the intrinsic value-based method of accounting for stock options and replacement stock options granted to employees. Restricted stock awards and units have been amortized over their vesting period with a charge to compensation expense. In 2006, Abbott adopted SFAS No. 123 (revised 2004), "Share-Based Payment," which requires that the fair value of stock options be recorded in the results of operations.

LITIGATION — Abbott accounts for litigation losses in accordance with SFAS No. 5. Under SFAS No. 5, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded.

CASH, CASH EQUIVALENTS AND INVESTMENTS — Cash equivalents consist of time deposits and certificates of deposit with original maturities of three months or less. Investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in Accumulated other comprehensive income (loss). Investments in equity securities that are not traded on public stock exchanges are recorded at cost. Abbott monitors equity investments for other than temporary declines in fair value and charges impairment losses to income when an other than temporary decline in estimated value occurs. Investments in debt securities are classified as held-to-maturity, as management has both the intent and ability to hold these securities to maturity, and are reported at cost, net of any unamortized premium or discount. Income relating to these securities is reported as a component of interest income.

Note 1 — Summary of Significant Accounting Policies (Continued)

Abbott reviews the carrying value of investments in equity securities each quarter to determine whether an other than temporary decline in market value exists. Abbott considers factors affecting the investee, factors affecting the industry the investee operates in, and general equity market trends. Abbott considers the length of time an investment's market value has been below carrying value and the near-term prospects for recovery to carrying value. When Abbott determines that an other than temporary decline has occurred, the investment is written down with a charge to Other (income) expense, net.

INVENTORIES — Inventories are stated at the lower of cost (first-in, first-out basis) or market. Cost includes material and conversion costs.

PROPERTY AND EQUIPMENT — Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The following table shows estimated useful lives of property and equipment:

Classification	Estimated Useful Lives
Buildings	10 to 50 years (average 27 years)
Equipment	3 to 20 years (average 11 years)

PRODUCT LIABILITY — Abbott accrues for product liability claims, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes available. Receivables for insurance recoveries for product liability claims are recorded as assets, on an undiscounted basis, when it is probable that a recovery will be realized. Abbott carries third-party insurance coverage in amounts that reflect historical loss experience, which does not include coverage for catastrophic losses.

RESEARCH AND DEVELOPMENT COSTS — Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where contingent milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

Note 2 — Supplemental Financial Information *(dollars in thousands)*

	2006	2005	2004
Current Investments:			
Time deposits and certificates of deposit	$ 76,994	$ 62,406	$ 833,334
Boston Scientific common stock	775,249	—	—
Total	$ 852,243	$ 62,406	$ 833,334

	2006	2005	2004
Long-term Investments:			
Boston Scientific common stock	$ 248,049	$ —	$ —
Other equity securities	129,830	116,447	125,541
Note receivable from Boston Scientific, 4% interest	837,260	—	—
Other	14,734	17,566	20,308
Total	$ 1,229,873	$ 134,013	$ 145,849

The cost basis of the Boston Scientific shares accounted for as available-for-sale securities as of December 31, 2006, is $1,326,000. The fair value of the available-for-sale shares was $1,023,000 at

Note 2 — Supplemental Financial Information *(dollars in thousands)* (Continued)

December 31, 2006, resulting in a charge of $182,000 to Accumulated other comprehensive income (loss), net of income tax benefits of $121,000.

The decline in the fair value of the Boston Scientific shares, as noted above, is considered by management to be temporary as these shares have been owned by Abbott for a relatively short period of time and Abbott has both the ability and intent to hold the shares for a period of time to allow for the decline in value to reverse.

	2006	2005	2004
Other Accrued Liabilities:			
Accrued rebates payable to government agencies	$ 660,875	$ 620,300	$ 519,653
Accrued other rebates (a)	390,863	206,514	202,363
All other	2,798,985	1,895,871	1,769,940
Total	$ 3,850,723	$ 2,722,685	$ 2,491,956

(a) Accrued wholesaler chargeback rebates of $122,729, $83,551 and $72,634 at December 31, 2006, 2005 and 2004, respectively, are netted in trade receivables. Accrued wholesaler chargeback rebates are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

	2006	2005	2004
Post-employment Obligations and Other Long-term Liabilities:			
Defined benefit pension plans and post-employment medical and dental plans for significant plans	$ 1,897,525	$ 1,087,159	$ 1,246,006
Minimum pension liability adjustments	—	15,003	577,432
All other	1,265,602	1,052,613	782,972
Total	$ 3,163,127	$ 2,154,775	$ 2,606,410

	2006	2005	2004
Net Interest Expense:			
Interest expense	$ 416,172	$ 241,355	$ 200,206
Interest income	(123,825)	(87,693)	(51,119)
Total	$ 292,347	$ 153,662	$ 149,087

Note 2 — Supplemental Financial Information *(dollars in thousands)* (Continued)

The increase in Other (income) expense, net for 2006 is primarily due to fair-value gain adjustments to certain derivative financial instruments related to the investment in Boston Scientific common stock.

	2006	2005	2004
Comprehensive Income, net of tax:			
Foreign currency gain (loss) translation adjustments	$ 1,033,968	$ (953,726)	$ 861,139
Minimum pension liability adjustments, net of taxes of $(3,600) in 2006, $(199,100) in 2005 and $45,700 in 2004	5,361	346,172	(75,947)
Unrealized (losses) on marketable equity securities, net of income taxes of $(118,500), $(6,100) and $(29,100) in 2006, 2005 and 2004, respectively	(175,891)	(9,219)	(43,613)
Net adjustments for derivative instruments designated as cash flow hedges	36,659	38,574	(39,951)
Reclassification adjustments for realized (gains)	(1,831)	(35)	(30,547)
Other comprehensive income (loss)	898,266	(578,234)	671,081
Net Earnings	1,716,755	3,372,065	3,235,851
Comprehensive Income	$ 2,615,021	$ 2,793,831	$ 3,906,932

	2006	2005	2004
Supplemental Comprehensive Income Information, net of tax:			
Cumulative foreign currency translation (gain) adjustments	$ (1,795,143)	$ (761,175)	$ (1,714,901)
Cumulative minimum pension liability adjustments	—	8,931	355,103
Net actuarial losses and prior service cost and credits, net	1,257,568	—	—
Cumulative unrealized losses (gains) on marketable equity securities	169,275	(8,447)	(17,701)
Cumulative (gains) losses on derivative instruments designated as cash flow hedges	(21,466)	15,193	53,767

On December 31, 2006, Abbott adopted the provisions of SFAS No. 158 “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.” Adoption of this statement resulted in a decrease in Abbott’s shareholders’ equity of $1,257,568, net of taxes of approximately $733,000.

	2006	2005	2004
Supplemental Cash Flow Information:			
Income taxes paid	$ 1,281,711	$ 746,504	$ 675,728
Interest paid	428,868	213,067	197,554

Note 3 — Financial Instruments and Derivatives

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, totaling $768 million, $222 million and $984 million at December 31, 2006, 2005 and 2004, respectively, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates**.** Abbott records the contracts at fair value, resulting in credits of $15.9 million and $38.6 million to Accumulated other comprehensive income (loss) in 2006 and 2005, respectively, and a charge of $40.0 million in 2004. Ineffectiveness recorded in 2006, 2005 or 2004 was not significant. Accumulated gains and losses as of December 31, 2006 will be included in Cost of products sold at the time the products are sold, generally through the next twelve months.

Note 3 — Financial Instruments and Derivatives (Continued)

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies and Japanese yen, in exchange for primarily U.S. dollars and other European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar, European currencies and Japanese yen. These contracts are recorded at fair value, with the resulting gains or losses reflected in income as Net foreign exchange (gain) loss. At December 31, 2006, 2005 and 2004, Abbott held $5.6 billion, $3.9 billion and $3.3 billion, respectively, of such foreign currency forward exchange contracts.

Abbott is a party to interest rate hedge contracts totaling $1.5 billion to manage its exposure to changes in the fair value of $1.5 billion of fixed-rate debt due 2009 through 2014. These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount. No hedge ineffectiveness was recorded in income in 2006, 2005 and 2004.

In connection with the acquisition of the common shares of Boston Scientific, Boston Scientific is entitled to certain after-tax gains upon Abbott’s sale of the common shares. In addition, Boston Scientific agreed to reimburse Abbott for certain borrowing costs on debt incurred to acquire the Boston Scientific shares.

Gross unrealized holding gains (losses) on available-for-sale equity securities totaled $21,100,000 and $(304,000,000), respectively, at December 31, 2006; $17,700,000 and $(3,500,000), respectively, at December 31, 2005 and $30,800,000 and $(1,100,000), respectively, at December 31, 2004.

Note 3 — Financial Instruments and Derivatives (Continued)

The carrying values and fair values of certain financial instruments as of December 31 are shown in the table below. The carrying values of all other financial instruments approximate their estimated fair values. Fair value is the quoted market price of the instrument held or the quoted market price of a similar instrument. The counter parties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counter parties.

	2006		2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(dollars in millions)					
Current Investments:						
Available-for-Sale Equity Securities	$ 775.2	$ 775.2	$ —	$ —	$ —	$ —
Other	77.0	77.0	62.4	62.4	833.3	833.3
Long-term Investments:						
Available-for-Sale Equity Securities	377.9	377.9	116.4	116.4	125.5	125.5
Note Receivable	837.3	849.1	—	—	—	—
Other	14.7	14.5	17.6	17.5	20.3	20.6
Total Long-term Debt	(7,104.9)	(7,113.2)	(6,421.1)	(6,375.1)	(4,944.0)	(5,012.6)
Foreign Currency Forward Exchange Contracts:						
(Payable) position	(85.6)	(85.6)	(33.5)	(33.5)	(117.1)	(117.1)
Receivable position	33.6	33.6	18.8	18.8	37.2	37.2
Interest Rate Hedge Contracts	(84.5)	(84.5)	(82.4)	(82.4)	(3.7)	(3.7)
Boston Scientific derivative financial instruments	(11.4)	(11.4)	—	—	—	—

Note 4 — Post-Employment Benefits *(dollars in thousands)*

Retirement plans consist of defined benefit, defined contribution, and medical and dental plans. Information for Abbott's major defined benefit plans and post-employment medical and dental benefit plans is as follows:

	Defined Benefit Plans			Medical and Dental Plans		
	2006	2005	2004	2006	2005	2004
Projected benefit obligations, January 1	$ 5,041,086	$ 4,753,225	$ 4,646,321	$ 1,292,301	$ 1,112,124	$ 1,241,845
Service cost — benefits earned during the year	218,662	205,286	187,146	55,618	43,554	34,628
Interest cost on projected benefit obligations	275,389	259,709	253,249	79,988	64,088	64,054
Losses (gains), primarily changes in discount and medical trend rates, plan design changes, law changes and differences between actual and estimated health care costs	64,003	142,453	174,669	133,766	138,442	(44,707)
Benefits paid	(212,630)	(195,964)	(191,543)	(67,511)	(65,907)	(67,232)
Acquisitions in 2006 and spin-off of Hospira in 2004	86,024	—	(425,069)	26,250	—	(116,464)
Other, primarily foreign currency translation	141,526	(123,623)	108,452	—	—	—
Projected benefit obligations, December 31	$ 5,614,060	$ 5,041,086	$ 4,753,225	$ 1,520,412	$ 1,292,301	$ 1,112,124
Plans' assets at fair value, January 1	$ 4,348,779	$ 3,465,666	$ 3,017,732	$ 149,080	$ —	$ —
Actual return on plans' assets	507,223	384,912	285,794	22,955	9,080	—
Company contributions	266,269	755,982	565,909	107,511	205,907	67,232
Benefits paid	(212,630)	(195,964)	(191,543)	(67,511)	(65,907)	(67,232)
Acquisitions in 2006 and spin-off of Hospira in 2004	92,760	—	(262,109)	—	—	—
Other, primarily foreign currency translation	83,225	(61,817)	49,883	—	—	—
Plans' assets at fair value, December 31	$ 5,085,626	$ 4,348,779	$ 3,465,666	$ 212,035	$ 149,080	$ —
Projected benefit obligations greater than plans' assets, December 31	$ (528,434)	$ (692,307)	$ (1,287,559)	$ (1,308,377)	$ (1,143,221)	$ (1,112,124)
Unrecognized actuarial losses, net		1,501,409	1,494,915		697,717	587,976
Unrecognized prior service cost (credits)		5,004	(5,835)		(264,499)	(285,659)
Net prepaid (accrued) benefit cost		$ 814,106	$ 201,521		$ (710,003)	$ (809,807)
Long-term assets	$ 84,266			$ —		
Short-term liabilities	(23,552)			—		
Long-term liabilities	(589,148)			(1,308,377)		
Net liability	$ (528,434)			$ (1,308,377)		
Accrued benefit cost		$ (463,789)	$ (617,533)		$ (710,003)	$ (809,807)
Prepaid benefit cost		1,262,892	241,622		—	—
Intangible assets		130	17,261		—	—
Accumulated other comprehensive income (loss)		14,873	560,171		—	—
Net prepaid (accrued) benefit cost		$ 814,106	$ 201,521		$ (710,003)	$ (809,807)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):						
Actuarial losses, net	$ 1,343,052			$ 785,778		
Prior service cost (credits)	42,659			(248,947)		
Total	$ 1,385,711			$ 536,831		

Note 4 — Post-Employment Benefits *(dollars in thousands)* (Continued)

	Defined Benefit Plans			Medical and Dental Plans		
	2006	2005	2004	2006	2005	2004
Service cost — benefits earned during the year	$ 218,662	$ 205,286	$ 187,146	$ 55,618	$ 43,554	$ 34,628
Interest cost on projected benefit obligations	275,389	259,709	253,249	79,988	64,088	64,054
Expected return on plans' assets	(382,220)	(360,304)	(295,294)	(16,253)	(11,948)	—
Amortization of actuarial losses	78,288	65,744	29,776	44,612	31,569	27,453
Amortization of prior service cost (credits)	341	68	1,033	(21,160)	(21,160)	(21,803)
Total cost	190,460	170,503	175,910	142,805	106,103	104,332
Discontinued operations	—	—	(9,781)	—	—	(14,349)
Net cost of continuing operations	$ 190,460	$ 170,503	$ 166,129	$ 142,805	$ 106,103	$ 89,983

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2006, that is expected to be recognized in the net periodic benefit cost in 2007 is $80,900 and $3,300, respectively, for defined benefit pension plans and $48,500 and $(21,500), respectively, for medical and dental plans.

On December 31, 2006, Abbott adopted the provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The provisions of this standard require the immediate recognition of deferrals on the balance sheet with a corresponding charge to Accumulated other comprehensive income (loss). The following table summarizes significant changes in balance sheet line items before and after the adoption of the provisions of this standard.

Balance Sheet Caption	Balances Before Adoption of Standard	Adjustments	Balances After Adoption of Standard
Deferred Income Taxes and Other Assets	$ 1,820,785	$ (953,704)	$ 867,081
Post-employment Obligations and Other Long-term Liabilities	2,450,643	712,484	3,163,127
Deferred income tax liabilities	366,655	(366,655)	—
Accumulated Other Comprehensive Income (loss)	1,643,764	(1,253,998)	389,766
Total Shareholders' Investment	15,308,184	(1,253,998)	14,054,186
Total Assets and Total Liabilities and Shareholders' Investment	37,129,740	(951,568)	36,178,172

The projected benefit obligations for non-U.S. defined benefit plans was $1,483,000, $1,148,000 and $1,132,000 at December 31, 2006, 2005 and 2004, respectively. The accumulated benefit obligations for all defined benefit plans was $4,738,000, $4,158,000 and $3,954,000 at December 31, 2006, 2005 and 2004, respectively. For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2006, 2005 and 2004, the aggregate accumulated benefit obligations were $544,000, $465,000 and $3,053,000, respectively; the projected benefit obligations were $592,000, $508,000 and $3,738,000, respectively; and the aggregate plan assets were $22,000, $5,000 and $2,909,000, respectively.

Note 4 — Post-Employment Benefits *(dollars in thousands)* (Continued)

The weighted average assumptions used to determine benefit obligations for defined benefit plans and medical and dental plans as of December 31, the measurement date of the plans, are as follows:

	2006	2005	2004
Discount rate	5.7%	5.5%	5.6%
Expected aggregate average long-term change in compensation	4.2%	4.2%	4.2%

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans are as follows:

	2006	2005	2004
Discount rate	5.5%	5.6%	6.0%
Expected return on plan assets	8.5%	8.4%	8.4%
Expected aggregate average long-term change in compensation	4.2%	4.2%	4.2%

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2006	2005	2004
Health care cost trend rate assumed for the next year	7%	7%	7%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2012	2012	2007

The discount rate used to measure liabilities as of December 31, 2006 and 2005 was determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. Prior to December 31, 2005, the discount rate was determined by reference to a composite corporate AA bond index. The health care cost trend rate represents Abbott's expected annual rates of change in the cost of health care benefits and is a forward projection of health care costs as of the measurement date. A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2006, by $245,400/$(196,800), and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately $26,200/$(20,400).

In 2004, Abbott reflected the requirements of Financial Accounting Standards Board Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." As a result, the projected benefit obligations related

to benefits attributed to past service were reduced by approximately $210,000 and the net cost recognized in 2004 was reduced by approximately $33,000.

The weighted average asset allocation for Abbott's U.S. defined benefit plans and medical and dental plans by asset category is shown in the table below. Abbott's international defined benefit plans have similar equity content.

	2006	2005	2004
Asset Category:			
Equity securities	75%	74%	73%
Fixed income securities	25	26	27
Total	100%	100%	100%

Note 4 — Post-Employment Benefits *(dollars in thousands)* (Continued)

The investment mix between equity securities and fixed income securities is based upon achieving a desired return, balancing higher return, more volatile equity securities, and lower return, less volatile fixed income securities. Abbott's domestic plans are invested in diversified portfolios of public-market equity and fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and, in the case of fixed income securities, maturities and credit quality. The plans do not directly hold any securities of Abbott. Abbott's international defined benefit plans are invested in a corresponding manner, with some variance in portfolio structure around local practices.

The plans' expected return on assets, as shown above, is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions.

Abbott funds its domestic pension plans according to IRS funding limitations. In 2006, 2005 and 2004, $200,000, $641,000 and $482,000, respectively, was funded to the main domestic pension plan**.** International pension plans are funded according to similar regulations. Abbott expects pension funding for its main domestic pension plan of $200 million annually.

Total benefit payments expected to be paid to participants, which includes payments funded from company assets as well as paid from the plans, are as follows:

	Defined Benefit Plans	Medical and Dental Plans
2007	$ 218,600	$ 69,000
2008	230,000	73,000
2009	233,300	78,600
2010	242,400	84,500
2011	253,300	90,800
2012 to 2016	1,513,500	527,500

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were $102,000 in 2006, $100,000 in 2005 and $97,000 in 2004.

Abbott provides certain other post-employment benefits, primarily salary continuation plans, to qualifying domestic employees, and accrues for the related cost over the service lives of the employees.

Note 5 — Taxes on Earnings *(dollars in thousands)*

Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. U.S. income taxes are provided on those earnings of foreign subsidiaries, which are intended to be remitted to the parent company. Except for taxes on dividends that were remitted under the American Jobs Creation Act of 2004, Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated $7,319,000 at December 31, 2006. It is not practicable to determine the amount of deferred income taxes not provided on these earnings. Abbott has recorded reserves for income tax loss contingencies in accordance with SFAS No. 5. The maximum possible loss in excess of the recorded reserves is not material. In the U.S., Abbott's federal income tax returns through 2003 are settled, and the income tax returns for years after 2003 are open.

Earnings from continuing operations before taxes, and the related provisions for taxes on earnings from continuing operations, were as follows:

	2006	2005	2004
Earnings From Continuing Operations Before Taxes			
Domestic	$ (868,384)	$ 2,068,232	$ 2,278,180
Foreign	3,144,754	2,551,688	1,847,420
Total	$ 2,276,370	$ 4,619,920	$ 4,125,600

	2006	2005	2004
Taxes on Earnings From Continuing Operations			
Current:			
U.S. Federal and Possessions	$ 491,579	$ 526,213	$ 172,322
State	17,352	89,483	43,456
Foreign	633,947	616,118	461,740
Total current	1,142,878	1,231,814	677,518

Deferred:			
Domestic	(544,678)	4,709	295,030
Foreign	(35,564)	17,035	(24,272)
Enacted tax rate changes	(3,021)	(5,703)	1,488
Total deferred	(583,263)	16,041	272,246
Total	$ 559,615	$ 1,247,855	$ 949,764

Note 5 — Taxes on Earnings *(dollars in thousands)* (Continued)

Differences between the effective income tax rate and the U.S. statutory tax rate were as follows:

	2006	2005	2004
Statutory tax rate on earnings from continuing operations	35.0%	35.0%	35.0%
Benefit of lower tax rates and tax exemptions in Puerto Rico, the Netherlands and Ireland	(18.4)	(6.4)	(7.8)
Effect of taxes on remittances of foreign earnings in connection with the American Jobs Creation Act of 2004	—	5.3	—
Effect of nondeductible acquired in-process research and development	19.4	—	2.0
State taxes, net of federal benefit	0.3	1.2	1.1
Adjustments primarily related to resolution of prior years' accrual requirements	(5.8)	(1.8)	(3.6)
Domestic dividend exclusion	(5.9)	(2.7)	(2.6)
All other, net	—	(3.6)	(1.1)
Effective tax rate on earnings from continuing operations	24.6%	27.0%	23.0%

As of December 31, 2006, 2005 and 2004, total deferred tax assets were $3,172,933, $2,040,906 and $2,171,782, respectively, and total deferred tax liabilities were $1,136,964, $1,355,181 and $1,349,972, respectively. Valuation allowances for deferred tax assets were not significant. The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

	2006	2005	2004
Compensation and employee benefits	$ 921,313	$ 37,578	$ 247,885
Trade receivable reserves	236,218	227,251	223,507
Inventory reserves	163,004	161,934	129,052
Deferred intercompany profit	390,144	319,402	379,560
State income taxes	51,494	49,153	(7,336)
Depreciation	(134,649)	(157,272)	(193,224)
Acquired in-process research and development and other accruals and reserves not currently deductible	1,268,445	1,132,954	1,111,611
Other, primarily the excess of book basis over tax basis of intangible assets	(872,334)	(1,095,182)	(1,079,388)
Total	$ 2,023,635	$ 675,818	$ 811,667

Among the provisions of the American Jobs Creation Act of 2004 was a provision that allows for the exclusion from income of a portion of the remittances of earnings of foreign subsidiaries to U.S. shareholders through December 31, 2005. In 2005, Abbott remitted in accordance with the provisions of the Act approximately $4,300,000 of foreign earnings previously reinvested indefinitely. The additional income tax expense recorded for the remittance was approximately $245,000.

Note 6 — Segment and Geographic Area Information *(dollars in millions)*

Revenue Segments — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. Effective with the acquisition of Guidant's vascular intervention and endovascular solutions businesses on April 21, 2006, Abbott's base vascular business and Guidant's vascular intervention

Note 6 — Segment and Geographic Area Information *(dollars in millions)* (Continued)

and endovascular solutions businesses are reported as the Vascular Products segment. Effective January 1, 2006, Abbott's segments were reorganized to reflect the shift of nutritional products from Abbott's International division to a newly formed division, Abbott Nutrition International. For segment reporting purposes, Abbott's Ross Products division and the Abbott Nutrition International division are aggregated and reported as the Nutritional Products segment and the U.S. and international pharmaceutical products divisions are aggregated and reported as the Pharmaceutical Products segment. The segment information below has been adjusted to reflect the acquisition and reorganizations. Abbott's reportable segments are as follows:

Pharmaceutical Products — Worldwide sales of a broad line of pharmaceuticals. For segment reporting purposes, two pharmaceutical divisions are aggregated and reported as the Pharmaceutical Products segment.

Diagnostic Products — Worldwide sales of diagnostic systems and tests for blood banks, hospitals, consumers, commercial laboratories and alternate-care testing sites. For segment reporting purposes, four diagnostic divisions are aggregated and reported as the Diagnostic Products segment.

Nutritional Products — Worldwide sales of a broad line of adult and pediatric nutritional products. For segment reporting purposes, two nutritional products divisions are aggregated and reported as the Nutritional Products segment.

Vascular Products — Worldwide sales of coronary, endovascular and vessel closure products.

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. Intersegment transfers of inventory are recorded at standard cost and are not a measure of segment operating earnings. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments**.** For acquisitions prior to 2006, substantially all intangible assets and related amortization are not allocated to segments. The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and are not presented in accordance with generally accepted accounting principles applied to the consolidated financial statements.

	Net Sales to External Customers (a)			Operating Earnings (Loss) (a)			Depreciation and Amortization			Additions to Long-term Assets			Total Assets		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Pharmaceuticals (b) (c)	$ 12,395	$ 13,691	$ 11,913	$ 4,522	$ 4,294	$ 3,889	$ 150	$ 170	$ 219	$ 2,615	$ 389	$ 317	$ 9,281	$ 6,766	$ 6,517
Diagnostics	3,979	3,756	3,378	431	495	378	277	231	201	435	425	399	4,073	3,742	3,691
Nutritionals	4,313	3,937	3,589	1,206	1,036	1,047	112	99	91	184	81	138	2,467	2,219	1,936
Vascular (c)	1,082	253	221	(115)	(136)	(104)	157	20	20	3,637	88	16	4,400	290	229
Total Reportable Segments	21,769	21,637	19,101	$ 6,044	$ 5,689	$ 5,210	$ 696	$ 520	$ 531	$ 6,871	$ 983	$ 870	$ 20,221	$ 13,017	$ 12,373
Other	707	701	579												
Net Sales	$ 22,476	$ 22,338	$ 19,680												

(a) Net sales and operating earnings for 2006 were unfavorably affected by the relatively stronger U.S. dollar and 2005 and 2004 were favorably affected by the relatively weaker U.S. dollar.

(b) The decrease in Pharmaceutical Product segment sales in 2006 is due primarily to the effects of the amendment to the Boehringer Ingelheim distribution agreement.

(c) Additions to long-term assets for the Pharmaceutical Products segment includes goodwill and intangible assets acquired in 2006 of $1,590 and $821, respectively, and the Vascular Products segment includes goodwill and intangible assets acquired in 2006 of $1,688 and $1,195, respectively.

Note 6 — Segment and Geographic Area Information *(dollars in millions)* (Continued)

	2006	2005	2004
Total Reportable Segment Operating Earnings	$ 6,044	$ 5,689	$ 5,210
Corporate functions and benefit plans costs (d)	449	289	341
Non-reportable segments	(6)	30	119
Net interest expense	292	154	149
Acquired in-process and collaborations research and development	2,014	17	279
(Income) from TAP Pharmaceutical Products Inc. joint venture	(476)	(441)	(375)
Share-based compensation (e)	330	30	29
Other, net (f)	1,165	990	542
Consolidated Earnings from Continuing Operations Before Taxes	$ 2,276	$ 4,620	$ 4,126

(d) Corporate functions and benefit plans costs for 2006, includes a philanthropic contribution of $70 to the Abbott Fund.

(e) Approximately 40 to 45 percent of the annual cost of share-based awards will typically be recognized in the first quarter due to the timing of the granting of share-based awards.

(f) Other, net for 2006 includes $281 for restructuring plans as discussed in Note 14; $220 for acquisition integration and related costs primarily associated with the acquisition of Guidant's vascular intervention and endovascular solutions businesses and income of $91 from fair value adjustments to certain derivative financial instruments related to the investment in Boston Scientific common stock and note receivable. Other, net for 2005 includes $266 for restructuring and impairment charges as discussed in Note 14.

	2006	2005	2004
Total Reportable Segment Assets	$ 20,221	$ 13,017	$ 12,373
Cash and investments	2,603	3,090	2,205
Current deferred income taxes	1,717	1,249	1,032
Non-reportable segments	1,147	1,031	1,434
Assets held for sale to Hospira	—	163	317
All other, net, primarily goodwill and intangible assets not allocated to reportable segments	10,490	10,591	11,406
Total Assets	$ 36,178	$ 29,141	$ 28,767

	Net Sales to External Customers (g)			Long-Term Assets		
	2006	2005	2004	2006	2005	2004
United States	$ 11,995	$ 12,707	$ 11,242	$ 13,536	$ 7,717	$ 7,293
Japan	1,054	1,027	987	974	935	1,044
Germany	885	992	811	6,154	5,467	6,176
The Netherlands	1,061	899	705	185	156	146
Italy	848	806	745	256	211	234
Canada	762	680	595	74	68	68

France	696	657	587	131	92	94
Spain	583	542	513	283	232	275
United Kingdom	517	504	496	1,446	1,281	1,415
All Other Countries	4,075	3,524	2,999	1,857	1,596	1,288
Consolidated	$ 22,476	$ 22,338	$ 19,680	$ 24,896	$ 17,755	$ 18,033

(g) Sales by country are based on the country that sold the product.

Note 7 — Litigation and Environmental Matters

Abbott has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under federal and state remediation laws and is investigating potential contamination at a number of company-owned locations. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $3 million, and the aggregate cleanup exposure is not expected to exceed $15 million.

There are two patent disputes with third parties who claim Abbott's products infringe their patents. In the first dispute, Abbott recorded the findings of a binding arbitration and paid the amount in January 2007. In the second dispute, which Abbott assumed as part of the Guidant acquisition, reserves equal to the expected resolution have been recorded.

There are several civil actions pending brought by individuals or entities that allege generally that Abbott and numerous pharmaceutical companies reported false or misleading pricing information relating to the average wholesale price of certain pharmaceutical products in connection with federal, state and private reimbursement. Civil actions have also been brought against Abbott, and in some cases other members of the pharmaceutical industry, by state attorneys general seeking to recover alleged damages on behalf of state Medicaid programs. In May 2006, Abbott was notified that the U.S. Department of Justice intervened in a civil whistle-blower lawsuit alleging that Abbott inflated prices for Medicaid and Medicare reimbursable drugs. The outcome of these investigations and litigation could include the imposition of fines or penalties. Abbott is unable to estimate the amount of possible loss, and no loss reserves have been recorded for these exposures. Many of the products involved in these cases are Hospira products. Hospira, Abbott's former hospital products business, was spun off to Abbott's shareholders in 2004. Abbott retained liability for losses that result from these cases and investigations to the extent any such losses both relate to the sale of Hospira's products prior to the spin-off of Hospira and relate to allegations that were made in such pending and future cases and investigations that were the same as allegations existing at the date of the spin-off.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by Abbott. For its legal proceedings and environmental exposures, excluding the cases and investigations discussed in the third paragraph of this footnote, and excluding the binding arbitration award discussed in the second paragraph, Abbott estimates the range of possible loss to be from approximately $165 million to $295 million. The recorded reserve balance at December 31, 2006 for these proceedings and exposures was approximately $200 million. These reserves represent management's best estimate of probable loss, as defined by Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."

While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations, except for the cases and investigations discussed in the third paragraph of this footnote, the resolution of which could be material to cash flows or results of operations for a quarter.

Note 8 — Spin-off of Hospira

In 2004, Abbott's Board of Directors declared a special dividend distribution of all of the outstanding shares of common stock of Hospira, Inc., payable on April 30, 2004. Hospira included the operations relating to the manufacture and sale of hospital products including specialty injectable pharmaceuticals, medication delivery systems and critical care devices and injectable pharmaceutical contract manufacturing. Hospira included Abbott's Hospital Products segment, after that segment's reorganization on January 1, 2004, and portions of the former International segment. The income and cash flows of

Note 8 — Spin-off of Hospira (Continued)

Hospira and the direct transaction costs of the spin-off have been presented as discontinued operations in the Consolidated Statement of Earnings and Statement of Cash Flows.

Abbott has retained liabilities for taxes on income prior to the spin-off, defined benefit, post-employment medical and dental plan obligations and assets, as of the spin-off, for most of Hospira's U.S. retired employees and U.S. retirement eligible employees and certain potential liabilities, if any, related to alleged improper pricing practices prior to the spin-off in connection with federal, state and private reimbursement for certain drugs.

Note 9 — Incentive Stock Program

The 1996 Incentive Stock Program authorizes the granting of stock options, replacement stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, restricted stock units, performance units and foreign qualified benefits. Stock options, replacement stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and prior programs. In 2006, Abbott granted 25,657,134 stock options, 3,961,376 replacement stock options, 1,088,911 (net of forfeitures of 100,000) restricted stock awards and 949,397 (net of forfeitures of 27,600) restricted stock units under the programs. The purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options vest equally over three years except for replacement options, which vest in six months. Most options granted before January 1, 2005 included a replacement feature. When an employee tenders mature shares to Abbott upon exercise of a stock option, a replacement stock option is granted equal to the amount of shares tendered. Replacement options are granted at the then current market price for a term that expires on the date of the underlying option grant. Upon a change in control of Abbott, all outstanding stock options become fully exercisable, and all terms and conditions of all restricted stock awards and units are deemed satisfied. Restricted stock awards granted in 2006 have a 5 year term, with no more than one-third of the award vesting in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units granted in 2006 vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The

aggregate fair market value of restricted stock awards and units is recognized as expense over the vesting period. Restricted stock awards and settlement of vested restricted stock units are issued out of treasury shares. Abbott issued new shares for exercises of stock options. Abbott does not have a policy of purchasing its shares relating to its share-based programs. At January 1, 2007, approximately 49 million shares were reserved for future grants under the 1996 Program. Subsequent to year-end, the Board of Directors granted approximately 20 million stock options and restricted stock awards and units from this reserve.

Note 9 — Incentive Stock Program (Continued)

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2005 and December 31, 2006 was 2,381,800 and $50.09 and 3,830,728 and $45.31, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, vested and lapsed during 2006 were 2,165,908 and $43.99, 573,019 and $48.74 and 143,961 and $43.93, respectively. The fair value of restricted stock awards and units vested in 2006, 2005 and 2004 was $32,226,000, $12,949,000 and $16,469,000, respectively.

	Options Outstanding			Exercisable Options		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
December 31, 2005	141,122,811	$ 42.69	6.3	98,328,158	$ 42.77	5.4
Granted	29,618,510	44.24				
Exercised	(18,537,136)	35.07				
Lapsed	(6,143,481)	46.71				
December 31, 2006	146,060,704	$ 43.80	6.2	100,543,786	$ 43.51	5.1

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2006 was $816 million and $622 million, respectively. The total intrinsic value of options exercised in 2006, 2005 and 2004 was $205 million, $189 million, and $133 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2006 amounted to approximately $235 million which is expected to be recognized over the next three years.

On January 1, 2006, Abbott adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment,” which requires that the fair value of share-based awards be recorded in the results of operations. Abbott used the modified prospective method of adoption. Under this method, prior years’ financial results do not include the impact of recording stock options using fair value. Under the revised standard, awards issued after 2005 and the remainder of any unrecognized cost for grants issued prior to 2006 are charged to expense. Total non-cash compensation expense charged against income in 2006 for share-based plans totaled approximately $330 million and the tax benefit recognized was approximately $78 million. Approximately 40 to 45 percent of the annual net cost of share-based awards will typically be recognized in the first quarter due to the timing of the granting of share-based awards. Compensation cost capitalized as part of inventory is not significant.

Through December 31, 2005, Abbott measured compensation cost using the intrinsic value-based method of accounting for stock options and replacement options granted to employees. Had compensation cost been determined using the fair value-based accounting method in 2005 and 2004, pro forma net income (*in billions*) and earnings per share (EPS) amounts would have been as follows:

	2005	2004
Net income, as reported	$ 3.4	$ 3.2
Compensation cost under fair value-based accounting method, net of taxes of $0.07 in 2005 and 2004	(0.2)	(0.2)
Net income, pro forma	$ 3.2	$ 3.0
Basic EPS, as reported	$ 2.17	$ 2.07
Basic EPS, pro forma	2.04	1.94
Diluted EPS, as reported	2.16	2.06
Diluted EPS, pro forma	2.02	1.94

Note 9 — Incentive Stock Program (Continued)

The weighted average fair value of an option granted in 2006, 2005 and 2004 was $11.72, $12.17 and $11.79, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2006	2005	2004
Risk-free interest rate	4.6%	3.8%	2.9%
Average life of options (years)	6.1	5.4	5.4
Volatility	28.0%	29.0%	32.0%
Dividend yield	2.7%	2.2%	2.2%

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option’s expected life. The average life of an option granted in 2006 is based on both historical and projected exercise and lapsing data. Prior to 2006, the average life of an option granted was based on historical experience. Expected volatility for 2006 option grants is based on implied volatilities from traded options on Abbott’s stock and historical volatility of Abbott’s stock over the expected life of the option. Expected volatility for options granted prior to 2006 was based on historical volatility over a period prior to the option grant equal to the option’s expected life. Dividend yield is based on the option’s exercise price and annual dividend rate at the time of grant.

Note 10 — Debt and Lines of Credit *(dollars in thousands)*

The following is a summary of long-term debt at December 31:

	2006	2005	2004
5.625% debentures, due 2006	$ —	$ —	$ 1,600,000
6.4% debentures, due 2006	—	—	250,000
0.77% Yen notes, due 2007	—	83,654	97,343
Notes, variable interest above LIBOR	—	770,000	—
Euro notes, variable interest above LIBOR, due 2008	264,180	638,766	—
British Pound notes, variable interest above LIBOR	—	344,000	—
6.0% debentures, due 2008	200,000	200,000	200,000
5.4% debentures, due 2008	200,000	200,000	200,000
1.05% Yen notes, due 2008	430,775	418,270	486,713
3.5% debentures, due 2009	500,000	500,000	500,000
5.375% debentures, due 2009	500,000	—	—
1.51% Yen notes, due 2010	129,232	125,481	146,014
3.75% debentures, due 2011	500,000	500,000	500,000
5.6% debentures, due 2011	1,500,000	—	—
1.95% Yen notes, due 2013	215,387	209,135	243,356
4.35% debentures, due 2014	500,000	500,000	500,000
5.875% debentures, due 2016	2,000,000	—	—
Other, including fair market value adjustments relating to interest rate hedge contracts designated as fair value hedges	70,090	82,198	64,508
Total, net of current maturities	7,009,664	4,571,504	4,787,934
Current maturities of long-term debt	95,276	1,849,563	156,034
Total carrying amount	$ 7,104,940	$ 6,421,067	$ 4,943,968

Note 10 — Debt and Lines of Credit *(dollars in thousands)) (Continued)*

Principal payments required on long-term debt outstanding at December 31, 2006, are $95,276 in 2007, $1,098,353 in 2008, $1,093,792 in 2009, $130,342 in 2010, $2,000,355 in 2011 and $2,771,336 thereafter.

At December 31, 2006, Abbott had $7,000,000 of unused lines of credit, including a $4,000,000 short-term facility, which supports commercial paper borrowing arrangements. The lines of credit, other than the short-term facility, expire in 2010. Related compensating balances, which are subject to withdrawal by Abbott at its option, and commitment fees are not material. Abbott's weighted average interest rate on short-term borrowings was 5.0% at December 31, 2006, 1.3% at December 31, 2005 and 2.2% at December 31, 2004.

Note 11 — Business Combinations, Technology Acquisitions and Related Transactions

In December 2006, Abbott acquired Kos Pharmaceuticals Inc. for cash of approximately $3.8 billion, net of cash held by Kos Pharmaceuticals, to expand Abbott's presence in the lipid management market and to provide several on-market and late-stage pipeline products. Kos Pharmaceuticals Inc. is a specialty pharmaceutical company that develops and markets proprietary medications for the treatment of chronic cardiovascular, metabolic and respiratory diseases. This business was acquired on December 13, 2006 and the financial results of the acquired operations are included in these financial statements beginning on that date. The acquisition was financed primarily with short-term debt. The preliminary allocation of the acquisition cost is shown in the table below *(in millions of dollars)*.

Goodwill, primarily non-deductible	$1,824
Acquired in-process research and development	1,262
Acquired intangible assets, primarily product rights for marketed products	821
Acquired net tangible assets	97
Deferred income taxes recorded at acquisition	(234)
Total preliminary allocation of acquisition cost	$3,770

Acquired intangible assets will be amortized over 1 to 15 years. Non-deductible acquired in-process research and development was charged to income in 2006. The net tangible assets acquired consist primarily of trade accounts receivable, inventories and property and equipment, net of assumed liabilities, primarily accrued salaries and wages and other liabilities.

Note 11 — Business Combinations, Technology Acquisitions and Related Transactions (Continued)

In order to expand Abbott's presence in the growing vascular market, Abbott acquired Guidant's vascular intervention and endovascular solutions businesses for approximately $4.1 billion, in cash, in connection with Boston Scientific's acquisition of Guidant. These businesses were acquired on April 21, 2006 and the financial results of the acquired operations are included in these financial statements beginning on that date. In addition, Abbott will also pay to Boston Scientific $250 million each upon government approvals to market the *XIENCE V* drug-eluting stent in the U.S. and in Japan. Each $250 million payment will result in the recording of additional goodwill. The preliminary allocation of the acquisition cost is shown in the table below *(in millions of dollars)*. The valuation of intellectual property, including intangible assets and acquired in-process research and development, is substantially complete, but

the valuations of the other assets and liabilities are preliminary. The allocation will be finalized when certain information regarding the other assets and liabilities is known.

Goodwill, primarily deductible	$1,688
Acquired intangible assets, primarily product rights for marketed products	1,195
Acquired in-process research and development	665
Acquired net tangible assets	580
Total preliminary allocation of acquisition cost	$4,128

Acquired intangible assets will be amortized over 3 to 15 years (average of approximately 10 years). Tax deductible acquired in-process research and development was charged to income in 2006. The net tangible assets acquired consist primarily of property and equipment of approximately $530 million, trade accounts receivable of approximately $250 million and inventories of approximately $120 million, net of assumed liabilities, primarily trade accounts payable, litigation reserves and other liabilities.

In order to facilitate Boston Scientific's acquisition of Guidant, Abbott also acquired 64.6 million shares of Boston Scientific common stock directly from Boston Scientific and loaned $900 million to a wholly-owned subsidiary of Boston Scientific. Abbott is required to dispose of the shares by October 2008. Sales of the shares are limited to approximately 5.4 million shares per month until October 2007. The amount recorded upon the acquisition of the shares includes a discount to market, based on an appraisal, to reflect the value of the restrictions on sale. On the date of acquisition, half of the shares were recorded as available for sale in accordance with SFAS No. 115 and the remainder under the cost method in accordance with APB No. 18. As of December 31, 2006, all of the shares are recorded as available for sale in accordance with SFAS No. 115. The loan, which is due in April 2011, is guaranteed by Boston Scientific and bears a favorable effective interest rate of 4 percent, which is reflected in the valuation of the note receivable. In connection with the acquisition of the shares, Boston Scientific is entitled to certain after-tax gains upon Abbott's sale of the shares. Abbott would retain any gains on the sale of the Boston Scientific shares up to a sales price of $23.83; Boston Scientific would receive any after-tax gains on the sale of the shares for the portion of the sales price in excess of $23.83 but lower than $26.00; and Boston Scientific would receive one-half of any after-tax gain for the portion of the sales price in excess of $25.99. Based on an appraisal, Abbott recorded approximately $114 million for this gain-sharing derivative financial instrument liability. In addition, Boston Scientific agreed to reimburse Abbott for certain borrowing costs on debt incurred to acquire the Boston Scientific shares. After Abbott incurs the first $10 million of interest cost on debt incurred to acquire the shares, Boston Scientific will reimburse Abbott for the next $60 million of interest cost. Reimbursement for the incremental interest cost will be in the form of additional common stock of Boston Scientific, payable 18 months after the acquisition. Abbott recorded approximately $55 million for this interest derivative financial instrument asset. The effect of recording the shares, the loan to Boston Scientific and the derivative financial instruments at fair value on the date of acquisition resulted in the recording of additional goodwill of approximately $204 million. The financial

Note 11 — Business Combinations, Technology Acquisitions and Related Transactions (Continued)

assets and liability acquired from Boston Scientific were valued and recorded at acquisition as follows *(in millions of dollars)*:

Boston Scientific common stock	$1,326
Note receivable	829
Derivative financial instruments, net	(59)
Total	$2,096

In 2005, Abbott acquired the remaining interest in a small medical products company that was previously accounted for under the equity method of accounting and a less than 50 percent equity interest in a small medical products company. The aggregate cash purchase price was approximately $25 million. Acquisition accounting resulted in the recording of non-tax deductible goodwill of approximately $69 million, intangible assets of approximately $22 million and a charge of approximately $17 million for acquired in-process research and development. In 2005, Abbott acquired additional rights related to *HUMIRA* for approximately $270 million, which are being amortized over 13 years.

In 2004, Abbott acquired TheraSense, Inc., a leader in the development, manufacturing and marketing of blood glucose self-monitoring systems, for approximately $1.2 billion in cash; i-STAT Corporation, a manufacturer of point-of-care diagnostic products for blood analysis, for approximately $394 million in cash; EAS, a nutritional company with a portfolio of nationally recognized brands, for approximately $320 million in cash; and Spine Next, a manufacturer of orthopedic spinal implant devices, for approximately $58 million in cash plus additional milestone payments of up to $23 million upon achievement of future targets. Abbott also acquired certain other product technologies for approximately $352 million. These acquisitions resulted in a charge of $271 million for acquired in-process research and development, intangible assets of approximately $1.3 billion, non-tax deductible goodwill of approximately $923 million and deferred income taxes of approximately $406 million. Acquired intangible assets, primarily trade names, are amortized over 5 to 20 years (average of approximately 14 years).

Had the above acquisitions taken place on January 1 of the previous year, consolidated net sales and income would not have been significantly different from reported amounts.

Note 12 — Goodwill and Intangible Assets *(dollars in millions)*

Abbott recorded goodwill of $3,721, $69 and $923 in 2006, 2005 and 2004, respectively, related to acquisitions, including acquired goodwill allocated to the Pharmaceutical Products segment of $1,590 and goodwill allocated to the Vascular Products segment of $1,688. Foreign currency translation and other adjustments increased (decreased) goodwill in 2006, 2005 and 2004 by $509, $(535) and $394, respectively. The amount of goodwill related to reportable segments at December 31, 2006 was $5,223 for the Pharmaceutical Products segment, $1,440 for the Diagnostics Products segment, $353 for the Nutritional Products segment and $1,939 for the Vascular Products segment. In connection with the spin-off of Hospira in 2004, Abbott transferred $81 of goodwill to Hospira. There were no other reductions of goodwill relating to impairments or disposal of all or a portion of a business.

The gross amount of amortizable intangible assets, primarily product rights and technology, was $8,988, $6,776 and $6,622 as of December 31, 2006, 2005 and 2004, respectively, and accumulated amortization was $2,602, $2,053 and $1,468 as of December 31, 2006, 2005 and 2004, respectively. Intangible assets with indefinite lives are not significant. The estimated annual amortization expense for intangible assets is $748 in 2007, $708 in 2008, 2009, and 2010 and $690 in 2011. Intangible assets are amortized over 1 to 25 years (average 11 years).

Note 13 — Equity Method Investments *(dollars in millions)*

Abbott's 50 percent-owned joint venture, TAP Pharmaceutical Products Inc. (TAP), is accounted for under the equity method of accounting. The investment in TAP was $162, $167 and $76 at December 31, 2006, 2005 and 2004, respectively. Dividends received from TAP were $487, $343 and $638 in 2006, 2005 and 2004, respectively. Abbott performs certain administrative and manufacturing services for TAP at negotiated rates that approximate fair market value. Summarized financial information for TAP is as follows:

	Year Ended December 31		
	2006	2005	2004
Net sales	$3,362.7	$3,260.0	$3,361.6
Cost of sales	835.8	883.4	990.4
Income before taxes	1,523.8	1,379.3	1,181.1
Net income	951.6	882.8	750.0

	December 31		
	2006	2005	2004
Current assets	$1,181.0	$1,339.1	$ 951.7
Total assets	1,333.1	1,470.2	1,176.6
Current liabilities	954.5	1,082.2	976.8
Total liabilities	1,008.8	1,136.2	1,025.2

Undistributed earnings of investments accounted for under the equity method amounted to approximately $140 as of December 31, 2006.

Note 14 — Restructuring Plans *(dollars in millions)*

In 2006 and 2005, Abbott management approved plans to realign its worldwide pharmaceutical manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2006 and 2005, Abbott recorded pretax charges against earnings of approximately $210 and $256, respectively, reflecting the impairment of manufacturing facilities and other assets, employee severance and other related charges. Approximately $181 and $174, respectively, is classified as cost of products sold, $29 and $10, respectively, as research and development and $72, in 2005, as selling, general and administrative. Fair value for the determination of the amount of asset impairments was determined primarily based on a discounted cash flow method. An additional $70 and $14 were subsequently recorded in 2006 and 2005, respectively, relating to these restructurings, primarily for accelerated depreciation. As a result of product re-registration timelines required under manufacturing regulations in a number of countries, manufacturing related realignments are expected to continue into 2007.

The following summarizes the activity for restructurings:

	Employee-Related and Other	Asset Impairments	Total
2005 restructuring charges	$ 191.7	$ 63.8	$ 255.5
Payments and impairments	(36.9)	(63.8)	(100.7)
Accrued balance at December 31, 2005	154.8	—	154.8
2006 restructuring charges	117.7	92.6	210.3
Payments, impairments and other adjustments	(79.2)	(92.6)	(171.8)
Accrued balance at December 31, 2006	$ 193.3	$ —	$ 193.3

Note 14 — Restructuring Plans *(dollars in millions)* (Continued)

Abbott expects to incur up to an additional $128 in future periods for restructuring plans, primarily for accelerated depreciation.

Note 15 — Subsequent Event

On January 18, 2007, Abbott announced that it had agreed to sell its core laboratory diagnostics business, including Abbott Point of Care, to GE for $8.13 billion in cash. In the last decade, the laboratory diagnostics market has changed considerably. Innovation in this business will be increasingly driven by automation, system integration and a host of skills that Abbott believes GE can better offer. The sale is expected to close in the first half of 2007 and is subject to customary closing conditions, including regulatory approvals. Net sales for these businesses were approximately $2.7 billion in 2006. The carrying amount of the assets and liabilities included in the sale is estimated to be approximately $2.6 billion, comprised of trade receivables of approximately $750 million, inventories of approximately $650 million, other current assets of approximately $100 million, net property, plant and equipment of approximately $1.3 billion, intangible assets and goodwill of approximately $500 million, current liabilities of approximately $550 million and long-term liabilities of approximately $150 million. Abbott estimates tax expense of approximately $2.0 billion will be recorded on the gain.

Note 16 — Quarterly Results (Unaudited) *(dollars in millions except per share data)*

	2006	2005	2004
First Quarter			
Net Sales	$5,183.5	$5,382.7	$4,640.9

Gross Profit	3,013.8	2,860.1	2,567.4
Net Earnings	865.0	837.9	822.9
Basic Earnings Per Common Share (a)	.57	.54	.53
Diluted Earnings Per Common Share (a)	.56	.53	.52
Market Price Per Share-High	45.58	48.16	47.25
Market Price Per Share-Low	39.18	43.34	39.28
Second Quarter			
Net Sales	$5,501.1	$5,523.8	$4,703.0
Gross Profit	3,112.5	2,892.0	2,634.3
Net Earnings (b)	612.2	877.1	634.3
Basic Earnings Per Common Share (a)(b)	.40	.56	.41
Diluted Earnings Per Common Share (a)(b)	.40	.56	.40
Market Price Per Share-High	43.61	49.98	44.67
Market Price Per Share-Low	40.55	45.98	39.43
Third Quarter			
Net Sales	$5,573.8	$5,384.0	$4,681.7
Gross Profit	3,182.5	2,706.8	2,566.8
Net Earnings (c)	715.8	680.7	804.1
Basic Earnings Per Common Share (a)(c)	.47	.44	.52
Diluted Earnings Per Common Share (a)(c)	.46	.44	.51
Market Price Per Share-High	49.87	50.00	43.20
Market Price Per Share-Low	43.25	41.57	38.26
Fourth Quarter			
Net Sales	$6,218.0	$6,047.3	$5,654.4
Gross Profit	3,352.4	3,237.8	3,027.3
Net (Loss) Earnings (d)	(476.2)	976.4	974.6
Basic (Loss) Earnings Per Common Share (a)(d)	(.31)	.63	.62
Diluted (Loss) Earnings Per Common Share (a)(d)	(.31)	.63	.62
Market Price Per Share-High	49.10	44.36	47.63
Market Price Per Share-Low	45.41	37.50	40.25

(a) The sum of the quarters' basic and diluted earnings per share for 2006 and 2004 do not add to the full year earnings per share amounts due to rounding.

(b) Second quarter 2006 includes a pretax charge of $493 for acquired in-process and collaborations research and development.

(c) Third quarter 2006 includes a pretax charge of $214 for acquired in-process research and development and 2005 includes pretax restructuring charges of $201.

(d) Fourth quarter 2006 includes a pretax charge of $1,307 for acquired in-process and collaborations research and development.

Management Report on Internal Control Over Financial Reporting

The management of Abbott Laboratories is responsible for establishing and maintaining adequate internal control over financial reporting. Abbott's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2006. In making this assessment, it used the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As allowed by SEC guidance, management excluded from its assessment the 2006 acquisitions of the Guidant businesses and Kos Pharmaceuticals, which accounted for approximately 20 percent of consolidated total assets and approximately 3 percent of consolidated net sales. Based on our assessment, we believe that, as of December 31, 2006, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on our assessment of the company's internal control over financial reporting. This report appears on page 77.

Miles D. White
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Thomas C. Freyman
EXECUTIVE VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

Greg W. Linder
VICE PRESIDENT AND CONTROLLER

February 15, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries (the Company) as of December 31, 2006, 2005, and 2004, and the related consolidated statements of earnings, shareholders' investment, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Abbott Laboratories and subsidiaries as of December 31, 2006, 2005, and 2004 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1, 4 and 9 to the consolidated financial statements, the Company changed its method of accounting for pension and other post employment benefits and share-based payments to adopt Statement of Financial Accounting Standards ("SFAS") No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* and SFAS No. 123(R), *Share-Based Payment*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP
Chicago, Illinois
February 15, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited management's assessment, included in the accompanying Management Report on Internal Control Over Financial Reporting dated February 15, 2007 (Management's Report), that Abbott Laboratories and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report, management excluded from its assessment the internal control over financial reporting for the 2006 acquisitions of the Guidant businesses (Guidant) and Kos Pharmaceuticals (Kos), which accounted for approximately 20 percent of consolidated total assets and approximately 3 percent of consolidated net sales. Accordingly, our audit did not include the internal control over financial reporting at Guidant or Kos. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria

established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2006 and our report dated February 15, 2007 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of Statement of Financial Accounting Standards ("SFAS") No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, and SFAS No. 123(R), *Share-Based Payment*, in 2006.

Deloitte & Touche LLP
Chicago, Illinois
February 15, 2007

TAP Pharmaceutical Products Inc.

Consolidated Statements of Income and Comprehensive Income
(dollars in thousands)

	Years Ended December 31		
	2006	2005	2004
Net Sales	$ 3,362,672	$ 3,259,850	$ 3,361,634
Cost of Sales	835,834	883,404	990,417
Gross Profit	2,526,838	2,376,446	2,371,217
Selling, General and Administrative	769,036	783,041	1,027,203
Research and Development	245,476	219,412	167,625
Income from Operations	1,512,326	1,373,993	1,176,389
Interest Income	13,520	5,339	9,293
Other Expense, net	(2,033)	(1)	(4,630)
Income Before Taxes	1,523,813	1,379,331	1,181,052
Provision for Income Taxes	572,192	496,559	431,083
Net Income	951,621	882,772	749,969
Other Comprehensive Income:			
Net unrealized gains (losses) on investment and forward contracts	13,145	(13,959)	(3,066)
Comprehensive Income	$ 964,766	$ 868,813	$ 746,903

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Consolidated Statements of Cash Flows
(dollars in thousands)

	Years Ended December 31		
	2006	2005	2004
Cash Flows From Operating Activities:			
Net income	$ 951,621	$ 882,772	$ 749,969
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	18,317	24,137	29,022
Deferred income taxes	(44,510)	65,349	(70,219)
Changes in assets and liabilities:			
Accounts receivable	21,069	(158,980)	75,444
Inventories	24,860	1,049	7,217
Income tax receivable	(110,897)	—	—
Prepaid expenses and other assets	2,728	9,138	(11,322)
Trade accounts payable and accrued liabilities	(80,092)	(62,429)	(99,930)
Accrued rebates	(181,835)	163,643	98,254
Accrued compensation and benefits	136,474	9,745	(10,305)
Net Cash Flows From Operating Activities	737,735	934,424	768,130
Cash Flows From (Used in) Investing Activities:			
Proceeds from maturities of investments	148,755	153,350	316,750
Purchases of investments	—	(281,150)	(99,600)
Capital expenditures	(5,366)	(6,759)	(6,785)
Net Cash Flows From (Used in) Investing Activities	143,389	(134,559)	210,365
Cash Flows (Used in) Financing Activities:			
Dividends paid	(974,400)	(686,155)	(1,276,448)
Payments under capital lease obligations	(1,085)	(15,344)	(8,518)
Cash Flows (Used in) Financing Activities	(975,485)	(701,499)	(1,284,966)
Net (Decrease) Increase in Cash and Cash Equivalents	(94,361)	98,366	(306,471)

Cash and Cash Equivalents — Beginning of Year	160,521	62,155	368,626
Cash and Cash Equivalents — End of Year	$ 66,160	$ 160,521	$ 62,155
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for income taxes	$ 754,252	$ 409,336	$ 579,140

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Consolidated Balance Sheets
(in thousands, except share amount)

	December 31	
	2006	2005
Assets		
Current Assets:		
Cash and cash equivalents	$ 66,160	$ 160,521
Short-term investments, primarily debt obligations issued by governmental agencies	80,645	229,966
Accounts receivable, net of allowances: 2006 — $54,141; 2005 — $57,447	635,325	664,098
Receivable from Abbott	7,704	—
Inventories	135,380	160,240
Income tax receivable	110,897	—
Deferred income taxes	82,804	72,029
Prepaid expenses and other assets	62,128	52,248
Total Current Assets	1,181,043	1,339,102
Property and Equipment, net	98,662	110,528
Other Assets, net	2,074	2,922
Deferred Income Taxes	51,365	17,630
	$ 1,333,144	$ 1,470,182
Liabilities and Shareholders' Equity		
Current Liabilities:		
Trade accounts payable	$ 87,444	$ 71,760
Accrued compensation and benefits	148,336	53,262
Accrued Liabilities	99,764	134,449
Payable to Takeda	79,213	47,743
Payable to Abbott	—	36,714
Accrued rebates	492,849	674,684
Income taxes payable	46,850	63,577
Total Current Liabilities	954,456	1,082,189
Other Liabilities, including postretirement medical and dental benefits	54,300	53,971
Total Liabilities	1,008,756	1,136,160
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, no par value — authorized, issued and outstanding, 200 shares	39,500	39,500
Additional paid-in capital	6,449	6,449
Accumulated other comprehensive loss	(1,559)	(14,704)
Retained earnings	279,998	302,777
Total Shareholders' Equity	324,388	334,022
	$ 1,333,144	$ 1,470,182

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2006, 2005 and 2004
(dollars in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders' Equity
	Shares	Amount				
Balance, January 1, 2004	200	$ 39,500	$ 6,449	$ 2,321	$ 632,639	$ 680,909
Net income	—	—	—	—	749,969	749,969

Net unrealized gain (loss) on investment and forward contracts, net of taxes of $1,150	—	—	—	(3,066)	—	(3,066)
Dividends	—	—	—	—	(1,276,448)	(1,276,448)
Balance, December 31, 2004	200	39,500	6,449	(745)	106,160	151,364
Net income	—	—	—	—	882,772	882,772
Net unrealized gain (loss) on investment and forward contracts, net of taxes of $8,368	—	—	—	(13,959)	—	(13,959)
Dividends	—	—	—	—	(686,155)	(686,155)
Balance, December 31, 2005	200	39,500	6,449	(14,704)	302,777	334,022
Net income	—	—	—	—	951,621	951,621
Net unrealized gain (loss) on investment and forward contracts, net of taxes of $(7,924)	—	—	—	13,145	—	13,145
Dividends	—	—	—	—	(974,400)	(974,400)
Balance, December 31, 2006	200	$ 39,500	$ 6,449	$ (1,559)	$ 279,998	$ 324,388

See notes to consolidated financial statements.

TAP Pharmaceutical Products Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2006, 2005 and 2004
(dollars in thousands)

Note 1. Description of the Business

TAP Pharmaceutical Products Inc. and subsidiaries (TAP) is a Delaware corporation owned equally by Abbott Laboratories (Abbott), an Illinois corporation, and Takeda America Holdings, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company, Ltd., a Japanese corporation (collectively Takeda). TAP is headquartered in Lake Forest, Illinois and has approximately 3,000 employees. Under an agreement between Abbott and Takeda, TAP develops, markets and sells human pharmaceutical products in the United States, Puerto Rico, and Canada. TAP operates as one business segment with sales primarily in the United States.

TAP's primary products are *Prevacid* and *Lupron*. The principal indications for *Prevacid* (lansoprazole), a proton pump inhibitor, are for short-term treatment of duodenal ulcers, gastric ulcers and erosive esophagitis. *Lupron* (leuprolide acetate), a luteinizing hormone-releasing hormone (LH-RH) analog, and *Lupron Depot*, a sustained release form of *Lupron*, are used principally for the palliative treatment of advanced prostate cancer, endometriosis and central precocious puberty, and for the pre-operative treatment of patients with anemia caused by uterine fibroids.

The patents related to lansoprazole and *Lupron Depot* are material to the operation of TAP's business. The original United States compound patent covering lansoprazole is licensed by TAP from Takeda. The original United States patents covering the *Lupron Depot* formulations are licensed by TAP from Takeda.

TAP's products are generally sold directly to physicians, retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed from Abbott-owned distribution centers. Primary marketing efforts are directed toward securing the prescription of TAP's brand of products by physicians. Managed care purchasers (for example, health maintenance organizations and pharmacy benefit managers) are increasingly important customers.

TAP's products are supplied by its owners, principally Takeda. A disruption in the supply of these products could adversely impact the operating results of TAP. Sales of TAP's primary products are as follows:

	2006	2005	2004
Prevacid	$ 2,599,886	$ 2,501,052	$ 2,592,116
Lupron	662,374	698,806	770,210

In 2006 and 2005, TAP recognized revenue for milestone payments related to the 2005 license of the *Prevacid* trademark, certain patents and technical information to a third party for the over-the-counter sale of *Prevacid* in the United States.

Financial instruments that potentially subject TAP to concentrations of credit risk consist primarily of accounts receivable. TAP sells primarily to wholesale distributors and a majority of TAP's accounts receivable are derived from sales to wholesale distributors. Three U.S. wholesale distributors accounted for more than 10% of TAP's gross sales as follows:

	2006	2005	2004
Wholesale distributor A	28%	26%	20%
Wholesale distributor B	18%	20%	19%
Wholesale distributor C	28%	31%	19%

Note 1. Description of the Business (Continued)

TAP has no material exposures to off-balance sheet arrangements; nor special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value, except for the equity swap agreements that hedge market price exposure for employee stock options as described in Note 6.

Note 2. Summary of Significant Accounting Policies

BASIS OF PRESENTATION — The consolidated financial statements include the accounts of TAP and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.

USE OF ESTIMATES — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions by management. Actual results could differ from those estimates. Significant estimates include amounts for income taxes, sales rebates, inventory reserves and accounts receivable allowances.

CASH AND CASH EQUIVALENTS — Cash equivalents include time deposits, certificates of deposit, commercial paper, money market funds and other short-term investments in governmental agency debt securities with original maturities of three months or less, or which are contractually convertible to cash in three months or less.

INVESTMENT SECURITIES — Investments in marketable debt and equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in Accumulated other comprehensive (loss) income.

INVENTORIES — Inventories are stated at the lower of cost (first-in, first-out basis) or market. Cost includes material and packaging costs. Inventories consist of the following as of December 31:

	2006	2005
Finished goods	$ 65,909	$ 104,931
Work-in-process	69,471	55,309
Total inventories	$ 135,380	$ 160,240

PROPERTY AND EQUIPMENT — Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

Building	50 years
Automobiles	50 months
Furniture and fixtures	10-20 years
Computer hardware and software	3-10 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable based on projected undiscounted cash flows associated with the affected assets. If the fair value is less than the carrying value of the asset, a loss is recognized for the difference. Fair value is determined based on market quotes, if available, or is based on valuation techniques.

REVENUE RECOGNITION — Revenue from product sales is recognized upon passage of title and risk of loss to customers (when product is delivered to a common carrier). Revenue from license of product rights is recorded over the periods earned. Provisions for estimated rebates and sales incentives to customers, doubtful accounts, cash discounts, product returns and customer chargebacks are provided for in the period of the related sale. Rebates and sales incentives are recorded as accrued rebates in the

Note 2. Summary of Significant Accounting Policies (Continued)

balance sheets. Reserves for doubtful accounts, cash discounts, product returns and customer chargebacks are recorded as reductions to accounts receivable. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales.

RESEARCH AND DEVELOPMENT — Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

ADVERTISING AND PROMOTION EXPENSE — All advertising and promotion costs are expensed as Selling, general and administrative expenses when incurred. Total advertising and promotion expense incurred was $186,052, $203,375 and $227,882 for 2006, 2005 and 2004, respectively.

INCOME TAXES — Deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amount and the tax basis of assets and liabilities.

RECLASSIFICATIONS — Certain reclassifications have been made to prior year financial statements to conform to the current-year presentation.

Note 3. Property and Equipment and Lease Obligations

Property and equipment consists of the following at December 31:

	2006	2005
Land and land improvements	$ 13,337	$ 13,337
Building	17,884	17,884
Furniture and fixtures	40,061	40,150
Computer hardware and software	44,437	43,360
Automobiles under capital leases	41,560	49,237
Other	6,189	4,344
Property and equipment	163,468	168,312
Less accumulated depreciation and amortization	(64,806)	(57,784)
Property and equipment, net	$ 98,662	$ 110,528

TAP leases certain administrative and regional sales offices, equipment, and automobiles under non-cancelable leases which expire at various dates through 2011. Future minimum lease payments under non-cancelable operating and capital leases as of December 31, 2006 consist of the following:

2007	$12,766
2008	10,521
2009	6,437
2010	4,217
Thereafter	3,947
Total	$37,888

Note 4. Financial Instruments and Derivatives

TAP enters into foreign currency forward contracts to hedge purchases of inventories at fixed Yen-denominated prices. The forward contracts require TAP to purchase Yen in exchange for U.S. dollars at

Note 4. Financial Instruments and Derivatives (Continued)

pre-determined exchange rates and are designated as cash flow hedges of the variability of cash flows due to changes in exchange rates. TAP does not trade financial instruments with the objective of earning financial gains on the exchange rate fluctuations alone, nor does it trade in currencies or commodities for which there are no underlying exposures.

Effectiveness of the forward contracts is based on changes in the forward rates. The effective portion of the changes in value of the forward contracts is recorded in Accumulated other comprehensive (loss), and is subsequently recognized in earnings in the same period the hedged forecasted transactions affect earnings. Any cash flow hedge ineffectiveness is reported in earnings in the current period.

TAP had outstanding foreign exchange forward contracts with notional values of $176,509 and $392,086 and fair values of $(2,049) and $(18,638) at December 31, 2006 and 2005, respectively. The fair value of these contracts is recorded as accrued liabilities at December 31, 2006 and 2005. During 2006, 2005, and 2004 cash flow hedge ineffectiveness was not material.

The carrying value of cash and cash equivalents and short-term investments approximates fair value due to the short-term maturity of the investments.

Note 5. Employee Benefit Plans

TAP employees participate in various Abbott employee benefit plans, including the Abbott Laboratories Annuity Retirement Plan, the Abbott Laboratories Stock Retirement Plan, and the Abbott Laboratories Incentive Stock Program (see Note 6 for further details). TAP is billed for its share of the costs of these plans. TAP's share of the employer contribution to the Abbott Laboratories Annuity Retirement Plan is generally allocated based on TAP's proportionate share of the total compensation expense of all participants in the plan. TAP made contributions to the plan of $16,000 in 2006 and 2005, and $43,000 in 2004. TAP's contribution to the Abbott Laboratories Stock Retirement Plan is based on participating employee contributions. TAP's contributions for 2006, 2005, and 2004 were $12,989, $12,619 and $11,563, respectively.

TAP provides health and welfare benefits to its employees through the TAP Pharmaceutical Products Inc. Healthcare Plan. Contributions to the Plan are made in accordance with the TAP's funding policy. TAP provides certain medical and life insurance benefits to qualifying retirees through the TAP Pharmaceutical Products Inc. Retiree Medical Plan. The following provides a reconciliation of the post-employment benefit obligations and funded status of the Plan:

	2006	2005
Change in benefit obligations:		
Projected benefit obligations, January 1	$ 27,678	$ 23,067
Service cost	3,222	2,592
Interest cost	1,658	1,242
Actuarial loss	2,899	1,102
Benefits paid	(479)	(325)
Projected benefit obligations, December 31	$ 34,978	$ 27,678
Reconciliation of funded status:		
Unfunded status	$ (34,978)	$ (27,678)
Unrecognized net actuarial loss	14,747	12,390
Unrecognized prior service credits	(7,143)	(7,544)
Accrued post-employment benefit liability, December 31	$ (27,374)	$ (22,832)

Note 5. Employee Benefit Plans (Continued)

The components of net cost are as follows:

	2006	2005	2004
Service cost	$3,222	$2,592	$2,467
Interest cost	1,658	1,242	1,119
Net amortization	141	(19)	19
Net cost	$5,021	$3,815	$3,605

The discount rates used to determine benefit obligations for medical and dental plans as of December 31, the measurement date for the plan, were 5.90 percent in 2006 and 5.75 percent in 2005. The discount rates used to determine net cost for medical and dental plans were 5.75 percent in 2006, 5.8 percent in 2005 and 6.0 percent in 2004.

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2006	2005	2004
Health care cost trend rate assumed for the next year	7%	7%	7%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2012	2012	2007

A one-percentage point increase (decrease) in the assumed health care trend rate would increase (decrease) the accumulated post-employment benefit obligations as of December 31, 2006 by approximately $9,206 and $(6,902), respectively, and the total of the service and interest cost components of net post-employment benefit cost for the year then ended by approximately $1,496 and $(1,097), respectively.

Total benefit payments expected to be paid to participants from company assets for post-employment medical and dental benefits are as follows:

2007	$ 433
2008	515
2009	610
2010	713
2011	850
2012 to 2016	6,377

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.” The new statement requires immediate recognition of the deferrals on the balance sheet with a corresponding charge to Accumulated other comprehensive (loss) income. TAP is required to adopt the accounting provisions of this statement on December 31, 2007.

Note 6. Incentive Stock Program

Certain employees of TAP are granted options to purchase Abbott common stock under the 1996 Abbott Incentive Stock Program and prior plans. Stock options and replacement stock options granted to TAP employees are currently outstanding under this and prior plans. The purchase price of shares under option must be at least equal to the fair market value of the Abbott common stock on the date of grant, and the maximum term of an option is 10 years. Options granted vest equally over three years except for

Note 6. Incentive Stock Program (Continued)

replacement options, which generally vest in six months and have a life equal to the remaining life of the replaced option. In addition, beginning in 2006, certain employees of TAP are granted restricted stock units on Abbott stock. Restricted stock units granted in 2006 vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. Upon a change in control of Abbott, all outstanding stock options and restricted stock units become fully exercisable.

All option exercises and restricted stock vesting are transacted with Abbott. TAP is liable for the excess of the fair market value of the option shares granted to TAP employees while employed at TAP over the option price at the time of exercise and the fair market value of the Abbott stock at the time of vesting of restricted stock units and reimburses Abbott annually for the cost of options exercised and the restricted stock units vested during the year.

TAP accounted for stock options issued under the Abbott Incentive Stock Program in accordance with EITF No. 02-08 in 2005 and 2004, respectively. On January 1, 2006, TAP adopted the provisions of Statement of Financial Accounting Standards No.123 (revised 2004), “Share-Based Payment,” using the modified prospective method. The adoption of the provisions of this statement had no effect on TAP’s financial statements. TAP’s derivative liability for options granted was $66,231 and $37,982 at December 31, 2006 and 2005, respectively. Changes in the fair value of these options are recorded as Selling, general and administrative expense. The weighted average fair value of an option granted in 2006, 2005 and 2004 was $9.67, $12.93, and $9.55, respectively. The fair value of an option granted was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2006	2005	2004
Risk-free interest rate	4.7%	4.1%	2.6%
Average life of options (years)	5.3	5.3	5.3
Volatility	26.7%	31.2%	32.2%
Dividend yield	2.8%	2.4%	2.6%

The fair value of an option as of December 31 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2006	2005	2004
Risk-free interest rate	4.5%	4.2%	3.5%
Average life of options (years)	4.5	4.5	4.5
Volatility	25.0%	27.0%	30.5%
Dividend yield	2.4%	2.8%	2.2%

The risk-free interest rate is based on the rates available at the time of the grant for U.S. government treasury STRIPS with a remaining term equal to the option’s expected life. The average life of an option granted in 2006 is based on both historical and projected exercise and lapsing data. Prior to 2006, the average life of an option granted was based on historical experience. Expected volatility is based on historical volatility over a period prior to the option grant equal to the option’s expected life. Dividend yield is based on the option’s exercise price and annual dividend rate at the time of grant.

Note 6. Incentive Stock Program (Continued)

The number of restricted stock units outstanding and the weighted-average grant-date fair value at December 31, 2006 was 25,400 and $44.33. The number of restricted stock units and the weighted-average grant-date fair value that were granted and lapsed during 2006 were 36,700 and $44.28, respectively, and 11,300 and $44.16, respectively. The following summarizes stock option activity for 2006:

	Options Outstanding			Exercisable Options		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
December 31, 2005	8,211,561	$ 43.23	6.6	5,495,322	$ 43.62	5.7
Granted	1,866,390	44.29				
Exercised	(926,826)	36.80				
Lapsed	(562,670)	46.81				
December 31, 2006	8,588,455	$ 43.92	6.3	5,824,282	$ 43.67	5.3

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2006 was $41,100 and $29,400, respectively. The total intrinsic value of options exercised was $8,500 in 2006 and 2005, and $5,000 in 2004. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2006 amounted to approximately $9,200 which is expected to be recognized over the next three years.

As of December 31, 2006 and 2005, TAP has recorded a liability for exercised options of $7,567 and $7,119, respectively, as a payable to Abbott. TAP also has recorded a liability for options issued before the adoption of EITF No. 02-08 for the difference between the market value and strike price of vested yet unexercised options of $15,761 and $5,009 as of December 31, 2006 and 2005, respectively. Total expense (income) related to the Abbott Incentive Stock Program of $49,489, $(12,553) and $26,493 was recorded as Selling, general and administrative expense in 2006, 2005 and 2004, respectively. The amount of income taxes benefit realized from stock options exercised in 2006, 2005 and 2004 amounted to $2,236, $2,407 and $1,366, respectively.

Due to the impact of significant fluctuations in the market price of Abbott common stock on the amount of recorded compensation expense of options issued under the Abbott Incentive Stock Program, TAP entered into an ISDA Master Agreement (Master Agreement), dated September 29, 2000, which allows TAP to enter into equity swap transactions to hedge this market price exposure. Each equity swap transaction guarantees a return equal to the actual return on a specified number of shares of Abbott common stock and, as such, effectively acts as a hedge of the Abbott Incentive Stock Program. From time to time, TAP enters into equity swap transactions under the Master Agreement. Each transaction has a term of one to three years and requires quarterly cash settlement resulting in all gains and losses being realized and recorded in the statements of income. Each transaction requires on-going quarterly interest payments based on the equity notional amount, or the fair value of Abbott common stock shares swapped under each transaction at the date of the swap at a rate of LIBOR plus 114 basis points or 100 basis points for transactions prior to October 2003. Each equity swap transaction is recorded at fair value. The fair value of equity swaps was $811 and $(212) as of December 31, 2006 and 2005, respectively, and is recorded as Prepaid expenses and other assets in the balance sheets. For 2006, 2005 and 2004, TAP recorded as Selling, general and administrative expenses $(47,554), $27,945 and $(19,085), respectively, of (gain) loss related to the equity swap investments.

Note 7. Income Taxes

Loss contingency provisions are recorded for the estimated amount of audit settlements under the provisions of Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies.” TAP’s U.S. income tax liabilities for years 1999 and forward are subject to final determination by the Internal Revenue Service (IRS). The IRS has challenged the deductibility of an item in TAP’s 2001 tax return. Management believes its deduction is proper and expects the ultimate resolution will not have a material impact on TAP’s financial position, cash flows or results of operations.

Deferred income taxes reflect the tax consequences on future years of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts. The provision for income taxes includes the following components:

	2006	2005	2004
Current:			
U.S. Federal	$ 593,729	$ 407,274	$ 481,880
State	30,906	15,560	18,879
Total current	624,635	422,834	500,759
Deferred:			
U.S. Federal	(49,375)	66,444	(62,788)
State	(3,068)	7,281	(6,888)
Total deferred	(52,443)	73,725	(69,676)
Total	$ 572,192	$ 496,559	$ 431,083

Differences between the effective tax rate and the U.S. statutory tax rate were as follows:

	2006	2005	2004
Statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	1.2	1.0	0.8
Other	1.4	—	0.7
Effective tax rate	37.6%	36.0%	36.5%

The temporary differences that give rise to deferred tax assets and liabilities are as follows:

	2006	2005
Accounts receivable allowances and inventory reserves	$ 17,095	$ 18,499
Accrued rebates	26,919	(4,070)
Accrued compensation and benefits	30,543	15,543
Non-currently deductible escrow payment	—	30,960
Other, primarily accrued legal expenses, state and local taxes, and prepaid royalties not currently deductible	59,612	28,727
Total	134,169	89,659
Less current portion	(82,804)	(72,029)
Long-term net deferred tax assets	$ 51,365	$ 17,630

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." This Interpretation requires that a recorded tax benefit must be more likely than not of being sustained upon examination by tax authorities based upon its technical merits. The amount of benefit recorded is the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

Note 7. Income Taxes (Continued)

Upon adoption, any adjustment will be recorded directly to beginning retained earnings. The Interpretation is effective for TAP beginning no later than January 1, 2007. TAP has not yet adopted the provisions of this Interpretation. The adoption of this Interpretation is not expected to have a material effect on TAP's January 1, 2007 balance sheet or the 2007 provision for income taxes.

Note 8. Litigation and Related Matters

TAP, along with its shareholders have been named as defendants in several lawsuits alleging violations of various state or federal laws in connection with TAP's marketing and pricing of *Lupron*. In 2004, TAP reached an agreement with plaintiffs to settle the allegations for $150,000 and dismiss TAP, Takeda and Abbott from the cases and recorded a charge of $125,000 in selling, general and administrative expense. Some plaintiffs opted out of the *Lupron* settlement to pursue their claims separately. In 2005, TAP recorded an additional charge of $12,300 and the settlement received court approval. The claims of the remaining plaintiffs are not material and are reserved for by TAP.

Within the next year, legal proceedings may occur that may result in a change in the estimated reserves recorded by TAP. While it is not feasible to predict the outcome of such pending claims, proceedings, and investigations with certainty, management is of the opinion that their ultimate disposition should not have a material adverse effect on TAP's financial position, cash flows, or results of operations.

Note 9. Related-Party Transactions

Various agreements exist among TAP, Abbott and Takeda. All amounts due from and payable to Abbott and Takeda have been respectively netted in the balance sheets in the captions Receivable from Abbott, Payable to Abbott, and Payable to Takeda.

TAP purchases all *Lupron Depot* and *Prevacid* unpackaged finished goods inventories from Takeda. Purchases are contracted at fixed Yen-denominated prices. The actual cost, in U.S. dollars, paid to Takeda for purchases of these inventories in 2006, 2005 and 2004, totaled $609,436, $753,096 and $714,712, respectively. TAP has royalty agreements with Takeda for sales of *Lupron*, *Lupron Depot* and *Prevacid*. For 2006, 2005 and 2004, TAP recorded royalty expense of $179,770, $173,878 and $179,256, respectively.

TAP pays Abbott for services related to packaging and warehousing, research and development, administrative functions, and, in 2004, a residual royalty under a co-promotion agreement. Amounts incurred for these services totaled $60,425, $59,969 and $142,676 for 2006, 2005 and 2004, respectively. In addition, Abbott purchased, for international markets, TAP's products for $84,515, $75,295 and $73,934 in 2006, 2005 and 2004, respectively.

Note 10. Subsequent Event

On February 16, 2007, TAP received a total of $148,000 from QLT USA, Inc. and Sanofi-Synthelabo Inc. to resolve litigation relating to alleged infringement of a *Lupron Depot* patent. TAP recorded the receipt of the settlement amount as income in the first quarter 2007.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
TAP Pharmaceutical Products Inc.:

We have audited the accompanying consolidated balance sheets of TAP Pharmaceutical Products Inc. and subsidiaries (TAP or the Company) as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of TAP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TAP's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of TAP Pharmaceutical Products Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Chicago, Illinois
February 1, 2007
February 16, 2007, as to Note 10

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Miles D. White, and Chief Financial Officer, Thomas C. Freyman, evaluated the effectiveness of Abbott Laboratories' disclosure controls and procedures as of the end of the period covered by this report, and concluded that Abbott Laboratories' disclosure controls and procedures were effective to ensure that information Abbott is required to disclose in the reports that it files or submits with the Securities and Exchange Commission under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by Abbott in the reports that it files or submits under the Exchange Act is accumulated and communicated to Abbott's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting. Management's report on Abbott's internal control over financial reporting is included on page 75 hereof. The report of Abbott's independent registered public accounting firm related to management's assessment of the effectiveness of internal control over financial reporting is included on pages 77-78 hereof.

Changes in internal control over financial reporting. On December 12, 2006, Abbott acquired Kos Pharmaceuticals, Inc. During the quarter ended December 31, 2006, there were no other changes in Abbott's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are "Information Concerning Nominees for Directors," "Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting" to be included in the 2007 Abbott Laboratories Proxy Statement. The 2007 Proxy Statement will be filed on or about March 19, 2007. Also incorporated herein by reference is the text found under the caption, "Executive Officers of the Registrant" on pages 20 through 23 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer and controller. That code is part of Abbott's code of business conduct, which is available free of charge through Abbott's investor relations website (www.abbottinvestor.com) and is available in print to any shareholder who sends a request for a paper copy to: Abbott Laboratories, 100 Abbott Park Road, Dept. 362, AP6D2, Abbott Park, Illinois 60064-6048, attn. Investor Relations. Abbott intends to include on its website (www.abbott.com) any amendment to, or waiver from, a provision of its code of ethics that applies to Abbott's principal executive officer, principal financial officer, principal accounting officer and controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2007 Proxy Statement under the headings "Director Compensation," "Executive Compensation," and "Compensation Committee Report" is incorporated herein by reference. The 2007 Proxy Statement will be filed on or about March 19, 2007.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) *Equity Compensation Plan Information*

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted- average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))

Equity compensation plans approved by security holders	145,963,678	$ 43.8154	25,616,985(1)
Equity compensation plans not approved by security holders[2]	97,026	$ 18.9846	4,012,049(3)
Total	146,060,704	$ 43.80	29,629,034

(1) *Abbott Laboratories 1996 Incentive Stock Program.* Benefits under the Program include stock options intended to qualify for special tax treatment under Section 422 of the Internal Revenue Code ("incentive stock options"), stock options that do not qualify for that special tax treatment ("non-qualified stock options"), restricted stock, restricted stock units, stock appreciation rights, performance awards, and foreign qualified benefits. The shares that remain available for issuance under the Program may be issued in connection with any one of these benefits and may be either authorized but unissued shares or treasury shares (except that restricted stock awards may be satisfied only from treasury shares).

If there is a lapse, expiration, termination, or cancellation of any benefit granted under the Program without the issuance of shares or payment of cash thereunder, or if shares are issued under any benefit under the Program and thereafter are reacquired by Abbott pursuant to rights reserved upon their issuance, or pursuant to the payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, the shares subject to or reserved for that benefit, or so reacquired, may again be used for new stock options, rights, or awards of any type authorized under the Program. However, the common shares issued under the Program, which are not reacquired by Abbott pursuant to rights reserved upon their issuance or pursuant to payment of the purchase price of shares under stock options by delivery of other common shares of Abbott, may not exceed the total number of shares reserved for issuance under the Program.

The Program automatically authorizes the annual addition of Abbott common stock for use in connection with the grant of Program benefits. The Program's automatic annual addition is equal to 1.5 percent of Abbott's total issued and outstanding common shares on the first day of each calendar year beginning January 1, 2000.

(2) (i) *Perclose, Inc. 1992 Stock Plan and the Perclose, Inc. 1997 Stock Plan.* In 1999, in connection with its merger with Perclose, Inc., Abbott assumed options outstanding under both the Perclose, Inc. 1992 Stock Plan and the Perclose, Inc. 1997 Stock Plan. As of December 31, 2006, 97,026 options remained outstanding under the plans. These options have a weighted-average purchase price of $18.9846.

(ii) *Abbott Laboratories Affiliate Employee Stock Purchase Plan.* Eligible employees of participating non-U.S. affiliates of Abbott may participate in this plan. An eligible employee may authorize payroll deductions at the rate of 1% to 10% of eligible compensation (in multiples of one percent) subject to a limit of US $12,500 during any purchase cycle.

Purchase cycles are generally six months long and usually begin on August 1 and February 1. On the last day of each purchase cycle, Abbott uses participant contributions to acquire Abbott common shares. The shares purchased may come from either Abbott's authorized but unissued shares or its treasury shares. The purchase price is 85% of the lower of the fair market value of the shares on that date or on the first day of that purchase cycle.

(iii) *Abbott Laboratories Employee Share Ownership Plan.* Eligible employees of Abbott's affiliates in the United Kingdom may participate in this plan. Each eligible employee may contribute up to 10% of his or her salary, subject to a maximum statutory limit of £125 per month. Each month, these contributions are used to buy Abbott shares on the open market at its then current market price. The plan contains an employer matching share feature under which the participating employers purchase an Abbott common share on the open market for each share purchased by the employee with the first 1.75% of salary. Matching shares cannot be sold or transferred from the plan for a period of three years from the date of allocation. The plan is tax approved.

(iv) *Abbott Canada Stock Retirement Purchase Plan.* Eligible employees of Abbott Canada may participate in the plan. Each eligible employee may contribute to the basic plan an amount equal to 2% of eligible compensation up to an annual maximum of $4,000 (Canadian). Abbott Canada matches employee contributions to the basic plan using a formula that takes into account employee contributions. In addition, the employee can also contribute to the supplementary plan an amount up to 8% of eligible compensation. There is no matching of employee supplementary contributions by Abbott Canada. All contributions of the basic and supplementary plans are combined and used to make monthly purchases of Abbott common shares on the open market at its then current market price. Shares are allocated and

accumulated to individual employee stock plans based on individual contributions and the average open market purchase price for a given year. The employee stock purchase plan is managed by the Abbott Canada Treasurer.

(v) *Abbott Laboratories Equity-Based Award / Recognition Plan.* Abbott uses stock award plans to motivate and reward employee performance. For example, Abbott shares are awarded to employees who have been granted a patent or met other performance based criteria. Abbott purchases the shares awarded under these plans on the open market.

(3) The number of securities includes:

(i) 1,682,997 shares available for issuance under the Abbott Laboratories Affiliate Employee Stock Purchase Plan,

(ii) 1,258,197 shares available for issuance under the Abbott Laboratories Employee Share Ownership Plan,

(iii) 611,847 shares available for issuance under the Abbott Canada Stock Retirement Plan, and

(iv) 459,008 shares available for issuance under the Abbott Laboratories Equity-Based Award/Recognition Plan.

For additional information concerning the Abbott Laboratories 1996 Incentive Stock Program, see the discussion in Note 9 entitled "Incentive Stock Program," of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

(b) *Information Concerning Security Ownership*. Incorporated herein by reference is the material under the heading "Information Concerning Security Ownership" and "Security Ownership of Executive Officers and Directors" in the 2007 Proxy Statement. The 2007 Proxy Statement will be filed on or

about March 19, 2007.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The material to be included in the 2007 Proxy Statement under the headings "The Board of Directors," "Committees of the Board of Directors," "Corporate Governance Materials," and "Approval Process for Related Person Transactions" is incorporated herein by reference. The 2007 Proxy Statement will be filed on or about March 19, 2007.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference is the material under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" in the 2007 Proxy Statement. The 2007 Proxy Statement will be filed on or about March 19, 2007.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this Form 10-K.

Financial Statements: See Item 8, "Financial Statements and Supplementary Data," on page 44 hereof, for a list of financial statements.

Financial Statement Schedules: The required financial statement schedules are found on the pages indicated below. These schedules should be read in conjunction with the Consolidated Financial Statements of Abbott Laboratories and TAP Pharmaceutical Products Inc.:

Exhibits Required by Item 601 of Regulation S-K: The information called for by this paragraph is incorporated herein by reference to the Exhibit Index on pages 104 through 110 of this Form 10-K.

Exhibits filed (see Exhibit Index on pages 104 through 110).

Financial Statement Schedules filed (pages 100 and 102).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Abbott Laboratories has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABBOTT LABORATORIES

By /s/ MILES D. WHITE
Miles D. White
Chairman of the Board and
Chief Executive Officer

Date: February 22, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Abbott Laboratories on February 22, 2007 in the capacities indicated below.

/s/ MILES D. WHITE

/s/ ROXANNE S. AUSTIN

Miles D. White
Chairman of the Board, Chief Executive Officer and Director of Abbott Laboratories (principal executive officer)

Roxanne S. Austin
Director of Abbott Laboratories

/s/ RICHARD A. GONZALEZ
Richard A. Gonzalez
President and Chief Operating Officer and Director of Abbott Laboratories

/s/ WILLIAM M. DALEY
William M. Daley
Director of Abbott Laboratories

/s/ THOMAS C. FREYMAN
Thomas C. Freyman
Executive Vice President, Finance and Chief Financial Officer (principal financial officer)

/s/ W. JAMES FARRELL
W. James Farrell
Director of Abbott Laboratories

/s/ GREG W. LINDER
Greg W. Linder
Vice President and Controller (principal accounting officer)

/s/ H. LAURANCE FULLER
H. Laurance Fuller
Director of Abbott Laboratories

/s/ JACK M. GREENBERG
Jack M. Greenberg
Director of Abbott Laboratories

/s/ DAVID A. L. OWEN
David A. L. Owen
Director of Abbott Laboratories

/s/ BOONE POWELL JR.
Boone Powell Jr.
Director of Abbott Laboratories

/s/ W. ANN REYNOLDS
W. Ann Reynolds
Director of Abbott Laboratories

/s/ ROY S. ROBERTS
Roy S. Roberts
Director of Abbott Laboratories

/s/ WILLIAM D. SMITHBURG
William D. Smithburg
Director of Abbott Laboratories

ABBOTT LABORATORIES AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(in thousands of dollars)

Allowances for Doubtful Accounts and Sales Deductions	Balance at Beginning of Year	Provisions/Charges to Income(a)	Amounts Charged Off Net of Recoveries	Balance at End of Year
2006	$ 203,683	$ 30,365	$ (18,605)	$ 215,443
2005	231,704	59,498	(87,519)	203,683
2004	259,514	66,619	(94,429)(b)	231,704

(a) Represents provisions related to allowances for doubtful accounts and net change in the allowances for sales deductions.

(b) 2004 amounts charged off, net of recoveries, includes $18,189 allowance transferred to Hospira, Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Abbott Laboratories:

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries (the "Company") as of December 31, 2006, 2005 and 2004, and for each of the years then ended, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, and have issued our reports thereon dated February 15, 2007, which report relating to the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, and SFAS No. 123(R), *Share-Based Payment*, in 2006; such reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Deloitte & Touche LLP

Chicago, Illinois
February 15, 2007

TAP PHARMACEUTICAL PRODUCTS INC. AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(in thousands of dollars)

Allowances for Doubtful Accounts and Sales Deductions	Balance at Beginning of Year	Provisions/Charges to Income(a)	Amounts Charged Off Net of Recoveries	Balance at End of Year
2006	$ 57,447	$159,360	$(162,666)	$ 54,141
2005	44,853	145,684	(133,090)	57,447
2004	37,824	130,497	(123,468)	44,853

(a) Represents provisions related to allowances for doubtful accounts and net change in the allowances for sales deductions

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
TAP Pharmaceutical Products Inc.:

We have audited the consolidated financial statements of TAP Pharmaceutical Products Inc. and subsidiaries (TAP) as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006, and have issued our report thereon dated February 1, 2007 and February 16, 2007, as to Note 10; such consolidated financial statements and report are included in this Annual Report on Form 10-K. Our audits also included the consolidated financial statement schedule of TAP listed in Item 15. This consolidated financial statement schedule is the responsibility of TAP's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Deloitte & Touche LLP

Chicago, Illinois
February 1, 2007

EXHIBIT INDEX
ABBOTT LABORATORIES
ANNUAL REPORT

Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be "filed under the Securities Exchange Act of 1934."

10-K Exhibit Table Item No.	
3.1	*Articles of Incorporation, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report for the quarter ended March 31, 1998 on Form 10-Q.
3.2	*Corporate By-Laws, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Current Report dated March 16, 2006 on Form 8-K.
4.1	*Abbott Laboratories Deferred Compensation Plan filed as Exhibit 4 to Registration Statement 333-102179.
4.2	*Indenture dated as of October 1, 1993, between Abbott Laboratories and Harris Trust and Savings Bank filed as Exhibit 4.1 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.3	*Form of Medium-Term Note, Series A (Fixed Rate) to be issued pursuant to the Indenture filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.4	*Form of Medium-Term Note, Series A (Floating Rate) to be issued pursuant to the Indenture filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.5	*Resolution of Abbott's Board of Directors filed as Exhibit 4.5 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.6	*Actions of the Authorized Officers with respect to Abbott's Medium-Term Notes, Series A filed as Exhibit 4.7 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1993, on Form 10-Q.
4.7	*Form of $200,000,000 6.0% Note issued pursuant to Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.
4.8	*Actions of Authorized Officers with respect to Abbott's 6.0% Note filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.
4.9	*Officers' Certificate and Company Order with respect to Abbott's 6.0% Note filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 1998, on Form 10-Q.
4.10	*Form of $200,000,000 5.40% Note issued pursuant to Indenture filed as Exhibit 4.2 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.

4.11	*Actions of Authorized Officers with respect to Abbott's 5.40% Note filed as Exhibit 4.3 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.
4.12	*Officers' Certificate and Company Order with respect to Abbott's 5.40% Note filed as Exhibit 4.4 to the Abbott Laboratories Quarterly Report for the quarter ended September 30, 1998, on Form 10-Q.
4.13	*Indenture dated as of February 9, 2001, between Abbott Laboratories and Bank One Trust Company, N.A. filed as Exhibit 4.1 to Registration Statement 333-55446.
4.14	*Form of 3.5% Note issued pursuant to the Indenture filed as Exhibit 4.29 to the 2003 Abbott Laboratories Annual Report on Form 10-K.
4.15	*Actions of Authorized Officers with Respect to Abbott's 3.5% Notes filed as Exhibit 4.30 to the 2003 Abbott Laboratories Annual Report on Form 10-K.
4.16	*Officers' Certificate and Company Order with respect to Abbott's 3.5% Notes filed as Exhibit 4.31 to the 2003 Abbott Laboratories Annual Report on Form 10-K.
4.17	*Form of 3.75% Note issued pursuant to the Indenture. Notes filed as Exhibit 4.28 to the 2004 Abbott Laboratories Annual Report on Form 10-K.
4.18	*Form of 4.35% Note issued pursuant to the Indenture. Notes filed as Exhibit 4.29 to the 2004 Abbott Laboratories Annual Report on Form 10-K.
4.19	*Actions of Authorized Officers with respect to Abbott's 3.75% Notes and 4.35% Notes. Filed as Exhibit 4.30 to the 2004 Abbott Laboratories Annual Report on Form 10-K.
4.20	*Officers' Certificate and Company Order with respect to Abbott's 3.75% Notes and 4.35% Notes. Filed as Exhibit 4.31 to the 2004 Abbott Laboratories Annual Report on Form 10-K.
4.21	*Form of 5.375% Note issued pursuant to the Indenture. Notes filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K filed on May 11, 2006.
4.22	*Form of 5.600% Note issued pursuant to the Indenture. Notes filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K filed on May 11, 2006.
4.23	*Form of 5.875% Note issued pursuant to the Indenture. Notes filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K filed on May 11, 2006.
4.24	*Actions of the Authorized Officers with respect to Abbott's 5.375% Notes, 5.600% Notes and 5.875% Notes. Filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K filed on May 11, 2006.

4.25 Officers' Certificate and Company Order with respect to Abbott's 5.375% Notes, 5.600% Notes and 5.875% Notes.

4.26 *Supplemental Indenture dated as of February 27, 2006, between Abbott Laboratories and J.P. Morgan Trust Company, National Association (as successor in interest to Bank One Trust Company, N.A.) filed as Exhibit 4.2 to the Registration Statement 333-132104.

Other debt instruments are omitted in accordance with Item 601(b)(4)(iii)(A) of Regulation S-K. Copies of such agreements will be furnished to the Securities and Exchange Commission upon request.

10.1 *Supplemental Plan Abbott Laboratories Extended Disability Plan filed as an exhibit (pages 50-51) to the 1992 Abbott Laboratories Annual Report on Form 10-K.**

10.2 *Abbott Laboratories 401(k) Supplemental Plan, as amended, filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated December 9, 2005.**

10.3 *Abbott Laboratories Supplemental Pension Plan, as amended, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 9, 2005.**

10.4 *The 1986 Abbott Laboratories Management Incentive Plan, as amended, filed as Exhibit 10.5 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2003 on Form 10-Q.**

10.5 *Abbott Laboratories Non-Employee Directors' Fee Plan, as amended, filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated February 17, 2006.**

10.6 Abbott Laboratories Non-Employee Directors' Fee Plan, as amended and restated effective as of April 27, 2007.**

10.7 *The Abbott Laboratories 1996 Incentive Stock Program, as amended, filed as Exhibit 10.8 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**

10.8 *Form of Employee Stock Option Agreement for a Non-Qualified Stock Option granted with an Incentive Stock Option under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated August 20, 2004.**

10.9 *Form of Employee Stock Option Agreement for a Non-Qualified Stock Option under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report dated August 20, 2004 on Form 8-K.**

10.10 *Form of Employee Stock Option Agreement for an Incentive Stock Option granted with a Non-Qualified Stock Option under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated August 20, 2004.**

10.11 *Form of Employee Stock Option Agreement for an Incentive Stock Option under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated August 20, 2004.**

10.12 *Form of Employee Stock Option Agreement for a Replacement Stock Option under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated August 20, 2004.**

10.13 *Form of Employee Restricted Stock Agreement under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.6 to the Abbott Laboratories Current Report on Form 8-K dated August 20, 2004.**

10.14 *Form of Employee Restricted Stock Unit Agreement under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.7 to the Abbott Laboratories Current Report on Form 8-K dated August 20, 2004.**

10.15 *Form of Non-Employee Director Stock Option Agreement under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.8 to the Abbott Laboratories Current Report on Form 8-K dated August 20, 2004.**

10.16 *Form of Non-Employee Director Restricted Stock Unit Agreement under Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 10, 2004.**

10.17 *1998 Abbott Laboratories Performance Incentive Plan filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report for the quarter ended March 31, 1998 on Form 10-Q.**

10.18 *Rules for the 1998 Abbott Laboratories Performance Incentive Plan, filed as Exhibit 10.17 to the 2004 Abbott Laboratories Annual Report on Form 10-K.**

10.19 *Form of Employee Stock Option Agreement for a Non-Qualified Stock Option granted with an Incentive Stock Option under the Abbott Laboratories 1996 Incentive Stock Program on or after February 18, 2005, filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**

10.20 *Form of Employee Stock Option Agreement for a new Non-Qualified Stock Option under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 18, 2005, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**

10.21 *Form of Employee Stock Option Agreement for an Incentive Stock Option granted with a Non-Qualified Stock Option under the Abbott Laboratories 1996 Incentive Stock Program on or after February 18, 2005, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**

10.22 *Form of Employee Stock Option Agreement for an Incentive Stock Option under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 18, 2005, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**

10.23 *Form of Employee Restricted Stock Agreement under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**

10.24 *Form of Employee Restricted Stock Unit Agreement under the Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.6 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**

10.25 *Form of Non-Employee Director Stock Option Agreement under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 18, 2005, filed as Exhibit 10.7 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.**

10.26 *Form of Agreement Between Abbott Laboratories and W. G. Dempsey and H. Liepmann regarding Change in Control filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2003 on Form 10-Q.**

10.27 Base Salary of Named Executive Officers.**

10.28 *Transaction Agreement between Boston Scientific Corporation and Abbott Laboratories, dated as of January 8, 2006, filed as Exhibit 10.28 to the 2005 Abbott Laboratories Annual Report on Form 10-K.

10.29 *Amendment No. 1 to Transaction Agreement dated as of January 16, 2006, between Boston Scientific Corporation and Abbott Laboratories, filed as Exhibit 10.29 to the 2005 Abbott Laboratories Annual Report on Form 10-K.

10.30 *Amendment No. 2 to Transaction Agreement dated as of January 16, 2006, between Boston Scientific Corporation and Abbott Laboratories, filed as Exhibit 10.30 to the 2005 Abbott Laboratories Annual Report on Form 10-K.

10.31 *Amendment No. 3 to Transaction Agreement dated as of February 22, 2006, between Boston Scientific Corporation and Abbott Laboratories, filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report for the quarter ended March 31, 2006.

10.32 *Amendment No. 4 to Transaction Agreement dated as of April 5, 2006, between Boston Scientific Corporation and Abbott Laboratories, filed as Exhibit 10.2 to the Abbott Laboratories Quarterly Report for the quarter ended March 31, 2006.

10.33 *Purchase Agreement, dated as of April 21, 2006, between Guidant Corporation and Abbott Laboratories, filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2006.

10.34 *Amendment to Purchase Agreement, dated as of April 21, 2006, between Guidant Corporation and Abbott Laboratories, filed as Exhibit 10.2 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2006.

10.35 *Promissory Note, dated April 21, 2006, from BSC International Holding Ltd., filed as Exhibit 10.3 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2006.

10.36 *Subscription and Stockholder Agreement, dated as of April 21, 2006, between Boston Scientific Corporation and Abbott Laboratories, filed as Exhibit 10.4 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2006.

10.37 *Amendment to Subscription and Stockholder Agreement, dated as of April 21, 2006, between Boston Scientific Corporation and Abbott Laboratories, filed as Exhibit 10.5 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2006.

10.38 *Form of Time Sharing Agreement between Abbott Laboratories, Inc. and M.D. White, R.A. Gonzalez, and T.C. Freyman, filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report for the quarter ended June 30, 2006.**.

10.39 *Form of Performance Restricted Stock Agreement for an award of performance restricted stock under Section 10 of the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006 filed as Exhibit 10.1 to the Abbott Laboratories Current Report dated February 16, 2006 on Form 8-K.**

10.40 *Form of Performance Restricted Stock Agreement for an award of performance restricted stock under Section 11 of the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006 filed as Exhibit 10.2 to the Abbott Laboratories Current Report dated February 16, 2006 on Form 8-K.**

10.41 *Form of Performance Restricted Stock Unit Agreement for an award of performance restricted stock units under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006 filed as Exhibit 10.3 to the Abbott Laboratories Current Report dated February 16, 2006 on Form 8-K.**

10.42 *Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006 filed as Exhibit 10.4 to the Abbott Laboratories Current Report dated February 16, 2006 on Form 8-K.**

10.43	*Form of Restricted Stock Unit Agreement for an award of restricted stock units under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006 filed as Exhibit 10.5 to the Abbott Laboratories Current Report dated February 16, 2006 on Form 8-K.**
10.44	*Stock Purchase Agreement, dated November 5, 2006, among Abbott Laboratories, Michael Jaharis, Kathryn Jaharis, Steven Jaharis, Daniel Bell and Steven K. Aronoff, filed as Exhibit 99.1 to the Abbott Laboratories Current Report on Form 8-K filed on November 9, 2006.
10.45	*Shareholders Agreement, dated as of November 5, 2006, among Abbott Laboratories, Michael Jaharis, Mary Jaharis, Kathryn Jaharis, Steven Jaharis, Wilson Point Holdings, LP, Kos Investments, Inc., Cubs Management, LLC, Kos Holdings, Inc., Jaharis Holdings, LLC, Steven Jaharis Generational Trust, 2002 Mary Jaharis Grantor Retained Annuity Trust 2, Michael and Mary Jaharis Alaska Community Property Trust, Kathryn Jaharis and Richard Ledes Joint Account, the Jaharis Family Foundation, Inc. and Michael Steven Jaharis Trust 1, filed as Exhibit 99.2 to the Abbott Laboratories Current Report on Form 8-K filed on November 9, 2006.
10.46	*Agreement and Plan of Merger, dated as of November 5, 2006, among Abbott Laboratories, Parthenon Acquisition Corp. f/k/a S&G Nutritionals, Inc. and Kos Pharmaceuticals, Inc., filed as Exhibit 2.1 to the Abbott Laboratories Current Report dated November 9, 2006 on Form 8-K.
10.47	*Assignment, Assumption and Amendment Agreement, dated as of November 13, 2006, among Abbott Laboratories, Parthenon Acquisition Corp. f/k/a S&G Nutritionals, Inc., and Kos Pharmaceuticals, Inc., filed as Exhibit 99(d)(2) to the Abbott Laboratories Schedule TO dated November 14, 2006 on Form SC TO.
10.48	Transaction Agreement, dated as of January 18, 2007, by and between Abbott Laboratories and General Electric Company.***
10.49	Form of Performance Restricted Stock Agreement for an award of performance restricted stock under Section 10 of the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 16, 2007.**
10.50	Form of Performance Restricted Stock Agreement for an award of performance restricted stock under Section 11 of the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 16, 2007.**

10.51	Form of Performance Restricted Stock Unit Agreement for an award of performance restricted stock units under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 16, 2007.**
10.52	Form of Restricted Stock Unit Agreement for an award of restricted stock units under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 16, 2007.**
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of Abbott Laboratories.
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

The 2007 Abbott Laboratories Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 19, 2007.

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* Incorporated herein by reference. Commission file number 1-2189.

** Denotes management contract or compensatory plan or arrangement required to be filed as an exhibit hereto.

*** The schedules and exhibits hereto have been omitted. Abbott hereby undertakes to furnish supplementally a copy of any omitted schedule or exhibit to the Securities and Exchange Commission upon request.

Abbott will furnish copies of any of the above exhibits to a shareholder upon written request to the Corporate Secretary, Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-6400.

Exhibit 4.25

ABBOTT LABORATORIES

OFFICERS' CERTIFICATE

and

COMPANY ORDER

May 12, 2006

With respect to the issuance by Abbott Laboratories (the "Company") of $500,000,000 aggregate principal amount of 5.375% Notes due 2009 (the "2009 Notes"), $1,500,000,000 aggregate principal amount of 5.600% Notes due 2011 (the "2011 Notes") and $2,000,000,000 aggregate principal amount of 5.875% Notes due 2016 (the "2016 Notes" and, together with the 2009 Notes and the 2011 Notes, the "Notes"), Greg W. Linder and Robert E. Funck, officers of the Company, certify pursuant to Sections 3.1 and 3.3 of the Indenture, dated as of February 9, 2001, as supplemented by the Supplemental Indenture, dated as of February 27, 2006 (as supplemented, the "Indenture"), between the Company and J. P. Morgan Trust Company, National Association, successor in interest to Bank One Trust Company, N.A., as Trustee (the "Trustee"), as follows:

1. We have read Sections 2.1, 3.1 and 3.3 of the Indenture and the definitions therein relating hereto, reviewed the resolutions of the Board of Directors of the Company adopted on February 16 and 17, 2006 (attached as Exhibit B to the Secretary's Certificate of even date herewith), the Actions of the Authorized Officers of May 9, 2006 (attached as Exhibit C to the Secretary's Certificate of even date herewith), conferred with executive officers of the Company and, in our opinion, made such other examinations and investigations as are necessary to enable us to express an informed opinion as to whether Sections 2.1, 3.1 and 3.3 of the Indenture have been complied with.

2. Based on the above-described examinations and investigations, in our opinion, all conditions precedent relating to the authentication and delivery of the Notes, including those conditions under Sections 2.1, 3.1 and 3.3 of the Indenture, have been complied with.

3. The terms of the Notes are set forth in the Actions of the Authorized Officers, dated May 9, 2006 (attached as Exhibit C to the Secretary's Certificate of even date herewith).

4. In accordance with the provisions of Section 3.3 of the Indenture, the Trustee is hereby authorized and requested to authenticate the Notes and to deliver such Notes to or at the direction of ABN AMRO Incorporated, as representative of the several underwriters.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned thereto in the Indenture.

IN WITNESS WHEREOF, the undersigned have executed this Officers' Certificate and Company Order as of the date first above written.

ABBOTT LABORATORIES

By: /s/ Greg W. Linder
Name: Greg W. Linder
Title: Vice President and Controller

By: /s/ Robert E. Funck
Name: Robert E. Funck
Title: Vice President and Treasurer

Amended and Restated effective April 27, 2007

ABBOTT LABORATORIES NON-EMPLOYEE DIRECTORS' FEE PLAN

SECTION 1.
PURPOSE

ABBOTT LABORATORIES NON-EMPLOYEE DIRECTORS' FEE PLAN - referred to below as the "Plan" - has been established by ABBOTT LABORATORIES - referred to below as the "Company" - to attract and retain as members of its Board of Directors persons who are not full-time employees of the Company or any of its subsidiaries but whose business experience and judgment are a valuable asset to the Company and its subsidiaries.

SECTION 2.
DIRECTORS COVERED

As used in the Plan, the term "Director" means any person who is elected to the Board of Directors of the Company in April, 1962 or at any time thereafter, and is not a full-time employee of the Company or any of its subsidiaries.

SECTION 3.
FEES PAYABLE TO DIRECTORS

3.1. Each Director shall be entitled to a deferred monthly fee of Eight Thousand Dollars ($8,000.00) for each calendar month or portion thereof (excluding the month in which he is first elected a Director) that he holds such office with the Company.

3.2. A Director who serves as Chairman of the Executive Committee of the Board of Directors shall be entitled to a deferred monthly fee of One Thousand Six Hundred Dollars ($1,600.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.3. Audit Committee Fees

(a) A Director who serves as Chairman of the Audit Committee of the Board of Directors shall be entitled to a deferred monthly fee of One Thousand Five Hundred Dollars ($1,500.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

(b) Each Director who serves on the Audit Committee of the Board of Directors (other than the Chairman of the Audit Committee) shall be entitled to a deferred monthly fee of Five Hundred Dollars ($500.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.4. A Director who serves as Chairman of the Compensation Committee of the Board of Directors shall be entitled to a deferred monthly fee of One Thousand Dollars ($1,000.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.5. A Director who serves as Chairman of the Nominations Committee of the Board of Directors shall be entitled to a deferred monthly fee of One Thousand Dollars ($1,000.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.6. A Director who serves as Chairman of any other Committee created by this Board of Directors shall be entitled to a deferred monthly fee of One Thousand Dollars ($1,000.00) for each calendar month or portion thereof (excluding the month in which he is first elected to such position) that he holds such position.

3.7. A Director's Deferred Fee Account shall be credited with interest annually. During the calendar years 1968 and prior, the rate of interest credited to deferred fees shall be four (4) percent per annum. During the calendar years 1969 through 1992, the rate of interest credited to deferred fees shall be the average of the prime rates being charged by the two largest commercial banks in the City of Chicago as of the end of the month coincident with or last preceding the date upon which said interest is so credited. During the calendar years 1993 and subsequent, the rate of interest credited to deferred fees shall be equal to: (a) the average of the prime rates being charged by the two largest commercial banks in the City of Chicago as of the end of the month coincident with or last preceding the date upon which said interest is so credited; plus (b) two hundred twenty-five (225) basis points. For purposes of the provisions of the Plan, the term "deferred fees" shall include "deferred monthly fees," and "deferred meeting fees," and shall also include any such interest credited thereon.

SECTION 4.
PAYMENT OF DIRECTORS' FEES

4.1. A Director's deferred fees earned pursuant to the Plan shall commence to be paid on the first day of the calendar month next following the earlier of his death or his attainment of age sixty-five (65) if he is not then serving as a Director, or the termination of his service as a Director if he serves as a Director after the attainment of age sixty-five (65); provided that any Director may, by written notice filed with the Secretary of the Company, elect to receive current payment of all or any portion of the monthly and meeting fees earned by him in calendar years subsequent to the calendar year in which he files such notice (or all or any portion of such fees earned by him in the calendar year he first becomes a Director, if such notice is filed within 30 days of becoming a Director), in which case such fees or the portion thereof so designated earned in such calendar years shall not be deferred but shall be paid quarterly as earned and no interest shall be credited thereon. Such election may be revoked or modified by any Director by written notice to the Secretary of the Company as to fees to be earned by him in calendar years subsequent to the calendar year in which he files such notice.

4.2. After a Director's deferred fees shall have commenced to be payable pursuant to Paragraph 4.1 they shall be payable in annual installments in the order in which they shall have been deferred (i.e. the deferred fees for the earliest year of service as a Director will be paid on the date provided for in Section 4.1, the deferred fees for the next earliest year of service as a Director will be paid on the anniversary of the payment of the first installment, etc.).

4.3. A Director's deferred fees shall continue to be paid until all deferred fees which he is entitled to receive under the Plan shall have been paid to him (or, in case of his death, to his beneficiary).

4.4. Notwithstanding any other provisions of the Plan, if a Director's service as a Director should terminate for any reason within five (5) years after the date of a Change in Control, the aggregate unpaid balance of such Director's deferred fees plus all unpaid interest credited thereon, shall be paid to such Director in a lump sum within thirty (30) days following the date of such termination.

4.5. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

(i) the date any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (a) of paragraph (iii) below; or

(ii) the date the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board of Directors or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) the date on which there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or other entity, other than (a) a merger or consolidation (I) immediately following which the individuals who comprise the Board of Directors immediately prior thereto constitute at least a majority of the Board of Directors of the Company, the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger or consolidation is then a

subsidiary, the ultimate parent thereof and (II) which results in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(iv) the date the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of the Company, in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

For purposes of this Plan: "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act; "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time; and "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

4.6. A “Potential Change in Control” shall exist during any period in which the circumstances described in paragraphs (i), (ii), (iii) or (iv), below, exist (provided, however, that a Potential Change in Control shall cease to exist not later than the occurrence of a Change in Control):

(i) The Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control, provided that a Potential Change in Control described in this paragraph (a) shall cease to exist upon the expiration or other termination of all such agreements.

(ii) Any Person (without regard to the exclusions set forth in subsections (i) through (iv) of such definition) publicly announces an intention to take or to consider taking actions the consummation of which would constitute a Change in Control; provided that a Potential Change in Control described in this paragraph (b) shall cease to exist upon the withdrawal of such intention, or upon a determination by the Board of Directors that there is no reasonable chance that such actions would be consummated.

(iii) Any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 10% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company’s then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates).

(iv) The Board of Directors adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control exists; provided that a Potential Change in Control described in this paragraph (iv) shall cease to exist upon a determination by the Board of Directors that the reasons that gave rise to the resolution providing for the existence of a Potential Change in Control have expired or no longer exist.

4.7. The provisions of Paragraphs 4.4, 4.5, 4.6 and this Paragraph 4.7 may not be amended or deleted, nor superseded by any other provision of this Plan, (i) during the pendency of a Potential Change in Control and (ii) during the period beginning on the date of a Change in Control and ending on the date five (5) years following such Change in Control.

SECTION 5.
DIRECTORS’ RETIREMENT BENEFIT

5.1. Effective April 30, 1998, each of the persons serving as a Director on December 12, 1997 shall be credited with a retirement benefit of $4,167 a month for 120 months of continuous service and no additional retirement benefits shall accrue under the Plan. Each of the persons serving as a Director on December 12, 1997 may elect: (a) to have his or her retirement benefit under the Plan treated as provided in Section 5.2 of the Plan; or (b) to have the present value of that retirement benefit credited to an unfunded phantom stock account and converted into phantom stock units based on the closing price of the Company’s common stock on April 30, 1998, with those phantom stock units then being credited with the same cash and stock

dividends, stock splits and other distributions and adjustments as are paid on the Company’s common stock. The phantom stock units shall be payable to the Director in annual payments commencing on the first day of the calendar month next following the earlier of the Director’s death or termination of service as a Director, in an amount determined by the closing price of the Company’s common stock on the first business day preceding the payment date. Unless the retirement benefit is terminated, the annual benefit shall continue to be paid on the anniversary of the day on which the first such retirement benefit payment was made, until the benefit has been paid for ten years, or until the death of the Director or surviving spouse, if earlier. If a Director should die with such benefit still in effect, prior to receipt of all payments due hereunder, the annual benefit shall continue to be paid to the surviving spouse of such Director until all payments due hereunder have been made or until the death of the surviving spouse, if earlier.

5.2. Any person serving as a Director on December 12, 1997 who elects to have his or her retirement benefit paid pursuant to this Section 5.2 shall receive a monthly benefit equal to $4,167. Payment of the monthly benefit shall commence on the first day of the calendar month next following the earlier of the Director’s death or termination of service as a Director. Unless the retirement benefit is terminated, the monthly benefit shall continue to be paid on the first day of each calendar month thereafter, until the benefit has been paid for one hundred and twenty (120) months, or until the death of the Director or surviving spouse, if earlier. If a Director should die with such benefit still in effect, prior to receipt of all payments due hereunder, the monthly benefit shall continue to the surviving spouse of such Director until all payments due hereunder have been made or until the death of the surviving spouse, if earlier.

5.3. Directors who retired on or before December 12, 1997 will receive the form and amount of retirement benefit payable under the terms of the Plan in effect at the time of their retirement.

5.4. Each Director who is granted a retirement benefit hereunder shall make him or herself available for such consultation with the Board of Directors or any committee or member thereof, as may be reasonably requested from time to time by the Chairman of the Board of Directors, following such Director’s termination of service as a Director. The Company shall reimburse each such Director for all reasonable travel, lodging and subsistence expenses incurred by the Director at the request of the Company in rendering such consultation. The Company may terminate the retirement benefit if the Director should fail to render such consultation, unless prevented by disability or other reason beyond the Director’s control.

5.5. It is recognized that during a Director’s period of service as a Director and as a consultant hereunder, a Director will acquire knowledge of the affairs of the Company and its subsidiaries, the disclosure of which would be contrary to the best interests of the Company. Accordingly, the Company may terminate the retirement benefit if, without the express consent of the Company, the Director accepts election to the Board of Directors of, acquires a partnership or proprietary interest in, or renders services as an employee or consultant to, any business entity which is engaged in substantial competition with the Company or any of its subsidiaries.

5.6. An individual will be considered a Director’s “surviving spouse” for purposes of this Section 5 only if the Director and such individual were married in a religious or civil ceremony recognized under the laws of the state where the marriage was contracted and the marriage remained legally

effective at the date of the Director's death.

SECTION 6.
CONVERSION TO COMMON STOCK UNITS

6.1. Any Director who is then serving as a director may, by written notice filed with the Secretary of the Company, elect to have all or any portion of deferred fees previously earned but not yet paid, transferred from the Director's Deferred Fee Account to a Stock Account maintained on his or her behalf pursuant to paragraph 9.3. Any election as to a portion of such fees shall be expressed as a percentage and the same percentage shall be applied to all such fees regardless of the calendar year in which earned or to all deferred fees earned in designated calendar years, as specified by the Director. A Director may make no more than one election under this paragraph 6.1 in any calendar year. All such elections may apply only to deferred fees for which an election has not previously been made and shall be irrevocable.

6.2. Any Director may, by written notice filed with the Secretary of the Company, elect to have all or any portion of deferred fees earned subsequent to the date such notice is filed credited to a Stock Account established under this Section 6. Fees covered by such election shall be credited to such account at the end of each calendar quarter in, or for which, such fees are earned. Such election may be revoked or modified by such Director, by written notice filed with the Secretary of the Company, as to deferred fees to be earned in calendar years subsequent to the calendar year such notice is filed, but shall be irrevocable as to deferred fees earned prior to such year.

6.3. Deferred fees credited to a Stock Account under paragraph 6.1 shall be converted to Common Stock Units by dividing the deferred fees so credited by the closing price of common shares of the Company on the date notice of election under paragraph 6.1 is received by the Company (or the next business day, if there are no sales on such date) as reported on the New York Stock Exchange Composite Reporting System. Deferred fees credited to a Stock Account under paragraph 6.2 shall be converted to Common Stock Units by dividing the deferred fees so credited by the closing price of common shares of the Company as of the last business day of the calendar quarter for which the credit is made, as reported on the New York Stock Exchange Composite Reporting System.

6.4. Each Common Stock Unit shall be credited with the same cash and stock dividends, stock splits and other distributions and adjustments as are received by one common share of the Company. All cash dividends and other cash distributions credited to Common Stock Units shall be converted to additional Common Stock Units by dividing each such dividend or distribution by the closing price of common shares of the Company on the payment date for such dividend or distribution, as reported by the New York Stock Exchange Composite Reporting System.

6.5. The value of the Common Stock Units credited each Director shall be paid the Director in cash on the dates specified in paragraph 4.2 (or, if applicable, paragraph 4.4). The amount of each payment shall be determined by multiplying the Common Stock Units payable on each date specified in paragraph 4.2 (or, if applicable, paragraph 4.4) by the closing price of common shares of the Company on the day prior to that date (or the next preceding business day if there are no sales on such date), as reported by the New York Stock Exchange Composite Reporting System.

SECTION 7.
MISCELLANEOUS

7.1. Each Director or former Director entitled to payment of deferred fees hereunder, from time to time may name any person or persons (who may be named contingently or successively) to whom any deferred Director's fees earned by him and payable to him are to be paid in case of his death before he receives any or all of such deferred Director's fees. Each designation will revoke all prior designations by the same Director or former Director, shall be inform prescribed by the Company, and will be effective only when filed by the Director or former Director in writing with the Secretary of the Company during his lifetime. If a deceased Director or former Director shall have failed to name a beneficiary in the manner provided above, or if the beneficiary named by a deceased Director or former Director dies before him or before payment of all the Director's or former Director's deferred Directors' fees, the Company, in its discretion, may direct payment in a single sum of any remaining deferred Directors' fees to either:

(a) any one or more or all of the next of kin (including the surviving spouse) of the Director or former Director, and in such proportions as the Company determines; or

(b) the legal representative or representatives of the estate of the last to die of the Director or former Director and his last surviving beneficiary.

The person or persons to whom any deceased Director's or former Director's deferred Directors' fees are payable under this paragraph will be referred to as his "beneficiary."

7.2. Establishment of the Plan and coverage thereunder of any person shall not be construed to confer any right on the part of such person to be nominated for reelection to the Board of Directors of the Company, or to be reelected to the Board of Directors.

7.3. Payment of deferred Directors' fees will be made only to the person entitled thereto in accordance with the terms of the Plan, and deferred Directors' fees are not in any way subject to the debts or other obligations of persons entitled thereto, and may not be voluntarily or involuntarily sold, transferred or assigned. When a person entitled to a payment under the Plan is under legal disability or, in the Company's opinion, is in any way incapacitated so as to be unable to manage his financial affairs, the Company may direct that payment be made to such person's legal representative, or to a relative or friend of such person for his benefit. Any payment made in accordance with the preceding sentence shall be in complete discharge of the Company's obligation to make such payment under the Plan.

7.4. Any action required or permitted to be taken by the Company under the terms of the Plan shall be by affirmative vote of a majority of the members of the Board of Directors then in office.

SECTION 8.
AMENDMENT AND DISCONTINUANCE

While the Company expects to continue the Plan, it must necessarily reserve, and does hereby reserve, the right to amend or discontinue the Plan at any time; provided, however, that any amendment or discontinuance of the Plan shall be prospective in operation only, and shall not affect the payment of any deferred Directors' fees theretofore earned by any Director, or the conditions under which any such fees are to be paid or forfeited under the Plan, unless the Director affected shall expressly consent thereto.

SECTION 9.
ALTERNATE PAYMENT OF DEFERRED FEES

9.1. By written notice filed with the Secretary of the Company prior to calendar years beginning after December 31, 1988 (or, for the calendar year he first becomes a Director within 30 days of becoming a Director), a Director may elect to receive all or any portion of his deferred fees earned in such calendar years in a lump sum in accordance with the provisions of this Section 9. An election under this subsection 9.1 may be revoked or modified by the Director by written notice to the Secretary of the Company as to deferred fees earned under Section 3 in calendar years beginning after the calendar year in which he files such notice. Any amounts that were deferred for calendar years beginning before January 1, 1989 shall automatically be paid as provided in this Section 9.

9.2. If payment of a Director's deferred fees is made pursuant to paragraph 9.1, a portion of such fees shall be paid in cash for the Director directly to a "Grantor Trust" established by the Director, provided such trust is in a form which the Company determines to be substantially similar to the trust attached to this plan as Exhibit A; and the balance of the deferred fees shall be paid in cash directly to the Director, provided that the payment made directly to the Director shall approximate the aggregate federal, state and local individual income taxes attributable to the deferred fees paid pursuant to this paragraph 9.2.

9.3. The Company will establish and maintain four separate accounts in the name of each Director, "a Deferred Fee Account", a "Deferred Fee Trust Account", a "Stock Account" and a "Stock Trust Account". The Deferred Fee Account shall reflect the deferred fees and interest to be credited to a Director pursuant to Section 3. The Deferred Fee Trust Account shall reflect any deferred fees paid in cash to a Director (including amounts paid to a Director's Grantor Trust and allocated to the deferred account maintained thereunder) pursuant to paragraph 9.2 and any adjustments made pursuant to paragraph 9.4. The Stock Account shall reflect the deferred fees converted to Common Stock Units pursuant to Section 6 and any adjustments made pursuant to that Section. The Stock Trust Account shall reflect deferred fees that have been converted to Common Stock Units under Section 6 and paid in cash to a Director (including amounts paid to a Director's Grantor Trust and allocated to the stock account maintained

thereunder) pursuant to paragraph 9.2 and any adjustments made pursuant to paragraph 9.5. The Accounts established pursuant to this paragraph 9.3 are for the convenience of the administration of the plan and no trust relationship with respect to such Accounts is intended or should be implied.

9.4. As of the end of each calendar year, the Company shall adjust each Director's Deferred Fee Trust Account as follows:

(a) FIRST, charge an amount equal to the product of: (i) any payments made to the Director during that year from the deferred account maintained under his or her Grantor Trust (other than distributions of trust earnings in excess of the Net Interest Accrual authorized by the administrator of the trust to provide for the Tax Gross Up under paragraph 9.9 below); multiplied by (ii) a fraction, the numerator of which is the balance in the Director's Deferred Fee Trust Account as of the end of the prior calendar year and the denominator of which is the balance in the deferred account maintained under the Director's Grantor Trust (as determined by the administrator of the trust) as of that same date;

(b) NEXT, credit an amount equal to the deferred fees that have not been converted to Common Stock Units that are paid that year to the Director (including the amount paid to the Director's Grantor Trust and allocated to the deferred account maintained thereunder) pursuant to paragraph 9.2; and

(c) FINALLY, credit an amount equal to the Interest Accrual earned for that year pursuant to paragraph 9.6.

9.5. As of the end of each calendar year, the Company shall adjust each Director's Stock Trust Account as follows:

(a) FIRST, charge an amount equal to the product of: (i) any payments made to the Director during that year from the stock account maintained under his or her Grantor Trust (other than distributions of trust earnings authorized by the administrator of the trust to provide for the Tax Gross Up under paragraph 9.9 below): multiplied by (ii) a fraction, the numerator of which is the balance in the Director's Stock Trust Account as of the end of the prior calendar year and the denominator of which is the balance in the stock account maintained under the Director's Grantor Trust (as determined by the administrator of the trust) as of that same date;

(b) NEXT, credit an amount equal to the deferred fees that have been converted to Common Stock Units that are paid that year to the Director (including the amount paid to the Director's Grantor Trust and allocated to the stock account maintained thereunder) pursuant to paragraph 9.2; and

(c) FINALLY, credit an amount equal to the Book Value Adjustments to be made for that year pursuant to paragraph 9.6.

9.6. As of the end of each calendar year, a Director's Deferred Fee Trust Account shall be credited with interest at the rate described in paragraph 3.7. Any amount so credited shall be referred to as a Director's "Interest Accrual". As of that same date, a Director's Stock Trust Account shall be adjusted as provided in paragraph 6.4, and shall also be adjusted to reflect the increase or decrease in the fair market value of the Company's common stock determined in accordance with paragraph 6.5. Such adjustments shall be referred to as "Book Value Adjustments."

9.7. In addition to any fees earned by a Director under Section 3 of this plan or paid under paragraphs 4.1 or 9.1 the Company shall also make a payment to a Director's Grantor Trust (a "Guaranteed Rate Payment"), to be credited to the deferred account maintained thereunder, for any year in which the net income credited to the deferred account maintained under such trust does not equal or exceed the Director's Net Interest Accrual for that year. A Director's "Net Interest Accrual" for a year is an amount equal to: (a) the Interest Accrual credited to the Director's Deferred Fee Trust Account for that year; less (b) the product of (i) the amount of such Interest Accrual, multiplied by (ii) the aggregate of the federal, state and local individual income tax rates (determined in accordance with paragraph 9.10). The Guaranteed Rate Payment shall equal the difference between the Director's Net Interest Accrual and the net income credited to the deferred account maintained under the Director's Grantor Trust for the year, and shall be paid within 90 days of the end of that year.

9.8. The Company shall also make a payment to a Director's Grantor Trust (a "Guaranteed Principal Payment"), to be credited to the stock account maintained thereunder, to the extent that the balance in the stock account as of the end of any calendar year is less than 75 percent of the balance of the Director's Stock Trust Account (net of federal, state and local income taxes) as of that same date. For the calendar year in which the last installment distribution is made from the Director's Grantor Trust, the payment made under this paragraph 9.8 shall equal the amount, if any, needed to increase the fair market value of the stock account maintained under the Director's Grantor Trust; such that if a distribution of the stock account were then made to the Director, the Director would receive the same amount he or she would have received (net of federal, state and local income taxes) if his or her Stock Trust Account were to be distributed on that same date with the deferred fees that had been allocated to that Account taxed at the federal, state and local income tax rates in effect on the date the fees were credited to the Account and the balance of the Account taxed at the federal, state and local income tax rates in effect on the date of the distribution. Payments required under this paragraph 9.8 shall be made within 90 days of the end of the calendar year, except the last payment which shall be made not later than the due date of the last installment distribution from the Director's Grantor Trust.

9.9. In addition to the fees provided under Section 3, each Director (or, if the Director is deceased, the beneficiary designated under the Director's Grantor Trust) shall be entitled to a Tax Gross Up payment for each year there is a balance in his or her Deferred Fee Trust Account or Stock Trust Account. The "Tax Gross Up" shall approximate: (a) the amount necessary to compensate the Director (or beneficiary) for the net increase in his or her federal, state and local income taxes as a result of the inclusion in the Director's (or beneficiary's) taxable income of the income of his or her Grantor Trust and any Guaranteed Rate and Guaranteed Principal Payments

for that year; less (b) any distribution to the Director (or beneficiary) of his or her Grantor Trust's net earnings for that year; plus (c) an amount necessary to compensate the Director (or beneficiary) for the net increase in the taxes described in (a) above as a result of the inclusion in his or her taxable income of any payment made pursuant to this paragraph 9.9.

9.10. For purposes of this Section, a Director's federal income tax rate shall be deemed to be the highest marginal rate of federal individual income tax in effect in the calendar year in which a calculation under this Section is to be made and state and local tax rates shall be deemed to be the highest marginal rates of individual income tax in effect in the state and locality of the Director's residence on the date such a calculation is made, net of any federal tax benefits. Notwithstanding the preceding sentence, if a Director is not a citizen or resident of the United States, his or her income tax rates shall be deemed to be the highest marginal income tax rates actually imposed on the Director's benefits under this Plan or earnings under his or her Grantor Trust.

9.11. If a Director's deferred fees have been paid to a Grantor Trust(s) pursuant to paragraph 9.2, then at any time (and from time to time) prior to the Director's retirement the Director may elect to have those deferred fees paid to him or her from the Grantor Trust(s) either:

(i) in the order in which they were earned (i.e., the fees for the earliest year of service as a Director will be the first fees distributed from the Grantor Trust(s), the fees for the next earliest year of service as a Director will be paid on the anniversary of the payment of the first installment, etc.), or

(ii) in reverse chronological order from the order in which they were earned (i.e., the fees for the Director's last year of service as a Director will be the first fees distributed from the Grantor Trust(s), the fees for the penultimate year of service as a Director will be paid on the anniversary of the payment of the first installment, etc.).

If a Director fails to elect a manner of payment for his or her deferred fees, then those deferred fees will be paid to the Director in the order in which they were earned. The date on which payments commence and the other terms governing distributions from the Grantor Trust(s) shall be determined in accordance with the terms of the Grantor Trust(s). A Director's deferred fees shall continue to be paid until all deferred fees to which the Director is entitled to receive under the Plan shall have been paid in accordance with the terms of the Grantor Trust(s).

Exhibit A

IRREVOCABLE GRANTOR TRUST AGREEMENT

THIS RESTATED AGREEMENT, made this day of , 2002, by and between of , (the"grantor"), and The Northern Trust Company located at Chicago, Illinois, as trustee (the"trustee"),

WITNESSETH THAT:

WHEREAS, the grantor has established a trust known as the " Grantor Trust", dated , to hold certain benefits received by the grantor under the AbbottLaboratories Non-Employee Directors' Fee Plan, as it may be amended from time to time; and

WHEREAS, the grantor, with the consent of the administrator of the referenced trust, desires to amend the agreement creating the referenced trust ("trust agreement") in many respects and believes the trust agreement, as so amended, would be easier to understand if restated.

NOW, THEREFORE, the grantor amends the trust agreement by substituting for it and all prior amendments the following provisions which set forth all of the terms and conditions relating to the administration, investment and distribution of the trust property after this date:

ARTICLE I
Introduction

I-1. Name. This agreement and the trust hereby evidenced (the "trust") may be referred to as the " Grantor Trust."

I-2. The Trust Fund. The "trust fund" as at any date means all property then held by the trustee under this agreement.

I-3. Status of the Trust. The trust shall be irrevocable. The trust is intended to constitute a grantor trust under Sections 671-678 of the Internal Revenue Code, as amended, and shall be construed accordingly.

I-4. The Administrator. Abbott Laboratories ("Abbott") shall act as the "administrator" of the trust, and as such shall have certain powers, rights and duties under this agreement as described below. Abbott will certify to the trustee from time to time the person or persons authorized to act on behalf of Abbott as the administrator. The trustee may rely on the latest certificate received without further inquiry or verification.

I-5. Acceptance. The trustee accepts the duties and obligations of the "trustee" hereunder, agrees to accept funds delivered to it by the grantor or the administrator, and agrees to hold such funds (and any proceeds from the investment of such funds) in trust in accordance with this agreement.

ARTICLE II
Distribution of the Trust Fund

II-1. Separate Accounts. The administrator shall maintain two separate accounts under the trust, a "deferred account" and a "stock account." Funds delivered to the trustee shall be allocated between the accounts by the trustee as directed by the administrator. As of the end of each calendar year, the administrator shall charge each account with all distributions made from such account during that year; and credit each account with its share of income and realized gains and charge each account with its share of expenses and realized losses for the year. The trustee shall be required to make separate investments of the trust fund for the accounts, and may not administer and invest all funds delivered to it under the trust as one trust fund.

II-2. Distributions Prior to the Grantor's Death. Principal and accumulated income shall not be distributed from the trust prior to the grantor's termination of service as a Director of Abbott (the grantor's "settlement date"); provided that, each year the administrator may direct the trustee to distribute to the grantor a portion of the income of the trust fund for that year, with the balance of such income to be accumulated in the trust. The administrator shall inform the trustee of the grantor's settlement date. Thereafter, the trustee shall distribute the trust fund to the grantor, if then living, in a series of annual installments, commencing on the first day of the month next following the later of the grantor's settlement date or the date the grantor attains age 65 years. The administrator shall inform the trustee of the number of installment distributions and the amount of each installment distribution under this paragraph II-2, and the trustee shall be fully protected in relying on such information received from the administrator.

II-3. Distributions After the Grantor's Death. The grantor, from time to time may name any person or persons (who may be named contingently or successively and who may be natural persons or fiduciaries) to whom the principal of the trust fund and all accrued or undistributed income thereof shall be distributed in a lump sum or, if the beneficiary is the grantor's spouse (or a trust for which the grantor's spouse is the sole income beneficiary), in installments, as directed by the grantor, upon the grantor's death. If the grantor directs an installment method of distribution to the spouse as beneficiary, any amounts remaining at the death of the spouse beneficiary shall be distributed in a lump sum to the executor or administrator of the spouse beneficiary's estate. If the grantor directs an installment method of distribution to a trust for which the grantor's spouse is the sole income beneficiary, any amounts remaining at the death of the spouse shall be distributed in a lump sum to such trust. Despite the foregoing, if (i) the beneficiary is a trust for which the grantor's spouse is the sole income beneficiary, (ii) payments are being made pursuant to this paragraph II-3 other than in a lump sum and (iii) income earned by the trust fund for the year exceeds the amount of the annual installment payment, then such trust may elect to withdraw such excess income by written notice to the trustee. Each designation shall revoke all prior designations, shall be in writing and shall be effective only when filed by the grantor with the administrator during the grantor's lifetime. If the grantor fails to direct a method of distribution, the distribution shall be made in a lump sum. If the grantor fails to designate a beneficiary as provided above, then on the grantor's death, the trustee shall distribute the balance of the trust fund in a lump sum to the executor or administrator of the grantor's estate.

II-4. Facility of Payment. When a person entitled to a distribution hereunder is under legal disability, or, in the trustee's opinion, is in any way incapacitated so as to be unable to manage his or her financial affairs, the trustee may make such distribution to such person's legal representative, or to a relative or friend of such person for such person's benefit. Any distribution made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such distribution hereunder.

II-5. Perpetuities. Notwithstanding any other provisions of this agreement, on the day next preceding the end of 21 years after the death of the last to die of the grantor and the grantor's descendants living on the date of this instrument, the trustee shall immediately distribute any remaining balance in the trust to the beneficiaries then entitled to distributions hereunder.

ARTICLE III
Management of the Trust Fund

III-1. General Powers. The trustee shall, with respect to the trust fund, have the following powers, rights and duties in addition to those provided elsewhere in this agreement or by law:

(a) Subject to the limitations of subparagraph (b) next below, to sell, contract to sell, purchase, grant or exercise options to purchase, and otherwise deal with all assets of the trust fund, in such way, for such considerations, and on such terms and conditions as the trustee decides.

(b) To retain in cash such amounts as the trustee considers advisable; and to invest and reinvest the balance of the trust fund, without distinction between principal and income, in common stock of Abbott Laboratories, or in obligations of the United States Government and its agencies or which are backed by the full faith and credit of the United States Government or in any mutual fund, common trust fund or collective investment fund which invests solely in such obligations; and any such investment made or retained by the trustee in good faith shall be proper despite any resulting risk or lack of diversification or marketability.

(c) To deposit cash in any depositary (including the banking department of the bank acting as trustee) without liability for interest, and to invest cash in savings accounts or time certificates of deposit bearing a reasonable rate of interest in any such depositary.

(d) To invest, subject to the limitations of subparagraph (b) above, in any common or commingled trust fund or funds maintained or administered by the trustee solely for the investment of trust funds.

(e) To borrow from anyone, with the administrator's approval, such sum or sums from time to time as the trustee considers desirable to carry out this trust, and to mortgage or pledge all or part of the trust fund as security.

(f) To retain any funds or property subject to any dispute without liability for interest and to decline to make payment or delivery thereof until final adjudication by a court of competent jurisdiction or until an appropriate release is obtained.

(g) To begin, maintain or defend any litigation necessary in connection with the administration of this trust, except that the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction.

(h) To compromise, contest, settle or abandon claims or demands.

(i) To give proxies to vote stocks and other voting securities, to join in or oppose(alone or jointly with others) voting trusts, mergers, consolidations, foreclosures, reorganizations, liquidations, or other changes in the financial structure of any corporation, and to exercise or sell stock subscription or conversion rights.

(j) To hold securities or other property in the name of a nominee, in a depositary, or in any other way, with or without disclosing the trust relationship.

(k) To divide or distribute the trust fund in undivided interests or wholly or partly in kind.

(1) To pay any tax imposed on or with respect to the trust; to defer making payment of any such tax if it is indemnified to its satisfaction in the premises; and to require before making any payment such release or other document from any lawful taxing authority and such indemnity from the intended payee as the trustee considers necessary for its Protection.

(m) To deal without restriction with the legal representative of the grantor's estate or the trustee or other legal representative of any trust created by the grantor or a trust or estate in which a beneficiary has an interest, even though the trustee, individually, shall be acting in such other capacity, without liability for any loss that may result.

(n) To appoint or remove by written instrument any bank or corporation qualified to act as successor trustee, wherever located, as special trustee as to part or all of the trust fund, including property as to which the trustee does not act, and such special trustee, except as specifically limited or provided by this or the appointing instrument, shall have all of the rights, titles, powers, duties, discretions and immunities of the trustee, without liability for any action taken or omitted to be taken under this or the appointing instrument.

(o) To appoint or remove by written instrument any bank, wherever located, ascustodian of part or all of the trust fund, and each such custodian shall have such rights, powers, duties and discretions as are delegated to it by the trustee.

(p) To employ agents, attorneys, accountants or other persons, and to delegate to them such powers as the trustee considers desirable, and the trustee shall be protected in acting or refraining from acting on the advice of persons so employed without court action.

(q) To perform any and all other acts which in the trustee's judgment are appropriate for the proper management, investment and distribution of the trust fund.

III-2. Principal and Income. Any income earned on the trust fund, which is not distributed as provided in Article II shall be accumulated and from time to time added to the principal of the trust. The grantor's interest in the trust shall include all assets or other property held by the trustee hereunder, including principal and accumulated income.

III-3. Statements. The trustee shall prepare and deliver monthly to the administrator and annually to the grantor, if then living, otherwise to each beneficiary then entitled to distributions under this agreement, a statement (or series of statements) setting forth (or which taken together set forth) all investments, receipts, disbursements and other transactions effected by the trustee during the reporting period; and showing the trust fund and the value thereof at the end of such period.

III-4. Compensation and Expenses. All reasonable costs, charges and expenses incurred in the administration of this trust, including compensation to the trustee, any compensation to agents, attorneys, accountants and other persons employed by the trustee, and expenses incurred in connection with the sale, investment and reinvestment of the trust fund shall be paid from the trust fund.

ARTICLE IV
General Provisions

IV-1. Interests Not Transferable. The interests of the grantor or other persons entitled to distributions hereunder are not subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, alienated, assigned or encumbered.

IV-2. Disagreement as to Acts. If there is a disagreement between the trustee and anyone as to any act or transaction reported in any accounting, the trustee shall have the right to a settlement of its account by any proper court.

IV-3. Trustee's Obligations. No power, duty or responsibility is imposed on the trustee except as set forth in this agreement. The trustee is not obliged to determine whether funds delivered to or distributions from the trust are proper under the trust, or whether any tax is due or payable as a result of any such delivery or distribution. The trustee shall be protected in making any distribution from the trust as directed pursuant to Article II without inquiring as to whether the distributee is entitled thereto; and the trustee shall not be liable for any distribution made in good faith without written notice or knowledge that the distribution is not proper under the terms of this agreement.

IV-4. Good Faith Actions. The trustee's exercise or non-exercise of its powers and discretions in good faith shall be conclusive on all persons. No one shall be obliged to see to the application of any money paid or property delivered to the trustee. The certificate of the trustee that it is acting according to this agreement will fully protect all persons dealing with the trustee.

IV-5. Waiver of Notice. Any notice required under this agreement may be waived by the person entitled to such notice.

IV-6. Controlling Law. The laws of the State of Illinois shall govern the interpretation and validity of the provisions of this agreement and all questions relating to the management, administration, investment and distribution of the trust hereby created.

IV-7. Successors. This agreement shall be binding on all persons entitled to distributions hereunder and their respective heirs and legal representatives, and on the trustee and its successors.

ARTICLE V
Changes in Trustee

V-l. Resignation or Removal of Trustee. The trustee may resign at any time by giving thirty days' advance written notice to the administrator and the grantor. The administrator may remove a trustee by written notice to the trustee and the grantor.

V-2. Appointment of Successor Trustee. The administrator shall fill any vacancy in the office of trustee as soon as practicable by written notice to the successor trustee; and shall give prompt written notice thereof to the grantor, if then living, otherwise to each beneficiary then entitled to payments or distributions under this agreement. A successor trustee shall be a bank (as defined in Section 581 of the Internal Revenue Code, as amended).

V-3. Duties of Resigning or Removed Trustee and of Successor Trustee. A trustee that resigns or is removed shall furnish promptly to the administrator and the successor trustee an account of its administration of the trust from the date of its last account. Each successor trustee shall succeed to the title to the trust fund vested in its predecessor without the signing or filing of any instrument, but each predecessor trustee shall execute all documents and do all acts necessary to vest such title of record in the successor trustee. Each successor trustee shall have all the powers conferred by this agreement as if originally named trustee. No successor trustee shall be personally liable for any act or failure to act of a predecessor trustee. With the approval of the administrator, a successor trustee may accept the account furnished and the property delivered by a predecessor trustee without incurring any liability for so doing, and such acceptance will be complete discharge to the predecessor trustee.

ARTICLE VI
Amendment and Termination

VI-1. Amendment. With the consent of the administrator, this trust may be amended from time to time by the grantor, if then living, otherwise by a majority of the beneficiaries then entitled to payments or distributions hereunder, except as follows:

(a) The duties and liabilities of the trustee cannot be changed substantially without its consent.

(b) This trust may not be amended so as to make the trust revocable.

VI-2. Termination. This trust shall not terminate, and all rights, titles, powers, duties, discretions and immunities imposed on or reserved to the trustee, the administrator, the grantor and the beneficiaries shall continue in effect, until all assets of the trust have been distributed by the trustee as provided in Article II.

* * *

IN WITNESS WHEREOF, the grantor has executed this amending instrument as of the day and year first above written.

_____
Grantor

The undersigned, as trustee, acknowledges receipt of the foregoing amending instrument as of the day and year first above written.

The Northern Trust Company as Trustee

By _____

Its _____

The undersigned, as a duly authorized representative of the administrator of the trust, hereby consents to the foregoing amending instrument as of the day and year first above written.

Abbott Laboratories

By _____

Its _____

Exhibit 10.27

Abbott Laboratories

Description of Base Salary of Named Executive Officers

Set forth below are the base salaries, effective December 31, 2006 and March 1, 2007, of the chief executive officer, chief operating officer, chief financial officer, and the two other most highly compensated executive officers in 2006.

Miles D. White
Chairman of the Board and Chief Executive Officer

	Base Salary
December 31, 2006	$ 1,671,100
March 1, 2007	$ 1,738,000

Richard A. Gonzalez
President and Chief Operating Officer

	Base Salary
December 31, 2006	$ 990,000
March 1, 2007	$ 1,029,600

Thomas C. Freyman
Executive Vice President, Finance and
Chief Financial Officer

	Base Salary
December 31, 2006	$ 825,000
March 1, 2007	$ 858,000

William G. Dempsey
Executive Vice President
Pharmaceutical Products Group

	Base Salary
December 31, 2006	$ 725,000
March 1, 2007	$ 754,000

Holger Liepmann
Executive Vice President,
Global Nutrition

	Base Salary
December 31, 2006	$ 650,000
March 1, 2007	$ 676,000

TRANSACTION AGREEMENT

dated as of January 18, 2007

by and between

ABBOTT LABORATORIES

and

GENERAL ELECTRIC COMPANY

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SCHEDULES

TRANSACTION AGREEMENT

THIS AGREEMENT, dated as of January 18, 2007, is entered into by and between ABBOTT LABORATORIES, an Illinois corporation ("Abbott"), and GENERAL ELECTRIC COMPANY, a New York corporation ("GE").

WHEREAS, Abbott, directly and through its various Affiliates (as defined below), is engaged in, among other things, the Abbott Diagnostics Division Business (as defined below) and the Abbott Point of Care Business (as defined below) (collectively, the "Business");

WHEREAS, Abbott wishes to sell, or cause its Affiliates to sell, to GE or one or more of its Affiliates, and GE wishes to purchase, or cause its Affiliates to purchase, from Abbott and its Affiliates all right, title and interest in and to the Purchased Assets (as defined below), and in connection therewith GE is willing to assume, or cause its Affiliates to assume, the Assumed Liabilities (as defined below), all upon the terms and subject to the conditions set forth herein; and

WHEREAS, in connection with the purchase of the Purchased Assets, GE is willing to employ, or cause its Affiliates to employ, the Business Employees (as defined below).

NOW, THEREFORE, in consideration of the premises and mutual covenants, agreements and provisions herein contained, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Definitions. The following terms have the following meanings when used herein:

"$" means United States Dollars.

"Abbott Brands" means (a) the Trademarks "Abbott®," the stylized symbol "A®," "A Promise for Life™" and any variants of any of the foregoing or (b) any compound Trademarks using any of the foregoing (e.g., "Abbott Matrix®"), in each case used prior to the Closing in connection with the Business.

"Abbott Diabetes Care Business" means the business of researching, developing, manufacturing, selling, marketing or distributing products and related services, including the

Abbott Diabetes Care Products and other products under research and development in the Abbott Diabetes Care Business related primarily to diabetes or conditions related to diabetes.

"Abbott Diabetes Care Products" means, collectively, the on-market products identified on Schedule 1.1(a).

"Abbott Diagnostics Division Business" means the business of researching, developing, manufacturing, selling, marketing or distributing *in vitro* immunoassay, clinical chemistry, integrated immunoassay/clinical chemistry and hematology human diagnostic products and related services, including the Abbott Diagnostics Division Products, as such business is conducted by the Abbott Diagnostics Division immediately prior to the date of this Agreement (subject to any changes on or prior to Closing permitted in accordance with Section 7.1), but specifically excluding the Abbott Diabetes Care Business and the Abbott Molecular Diagnostics Business.

"Abbott Diagnostics Division Products" means, collectively, the on-market products and products under research and development identified on Schedule 1.1(b).

"Abbott Humanitarian Program" means (a) the sale or donation of Determine® HIV 1-2 rapid single use disposable test strips or similar test products that operate in a rapid manner for the detection of HIV, hepatitis, syphilis, fecal occult blood, malaria and other diseases, in each case, for humanitarian, non-commercial purposes in any of the Least Developed Countries or (b) the supply of products and related services, including human diagnostic or point of care products and related services, through the Abbott Fund or through non-governmental or not-for-profit organizations, in each case, for humanitarian, non-commercial purposes as part of Abbott's Global Care Initiatives, HIV Surveillance programs, Tanzania Care or any other current or future initiatives of Abbott's Global Citizenship Program.

"Abbott Molecular Diagnostics Business" means the business of researching, developing, manufacturing, selling, marketing or distributing products and related services, including the Abbott Molecular Diagnostics Products and other products under research and development in the Abbott Molecular Diagnostics Business, for amplification, sample preparation, detection, quantification, extraction or sequencing of a nucleic acid, in any form or from any source.

"Abbott Molecular Diagnostics Products" means, collectively, the on-market products identified on Schedule 1.1(c).

"Abbott Other Businesses" means all businesses conducted prior to the Closing by Abbott and its Affiliates (including the Abbott Molecular Diagnostics Business and the Abbott Diabetes Care Business), in each case that are not included in the Business. Abbott Other Businesses also include the businesses conducted prior to the Closing by TAP Pharmaceutical Products, Inc., TAP Finance Inc. and TAP Pharmaceuticals Inc. and the activities of Abbott's corporate departments, administrative departments and other support functions.

"Abbott Point of Care Business" means the business of researching, developing, manufacturing, selling, marketing or distributing patient-side testing of critical blood parameters, utilizing the i-STAT point-of-care systems, including the Abbott Point of Care Products, as such

business is conducted by the Abbott Point of Care Division immediately prior to the date of this Agreement (subject to any changes on or prior to Closing permitted in accordance with Section 7.1), but specifically excluding the Abbott Molecular Diagnostics Business and the Abbott Diabetes Care Business.

"Abbott Point of Care Products" means, collectively, the on-market products and products under research and development identified on Schedule 1.1(d).

"Abbott Products" means Abbott Diagnostics Division Products or Abbott Point of Care Products and other products under research and development in the Abbott Diagnostics Division Business and the Abbott Point of Care Business, but excludes Abbott Diabetes Care Products and Abbott Molecular Diagnostics Products and other products under research and development in the Abbott Diabetes Care Business or the Abbott Molecular Diagnostics Business.

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority or arbitral or similar forum.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, a Person shall be deemed to "control" another Person if it owns or controls more than fifty percent (50%) of the voting equity of the other Person (or other comparable ownership if the Person is not a corporation). As used in this Agreement, the term "Affiliate" shall: (a) with respect to Abbott, specifically exclude TAP Pharmaceutical Products, Inc., TAP Finance Inc. and TAP Pharmaceuticals Inc.; and (b) with respect to GE for all periods following consummation of the transactions contemplated by this Agreement, include any Person it creates to consummate the transactions contemplated by this Agreement.

"Agreed Rate" means the one (1) month LIBOR rate, as reported on Bloomberg at 9:00 a.m. Eastern Time, as that rate may vary from time to time, or if that rate is no longer published, a comparable rate. Interest pursuant hereto shall be calculated on the basis of a 365 (or 366 as the case may be) day year for the actual days elapsed, including the first day but excluding the last day, occurring in the period for which such interest is calculated.

"Agreement" means this Transaction Agreement, including all Schedules hereto, as it may be amended from time to time in accordance with its terms.

"Ancillary Agreements" means all written agreements, instruments, assignments or other arrangements (other than this Agreement) entered into by the parties hereto or any of their respective Affiliates in connection with the transactions contemplated by this Agreement, including the following: (a) the Conveyance and Assumption Instruments; (b) the Transition Services Agreement; and (c) any other agreements which the parties hereto determine are reasonably necessary or advisable in connection with the transactions contemplated by this Agreement and the Ancillary Agreements.

"Books, Records and Files" means any studies, reports, records (including shipping and personnel records), books of account, invoices, Contracts, instruments, surveys,

data (including financial, sales, purchasing and operating data), computer data, disks, tapes, marketing plans, customer lists, supplier lists, correspondence and other documents.

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in the City of New York.

"Business Intellectual Property" means all Intellectual Property (other than the Abbott Brands) to the extent existing as of the Closing Date that is used exclusively in connection with, or related exclusively to, the Business and owned by Abbott or any of its Affiliates, including the Intellectual Property set forth on Schedule 1.1(e).

"Code" means the Internal Revenue Code of 1986, as amended.

"Competition/Investment Law" means any Law that is designed or intended to prohibit, restrict or regulate (a) foreign investment or (b) antitrust, monopolization, restraint of trade or competition.

"Consent" means any consent, approval, authorization, waiver, permit, grant, agreement, certificate, exemption, order, registration, declaration, filing, notice of, with or to any Person or under any Law, or the expiration or termination of a waiting period under any Competition/Investment Law, in each case required to permit the consummation of any of the transactions contemplated by this Agreement.

"Consent Decree" means the Amended Consent Decree of Permanent Injunction dated September 30, 2003 (civil action No. 99 C 7135), ordered, adjudged and decreed by the United States District Court for the Northern District of Illinois and consented to by Abbott.

"Contract" means any loan or credit agreement, bond, debenture, note, mortgage, indenture, lease, sublease, supply agreement, license agreement, development agreement or other contract, agreement, obligation, commitment or instrument, including all amendments thereto.

"Conveyance and Assumption Instruments" means, collectively, such deeds, bills of sale, business transfer agreements, asset transfer agreements, Intellectual Property transfer agreements, endorsements, assignments, assumptions (including liability assumption agreements), leases, subleases, affidavits and other instruments of sale, conveyance, lease, transfer and assignment between Abbott or, where applicable, any designated Abbott Affiliate, on the one hand, and GE or, where applicable, any designated GE Affiliate, on the other hand, in form and substance reasonably satisfactory to Abbott and GE, as may be reasonably necessary or advisable under the Laws of the relevant jurisdictions to effect the transactions contemplated by this Agreement.

"Encumbrance" means any lien, pledge, mortgage, security interest, easement, right of occupation or any other encumbrance capable of registration against title or any agreement or other commitment, whether written or oral, to create any of the foregoing.

"Environmental Law" means any Law in effect as of the date of this Agreement relating to pollution or protection of human health, safety or the environment, including any

exposure to or the use, handling, transportation, storage or any spill or release of any Hazardous Material.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Leased Business Real Property" means the Leased Business Real Property listed on Schedule 1.1(f).

"Excluded Owned Business Real Property" means the Owned Business Real Property listed on Schedule 1.1(g).

"FDA" means the United States Food and Drug Administration.

"Financial Indebtedness" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person in connection with accounts receivable factoring arrangements, (c) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses (excluding capital lease obligations), (d) all obligations of such Person in connection with hedging or similar arrangements, (e) all indebtedness of others referred to in clauses (a) through (d) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Encumbrance, other than Permitted Encumbrances, upon or in property (including accounts and Contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness and (f) agreements, undertakings or arrangements by which such Person guarantees, endorses or otherwise becomes or is contingently liable for the indebtedness referred to in clauses (a) through (d) above of any other Person.

"GAAP" means United States generally accepted accounting principles consistently applied from period to period and throughout any period in accordance with the past practices of Abbott.

"Governmental Authority" means any United States federal, state or local or any non-U.S. governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial body.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered or issued by or with any Governmental Authority.

"Hazardous Materials" means all substances defined as Hazardous Substances, Oils, Pollutants or Contaminants in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. § 300.5, or any hazardous or toxic substances or wastes, or constituents of such substances or wastes that are regulated by or for which liability is imposed under any Environmental Law.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Income Tax" means income, franchise, business or similar Taxes imposed on or measured by income (excluding payroll, unemployment, social security or similar Taxes).

"Independent Accounting Firm" means KPMG LLP.

"Intellectual Property" means all intellectual property rights of any kind, including rights in, to and concerning (a) patents, patent applications and statutory invention registrations, including any other counterparts thereof worldwide, and including divisionals, continuations, continuations-in-part, re-issues and re-examinations thereof, (b) Trademarks, (c) published and unpublished works of authorship and copyrights therein, and copyright registrations and applications for registration thereof and all renewals, extensions, restorations and reversions thereof, (d) software, data, databases and compilations of information, and (e) confidential and proprietary information, inventions, formulas, processes, developments, technology, research, trade secrets and know-how.

"Knowledge" means, when used in connection with Abbott with respect to any matter in question, the actual knowledge of those Persons listed on Schedule 1.1(h) — 1 ("Abbott Knowledge Persons") and, when used in connection with GE with respect to any matter in question, the actual knowledge of those Persons listed on Schedule 1.1(h) — 2 ("GE Knowledge Persons").

"Law" means any United States federal, state, local or non-U.S. statute, law, ordinance, regulation, rule, code, order, other requirement or rule of law, including common law, in effect as of the date of this Agreement.

"Leased Real Property" means all the Real Property that is leased or subleased by Abbott or any Affiliate of Abbott, as tenant.

"Leased Business Real Property" means all the Leased Real Property that is exclusively used in the Business or set forth on Schedule 1.1(i).

"Least Developed Countries" means the countries listed on Schedule 1.1(j).

"Liabilities" means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, known or unknown, matured or unmatured or determined or determinable, including those arising under any Law, Action or Governmental Order and those arising under any Contract, arrangement or undertaking.

"Licensed Marks" means (a) all Trademarks (other than the Abbott Brands) that are used in the Business but not used exclusively in the Business immediately prior to the Closing and (b) the Abbott Brands that are used in the Business immediately prior to the Closing; and that, in each of the foregoing (a) and (b), are owned by Abbott or any of its Affiliates.

"Major Jurisdiction" means any of the following countries: Germany, Ireland, Japan,the United Kingdom or the United States.

"Material Adverse Effect" means any change, effect, event, occurrence, state of facts or development that individually or in the aggregate is materially adverse to the business,

financial condition or results of operations of the Business, taken as a whole; provided, however, that none of the following shall (either alone or in combination) constitute or be taken into account in determining whether there has been, a Material Adverse Effect: (a) any adverse change attributable to the execution of this Agreement, the disclosure or consummation of the transactions contemplated by this Agreement or the identity of GE or its Affiliates as the purchaser of the Business (provided that, this clause (a) shall not apply to the representations and warranties set forth in Section 5.6); (b) any change, effect, event, occurrence, state of facts or development (i) in the financial or securities markets, or economic, regulatory or political conditions in general or (ii) in the industries in which the Business operates in general, in each case, to the extent that such change, effect, event, occurrence, state of facts or development does not disproportionately impact the Business; (c) any failure by the Business to meet any internal or published projections, forecasts or revenue or earnings predictions (it being understood that the facts or occurrences giving rise or contributing to such failure may be deemed to constitute, or be taken into account in determining whether there has been, a Material Adverse Effect); (d) any adverse change attributable to any action expressly required to be taken pursuant to this Agreement (including pursuant to Section 7.3(b), Section 7.8 and Schedule 7.8(b) hereof) or any Ancillary Agreement; or (e) any action by GE, or approved or consented to in writing by GE, after the date hereof.

"Minimum Net Worth Amount" means $1,978,228,000. Schedule 1.1(k) illustrates the calculation method used by the parties to determine the Minimum Net Worth Amount. Schedule 1.1(k) is based on the Performance Balance Sheets, adjusted (i) to reflect good faith estimates of changes necessary to reconcile to GAAP, (ii) to exclude goodwill and intangibles and (iii) to take into account the transactions contemplated by this Agreement.

"Mixed-Use Intellectual Property" means all Intellectual Property (other than Business Intellectual Property, Trademarks, and any assets described in Section 2.2(g)(iii) and (iv)), to the extent existing as of the Closing Date, that is owned by Abbott or any of its Affiliates immediately prior to the Closing, and that is used in connection with, or related to, both the Business and any Abbott Other Businesses, in each case as is set forth on Schedule 7.6(b) and Schedule 7.6(c).

"Net Worth" means the excess of the total Purchased Assets (other than goodwill and intangibles) over the total Assumed Liabilities as of the Closing Date as reflected on the Closing Date Balance Sheet.

"Owned Business Real Property" means all the Owned Real Property that is exclusively used in the Business or set forth on Schedule 1.1(l).

"Owned Real Property" means all the Real Property in which Abbott or any Affiliate of Abbott has a fee title (or equivalent) interest.

"Performance Balance Sheet Date" means September 30, 2006.

"Performance Balance Sheets" means (a) the unaudited performance balance sheet of the Abbott Diagnostics Division Business and (b) the unaudited performance balance

sheet of the Abbott Point of Care Business, each as of the Performance Balance Sheet Date and as included in the Performance Financial Statements.

"Permitted Encumbrances" means (i) liens for Taxes and other governmental charges and assessments that are not yet due and payable or are being contested in good faith by appropriate proceedings during which collection or enforcement against the Purchased Assets is stayed; (ii) liens of landlords and liens of carriers, warehousemen, mechanics and materialmen and other similar liens imposed by Law arising in the ordinary course of business for sums not yet due and payable or by operation of Law if the underlying obligations are not delinquent or which are being contested in good faith through appropriate proceedings; (iii) zoning, subdivision, building code, entitlement and other land use and construction regulations by Governmental Authorities; (iv) in respect of Real Property, matters that would be shown or otherwise reflected by an accurate survey; (v) in respect of Real Property, easements, rights-of-way, licenses, utility agreements, restrictions, and other similar encumbrances of record; (vi) other liens or imperfections on property that do not materially adversely impair the existing use of the property affected by such lien or imperfection; (vii) any obligations under any Business Contracts; (viii) any Assumed Liability reflected in the Closing Date Balance Sheet; and (ix) any title exceptions listed on Schedule 5.3.

"Person" means any individual, corporation, partnership, limited partnership, joint venture, limited liability company, trust or unincorporated organization or Governmental Authority or any other entity.

"Post-Closing Tax Period" means any taxable period (or portion thereof) commencing after the Closing Date, including such portion of any Straddle Period commencing after the Closing Date.

"Pre-Closing Tax Period" means any taxable period (or portion thereof) ending on or before the Closing Date, including such portion of any Straddle Period up to and including the Closing Date.

"Puerto Rico Grant" means the grant of tax exemptions granted by the Commonwealth of Puerto Rico, Department of State, Office of Industrial Tax Exemption to certain of Abbott's Affiliates pursuant to the provisions of Puerto Rican Tax Law.

"Real Property" means all land, buildings and other structures, facilities or improvements located thereon and all easements, licenses, rights and appurtenances relating to the foregoing.

"Registrations" means authorizations, approvals, licenses, permits, certificates, or exemptions issued by any Governmental Authority (including pre-market approval applications, pre-market notifications, investigational device exemptions, product recertifications, manufacturing approvals and authorizations, CE Marks, pricing and reimbursement approvals, labeling approvals or their foreign equivalent) held by Abbott or its Affiliates immediately prior to the Closing, that are required for the research, development, manufacture, distribution, marketing, storage, transportation, use and sale of the Abbott Products.

"Remediation Standard" means a numerical standard that defines the concentrations of Hazardous Materials that may be permitted to remain in any environmental media after an investigation, remediation or containment of a release of Hazardous Materials or, in the absence of an available numeric standard, a risk-based standard acceptable to the relevant Governmental Authority.

"Schedule" means the schedules attached hereto.

"Senior Management" means those persons listed on Schedule 1.1(m).

"Straddle Period" means any taxable period beginning on or before the Closing Date and ending after the Closing Date.

"Tax" or "Taxes" means any United States federal, state, local or non-U.S. taxes, charges, fees, duties, tariffs, levies or other assessments, including income, gross receipts, net proceeds, ad valorem, turnover, Real Property, personal property, sales, use, franchise, excise, value added, goods and services, license, payroll, unemployment, environmental, customs duties, capital stock, disability, stamp, user, transfer, fuel, excess profits, occupational and interest equalization, windfall profits, alternative or add-on minimum, estimated, registration, withholding, social security (or similar), or other tax of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty, or addition thereto, whether disputed or not.

"Tax Return" means any return, report, declaration, election, estimate, information statement, claim for refund and return, or other document (including any related or supporting information and any amendment to any of the foregoing) filed or required to be filed with any taxing authority with respect to Taxes.

"Third-Party Claim" means any Action by any Person other than the parties hereto and their respective Affiliates.

"Trademarks" means trademarks, service marks, trade dress, logos, trade names, corporate names, domain names and other source identifiers, all goodwill associated with any of the foregoing and registrations and applications for registration thereof, including all extensions, modifications and renewals of same.

"United States" means the United States of America and its territories and possessions (other than Puerto Rico).

1.2 Glossary of Defined Terms. The following terms have the meanings set forth in the Sections set forth below:

Definition	Section
"Abbott"	Preamble
"Abbott Consent Decree Defendants"	7.3(b)
"Abbott Diagnostics Division Performance Financial Statements"	5.1(a)

"Abbott ESPPs"	8.9(b)
"Abbott FSA Plan"	8.2(g)
"Abbott Indemnified Parties"	12.3(a)
"Abbott Mixed-Use Intellectual Property"	7.6(b)
"Abbott NQ Plans"	8.10
"Abbott Option"	8.9(a)
"Abbott Pension Plans"	8.4(a)
"Abbott Point of Care Performance Financial Statements"	5.1(a)
"Abbott Restricted Stock"	8.9(a)
"Abbott Retiree Welfare Plans"	8.7(a)
"Abbott RSU"	8.9(a)
"Abbott Stock Plans"	8.9(a)
"ADR"	3.2(c)
"Allocation Firm"	3.4(a)
"Assumed Liabilities"	2.3
"Bonus Amount"	8.10
"Business"	Recitals
"Business Contract"	2.1(h)
"Business Employees"	8.1(a)(v)
"Closing"	4.1(a)
"Closing Date"	4.1(a)
"Closing Date Balance Sheet"	3.2(a)
"Closing Date Balance Sheet Adjustment Amount"	3.3
"Closing Date Balance Sheet Audit Report"	3.2(a)(ii)
"Closing Date Payment"	3.1(a)
"Company Disclosure Schedule"	5
"Company Rights"	5.10(a)
"Confidentiality Agreement"	7.2(b)
"Conveyance Taxes"	9.7(a)
"CTI Employee"	8.10
"DC Employees"	8.6(a)
"DC Transfer Amount"	8.6(b)
"Deferred Closing Jurisdiction"	4.1(a)
"Deferred Local Closing"	4.1(a)
"Delayed PR Closing"	7.15(c)
"Delayed PR Closing Date"	7.15(c)
"EC Merger Regulation"	5.7
"Employee Plans"	5.15(a)
"Environmental Conditions"	7.14(a)(i)
"Environmental Review Commencement Date"	7.14(a)(i)
"Environmental Summaries"	7.14(a)(i)
"Estimated Country Allocation"	3.4(a)
"Estimated In-Country Allocation"	3.4(a)
"Excluded Assets"	2.2
"Excluded Businesses"	2.2(a)
"Excluded Liabilities"	2.4

"Excluded Taxes"	9.1(a)
"Final Country Allocation"	3.4(b)
"Final In-Country Allocation"	3.4(b)
"FIRPTA"	5.17(i)
"Fraud and Abuse Statutes"	5.11
"GE"	Preamble
"GE Claim"	12.2(a)
"GE Consent Decree Defendants"	7.3(b)
"GE FSA Plan"	8.2(g)
"GE Indemnified Parties"	12.2(a)
"GE Mixed-Use Intellectual Property"	7.6(c)
"Losses"	12.2(a)
"Mixed Account"	7.9(b)
"Mixed Action"	7.10(a)
"Mixed Contract"	7.9(a)
"Non-U.S. Abbott DC Plans"	8.6(a)
"Non-U.S. Business Employee"	8.1(a)(iii)
"Non-U.S. GE DC Plans"	8.6(a)
"Non-U.S. GE Pension Plans"	8.4(a)
"Non-U.S. Transferred Employee"	8.1(a)(iv)
"Notification"	8.10
"Outside Date"	11.1(b)
"Pension Plan Employees"	8.4(a)
"Pension Transfer Amounts"	8.4(b)
"Performance Financial Statements"	5.1(a)
"PR Amendment"	7.15(b)
"PR Deferred Closing Agreements"	7.15(c)
"PR Employees"	7.15(a)
"PR Employment Commitment"	7.15(a)
"PR Employment Commitment Period"	7.15(a)
"Preliminary Closing Date Balance Sheet"	3.2(a)
"Puerto Rico Business"	7.15(a)
"Purchase Price"	3.1
"Purchased Assets"	2.1
"Replacement Employee"	7.15(a)
"Response Costs"	7.14(a)(ii)
"SEC"	5.17(b)
"Transferred Employees"	8.1(a)(vi)
"Transition Services Agreement"	7.7
"Transitional Retiree"	8.7(a)
"U.S. Abbott Pension Plans"	8.10
"U.S. Business Employee"	8.1(a)(i)
"U.S. GE DC Plans"	8.5(a)
"U.S. GE Pension Plans"	8.3
"U.S. Transferred Employee"	8.1(a)(ii)

ARTICLE 2

PURCHASE AND SALE

2.1 Purchase and Sale of the Purchased Assets. Upon the terms and subject to the conditions of this Agreement, at the Closing, Abbott shall sell, convey, assign, transfer and deliver, or cause its Affiliates to sell, convey, assign, transfer and deliver, to GE or one or more of its Affiliates (A) the Business Intellectual Property and the GE Mixed-Use Intellectual Property and (B) free and clear of Encumbrances (other than Permitted Encumbrances) (i) all the assets, rights and properties of Abbott and its Affiliates, of every kind and description (other than Intellectual Property, which is addressed in clause (A) above, and those assets, rights and properties that are addressed in clauses (B)(ii) and (B)(iii) below) and wherever located, whether tangible or intangible, real, personal or mixed, that (except as otherwise expressly set forth in this Agreement or the Ancillary Agreements) are used primarily in connection with, or primarily related to, the Business, (ii) the Owned Business Real Property and Leased Business Real Property and (iii) all the animals, aliquots of cell-lines and antisera that are used exclusively in connection with, or related exclusively to, the Business (collectively, the "Purchased Assets"), and GE or one or more of its Affiliates shall purchase the Purchased Assets, including the following:

(a) all of the assets reflected on the Closing Date Balance Sheet;

(b) all rights of Abbott and its Affiliates in the Abbott Products;

(c) the furniture, fixtures, office equipment and laboratory equipment located at the Owned Business Real Property;

(d) the furniture, fixtures, office equipment and laboratory equipment located at the Leased Business Real Property;

(e) all rights of Abbott and its Affiliates in the installed instrument bases of the Abbott Products;

(f) all computer software, data and information, and all related hardware, in each case as set forth on Schedule 2.1(f);

(g) all other tangible personal property, including machinery, equipment, training materials and equipment, mechanical and spare parts, supplies, owned and leased motor vehicles, mobile phones and personal digital assistants used by the Transferred Employees, fixtures, trade fixtures, tools, tooling, dyes, production supplies and other tangible property of any kind, in each case used primarily in connection with, or related primarily to, the Business;

(h) subject to Section 7.8 and Section 7.9(a) and except as set forth in Section 2.2, any Contract to the extent used in the Business (a "Business Contract");

(i) the Registrations to the extent used in, or related to, the Business supported by and including: (i) the original documents and all related data, records, and correspondence under the possession of Abbott or its Affiliates (or that are accessible to Abbott or its Affiliates using commercially reasonable efforts) evidencing the Registrations issued to Abbott or its Affiliates by a Governmental Authority, in each case to the extent assignable with or without the Consent of the issuing Governmental Authority; and (ii) all related Registration applications, clinical research and trial agreements, data results and records of clinical trials and marketing research, design history files (including the redbooks), technical files, drawings, manufacturing, packaging and labeling specifications, validation documentation, packaging specifications, quality control standards and other documentation, research tools, laboratory notebooks, files and correspondence with regulatory agencies and quality reports, and all relevant pricing information and correspondence with Governmental Authorities with respect to such pricing matters;

(j) subject to Section 7.6(a), all product labeling, advertising, marketing and promotional materials and all other printed or written materials used primarily in connection with, or related primarily to, the Business;

(k) subject to Section 7.9(b) and except for intercompany receivables between Abbott and any of its Affiliates, or between any Affiliate of Abbott and any other Affiliate of Abbott (including those (i) between Abbott and its Affiliates, on the one hand, and the Abbott Diagnostics Division Business or the Abbott Point of Care Business, on the other hand, or (ii) between the Abbott Diagnostics Division Business and the Abbott Point of Care Business), all accounts, notes and other receivables resulting from sales by Abbott or its Affiliates of products or services to the extent generated by, or related to, the Business, whether current or noncurrent, including any value added Taxes or similar Taxes levied on such accounts receivable, any unpaid interest accrued on such accounts receivable and all file documentation related to such accounts, notes and other receivables, including invoices, shipping documents, communications and correspondence submitted to or received from customers related to such sales;

(l) all claims, causes of action, choses in action, rights of recovery and rights of set-off of any kind (including the right to sue and recover for past infringements or misappropriations of Business Intellectual Property or, to the extent related to the Business, GE Mixed-Use Intellectual Property), in each case to the extent arising from, or related to, the Business, except to the extent any of the foregoing relate to (i) Excluded Assets or Excluded Liabilities or (ii) intercompany receivables between Abbott and any of its Affiliates, or between any Affiliate of Abbott and any other Affiliates of Abbott (including those (i) between Abbott and its Affiliates, on the one hand, and the Abbott Diagnostics Division Business or the Abbott Point of Care Business, on the other hand, or (ii) between the Abbott Diagnostics Division Business and the Abbott Point of Care Business);

(m) all inventories, including raw materials, works in process, semi-finished and finished Abbott Products, stores, replacement and spare parts, packaging materials (subject to Section 7.6), operating supplies and inventory on consignment, in transit or deposited in a warehouse, in each case to the extent used primarily in connection with, or related primarily to, the Abbott Products;

(n) all prepayments, security deposits, refunds (other than any refunds with respect to Taxes to which Abbott is entitled pursuant to Section 9.4) and prepaid expenses, in each case to the extent used in, or related to, the Business;

(o) all income, royalties and payments receivable with respect to any Business Intellectual Property or any GE Mixed-Use Intellectual Property to the extent related to the Business;

(p) copies of all Books, Records and Files (other than income and similar Tax Returns and related Books, Records and Files), to the extent used in, or related to, the Business; provided, however, that Abbott and its Affiliates may redact any information to the extent used in, or related to, the Excluded Assets or Abbott Other Businesses from Books, Records and Files and similar materials conveyed pursuant to this Section 2.1(p); provided, further, that such redaction shall not impair any information related to the Business contained in such Books, Records and Files and similar materials;

(q) other than to the extent related to the Excluded Assets or Abbott Other Businesses, all permits, licenses, certifications and approvals from all permitting, licensing, accrediting and certifying agencies, and the rights to all data and records held by such permitting, licensing, accrediting and certifying agencies, in each case to the extent transferable and used in, or related to, the Business;

(r) all claims or benefits in, to or under any express or implied warranties from suppliers of goods or services relating to inventory sold or delivered to Abbott or any Affiliate of Abbott prior to the Closing, in each case to the extent used in, or related to, the Business;

(s) copies of Tax Returns and other materials set forth on Schedule 2.1(s); provided, however, that Abbott and its Affiliates may redact any information to the extent used in, or related to, the Excluded Assets or Abbott Other Businesses from Tax Returns and similar

materials conveyed pursuant to this Section 2.1(s); provided, further, that such redaction shall not impair any information related to the Business contained in such Tax Returns and similar materials;

(t) all goodwill of the Business as a going concern; and

(u) all rights of GE and its Affiliates arising under this Agreement, the Ancillary Agreements or from the consummation of the transactions contemplated hereby or thereby.

2.2 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, GE shall not purchase or otherwise acquire, and the Purchased Assets shall not include, any right, title and interest in or to any of the following assets (such assets being collectively referred to hereinafter as the "Excluded Assets"):

(a) all the assets, rights and properties of every kind and description and wherever located, whether tangible or intangible, real, personal or mixed of the Abbott Other

Businesses to the extent such assets are not described in Section 2.1 (collectively, the "Excluded Businesses");

(b) all rights of Abbott and its Affiliates arising under this Agreement, the Ancillary Agreements or from the consummation of the transactions contemplated hereby or thereby;

(c) except as contemplated by Section 2.1(n), all cash and cash equivalents, securities and negotiable instruments on hand, in lock boxes, in financial institutions or elsewhere, including any cash residing in any collateral cash account securing any obligation or contingent obligation;

(d) all intercompany accounts between Abbott and any of its Affiliates, or between any Affiliate of Abbott and any other Affiliate of Abbott (including those between the Abbott Diagnostics Division Business and the Abbott Point of Care Business);

(e) the Excluded Owned Business Real Property;

(f) the Excluded Leased Business Real Property;

(g) all Intellectual Property rights, except (i) the Business Intellectual Property, (ii) the GE Mixed-Use Intellectual Property, (iii) subject to Section 7.9(a), the rights to Intellectual Property included in the Business Contracts described in Section 2.1(h), (iv) the rights granted to GE to the Licensed Marks pursuant to Section 7.6(a) and (v) the rights granted to GE to the Abbott Mixed-Use Intellectual Property pursuant to Section 7.6(b);

(h) all insurance policies relating to the Business and all claims, credits, causes of action or rights thereunder and proceeds thereof;

(i) all assets of any employee or independent contractor compensation or benefit plan, program or arrangement that is maintained or contributed to by Abbott or any of its Affiliates, except for those assets that are transferred to GE pursuant to Article 8;

(j) any right to any refund or credit with respect to Taxes in accordance with the provisions of Article 9;

(k) those assets listed on Schedule 2.2(k); and

(l) those assets related to the Abbott Humanitarian Program which are listed on Schedule 2.2(l).

2.3 Assumed Liabilities. At the Closing, GE shall assume, or shall cause GE's Affiliates to assume and agree to, pay, perform and discharge when due, any and all Liabilities of Abbott and Abbott's Affiliates to the extent relating to or arising out of the Business or the Purchased Assets, other than the Excluded Liabilities set forth in Section 2.4 below (collectively, the "Assumed Liabilities"), including the following:

(a) all Liabilities of Abbott and Abbott's Affiliates reflected on the Closing Date Balance Sheet;

(b) subject to Section 7.8 and Section 7.9(a) and except as set forth in Section 2.4, all non-monetary Liabilities of Abbott and Abbott's Affiliates under (i) the Business Contracts and (ii) the Contracts entered into by Abbott and Abbott's Affiliates to the extent used in connection with, or related to, the Business after the date hereof consistent with the terms of this Agreement, and all monetary Liabilities under the Business Contracts and the Contracts referred to in clause (ii) above to the extent they relate to the delivery of property or service to the Business, in each case except to the extent such Liabilities, but for a breach or default by Abbott or any of its Affiliates, would have been paid, performed or otherwise discharged on or prior to the Closing Date or to the extent the same arise out of any such breach or default;

(c) the Liabilities assumed pursuant to Articles 8 or 9, any other provision of this Agreement, the Ancillary Agreements and the Schedules hereto and thereto; and

(d) all Liabilities under the Consent Decree.

2.4 Excluded Liabilities. Notwithstanding anything to the contrary in Section 2.3, GE shall not assume or be obligated to pay, perform or otherwise discharge any of the following Liabilities of Abbott or its Affiliates (all such liabilities and obligations not being assumed being herein called the "Excluded Liabilities"):

(a) all Liabilities to the extent relating to or arising out of assets or businesses of Abbott or any of its Affiliates that are not included in the Purchased Assets or related to the Business prior to Closing;

(b) all Liabilities retained by Abbott and its Affiliates pursuant to Articles 8 or 9, any other provision of this Agreement, the Ancillary Agreements and the Schedules hereto and thereto;

(c) all Financial Indebtedness of Abbott or any of its Affiliates;

(d) all intercompany payables and loans between Abbott and any of its Affiliates, or between any Affiliate of Abbott and any other Affiliate of Abbott (including those (i) between Abbott and its Affiliates, on the one hand, and the Abbott Diagnostics Division Business or the Abbott Point of Care Business, on the other hand, or (ii) between the Abbott Diagnostics Division Business and the Abbott Point of Care Business); and

(e) any items listed on Schedule 2.4(e).

ARTICLE 3

PURCHASE PRICE

3.1 Purchase Price. The purchase price for the Purchased Assets and the covenant not to compete described in Section 7.13 (the "Purchase Price") shall be determined in accordance with this Article 3 and shall equal:

(a) $8,130,000,000 (the "Closing Date Payment") minus

(b) the Closing Date Balance Sheet Adjustment Amount plus

(c) the Assumed Liabilities.

3.2 Determination of Closing Date Balance Sheet Adjustment.

(a) As promptly as practicable following the Closing Date (but not later than ninety (90) days after the Closing Date), Abbott and its Affiliates shall prepare, in accordance with GAAP and, where in accordance with GAAP, on a basis consistent with the preparation of the balance sheets used to determine the Minimum Net Worth, a balance sheet as of the Closing Date of the Business (the "Preliminary Closing Date Balance Sheet") and deliver the Preliminary Closing Date Balance Sheet to the Independent Accounting Firm. Concurrently with the delivery of the Preliminary Closing Date Balance Sheet, Abbott shall deliver to GE (i) a schedule showing all adjustments reflected on the Preliminary Closing Date Balance Sheet resulting from items not in the ordinary course of the Business in respect of the period from the Performance Balance Sheet Date to the Closing Date and (ii) a schedule showing all adjustments resulting from material changes to GAAP that are effective between the Performance Balance Sheet Date and prior to the Closing Date. For purposes of determining the Preliminary Closing Balance Sheet, Abbott shall continue to depreciate and amortize long-term assets consistent with its policies for depreciating and amortizing long-term assets used in determining the Minimum Net Worth. Abbott and its Affiliates shall cause the Independent Accounting Firm to conduct an audit of the Preliminary Closing Date Balance Sheet as promptly as reasonably possible (but not later than ninety (90) days after receipt thereof) and, upon completion of such audit (but not later than ninety (90) days after such receipt), to deliver a written notice with respect to the Preliminary Closing Date Balance Sheet to each of GE and Abbott setting forth:

(i) a summary of all adjustments, if any, to the Preliminary Closing Date Balance Sheet necessary to permit the Independent Accounting Firm to deliver the audit report described below; and

(ii) an opinion stating that the Preliminary Closing Date Balance Sheet (after giving effect to such adjustments) as audited by such firm has been prepared in accordance with GAAP and, where in accordance with GAAP, on a basis consistent with the preparation of the balance sheets used to determine the Minimum Net Worth (such written notice and related summary and audit report being herein called the "Closing Date Balance Sheet Audit Report").

The Preliminary Closing Date Balance Sheet, as so determined but after giving effect to the adjustments referred to in clause (i), is herein called the "Closing Date Balance Sheet."

(b) The parties hereto shall make available to each other and the Independent Accounting Firm such books, records and other information (including work papers) as any of the foregoing may reasonably request to prepare or review, as applicable, the Preliminary Closing Date Balance Sheet. The fees and expenses of the Independent Accounting Firm shall be paid by GE.

(c) If the Independent Accounting Firm concludes that it is unable to determine one or more issues or amounts necessary to complete an audit of the Preliminary Closing Date Balance Sheet hereunder and prepare and deliver the Closing Date Balance Sheet Audit Report, it shall promptly so notify GE and Abbott who shall endeavor to jointly agree on such issue or amount. If GE and Abbott are unable to reach a written agreement

concerning such issue or amount within fifteen (15) days after receipt of such notice, the issue or amount in question shall be determined in accordance with the Alternative Dispute Resolution ("ADR") provisions set forth on Schedule 13.8, the result of which shall be binding upon the parties. The decision of the neutral as to the issue or amount in question shall be conclusive and binding for purposes of use hereunder by the Independent Accounting Firm. Following the determination of any such issue or amount by written agreement of GE and Abbott or by ADR, the Independent Accounting Firm shall proceed to complete its audit and the preparation and delivery of the Closing Date Balance Sheet Audit Report as contemplated in Section 3.2(a). ADR costs under this Section 3.2(c) shall be borne fifty percent (50%) by GE and fifty percent (50%) by Abbott, except that each party shall be responsible for its own expenses (including legal expenses) and the costs of any witnesses selected by such party. The place for such ADR shall be Chicago, Illinois or at such other place as may be agreed upon by GE and Abbott.

3.3 Closing Date Balance Sheet Adjustment Amount Payment. Promptly (but not later than five (5) days) after the completion of the Closing Date Balance Sheet Audit Report pursuant to Section 3.2(a), the parties shall determine whether the Minimum Net Worth Amount exceeds the Net Worth reflected on the Closing Date Balance Sheet (without, when making such determination, taking into account any changes or adjustments resulting from the Bonus Amount, from the ordinary course of the Business since the Performance Balance Sheet Date or from material changes in GAAP that are effective after the Performance Balance Sheet Date and prior to the Closing Date (i.e., ordinary course changes to the Business and material changes in GAAP shall not result in a Closing Date Balance Sheet Adjustment Amount)). Abbott shall pay to GE, by wire transfer of immediately available funds to such bank account of GE as GE shall designate in writing to Abbott, an amount equal to any such excess, plus interest on such excess from the Closing Date to the date of payment thereof at the Agreed Rate (the "Closing Date Balance Sheet Adjustment Amount").

3.4 Purchase Price Allocation; Withholding.

(a) No later than fifteen (15) days after the date of this Agreement, Abbott shall provide GE with (i) an allocation by country of the Closing Date Payment based on an estimate of the fair market values of the Purchased Assets (less the Assumed Liabilities) and

the covenant not to compete described in Section 7.13 (the "Estimated Country Allocation") and (ii) if required by applicable Law (and only to the extent required), an allocation by asset category of the Estimated Country Allocation within a particular country (the "Estimated In-Country Allocation"). Within forty-five (45) days after Abbott provides such allocations, but in no event later than thirty (30) days prior to the Closing Date, Abbott and GE shall negotiate in good faith and attempt to agree upon the Estimated Country Allocation and Estimated In-Country Allocation. If, within that period, Abbott and GE are unable to agree on the Estimated Country Allocation or Estimated In-Country Allocation, the unresolved allocations in those countries where applicable Law requires Abbott and GE to agree on an allocation either prior to the Closing Date or at any date prior to the date of the Final Country Allocation or Final In-Country Allocation shall be determined by Ernst & Young LLP or another internationally-recognized independent accounting firm or appraisal firm mutually selected by Abbott and GE (the "Allocation Firm") using customary valuation methodologies; provided, however, that the Allocation Firm shall make its determination no later than five (5) days prior to the Closing Date.

(b) As soon as practicable after the Closing Date Balance Sheet Adjustment Amount (if applicable) and the Assumed Liabilities are determined, but in no event later than forty-five (45) days thereafter, Abbott and GE shall, with respect to each country for which an Estimated Country Allocation or Estimated In-Country Allocation was agreed to by Abbott and GE or determined by the Allocation Firm, negotiate in good faith and attempt to agree upon an allocation of the final Purchase Price (including the Assumed Liabilities) to the Purchased Assets and covenant not to compete described in Section 7.13 by country and by asset category within that country. Such allocations shall be based upon the Estimated Country Allocation and Estimated In-Country Allocation agreed to by Abbott and GE or determined by the Allocation Firm, as the case may be, as appropriately adjusted to reflect the Closing Date Balance Sheet Adjustment Amount (if applicable), the Assumed Liabilities and any other information that has become available since the determination of the Estimated Country Allocation and Estimated In-Country Allocation. If Abbott and GE are unable to agree on such allocations, the unresolved allocations in those countries where applicable Law requires Abbott and GE to agree on an allocation shall be determined by the Allocation Firm using customary valuation methodologies within thirty (30) days following the submission of the dispute to it. Any allocation agreed to by Abbott and GE under this Section 3.4(b) or determined by the Allocation Firm is hereafter referred to as the "Final Country Allocation" (in the case of an allocation by country) and "Final In-Country Allocation" (in the case of an allocation by asset category).

(c) Any determination made by the Allocation Firm shall be, absent manifest error, final and binding on GE, on behalf of itself and its Affiliates, and Abbott, on behalf of itself and its Affiliates. The fees and expenses of the Allocation Firm shall be shared equally between Abbott and GE.

(d) Each of Abbott, GE and each of their respective Affiliates shall (i) be bound by the Final Country Allocation and the Final In-Country Allocation for purposes of determining Taxes and (ii) prepare and file, and cause its Affiliates to prepare and file, its Tax Returns on a basis consistent with the Final Country Allocation and the Final In-Country Allocation. None of Abbott, GE or their respective Affiliates shall take any position inconsistent with the Final Country Allocation or the Final In-Country Allocation in any Tax Return, in any

refund claim, in any litigation, or otherwise unless required by a final determination by an applicable taxing authority. A Final Country Allocation and Final In-Country Allocation shall only be required where applicable Law requires Abbott and GE to agree upon such an allocation (and only to the extent so required). In all other cases, if Abbott and GE are unable to agree upon an allocation in good faith, each party shall be entitled to follow its own allocation (without regard to the other party's allocation). Notwithstanding the preceding two sentences, if (i) a payment may be required to be made from Abbott to GE or from GE to Abbott under this Agreement, (ii) the amount of such payment is dependant upon an allocation of the Purchase Price and (iii) the parties cannot agree upon such allocation, then solely for purposes of determining the amount of such payment, dispute resolution mechanisms similar to those described in this Section 3.4 shall be used to determine the allocation necessary to determine the amount of such payment.

(e) Within ten (10) days following the date of this Agreement, Abbott shall deliver to GE a list setting forth, for each jurisdiction in which Abbott or its Affiliates have Purchased Assets, the complete company name and other necessary information of Abbott or its designated Affiliates that shall sell the Purchased Assets. Within twenty-five (25) days of its receipt of Abbott's list pursuant to the preceding sentence, GE shall deliver to Abbott a list setting forth for each jurisdiction where Abbott or its designated Affiliates have Purchased Assets, the complete company name and other necessary information of GE or its designated Affiliates that shall acquire the Purchased Assets in each relevant jurisdiction. Such list shall be amended as necessary to reflect changes occurring prior to the Closing Date.

(f) GE shall make any required withholding of Taxes from the Purchase Price and shall pay Abbott the Purchase Price net of any such withholding. Except as otherwise provided in this Agreement, GE shall have no obligation to gross-up, indemnify or otherwise compensate Abbott for any withholding Tax due or imposed with respect to the Purchase Price to the extent required by applicable Law. No later than five (5) days prior to the Closing, GE shall provide Schedule 3.4(f) to Abbott which shall set forth the jurisdictions in which any of GE or any of its Affiliates is obligated to withhold Taxes on payment of the Purchase Price. Abbott shall reasonably cooperate with GE to enable GE to determine its withholding obligation. GE shall reasonably cooperate with Abbott in obtaining any exemption or reduction in withholding Tax to which Abbott or any of its Affiliates is entitled under applicable Law.

ARTICLE 4

CLOSING

4.1 Closing Date.

(a) Subject to the terms and conditions of this Agreement, the sale and purchase of the Purchased Assets and the assumption of the Assumed Liabilities contemplated by this Agreement shall take place at a closing (the "Closing") to be held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 333 West Wacker Drive, Chicago, Illinois 60606, at 10:00 a.m. Chicago time, on the later of (i) April 2, 2007, or (ii) the third (3rd)

Business Day following the satisfaction or waiver of each of the conditions set forth in Article 10 or at such other place, time or date as Abbott and GE may mutually agree in writing (the "Closing Date"), provided, that, in the event (a) any Consent of a Governmental Authority required in any jurisdiction (other than a Consent of a Governmental Authority required for the consummation of the transactions contemplated by this Agreement under the Competition/Investment Laws of the jurisdictions listed in Section 10.1(b) or on Schedule 10.1(b)) has not been obtained at the time of the Closing, (b) any Governmental Authority in any jurisdiction (other than a Major Jurisdiction or the European Union) shall have enacted, issued, promulgated, enforced or entered any Governmental Order (whether temporary, preliminary or permanent) that has the effect of making the transactions contemplated by this Agreement illegal or otherwise prohibiting the consummation of such transactions in such jurisdiction that is continuing as of the Closing Date or (c) any notification, or where appropriate, consultation, consent or negotiation with a works council, union, labor board or similar Government Authority concerning the transactions contemplated by this Agreement which is required in any jurisdiction (other than a Major Jurisdiction) has not been completed at the time of the Closing (each, a "Deferred Closing Jurisdiction"), then the parties shall defer (to the extent allowed by applicable Laws) the Closing solely with respect to the Purchased Assets related to such Deferred Closing Jurisdiction (each, a "Deferred Local Closing"). In such event, (a) the legal interest in and to the relevant Purchased Assets shall not be assigned, transferred or conveyed to GE or the applicable Affiliate of GE unless and until the Deferred Local Closing occurs, (b) the parties shall use their commercially reasonable efforts to obtain such Consents, resolve such Governmental Orders and cause the expiration of all mandatory waiting periods as soon as practicable, (c) to the extent permitted under applicable Law, GE or the applicable Affiliate of GE, shall acquire beneficial interest in and to the relevant Purchased Assets at the Closing (including all cash and cash equivalents generated with respect thereto), (d) to the extent permitted under applicable Law, until the Deferred Local Closing occurs, Abbott and its Affiliates shall conduct the Business in each Deferred Closing Jurisdiction in accordance with GE's instructions for the benefit and at the expense of GE or its applicable Affiliate and (e) neither Abbott nor any of its Affiliates shall have any Liability to GE or any of its Affiliates arising out of the management or operation of the Business in any Deferred Closing Jurisdictions other than for gross negligence or willful misconduct. Each Deferred Local Closing shall occur no later than three (3) Business Days following receipt of the necessary Consent, the expiration of all mandatory waiting periods and resolution of all applicable Governmental Orders, or at such time as the parties may mutually agree upon in writing.

(b) The parties hereby agree and acknowledge that the Closing shall be effective in each jurisdiction where Abbott and its Affiliates conduct the Business (i) as of 12:01 a.m. local time on April 1, 2007 if the date of the Closing is April 2, 2007, (ii) as of 12:01 a.m. local time on the date of the Closing if the date of the Closing is a day other than April 2, 2007 or (iii) if required by mandatory applicable Laws, as of 12:01 a.m. local time on the date of the Deferred Local Closing.

4.2 Closing Deliveries by Abbott. At the Closing, Abbott shall deliver, or cause to be delivered, to GE or the applicable Affiliate of GE:

(a) copies of the resolutions (or local equivalent) of the board of directors (or local equivalent) and, where required, the stockholders, of each Affiliate of Abbott,

authorizing and approving the transactions contemplated by this Agreement and the applicable Ancillary Agreements, to the extent applicable to such Affiliate, certified by the respective corporate secretary (or local equivalent) or a director to be true and complete and in full force and effect and unmodified as of the Closing;

(b) executed counterparts of each Conveyance and Assumption Instrument to which Abbott or the applicable Affiliate of Abbott is a party (other than Conveyance and Assumption Instruments relating to any Deferred Local Closings which shall be delivered at the date of the relevant Deferred Local Closing);

(c) executed counterparts of the Transition Services Agreement;

(d) a receipt for the Closing Date Payment less any amounts withheld pursuant to Section 3.4(f) or that must be paid locally to the applicable Affiliate of Abbott pursuant to applicable Law, in which case Abbott or the applicable Affiliate of Abbott shall deliver to the applicable Affiliate of GE a receipt for the portion of the Closing Date Payment allocated to the relevant jurisdiction pursuant to Section 3.4; and

(e) the certificate required by Section 10.2(a).

4.3 Closing Deliveries by GE. At the Closing, GE shall deliver, or cause to be delivered, to Abbott or the applicable Affiliate of Abbott:

(a) the Closing Date Payment less any amounts withheld pursuant to Section 3.4(f), by wire transfer in immediately available funds to an account or accounts designated in writing by Abbott not fewer than three (3) Business Days prior to the Closing (except as otherwise may be required by applicable Law, in which case the portion of the Closing Date Payment that must be paid locally to the applicable Affiliate of Abbott shall be paid by wire transfer in immediately available funds (in the local currency, if required by applicable Law) to a local bank account of such Affiliate of Abbott designated in writing by Abbott no fewer than three (3) Business Days prior to the Closing);

(b) copies of the resolutions (or local equivalent) of the board of directors (or local equivalent) and, where required, the stockholders, of each Affiliate of GE, authorizing and approving the transactions contemplated by this Agreement and the Ancillary Agreements, to the extent applicable to such Affiliate, certified by the respective corporate secretary (or local equivalent) or a director to be true and complete and in full force and effect and unmodified as of the Closing;

(c) executed counterparts of each Conveyance and Assumption Instrument to which GE or the applicable Affiliate of GE is a party (other than Conveyance and Assumption Instruments relating to any Deferred Local Closings which shall be delivered at the date of the relevant Deferred Local Closing);

(d) executed counterparts of the Transition Services Agreement; and

(e) the certificate required by Section 10.1(a).

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF ABBOTT

Except as otherwise set forth in a schedule to any particular representation and warranty (collectively, the "Company Disclosure Schedule") (with specific reference to the particular Section of this Agreement to which the information set forth in such disclosure schedule relates; provided, however, that any information set forth in one Section of the Company Disclosure Schedule shall be deemed to apply to each other Section thereof to which its relevance is readily apparent on its face), Abbott represents and warrants to GE as follows:

5.1 Performance Financial Statements.

(a) Set forth on Schedule 5.1(a) are the (i) unaudited performance balance sheets and unaudited performance profit and loss statements of the Abbott Diagnostics Division Business as of and for the years ended December 31, 2005 and December 31, 2004 and as of and for the nine (9) months ended on the Performance Balance Sheet Date (collectively, the "Abbott Diagnostics Division Performance Financial Statements") and (ii) unaudited performance balance sheets, and unaudited performance profit and loss statements of the Abbott Point of Care Business as of and for the years ended December 31, 2005 and December 31, 2004 and as of and for the nine (9) months ended on the Performance Balance Sheet Date (collectively, the "Abbott Point of Care Performance Financial Statements" and together with the Abbott Diagnostics Division Performance Financial Statements, the "Performance Financial Statements"). Except as set forth on Schedule 5.1(a), the Performance Financial Statements have been prepared in accordance with GAAP and fairly present in all material respects the financial condition and results of operations of the Business as of the respective dates thereof and for the periods referred to therein.

(b) Set forth on Schedule 5.1(b) is a schedule that accurately reflects in all material respects the additions to service equipment, net of reserves/retirements for refurbishments, for the years ended December 31, 2005 and December 31, 2004 and for the nine (9) months ended on the Performance Balance Sheet Date, without capitalized interest thereon, and for instrument refurbishment additions, in accordance with Abbott's accounting policies for additions to service equipment and instrument refurbishment costs, which policies were provided by Abbott to GE prior to the date of this Agreement.

5.2 Sufficiency of Assets. Assuming all required consents of third Persons (including as contemplated by Section 7.8) are obtained and alternative arrangements contemplated by Section 7.8(b) or Schedule 7.8(b) are performed, the Purchased Assets delivered at Closing (taking into account the effect of any Deferred Local Closing, the Delayed PR Closing and the implementation of the alternative arrangements contemplated by Section 7.8(b) or Schedule 7.8(b)), together with the Intellectual Property to be provided under Section 7.6(a) and Section 7.6(b), the services to be provided under the Transition Services Agreement and the services and assets to be provided by Abbott or its Affiliates under any other Ancillary Agreements constitute all of the assets necessary to operate and conduct the Business in all material respects in the manner as is now being conducted by Abbott and its Affiliates.

5.3 Title. Each of Abbott and its Affiliates has valid title to, or valid leasehold or sublease interests or other comparable Contract rights in or relating to, all of its Owned Business Real Property or Leased Business Real Property, as applicable, and other tangible Purchased Assets, except as have been

disposed of in the ordinary course of business and except for Permitted Encumbrances. Each of Abbott and its Affiliates has complied in all material respects with the terms of all material leases or material subleases relating to Leased Business Real Property to which it is a party and under which it is in occupancy, and all leases relating to Leased Business Real Property to which Abbott or its Affiliates is a party and under which it is in occupancy are in full force and effect. None of Abbott or its Affiliates has received any written notice of any event or occurrence that has resulted or could result (with or without the giving of notice, the lapse of time or both) in a material default with respect to any material lease or material sublease regarding the Leased Business Real Property to which it is a party.

5.4 Environmental Matters. Except for those matters that individually or in the aggregate have not had and would not reasonably be expected to have a Material Adverse Effect: (i) during the period of ownership or operation by Abbott and its Affiliates of any of their current Owned Business Real Property or Leased Business Real Property, there have been no releases of Hazardous Materials in, on, under or affecting any properties that would subject the Business to any Liability under Environmental Laws or require expenditures by the Business for remediation to meet applicable standards thereunder; (ii) prior to the period of ownership or operation by Abbott and its Affiliates of any of their current Owned Business Real Property or Leased Business Real Property, to the Knowledge of Abbott, there were no releases of Hazardous Materials in, on, under or affecting any properties that would subject the Business to any Liability under any Environmental Law or require any expenditure by the Business for remediation to meet applicable standards thereunder; (iii) none of Abbott or any of its Affiliates with respect to the Business is subject to any indemnity obligation or Contract with any Person relating to Liabilities under Environmental Laws; and (iv) to the Knowledge of Abbott, there are no facts, circumstances or conditions that would reasonably be expected to form the basis for any Action, or Liability against or affecting the Business relating to or arising under Environmental Laws.

5.5 Organization, Authority and Qualification. Abbott is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Illinois and has all necessary corporate power and authority to enter into, execute and deliver this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Abbott, the performance by Abbott of its obligations hereunder and the consummation by Abbott of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Abbott. This Agreement has been duly executed and delivered by Abbott, and, assuming due authorization, execution and delivery by GE, this Agreement is a legal, valid and binding obligation of Abbott, enforceable against it in accordance with its terms.

5.6 No Conflict. Assuming that all Consents and other actions described in Section 5.7 have been obtained, the execution, delivery and performance of this Agreement by Abbott do not and shall not (a) violate, conflict with or result in the breach of the certificate of incorporation or bylaws of Abbott, (b) conflict with or violate any Law or Governmental Order applicable to Abbott or its properties or the Purchased Assets or (c) conflict with, result in any

breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any Contract, license, permit, franchise or other instrument or arrangement to which Abbott or any of its Affiliates is a party, except, in the case of clauses (b) and (c), as individually or in the aggregate has not had and would not have a Material Adverse Effect and would not prevent the timely consummation of the transactions contemplated hereby or prevent Abbott from performing its obligations under this Agreement.

5.7 Governmental Consents and Approvals. The execution, delivery and performance of this Agreement by Abbott do not and shall not require any Consent of, action by, filing with or notification to, any Governmental Authority, except (a) the requirements of Council Regulation 139/2004 of the European Community, as amended (the "EC Merger Regulation"), and, to the extent applicable, the requirements of the HSR Act and the Competition/Investment Laws of any other relevant jurisdiction, (b) the FDA as required by paragraph 23 of the Consent Decree, (c) any notification, or where appropriate, consultation, Consent or negotiation with a works council, union, labor board or relevant Governmental Authority concerning the transactions contemplated by this Agreement, (d) as may be necessary as a result of any facts or circumstances relating solely to GE or any of its Affiliates, or (e) to the extent that the failure to obtain any such Consent or to take such action, make such filing or make such notification individually or in the aggregate has not had and would not have a Material Adverse Effect and would not prevent the timely consummation of the transactions contemplated hereby or prevent Abbott from performing its obligations under this Agreement.

5.8 No Undisclosed Liabilities. To the Knowledge of Abbott, as of the date hereof, neither Abbott nor its Affiliates are subject to any Liability with respect to the Business that is not shown on the Performance Balance Sheets other than Liabilities (i) that were incurred or accrued by Abbott or its Affiliates from the Performance Balance Sheet Date to the date hereof that are of the same nature or type as those set forth in the Performance Balance Sheets and the notes thereto that would have resulted in such Liabilities being included as Liabilities on the Performance Balance Sheets and the notes thereto were such Performance Balance Sheets and the notes being prepared as of the date hereof, (ii) that would (if Closing were to occur as of the date hereof) constitute Excluded Liabilities or (iii) that are not reasonably expected to, individually or in the aggregate, have a Material Adverse Effect.

5.9 Litigation. As of the date hereof, no Action by or against Abbott is pending or, to the Knowledge of Abbott, threatened, challenging the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby. Except as has not had or would not reasonably be expected to have a Material Adverse Effect, there are no lawsuits, suits or proceedings pending in which Abbott or its Affiliates is the plaintiff or claimant and which relate to the Business or the Purchased Assets.

5.10 Intellectual Property.

(a) To the Knowledge of Abbott, Abbott has good and valid title to, and owns free and clear of all liens, pledges and security interests (and other similar encumbrances capable of registration against title) or has the right to use and bring actions for

infringement of the Business Intellectual Property, GE Mixed-Use Intellectual Property and other Intellectual Property necessary or required for the conduct of the Business (collectively, the "Company Rights"), except where the failure to have such rights individually or in the aggregate has not had or would not

have a Material Adverse Effect.

(b) To the Knowledge of Abbott, neither the manufacture, marketing, license (or sublicense), sale, importation or use of any material Abbott Product or service of the Business as currently manufactured, marketed, licensed (or sublicensed), sold, imported or used by Abbott infringes upon the valid Intellectual Property of any third Person to which Abbott does not have a license or sublicense; nor, to the Knowledge of Abbott, is any third Person materially infringing upon any Business Intellectual Property or Mixed-Use Intellectual Property; and, to the Knowledge of Abbott, as of the date hereof, there is no pending or threatened litigation contesting the validity, enforceability or ownership by Abbott or its Affiliates of any material Business Intellectual Property or Mixed-Use Intellectual Property, or right of Abbott or its Affiliates to use, manufacture, sell, license (or sublicense), import or dispose of any material Abbott Products or service of the Business.

5.11 Fraud and Abuse Statutes. Except as has not had or would not reasonably be expected to have a Material Adverse Effect, with respect to the Business or the Purchased Assets, there are no lawsuits, claims, proceedings or investigations relating to the Federal Anti-Kickback Statute, Section 1128B(b) of the Social Security Act of 1935, as amended (42 U.S.C. 1320a7b(b)), or the civil False Claims Act of 1863, as amended (31 U.S.C. 3729 et seq.), only to the extent that an alleged violation of the False Claims Act is based upon a claim of violation of the Federal Anti-Kickback Statute (collectively the "Fraud and Abuse Statutes"), pending (with respect to which Abbott or its Affiliates have been served or notified) or, to the Knowledge of Abbott, threatened against the Business or the Purchased Assets, nor has any matter come to the attention of Senior Management or certain Abbott Knowledge Persons listed on Schedule 1.1(m) that a reasonable person would consider a probable violation of the Fraud and Abuse Statutes.

5.12 Compliance with Laws.

(a) Except as has not had or would not reasonably be expected to have a Material Adverse Effect, Abbott, with respect to the Business and the Purchased Assets, is in substantial compliance with all applicable Laws. This provision excludes Fraud and Abuse Statutes, which are addressed separately in Section 5.11 above, FDA Regulatory Compliance, which is addressed separately in Section 5.13 below and environmental matters, which are addressed separately in Section 5.4 above.

(b) Except as has not had or would not reasonably be expected to have a Material Adverse Effect, there are no outstanding consent orders, unsatisfied final judgments or decrees (other than the Consent Decree) in respect of the Business or the Purchased Assets.

5.13 FDA Regulatory Compliance.

(a) Abbott has all material Registrations from the FDA or other Governmental Authority required to conduct the Business as currently conducted. To the

Knowledge of Abbott, each of such Registrations is valid and subsisting in full force and effect, and, subject to applicable Law, may be assigned and transferred to GE in accordance with the provisions of this Agreement. The FDA has not informed Abbott in writing that it intends to limit, suspend or revoke such Registrations or change the marketing classification or labeling of any Abbott Products.

(b) The Abbott Products that are subject to the jurisdiction of the FDA have been and are being developed, tested, manufactured, distributed and marketed in substantial compliance with all applicable FDA Laws.

(c) Abbott, with respect to the Business, is not subject to, and does not have Knowledge of facts or circumstance reasonably likely to cause, any material obligation arising under an administrative or regulatory action status, FDA warning letter, FDA notice of violation letter, or other notice from the FDA or any comparable Governmental Authority except for the Consent Decree.

5.14 Contracts. None of Abbott or its Affiliates, nor, to the Knowledge of Abbott, any other party thereto is in material violation of or in material default under (nor does there exist any condition which, upon the passage of time or the giving of notice or both, would cause such a violation or default by any of Abbott or its Affiliates, or, to the Knowledge of Abbott, any other party thereto) any (i) Business Contract listed on Schedule 5.14, (ii) material license agreements granting any rights under any Business Intellectual Property or Mixed-Use Intellectual Property where Abbott is the licensee or (iii) other Contract if such violation or default would be reasonably likely to have a Material Adverse Effect.

5.15 Employment and Employee Benefits Matters.

(a) As soon as reasonably practicable, and in no event later than thirty (30) days after the signing of this Agreement, Abbott shall provide GE with Schedule 5.15(a) which shall set forth a preliminary list of all material employee benefit plans (within the meaning of Section 3(3) of ERISA, whether or not subject to ERISA) and all material bonus, stock option, stock purchase, restricted stock, incentive, deferred compensation, retiree health or life insurance, supplemental retirement, severance or other benefit plans, programs or arrangements, that are maintained, contributed to or required to be maintained or contributed to by Abbott or any of its Affiliates (but excluding any such plan, program or arrangement mandated by and maintained solely pursuant to applicable Law), in each case providing benefits to any Business Employee (such plans, programs, and arrangements are hereinafter referred to as the "Employee Plans"). As soon as reasonably practicable, and in no event later than sixty (60) days after the signing of this Agreement, Abbott shall cause to be made available to GE a true and complete copy of each Employee Plan and all amendments thereto (or in the case of any Employee Plan that is not in writing, a written description thereof).

(b) None of the Employee Plans is a multiemployer plan (within the meaning of Section 3(37) or 4001(a)(3) of ERISA).

(c) Each Employee Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS that it is so

qualified, and each related trust that is intended to be exempt from federal income Tax pursuant to Section 501(a) of the Code has received a determination letter from the IRS that it is so exempt, and no fact or event has occurred since the date of such determination letter that would adversely affect such qualification or exemption, as the case may be.

(d) With respect to each Employee Plan (and with respect to each similar material employee benefit arrangement maintained, contributed to or sponsored by Abbott or any of its Affiliates in which controlled group Liability is imposed under the Code), neither Abbott nor any of its Affiliates is currently liable for any material Tax arising under Section 4971, 4972, 4975, 4976, 4979, 4980 or 4980B of the Code, and no fact or event exists that would give rise to any such material Tax Liability. Neither Abbott nor any of its Affiliates has incurred any material Liability under or arising out of Title IV of ERISA that has not been satisfied in full (other than any material Liability for premiums to the Pension Benefit Guaranty Corporation arising in the ordinary course all of which have been timely paid), and no fact or event exists that would result in such a material Liability. None of the Purchased Assets is the subject of any material lien arising under Section 302(f) or 4068 of ERISA or Section 412(n) of the Code and neither Abbott nor any of its Affiliates has been required to post any material security under Section 307 of ERISA or Section 401(a)(29) of the Code with respect to any Employee Plan, and no fact or event exists that would give rise to any such material lien or requirement to post any such material security.

(e) To the Knowledge of Abbott, each Employee Plan which GE or one of its Affiliates has agreed to assume in Article 8, is now and has been operated in all material respects in accordance with the requirements of all applicable Laws, including, in the case of United States plans, ERISA and the Code, and in accordance with their terms.

(f) Except as set forth on Schedule 5.15(f) (with respect to which Abbott shall provide GE a preliminary schedule as soon as reasonably practicable, and in no event later than thirty (30) days after the signing of this Agreement), neither Abbott nor any of its Affiliates is a party to any collective bargaining agreement, works council agreement or other similar agreements applicable to the Business Employees.

5.16 Labor Matters. Except as set forth on Schedule 5.16 (which Abbott shall provide GE as soon as reasonably practicable, and in no event later than sixty (60) days after the signing of this Agreement), within the last three (3) years neither Abbott any of its Affiliates has experienced any labor disputes, union organization attempts or any work stoppage due to labor disagreements in connection with the Business Employees. Except to the extent set forth on Schedule 5.16 (which Abbott shall provide GE as soon as reasonably practicable, and in no event later than sixty (60) days after the signing of this Agreement), to the Knowledge of Abbott, as of the date of this Agreement, (a) there is no material unfair labor practice charge or complaint against Abbott or any of its Affiliates pending or threatened in connection with the Business Employees; (b) there is no material labor strike, dispute, request for representation, slowdown or stoppage or labor-related boycott of the Business's products actually pending or threatened against or affecting Abbott or any of its Affiliates in connection with the Business Employees; (c) no material question concerning union representation has been raised or threatened in connection with the U.S. Business Employees; (d) there are no material pending arbitration proceedings in connection with any group of Business Employees; and (e) there are no material administrative

charges or court complaints or investigations against Abbott or any of its Affiliates concerning alleged employment discrimination, wage and hour issues, workplace safety, or other employment or benefit related matters pending or threatened before the U.S. Equal Employment Opportunity Commission or any Governmental Authority in connection with the Business Employees.

5.17 Taxes.

(a) All material Tax Returns required by applicable Laws to have been filed with any Governmental Authority by, or with respect to, Abbott and its Affiliates (with respect to the Purchased Assets and the Business) have been filed in a timely manner (taking into account any valid extension) in accordance with all applicable Laws, and all such Tax Returns are true and complete in all material respects;

(b) Abbott and its Affiliates (with respect to the Purchased Assets and the Business) have paid (or have had paid on its behalf) all material Taxes due and owing, and the most recent financial statements of Abbott filed with the Securities and Exchange Commission ("SEC") for which Abbott and its Affiliates are included reflect an adequate reserve for all Taxes payable by Abbott and its Affiliates (with respect to the Purchased Assets and the Business) for all taxable periods and portions thereof accrued through the date of such financial statements;

(c) there are no Encumbrances for Taxes on any of the Purchased Assets (other than for Taxes not yet due and payable);

(d) Abbott and its Affiliates (with respect to the Purchased Assets and the Business) have complied with all applicable Laws relating to the payment and withholding of Taxes;

(e) no written notification has been received by Abbott or its Affiliates (with respect to the Purchased Assets and the Business) that any federal, state, local or non-U.S. audit, examination or similar proceeding is pending, proposed or asserted with regard to any Taxes or Tax Returns of Abbott or its Affiliates (with respect to the Purchased Assets and the Business);

(f) there is no currently effective agreement with any Governmental Authority extending, or having the effect of extending, the period of assessment or collection of any Taxes by Abbott or its Affiliates (with respect to the Purchased Assets and the Business) nor has any request been made for any such extension;

(g) no written notice of a claim or pending investigation has been received from any state, local or other jurisdiction with which Abbott and its Affiliates currently does not file Tax Returns, alleging that Abbott or its Affiliates (with respect to the Purchased Assets and the Business) has a duty to file Tax Returns and pay Taxes or is otherwise subject to the taxing authority of such jurisdiction;

(h) none of Abbott or its Affiliates (with respect to the Purchased Assets and the Business) is bound by any Tax sharing arrangement or Tax indemnity arrangement; and

(i) no transaction contemplated by this Agreement is subject to withholding under Section 1445 of the Code (relating to "FIRPTA") or any comparable provision of non-U.S. Law.

5.18 Brokers. Abbott shall be solely responsible for the fees and expenses of any broker, finder or investment banker entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Abbott.

5.19 Disclaimer. EXCEPT AS SET FORTH IN THIS ARTICLE 5, NONE OF ABBOTT, ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR REPRESENTATIVES MAKE OR HAVE MADE ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF ABBOTT, ITS AFFILIATES OR THE BUSINESS. ANY SUCH OTHER REPRESENTATION OR WARRANTY IS HEREBY EXPRESSLY DISCLAIMED.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF GE

GE represents and warrants to Abbott as follows:

6.1 Organization and Authority of GE. GE is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of New York and has all necessary corporate power and authority to enter into, execute and deliver this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by GE, the performance by GE of its obligations hereunder and the consummation by GE of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of GE. This Agreement has been duly executed and delivered by GE, and, assuming due authorization, execution and delivery by Abbott, this Agreement is a legal, valid and binding obligation of GE enforceable against it in accordance with its terms.

6.2 No Conflict. Assuming that all Consents and other actions described in Section 6.3 have been obtained, and except as may result from any facts or circumstances relating solely to Abbott, the execution, delivery and performance by GE of this Agreement do not and shall not (a) violate, conflict with or result in the breach of any provision of the certificate of incorporation or bylaws (or similar organizational documents) of GE, (b) conflict with or violate any Law or Governmental Order applicable to GE or its respective assets, properties or businesses or (c) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration,

suspension, revocation or cancellation of, any note, bond, mortgage or indenture, Contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which GE is a party, except, in the case of clauses (b) and (c), as would not materially and adversely affect the ability of GE to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement.

6.3 Governmental Consents and Approvals. The execution, delivery and performance by GE of this Agreement do not and shall not require any Consent of, action by, filing with, or notification to, any Governmental Authority, except (a) the requirements of the EC Merger Regulation and, to the extent applicable, the requirements of the HSR Act and the Competition/Investment Laws of any other relevant jurisdiction, (b) any notification, or where appropriate, consultation, consent or negotiation with a works council, union, labor board or relevant Governmental Authority concerning the transactions contemplated by this Agreement or (c) where failure to obtain such Consent or to take such action, make such filing or make such notification, would not prevent or materially delay the consummation by GE of the transactions contemplated by this Agreement.

6.4 Litigation. As of the date hereof, no Action by or against GE is pending or, to the Knowledge of GE, threatened, challenging the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby.

6.5 Brokers. GE shall be solely responsible for the fees and expenses of any broker, finder or investment banker entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of GE.

ARTICLE 7

ADDITIONAL COVENANTS AND AGREEMENTS

7.1 Conduct of the Business. From the date of this Agreement until the Closing (or until the earlier termination of this Agreement in accordance with Section 11.1), except as expressly required by applicable Law, as contemplated by or required to implement this Agreement or any Ancillary Agreement or as otherwise waived or consented to in writing by GE, Abbott shall, and shall cause its Affiliates to:

(a) carry on the Business in the ordinary course of business consistent with past practice, and in any event in material compliance with all applicable Laws;

(b) not in any respect, (A) grant any increase, or announce any increase, in the wages, salaries, compensation, bonuses, incentives, pension or other benefits payable to any Transferred Employee, including any increase or change pursuant to any Employee Plan or (B) establish or increase or promise to increase any benefits under any Employee Plan, in either case except (i) as required by Law or to effect the terms of this Agreement, (ii) as may be required under any Employee Plan or other agreement in effect on the date hereof, (iii) as effected in the ordinary course consistent with the past practice, or (iv) as

would also relate to a substantial number of similarly situated employees of Abbott and its Affiliates employed by the Abbott Other Businesses;

(c) not transfer any Business Employee to another business unit of Abbott or its Affiliates, other than individuals listed on Schedule 8.1(a)(i) — 1;

(d) continue to maintain, service and protect the Purchased Assets on a basis consistent with past practice;

(e) use commercially reasonable efforts to preserve intact the goodwill of the Business and the relationships of Abbott and its Affiliates with their customers, vendors, suppliers, creditors, agents, landlords, equipment lessors, service providers, employees and others having business relations with the Business;

(f) pay all accounts payable and other current obligations of Abbott and its Affiliates to the extent related to the Business when they become due and payable in the ordinary course of business consistent with past practice, except for accounts payable or other obligations that are the subject of a good faith dispute;

(g) not delay or accelerate payment of any account payable or other Liability of the Business beyond or in advance of its due date or the date when such Liability would have been paid in the ordinary course of business consistent with past practice, other than any such delays due to good faith disputes;

(h) continue to maintain the books and records of Abbott and its Affiliates related to the Business on a basis consistent with past practice;

(i) continue to make all necessary and material filings and payments with Governmental Authorities in connection with the Business in a timely manner, and use commercially reasonable efforts to maintain in effect all existing Registrations or other authorizations of Governmental Authorities required for the ongoing operation of the Business as currently conducted;

(j) not (i) sell, assign, convey, transfer or lease (as lessor) any Purchased Asset, other than the sale of inventories in the ordinary course of business consistent with past practice, (ii) dispose of any equipment of Abbott or any of its Affiliates primarily related to the Business, other than in the ordinary course of business consistent with past practice, (iii) write off, forgive, waive or otherwise cancel, in whole or in part, any material account receivable of Abbott or any of its Affiliates to the extent included in the Purchased Assets, except as required by GAAP or applicable Law, (iv) write off, forgive, waive or otherwise cancel, in whole or in part, any other material obligation owed to Abbott or any of its Affiliates to the extent related to the Business, except as required by GAAP or applicable Law, (v) acquire any material asset or material property primarily related to the Business other than in the ordinary course of business, (vi) take any action or knowingly omit to take any action, the taking or omission of which has a Material Adverse Effect, or (vii) enter into any Contract, arrangement or commitment to do any of the foregoing; or

(k) except as would not be material to the Business, not (i) change any financial or Tax accounting methods, policies or practices of Abbott or any of its Affiliates (to the extent related to the Business), except as required by a change in GAAP or applicable Law or (ii) make, revoke or amend any Tax election of Abbott or any of its Affiliates (to the extent related to the Business); or

(l) except as required by applicable Law, not prepare or file any Tax Return inconsistent with past practice or, on any such Tax Return, take any position, make any election, or adopt any method that is inconsistent with positions taken, elections made or methods used in preparing or filing similar Tax Returns in prior periods (including positions, elections or methods that would have the effect of deferring income to Post-Closing Tax Periods or accelerating deductions to Pre-Closing Tax Periods), but only to the extent that such act would result in an increase in Taxes in any Post-Closing Tax Period.

7.2 Access to Information; Confidentiality.

(a) From the date hereof until the Closing, upon reasonable notice, Abbott shall: (i) afford GE and its authorized representatives reasonable access to the properties and books and records of the Business, and (ii) furnish to the officers, directors, employees, and authorized representatives of GE such additional financial and operating data and other information regarding the Business (or copies thereof) as GE may from time to time reasonably request; provided, however, that any such access or furnishing of information shall be scheduled and coordinated through Abbott's Vice President, Global Licensing/New Business Development (or his successor or successors) and shall be conducted at GE's expense, during normal business hours, under the supervision of Abbott's or its Affiliates' personnel and in such a manner as not to interfere unreasonably with the normal operations of the Business or any of the Abbott Other Businesses. Notwithstanding anything to the contrary in this Agreement, Abbott shall not be required to disclose any information to GE if such disclosure would be reasonably likely to (x) cause significant competitive harm to the Business if the transactions contemplated hereby are not consummated, (y) jeopardize any attorney-client or other legal privilege or (z) contravene any applicable Laws, fiduciary duty or binding agreement entered into prior to the date hereof.

(b) The terms of the Confidentiality Agreement, dated as of June 29, 2006, between GE Healthcare and Abbott, which Confidentiality Agreement was joined by GE on December 12, 2006 (the "Confidentiality Agreement"), shall continue in full force and effect until the Closing, at which time such Confidentiality Agreement and the obligations of GE under this Section 7.2(b) shall terminate; provided, however, that, from and after the Closing, except as would have been permitted under the terms of the Confidentiality Agreement, (i) GE shall, and shall cause its officers, directors, employees, authorized representatives and Affiliates to, treat and hold as confidential, and not disclose to any Person, information related to the discussions and negotiations between the parties regarding this Agreement and the transactions contemplated hereby and all confidential information relating to Abbott, the Abbott Other Businesses or the Excluded Assets, and (ii) Abbott shall, and shall cause its officers, directors, employees, authorized representatives and

Affiliates to, treat and hold as confidential, and not disclose to any Person, information related to the discussions and negotiations between the parties regarding this Agreement and the transactions contemplated hereby and all confidential information relating to

the Business or GE. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall continue in full force and effect.

(c) Nothing provided to GE pursuant to Section 7.2(a) shall in any way amend or diminish GE's obligations under the Confidentiality Agreement. GE acknowledges and agrees that any Evaluation Material (as defined in the Confidentiality Agreement) provided to GE pursuant to Section 7.2(a) or otherwise by or on behalf of Abbott or any officer, director, employee or authorized representative shall be subject to the terms and conditions of the Confidentiality Agreement.

(d) Abbott and GE shall cooperate in the preparation of carve-out financial statements of the Business, and make available to each other such Books, Records and Files and other information and employees as either may reasonably request in connection with the preparation thereof. Abbott shall bear out-of-pocket costs relating to the preparation of such carve-out financial statements for the Business.

7.3 Regulatory and Other Authorizations; Notices and Consents.

(a) Each of Abbott and GE shall use its commercially reasonable efforts to obtain promptly all Consents of all Governmental Authorities that may be or become necessary for the performance of its and the other party's obligations pursuant to, and the consummation of the transactions contemplated by, this Agreement. Abbott and GE shall cooperate with one another in promptly seeking to obtain all such Consents; provided, however, that Abbott and GE shall not be required to pay any fees or other payments to any such Governmental Authorities in order to obtain any such Consent (other than normal filing fees that are imposed by Law on Abbott or GE, as applicable, or Conveyance Taxes). Neither Abbott, with respect to the Business, nor GE, with respect to the business conducted by GE Healthcare, shall knowingly enter into any acquisition or other agreement, make any announcement with respect to any transaction or take any other action that could reasonably be expected to have the effect of materially delaying, impairing or impeding the receipt of any Consent of a Governmental Authority under any Competition/Investment Law. Abbott and GE each agree to make, or to cause to be made, if required, an appropriate filing of a notification and report form pursuant to the HSR Act, the EC Merger Regulation and any other applicable Competition/Investment Law, in each case, with respect to the transactions contemplated by this Agreement as promptly as reasonably practicable after the date of this Agreement, and to supply promptly any additional information and documentary material that may be requested pursuant to the HSR Act and the EC Merger Regulation or any other Competition/Investment Laws. If any objections are asserted with respect to the transactions contemplated hereby under any Competition/Investment Law or if any suit or proceeding is instituted or threatened by any Governmental Authority or any private party challenging any of the transactions contemplated hereby as violative of any Competition/Investment Law, each of GE and Abbott shall use its reasonable best efforts to promptly resolve such objections. Notwithstanding anything to the contrary contained in this Agreement, in connection with obtaining any Consent of a Governmental Authority under any Competition/Investment Law (i) Abbott shall not, without GE's prior written consent, commit to any divestiture transaction involving the Purchased Assets, or commit to alter the business or commercial practices relating to the Business in any way, and (ii) neither GE nor any of its Affiliates shall be required to (A) divest or hold separate or

otherwise take or commit to take any action that limits its freedom of action with respect to, or its ability to retain, the Business, any Purchased Assets, any Abbott Product or any other assets or businesses of GE or any of its Affiliates or (B) alter or restrict in any way the business or commercial practices of GE, any of its Affiliates, or the Business.

(b) Abbott shall notify the FDA of the transactions contemplated by this Agreement as required by paragraph 23 of the Consent Decree, a copy of which has been provided to GE, and may provide the FDA with a copy of this Agreement. GE shall (i) cooperate with Abbott and promptly comply with any further inquiry or request for information from the FDA in connection with such notice; (ii) at the Closing, assume and agree to fully satisfy all Liabilities of Abbott, Miles D. White, Chairman of the Board and Chief Executive Officer, Abbott, and Thomas D. Brown, (former) President, Abbott Diagnostics Division (collectively, the "Abbott Consent Decree Defendants"), under the Consent Decree; (iii) cooperate with Abbott, using its reasonable best efforts, to obtain an amendment to the Consent Decree to (x) replace the defendants thereunder with GE or other GE Persons required by any Governmental Authority (the "GE Consent Decree Defendants"), (y) reflect the assignment and assumption of all Liabilities of the Abbott Consent Decree Defendants thereunder to and by the GE Consent Decree Defendants and (z) remove and unconditionally release the Abbott Consent Decree Defendants as defendants thereunder; and (iv) use its reasonable best efforts to promptly resolve any objections or conditions asserted with respect to the transactions contemplated hereby under the Consent Decree by any Governmental Authority.

(c) Each party to this Agreement shall promptly notify the other party of any communication it or any of its Affiliates receives from any Governmental Authority relating to the matters that are the subject of this Agreement and permit the other party to review in advance any proposed communication by such party to any Governmental Authority relating to the matters that are the subject of this Agreement. Neither party to this Agreement shall agree to participate in any meeting with any Governmental Authority in respect of any filings, investigation or other inquiry related to the transactions contemplated by this Agreement unless it consults with the other party in advance and, to the extent permitted by such Governmental Authority, gives the other party the opportunity to attend and participate at such meeting. Subject to the Confidentiality Agreement, the parties to this Agreement shall coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other party may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods including under the HSR Act, the EC Merger Regulation and any other applicable Competition/Investment Laws. Subject to the Confidentiality Agreement the parties to this Agreement shall provide each other with copies of all correspondence, filings or communications between them or any of their representatives, on the one hand, and any Governmental Authority or members of its staff, on the other hand, with respect to this Agreement and the transactions contemplated by this Agreement.

7.4 Notifications. Each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that shall result in (a) any representation or warranty made by such party to be untrue or

inaccurate in a manner which would result in the failure of the condition set forth in Section 10.1(a) or Section 10.2(a) and (b) any material failure on such party's part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it

hereunder; provided, however, that the delivery of any notice pursuant to this Section 7.4 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.5 Release of Indemnity Obligations.

(a) Abbott and GE shall cooperate with each other with a view to entering into arrangements effective as of the Closing whereby GE would be substituted for Abbott and its Affiliates in any guarantees, letters of comfort, indemnities or similar arrangements entered into by Abbott or its Affiliates in respect of the Business (but only to the extent such guarantees, letters of comfort, indemnities or arrangements constitute Assumed Liabilities). If GE cannot enter into the arrangements referred to above, Abbott shall not terminate such guaranty arrangements without GE's consent; provided, however, that GE shall enter into a separate guaranty with Abbott or one of its Affiliates to guarantee the performance of the obligations of the relevant Person pursuant to the Contract underlying such guaranty arrangements.

(b) After the Closing, each of Abbott and GE, at the request of the other party, shall use, and shall cause their respective Affiliates to use, commercially reasonable efforts to obtain any Consent, substitution or amendment required to novate or assign all Assumed Liabilities to GE or its Affiliates and any Excluded Liabilities to Abbott or its Affiliates, and obtain in writing the unconditional release of Abbott and its Affiliates with respect to the Assumed Liabilities and the unconditional release of GE and its Affiliates with respect to the Excluded Liabilities.

7.6 Intellectual Property Matters.

(a) At the Closing, Abbott shall grant (to the extent Abbott has a right to) to GE and its Affiliates, (x) for a period from the Closing until the earlier of (A) the first anniversary of the Closing or (B) the exhaustion of any inventory of Abbott Products in existence at the Closing bearing the Licensed Marks, a non-exclusive, irrevocable (except in the event of breach by GE or its Affiliates of this Section 7.6(a), which breach is not cured within thirty (30) days of written notice from Abbott), non-assignable, worldwide and royalty-free right and license to use the Licensed Marks to manufacture, label, market, distribute, lease, sell and support inventory of Abbott Products in existence at the Closing or existing as of the date which is six (6) months following the Closing, as such Licensed Marks are used in the Business at the Closing, for the sole purpose of operating the Business by GE and its Affiliates and (y) a perpetual, non-exclusive, irrevocable (except in the event of breach by GE or its Affiliates of this Section 7.6(a), which breach is not cured within thirty (30) days of written notice from Abbott), non-assignable, worldwide and royalty-free right and license to use the Licensed Marks on any installed instrument bases of the Business existing as of the date which is six (6) months following the Closing, and only as such Licensed Marks appear on such instruments as of the Closing; provided that GE, its Affiliates or its designees (i) shall as part of any resale, refurbishing or receipt of any such installed instrument, and (ii) shall use commercially reasonable efforts to, as part of any service to or service call on any such installed instrument, cover over all Licensed Marks so that such Licensed Marks are no longer observable on any exterior surface of such instrument (but (A) shall have no obligation to alter the operating software of such instrument to remove the display of any Licensed Mark except as reasonably

practicable when otherwise modifying such software and (B) shall have no obligation to cover any Licensed Marks to the extent such actions are objected to by a representative of the applicable customer or end user of such instrument). The foregoing license grants shall be effective immediately upon the Closing. As soon as reasonably practicable after the Closing, but in no event later than six (6) months after the Closing, GE shall, and shall cause its Affiliates to, (i) subject to clause (y) of the first sentence of this Section 7.6(a), cease to use and remove or cover the name "Abbott" as a trade name, corporate name or domain name from all materials, and (ii) otherwise cease use of any Abbott Brand for which GE has not been granted a license pursuant to this Section 7.6(a), including removing such Abbott Brand from signs, billboards, telephone listings, stationery, office forms or other similar materials of the Business. Any use by GE and its Affiliates of any Licensed Mark as permitted in this Section 7.6(a) is subject to their compliance with the level of quality in effect in connection with the Licensed Marks immediately prior to the Closing Date. GE and its Affiliates shall not use the Licensed Marks in any manner that reflects negatively on such Trademarks or on Abbott or its Affiliates, or harms the value or goodwill of the Licensed Marks; provided, however, that nothing in this sentence shall limit GE's right to take any action with respect to the Abbott Products to the extent that such action is required by applicable Law. Except as expressly provided in this Section 7.6(a), GE and its Affiliates shall have no right to use in any way the Licensed Marks. The parties acknowledge and agree that the Trademarks set forth on Schedule 7.6(a) are used in connection with the Abbott Other Businesses and are being retained by Abbott and its Affiliates, and Abbott and its Affiliates shall have the royalty-free right to use such Trademarks and variants thereof with respect to the products and services of the Abbott Other Businesses and, subject to any preexisting rights of GE and its Affiliates, other products and services.

(b) Abbott and its Affiliates shall retain the ownership of and other rights to the Mixed-Use Intellectual Property used primarily in connection with or related primarily to one or more of the Abbott Other Businesses, which Intellectual Property is set forth on Schedule 7.6(b) (the "Abbott Mixed-Use Intellectual Property"). At the Closing, Abbott, on behalf of itself and its Affiliates, shall grant (to the extent Abbott has rights to) to GE and its Affiliates, a perpetual, irrevocable, worldwide, non-exclusive and royalty-free right and license (with a right to grant sublicenses or covenants not to sue for purposes of conducting GE's and its Affiliates' business) under the Abbott Mixed-Use Intellectual Property to (i) research, develop, make, have made, use, sell, offer to sell, distribute, import, support and otherwise dispose of products, methods and services covered by, and to use, modify, reproduce, display, perform or prepare derivative works based on, the Abbott Mixed-Use Intellectual Property in any field of use. The foregoing license grants shall be (i) effective immediately upon the Closing, and (ii) non-assignable, except in connection with a transfer of the Business or any other business in which such Abbott Mixed-Use Intellectual Property is used (or a transfer of substantially all of the assets of the Business or such other business). Abbott covenants not to sue GE or its Affiliates for patent infringement to the extent such infringement is due to making, using, marketing, offer for sale, sale, importation, or export of products of the Business already marketed as of the Closing.

(c) GE and its Affiliates shall own all right, title and interest in and to the Mixed-Use Intellectual Property used primarily in connection with or related primarily to the Business, which Intellectual Property is set forth on Schedule 7.6(c) (the "GE Mixed-Use Intellectual

Property"). At the Closing, GE, on behalf of itself and its Affiliates, shall grant (to

the extent GE has rights to) to Abbott and its Affiliates, a perpetual, irrevocable, worldwide, non-exclusive and royalty-free right and license (with a right to grant sublicenses or covenants not to sue for purposes of conducting Abbott's and its Affiliates' business) under the GE Mixed-Use Intellectual Property to (i) research, develop, make, have made, use, sell, offer to sell, distribute, import, support and otherwise dispose of products, methods and services covered by, and to use, modify, reproduce, display, perform or prepare derivative works based on, the GE Mixed-Use Intellectual Property in any field of use. The foregoing license grants shall be (i) effective immediately upon the Closing, and (ii) non-assignable, except in connection with a transfer of any business in which such GE Mixed-Use Intellectual Property is used (or a transfer of substantially all of the assets of such business). GE covenants not to sue Abbott or its Affiliates for infringement of Business Intellectual Property to the extent such infringement is due to making, using, marketing, offer for sale, sale, importation, or export of products already marketed as of the Closing.

(d) GE shall have the first right, but not the obligation, to commence and prosecute any Action involving the GE Mixed-Use Intellectual Property. In such case, Abbott agrees to reasonably cooperate with GE (and to the extent necessary to maintain standing, Abbott agrees to be named as a party in such suit), at GE's expense, to the extent GE requires information in Abbott's possession or control or requires other reasonable assistance. In addition, Abbott shall be entitled to join in any such Action at its own expense. Abbott shall have the first right, but not the obligation, to commence and prosecute any Action involving the Abbott Mixed-Use Intellectual Property. In such case, GE agrees to reasonably cooperate with Abbott (and to the extent necessary to maintain standing, GE agrees to be named as a party in such suit), at Abbott's expense, to the extent Abbott requires information in GE's possession or control or requires other reasonable assistance. In addition, GE shall be entitled to join in any such Action at its own expense. If the party having the first right to commence any Action fails to commence such Action within one hundred eighty (180) days after being notified thereof by the other party, then the notifying party shall have the right, but not the obligation, to commence and prosecute any such Action, at the expense of the notifying party. Any Action that a party undertakes involving the Mixed-Use Intellectual Property shall not be settled without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed. Each party shall be entitled to retain any and all amounts awarded to it in any such Action. GE and Abbott shall use reasonable efforts to keep each other reasonably informed of all settlement negotiations with third Persons and of the progress of any litigation with third Persons regarding such Actions.

(e) Abbott and GE shall each, at its sole discretion and option and at its sole expense, pay all maintenance fees, maintain the existence and present status of any existing registrations for, prosecute all pending applications for, the Abbott Mixed-Use Intellectual Property and the GE Mixed-Use Intellectual Property, respectively, and shall maintain the existence and status, as issued, of any patents issued pursuant to any pending applications included within its Mixed-Use Intellectual Property; provided, however, that the foregoing shall not require either party to engage in any of the foregoing or to engage in litigation. If either party: (i) elects not to pay any applicable maintenance fees, (ii) elects not to prosecute any applications for registration, or (iii) otherwise fails to maintain any registration or application for any of its Mixed-Use Intellectual Property, then it shall provide notice thereof to the other and the other shall then have, as its sole remedy and at its own expense, the option to

pay the fee, or prosecute or maintain the Mixed-Use Intellectual Property that is the subject of the notice. If either party exercises its option to prosecute and maintain any Mixed-Use Intellectual Property of the other pursuant to the preceding sentence, it shall notify the other thereof.

(f) If the parties identify any patent owned by Abbott that was used primarily in connection with, or related primarily to, the Business at the time of Closing, but was not included as Mixed-Use Intellectual Property, the parties shall amend Schedule 7.6(c) to add such patent. If the parties identify any patent assigned to GE hereunder that was used primarily in connection with, or related primarily to, one or more Abbott Other Business(es) at the time of Closing, the parties shall amend Schedule 7.6(b) to add such patent.

7.7 Transition Services. Following the Closing, (i) Abbott or one or more of its Affiliates shall provide or make available to the Business certain services, rights, properties and assets (to the extent Abbott or one of its Affiliates has the right to) and (ii) GE or one or more of its Affiliates shall provide or make available to the Abbott Other Businesses certain services, rights, properties and assets (to the extent GE or one of its Affiliates has the right to), in each case on the terms set forth in a transition services agreement to be entered into at the Closing among Abbott and, to the extent applicable, its Affiliates, and GE and, to the extent applicable, its Affiliates (the "Transition Services Agreement"), with respect to such matters and containing the terms and provisions set forth on Schedule 7.7 and such other terms and provisions with respect to Annexes A, B and C to Schedule 7.7 as the parties shall mutually agree in writing.

7.8 Further Action.

(a) Each of Abbott and GE shall use its commercially reasonable efforts to take, or cause to be taken all appropriate action, to do or cause to be done all things necessary, proper or advisable under applicable Law, the Contracts included in the Purchased Assets or otherwise, and to execute and deliver such documents and other papers and any other agreements, as may be necessary to carry out the provisions of this Agreement and consummate and make effective the transactions contemplated by this Agreement and to effect the separation of the Business and the Purchased Assets from other Abbott assets, including obtaining all required Consents from third Persons. GE shall be responsible for the payment of any amounts necessary to obtain any required Consents from third parties. Without limiting the generality of the foregoing, Abbott and GE shall work diligently and in good faith toward the execution of the Ancillary Agreements with such terms and conditions required pursuant hereto and such other terms and conditions as are mutually agreeable to the parties. If any Ancillary Agreement (other than the Transition Services Agreement, which shall be executed at the Closing) is not finalized prior to the Closing, Abbott and GE shall continue to work diligently and in good faith after the Closing toward the execution of such Ancillary Agreement as promptly as practicable following the Closing with such terms and conditions required pursuant hereto and such other terms and conditions as are mutually agreeable to the parties. Abbott shall, at Abbott's cost, use commercially reasonable efforts to cause the Business Intellectual Property and the GE Mixed-Use Intellectual Property to be free and clear of liens, pledges, security interests or other similar encumbrances capable of registration against title at the Closing or as promptly as reasonably practical thereafter.

(b) Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign, license, sublicense or otherwise provide rights with respect to any Purchased Asset or any right thereunder if an attempted assignment, license or other provision, without the Consent of, or other action by, any third Person, would constitute a breach or other contravention of a Contract with such third Person or would in any way adversely affect the rights of GE or Abbott or any of their respective Affiliates relating to such Purchased Assets. To the extent that any of the transfers, distributions, licenses, deliveries and the assumptions required to be made in connection with the transactions contemplated by this Agreement shall not have been so consummated at Closing, the parties shall cooperate and use their commercially reasonable efforts, subject to GE's payment of amounts necessary to obtain Consents, to effect such consummation as promptly thereafter as reasonably practicable, executing and delivering such further instruments of transfer and taking such other actions as the parties may reasonably request in order to effectuate the purposes of this Agreement or to more effectively transfer to GE or confirm GE's right, title to or interest in, all of the Purchased Assets, to put GE in actual possession and operating control thereof and to permit GE to exercise all rights with respect thereto (including rights under Contracts and other arrangements as to which the Consent of any third Person to the transfer thereof shall not have previously been obtained). Except with respect to the Retained Licenses and Excluded Agreements as set forth on Schedule 7.8(b), in the event and to the extent that Abbott and GE are unable to obtain any required Consents, Abbott shall (i) continue to be bound thereby pending assignment to GE, (ii) at the direction and expense of GE, pay, perform and discharge fully all of its obligations thereunder from and after the Closing and prior to assignment to GE and (iii) without further consideration therefor, pay, assign and remit to GE promptly all monies, rights and other consideration received in respect of such agreements. Also, except for the Retained Licenses and Excluded Agreements as set forth on Schedule 7.8(b), Abbott shall exercise or exploit its rights and options under all such agreements, leases, licenses and other rights and commitments when and only as reasonably directed by GE. If and when any such Consent shall be obtained or such agreement, lease, license or other right shall otherwise become assignable or sublicenseable, Abbott shall promptly assign or sublicense its agreed-to rights and obligations thereunder to GE without payment of further consideration and GE shall, without the payment of any further consideration therefor, assume such rights and obligations.

(c) In the event that the parties determine that certain assets, rights or properties which properly constitute Purchased Assets were not transferred to GE or one of its Affiliates at Closing, Abbott shall promptly use its commercially reasonable efforts to transfer and deliver any and all of such assets to GE or one of its Affiliates without the payment by GE of any further consideration therefor. In the event that the parties determine that certain Excluded Assets were transferred to GE or one of its Affiliates at Closing, then GE shall promptly use its commercially reasonable efforts to transfer and deliver any and all of such Excluded Assets to Abbott or one of its Affiliates without the payment by Abbott of any further consideration therefor. The costs of obtaining any Consents in connection with such transfer and delivery shall be borne by the recipient of such assets.

(d) In the event that the parties determine that a Trademark (other than the Abbott Brands) is used in the Business and was not transferred to GE pursuant to Section 2.1(A) or licensed to GE pursuant to Section 7.6(a) or Section 7.6(c), Abbott shall, if such Trademark is used primarily in connection with or primarily related to the Business, assign

all right, title and interest in and to such Trademark to GE, and GE, on behalf of itself and its Affiliates, shall grant to Abbott a license to use such Trademark and variants thereof, which license shall have terms consistent with the terms of the license granted in Section 7.6(c).

(e) In the event that the parties determine that a Trademark (other than the Abbott Brands) is used in any Abbott Humanitarian Program and was transferred to GE pursuant to Section 2.1(A), such Trademark shall be licensed to Abbott and its Affiliates for use in any Abbott Humanitarian Program; provided that GE would retain all rights to such Trademark for the Business.

7.9 Mixed Contracts; Mixed Accounts.

(a) Except as may otherwise be agreed by the parties in writing, any Business Contract (other than any Business Contracts that (A) are used exclusively in connection with, or relate exclusively to, the Business, (B) expressly constitute Excluded Assets or (C) to the extent not otherwise covered by clause (A) and (B), the Retained Licenses and Excluded Agreements) to which Abbott or any of its Affiliates is a party prior to the Closing, in each case, that inures to the benefit or burden of each of the Business and the Abbott Other Businesses (a "Mixed Contract"), shall, to the extent commercially reasonable, be separated (or, with respect to Intellectual Property, to the extent not separable and to the extent permitted, sublicensed) on or after the Closing, so that each of Abbott and GE shall be entitled to the rights and benefits and shall assume the related portion of any Liabilities inuring to their respective businesses. If any Mixed Contract cannot be so separated (or, with respect to Intellectual Property, to the extent not separable and to the extent permitted, sublicensed), Abbott and GE shall, and shall cause each of their respective Affiliates to, take such other commercially reasonable efforts to cause (i) the rights and benefits associated with that portion of each Mixed Contract that relates to the Business to be enjoyed by GE; (ii) the Liabilities associated with that portion of each Mixed Contract that relates to the Business to be borne by GE; (iii) the rights and benefits associated with that portion of each Mixed Contract that relates to the Abbott Other Businesses to be enjoyed by Abbott and (iv) the Liabilities associated with that portion of each Mixed Contract that relates to the Abbott Other Businesses to be borne by Abbott. Abbott shall provide GE with a copy of each Mixed Contract (it being understood that the parties shall use commercially reasonable efforts to comply, where practicable, with any applicable confidentiality provisions contained in such Mixed Contracts), and the parties shall cooperate with each other to effect such separation. The costs of such separation shall be borne by the parties in proportion to the rights and benefits inuring to each of them under the Mixed Contract. To the extent GE or its Affiliates', or Abbott or its Affiliates', exploitation of Intellectual Property sublicensed to such party under this Section 7.9(a) results in or otherwise contributes to an obligation by the other party or its Affiliates (as sublicensor under this Section 7.9(a)), to make any payments to a third Person, such sublicensee under this Section 7.9(a) shall be responsible for all such payment obligations. Notwithstanding the foregoing, with respect to any Mixed Contract, Abbott may, in its sole discretion, elect in lieu of the foregoing arrangements to assign its entire interest in any Mixed Contract to GE subject to the provisions of Section 7.8 and the other terms hereof; provided, however, that Abbott shall remain primarily liable for, and shall indemnify the GE Indemnified Parties in respect of, any Liabilities thereunder to the extent such Liabilities relate to the Excluded Businesses.

(b) Except as may otherwise be agreed by the parties in writing, the parties shall not assign any accounts receivable or accounts payable relating to both the Business and the Excluded Assets ("Mixed Account"). Abbott and GE shall, and shall cause each of their respective Affiliates to, take such reasonable and permissible actions to cause (i) the rights and properties associated with that portion of each Mixed Account that relates to the Business to be enjoyed by GE; (ii) the Liabilities associated with that portion of each Mixed Account that relates to the Business to be borne by GE; (iii) the rights and properties associated with that portion of each Mixed Account that relates to the Excluded Assets to be enjoyed by Abbott; and (iv) the Liabilities associated with that portion of each Mixed Account that relates to the Excluded Assets to be borne by Abbott.

7.10 Third Person Claims Against Both the Business and the Excluded Assets.

(a) From and after the Closing: (i) if Abbott or any of its Affiliates receives notice of any Mixed Action or any Action from or involving any third Person that Abbott believes is reasonably likely to involve the Business but as to which neither GE nor any Affiliate of GE is a named party, then Abbott shall as promptly as practicable provide GE with notice of such Action; and (ii) if GE or any of its Affiliates receives notice of any Mixed Action or any Action from or involving any third Person that GE believes is reasonably likely to involve Excluded Assets or Excluded Liabilities but as to which neither Abbott nor any Affiliate of Abbott is a named party, then GE shall as promptly as practicable provide Abbott with notice of such Action. For purposes of this Agreement, "Mixed Action" means any Action that a party believes is reasonably likely to: (i) include both claims that give rise to a right of indemnification under Article 12 and claims as to which no right of indemnification under Article 12 exists; or (ii) include both claims that give rise to a right of indemnification under Article 12 of the GE Indemnified Parties and claims that give rise to a right of indemnification under Article 12 of the Abbott Indemnified Parties.

(b) Subject to Article 12, for any Mixed Action, whether arising before or after the Closing, GE or its Affiliates shall have the right to control the defense of such Mixed Action to the extent such Mixed Action relates to the Business, the Purchased Assets or the Assumed Liabilities, and Abbott or its Affiliates shall have the right to control the defense of such Mixed Action to the extent such Mixed Action relates to Excluded Assets or Excluded Liabilities.

(c) Neither GE nor its Affiliates shall settle any portion of a Mixed Action that relates to Excluded Assets or Excluded Liabilities without the written consent of Abbott, which may be withheld in its sole discretion. Neither Abbott nor its Affiliates shall settle any portion of a Mixed Action that relates to the Business without the written consent of GE, which may be withheld in its sole discretion. Subject to the provisions of Article 12: (i) GE and its Affiliates may settle a Mixed Action to the extent it relates to the Business without the consent of Abbott so long as such judgment or settlement does not adversely impact the Excluded Assets; if it does adversely impact the Excluded Assets, then the prior written consent of Abbott shall be required, which consent may not be unreasonably withheld or delayed; and (ii) Abbott and its Affiliates may settle a Mixed Action to the extent it relates to Excluded Assets or Excluded Liabilities without the consent of GE so long as such judgment or settlement does not

adversely impact the Business; if it does adversely impact the Business, then the prior written consent of GE shall be required, which consent may not be unreasonably withheld or delayed.

(d) To the extent the provisions of this Section 7.10 conflict with any provisions of the Ancillary Agreements, the provisions of the Ancillary Agreements shall govern.

7.11 Intercompany Arrangements. Immediately prior to the Closing, Abbott shall, and shall cause its Affiliates to, terminate all agreements or arrangements, written or unwritten, of any kind (other than any Ancillary Agreements), between Abbott or any of its Affiliates, on the one hand, and the Abbott Diagnostics Division Business or the Abbott Point of Care Business, on the other hand.

7.12 Books, Records and Files. GE and Abbott agree that Abbott may maintain, subject to Section 7.2(b), copies of any Books, Records and Files that are included in the Purchased Assets and that are delivered to GE hereunder and Abbott may prepare a comprehensive index and file plan of such Books, Records and Files. GE agrees to retain and maintain such Books, Records and Files for a period of at least seven (7) years after Closing (plus any additional time during which GE has been advised by Abbott that (i) there is an ongoing Tax audit with respect to periods prior to the Closing or (ii) any such period is otherwise open to assessment; provided that only such Books, Records and Files reasonably related to the appropriate Tax audit or period as advised by Abbott shall be subject to such time extension). During such period, GE agrees to give Abbott and its representatives reasonable cooperation, access (including copies) and staff assistance, as needed, during normal business hours and upon reasonable notice, with respect to the Books, Records and Files delivered to GE hereunder, and Abbott agrees to give GE and its representatives reasonable cooperation, access and staff assistance, as needed, during normal business hours and upon reasonable notice, with respect to the Books, Records and Files relating to the Business and retained by Abbott, in each case as may be necessary for general business purposes, including the defense of litigation, the preparation of Tax returns and financial statements (including the Preliminary Closing Date Balance Sheet and Closing Date Balance Sheet) and the management and handling of Tax audits; provided that such cooperation, access and assistance does not unreasonably disrupt the normal operations of GE or Abbott or their respective Affiliates.

7.13 Non-Compete. Other than with respect to (i) the Abbott Diabetes Care Business and the Abbott Molecular Diagnostics Business, or (ii) Abbott's or its Affiliates' support of the Business pursuant to the terms of the Transition Services Agreement or their conduct of portions of the Business pursuant to any Deferred Local Closing, the Delayed PR Closing or the arrangements described on Schedule 7.8(b), for a period of five (5) years from the Closing, Abbott shall not, and shall cause its Affiliates not to, directly or indirectly, engage in any business anywhere in the world that competes with all or any portion of the Business as of the Closing Date; provided that, Abbott and its Affiliates shall not be deemed to be competing in violation of this Section 7.13 by virtue of (i) its or their ownership of less than five percent (5%) of the outstanding stock of any Person, (ii) the acquisition of a business or entity that competes as contemplated by the foregoing provisions of this Section 7.13; provided, that (i) such acquired business or entity shall not be permitted to use any GE Mixed-Use Intellectual Property and (ii) (A) the annual net sales of the portion of the business or entity that so competes do not exceed

twenty percent (20%) of the annual net sales of the entire acquired business or entity as reported in the most recent full year financial statements of such business or entity or (B) the annual net sales of the portion of the business or entity that so competes do not exceed $25,000,000 for the most recently completed fiscal year of such business or entity prior to the acquisition or (iii) participating in any Abbott Humanitarian Program. In consideration of the exception to the non-competition provisions contained in clause (iii) of this Section 7.13, the parties agree that Abbott shall provide GE for the term of the non-compete contained in this Section 7.13 with a good faith right of first negotiation to be the provider of any human diagnostic or point of care products that are manufactured or sold by the Business at such time (other than any products that are manufactured or sold by the Abbott Other Businesses or any products that are manufactured or sold by any business or entity permitted to be acquired pursuant to the proviso of this Section 7.13) supplied by Abbott through any Abbott Humanitarian Program.

7.14 Environmental Matters.

(a) Environmental Assessment.

(i) GE (at its sole cost) may retain an environmental consulting firm acceptable to Abbott (whose acceptance shall not unreasonably be withheld) to undertake an environmental review of the Owned Business Real Property or any of the Leased Business Real Property. At GE's discretion, such review shall generally be consistent with the scope of a Phase I Environmental Assessment in accordance with ASTM E1527-05. As soon as practicable after the date hereof, GE shall have access to any of the Owned Business Real Property or Leased Business Real Property and related personnel and records to undertake such environmental review (the earlier of (i) the date that such on-site access is first secured by GE or (ii) the fifth day following the date hereof shall be the "Environmental Review Commencement Date"). Such environmental consulting firm shall prepare an executive summary chart or other written summary for each property assessed which identifies any environmental condition that constitutes a recognized environmental condition according to the ASTM E1527-05 standard, or otherwise represents a Liability under Environmental Laws (collectively, "Environmental Conditions"), and GE shall provide Abbott with copies of each such written summary ("Environmental Summaries").

(ii) If one or more Environmental Conditions for which cleanup or correction is required under any Environmental Law are identified in any Environmental Summary prepared in accordance with clause (a)(i) above and provided to Abbott within thirty (30) days of the Environmental Review Commencement Date, and such Environmental Condition, if confirmed (including pursuant to Phase II work pursuant to Section 7.14(a)(iii) below), would result in any of the representations and warranties in Section 5.4 to be inaccurate or breached (considered for purposes of this Section 7.14 disregarding any qualification or exception contained in any such representation or warranty relating to Knowledge, materiality or Material Adverse Effect), GE may, at its election, subject to any necessary confirmation pursuant to Section 7.14(a)(iii) below: (1) require Abbott to perform a cleanup or correction, subject to the conditions and limitations set forth in clause (b) below, (2) not take ownership of the property, if such property is Owned Business Real Property, or lease of the property if such property is Leased Business Real Property, in which case such property shall be leased, in the case of Owned Business Real Property, or to the extent permitted, sub-leased, in the case of Leased

Business Real Property, from Abbott pursuant to a lease or sub-lease containing the terms and provisions set forth on Schedule 7.14(a)(ii) and such other terms and provisions as the parties shall mutually agree in writing, or (3) submit a GE claim for such inaccuracies or breaches as provided in Section 12.2(a)(iv). If no Environmental Conditions requiring cleanup or correction under Environmental Laws are identified within thirty (30) days of the Environmental Review Commencement Date, then Abbott shall have no liability or obligation to GE pursuant to this Section 7.14 or Section 12.2(a)(iv) and all Owned Business Real Property and Leased Business Real Property shall be transferred to GE. GE shall reimburse Abbott for its necessary out-of-pocket costs of response ("Response Costs") that Abbott incurs arising out of any cleanup or correction of an Environmental Condition undertaken by Abbott pursuant to Section 7.14(a)(ii)(1) or any Response Costs that Abbott incurs for cleanup or correction of an Environmental Condition required by GE, any Governmental Authority or applicable Environmental Law with respect to property retained by Abbott pursuant to Section 7.14(a)(ii)(2) and leased pursuant to Alternative "A" described in Schedule 7.14(a)(ii) up to the first $100,000,000 of Response Costs less the amount of all other GE Claims for indemnification prior thereto pursuant to Sections 12.2(a)(v) and (vi) without regard to the limitation on recovery for the first $100,000,000 of such claims contained therein and then for Response Costs to the extent such Response Costs, plus the amount of all other GE Claims for indemnification paid pursuant to Sections 12.2(a)(v) and (vi), exceed $700,000,000.

(iii) As soon as practicable after receipt by Abbott of the Environmental Summaries referred to above and prior to the Closing Date, GE (at its sole cost) may retain an environmental consulting firm acceptable to Abbott (whose acceptance shall not unreasonably be withheld) to conduct a Phase II Environmental Assessment, the scope of which (1) shall be reasonably limited to investigation and confirmation of the specific Environmental Conditions identified in the Environmental Summaries, and (2) propose sampling locations and times reasonably acceptable to Abbott (which approval shall not unreasonably be withheld if reasonably warranted as a result of GE's preliminary environmental review). In no event shall Abbott's review and approval unreasonably delay or constrain GE's ability to perform any confirmation reasonably required to secure the benefits of Section 7.14(a)(ii) above.

(iv) Nothing in this Section 7.14 shall be in limitation of GE's right of access pursuant to Section 7.2(a) to evaluate environmental matters relating to the Business and the Purchased Assets even after the thirty (30) day period provided for in Section 7.14(a)(ii) has expired; provided that, except as provided in this Section 7.14 but without limiting any provision of Section 10.2, Abbott shall have no further obligations with respect to any actual or contingent Environmental Conditions identified in any Phase I or Phase II Environmental Assessment prepared pursuant to Section 7.14(a)(i) or (iii) above.

(b) Environmental Procedures.

(i) Subject to the limitations set forth in clause (b)(ii) below and subject to any reimbursement obligations of GE pursuant to clause (a)(ii) above, Abbott shall assume sole responsibility for performing and for the necessary Response Costs of performing any cleanup or correction that is required by Environmental Law to address the Environmental Conditions identified in any Phase I or Phase II Environmental Assessment prepared pursuant to clause (a)(i) or (iii) above to the extent GE has so elected pursuant to Section 7.14(a)(ii)(1) above.

GE shall grant Abbott, its representatives and contractors reasonable access to the applicable Owned Business Real Property or Leased Business Real Property (to the extent permitted by the applicable lease) to perform any such cleanup or correction and Abbott shall use commercially reasonable efforts to restore any adversely affected portion of the property. Abbott shall keep GE reasonably apprised of the status of such environmental cleanup or correction, shall provide GE with copies of any material correspondence and reports relating thereto and shall not engage in exchanges of material information or negotiations with any Governmental Authority without exercising reasonable best efforts to first consult with GE.

(ii) With respect to Abbott's cleanup obligations under clause (b)(i) above, Abbott shall only be required to: (x) clean up the release of Hazardous Materials, to the extent cleanup is required by an applicable Environmental Law that is in effect and is enforceable as of the Closing Date; (y) achieve the least stringent Remediation Standards that are applicable and acceptable to the relevant Governmental Authority given the use of the Owned Business Real Property or Leased Business Real Property as of the Closing Date; and (z) conduct a cleanup using the most cost effective methods for investigation, removal, remediation and/or containment consistent with applicable Environmental Law that do not unduly interfere with GE's ability to continue to use the affected property in a manner consistent with Abbott's prior use.

7.15 Puerto Rico.

(a) From the Closing or the Delayed PR Closing Date (as defined below), if applicable, until March 1, 2009 (the "PR Employment Commitment Period"), GE and its Affiliates shall employ in Puerto Rico, with respect to the portion of the Business conducted in Puerto Rico that is being acquired by GE and its Affiliates pursuant to this Agreement (the "Puerto Rico Business"), at least the number of Non-U.S. Transferred Employees dedicated to the Puerto Rico Business ("PR Employees"), subject to reduction as set forth in Schedule 7.15(a) (the "PR Employment Commitment"). GE shall notify Abbott in the event that any PR Employee voluntarily terminates employment or is terminated for cause, if possible, seven (7) days prior to the employee's termination date and in all events, promptly after the date of termination. GE and its Affiliates shall be deemed to satisfy the PR Employment Commitment with respect to any employee of the Puerto Rico Business who voluntarily terminates employment or is terminated for cause; provided however, GE or any of its Affiliates shall use commercially reasonable efforts to hire a replacement employee in Puerto Rico ("Replacement Employee") as soon as is commercially practical after the date of termination of the PR Employee. GE shall notify Abbott when any Replacement Employee is hired. Notwithstanding the foregoing, if the Puerto Rico Business suffers any change, effect, occurrence, state of facts or development that individually or in the aggregate is materially adverse to the business, financial condition or results of operations of the Puerto Rico Business, taken as a whole, and, in response to such change, effect, occurrence, state of facts or development, GE or any of its Affiliates intends to reduce the number of employees that are employed in the Puerto Rico Business below the then-current PR Employment Commitment, GE shall be entitled to reduce the number of employees accordingly so long as GE notifies Abbott at least thirty (30) days prior to terminating any such PR Employees (in which case Abbott shall have the option of hiring any such employees). Notwithstanding anything in this Agreement or the PR Deferred Closing Amendment (as defined below) to the contrary, the sole remedy of Abbott and its Affiliates for

breach by GE or its Affiliates of this Section 7.15(a) shall be the Losses incurred by Abbott or any of its Affiliates to employ sufficient persons in Puerto Rico to satisfy any shortfall in the PR Employment Commitment, and in no event shall GE or any of its Affiliates be liable for any increased Taxes of Abbott or its Affiliates attributable to failure to satisfy the terms of the Puerto Rico Grant.

(b) GE shall use its commercially reasonable efforts to cooperate with Abbott, at Abbott's expense, in Abbott's efforts to obtain an amendment to the Puerto Rico Grant in a form reasonably acceptable to Abbott (the "PR Amendment") reflecting the terms set forth in Schedule 7.15(b); provided, however, that GE shall not be required to (i) pay any fees or other payments to any Governmental Authorities in connection with such cooperation; (ii) except as provided in Section 7.16(a), alter or restrict in any way the business or commercial practices of GE, any of its Affiliates or the Business, including the Puerto Rico Business; or (iii) take any action that would preclude GE from taking into account any PR Employees in its own grant with Puerto Rico.

(c) Promptly after the date hereof, Abbott and GE shall negotiate in good faith to enter into agreements (the "PR Deferred Closing Agreements"), which agreements shall effect the delay of the closing of the transactions contemplated hereby in respect of the Puerto Rico Business (the "Delayed PR Closing") until the earlier of (i) three (3) Business Days after the PR Amendment is obtained or (ii) December 31, 2007 (any such date referred to as the "Delayed PR Closing Date"). The parties hereto shall make available to each other and, if necessary to comply with the provisions of Section 7.15(c)(i), Ernst & Young LLP such books, records and other information as any of the foregoing may reasonably request to prepared the PR Deferred Closing Agreements, in the case of Abbott and GE, and to determine the terms necessary to effect the provisions of Section 7.15(c)(i), in the case of Ernst & Young LLP. The PR Deferred Closing Agreements shall include provisions providing for:

(i) any Delayed PR Closing to be economically neutral to GE and its Affiliates as if the Puerto Rico Business had been transferred to GE and its Affiliates at Closing, including in respect of the operating margin and net income of GE and its Affiliates in respect of the Puerto Rico Business for the period from the Closing to the Delayed PR Closing;

(ii) Abbott or one of its Affiliates to retain ownership of the Purchased Assets and Assumed Liabilities related to the PR Business;

(iii) a form of contract manufacturing agreement to be entered into between Abbott or any of its Affiliates and GE or any of its Affiliates whereby Abbott or one of its Affiliates shall perform manufacturing services specified by GE until the earlier of the Delayed PR Closing Date or termination of such contract manufacturing agreement, which agreement shall include the pricing and other terms upon which Abbott or one of its Affiliates shall provide such services as agreed to by Abbott and GE;

(iv) covenants governing the operation by Abbott and its Affiliates of the Puerto Rico Business between the Closing and any Delayed PR Closing;

(v) the conditions to the obligations of each of Abbott and GE to effect the Delayed PR Closing;

(vi) indemnification by Abbott of the GE Indemnified Parties in respect of any and all Losses which GE and its Affiliates may actually suffer or incur as a result of the Delayed PR Closing (other than those Losses which GE and its Affiliates may have already recovered by means of arrangements provided in the PR Deferred Closing Agreements), including any Losses in respect of any failure of Abbott and its Affiliates to deliver the Puerto Rico Business and the Purchased Assets related thereto to GE or any of its Affiliates at the Delayed PR Closing, which indemnification shall be treated as an indemnification pursuant to Section 12.2(a)(iii) and as to which Section 12.5(a) shall not apply; provided, that GE shall permit Abbott or an independent accounting firm selected by Abbott, subject to GE's reasonable objection, to audit the books and records of account of GE upon reasonable notice during reasonable business hours to confirm any Losses claimed by GE pursuant to this Section 7.15(c)(vi);

(vii) indemnification by Abbott of the GE Indemnified Parties in respect of the Tax benefits GE and its Affiliates would have realized had the transactions contemplated hereby in respect of the Puerto Rico Business been effected in connection with the Closing, which Losses Abbott and GE agree shall be $833,333 for each month between the Closing and the Delayed PR Closing Date or, in the case of a partial month, the pro-rated amount of such monthly agreed upon Loss;

(viii) Abbott to insure for the benefit of GE and its Affiliates the Puerto Rico Business and the Purchased Assets related thereto consistent with Abbott's practices; and

(ix) such other provisions as the parties shall mutually agree.

Unless Abbott shall have notified GE that it does not wish to effect a Delayed PR Closing by March 12, 2007, if the parties shall have not agreed upon the terms of the PR Deferred Closing Agreements described in Section 7.15(c)(i) by such date, terms necessary to effect the provisions of Section 7.15(c)(i) shall be determined by Ernst & Young LLP. At the request of either party, Ernst & Young LLP shall make its determination by March 26, 2007 and issue a written report thereof, which report shall be attached to the PR Deferred Closing Agreements and incorporated by reference therein as a binding agreement of Abbott and GE. Each of Abbott and GE shall be afforded the opportunity to provide one (1) written and one (1) oral submission to Ernst & Young LLP.

(d) Unless Abbott notifies GE on or prior to March 28, 2007 that it does not wish to effect a Delayed PR Closing, the provisions of the PR Deferred Closing Agreements shall become effective upon the Closing and the closing of the transactions contemplated hereby in respect of the Puerto Rico Business shall be delayed until the Delayed PR Closing Date.

(e) Notwithstanding the foregoing, any conflict between the provisions of this Section 7.15 and Article 8 shall be resolved in favor of Article 8. Failure of Abbott and GE to agree to terms of the PR Deferred Closing Agreements or failure of Ernst & Young LLP to issue the report contemplated by Section 7.15(c) by Closing shall not, in the absence of bad faith, constitute a basis for either party not to effect the Closing of the transactions contemplated by this Agreement, including in respect of the Puerto Rico Business.

7.16 Certain Leased and Real Property Sites. Between signing and Closing the parties shall work in good faith to determine whether the leased and real property sites listed on Schedule 7.16 shall be deemed to be Leased Business Real Property, Owned Business Real Property or retained by Abbott; provided, that if the parties cannot agree whether such leased and real property sites should be deemed to be Leased Business Real Property, Owned Business Real Property or should be retained by Abbott, any property sites listed on Schedule 7.16 that are used primarily in connection with, or primarily related to, the Business shall be deemed to be Leased Business Real Property or Owned Business Real Property, as applicable, and any other property sites listed on Schedule 7.16 shall be retained by Abbott. Any site so designated as Leased Business Real Property or Owned Business Real Property shall be added to Schedule 1.1(i) or Schedule 1.1(l), as applicable. For purposes of this Agreement, the Environmental Review Commencement Date with respect to any property site listed on Schedule 7.16 and determined by Abbott and GE to be Leased Business Real Property or Owned Business Real Property shall be the fifth day following the date of such determination.

ARTICLE 8

EMPLOYEE MATTERS

8.1 Transferred Employees.

(a) Definitions.

(i) "U.S. Business Employee" means (A) any employee of the Business employed by an employer domiciled in the United States (or an employee who is classified as an expatriate employee) who (except as otherwise agreed to in writing by GE and Abbott) primarily performs his or her services for or with respect to the Business in the United States as of the Closing, and (B) any individual who is a shared service employee primarily dedicated to the Business in the United States as of the Closing, including in all cases any such employee who is inactive because of leave of absence, vacation, holiday or short- or long-term disability, but excluding employees set forth on Schedule 8.1(a)(i) — 1. Schedule 8.1(a)(i) — 2 sets forth the procedures for identifying all U.S. Business Employees prior to Closing. Schedule 8.1(a)(i) — 1 and Schedule 8.1(a)(i) — 2 are attached. A preliminary list of all U.S. Business Employees shall be provided by Abbott to GE as soon as reasonably practicable, and in no event later than thirty (30) days after the signing of this Agreement, which such list shall be updated and finalized at Closing.

(ii) "U.S. Transferred Employee" means each U.S. Business Employee who shall commence employment with GE or one of its Affiliates immediately following the Closing, but excluding any U.S. Business Employee who is absent from active employment as of the Closing due to long-term disability entitling the U.S. Business Employee to long-term disability benefits under an applicable long-term disability plan maintained by Abbott or any of its Affiliates.

(iii) "Non-U.S. Business Employee" means (A) any employee of the Business employed by an employer domiciled outside the United States as of the Closing who (except as otherwise agreed to in writing by GE and Abbott) primarily performs his or her services for or with respect to the Business outside the United States as of the Closing, and (B) any individual who is a shared service employee primarily dedicated to the Business outside of the United States as of the Closing, including in all cases any such employee who is inactive because of leave of absence, vacation, holiday or short- or long-term disability. Schedule 8.1(a)(iii) sets forth the procedures for identifying all Non-U.S. Business Employees prior to Closing. Schedule 8.1(a)(iii) is attached. A preliminary list of all Non-U.S. Business Employees shall be provided by Abbott to GE as soon as reasonably practicable, and in no event later than thirty (30) days after the signing of this Agreement, which such list shall be updated and finalized at Closing.

(iv) "Non-U.S. Transferred Employee" means (A) each Non-U.S. Business Employee whose employment transfers to GE or one of its Affiliates by operation of Law, but expressly excluding any person who refuses to transfer to GE or one of its Affiliates on or before the Closing and who, by that refusal, prevents such transfer from occurring by operation of Law, and (B) each other Non-U.S. Business Employee who shall accept GE's offer of employment by continuing employment with GE or one of its Affiliates immediately following the Closing, but excluding for this clause (B) any Non-U.S. Business Employee who is absent from active employment as of the Closing due to long-term disability entitling the Non-U.S. Business Employee to long-term disability benefits under an applicable long-term disability plan maintained by Abbott or any of its Affiliates.

(v) "Business Employees" means U.S. Business Employees and Non-U.S. Business Employees, collectively.

(vi) "Transferred Employees" means U.S. Transferred Employees and Non-U.S. Transferred Employees, collectively.

(b) Transfer of Employment. As of the Closing, GE shall commence to employ, or cause the applicable Affiliate to commence to employ, any U.S. Business Employees. As of the Closing, in respect of any Non-U.S. Business Employee whose employment shall not transfer automatically by operation of Law, GE shall, or shall cause the applicable Affiliate to, commence to employ such Non-U.S. Business Employee. The foregoing provisions of this Section 8.1(b) shall not be applicable with respect to any Business Employee who is absent from active employment as of the Closing due to long-term disability entitling the

Business Employee to long-term disability benefits under an applicable long-term disability plan maintained by Abbott or any of its Affiliates.

8.2 Compensation and Employee Benefits.

(a) Compensation and Benefits Comparability. For a period of two (2) years following the Closing, Transferred Employees who remain in the employment of GE or any of its Affiliates shall receive (i) base salary or wage rates and incentive compensation opportunity that, in the aggregate, are not less than those in effect for each such Transferred Employee immediately prior to Closing, (ii) employee benefits that, in the aggregate, are reasonably comparable to those in effect for similarly situated recently acquired employees of GE and (iii) severance benefits which are no less favorable on an individual basis than the severance benefits that would have been applicable to each such Transferred Employee under the Abbott or Abbott Affiliate severance plans or individual agreements to the extent set forth on Schedule 8.2(a) (which Abbott shall provide GE as soon as reasonably practicable, and in no event later than sixty (60) days after the signing of this Agreement and Schedule 8.2(a) shall exclude any plan or agreement mandated by and maintained solely pursuant to applicable Law), immediately prior to the Closing, as the case may be, taking into account such Transferred Employee's additional period of service and rate of base pay or wages and bonus target with GE or its Affiliates following the Closing. Except as required by Law, nothing contained in this Agreement shall be construed as requiring GE or one of its Affiliates to continue the employment of any specific person.

(b) Severance Liabilities. GE and its Affiliates shall be solely responsible for any severance, redundancy or similar termination payments or benefits that may become payable to any Transferred Employee on or after the Closing, and GE shall indemnify Abbott and its Affiliates from any and all Liabilities for such payments and benefits and shall reimburse Abbott as set forth below. To the extent that Abbott or any of its Affiliates become liable for, or are legally required to make, severance, redundancy or similar termination payments or benefits to any Transferred Employee on or after the Closing, GE shall, or shall cause its Affiliates to, reimburse Abbott, as soon as practicable but in any event within thirty (30) days of receipt from Abbott of appropriate verification, for all payments, costs and expenses actually paid by Abbott or its Affiliates as required by applicable Law or any Contract. Abbott and its Affiliates shall be solely responsible for any severance, change in control, redundancy or similar termination payments or benefits that may become payable to any Business Employee who does not become a Transferred Employee, and Abbott shall indemnify GE and its Affiliates from any and all Liabilities for such payments and benefits and shall reimburse GE as set forth below. To the extent that GE or any of its Affiliates become liable for, or are legally required to make, severance, change in control, redundancy or similar termination payments or benefits to any Business Employee who does not become a Transferred Employee, Abbott shall, or shall cause its Affiliates to, reimburse GE, as soon as practicable but in any event within thirty (30) days of receipt from GE of appropriate verification, for all payments, costs and expenses actually paid by GE or its Affiliates as required by applicable Law or any Contract.

(c) Service Credit. GE shall, and shall cause its Affiliates to, recognize the prior service and seniority of each Transferred Employee as if such service had been performed with, and such seniority has been earned with, GE for purposes of eligibility,

vesting and service related level of benefits (excluding pension benefit accrual, except as required by Law or pursuant to Section 8.4(a)) under the employee benefit plans and policies provided by GE to the Transferred Employees following the Closing, to the same extent such service and seniority is recognized by

Abbott or its Affiliates immediately prior to the Closing.

(d) Welfare Plans. Except as otherwise required by applicable law, (i) Abbott or one of its Affiliates shall retain responsibility under the Abbott "employee welfare benefit plans" (as defined in Section 3(1) of ERISA, whether or not such plan is subject to ERISA) in which the Transferred Employees participate with respect to all welfare benefit claims incurred by the Transferred Employees and their eligible dependents prior to the Closing and (ii) GE or one of its Affiliates shall be responsible for all welfare benefit claims incurred by Transferred Employees and their eligible dependents on or after the Closing. With respect to any "employee welfare benefit plan" maintained by GE or any of its Affiliates in which Transferred Employees are eligible to participate after the Closing, GE shall, and shall cause its Affiliates to, (A) waive all limitations as to preexisting conditions and exclusions with respect to participation and coverage requirements applicable to such Transferred Employees to the extent such conditions and exclusions were satisfied or did not apply to such Transferred Employees under the welfare benefit plans maintained by Abbott or any of its Affiliates immediately prior to the Closing and (B) provide each Transferred Employee with credit for any co-payments and deductibles paid by such Transferred Employee in the plan year in which the Closing occurs prior to the Closing in satisfying any analogous deductible or out-of-pocket requirements to the extent applicable under any such plan. Effective as of the Closing, GE and its Affiliates shall assume all obligations for providing coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to Transferred Employees (and their eligible dependents), regardless of whether the qualifying event giving rise to that coverage occurred prior to, on or after the Closing.

(e) Labor and Employment Law Matters. GE and Abbott shall, and shall cause their Affiliates to, cooperate to take all steps, on a timely basis, as are required under applicable Law to notify, consult with, or negotiate the effect, impact, terms or timing of the transactions contemplated by this Agreement with each works council, union, labor board, employee group, or Governmental Authority where so required under applicable Law. GE and Abbott shall, and shall cause their applicable Affiliates to, comply with all applicable Laws, directives and regulations relating to the Transferred Employees, including providing any required notice under the Worker Adjustment and Retraining Notification Act, as amended, and any similar foreign, state or local law.

(f) Incentive Compensation. GE shall, and shall cause its Affiliates to, continue each performance period in effect at the Closing under each incentive compensation bonus plan in which any Transferred Employee participates, with appropriate adjustment (as determined by Abbott and GE in good faith) to the applicable performance targets to take into account the transactions contemplated by this Agreement. GE shall, and shall cause its Affiliates to, make such bonus payments at the time prescribed by the applicable plan as in effect immediately prior to the Closing and in accordance with the historical past practices under such plan as in effect immediately prior to the Closing. In no event shall the aggregate amount of bonus paid with respect to such performance periods be less than the amount accrued for and reflected in the Closing Date Balance Sheets.

(g) Flexible Spending Account. Effective as of the Closing, GE and its Affiliates shall have in effect flexible spending reimbursement accounts under a cafeteria plan qualifying under Section 125 of the Code (the "GE FSA Plan") and each U.S. Transferred Employee shall be eligible as of the Closing to participate in a GE FSA Plan pursuant to the terms of such plan. Effective as of the Closing, GE and its Affiliates shall cause the GE FSA Plan to accept a spin-off of the health care flexible spending reimbursement accounts of each U.S. Transferred Employee who participates in the Abbott or Abbott Affiliate cafeteria plan (the "Abbott FSA Plan") immediately prior to the Closing and to honor and continue through December 31 of the year in which the Closing occurs the elections made by each U.S. Transferred Employee under the Abbott FSA Plan in respect of such health care flexible spending reimbursement accounts that are in effect immediately prior to the Closing. As soon as practicable following the date of Closing, Abbott shall cause to be transferred from the Abbott FSA Plan to the GE FSA Plan the excess, if any, of the aggregate accumulated contributions to the health care flexible spending reimbursement accounts made by U.S. Transferred Employees prior to the Closing during the year in which the Closing occurs over the aggregate reimbursement payouts paid to the Transferred Employees for such year from such accounts. From and after the Closing, GE shall assume and be solely responsible for all claims by U.S. Transferred Employees under the Abbott FSA Plan's health care flexible spending reimbursement accounts incurred at any time during the calendar year in which the date of Closing occurs, whether incurred prior to, on or after the date of Closing, that have not been paid in full as of the date of Closing. Abbott shall maintain and continue to process claims related to the 2006 plan year for such Abbott FSA Plan in accordance with the plan terms. For Transferred Employees located in Puerto Rico who are receiving comparable flexible spending reimbursement account benefits, Abbott and GE shall use commercially reasonable efforts to effect a similar transfer of assets for such benefits.

8.3 U.S. Defined Benefit Pension Plans. Effective as of the Closing, GE shall establish or designate defined benefit pension plans that are intended to be qualified under Code Section 401(a) (collectively, the "U.S. GE Pension Plans") for the benefit of the U.S. Transferred Employees. Each U.S. Transferred Employee as of the Closing shall be a participant in a U.S. GE Pension Plan pursuant to the terms of such plan; provided, that such participant makes contributions required in order to participate in the U.S. GE Pension Plan.

8.4 Non-U.S. Defined Benefit Pension Plans.

(a) Effective as of the Closing, GE shall establish or designate defined benefit pension plans (collectively, the "Non-U.S. GE Pension Plans") for the benefit of the Non-U.S. Transferred Employees who participated in one or more of the defined benefit pension plans maintained by Abbott or its Affiliates immediately prior to the Closing (collectively, the "Abbott Pension Plans"). Such Non-U.S. Transferred Employees are referred to hereinafter as the "Pension Plan Employees." Each Non-U.S. GE Pension Plan shall provide benefit formulas and provisions that are equivalent in value to the benefit plan formulas and provisions in the corresponding Abbott Pension Plan as of the Closing and GE shall either continue such Non-U.S. GE Pension Plan on the same basis, or offer comparable retirement benefits (with no reduction, in either case, in employer-paid value, based on comparability standards used by nationally recognized benefits consulting firms) to the Pension Plan Employees, for a period of at least two years immediately following the Closing. The Pension

Plan Employees shall be given credit under the respective Non-U.S. GE Pension Plan for all service with and compensation from Abbott or its Affiliates as if it were service with and compensation from GE for purposes of determining eligibility, vesting and the amount of any benefits or benefit accruals under each respective Non-U.S. GE Pension Plan. Each Non-U.S. GE Pension Plan shall provide, upon the transfer of assets referred to below (or, if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law, as of the Closing), that the accrued benefits for the Pension Plan Employees under such Non-U.S. GE Pension Plan shall in no event be less than their accrued benefits under the corresponding Abbott Pension Plan as of the Closing.

(b) With respect to any Abbott Pension Plan maintained outside of the United States (other than any Abbott Pension Plan maintained in the United Kingdom), Abbott shall use commercially reasonable efforts to cause to be transferred from the trusts under such Abbott Pension Plan to the trusts under the corresponding Non-U.S. GE Pension Plan assets in the form of cash, cash equivalents and marketable securities, the value of which shall be equal to: (i) the actuarial present value of accrued (and not projected) benefits (that is, the "accumulated benefit obligation" as defined in Statement of Financial Accounting Standards No. 87, "ABO") under such Abbott Pension Plan as of the date of Closing that are attributable to Pension Plan Employees divided by the ABO of all participants in such Abbott Pension Plan as of the date of Closing, multiplied by the market value of the assets of such Abbott Pension Plan at the date of Closing, provided that such transferred amount shall not, in any event, exceed the ABO under such Abbott Pension Plan of all Pension Plan Employees as of the date of Closing, or (ii) such greater amount as is required by the applicable regulatory authority having jurisdiction over the Abbott Pension Plan in order to obtain approval for the transfer. With respect to any Abbott Pension Plan maintained in the United Kingdom, Abbott shall use commercially reasonable efforts to cause to be transferred from the trusts under such Abbott Pension Plan to the trusts under the corresponding Non-U.S. GE Pension Plan assets in the form of cash, cash equivalents and marketable securities, the value of which shall be equal to the actuarial present value of projected benefits (that is, the "projected benefit obligation" as defined in Statement of Financial Accounting Standards No. 87, "PBO") under such Abbott Pension Plan as of the date of Closing that are attributable to Pension Plan Employees divided by the PBO of all participants in such Abbott Pension Plan as of the date of Closing, multiplied by the market value of the assets of such Abbott Pension Plan at the date of Closing, provided that such transferred amount shall not, in any event, exceed the PBO under such Abbott Pension Plan of all Pension Plan Employees as of the date of Closing. The amounts determined in accordance with the preceding sentences of this Section 8.4(b) are collectively referred to as the "Pension Transfer Amounts". The transfer of the Pension Transfer Amounts, and the assumption by GE of Liabilities with respect to or relating to the Non-U.S. Transferred Employees under the applicable Abbott Pension Plans, shall be subject to such consents, approvals and other legal requirements as may apply under applicable Law, including the consent of the Non-U.S. Transferred Employee to the extent required by applicable Law. GE shall use its best efforts to cause the corresponding Non-U.S. GE Pension Plans to accept the Pension Transfer Amounts. To the extent the trustees or managers of an Abbott Pension Plan do not transfer the Pension Transfer Amount calculated with respect to that plan (as adjusted in accordance with Section 8.4(d) below), Abbott shall or shall cause the difference between the Pension Transfer Amount (as adjusted in accordance with Section 8.4(d) below) and the amount actually transferred to be paid to GE, or to such other Person or plan as GE shall direct, no later than thirty (30) days after Abbott's receipt of

notification from the trustees or managers of the amount that they have transferred. To the extent an Abbott Pension Plan is not required to be funded by applicable Law, there shall be no transfer of assets by the Abbott Pension Plan or Abbott. Actuarial determinations shall be made in accordance with Section 8.4(g) below.

(c) As of the date of Closing, Abbott shall cause the Non-U.S. Transferred Employees to cease further accrual of benefits under the Abbott Pension Plans.

(d) The Pension Transfer Amount, if any, from each Abbott Pension Plan shall be equitably adjusted to take into account benefit payments made from the Abbott Pension Plans to the Pension Plan Employees after the Closing but prior to the date of transfer and for any earnings and losses on such amount during such period. The Pension Transfer Amount, if any, shall be determined by the actuaries for the applicable Abbott Pension Plans in accordance with Section 8.4(g) below.

(e) Subject to such consents, approvals and other legal requirements as may apply under applicable Law, Abbott shall use commercially reasonable efforts to cause the transfer of the Pension Transfer Amounts to take place within one hundred and eighty (180) days after the date of Closing.

(f) At the times of the transfers of the Pension Transfer Amounts (or if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law, at the Closing), GE and the Non-U.S. GE Pension Plans shall assume all Liabilities for all accrued benefits, including all disability, part-time and other ancillary benefits, under the corresponding Abbott Pension Plans in respect of the Non-U.S. Transferred Employees whose benefits are transferred, and Abbott and its Affiliates and the corresponding Abbott Pension Plans shall be relieved of all Liabilities to provide benefits under the Abbott Pension Plans to the Non-U.S. Transferred Employees whose benefits are transferred. From and after the date of such applicable transfer of the Pension Transfer Amounts (or if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law, from and after the Closing), GE agrees to indemnify and hold harmless Abbott and its Affiliates and its and their officers, directors, employees, and agents from and against any and all costs, damages, losses, expenses, or other Liabilities arising out of or related to the Non-U.S. Transferred Employees whose benefits under the Abbott Pension Plans are transferred to the Non-U.S. GE Pension Plans.

(g) For purposes of this Section 8.4, actuarial determinations shall be based upon the actuarial assumptions and methodologies used in preparing the most recent audited financial statements of Abbott as of the date of the determination. The applicable plan sponsor of the plans shall cause the plan actuary or administrator to provide a report of its determination of such amount within 90 days of the Closing and any back-up information reasonably required by GE to confirm the accuracy of such determination. If GE disputes the accuracy of the calculation, GE and Abbott shall cooperate to identify the basis for such disagreement and act in good faith to resolve such dispute. To the extent that a dispute is unresolved after a 45 day period following identification of such dispute, the calculations shall be verified by an independent third party benefits consulting firm selected by the mutual

agreement of the parties. The decision of such consulting firm shall be final, binding and conclusive on all parties to this Agreement. GE and Abbott shall share equally the costs of such consulting firm.

8.5 U.S. Defined Contribution Plans.

(a) Effective as of the Closing, GE shall establish or designate defined contribution plans that are intended to be qualified under Code Section 401(a) (collectively, the "U.S. GE DC Plans") for the benefit of the U.S. Transferred Employees. Each U.S. Transferred Employee as of the Closing shall be eligible to participate in a U.S. GE DC Plan pursuant to the terms of such plan.

(b) Each U.S. GE DC Plan shall provide for the receipt in cash from U.S. Transferred Employees of "eligible rollover distributions" (as such term is defined under Section 402 of the Code). As soon as practicable following the Closing Date, GE shall provide Abbott with such documents and other information as Abbott shall reasonably request to assure itself that the U.S. GE DC Plans are tax-qualified and provide for the receipt of eligible rollover distributions. Each U.S. Transferred Employee shall be given the opportunity to receive a distribution of his or her account balance under any Abbott defined contribution plan that is intended to be qualified under Code Section 401(a) shall be given the opportunity to elect to "roll over" such account balance to a U.S. GE DC Plan, subject to and in accordance with the provisions of such plan(s) and applicable Law. GE and Abbott shall work together in order to facilitate any such distribution or rollover and to effect an eligible rollover distribution for those U.S. Transferred Employees who elect to rollover their account balances directly into a U.S. GE DC Plan.

8.6 Non-U.S. Defined Contribution Plans.

(a) Effective as of the Closing, GE shall establish or designate defined contribution plans (collectively, the "Non-U.S. GE DC Plans") for the benefit of the Non-U.S. Transferred Employees who participated in one or more of the defined contribution plans (other than a Transferred Abbott DC Plan) maintained by Abbott or its Affiliates immediately prior to the Closing outside the United States (collectively, the "Non-U.S. Abbott DC Plans"). Such Non-U.S. Transferred Employees are referred to hereinafter as the "DC Employees". Each Non-U.S. GE DC Plan shall provide employer matching contribution formulas and provisions that are equivalent in value to the employer matching contribution formulas and provisions in each corresponding Non-U.S. Abbott DC Plan as of the Closing and GE shall either continue such formulas or offer comparable retirement benefits to DC Employees for a period of at least two years immediately following the Closing. The DC Employees shall be given credit under the respective Non-U.S. GE DC Plan for all service with and compensation from Abbott or its Affiliates as if it were service with and compensation from GE for purposes of determining eligibility, vesting and the amount of any benefits or benefit accruals under each respective Non-U.S. GE DC Plan.

(b) With respect to a Non-U.S. Abbott DC Plan, Abbott shall cause the transfer under each such Non-U.S. Abbott DC Plan to the corresponding Non-U.S. GE DC Plan of cash or cash equivalents equal to the actual account balances of the DC Employees under

each such Non-U.S. Abbott DC Plan as of the Closing or such greater amount as is required by the applicable regulatory authority having jurisdiction over the Non-U.S. Abbott DC Plan in order to obtain approval of such transfer (the "DC Transfer Amount"). The transfer of the DC Transfer Amounts shall be subject to such consents, approvals and other legal requirements as may apply under applicable Law. GE shall use commercially reasonable efforts to cause the DC Transfer Amounts to be accepted by such plans. To the extent a Non-U.S. Abbott DC Plan is not required to be funded by applicable Law, there shall be no transfer of assets.

(c) The DC Transfer Amounts to be transferred, if any, from the respective Non-U.S. Abbott DC Plans shall be equitably adjusted to take into account benefit payments made from the respective Non-U.S. Abbott DC Plans to the DC Employees after the Closing but prior to the date of transfer and for any earnings and losses on such amount during such period. The transfer of the DC Transfer Amount, if any, shall take place within one hundred and eighty (180) days after the date of Closing.

(d) At the times of the transfers of the DC Transfer Amounts (or if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law, at the Closing), GE and the Non-U.S. GE DC Plans shall assume all Liabilities with respect to or relating to Non-U.S. Transferred Employees under the applicable Non-U.S. Abbott DC Plan and Abbott and its Affiliates and the Non-U.S. Abbott DC Plans shall be relieved of all such Liabilities under such Non-U.S. Abbott DC Plan with respect to the Non-U.S. Transferred Employees. From and after the date of the transfer of the DC Transfer Amount (or if there is no transfer of assets with respect to a particular plan because the plan is not required to be funded under applicable Law, as of the Closing), GE agrees to indemnify and hold harmless Abbott and its Affiliates and its and their officers, directors, employees, and agents from and against any and all costs, damages, losses, expenses, or other Liabilities arising out of or related to the Non-U.S. Transferred Employees under the applicable Non-U.S. Abbott DC Plans.

8.7 U.S. Retiree Medical and Life.

(a) Abbott shall extend retiree health and life insurance coverage under the retiree health and life insurance plans provided by Abbott and its Affiliates (the "Abbott Retiree Welfare Plans") to each U.S. Transferred Employee (including any of his or her eligible dependents) who, as of the Closing, is eligible for such coverage under the Abbott Retiree Welfare Plans. Each U.S. Transferred Employee not described in the foregoing sentence shall, for eligibility purposes only (but not level of benefits or employee contributions), be credited with up to an additional three years of age and service under the Abbott Retiree Welfare Plans, but only to the extent such additional years are required for such U.S. Transferred Employee to become eligible for coverage under the Abbott Retiree Welfare Plans (each U.S. Transferred Employee who, by reason of the additional crediting of age or service hereunder, becomes eligible to participate in the Abbott Retiree Welfare Plans, a "Transitional Retiree"). Notwithstanding the foregoing, only actual years of service with Abbott and its Affiliates prior to the Closing shall be taken into account for purposes of determining employee contribution levels under the Abbott Retiree Welfare Plans; provided, however, that Transitional Retirees who have less than ten years of service with Abbott and its Affiliates as of the Closing shall be eligible for benefits under the Abbott Retiree Welfare Plans at the employee contribution level for

employees with ten years of service (as in effect from time to time) under such plans. Each Transitional Retiree shall be eligible to elect commencement of coverage under the Abbott Retiree Welfare Plans after the later of (i) attainment of age 50 and (ii) the tenth anniversary of the date of commencement of the Transitional Retiree's service (for purposes of the Abbott Retiree Welfare Plans) with Abbott or its Affiliates. Any post-retirement healthcare and life insurance coverage provided to Transitional Retirees (and his or her eligible dependents) shall be subject in all respects to the terms and conditions of the Abbott Retiree Welfare Plans as in effect from time to time. Abbott shall be solely liable for any such post-retirement healthcare and life insurance coverage.

(b) Abbott expressly reserves the right to amend, alter, modify or terminate the terms of the Abbott Retiree Welfare Plans, as the case may be, at any time and to interpret the provisions of those plans with respect to its employees, the Transitional Retirees and all of its other former employees and their respective dependents; provided, however, that Abbott agrees that any amendments, alterations, modifications, or terminations with respect to those plans shall be applied in a consistent manner to Abbott retirees and Transitional Retirees who are eligible for coverage under those plans. Abbott shall not be responsible or otherwise liable for the provision of post-retirement healthcare and life insurance coverage to any U.S. Transferred Employees other than as expressly provided in this Section 8.7.

8.8 Deferred Compensation. Abbott shall retain responsibility under all deferred compensation and supplemental retirement arrangements that are not intended to be qualified under Section 401(a) of the Code with respect to the benefits of the U.S. Business Employees, including the U.S. Transferred Employees. Abbott shall have no responsibility with respect to deferred compensation and supplemental retirement arrangements created after the Closing for the benefit of the U.S. Transferred Employees.

8.9 Equity Compensation.

(a) Effective as of the Closing, the Abbott Compensation Committee shall take the necessary actions on or prior to the Closing solely with respect to Transferred Employees under the equity plans and programs established by Abbott (the "Abbott Stock Plans") to provide that (i) each outstanding stock option to purchase one or more common shares of Abbott (each, an "Abbott Option") which is not exercisable as of the Closing shall become exercisable as of the Closing and (ii) the restrictions on each share of Abbott restricted stock (each, a share of "Abbott Restricted Stock") and each restricted stock unit (each, an "Abbott RSU") shall lapse as of the Closing. Each Abbott Option, each share of Abbott Restricted Stock and each RSU held by a Transferred Employee who has not, as of the Closing, attained the age of 50 or has less than ten years of service with Abbott or any of its Affiliates, shall be treated in accordance with the applicable terms of the applicable Abbott Stock Plans. Each Transferred Employee who has, as of the Closing, attained the age of 50 and has ten or more years of service with Abbott or any of its Affiliates, shall be treated as a "retiree" under and in accordance with the applicable terms of the applicable Abbott Stock Plans.

(b) ESPP. Effective as of the Closing, each Transferred Employee who participates in an employee stock purchase plan maintained by Abbott or its Affiliates immediately prior to the Closing (the "Abbott ESPPs") shall cease participation in the applicable

Abbott ESPPs and shall have his or her payroll deductions refunded by Abbott as soon as administratively practicable in accordance with the terms of the Abbott ESPPs. As of the Closing, Transferred Employees shall be eligible to participate in the employee stock purchase plans sponsored by GE in accordance with the terms of such plans.

8.10 U.S. Career Transition Incentive. As soon as reasonably practicable, and in no event later than sixty (60) days after Closing, Abbott and its actuaries shall calculate the aggregate bonus amount (the "Bonus Amount") for all U.S. Transferred Employees who have attained at least age 40 as of the Closing (each, a "CTI Employee") and shall notify GE of such calculations (the "Notification"), providing GE relevant back-up information reasonably required to confirm the accuracy of such calculation. The Bonus Amount shall be equal to or greater than the aggregate incremental increase in the "accumulated benefit obligations" (as defined in Statement of Financial Accounting Standards No. 87) as of the Closing under the Abbott Pension Plans maintained in the United States (the "U.S. Abbott Pension Plans") and under the supplemental pension arrangements that are not intended to be qualified under Section 401(a) of the Code maintained by Abbott or its Affiliates (the "Abbott NQ Plans"), assuming an increase in the present value of the accrued benefits (but excluding any increase attributable to interest) under the U.S. Abbott Pension Plans and Abbott NQ Plans over a three year period for all CTI Employees, calculated using the actuarial assumptions and methodologies that were used in preparing the most recent audited financial statements of Abbott. The Bonus Amount shall not, in any event, exceed $75,000,000. If GE disputes the accuracy of the calculation, it shall notify Abbott of such dispute within two (2) weeks after the date of the Notification and GE and Abbott shall cooperate to identify the basis for such disagreement and act in good faith to resolve such dispute. To the extent that a dispute is unresolved, the accuracy of the calculations shall be verified no later than three (3) weeks after the date of the Notification by an independent third party benefits consulting firm selected by the mutual agreement of the parties. The decision of such consulting firm shall be final, binding and conclusive on all parties to this Agreement. GE and Abbott shall share equally the costs of such consulting firm. Within thirty (30) days of GE's receipt of the Notification, GE shall pay each CTI Employee a cash payment representing an appropriate share of the Bonus Amount based on the foregoing calculations under this Section 8.10.

8.11 Mutual Non-Hire. Without the prior written consent of GE, neither Abbott nor any of its Affiliates shall, for a period of two (2) years following the Closing, hire, whether as an employee or independent contractor, any person who is a Transferred Employee. Without the prior written consent of Abbott, neither GE nor any of its Affiliates shall, on behalf of GE Healthcare, for a period of two (2) years following the Closing, hire, whether as an employee or independent contractor, (i) any person who was employed by Abbott or any of its Affiliates in the Business but who is not a Transferred Employee and who is employed by Abbott, (ii) any person who was employed by Abbott or any of its Affiliates in the Business but who is not a Transferred Employee and who resigned or retired from Abbott six (6) months prior to the Closing or (iii) any person who is employed by Abbott in the Abbott Diabetes Care Business or the Abbott Molecular Diagnostics Business. Without the prior written consent of Abbott, neither GE nor any of its Affiliates shall hire any employee of Abbott or any Affiliate of Abbott with whom GE came into contact in connection with the negotiation of this Agreement or the related integration and transition matters associated with the transactions contemplated by this Agreement. Any exceptions to the foregoing sentences shall be jointly approved by Abbott's

Senior Vice President, Human Resources and GE Healthcare's Senior Vice President, Human Resources, or their delegates.

8.12 Deferred Closing Jurisdictions. For purposes of this Article 8, in respect of any Deferred Closing Jurisdiction, (a) subject to clause (d) below, GE and Abbott shall mutually agree in good faith on appropriate arrangements to continue the Abbott compensation and employee benefits (including statutory arrangements) for the Business Employees as of the Closing (unless otherwise agreed by GE or required by applicable Law), at the expense of GE, until the date of the Deferred Local Closing or such other date as may be agreed upon by GE and Abbott, (b) except to the extent otherwise required by applicable Law, Business Employees in any Deferred Closing Jurisdiction shall not become Transferred Employees until the Deferred Local Closing, (c) any Pension Transfer Amount and any DC Transfer Amount shall be determined as of the applicable Deferred Local Closing, in the same manner as provided in Sections 8.4(b) and 8.6(b), respectively, and, subject to such consents, approvals and other legal requirements as may apply under applicable Law, Abbott shall use commercially reasonable efforts to cause the transfer of any Pension Transfer Amount and any DC Transfer Amount to take place within 180 days of the applicable Deferred Local Closing, in each case after taking into account adjustments for earnings, gains/losses and benefit payments after the applicable Deferred Local Closing but prior to the date of transfer, in the same manner as provided in Sections 8.4(d) and 8.6(c), respectively, and (d) any required adjustments to implement this Article 8 with respect to such jurisdiction, including in respect of the timing and manner of payments between Abbott, GE or any of their respective Affiliates, shall be set forth in the business transfer agreement applicable to the Deferred Closing Jurisdiction.

8.13 Puerto Rico. In the event of a Delayed PR Closing pursuant to Section 7.15 of this Agreement, for purposes of applying this Article 8 to Business Employees in Puerto Rico, the terms "Closing" and "Closing Date" shall mean the "Delayed PR Closing" and the "Delayed PR Closing Date", respectively.

ARTICLE 9

TAXES

9.1 Abbott and GE Indemnities.

(a) Abbott and its Affiliates shall be liable for and pay, and pursuant to Article 12, shall indemnify and hold harmless the GE Indemnified Parties against any and all Losses (as such terms are defined in Section 12.2(a)) incurred by such GE Indemnified Party in connection with or arising from (i) all Taxes applicable to the Business, the Purchased Assets and the Assumed Liabilities that are attributable to the Pre-Closing Tax Period; and (ii) all Taxes arising from any action required or contemplated by Section 7.11 hereof relating to Intercompany Arrangements; provided, however, that Abbott shall not be liable for and not be required to indemnify against (x) any Taxes (other than Income Taxes) set forth on the Closing Date Balance Sheet, unless such Taxes in the aggregate exceed the aggregate amount of such Taxes set forth on the Closing Date Balance Sheet (the aggregate of the Taxes (other than Income Taxes) set forth on the Closing Date Balance Sheet, "Excluded Taxes") or (y) any and all

Losses related to Taxes described in (i) or (ii) above (other than such Taxes themselves) for which GE or its Affiliates are responsible for filing the applicable Tax Return except to the extent that such Losses arise out of the action or inaction of Abbott or any of its Affiliates.

(b) GE and its Affiliates shall be liable for and pay, and pursuant to Article 12 shall indemnify the Abbott Indemnified Parties with respect to, any Excluded Taxes and any and all Losses related thereto (other than such Excluded Taxes themselves) arising out of the action or inaction of GE or any of its Affiliates.

9.2 Apportionment of Taxes.

(a) With respect to any Tax Return for any Straddle Period related to the Business or the Purchased Assets, the party responsible for preparing such Tax Return shall, to the extent permitted by Law, elect to treat the Closing Date as the last day of the taxable year or period and shall apportion any Taxes arising out of or relating to a Straddle Period to the Pre-Closing Tax Period and the Post-Closing Tax Period under a "closing-of-the-books" method as described in Treasury Regulation Section 1.1502-76(b)(2) (or any similar provision of state, local or foreign Law). In any case where applicable Law does not permit the relevant party to treat the Closing Date as the last day of the taxable year or period, any Taxes arising out of or relating to a Straddle Period shall be apportioned to the Pre-Closing Tax Period and the Post-Closing Tax Period based on such a closing-of-the-books method; provided, however, that (i) exemptions, allowances or deductions that are calculated on an annualized basis (including depreciation, amortization and depletion deductions) shall be apportioned on a daily pro rata basis, (ii) solely for purposes of determining the marginal tax rate applicable to income during such period in a jurisdiction in which such tax rate depends upon the level of income, annualized income shall be taken into account, and (iii) Real Property Taxes and personal property Taxes shall be allocated in accordance with the principles set forth in Section 9.2(b).

(b) All personal property Taxes, Real Property Taxes and similar ad valorem obligations levied with respect to the Purchased Assets or the Business for a Straddle Period shall be apportioned between the Pre-Closing Tax Period and Post-Closing Tax Period based on the number of days included in each such period.

9.3 Tax Return Filing and Amendment.

(a) With respect to any Tax Return for a Pre-Closing Tax Period and for a Straddle Period relating to the Business or the Purchased Assets that has not been filed on or before the Closing Date, the party that is obligated to file such Tax Return under applicable Law shall prepare and file, or cause to be prepared and filed, such Tax Return and pay, or cause to be paid, all Taxes shown as due thereon.

(b) The party preparing and filing a Tax Return described in Section 9.3(a) that includes a Pre-Closing Tax Period for which indemnification may be required under Article 12 or the party filing an amendment to such Tax Return, shall deliver, not less than thirty (30) days prior to the due date on which the Tax Return shall be filed, to the other party (against whom a claim for indemnification may be made under Article 12 as a result of the filing of such Tax Return or amended Tax Return) a statement setting forth the amount of Taxes for

which such other party may be liable under Article 12 (as determined below), and copies of such Tax Returns. Such other party shall have the right to review and comment on the form and substance of such statement and Tax Returns. Abbott and GE agree to consult and resolve in good faith any issue arising as a result of the review of such statement and Tax Returns. Notwithstanding the indemnification claim procedure set forth in Sections 12.2 and 12.3, no later than five (5) days prior to the due date for the filing of each such Tax Return, the non-filing party shall pay to the party filing such Tax Return an amount equal to the amount such party is liable for under Article 12 if the amount of Taxes reflected on such Tax Return were the final amount of Taxes owing with respect to such Tax Return under applicable Law. Any Tax Return to be prepared and filed under this Section 9.3 shall, to the extent permitted by applicable Law, be prepared on a basis consistent with the last previous Tax Return relating to the Business or the Purchased Asset. Any Tax Return prepared pursuant to this Section 9.3 shall not be dispositive of the amount of Taxes allocable to the Pre-Closing Tax Period for each such Tax Return for purposes of determining the amount of liability under Section 12.2(a)(ii) or Section 12.3(a)(iv), if Abbott and GE are unable to resolve their differences regarding such Tax Return prior to filing.

(c) If there shall be any conflicts between the provisions of this Section 9.3 and Section 9.7 (relating to Conveyance Taxes), the provisions of Section 9.7 shall control with respect to Conveyance Taxes.

9.4 Refunds. Abbott shall be entitled to retain or, to the extent actually received by, or credited to, GE or its Affiliates, receive immediate payment from GE or any of its Affiliates of, any refund or credit with respect to Taxes (including refunds arising by reason of amended Tax Returns filed after the Closing or otherwise) with respect to any Pre-Closing Tax Period relating to the Purchased Assets or the Business except to the extent such Taxes (or refunds or credits with respect to such Taxes) are reflected on the Closing Date Balance Sheet. GE shall be entitled to retain or, to the extent actually received by, or credited to, Abbott or its Affiliates, receive immediate payment from Abbott or any of its Affiliates of, any refund or credit with respect to Taxes (including refunds arising by reason of amended Tax Returns filed after the Closing or otherwise) with respect to any Post-Closing Tax Period relating to the Purchased Assets or the Business or with respect to Taxes, refunds or credits that are reflected on the Closing Date Balance Sheet. Abbott shall cooperate with GE to enable GE to obtain any refund or credit with respect to Taxes to the extent such refund or credit is reflected on the Closing Date Balance Sheet and GE shall cooperate with Abbott in securing any refund or credit of Taxes to which Abbott would be entitled under this Section 9.4. Any refund or credit of Taxes with respect to a Straddle Period shall be apportioned to the Pre-Closing and Post-Closing Tax Periods in accordance with the principles set forth in Section 9.2. Except to the extent applicable Law requires otherwise, the party receiving the refund shall treat the receipt of such payment as not constituting income subject to Tax. Any payment made pursuant to this Section 9.4 shall be net of any Taxes imposed on the payor as a result of its receipt of such refund increased by any Tax benefit to which the payor becomes entitled as a result of the payment made pursuant to this Section 9.4.

9.5 Resolution of Tax Controversies. If a claim shall be made by any Governmental Authority or taxing authority that might result in an indemnity payment under Section 12.2(a)(ii) or Section 12.3(a)(iv), the party that would be required to pay such amount shall promptly be notified by the party entitled to such indemnity to the extent that the

Governmental Authority or taxing authority did not notify the indemnifying party of such claim, provided that, failure to comply with this provision shall not affect the right to indemnification hereunder except to the extent such failure materially impairs the indemnifying party's ability to contest any such Tax liabilities. In the event that a Governmental Authority or a taxing authority determines a deficiency in any Tax, the party ultimately responsible for such Tax under this Agreement, whether by indemnity or otherwise, shall have authority to determine whether to dispute such deficiency determination and to control the prosecution or settlement of such dispute; provided that with respect to Straddle Periods, Abbott and GE shall jointly control the dispute. The party that is not ultimately responsible for such Tax under this Agreement shall have the right to participate at its own expense in the conduct of any such proceeding involving a Tax claim that would, if the relevant taxing authority were successful in asserting its claim, adversely affect such party.

9.6 Tax Cooperation. Abbott and GE agree to furnish or cause to be furnished to the other party, upon request, as promptly as practical, such information and records and assistance (including making such of their respective officers, directors, employees and agents available as may reasonably be requested by such other party) in connection with the preparation of any Tax Return, audit or other proceeding that relates to the Purchased Assets or the Business. Any expense incurred in providing such information or assistance shall be borne by the party requesting it.

9.7 Conveyance Taxes.

(a) Notwithstanding any other provision of this Agreement to the contrary, all transfer, documentary, recording, sales, use, registration, stamp and other similar Taxes (including all applicable real estate transfer Taxes, but excluding any Taxes based on or attributable to income or capital gains) together with any conveyance fees, notarial and registry fees and recording costs (including any penalties and interest thereon) imposed by any taxing authority or other Governmental Authority with respect to the transfer of the Purchased Assets and the Business to GE or its Affiliates pursuant to this Agreement (the "Conveyance Taxes") shall be borne by GE and its Affiliates, regardless of which party is obligated to pay (or has paid) such Taxes under applicable Law, provided that the excess of such Conveyance Taxes over $100,000,000 shall be borne equally by GE and its Affiliates, on the one hand, and Abbott and its Affiliates on the other hand, regardless of which party is obligated to pay (or has paid) such Taxes under applicable Law.

(b) Each of Abbott and GE shall prepare and file, or cause to be prepared and filed, all Tax Returns relating to Conveyance Taxes that such party (or its Affiliates) is obligated to prepare and file under applicable Law and shall pay, or cause to be paid, all Taxes shown as due thereon. The filing party shall use commercially reasonable efforts to provide the Tax Returns with respect to Conveyance Taxes it (or any of its Affiliates) is obligated to file to the non-filing party at least ten (10) days prior to the due date for the filing of such Tax Returns (taking into account any valid extension). Abbott and GE shall cooperate to timely file all necessary Tax Returns and other documentation with respect to all such Conveyance Taxes, and, if required by applicable Law, the parties shall, and shall cause their Affiliates to join in the execution of any such Tax Returns and other documentation. GE and Abbott agree to cooperate

to use any available methods permitted under applicable Law to minimize the liability for Conveyance Taxes.

(c) Within sixty (60) days following the Closing Date, GE and Abbott shall exchange information regarding the total amount of Conveyance Taxes paid by it and its Affiliates and the date upon which such Conveyance Taxes were paid. If the parties' total combined liabilities for Conveyance Taxes amount to a sum of less than $100,000,000, GE shall reimburse Abbott for all Conveyance Taxes paid by Abbott and its Affiliates pursuant to this Section 9.7. If, on the other hand, such total exceeds $100,000,000, GE and Abbott shall reimburse one another as appropriate so that, in the aggregate, GE bears at least but no more than (x) $100,000,000 of Conveyance Taxes plus (y) 50% of the total Conveyance Taxes in excess of $100,000,000 and so that Abbott bears all remaining Conveyance Taxes. Appropriate adjustments shall be made to such reimbursements to reflect any changes in Conveyance Taxes after such sixty (60) day period. Any payment required to be made under this Section 9.7(c) from Abbott to GE or from GE to Abbott shall bear interest at the Agreed Rate from the date the applicable Conveyance Tax was paid until the date of payment under this Section 9.7(c). For purposes of such interest calculation, it shall be assumed that GE was responsible for the first $100,000,000 in Conveyance Taxes paid, based on the date of payment, and that GE and Abbott were each responsible for 50% of any remaining Conveyance Taxes paid on or after the date total Conveyance Taxes exceeded $100,000,000.

9.8 Survival of Obligations. Notwithstanding anything to the contrary in this Agreement, and notwithstanding Article 12, the obligations of the parties set forth in this Article 9 shall be unconditional and absolute and shall remain in effect without limitation as to time.

ARTICLE 10

CONDITIONS

10.1 Conditions to Obligations of Abbott. The obligations of Abbott to consummate the transactions contemplated by this Agreement shall be subject to fulfillment at or prior to the Closing of the following conditions (any one or more of which may be waived in whole or in part by Abbott):

(a) Representations, Warranties and Covenants. Each of the representations and warranties of GE contained in this Agreement shall be true and correct in all material respects as of the Closing, with the same force and effect as if made as of the Closing (other than such representations and warranties as are made as of another date, which shall be true and correct in all material respects as of such date), except in either case where any failure of such representations and warranties to be so true and correct would not materially delay or prevent the consummation of the transactions contemplated hereby in accordance with the terms hereof, and the covenants and agreements contained in this Agreement to be complied with by GE on or before the Closing shall have been complied with in all material respects, and Abbott shall have received a certificate signed on behalf of GE by an officer of GE to such effect.

(b) Governmental Approvals. Any waiting periods (and any extension thereof) under the HSR Act and the EC Merger Regulation applicable to the purchase of the Business contemplated by this Agreement shall have expired or shall have been terminated and the approval of the transactions contemplated by this Agreement under the Competition/ Investment Laws of the jurisdictions listed on Schedule 10.1(b) shall have been obtained.

(c) No Order. No Governmental Authority in any Major Jurisdiction or the European Union shall have enacted, issued, promulgated, enforced or entered any Governmental Order (whether temporary, preliminary or permanent) that has the effect of making the transactions contemplated by this Agreement illegal or otherwise prohibiting the consummation of such transactions in such Major Jurisdiction or the European Union, as applicable, that is continuing as of the Closing Date.

10.2 Conditions to Obligations of GE. The obligations of GE to consummate the transactions contemplated by this Agreement shall be subject to fulfillment at or prior to the Closing of the following conditions (any one or more of which may be waived in whole or in part by GE):

(a) Representations, Warranties and Covenants. Each of the representations and warranties of Abbott contained in this Agreement, disregarding all qualifications and exceptions contained therein relating to "materiality" or "Material Adverse Effect", shall be true and correct as of the Closing, with the same force and effect as if made as of the Closing (other than such representations and warranties as are made as of another date, which shall be true and correct as of such date), except where any failure of such representations and warranties to be so true and correct would not result in a Material Adverse Effect, and the covenants and agreements contained in this Agreement to be complied with by Abbott on or before the Closing shall have been complied with in all material respects, and GE shall have received a certificate signed on behalf of Abbott by an officer of Abbott to such effect.

(b) Governmental Approvals. Any waiting periods (and any extension thereof) under the HSR Act and the EC Merger Regulation applicable to the purchase of the Business contemplated by this Agreement shall have expired or shall have been terminated and the approval of the transactions contemplated by this Agreement under the Competition/ Investment Laws of the jurisdictions listed on Schedule 10.1(b) shall have been obtained.

(c) No Order. No Governmental Authority in any Major Jurisdiction or the European Union shall have enacted, issued, promulgated, enforced or entered any Governmental Order (whether temporary, preliminary or permanent) that has the effect of making the transactions contemplated by this Agreement illegal or otherwise prohibiting the consummation of such transactions in such Major Jurisdiction or the European Union, as applicable, that is continuing as of the Closing Date.

(d) Material Adverse Effect. Since the Performance Balance Sheet Date, a Material Adverse Effect (other than any change, effect, event, occurrence, state of facts or development that is identified on Schedule 5.3, 5.4, 5.8, 5.9, 5.10, 5.11, 5.13(b) or 5.13(c) of the Company Disclosure Schedule) shall not have occurred and be continuing.

ARTICLE 11

TERMINATION

11.1 Termination. This Agreement may be terminated at any time prior to the Closing in the following circumstances:

(a) by the mutual written consent of Abbott and GE;

(b) by either Abbott or GE by written notice to the other, if the Closing shall not have occurred by July 18, 2007 (the "Outside Date"); provided, however, that either Abbott or GE may, in its sole discretion, by written notice to the other elect to extend the Outside Date for one (1) ninety (90) day extension period if the Closing has not occurred due to the failure of the condition set forth in Section 10.1(b), in the case of Abbott, or the condition set forth in Section 10.2(b), in the case of GE; provided further that, the right to terminate this Agreement under this Section 11.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date; and

(c) by either Abbott or GE by written notice to the other in the event that any Governmental Order of any Governmental Authority in a Major Jurisdiction or the European Union restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement in such jurisdiction shall have become final and non-appealable.

11.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 11.1, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except (a) as set forth in Section 7.2 and Article 13 and (b) that nothing herein shall relieve either party from liability for any willful breach of this Agreement occurring prior to such termination.

ARTICLE 12

INDEMNIFICATION AND SURVIVAL

12.1 Survival of Representations and Warranties. The representations and warranties contained in Section 5.1 (Performance Financial Statements), Section 5.2 (Sufficiency of Assets), Section 5.3 (Title), Section 5.4 (Environmental Matters) and Section 5.11 (Fraud and Abuse Statutes) and the covenants and obligations of the parties hereto contained in this Agreement shall survive the consummation of the transactions contemplated by this Agreement as provided in this Article 12. Except as provided in the immediately preceding sentence, the representations and warranties of the parties hereto contained in this Agreement shall terminate at the Closing.

12.2 Indemnification by Abbott.

(a) Abbott's Indemnity. From and after the Closing, Abbott shall indemnify and hold harmless GE and its Affiliates, officers, directors, agents, successors and

assigns (the "GE Indemnified Parties") from and against all losses, Liabilities, costs and expenses (including reasonable attorneys' fees) (collectively, "Losses") which GE or its Affiliates may actually suffer or incur to the extent arising out of or related to:

(i) the Excluded Liabilities;

(ii) Taxes, Conveyance Taxes and any other amounts for which Abbott is liable pursuant to Article 9; provided, however, that Abbott shall not be liable for any Losses related to Taxes described in Section 9.1(a)(i) or (ii) (other than such Taxes themselves) for which GE or its Affiliates are responsible for filing the applicable Tax Return, except to the extent such Losses arise out of the action or inaction of Abbott or any of its Affiliates;

(iii) failure by Abbott or any of its Affiliates to perform any of their covenants or agreements contained in this Agreement;

(iv) any inaccuracies in or breaches by Abbott, specifically identified by GE as Environmental Conditions pursuant to Section 7.14(a)(ii) within thirty (30) days after the Environmental Review Commencement Date, of the representations and warranties contained in Section 5.4 (considered for these purposes, disregarding any qualification or exception contained in any such representation or warranty relating to materiality or Material Adverse Effect) (unless GE shall have exercised its option under clause (1) or (2) of Section 7.14(a)(ii));

(v) any inaccuracies in or breaches by Abbott of the representations and warranties contained in Section 5.11 (considered for these purposes, disregarding any qualification or exception contained in any such representation or warranty relating to materiality or Material Adverse Effect) (A) that are specifically identified by GE in writing within thirty (30) days after the date of this Agreement in a notice that identifies the specific practices or condition that give rise to such inaccuracy or breach and provides an undertaking by GE that it shall not continue such practice or condition after Closing, (B) that are first discovered by, or made to known to, GE after the date of this Agreement, (C) that Abbott is unable to remedy prior to the Closing and (D) with respect to which the practices or conditions giving rise to such inaccuracy or breach are not reasonably expected to be continued by GE after Closing (if after the Closing, GE does continue such practices or conditions giving rise to such inaccuracy or breach, Abbott shall not be required to indemnify GE for such inaccuracy or breach or, if Abbott has previously indemnified GE with respect thereto, GE shall be required to reimburse Abbott for the amount of such indemnification payment); or

(vi) any inaccuracies in or breaches by Abbott of the representations and warranties contained in Sections 5.1, 5.2 or 5.3 (considered for these purposes (other than with respect to Section 5.1), disregarding any qualification or exception contained in any such representation or warranty relating to materiality or Material Adverse Effect);

and, in each such case, for which GE gives Abbott written notice of a claim for reimbursement following Closing in accordance with Section 12.2(b) (a "GE Claim"); provided that with respect to indemnification by Abbott for any GE Claim (X) pursuant to Sections 12.2(a)(iv), (v) and (vi), Abbott shall not be liable unless the aggregate amount of Losses for all GE Claims under Sections 12.2(a)(iv), (v) or (vi) exceeds $100,000,000 less the amount of any reimbursement by GE for Response Costs pursuant to Section 7.14(a)(ii) and then only to the extent of such excess and (Y) Abbott's maximum liability for GE Claims under Sections 12.2(a)(iv), (v) and (vi) shall not exceed $600,000,000 in the aggregate, less the amount of any Response Costs incurred by Abbott pursuant to Section 7.14(a)(ii) (it being understood that, with respect to a breach of the warranty or inaccuracy of the representations contained in Section 5.1, the term "in all material respects" shall be disregarded in determining the amount of Losses incurred by any GE Indemnified Party in connection therewith or arising therefrom).

(b) Notice of Claims. Any GE Indemnified Party seeking indemnification under Section 12.2(a) shall provide a notice to Abbott in writing describing in reasonable detail the facts giving rise to any claim for indemnification and the amount sought to be reimbursed; provided that, such notice shall be given promptly following the assertion of any Third-Party Claim, or the commencement of any Action, in respect of which indemnity may be sought under Section 12.2(a) and such GE Indemnified Party shall provide Abbott such information (if then known) with respect thereto that Abbott may reasonably request; provided that Abbott shall have no Liability with respect to any claim for indemnification pursuant to Section 12.2(a) for which Abbott did not promptly receive written notice from such GE Indemnified Party, to the extent Abbott shall have been prejudiced thereby; and provided further, that Abbott shall have no Liability with respect to any claim for indemnification pursuant to (x) clause (iv) of Section 12.2(a) for which Abbott did not receive such specific written notice from GE within thirty (30) days after the applicable Environmental Review Commencement Date, (y) clause (v) of Section 12.2(a) for which Abbott did not receive such specific written notice from GE within thirty (30) days after the date of this Agreement or for which the Loss shall not have occurred within eighteen (18) months after the Closing Date or (z) clause (vi) of Section 12.2(a) for which Abbott did not receive such specific written notice from GE within twelve (12) months after the Closing Date. No GE Indemnified Party shall admit any Liability with respect to, or settle, compromise or discharge, any such matter covered by this Section 12.2 without Abbott's prior written consent (which shall not be unreasonably withheld or delayed). Subject to the immediately preceding sentence, the GE Indemnified Party shall have the right, with the consent of Abbott (which shall not be unreasonably withheld or delayed), to settle all indemnifiable matters related to Third-Party Claims which are susceptible to being settled, and to defend (without the consent of Abbott) through counsel of its own choosing any Action which may be brought by a third Person in connection therewith; provided, however, that Abbott shall have the right to have its counsel participate fully in such defense at its own expense. GE and Abbott shall keep each other reasonably informed of all settlement negotiations with third Persons regarding the provisions hereof and of the progress of any litigation with third Persons regarding the provisions hereof. GE and Abbott shall permit each other reasonable access to books and records and otherwise cooperate with all reasonable requests of each other in connection with any indemnifiable matter resulting from a claim by a third Person.

12.3 Indemnification by GE.

(a) GE's Indemnity. From and after the Closing, GE shall indemnify and hold harmless Abbott and its Affiliates, officers, directors, agents, successors and assigns and, solely with respect to Losses arising out of or related to the Consent Decree, any Abbott Consent Decree Defendants that are not otherwise identified in this clause (a) above (all such parties are collectively referred to as the "Abbott Indemnified Parties") from and against and in respect of all Losses which Abbott and its Affiliates may actually suffer or incur to the extent arising out of or related to:

(i) the Assumed Liabilities (except to the extent GE is entitled to indemnification with respect thereto pursuant to Section 12.2(a)(iv), (v) or (vi));

(ii) failure by GE or any of its Affiliates to perform any of their covenants or agreements contained in this Agreement;

(iii) any Liabilities arising from the operation of the Business on or after the Closing (other than the Excluded Liabilities), and, in each such case, for which Abbott gives GE written notice of a claim for reimbursement following Closing in accordance with Section 12.3(b); or

(iv) Taxes, Conveyance Taxes and any other amounts for which GE is liable pursuant to Article 9; provided, however, that GE shall not be liable for any Losses related to Taxes described in Section 9.1(b) (other than such Excluded Taxes themselves) except to the extent such Losses arise out of the action or inaction of GE or any of its Affiliates.

(b) Notice of Claims. Any Abbott Indemnified Party seeking indemnification under Section 12.3(a) shall promptly upon becoming aware of any such matters provide a notice to GE in writing describing in reasonable detail the facts giving rise to any claim for indemnification; provided that GE shall have no Liability with respect to any claim for indemnification pursuant to Section 12.3(a) for which GE did not promptly receive written notice from such Abbott Indemnified Party to the extent GE shall have been prejudiced thereby. No Abbott Indemnified Party shall admit any Liability with respect to, or settle, compromise or discharge any such matter covered by this Section 12.3 without GE's prior written consent (which shall not be unreasonably withheld or delayed). Subject to the immediately preceding sentence, the Abbott Indemnified Party shall have the right, with the consent of GE (which shall not be unreasonably withheld or delayed), to settle all indemnifiable matters related to Third-Party Claims which are susceptible to being settled, and to defend (without the consent of GE) through counsel of its own choosing, any Action which may be brought by a third Person in connection therewith; provided, however, that GE shall have the right to have its counsel participate fully in such defense at its own expense. GE and Abbott shall keep each other reasonably informed of all settlement negotiations with third Persons regarding the provisions hereof and of the progress of any litigation with

third Persons regarding the provisions hereof. GE and Abbott shall permit each other reasonable access to books and records and otherwise cooperate with all reasonable requests of each other in connection with any indemnifiable matter resulting from a claim by a third Person.

12.4 Exclusive Remedy. Except as otherwise set forth in Section 13.11 or as otherwise set forth in any Ancillary Agreement, from and after the Closing, the rights and remedies set forth in this Article 12 shall constitute the sole and exclusive rights and remedies of GE and Abbott with respect to this Agreement, the events giving rise to this Agreement and the transactions contemplated hereby. Without limiting the generality of the foregoing, neither party shall have any rights to set-off indemnifiable Losses pursuant to this Article 12 against other obligations owed to the other party.

12.5 Calculation of Damages.

(a) Notwithstanding anything to the contrary contained in this Agreement, neither party shall have Liability under or in connection with any claim for indemnification pursuant to this Article 12 for any claim (i) for punitive, incidental, consequential, lost profits, special or indirect damages or (ii) with respect to claims made by a GE Indemnified Party, to the extent such claim is reserved as a dollar amount on the Closing Date Balance Sheet.

(b) Notwithstanding anything contained herein to the contrary, the amount of any Losses incurred or suffered by a GE Indemnified Party or an Abbott Indemnified Party entitled to indemnification hereunder pursuant to Section 12.2(a) or Section 12.3(a), as applicable, shall be calculated after giving effect to: (i) any insurance proceeds received by such Person (or any of its Affiliates) with respect to such Losses; (ii) any Tax benefit or detriment actually realized by such Person (or any of its Affiliates) arising from the facts or circumstances giving rise to such Losses or from receipt of the indemnity payment; and (iii) any recoveries obtained by such Person (or any of its Affiliates) from any other third Person. Each such Person shall exercise its commercially reasonable efforts to obtain such proceeds, benefits and recoveries. If any such proceeds, benefits or recoveries are received by such Person (or any of its Affiliates) with respect to any Losses after such Person (or any Affiliate) has received the benefit of any indemnification hereunder with respect thereto, such Person (or such Affiliate) shall pay to the party providing such indemnification the amount of such proceeds, benefits or recoveries, less such Person's expenses (up to the amount of the indemnification payment).

(c) Abbott shall not be liable under Section 12.2 for any Losses (nor shall any such Losses reduce the $100,000,000 deductible provided in clause (x) of the last paragraph of Section 12.2(a)) relating to any matter to the extent that any GE Indemnified Party was reimbursed for such Losses pursuant to the purchase price adjustment set forth in Section 3.3 or would have been reimbursed for such Losses pursuant to such adjustment if the Minimum Net Worth Amount used in calculating such adjustment was $2,078,228,000.

12.6 Tax Treatment of Indemnity Payments. For all Tax purposes, the parties agree to treat all payments made under any indemnity provisions contained in this Agreement as adjustments to the Purchase Price, except to the extent applicable Law requires otherwise.

ARTICLE 13

MISCELLANEOUS

13.1 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that no assignment shall be made by either party without the prior written consent of the other party. Notwithstanding the foregoing, either party may assign its rights and obligations under this Agreement without such consent to an Affiliate or in connection with a sale, merger or other transaction involving a transfer of substantially all of its assets; provided that, such assigning party shall remain primarily liable for its obligations hereunder.

13.2 Public Announcements. Neither party shall issue nor make any public announcement, press release or other public disclosure regarding this Agreement or its subject matter without the other party's prior written consent, except for any such disclosure that is, in the opinion of the disclosing party's counsel, required by applicable Law or the rules of a stock exchange on which the securities of the disclosing party are listed. In the event a party is, in the opinion of its counsel, required to make a public disclosure by applicable Law or the rules of a stock exchange on which its securities are listed, such party shall, to the extent practicable, submit the proposed disclosure in writing to the other party prior to the date of disclosure and provide the other party a reasonable opportunity to comment thereon.

13.3 Expenses. Whether or not the transactions contemplated hereby are consummated, and except as otherwise specified herein, each party shall bear its own expenses with respect to the transactions contemplated by this Agreement.

13.4 Severability. Each of the provisions contained in this Agreement shall be severable, and the unenforceability of one shall not affect the enforceability of any others or of the remainder of this Agreement.

13.5 No Third Party Beneficiaries. Except in respect of a GE Indemnified Party or Abbott Indemnified Party who is not a party hereto, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, shall give or be construed to give to any Person, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder.

13.6 Waiver. The failure of any party to enforce any condition or part of this Agreement at any time shall not be construed as a waiver of that condition or part, nor shall it forfeit any rights to future enforcement thereof. Any waiver hereunder shall be effective only if delivered to the other party hereto in writing by the party making such waiver.

13.7 Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the Laws of the State of Delaware without regard to the conflicts of Laws provisions thereof.

13.8 Alternative Dispute Resolution. The parties recognize that from time to time a dispute may arise (a) relating to negotiation and finalization of the Ancillary Agreements (b) with respect to determinations of (i) whether a particular asset is a Purchased Asset or an

Excluded Asset, a particular Liability is an Assumed Liability or an Excluded Liability or any Mixed-Use Intellectual Property constitutes GE Mixed-Use Intellectual Property or Abbott Mixed-Use Intellectual Property, (ii) indemnification payments pursuant to this Agreement or (c) with respect to interpretations of provisions of this Agreement or the Ancillary Agreements. The parties agree that any such dispute shall be exclusively resolved by the ADR provisions set forth on Schedule 13.8, the result of which shall be binding upon the parties. The place for such ADR shall be Chicago, Illinois or at such other place as may be agreed upon by GE and Abbott.

13.9 Jurisdiction. The parties hereto agree that any Action seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby (other than those matters to be exclusively resolved pursuant to the ADR provisions referred to in Section 13.8) shall be brought in the United States District Court located in Wilmington, Delaware so long as such court shall have subject matter jurisdiction over such Action, or alternatively in the Delaware State Court located in Wilmington, Delaware if the aforesaid United States District Court does not have subject matter jurisdiction, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Delaware, and each of the parties hereby irrevocably consents to the jurisdiction of such court (and of the appropriate appellate courts therefrom) in any such Action and irrevocably waives, to the fullest extent permitted by Law, any objection that it may now or hereafter have to the laying of the venue of any such Action in any such court or that any such Action which is brought in such court has been brought in an inconvenient forum. Process in any such Action may be served on any party anywhere in the world, whether within or without the jurisdiction of such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 13.15 shall be deemed effective service of process on such party.

13.10 Waiver of Jury Trial. EACH OF THE PARTIES HERETO WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HERETO HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 13.10.

13.11 Specific Performance. The parties acknowledge that, in view of the uniqueness of the Business, the Purchased Assets and the transactions contemplated by this Agreement, each party would not have an adequate remedy at Law for money damages in the event that this Agreement has not been performed in accordance with its terms, and therefore agrees that the other party shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled (in accordance with Section 13.9), at Law or in equity and Section 13.8 shall not apply to any such specific enforcement.

13.12 Headings. The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof.

13.13 Counterparts. The parties may execute this Agreement in one or more counterparts, and each fully executed counterpart shall be deemed an original.

13.14 Further Documents. Each of GE and Abbott shall, and shall cause its respective Affiliates to, at the request of the other party, execute and deliver to such other party all such further instruments, assignments, assurances and other documents as such other party may reasonably request in connection with the carrying out of this Agreement and the transactions contemplated hereby.

13.15 Notices. All communications, notices and Consents provided for herein shall be in writing and be given in person or by means of telex, facsimile or other means of wire transmission (with request for assurance of receipt in a manner typical with respect to communications of that type), by overnight courier or by mail, and shall become effective: (a) on delivery if given in person; (b) on the date of transmission if sent by telex, facsimile or other means of wire transmission; (c) one (1) Business Day after delivery to the overnight service; or (d) four (4) Business Days after being mailed, with proper postage and documentation, for first-class registered or certified mail, prepaid.

Notices shall be addressed as follows:

If to GE, to:

General Electric Company
Mail Drop W436
3000 North Grandview Boulevard
Waukesha, WI 53188
Attn: Healthcare Business Development General Counsel
Facsimile Number: (262) 544-3930

and

General Electric Company
Pollards Wood Nightingales Lane
UK 360
Chalfont St. Giles
HP 8 4SP
United Kingdom
Attn: GE Healthcare General Counsel
Facsimile Number: +44 (0) 1494 498465

with copies to:

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Attn: David J. Zampa, Esq.
Facsimile Number: (312) 853-7036

If to Abbott, to:

Abbott Laboratories
Dept. 0392, Bldg. AP6D
100 Abbott Park Road
Abbott Park, Illinois 60064-3500
Attention: Chief Operating Officer
Facsimile Number: (847) 035-8207

and

Abbott Laboratories
Dept. 0364, Bldg. AP6D
100 Abbott Park Road
Abbott Park, Illinois 60064-6020
Attention: General Counsel
Facsimile Number: (847) 938-6277

with copies to:

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606
Attn: Charles W. Mulaney, Jr.
Brian W. Duwe
Facsimile Number: (312) 407-0411

provided, however, that if any party shall have designated a different address by notice to the others, then to the last address so designated.

13.16 Exchange Rates. If applicable Law requires that any payment pursuant to this Agreement be made in local currency, the parties shall use the applicable exchange rate published in The Wall Street Journal three (3) Business Days prior to the Closing or such date as mutually agreed in writing by the parties, except in the case of a Deferred Local Closing in which case the parties shall use the applicable exchange rate published in the Wall Street Journal three (3) Business Days prior to the date of the Deferred Local Closing or such other date as mutually agreed in writing by the parties. In addition, if applicable Law requires that the Conveyance and Assumption Instruments for a particular jurisdiction must state the portion of Purchase Price allocated to such jurisdiction in local currency, then the parties shall use for such purposes the exchange rate between $ and the applicable local currency as reported on the Bloomberg screen at 7:00 a.m. EDT on the Closing Date.

13.17 Construction. The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Words in the singular shall be deemed to include the plural and vice versa and words of one gender shall be deemed to include the other gender as the context requires. The terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules and Exhibits hereto) and not to any particular provision of this Agreement. Article, Section, Exhibit and Schedule references are to the Articles, Sections, Exhibits and Schedules to this Agreement unless otherwise specified. Unless otherwise stated, all references to any agreement shall be deemed to include the exhibits, schedules and annexes to such agreement. The word “including” and words of similar import when used in this Agreement shall mean “including, without limitation,” unless the context otherwise requires or unless otherwise specified. The word “or” shall not be exclusive. Unless otherwise

specified in a particular case, the word “days” refers to calendar days. References herein to this Agreement or any Ancillary Agreement shall be deemed to refer to this Agreement or such Ancillary Agreement as of the date of such agreement and as it may be amended thereafter, unless otherwise specified.

13.18 Performance of Obligations by Affiliates. Any obligation of Abbott under or pursuant to this Agreement may be satisfied, met or fulfilled, in whole or in part, at Abbott’s sole and exclusive option, either by Abbott directly or by any Affiliate of Abbott that Abbott causes to satisfy, meet or fulfill such obligation in whole or in part. Any obligation of GE under or pursuant to this Agreement may be satisfied, met or fulfilled, in whole or in part, at GE’s sole and exclusive option, either by GE directly or by any Affiliate that GE causes to satisfy, meet or fulfill such obligation, in whole or in part. With respect to any particular action, the use of the words “Abbott shall” also means “Abbott shall cause” the particular action to be performed, and the use of the words “GE shall” also means “GE shall cause” the particular action to be performed. Each of Abbott and GE guarantees the performance of all actions, agreements and obligations to be performed by any of their respective Affiliates under the terms and conditions of this Agreement.

13.19 Entire Agreement. This Agreement may not be amended, supplemented or otherwise modified except by an instrument in writing signed by each of the parties hereto. This Agreement and the Confidentiality Agreement contain the entire agreement of the parties hereto with respect to the transactions covered hereby, superseding all negotiations, prior discussions and preliminary agreements made prior to the date hereof.

* * * * * * * * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

ABBOTT LABORATORIES		**GENERAL ELECTRIC COMPANY**	
By:	/s/ Miles D. White	By:	/s/ Joseph M. Hogan
Name:	Miles D. White	Name:	Joseph M. Hogan
Title:	Chairman of the Board and Chief Executive Officer	Title:	President and Chief Executive Officer, GE Healthcare

Abbott Laboratories
Performance Restricted Stock Agreement

This Agreement made «DateAwded» (the "Grant Date"), between Abbott Laboratories, an Illinois corporation (the "Company"), and «Name» (the "Employee"), for the grant by the Company to the Employee of a Restricted Stock Award under Section 10 of the Company's 1996 Incentive Stock Program (the "Program"). This Agreement incorporates and is subject to the provisions of the Program. Terms used herein shall have the same meaning as in the Program, and in the event of any inconsistency between the provisions herein and the provisions of the Program, the Program shall control.

1. Grant of Shares. Pursuant to action of the Compensation Committee of the Board of Directors of the Company, and in consideration of valuable services heretofore rendered and to be rendered by the Employee to the Company and of the agreements hereinafter set forth, the Company has granted to the Employee «NoShares12345» common shares of the Company (the "Shares"). The Shares shall be issued from the Company's available treasury shares. The Employee shall have all the rights of a shareholder with respect to the Shares, including the right to vote and to receive all dividends or other distributions paid or made with respect to the Shares. However, the Shares (and any securities of the Company which may be issued with the respect to the Shares by virtue of any stock split, combination, stock dividend or recapitalization, which securities shall be deemed to be "Shares" hereunder) shall be subject to all the restrictions hereinafter set forth.

2. Restriction. Until the restriction imposed by this Section 2 (the "Restriction") has lapsed pursuant to Section 3 or 4 below, the Shares shall not be sold, exchanged, assigned, transferred, pledged or otherwise disposed of, and shall be subject to forfeiture as set forth in Section 5 below.

3. Lapse of Restriction Based on Performance. The restrictions on one-third of the total number of Shares (rounded up) will lapse and have no further force on the last business day of February, 2008, provided that Abbott's prior year Return on Equity is a minimum of 18 percent; the restrictions on an additional one-third of the total number of Shares (rounded up) will lapse and have no further force on the last business day of February, 2009, provided that Abbott's prior year Return on Equity is a minimum of 18 percent; the restrictions on the remaining one-third of the total number of Shares will lapse and have no further force on the last business day of February, 2010, provided that Abbott's prior year Return on Equity is a minimum of 18 percent. Notwithstanding the foregoing, any remaining Shares that have not previously vested in 2008, 2009 or 2010 shall remain outstanding and shall vest on the last business day of February, 2011 and/or 2012, provided that Abbott's prior year Return on Equity is a minimum of 18 percent, and provided further that no more than one-third of the Shares will vest in any one year.

4. Retirement. The Restriction shall continue to apply (and may lapse in accordance with the provisions of Section 3 above) in the event that the Employee's employment with the Company and its subsidiaries is terminated by the Employee due to retirement.

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5. Lapse of Restriction by Death or Disability. The Restriction shall lapse and have no further force or effect upon the Employee's death or disability.

6. Forfeiture of Shares. In the event of termination of the Employee's employment with the Company, other than under the circumstances described in Section 4 or Section 5 above, (including due to the Employee's voluntary resignation (other than due to retirement) or involuntary discharge for cause), all of the Shares with respect to which the Restriction has not lapsed shall be forfeited, and transferred to the Company by the Employee, without consideration to the Employee or his executor, administrator, personal representative or heirs ("Representative"). In any such event, the Employee or his Representative shall promptly deliver any documents requested by the Company necessary to effectuate such transfer. Notwithstanding the foregoing, in the event that the Employee is discharged by the Company other than for cause, the Committee shall have the authority (but not the obligation) to act, in its sole discretion, to accelerate the lapse of the Restriction. The term discharge "for cause" shall have the meaning given that term by Section 10.

7. Withholding Taxes. The lapse of the Restriction on the Shares pursuant to the terms hereof shall be conditioned on the Employee or the Representative having made appropriate arrangements with the Company to provide for the withholding of any taxes required to be withheld by federal, state or local law with respect to such lapse.

8. Rights Not Enlarged. Nothing herein confers on the Employee any right to continue in the employ of the Company or of any of its subsidiaries.

9. Succession. This Agreement shall be binding upon and operate for the benefit of the Company and its successors and assigns, and the Employee and his Representative.

10. Discharge for Cause. The term discharge "for cause" shall mean termination by the Company of the Employee's employment for (A) the Employee's failure to substantially perform the duties of his employment (other than any such failure resulting from the Employee's disability); (B) material breach by the Employee of the terms and conditions of his employment; (C) material breach by the Employee of business ethics; (D) an act of fraud, embezzlement or theft committed by the Employee in connection with his duties or in the course of his employment; or (E) wrongful disclosure by the Employee of secret processes or confidential information of the Company or its subsidiaries.

11. Section 409A. If the Company determines that this Agreement is subject to 409A of the Internal Revenue Code and fails to comply with that section's requirements, the Company may, at the Company's sole discretion, amend the Agreement to cause it to comply with Section 409A or be exempt from Section 409A.

IN WITNESS WHEREOF, the Company has caused this Award to be executed by its duly authorized officer as of the grant date set forth above.

ABBOTT LABORATORIES

By _____

_____

«Name»

Abbott Laboratories
Performance Restricted Stock Agreement

This Agreement made «DateAwded» (the "Grant Date"), between Abbott Laboratories, an Illinois corporation (the "Company"), and «Name» (the "Employee"), for the grant by the Company to the Employee of a Performance Restricted Stock Award under Section 11 of the Company's 1996 Incentive Stock Program (the "Plan"). This Agreement incorporates and is subject to the provisions of the Plan. Terms used herein shall have the same meaning as in the Plan and in the event of any inconsistency between the provisions herein and the provisions of the Plan, the Plan shall control.

1. Grant of Shares. Pursuant to action of the Compensation Committee of the Board of Directors of the Company, and in consideration of valuable services heretofore rendered and to be rendered by the Employee to the Company and of the agreements hereinafter set forth, the Company has granted to the Employee «NoShares12345» common shares of the Company (the "Shares"). The Shares shall be issued from the Company's available treasury shares. The Employee shall have all the rights of a shareholder with respect to the Shares, including the right to vote and to receive all dividends or other distributions paid or made with respect to the Shares. However, the Shares (and any securities of the Company which may be issued with the respect to the Shares by virtue of any stock split, combination, stock dividend or recapitalization, which securities shall be deemed to be "Shares" hereunder) shall be subject to all the restrictions hereinafter set forth.

2. Restriction. Until the restriction imposed by this Section 2 (the "Restriction") has lapsed pursuant to Section 3 or 4 below, the Shares shall not be sold, exchanged, assigned, transferred, pledged or otherwise disposed of, and shall be subject to forfeiture as set forth in Section 5 below.

3. Lapse of Restriction Based on Performance. The restrictions on one-third of the total number of Shares (rounded up) will lapse and have no further force on the last business day of February, 2008, provided that Abbott's prior year Return on Equity is a minimum of 18 percent; the restrictions on an additional one-third of the total number of Shares (rounded up) will lapse and have no further force on the last business day of February, 2009, provided that Abbott's prior year Return on Equity is a minimum of 18 percent; the restrictions on the remaining one-third of the total number of Shares will lapse and have no further force on the last business day of February, 2010, provided that Abbott's prior year Return on Equity is a minimum of 18 percent. Notwithstanding the foregoing, any remaining Shares that have not previously vested in 2008, 2009 or 2010 shall remain outstanding and shall vest on the last business day of February, 2011 and/or 2012, provided that Abbott's prior year Return on Equity is a minimum of 18 percent, and provided further that no more than one-third of the Shares will vest in any one year.

4. Retirement. The Restriction shall continue to apply (and may lapse in accordance with the provisions of Section 3 above) in the event that the Employee's employment with the Company and its subsidiaries is terminated by the Employee due to retirement.

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5. Lapse of Restriction by Death or Disability. The Restriction shall lapse and have no further force or effect upon the Employee's death or disability.

6. Forfeiture of Shares. In the event of termination of the Employee's employment with the Company, other than under the circumstances described in Section 4 or Section 5 above, (including due to the Employee's voluntary resignation (other than due to retirement) or involuntary discharge for cause), all of the Shares with respect to which the Restriction has not lapsed shall be forfeited, and transferred to the Company by the Employee, without consideration to the Employee or his executor, administrator, personal representative or heirs ("Representative"). In any such event, the Employee or his Representative shall promptly deliver any documents requested by the Company necessary to effectuate such transfer. Notwithstanding the foregoing, in the event that the Employee is discharged by the Company other than for cause, the Committee shall have the authority (but not the obligation) to act, in its sole discretion, to accelerate the lapse of the Restriction. The term discharge "for cause" shall have the meaning given that term by Section 10.

7. Withholding Taxes. The lapse of the Restriction on the Shares pursuant to the terms hereof shall be conditioned on the Employee or the Representative having made appropriate arrangements with the Company to provide for the withholding of any taxes required to be withheld by federal, state or local law with respect to such lapse.

8. Rights Not Enlarged. Nothing herein confers on the Employee any right to continue in the employ of the Company or of any of its subsidiaries.

9. Succession. This Agreement shall be binding upon and operate for the benefit of the Company and its successors and assigns, and the Employee and his Representative.

10. Discharge for Cause. The term discharge "for cause" shall mean termination by the Company of the Employee's employment for (A) the Employee's failure to substantially perform the duties of his employment (other than any such failure resulting from the Employee's disability); (B) material breach by the Employee of the terms and conditions of his employment; (C) material breach by the Employee of business ethics; (D) an act of fraud, embezzlement or theft committed by the Employee in connection with his duties or in the course of his employment; or (E) wrongful disclosure by the Employee of secret processes or confidential information of the Company or its subsidiaries.

11. Construction. This Performance Restricted Stock Award is intended to qualify as qualified performance-based compensation under section 162(m) of the Internal Revenue Code of 1986, as amended, to the extent applicable. This Agreement shall be construed accordingly.

12. Section 409A. If the Company determines that this Agreement is subject to 409A of the Internal Revenue Code and fails to comply with that section's requirements, the Company may, at the Company's sole discretion, amend the Agreement to cause it to comply with Section 409A or be exempt from Section 409A.

IN WITNESS WHEREOF, the Company has caused this Award to be executed by its duly authorized officer as of the grant date above set forth.

ABBOTT LABORATORIES

By _____

_____

«Name»

Abbott Laboratories
Performance Restricted Stock Unit Agreement

This Agreement made «DateAwded» (the "Grant Date"), between Abbott Laboratories, an Illinois corporation (the "Company"), and «Name» (the "Employee"), for the grant by the Company to the Employee of a Restricted Stock Unit Award under the Company's 1996 Incentive Stock Program (the "Plan"). This Agreement incorporates and is subject to the provisions of the Plan. Terms used herein shall have the same meaning as in the Plan, and in the event of any inconsistency between the provisions herein and the provisions of the Plan, the Plan shall control.

1. Grant of Units. Pursuant to action of the Compensation Committee of the Board of Directors of the Company, and in consideration of valuable services heretofore rendered and to be rendered by the Employee to the Company and of the agreements hereinafter set forth, the Company has granted to the Employee «NoShares12345» restricted stock units (the "Restricted Stock Units" used herein "Units"), representing the right to receive an equal number of common shares of the Company on the Delivery Date. The "Delivery Date" of the shares (as defined in Sections 3, 4 and 5 below) shall be the respective dates on which the common shares of the Company shall be payable to the Employee after the Restriction (as defined in Section 2 below) on such Units lapse. Unless indicated otherwise, the shares of stock shall be delivered in an equal number of shares (subject to rounding) as of each Delivery Date, if there is more than one Delivery Date applicable. The shares shall be issued from the Company's available treasury shares. Prior to the Delivery Date(s), (a) the Employee shall not be treated as a shareholder as to those shares, and shall only have a contractual right to receive them, unsecured by any assets of the Company or the subsidiaries; (b) the Employee shall not be permitted to vote the Restricted Stock Units; and (c) the Employee's right to receive such shares will be subject to the adjustment provisions relating to mergers, reorganizations, and similar events set forth in the Plan. The Restricted Stock Units shall be subject to all of the restrictions hereinafter set forth. The Employee shall be permitted to receive cash payments equal to the dividends and distributions paid on shares of stock ("Dividend Equivalents") (other than dividends or distributions of securities of the Company which may be issued with respect to its shares by virtue of any stock split, combination, stock dividend or recapitalization) to the same extent and on the same date as if each Unit were a share of stock, provided, however, that no Dividend Equivalents shall be payable to or for the benefit of the Employee with respect to dividends or distributions the record date for which occurs on or after either (i) the Employee has forfeited the Restricted Stock Units or (ii) the restrictions on the Restricted Stock Units have lapsed.

2. Restriction. Until the restriction imposed by this Section 2 (the "Restriction") has lapsed pursuant to Section 3 or 4 below, the Units shall not be sold, exchanged, assigned, transferred, pledged or otherwise disposed of, and shall be subject to forfeiture as set forth in Section 5 below.

3. Lapse of Restriction Based on Performance. The restrictions on one-third of the total number of Units (rounded up) will lapse and have no further force on the last business day of February, 2008, provided that Abbott's prior year Return on Equity is a minimum of 18 percent; the restrictions on an additional one-third of the total number of Units (rounded up) will lapse and have no further force on the last business day of February, 2009, provided that Abbott's prior year Return on Equity is a minimum of 18 percent; the restrictions on the remaining one-third of the total number of Units will lapse and have no further force on the last business day of February, 2010, provided that Abbott's prior year Return on Equity is a minimum of 18 percent. Notwithstanding the foregoing, any remaining Units that have not previously vested in 2008, 2009, or 2010 shall remain outstanding and shall vest on the last business day of February, 2011 and/or 2012, provided that Abbott's prior year Return on Equity is a minimum of 18 percent, and provided further that no more than one-third of the Units will vest in any one year.

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4. Retirement. The Restriction shall continue to apply (and may lapse in accordance with the provisions of Section 3 above) in the event that the Employee's employment with the Company and its subsidiaries is terminated by the Employee due to retirement.

5. Lapse of Restriction by Death or Disability. The Restriction shall lapse and have no further force or effect upon the Employee's death or disability. Any Units that have not previously been paid out on a Delivery Date set forth in Section 3 above shall be settled in the form of Company common stock on the date of death or disability, as the case may be.

6. Forfeiture of Units. In the event of termination of the Employee's employment with the Company, other than under the circumstances described in Section 4 or Section 5 above, (including without limitation due to the Employee's voluntary resignation (other than due to retirement) or involuntary discharge for cause), all of the Units with respect to which the Restriction has not lapsed shall be forfeited by the Employee, without consideration to the Employee or his executor, administrator, personal representative or heirs ("Representative"), provided, however, that in the event that the Employee is involuntarily discharged by the Company or its subsidiaries other than for cause, the Company shall have the authority (but not the obligation) to act, in its sole discretion, to accelerate the lapse of Restriction set forth in Section 3 above and to cause any Units that have not previously been paid out on a Delivery Date set forth in Section 3 above to be settled in the form of Company common stock on the date of such involuntary discharge. The term discharge "for cause" shall have the meaning given that term by Section 10.

7. Withholding Taxes. The lapse of the Restriction on the Shares pursuant to the terms hereof shall be conditioned on the Employee or the Representative having made appropriate arrangements with the Company to provide for the withholding of any taxes required to be withheld by federal, state or local law with respect to such lapse.

8. Rights Not Enlarged. Nothing herein confers on the Employee any right to continue in the employ of the Company or of any of its subsidiaries.

9. Succession. This Agreement shall be binding upon and operate for the benefit of the Company and its successors and assigns, and the Employee and his Representative.

10. Discharge for Cause. The term discharge "for cause" shall mean termination by the Company of the Employee's employment for (A) the Employee's failure to substantially perform the duties of his employment (other than any such failure resulting from the Employee's disability); (B) material

breach by the Employee of the terms and conditions of his employment; (C) material breach by the Employee of business ethics; (D) an act of fraud, embezzlement or theft committed by the Employee in connection with his duties or in the course of his employment; or (E) wrongful disclosure by the Employee of secret processes or confidential information of the Company or its subsidiaries.

11. Payment of Dividend Equivalents. For purposes of compliance with the requirements of Internal Revenue Code Section 409A, the specified date for paying any Dividend Equivalents to which an employee is entitled under Section 1 is the year (2007, 2008, 2009, 2010, 2011 or 2012) in which the associated dividends or distributions are paid on common stock. This Section 11 shall not create or expand any rights to Dividend Equivalents.

12. Section 409A. If the Company determines that this Agreement is subject to Section 409A and fails to comply with that section's requirements, the Company may, at the Company's sole discretion, amend the Agreement to cause it to comply with Section 409A or be exempt from Section 409A.

IN WITNESS WHEREOF, the Company has caused this Award to be executed by its duly authorized officer as of the grant date set forth above.

ABBOTT LABORATORIES

By _____

_____
«Name»

ABBOTT LABORATORIES
RESTRICTED STOCK UNIT AGREEMENT

This Agreement made «DateAwded» (the "Grant Date"), between Abbott Laboratories, an Illinois corporation (the "Company"), and «FirstMILast» (the "Employee"), for the grant by the Company to the Employee of a Restricted Stock Unit Award under the Company's 1996 Incentive Stock Program (the "Plan"). This Agreement incorporates and is subject to the provisions of the Program. Terms used herein shall have the same meaning as in the Program, and in the event of any inconsistency between the provisions herein and the provisions of the Program, the Program shall control.

1. Grant of Units. Pursuant to action of the Compensation Committee of the Board of Directors of the Company, and in consideration of valuable services heretofore rendered and to be rendered by the Employee to the Company and of the agreements hereinafter set forth, the Company has granted to the Employee «NoShares12345» restricted stock units (the "Restricted Stock Units" or "Units" as used herein), representing the right to receive an equal number of common shares of the Company on the Delivery Date. The "Delivery Date" of the shares (as defined in Sections 3, 4 and 5 below) shall be the respective dates on which the common shares of the Company shall be payable to the Employee after the Restriction (as defined in Section 2 below) on such Units lapse. Unless indicated otherwise, the shares of stock shall be delivered in an equal number of shares (subject to rounding) as of each Delivery Date, if there is more than one Delivery Date applicable. The shares shall be issued from the Company's available treasury shares. Prior to the Delivery Date(s), (a) the Employee shall not be treated as a shareholder as to those shares, and shall only have a contractual right to receive them, unsecured by any assets of the Company or the subsidiaries; (b) the Employee shall not be permitted to vote the Restricted Stock Units; and (c) the Employee's right to receive such shares will be subject to the adjustment provisions relating to mergers, reorganizations, and similar events set forth in the Plan. The Restricted Stock Units shall be subject to all of the restrictions hereinafter set forth. The Employee shall be permitted to receive cash payments equal to the dividends and distributions paid on shares of stock ("Dividend Equivalents") (other than dividends or distributions of securities of the Company which may be issued with respect to its shares by virtue of any stock split, combination, stock dividend or recapitalization) to the same extent and on the same date as if each Unit were a share of stock, provided, however, that no Dividend Equivalents shall be payable to or for the benefit of the Employee with respect to dividends or distributions the record date for which occurs on or after either (i) the Employee has forfeited the Restricted Stock Units or (ii) the restrictions on the Restricted Stock Units have lapsed.

2. Restriction. Until the restriction imposed by this Section 2 (the "Restriction") has lapsed pursuant to Section 3, 4 or 5 below, the Units shall not be sold, exchanged, assigned, transferred, pledged or otherwise disposed of, and shall be subject to forfeiture as set forth in Section 7 below.

3. Lapse of Restriction by Passage of Time. During employment, the Restriction on one-third of the total number of Units (rounded up) will lapse and have no further force on the first anniversary of the Grant Date; the Restriction on an additional one-third of the total number of Units (rounded up) will lapse and have no further force on the second anniversary of the Grant Date; and the Restriction on the remaining Units will lapse and have no further force on the third anniversary of the Grant Date. Subject to Sections 4, 5 and 6 below, Units with respect to which the Restriction has lapsed shall be paid in the form of common shares of the Company on the first, second and third anniversaries of the date of grant (each, a "Delivery Date").

4. Lapse of Restriction Due to Retirement. Upon the Employee's termination of employment due to retirement, the Units shall be settled in the form of common shares of the Company on the Delivery Dates set forth in Section 3 above occurring after the date of such retirement as if the Employee had remained employed on such Delivery Dates.

5. Lapse of Restriction by Death or Disability. The Restriction shall lapse and have no further force or effect upon the Employee's death or disability. Any Units that have not previously been paid out on a Delivery Date set forth in Section 3 above shall be settled in the form of Company common stock on the date of death or disability, as the case may be.

6. Forfeiture of Units. In the event of termination of the Employee's employment with the Company, other than under the circumstances described in Sections 4 or 5 above, (including without limitation due to the Employee's voluntary resignation (other than due to retirement) or involuntary discharge for cause), any Units with respect to which the Restriction has not lapsed as of the date of termination, shall be forfeited as of the date of termination, without consideration to the Employee or his executor, administrator, personal representative or heirs ("Representative"), provided, however, that in the event that the Employee is involuntarily discharged by the Company or its subsidiaries other than for cause, the Company shall have the authority (but not the obligation) to act, in its sole discretion, to accelerate the lapse of Restriction set forth in Section 3 above and to cause any Units that have not previously been paid out on a Delivery Date set forth in Section 3 above to be settled in the form of Company common stock on the date of such involuntary discharge. The term discharge "for cause" shall have the meaning given that term by Section 10.

7. Withholding Taxes. The delivery of the shares pursuant to Section 3, 4, 5 or 6 above shall be conditioned on the Company providing for the automatic withholding of shares to cover any taxes as may be required to be withheld by US federal, state, local or local law with respect to such lapse or delivery.

8. Rights Not Enlarged. Nothing herein confers on the Employee any right to continue in the employ of the Company or of any of its subsidiaries.

9. Succession. This Agreement shall be binding upon and operate for the benefit of the Company and its successors and assigns, and the Employee and his Representative.

10. Discharge for Cause. The term discharge "for cause" shall mean termination by the Company of the Employee's employment for (A) the Employee's failure to substantially perform the duties of his employment (other than any such failure resulting from the Employee's disability); (B) material breach by the Employee of the terms and conditions of his employment; (C) material breach by the Employee of business ethics; (D) an act of fraud, embezzlement or theft committed by the Employee in connection with his duties or in the course of his employment; or (E) wrongful disclosure by the Employee of secret processes or confidential information of the Company or its subsidiaries.

11. No Contract as of Right. The grant of Units under the Plan does not create any contractual or other right to receive additional Restricted Stock Unit grants or other Plan benefits in the future. Nothing contained in this agreement is intended to create or enlarge any other contractual obligations between the Company and the Employee. Future grants, if any, and their terms and conditions, will be at the sole discretion of the Compensation Committee.

Unless expressly provided by the company in writing, any value associated with the Units granted under the Plan is an item of compensation outside the scope of the Employee's employment contract, if any, and shall not be deemed part of the Employee's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, or end-of-service payments, bonuses, long-service awards, pension or retirement benefits, or similar payments.

12. Data Privacy. This grant of Units shall be interpreted to effect the original intent of the Company as closely as possible to the fullest extent permitted by applicable law (including, without limitation, any laws governing data privacy). If any condition or provision of this option is invalid,

illegal, or incapable of being enforced under any applicable law or regulation governing data privacy, including the privacy laws and regulations of the European economic area, all other conditions and provisions of the Units shall nevertheless remain in full force and effect. By accepting this grant, the Employee voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this paragraph. The Employee is not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect the Employee's ability to participate in the Plan. The company, its subsidiaries and the Employee's employer hold certain personal information about the Employee, including the Employee's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, the number of common shares of the Company (if any) owned by the Employee, whether the Employee is a member of the Board of Directors of the Company or of any of its subsidiaries, details of all stock options or any other entitlement to common shares awarded, canceled, purchased, vested, unvested or outstanding in the Employee's favor for the purpose of managing and administering the Plan or this grant (collectively "personal data"). The Company and/or its subsidiaries will transfer personal data amongst themselves as necessary for the purpose of implementation, administration and management of the Employee's participation in the Plan, and the Company and/or any of its subsidiaries may each further transfer personal data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European economic area, or elsewhere throughout the world, such as the United States. The Employee hereby authorizes them to receive, possess, use, retain and transfer the personal data, in electronic or other form, for the purposes of implementing, administering and managing the Employee's participation in the Plan, including any transfer of such personal data as may be required for the administration of the Plan and/or the subsequent holding of common shares on the Employee's behalf to a broker or other third party with whom the Employee may elect to deposit any common shares acquired pursuant to the Plan. The Employee may, when and to the extent required by applicable data privacy laws, review personal data and require any necessary amendments to it. The employee may, at any time, withdraw the consents herein in writing by contacting the Company; however, withdrawing the Employee's consent may affect the Employee's ability to participate in the Plan.

13. Payment of Dividend Equivalents. For purposes of compliance with the requirements of Internal Revenue Code Section 409A, the specified date of paying any Dividend Equivalents to which an Employee is entitled under Section 1 is the year (<<YR1, YR2, YR3, or YR4>>) in which the associated dividends or distributions are paid on common stock. This Section 13 shall not create or expand any rights to Dividend Equivalents.

14. Section 409A. If the Company determines that this Agreement is subject to 409A of the Internal Revenue Code and fails to comply with that section's requirements, the Company may, at the Company's sole discretion, amend the Agreement to cause it to comply with Section 409A or be exempt from Section 409A.

IN WITNESS WHEREOF, the Company has caused this Award to be executed by its duly authorized officer as of the grant date set forth above.

ABBOTT LABORATORIES

By _____

_____

«FirstMILast»

Exhibit 12

Abbott Laboratories

Computation of Ratio of Earnings to Fixed Charges

(Unaudited)

(dollars in millions)

	2006	2005	2004	2003	2002
EARNINGS FROM CONTINUING OPERATIONS ADD (DEDUCT)	$ 1,717	$ 3,372	$ 3,176	$ 2,505	$ 2,547
Taxes on earnings from continuing operations	559	1,248	950	882	774
Amortization of capitalized interest, net of capitalized interest	(28)	(16)	5	11	8
Minority interest	8	9	11	11	18
EARNINGS FROM CONTINUING OPERATIONS AS ADJUSTED	$ 2,256	$ 4,613	$ 4,142	$ 3,409	$ 3,347
FIXED CHARGES Interest on long-term and short-term debt	416	241	200	188	239
Capitalized interest cost	43	29	9	5	8
Rental expense representative of an interest factor	66	64	59	59	56
TOTAL FIXED CHARGES	525	334	268	252	303
TOTAL ADJUSTED EARNINGS FROM CONTINUING OPERATIONS AVAILABLE FOR PAYMENT OF FIXED CHARGES	$ 2,781	$ 4,947	$ 4,410	$ 3,661	$ 3,650
RATIO OF EARNINGS FROM CONTINUING OPERATIONS TO FIXED CHARGES	5.3	14.8	16.5	14.5	12.0

NOTE: For the purpose of calculating this ratio, (i) earnings from continuing operations have been calculated by adjusting earnings from continuing operations for taxes on earnings from continuing operations; interest expense; amortization of capitalized interest, net of capitalized interest; minority interest; and the portion of rentals representative of the interest factor, (ii) Abbott considers one-third of rental expense to be the amount representing return on capital, and (iii) fixed charges comprise total interest expense, including capitalized interest and such portion of rentals.

Exhibit 21

SUBSIDIARIES OF ABBOTT LABORATORIES

The following is a list of subsidiaries of Abbott Laboratories. Abbott Laboratories is not a subsidiary of any other corporation. Where ownership of a subsidiary is less than 100% by Abbott Laboratories or an Abbott Laboratories' subsidiary, such has been noted by designating the percentage of ownership.

Domestic Subsidiaries	Incorporation
Abbott Administration Inc.	Delaware
Abbott Bioresearch Center, Inc.	Delaware
Abbott Cardiovascular Inc.	Delaware
Abbott Diabetes Care Inc.	Delaware
Abbott Diabetes Care Sales Corporation	Delaware
Abbott Equity Investments LLC	Delaware
Abbott Exchange Inc.	Delaware
Abbott Health Products, Inc.	Delaware
Abbott Home Infusion Services of New York, Inc.	New York
Abbott International LLC	Delaware
Abbott Investment Holdings Corporation	Delaware
Abbott Laboratories Inc.	Delaware
Abbott Laboratories International Co.	Illinois
Abbott Laboratories Pacific Ltd.	Illinois
Abbott Laboratories (Puerto Rico) Incorporated	Puerto Rico
Abbott Laboratories Purchasing Company, LLC	Delaware
Abbott Laboratories Residential Development Fund, Inc.	Illinois
Abbott Laboratories Services Corp.	Illinois
Abbott Management Corporation	Delaware
Abbott Molecular Inc.	Delaware
Abbott Personnel Inc.	Delaware
Abbott Pharmaceutical Corporation	Delaware
Abbott Point of Care Inc.	Delaware
Abbott Resources Inc.	Delaware
Abbott Resources International Inc.	Delaware
Abbott Spine Inc.	Delaware
Abbott Trading Company, Inc.	Virgin Islands
Abbott Universal LLC	Delaware
Abbott Vascular Inc.	Delaware
Advanced Cardiovascular Systems, Inc.	California
Aeropharm Technology, LLC	Delaware

Aspen Acquisition I, Inc.	Delaware
AVI Corp.	Delaware
Bioabsorbable Vascular Solutions, Inc.	Delaware
BioDisplay Technologies, Inc.	Illinois
CG Nutritionals, Inc.	Delaware
CMM Transportation, Inc.	Delaware
Gene-Trak, Inc.	Delaware
Gene-Trak Systems Industrial Diagnostics Corp.	Delaware
Guidant Endovascular Solutions, Inc.	Delaware
IEP Pharmaceutical Devices, LLC	Delaware
i-STAT Europe, Inc.	Delaware
IMTC Technologies, Inc.	Delaware
Integrated Vascular Systems, Inc.	Delaware
Knoll Pharmaceutical Company	New Jersey
Kos Life Sciences, Inc.	Delaware
Kos Pharmaceuticals, Inc.	Florida
Murex Diagnostics, Inc.	Delaware
Natural Supplement Association, Incorporated	Colorado
North Shore Properties, Inc.	Delaware
Pegasus One LLC	Delaware
S&G Nutritionals Inc.	Delaware
Solartek Products, Inc.	Delaware
Spine Next America Corp.	Delaware
Swan-Myers, Incorporated	Indiana
TAP Finance Inc.	Delaware 50%*
TAP Pharmaceuticals Inc.	Delaware 50%**
TAP Pharmaceutical Products Inc.	Delaware 50%
Tobal Products Incorporated	Illinois
Vectoris Corporation	California
Woodside Biomedical, Inc.	Delaware
X Technologies Inc.	Delaware
ZonePerfect Nutrition Company	Delaware

* TAP Finance Inc. is a wholly-owned subsidiary of TAP Pharmaceutical Products Inc.

** TAP Pharmaceuticals Inc. is a wholly-owned subsidiary of TAP Pharmaceutical Products Inc.

International Subsidiaries	Country in which Organized
Abbott Laboratories Argentina, S.A.	Argentina
Murex Argentina S.A.	Argentina
Abbott Australasia Pty. Limited	Australia
EAS Australia Pty Ltd	Australia
Abbott Gesellschaft m.b.H.	Austria
Abbott Bahamas Overseas Businesses Corporation	Bahamas
Abbott Hospitals Limited	Bahamas
Abbott Laboratories (Bangladesh) Ltd.	Bangladesh 85%
Murex Diagnostics International, Inc.	Barbados
Abbott Belgian Pension Fund A.S.B.L.	Belgium
Abbott S.A.	Belgium
Abbott Vascular International BVBA	Belgium
Abbott Ireland	Bermuda
Abbott Biotechnology Ltd.	Bermuda
Abbott Pharmaceuticals PR Ltd.	Bermuda
Abbott Diagnostics International, Ltd.	Bermuda
Abbott Laboratorios do Brasil Ltda.	Brazil
Abbott Laboratories, Limited	Canada
Abbott Point of Care Canada Limited	Canada
Experimental and Applied Sciences Canada Inc.	Canada
International Murex Technologies Corporation	Canada
Toba Pharma Inc.	Canada
Abbott Laboratories de Chile Limitada	Chile
Abbott Laboratories Trading (Shanghai) Co., Ltd.	China
Guidant International Trading (Shanghai) Co.	China
Shanghai Abbott Pharmaceutical Co., Ltd.	China 75%
Abbott Laboratories de Colombia, S.A.	Colombia
Abbott Laboratories d.o.o.	Croatia
Abbott Laboratories s.r.o.	Czech Republic
Abbott Laboratories A/S	Denmark
Abbott Laboratorios del Ecuador Cia. Ltda.	Ecuador
Abbott Limited Egypt	Egypt
Abbott, S.A. de C.V.	El Salvador

Abbott OY	Finland
Abbott France Instruments S.A.S.	France
Abbott France S.A.S.	France
Abbott Spine S.A.	France
Vysis S.A.	France
Abbott Biotechnology Deutschland GmbH	Germany
Abbott Diagnostics GmbH	Germany
Abbott GmbH & Co. KG	Germany
Abbott Holding GmbH	Germany
Abbott Management GmbH	Germany
Abbott Vascular Deutschland GmbH	Germany
Abbott Vascular Instruments Deutschland GmbH	Germany
GAG Ludwigshafen am Rein, Aktiengesellschaftfur Wohnungs - Gewerbe - und Stadtebau	Germany
Heidelberg Innovation GmbH G	Germany
Heidelberg Innovation GmbH & Co. BioScience Venture KG	Germany
Abbott Laboratories (Hellas) S.A.	Greece
Abbott Grenada Limited	Grenada
Abbott Laboratorios, S.A.	Guatemala
Abbott Laboratories Limited	Hong Kong
Abbott Laboratories (Hungary) Health Products and Medical Equipment Trading and Servicing Limited Liability Company	Hungary
Abind Healthcare Private Limited	India
Abbott India Limited	India 61.7%
P. T. Abbott Indonesia	Indonesia 99.99%
Abbott Ireland Holdings Limited	Ireland
Abbott Ireland Limited	Ireland
Abbott Laboratories Vascular Enterprises Limited	Ireland
Abbott Laboratories, Ireland, Limited	Ireland
Abbott Products	Ireland
Abbott Vascular Devices Ireland Limited	Ireland
BiodivYsio Limited	Ireland
Carotid International Systems Limited	Ireland
Mednova Limited	Ireland

Salviac Limited	Ireland
Abbott AVI s.r.l.	Italy
Abbott S.p.A.	Italy
Autonomous Employee Welfare Fund for Abbott S.p.A. Dirigenti	Italy
Knoll-Ravizza Farmaceutici S.p.A	Italy
Abbott West Indies Limited	Jamaica 51%
Consolidated Laboratories Limited	Jamaica
Abbott Japan K.K.	Japan
Abbott Japan Co., Ltd.	Japan
Abbott Vascular Devices Japan Co., Ltd.	Japan
Knoll Japan K.K.	Japan
Tofuku Shoji K.K.	Japan
Abbott Korea Limited	Korea
Abbott Laboratories Baltics	Latvia
Abbott Middle East S.A.R.L.	Lebanon
Abbott Laboratories (Malaysia) Sdn. Bhd.	Malaysia
Abbott Laboratories de Mexico, S.A. de C.V.	Mexico
Abbott Laboratories (Mozambique), Limitada	Mozambique
Abbott B.V.	Netherlands
Abbott Biotechnology Netherlands B.V.	Netherlands
Abbott Holdings B.V.	Netherlands

Abbott Knoll Investments B.V.	Netherlands
Abbott Laboratories B.V.	Netherlands
Abbott Logistics B.V.	Netherlands
Abbott Nederland C.V.	Netherlands
Abbott Vascular Devices Holland B.V.	Netherlands
EAS International B.V.	Netherlands
IMTC Finance B.V.	Netherlands
IMTC Holdings B.V.	Netherlands
Knoll LLC B.V.	Netherlands
MediSense Europe B.V.	Netherlands
Abbott Laboratories (N.Z.) Limited	New Zealand
EAS Asia/Pacific Limited	New Zealand
Abbott Norge AS	Norway
Abbott Laboratories (Pakistan) Limited	Pakistan 77.9%
Abbott Laboratories, C.A.	Panama

Abbott Overseas, S.A.	Panama
Abbott Laboratorios S.A.	Peru
Abbott Laboratories (Philippines)	Philippines
Abbott Laboratories Poland Sp.z.o.o.	Poland
Abbott Laboratorios, Limitada	Portugal
Abbottfarma - Promoção de Produtos Farmaceuticos, Limitada	Portugal
MediSense - Promoção de Produtos Farmaceuticos, Limitada	Portugal

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Premier - Promoção de Produtos Farmaceuticos, Limitada	Portugal
Abbott Laboratories (Singapore) Private Limited	Singapore
Abbott Manufacturing Singapore Private Limited	Singapore
Abbott Laboratories d.o.o.	Slovenia
Abbott Laboratories Slovakia s.r.o.	Slovenia
Abbott Laboratories South Africa (Proprietary) Limited	South Africa
Experimental & Applied Sciences (Pty) Ltd.	South Africa
Knoll Pharmaceuticals South Africa Pty. Ltd.	South Africa
Abbott Cientifica, S.A.	Spain
Abbott Laboratories, S.A.	Spain
Bioresearch España, S.A.	Spain
Liade S.A.	Spain
Abbott Scandinavia A.B.	Sweden
Abbott AG	Switzerland
Abbott Finance Company S.A.	Switzerland
Abbott Laboratories S.A.	Switzerland
Abbott Liestal AG	Switzerland
Knoll-Bioresearch S.A.	Switzerland
Abbott Laboratories Tanzania Limited	Tanzania
Abbott Laboratories Limited	Thailand
Abbott Laboratuarlari Ithalat Ihracat Ve Tecaret Limited Sirketi	Turkey
Abbott (UK) Finance Limited	United Kingdom

Abbott (UK) Holdings Limited	United Kingdom
Abbott Asia Holdings Limited	United Kingdom
Abbott Capital India Limited	United Kingdom
Abbott Diabetes Care Limited	United Kingdom

Abbott Equity Holdings Unlimited	United Kingdom
Abbott Investments Limited	United Kingdom
Abbott Laboratories Limited	United Kingdom
Abbott Laboratories Trustee Company Limited	United Kingdom
Abbott Vascular Devices (2) Limited	United Kingdom
Abbott Vascular Devices Limited	United Kingdom
Experimental and Applied Sciences UK Limited	United Kingdom
IMTC Holdings (U.K.) Limited	United Kingdom
Knoll Pharma Unlimited	United Kingdom
Knoll Pharmaceuticals Unlimited	United Kingdom
Knoll UK Investments Unlimited	United Kingdom
Knoll Unlimited	United Kingdom
MediSense Britain Limited	United Kingdom
MediSense Contract Manufacturing Unlimited	United Kingdom
Murex Biotech (UK) Limited	United Kingdom
Murex Biotech Limited	United Kingdom
TheraSense UK Limited	United Kingdom
Vysis (UK) Limited	United Kingdom
i-STAT Limited	United Kingdom

Abbott Laboratories Uruguay S.A.	Uruguay
Abbott Laboratories, C.A.	Venezuela

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in: Registration Statement Nos. 333-09071, 333-43381, 333-69547, 333-93253, 333-52768, 333-74228, 333-102178, 333-109250 and 333-124850 on Form S-8 for the Abbott Laboratories 1996 Incentive Stock Program; Registration Statement Nos. 333-74220, 333-102179 and 333-124851 on Form S-8 for the Abbott Laboratories Deferred Compensation Plan; Registration Statement Nos. 333-75442 and 333-109254 on Form S-8 for the Abbott Laboratories Affiliate Employee Stock Purchase Plan; and Registration Statement Nos. 33-26685, 33-50452, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, 333-69579, 333-93257, 333-74224, 333-102180, 333-109253 and 333-124849 on Form S-8 for the Abbott Laboratories Stock Retirement Program and Trusts; Post-effective Amendment No. 1 to Registration Statement No. 333-85867 on Form S-8 for the Perclose, Inc. 1992 Stock Plan, Perclose, Inc. 1995 Director Option Plan, Perclose, Inc. 1997 Stock Plan and Perclose, Inc. 1995 Employee Stock Purchase Plan; and Registration Statement No. 333-109132 on Form S-3 of our reports dated February 15, 2007, relating to the financial statements and financial statement schedule of Abbott Laboratories and subsidiaries, and management's report on the effectiveness of internal control over financial reporting (which report on the financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of Statement of Financial Accounting Standards ("SFAS") No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, and SFAS No. 123(R), *Share-Based Payment*) appearing in this Annual Report on Form 10-K of Abbott Laboratories for the year ended December 31, 2006.

Deloitte & Touche LLP

Chicago, Illinois
February 20, 2007

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in: Registration Statement Nos. 333-09071, 333-43381, 333-69547, 333-93253, 333-52768, 333-74228, 333-102178, 333-109250 and 333-124850 on Form S-8 for the Abbott Laboratories 1996 Incentive Stock Program; Registration Statement Nos. 333-74220, 333-102179 and 333-124851 on Form S-8 for the Abbott Laboratories Deferred Compensation Plan; Registration Statement Nos. 333-75442 and 333-109254 on Form S-8 for the Abbott Laboratories Affiliate Employee Stock Purchase Plan; and Registration Statements Nos. 33-26685, 33-50452, 33-51585, 33-56897, 33-65127, 333-19511, 333-43383, 333-69579, 333-93257, 333-74224, 333-102180, 333-109253 and 333-124849 on Form S-8 for the Abbott Laboratories Stock Retirement Program and Trusts; Post-effective Amendment No. 1 to Registration Statement No. 333-85867 on Form S-8 for the Perclose, Inc. 1992 Stock Plan, Perclose, Inc. 1995 Director Option Plan, Perclose, Inc. 1997 Stock Plan and Perclose, Inc. 1995 Employee Stock Purchase Plan; and Registration Statement No. 333-109132 on Form S-3 of our reports dated February 1, 2007 and February 16, 2007, as to Note 10, relating to the financial statements and financial statement schedule of TAP Pharmaceutical Products Inc. appearing in this Annual Report on Form 10-K of Abbott Laboratories for the year ended December 31, 2006.

Deloitte & Touche LLP

Chicago, Illinois
February 20, 2007

Exhibit 31.1

Certification of Chief Executive Officer
Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))

I, Miles D. White, certify that:

1. I have reviewed this annual report on Form 10-K of Abbott Laboratories;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Abbott as of, and for, the periods presented in this report;

4. Abbott's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Abbott and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Abbott, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of Abbott's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in Abbott's internal control over financial reporting that occurred during Abbott's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Abbott's internal control over financial reporting; and

5. Abbott's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Abbott's auditors and the audit committee of Abbott's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Abbott's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Abbott's internal control over financial reporting.

/s/ MILES D. WHITE

Miles D. White,
Chairman of the Board and
Chief Executive Officer

Date: February 22, 2007

Exhibit 31.2

Certification of Chief Financial Officer
Required by Rule 13a-14(a) (17 CFR 240.13a-14(a))

I, Thomas C. Freyman, certify that:

1. I have reviewed this annual report on Form 10-K of Abbott Laboratories;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Abbott as of, and for, the periods presented in this report;

4. Abbott's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Abbott and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Abbott, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of Abbott's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in Abbott's internal control over financial reporting that occurred during Abbott's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Abbott's internal control over financial reporting; and

5. Abbott's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Abbott's auditors and the audit committee of Abbott's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Abbott's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Abbott's internal control over financial reporting.

/s/ THOMAS C. FREYMAN

Thomas C. Freyman,
Executive Vice President, Finance
and Chief Financial Officer

Date: February 22, 2007

Exhibit 32.1

Certification Pursuant To
18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Abbott Laboratories (the "Company") on Form 10-K for the period ended December 31, 2006 as filed with the Securities and Exchange Commission (the "Report"), I, Miles D. White, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MILES D. WHITE

Miles D. White
Chairman of the Board and
Chief Executive Officer
February 22, 2007

A signed original of this written statement required by Section 906 has been provided to Abbott Laboratories and will be retained by Abbott Laboratories and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant To
18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Abbott Laboratories (the "Company") on Form 10-K for the period ended December 31, 2006 as filed with the Securities and Exchange Commission (the "Report"), I, Thomas C. Freyman, Executive Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ THOMAS C. FREYMAN

Thomas C. Freyman
Executive Vice President, Finance
and Chief Financial Officer
February 22, 2007

A signed original of this written statement required by Section 906 has been provided to Abbott Laboratories and will be retained by Abbott Laboratories and furnished to the Securities and Exchange Commission or its staff upon request.