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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549  
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FORM 10-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
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FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996 COMMISSION FILE NUMBER 1-2189

h ABBOTT LABORATORIES

AN ILLINOIS CORPORATION

36-0698440  
(I.R.S. employer identification  
number)

100 ABBOTT PARK ROAD  
ABBOTT PARK, ILLINOIS 60064-3500

(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  
Pacific Stock Exchange

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  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. [  ]

THE AGGREGATE MARKET VALUE OF THE 711,545,099 SHARES OF VOTING STOCK HELD BY  
NONAFFILIATES OF THE REGISTRANT, COMPUTED BY USING THE CLOSING PRICE AS REPORTED  
ON THE CONSOLIDATED TRANSACTION REPORTING SYSTEM FOR ABBOTT LABORATORIES COMMON  
SHARES WITHOUT PAR VALUE ON JANUARY 31, 1997, WAS APPROXIMATELY  
\$38,779,207,895.50.

NUMBER OF COMMON SHARES OUTSTANDING AS OF JANUARY 31, 1997: 774,437,884.

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE ABBOTT LABORATORIES ANNUAL REPORT FOR THE YEAR ENDED DECEMBER  
31, 1996 ARE INCORPORATED BY REFERENCE INTO PARTS I, II, AND IV.

PORTIONS OF THE 1997 ABBOTT LABORATORIES PROXY STATEMENT ARE INCORPORATED BY  
REFERENCE INTO PART III.

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PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

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

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

Incorporated herein by reference is the footnote entitled "Industry Segment and Geographic Area Information" of the Consolidated Financial Statements in the Abbott Laboratories Annual Report for the year ended December 31, 1996 (1996 Annual Report), filed as an exhibit to this report. Also incorporated herein by reference is the text and table of sales by class of similar products included in the section of the 1996 Annual Report captioned "Financial Review."

NARRATIVE DESCRIPTION OF BUSINESS

PHARMACEUTICAL AND NUTRITIONAL PRODUCTS

Included in this segment is a broad line of adult and pediatric pharmaceuticals and nutritionals. These products are sold primarily on the prescription or recommendation of physicians or other health care professionals. The segment also includes agricultural and chemical products, bulk pharmaceuticals, and consumer products.

Principal pharmaceutical and nutritional products include the anti-infectives clarithromycin, sold in the United States under the trademark Biaxin-Registered Trademark- and outside the United States primarily under the trademark Klacid-Registered Trademark-, and tosufloxacin, sold in Japan under the trademark Tosuxacin-Registered Trademark-, various forms of the antibiotic erythromycin, sold primarily as PCE-Registered Trademark- or polymer coated erythromycin, Erythrocin-Registered Trademark-, and E.E.S.-Registered Trademark-, and Norvir-Registered Trademark-, a protease inhibitor for the treatment of HIV infection; agents for the treatment of epilepsy and bipolar disorder, including Depakote-Registered Trademark-; a broad line of cardiovascular products, including Loftyl-Registered Trademark-, a vasoactive agent sold outside the United States; Hytrin-Registered Trademark-, used as an anti-hypertensive and for the treatment of benign prostatic hyperplasia; Abbokinase-Registered Trademark-, a thrombolytic drug; Survanta-Registered Trademark-, a bovine derived lung surfactant; various forms of prepared infant formula, including Similac-Registered Trademark-, Isomil-Registered Trademark-, Alimentum-Registered Trademark-, and Similac NeoCare-Registered Trademark-; and other medical and pediatric nutritionals, including Ensure-Registered Trademark-, Ensure Plus-Registered Trademark-, Ensure-Registered Trademark- High Protein, Ensure-Registered Trademark- Light, Jevity-Registered Trademark-, Glucerna-Registered Trademark-, Advera-Registered Trademark-, PediaSure-Registered Trademark-, Pedialyte-Registered Trademark-, Pulmocare-Registered Trademark- and Gain-Registered Trademark-. Consumer products include the dandruff shampoo Selsun Blue-Registered Trademark-; Murine-Registered Trademark- eye care and ear care products; and Tronolane-Registered Trademark- hemorrhoid medication. Agricultural, animal health, and chemical products include plant growth regulators, including ProGibb-Registered Trademark-; herbicides; larvicides, including VectoBac-Registered Trademark-; biologically derived insecticides, including DiPel-Registered Trademark- and XenTari-Registered Trademark-; and anti-infectives, including Saraflox-Registered Trademark- and Sarafin-Registered Trademark-.

Pharmaceutical and nutritional products are generally sold directly to retailers, wholesalers, health care facilities, and government agencies. In most cases, they are distributed from Company-owned distribution centers or public warehouses. Certain products are co-marketed with other companies. In

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

certain overseas countries, some of these products are marketed and distributed through distributors. Primary marketing efforts for pharmaceutical and nutritional products are directed toward securing the prescription or recommendation of the Company's brand of products by physicians or other health care professionals. In the United States managed care purchasers, for example health maintenance organizations (HMOs) and pharmacy benefit managers, are becoming increasingly important customers. Competition is generally from other broad line and specialized health care manufacturers. 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.

Consumer products are promoted directly to the public by consumer advertising. These products are generally sold directly to retailers and wholesalers. Competitive products are sold by other diversified consumer and health care companies. Competitive factors include consumer advertising, scientific innovation, price, and availability of generic product forms.

Agricultural, animal health and chemical products are generally sold to agricultural distributors, animal health companies and pharmaceutical companies. Competition is primarily from chemical, animal health and agricultural companies. Competition is based on numerous factors depending on the market served. Competitive factors include product performance, quality, price, and technological advantages.

The Company is the leading worldwide producer of the antibiotic erythromycin. Ensure-Registered Trademark- is the leading medical nutritional worldwide. Similac-Registered Trademark- is a leading infant formula in the United States.

Under an agreement between the Company and Takeda Chemical Industries, Ltd. of Japan (Takeda), TAP Holdings Inc., (owned 50 percent by the Company and 50 percent by Takeda) together with its subsidiary, TAP Pharmaceuticals Inc. (TAP), develops and markets products in the United States. TAP markets Lupron-Registered Trademark-, an LH-RH analog, and Lupron Depot-Registered Trademark-, a sustained release form of Lupron-Registered Trademark- in the United States. Lupron-Registered Trademark- and Lupron Depot-Registered Trademark- are used for the palliative treatment of advanced prostate cancer, treatment of endometriosis and central precocious puberty, and for preoperative treatment of patients with anemia caused by uterine fibroids. TAP also markets Prevacid-Registered Trademark- (lansoprazole), a proton pump inhibitor, and has a co-promotion arrangement with the Company for Prevacid-Registered Trademark-. Prevacid-Registered Trademark- is indicated for short-term treatment of duodenal ulcers, esophagitis, and long-term treatment of Zollinger-Ellison syndrome, as well as the maintenance of healed erosive esophagitis. The Company also has marketing rights to certain Takeda products in select Latin American markets. The Company also markets Lupron-Registered Trademark-, Lupron Depot-Registered Trademark-, Lupron Depot-Ped-Registered Trademark-, and Prevacid-Registered Trademark- in select markets outside the United States.

#### HOSPITAL AND LABORATORY PRODUCTS

Hospital and laboratory products include diagnostic systems for blood banks, hospitals, commercial laboratories, alternate-care testing sites and consumers; intravenous and irrigation fluids and related administration equipment, including electronic drug delivery systems; drugs and drug delivery systems; anesthetics; critical care products; diagnostic imaging products; and other medical specialty products for hospitals and alternate-care sites. In the second and third quarters of 1996, the Company acquired, for cash, all of the outstanding shares of MediSense, Inc., a manufacturer of blood glucose self-testing systems.

The principal products included in this segment are parenteral (intravenous or I.V.) solutions and related administration equipment sold as the LifeCare-Registered Trademark- line of products, LifeShield-Registered Trademark- needleless products, and Venoset-Registered Trademark- products; irrigating fluids; parenteral nutritionals such as Aminosyn-Registered Trademark- and Liposyn-Registered Trademark-; Plum-Registered Trademark-, Omni-Flow-Registered Trademark- and Abbott AIM-Registered Trademark- electronic drug delivery systems; Abbott Pain Manager-Registered Trademark-; patient-controlled analgesia (PCA) systems; venipuncture products; hospital injectables including FirstChoice-Registered Trademark- generics; premixed I.V. drugs in various containers; ADD-Vantage-Registered Trademark- and Nutrimix-Registered Trademark- drug and nutritional delivery systems; Anne-Registered Trademark- anesthetic infusion systems; anesthetics, including Pentothal-Registered Trademark-, Amidate-Registered Trademark-, sevoflurane (sold in the United States and a few other markets as Ultane-Registered Trademark- and outside of the United States

primarily under the trademark Sevorane-Registered Trademark-), isoflurane and enflurane; Calcijex-Registered Trademark-, an injectable agent for treatment of bone disease in hemodialysis patients; critical care products including Opticath-Registered Trademark- and OptiQue-TM- advanced sensor catheters, Transpac-Registered Trademark- for hemodynamic monitoring, specialty cardiac products; and Faultless-Registered Trademark- rubber sundry products; diagnostic imaging products used in MRI (magnetic resonance imaging) and CT (computed tomography) imaging; screening tests for hepatitis B, HTLV-1, hepatitis B core, and hepatitis C; tests for detection of AIDS antibodies and antigens, and other infectious disease detection systems; tests for determining levels of abused drugs with the ADx-Registered Trademark- instrument; physiological diagnostic tests; cancer monitoring tests including tests for prostate specific antigen; laboratory tests and therapeutic drug monitoring systems such as TDx-Registered Trademark-; clinical chemistry systems such as Abbott Spectrum-Registered Trademark-, Abbott Spectrum-Registered Trademark- EPx-Registered Trademark-, Abbott Spectrum-Registered Trademark- CCx-TM-, and Quantum-TM-; AxSYM-Registered Trademark-, Commander-Registered Trademark-, IMx-Registered Trademark-, and Abbott Prism-Registered Trademark- lines of diagnostic instruments and chemical reagents used with immunoassay diagnostics; the LCx-Registered Trademark- amplified DNA probe system and reagents; Abbott Vision-Registered Trademark-, a desk-top blood analyzer; the Abbott TestPack-Registered Trademark- system for diagnostic testing; a full line of hematology systems and reagents known as the Cell-Dyn-Registered Trademark-series; and the MediSense line of blood glucose monitoring meters and test strips for diabetics including Precision Q.I.D.-TM-, the ExacTech-Registered Trademark-, the MediSense II-TM-, and the ExacTech RSG-TM-.

The Company markets hospital and laboratory products in the United States and many other countries. These products are generally distributed to wholesalers and directly to hospitals, laboratories, and physicians' offices from distribution centers maintained by the Company. Sales in the home infusion services market are also made directly to patients receiving treatment outside the hospital through marketing arrangements with hospitals and other health care providers. Overseas sales are made either directly to customers or through distributors, depending on the market served. Blood glucose monitoring meters and test strips for diabetics are sold over the counter to consumers.

The hospital and laboratory products industry segment is highly competitive, both in the United States and overseas. This segment is 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. Products in this segment can be subject to rapid product obsolescence. The Company has benefitted from technological advantages of certain of its current products; however, these advantages may be reduced or eliminated as competitors introduce new products.

The Company is one of the leading domestic manufacturers of I.V. and irrigating solutions and related administration equipment, parenteral nutritional products, anesthesia products, and drug delivery systems. It is also the worldwide leader in in vitro diagnostic products, including thyroid tests, therapeutic drug monitoring, cancer monitoring tests, diagnostic tests for the detection of hepatitis and AIDS antibodies, and immunodiagnostic instruments.

#### INFORMATION WITH RESPECT TO THE COMPANY'S BUSINESS IN GENERAL

##### SOURCES AND AVAILABILITY OF RAW MATERIALS

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

##### PATENTS, TRADEMARKS, AND LICENSES

The Company is aware of the desirability for patent and trademark protection for its products. Accordingly, where possible, patents and trademarks are sought and obtained for the Company's products in the United States and all countries of major marketing interest to the Company. The Company owns, has applications pending for, and is licensed under a substantial number of patents. Principal trademarks and the products they cover are discussed in the Narrative Description of Business on pages 1, 2 and 3. These, and various patents which expire during the period 1997 to 2017, in the aggregate, are believed to

be of material importance in the operation of the Company's business. The Company believes that no single patent, license, trademark (or related group of patents, licenses, or trademarks), except for those related to clarithromycin, is material in relation to the Company's business as a whole. The principal patents covering clarithromycin are licensed from Taisho Pharmaceutical Co., Ltd. of Tokyo, Japan. The Uruguay Round Agreements Act implemented the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in the United States. It appears that under the intellectual property provisions of GATT the patent on the clarithromycin compound is scheduled to expire in the United States in 2005.

#### SEASONAL ASPECTS, CUSTOMERS, BACKLOG, AND RENEGOTIATION

There are no significant seasonal aspects to the Company'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 the Company's anti-infective products. Orders for the Company's products are generally filled on a current basis, and order backlog is not material to the Company's business. No single customer accounted for sales equaling 10 percent or more of the Company's consolidated net sales. No material portion of the Company's business is subject to renegotiation of profits or termination of contracts at the election of the government.

#### RESEARCH AND DEVELOPMENT

The Company spent \$1,204,841,000 in 1996, \$1,072,745,000 in 1995, and \$963,516,000 in 1994 on research to discover and develop new products and processes and to improve existing products and processes. The Company continues to concentrate research expenditures in pharmaceutical and diagnostic products.

#### ENVIRONMENTAL MATTERS

The Company 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. The Company's capital and operating expenditures for pollution control in 1996 were approximately \$29 million and \$50 million, respectively. Capital and operating expenditures for pollution control are estimated to approximate \$18 million and \$50 million, respectively, in 1997.

The Company is participating as one of many potentially responsible parties in investigation and/or remediation at eleven locations in the United States and Puerto Rico under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. The aggregate costs of remediation at these sites by all identified parties are uncertain but have been subject to widely ranging estimates totaling as much as several hundred million dollars. In many cases, the Company believes that the actual costs will be lower than these estimates, and the fraction for which the Company may be responsible is anticipated to be considerably less and will be paid out over a number of years. The Company expects to participate in the investigation or cleanup at these sites. The Company is also voluntarily investigating potential contamination at two Company-owned sites, and has initiated voluntary remediation at four sites, in cooperation with the Environmental Protection Agency (EPA) or similar state agencies.

While it is not feasible to predict with certainty the costs related to the previously described investigation and cleanup activities, the Company 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 the Company's financial position, cash flows, or results of operations.

#### EMPLOYEES

The Company employed 52,817 persons as of December 31, 1996.

## REGULATION

The development, manufacture, sale, and distribution of the Company's products are subject to comprehensive government regulation, and the general trend is toward more stringent regulation. Government regulation by various federal, state, and local agencies, which includes detailed inspection of and controls over research and laboratory procedures, clinical investigations, and manufacturing, marketing, sampling, distribution, recordkeeping, storage and disposal practices, 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 the seizure or recall of products, suspension or revocation of the authority necessary for their production and sale, and other civil or criminal sanctions.

Continuing studies of the utilization, safety, and efficacy 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 give rise to claims for damages from persons who believe they have been injured as a result of their use.

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. Federal and state governments continue to press efforts to reduce costs of Medicare and Medicaid programs, including restrictions on amounts agencies will reimburse for the use of products. Manufacturers must pay certain statutorily-prescribed rebates on Medicaid purchases for reimbursement on prescription drugs under state Medicaid plans. In addition, the federal government follows a diagnosis-related group (DRG) payment system for certain institutional services provided under Medicare or Medicaid. The DRG system entitles a health care facility to a fixed reimbursement based on discharge diagnoses 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. 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, and Public Health Service entities and institutions.

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 participate in WIC and have sought and obtained rebates from manufacturers of infant formula whose products are used in the program. All of the states have also conducted competitive bidding for infant formula contracts which require the use of specific infant formula products for the state WIC program. The Child Nutrition and WIC Reauthorization Act of 1989 requires all states participating in WIC to engage in competitive bidding or to use any other cost containment measure that yields savings equal to or greater than the savings generated by a competitive bidding system.

Governmental regulatory agencies now require prescription drug manufacturers to pay additional fees. Under the Prescription Drug User Fee Act of 1992, the Federal Food and Drug Administration (FDA) imposes substantial fees on various aspects of the approval, manufacture and sale of proprietary prescription drugs. Congress is now considering expanding user fees to generic drugs and medical devices. The Company believes that such legislation, if enacted, will add considerable expense for the Company.

The Company expects debate to continue during 1997 at both the federal and the state level over the availability, method of delivery, and payment for health care products and services. The Company believes that if legislation is enacted, it could have the effect of reducing prices, or reducing the rate of price increases, for medical products and services.

International operations are also subject to a significant degree of government regulation. Many countries, directly or indirectly through reimbursement limitations, control the selling price of most health care products. Furthermore, many developing countries limit the importation of raw materials and finished products. International regulations are having an impact on United States regulations, as well. The International Organization for Standardization (ISO) provides the criteria for regulating medical devices within the European Economic Community. The Company has made significant strides in gaining ISO 9000 and European Norm 46000 certification for facilities that manufacture devices for European markets. The FDA has announced that it will attempt to harmonize its regulation of medical devices with that of the ISO. Proposed changes to the FDA's regulations governing the manufacture of medical devices appear to encompass and exceed the ISO's approach to regulating medical devices. The FDA's adoption of the ISO's approach to regulation and other changes to the manner in which the FDA regulates medical devices will increase the cost of compliance with those regulations.

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 the Company or the health care industry in general might be affected by the matters discussed above.

#### INTERNATIONAL OPERATIONS

The Company 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.

ITEM 2. PROPERTIES

The Company's corporate offices are located at 100 Abbott Park Road, Abbott Park, Illinois 60064-3500. The locations of the Company's principal plants are listed below.

LOCATION	INDUSTRY SEGMENTS OF PRODUCTS PRODUCED
Abbott Park, Illinois	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Altavista, Virginia	Pharmaceutical and Nutritional Products
Austin, Texas	Hospital and Laboratory Products
Barceloneta, Puerto Rico	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Campoverde, Italy	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Casa Grande, Arizona	Pharmaceutical and Nutritional Products
Columbus, Ohio	Pharmaceutical and Nutritional Products
Delkenheim, Germany	Hospital and Laboratory Products
Irving, Texas	Hospital and Laboratory Products
Laurinburg, North Carolina	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Mexico City, Mexico	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Montreal, Canada	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Morgan Hill, California	Hospital and Laboratory Products
North Chicago, Illinois	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Queenborough, England	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Rocky Mount, North Carolina	Hospital and Laboratory Products
Salt Lake City, Utah	Hospital and Laboratory Products
Santa Clara, California	Hospital and Laboratory Products
Santo Domingo, Dominican Republic	Hospital and Laboratory Products
Sligo/Donnegal/Cootehill/Finisklin, Ireland	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Sturgis, Michigan	Pharmaceutical and Nutritional Products
St. Remy, France	Pharmaceutical and Nutritional Products, and Hospital and Laboratory Products
Tokyo, Japan	Hospital and Laboratory Products
Zwolle, The Netherlands	Pharmaceutical and Nutritional Products

In addition to the above, the Company has manufacturing facilities in six other locations in the United States and Puerto Rico. Overseas manufacturing facilities are located in thirteen other countries. The Company's facilities are deemed suitable, provide adequate productive capacity, and are utilized at normal and acceptable levels.

In the United States and Puerto Rico, the Company owns five distribution centers. The Company also has twelve United States research and development facilities located at Abbott Park, Illinois; Ashland, Ohio; Columbus, Ohio (2 locations); Irving, Texas; Long Grove, Illinois; Madera, California; Morgan Hill, California; North Chicago, Illinois; Salt Lake City, Utah; Bedford, Massachusetts; and Santa Clara, California. Overseas, the Company has research and development facilities in Argentina, Australia, Canada, Germany, Italy, Japan, The Netherlands, Spain and the United Kingdom.

The corporate offices, and those principal plants in the United States that are listed above, are owned. The remaining manufacturing plants and all other facilities are owned or leased by the Company or subsidiaries of the Company.

### ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various claims and legal proceedings, including (as of January 31, 1997) 6 antitrust suits and 5 investigations in connection with the Company's sale and marketing of infant formula products, and 142 antitrust suits and two investigations in connection with the Company's pricing of prescription pharmaceuticals. The Company was also involved in a civil proceeding involving certain Illinois environmental laws.

The infant formula antitrust suits allege that the Company conspired with one or more of its competitors to fix prices, restrain trade and monopolize the market for infant formula products in violation of state and federal antitrust laws. The suits have been brought on behalf of individuals, the Nestle Food Company, and state government agencies and name the Company, certain other infant formula manufacturers and, in some instances, the American Academy of Pediatrics as defendants. The cases seek treble damages, civil penalties and other relief.

In its 10-Q for the quarter ended March 31, 1996, the Company reported that it had entered into a settlement agreement with plaintiffs involving 20 infant formula antitrust cases that had been pending in 17 states. Each individual state settlement, except Mississippi, is subject to approval by the individual state courts. Courts in Colorado, Florida, Illinois, Kansas, Kentucky, Minnesota, North Carolina, North Dakota, South Dakota, Tennessee, West Virginia and Wisconsin have now given their final approval to their respective state settlements. Courts have not yet given their final approval for the cases pending in Alabama, Michigan, and Nevada. The court in Louisiana denied final approval on January 22, 1997. An infant formula antitrust case is also pending in Federal District Court in Massachusetts. It purports to be a statewide consumer class action. The case that was pending in Federal District Court in Tallahassee, Florida was dismissed. On June 19, 1995, a jury in federal court in Los Angeles, California found in favor of the Company and the American Academy of Pediatrics in the infant formula antitrust case brought by Nestle Food Company. The Ninth Circuit Court of Appeals affirmed the jury's verdict on January 9, 1997. Nestle has the right to petition for certiorari to the United States Supreme Court. The shareholder derivative suit that had been pending in state court in Cook County, Illinois was dismissed on December 15, 1995. The shareholder derivative suit named all of the Company's present directors (other than Allen F. Jacobson) and a former executive officer as defendants and alleged that the defendants breached their fiduciary duty to the Company by permitting antitrust violations in connection with the Company's sale and marketing of infant formula products. The court dismissed this lawsuit. The appeal of the dismissal was voluntarily dismissed on May 22, 1996. The investigations are being conducted by the Attorneys General of the states of California, Connecticut, New York, Pennsylvania and Wisconsin.

As of January 31, 1997, 118 prescription pharmaceutical pricing antitrust cases were pending in federal court, 23 were pending in state courts, and 1 was pending in a District of Columbia court. The prescription pharmaceutical pricing antitrust suits allege that various pharmaceutical manufacturers have conspired to fix prices for prescription pharmaceuticals and/or to discriminate in pricing to retail pharmacies by providing discounts to mail-order pharmacies, institutional pharmacies and HMOs in violation of state and federal antitrust laws. The suits have been brought on behalf of individuals and retail pharmacies and name both the Company and certain other pharmaceutical manufacturers and pharmaceutical wholesalers and at least one mail-order pharmacy company as defendants. The cases seek treble damages, civil penalties, injunctive and other relief. The Company has filed or intends to file a response to each of the complaints denying all substantive allegations. The state cases are pending in the following state courts: Clarke County, Alabama; Yavapai County, Arizona; Alameda County, California; Monterey County, California; San Francisco County, California (8 cases); San Joaquin County, California; Dade County, Florida; Johnson County, Kansas; Cumberland County, Maine; Oakland County, Michigan; Hennepin County, Minnesota (2 cases); and Dane County and Washington County, Wisconsin. A case is also pending in the Superior Court for the District of Columbia. The cases which had been pending in New York County, New York and King County, Washington have been dismissed and are now on appeal. The case pending in Greene County, Alabama was removed to the U.S. District Court for the Northern District of Illinois. The plaintiffs have sought an interlocutory appeal of the removal order. The federal cases are pending in the United States District Court for the Northern District of Illinois under the Multidistrict Litigation Rules as IN RE: BRAND NAME PRESCRIPTION DRUG ANTITRUST LITIGATION, MDL 997. One of the cases which is pending in the MDL 997 litigation has been certified as a class action on behalf of certain retail pharmacies. A number of appeals to the Seventh Circuit Court of Appeals have been filed arising out of the MDL 997 litigation. All litigation in the U.S. District Court for the Northern District of Illinois is stayed pending the resolution of the appeals. The investigations are being conducted by the Attorney General of Illinois and the Federal Trade Commission.

On March 31, 1995, the Illinois Attorney General informed the Company that it proposed the assessment of a civil penalty of \$750,000 in connection with an administrative enforcement action initiated in May of 1993 by the Illinois Environmental Protection Agency (the "IEPA") against the Company. The enforcement action alleged that the Company violated its waste water discharge permits and certain Illinois environmental laws at its North Chicago, Illinois facility. On May 9, 1996, the Company and the Illinois Attorney General concluded the action by executing a settlement agreement. Under the settlement agreement, the Company did not admit liability but did agree to pay a civil penalty of \$400,000 to the IEPA, to pay an additional \$200,000 to the state of Illinois for the purchase of land for use as a wetlands preserve, and to take further steps to reduce the chances of an unlawful discharge of waste water from the North Chicago, Illinois facility.

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 the Company's financial position, cash flows, or results of operations.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Officers of the Company are elected annually by the board of directors at the first meeting held after the annual shareholders meeting. Each officer holds office until a successor has been duly elected and qualified or until the officer's death, resignation, or removal. Vacancies may be filled at any meeting of the board. Any officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of the Company.

Current corporate officers, and their ages as of February 14, 1997, are listed below. The officers' principal occupations and employment from January 1992 to the present and the dates of their first election as officers of the Company are also shown. Unless otherwise stated, employment was by the Company for the period indicated. There are no family relationships between any corporate officers or directors.

DUANE L. BURNHAM\*\*, 55

1992 to present -- Chairman of the Board and Chief Executive Officer, and Director.

Elected Corporate Officer -- 1982.

THOMAS R. HODGSON\*\*, 55

1992 to present -- President and Chief Operating Officer, and Director.

Elected Corporate Officer -- 1980.

JOY A. AMUNDSON\*\*, 42

1992 to 1994 -- Vice President, Corporate Hospital Marketing.

1994 to 1995 -- Vice President, HealthSystems.

1995 to present -- Senior Vice President, Chemical and Agricultural Products.

Elected Corporate Officer -- 1990.

PAUL N. CLARK\*\*, 50

1992 to present -- Senior Vice President, Pharmaceutical Operations.

Elected Corporate Officer -- 1985.

GARY P. COUGHLAN\*\*, 52

1992 to present -- Senior Vice President, Finance and Chief Financial Officer.

Elected Corporate Officer -- 1990.

JOSE M. DE LASA\*\*, 55

1992 to 1994 -- Vice President and Associate General Counsel, Bristol-Myers Squibb Company (Health and personal care products company).

1994 -- Vice President, Secretary and Associate General Counsel, Bristol-Myers Squibb Company.

1994 to present -- Senior Vice President, Secretary and General Counsel.

Elected Corporate Officer -- 1994.

JOHN G. KRINGEL\*\*, 57

1992 to present -- Senior Vice President, Hospital Products.

Elected Corporate Officer -- 1981.

THOMAS M. MCNALLY\*\*, 49

1992 to 1993 -- Senior Vice President, Chemical and Agricultural Products.

1993 to present -- Senior Vice President, Ross Products.

Elected Corporate Officer -- 1989.

ROBERT L. PARKINSON, JR.\*\*, 46

1992 to 1993 -- Vice President, European Operations.

1993 to 1995 -- Senior Vice President, Chemical and Agricultural Products.

1995 to present -- Senior Vice President, International Operations.

Elected Corporate Officer -- 1989.

ELLEN M. WALV00RD\*\*, 57

1992 to 1995 -- Vice President, Investor Relations and Public Affairs.

1995 to present -- Senior Vice President, Human Resources.

Elected Corporate Officer -- 1991.

MILES D. WHITE\*\*, 41

1992 -- Divisional Vice President and General Manager, Hospital Laboratory Sector.

1992 to 1993 -- Divisional Vice President and General Manager, Diagnostic Systems and Operations.

1993 to 1994 -- Vice President, Diagnostic Systems and Operations.

1994 to present -- Senior Vice President, Diagnostic Operations.

Elected Corporate Officer -- 1993.

CATHERINE V. BABINGTON\*\*, 44

1992 to 1995 -- Director, Corporate Communications.

1995 to present -- Vice President, Investor Relations and Public Affairs.

Elected Corporate Officer -- 1995.

PATRICK J. BALTHROP, 40

1992 to 1995 -- Divisional Vice President and Sector General Manager, Diagnostic Products.

1995 to 1996 -- Divisional Vice President and General Manager, U.S. and Canada, Diagnostic Products.

1996 to present -- Vice President, Diagnostic Operations, U.S. and Canada.

Elected Corporate Officer -- 1996.

MARK E. BARMAN, 55

1992 to 1995 -- Divisional Vice President and Associate General Counsel, Litigation.

1995 to present -- Vice President, Litigation and Government Affairs.

Elected Corporate Officer -- 1995.

CHRISTOPHER B. BEGLEY, 44

1992 to 1993 -- Divisional Vice President and General Manager, Hospital Products Business Sector.

1993 to 1996 -- Vice President, Hospital Products Business Sector.

1996 to present -- Vice President, MediSense Operations.

Elected Corporate Officer -- 1993.

THOMAS D. BROWN, 48

1992 -- Divisional Vice President and General Manager, Western Hemisphere.

1992 to 1993 -- Divisional Vice President, Diagnostic Commercial Operations.

1993 to present -- Vice President, Diagnostic Commercial Operations.

Elected Corporate Officer -- 1993.

GARY R. BYERS\*\*, 55

1992 to 1993 -- Divisional Vice President, Corporate Auditing.

1993 to present -- Vice President, Internal Audit.

Elected Corporate Officer -- 1993.

WILLIAM G. DEMPSEY, 45

1992 to 1995 -- Divisional Vice President and General Manager, Abbott Critical Care Systems.

1995 to 1996 -- Divisional Vice President and General Manager, Hospital Products Business Sector.

1996 to present -- Vice President, Hospital Products Business Sector.

Elected Corporate Officer -- 1996.

KENNETH W. FARMER\*\*, 51

1992 to present -- Vice President, Management Information Services and Administration.

Elected Corporate Officer -- 1985.

THOMAS C. FREYMAN\*\*, 42

1992 to present -- Vice President and Treasurer.

Elected Corporate Officer -- 1991.

DAVID B. GOFFREDO, 42

1992 to 1993 -- Divisional Vice President, Pharmaceutical Products Marketing.

1993 to 1995 -- Divisional Vice President, Pharmaceutical Products Sales and Marketing.

1995 to present -- Vice President, Pharmaceutical Products Sales and Marketing.

Elected Corporate Officer -- 1995.

RICHARD A. GONZALEZ\*\*, 43

1992 to 1995 -- Divisional Vice President and General Manager, U.S. and Canada Diagnostics.

1995 to present -- Vice President, HealthSystems.

Elected Corporate Officer -- 1995.

GUILLELMO A. HERRERA, 43

1992 to 1994 -- Regional Director, Europe, Abbott International.

1994 -- General Manager, Abbott Spain and Portugal.

1994 to 1996 -- Area Vice President, Latin America.

1996 to present -- Vice President, Latin America Operations.

Elected Corporate Officer -- 1996.

ARTHUR J. HIGGINS, 40

1992 to 1994 -- Regional Director, Europe, Africa, and Middle East.

1994 to 1995 -- Divisional Vice President, Commercial Operations.

1995 to 1996 -- Divisional Vice President, Pacific, Asia, and Africa Operations.

1996 to present -- Vice President, Pacific, Asia, and Africa Operations.

Elected Corporate Officer -- 1996.

JAY B. JOHNSTON, 53

1992 -- President, Dainabot Co., Ltd. (an affiliate of the Company) and General Manager, Asia Pacific, Abbott Diagnostics Division.

1992 -- Divisional Vice President, Business Development.

1992 to 1993 -- Divisional Vice President and General Manager, Diagnostic Assays and Operations.

1993 to present -- Vice President, Diagnostic Assays and Systems.

Elected Corporate Officer -- 1993.

JAMES J. KOZIARZ, 48

1992 -- Divisional Vice President and General Manager, Diagnostic Assays.

1992 to 1993 -- Divisional Vice President, Diagnostic Products Research and Development.

1993 to present -- Vice President, Diagnostic Products Research and Development.

Elected Corporate Officer -- 1993.

JOHN F. LUSSEN\*\*, 55

1992 to present -- Vice President, Taxes.

Elected Corporate Officer -- 1985.

EDWARD L. MICHAEL, 39

1992 to 1994 -- Business Unit Manager.

1995 to 1996 -- Director, Area Operations and Scientific Development.

1997 to present -- Vice President, Diagnostic Operations, Europe, Africa, and Middle East.

Elected Corporate Officer -- 1997.

THEODORE A. OLSON\*\*, 58

1992 to present -- Vice President and Controller.

Elected Corporate Officer -- 1988.

ANDRE G. PERNET, 52

1992 -- Divisional Vice President, Therapeutic Area Ventures, Pharmaceutical Products Division.

1992 to 1994 -- Divisional Vice President, Pharmaceutical Development, Pharmaceutical Products Division.

1994 to present -- Vice President, Pharmaceutical Products Research and Development.

Elected Corporate Officer -- 1994.

CARL A. SPALDING, 51

1992 -- Vice President, International, Johnson & Johnson (manufacturer of health care products serving the consumer, pharmaceutical and professional markets).

1992 to 1993 -- Divisional Vice President and General Manager, Ross Pediatric Products.

1993 to present -- Vice President, Ross Pediatric Products.

Elected Corporate Officer -- 1993.

WILLIAM H. STADTLANDER, 51

1992 -- Divisional Vice President, Medical Nutritionals.

1992 to 1993 -- Divisional Vice President and General Manager, Medical Nutritionals.

1993 to present -- Vice President, Ross Medical Nutritional Products.

Elected Corporate Officer -- 1993.

MARCIA A. THOMAS \*\*, 49

1992 to 1995 -- Divisional Vice President and General Manager, Infectious Diseases Diagnostics.

1995 to 1996 -- Divisional Vice President, Quality Assurance and Regulatory Affairs, Diagnostics Division.

1996 to present -- Vice President, Quality Assurance and Regulatory Affairs.

Elected Corporate Officer -- 1996.

H. THOMAS WATKINS, 44

1992 to 1993 -- Divisional Vice President and Sector General Manager, Diagnostics Division.

1994 to 1996 -- Divisional Vice President and General Manager, Asia and Pacific Diagnostics.

1996 to present -- Vice President, Diagnostic Operations, Asia and Pacific.

Elected Corporate Officer -- 1996.

STEVEN J. WEGER, JR. \*\*, 52

1992 to 1993 -- Director, Strategic Planning, Diagnostics Division.

1994 to 1996 -- Divisional Vice President, Strategic Planning and Technology Assessment, Diagnostics Division.

1996 to present -- Vice President, Corporate Planning and Development.

Elected Corporate Officer -- 1996.

JOSEF WENDLER, 47

1992 -- Regional Director, Europe, Diagnostics Division.

1992 to 1993 -- Divisional Vice President, Pacific, Asia, and Africa.

1993 to 1995 -- Vice President, Pacific, Asia, and Africa Operations.

1995 to present -- Vice President, European Operations.

Elected Corporate Officer 1993.

LANCE B. WYATT\*\*, 52

1992 to 1995 -- Divisional Vice President, Quality Assurance and Regulatory  
Affairs.

1995 to present -- Vice President, Corporate Engineering.

Elected Corporate Officer -- 1995.

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\*\* Pursuant to Item 401(b) of Regulation S-K the Company has identified these persons as "executive officers" within the meaning of Item 401(b).

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRINCIPAL MARKET

The principal market for the Company's common shares is the New York Stock Exchange. Shares are also listed on the Chicago and Pacific Stock Exchanges and are traded on the Boston, Cincinnati, and Philadelphia Exchanges. Overseas, the Company's shares are listed on the London Stock Exchange and the Swiss Stock Exchange.

MARKET PRICE PER SHARE

	1996		1995	
	HIGH	LOW	HIGH	LOW
First Quarter.....	44 3/4	38 1/8	38 3/8	30 5/8
Second Quarter.....	43 7/8	38 5/8	42 3/8	35 5/8
Third Quarter.....	49 3/4	41 3/8	43 7/8	36 1/8
Fourth Quarter.....	57 3/8	48 3/4	44 3/4	38 1/2

Market prices are as reported by the New York Stock Exchange composite transaction reporting system.

SHAREHOLDERS

There were 99,513 shareholders of record of Abbott common shares as of December 31, 1996.

DIVIDENDS

Quarterly dividends of \$.24 per share and \$.21 per share were declared on common shares in 1996 and 1995, respectively.

ITEM 6. SELECTED FINANCIAL DATA

Incorporated herein by reference for the years 1992 through 1996 are the applicable portions of the section captioned "Summary of Selected Financial Data" of the 1996 Annual Report.

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

Incorporated herein by reference is management's discussion and analysis of financial condition and results of operations for the years 1996, 1995, and 1994 found under the section captioned "Financial Review" of the 1996 Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated herein by reference are the portions of the 1996 Annual Report captioned Consolidated Balance Sheet, Consolidated Statement of Earnings, Consolidated Statement of Cash Flows, Consolidated Statement of Shareholders' Investment, Notes to Consolidated Financial Statements and Report of Independent Public Accountants (which contains the related report of Arthur Andersen LLP dated January 15, 1997). Data relating to quarterly results is found in Note 8.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference are "Committees of the Board of Directors," and "Information Concerning Nominees for Directors" found in the 1997 Abbott Laboratories Proxy Statement (1997 Proxy Statement).

ITEM 11. EXECUTIVE COMPENSATION

The material in the 1997 Proxy Statement under the heading "Executive Compensation," other than the Report of the Compensation Committee, the Performance Graph, and Security Ownership of Officers and Directors are hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference is the text found under the caption "Information Concerning Security Ownership" and the material under the heading "Security Ownership of Executive Officers and Directors" in the 1997 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS FORM 10-K.

1. FINANCIAL STATEMENTS: The Consolidated Financial Statements for the years ended December 31, 1996, 1995, and 1994 and the related report of Arthur Andersen LLP dated January 15, 1997, appearing under the portions of the 1996 Annual Report captioned Consolidated Balance Sheet, Consolidated Statement of Earnings, Consolidated Statement of Cash Flows, Consolidated Statement of Shareholders' Investment, Notes to Consolidated Financial Statements and Report of Independent Public Accountants, respectively, are incorporated by reference in response to Item 14(a)1. With the exception of the portions of the 1996 Annual Report specifically incorporated herein by reference, such Report shall not be deemed filed as part of this Annual Report on Form 10-K or otherwise deemed subject to the liabilities of Section 18 of the Securities Exchange Act of 1934.

2. 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 in the 1996 Annual Report:

SCHEDULES	PAGE NO.
Valuation and Qualifying Accounts (Schedule II)	23
Schedules I, III, IV, and V are not submitted because they are not applicable or not required.	
Supplemental Report of Independent Public Accountants	24
Individual Financial Statements of the registrant have been omitted pursuant to Rule 3.05, paragraph (1) of Regulation S-X.	

3. 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 21 and 22 of this Form 10-K.

(b) REPORTS ON FORM 8-K DURING THE QUARTER ENDED DECEMBER 31, 1996:

No reports on Form 8-K were filed during the quarter ended December 31, 1996.

(c) EXHIBITS FILED (SEE EXHIBIT INDEX ON PAGES 21 AND 22).

(d) FINANCIAL STATEMENT SCHEDULES FILED (PAGE 23).

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/ DUANE L. BURNHAM  
Duane L. Burnham  
Chairman of the Board and  
Chief Executive Officer

Date: February 14, 1997

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 14, 1997 in the capacities indicated below.

/s/ DUANE L. BURNHAM  
Duane L. Burnham  
Chairman of the Board,  
Chief Executive Officer and  
Director of Abbott Laboratories  
(principal executive officer)

/s/ GARY P. COUGHLAN  
Gary P. Coughlan  
Senior Vice President, Finance and  
Chief Financial Officer  
(principal financial officer)

/s/ THOMAS R. HODGSON  
Thomas R. Hodgson  
President, Chief Operating Officer  
and Director of Abbott Laboratories

/s/ THEODORE A. OLSON  
Theodore A. Olson  
Vice President and Controller  
(principal accounting officer)

/s/ K. FRANK AUSTEN, M.D.  
K. Frank Austen, M.D.  
Director of Abbott Laboratories

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

/s/ ALLEN F. JACOBSON  
Allen F. Jacobson  
Director of Abbott Laboratories

/s/ DAVID A. JONES  
David A. Jones  
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/ A. BARRY RAND  
A. Barry Rand  
Director of Abbott Laboratories

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

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

/s/ JOHN R. WALTER  
John R. Walter  
Director of Abbott Laboratories

/s/ WILLIAM L. WEISS  
William L. Weiss  
Director of Abbott Laboratories

EXHIBIT INDEX  
ABBOTT LABORATORIES  
ANNUAL REPORT  
FORM 10-K  
1996

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EXHIBIT  
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- 3.1 \* Articles of Incorporation-Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the Quarter ended March 31, 1994.
  - 3.2 Corporate ByLaws-Abbott Laboratories.
  - 4.1 \* 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.
  - 4.2 \* Form of 5.6% Note issued pursuant to the Indenture filed as Exhibit 4.2 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 the Company'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 the Company's \$200,000,000 5.6% Notes filed as Exhibit 4.6 to the Abbott Laboratories Quarterly Report for the Quarter ended September 30, 1993 on Form 10-Q.
  - 4.7 \* Actions of the Authorized Officers with respect to the Company'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.
  - 4.8 \* Officers' Certificate and Company Order with respect to the Company's \$200,000,000 5.6% Notes filed as Exhibit 4.8 to the Abbott Laboratories Quarterly Report for the Quarter ended September 30, 1993 on Form 10-Q.
  - 4.9 \* Form of 6.8% Note issued pursuant to Indenture filed as Exhibit 4.9 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
  - 4.10 \* Actions of Authorized Officers with respect to the Company's \$150,000,000 6.8% Notes filed as Exhibit 4.10 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
  - 4.11 \* Officers' Certificate and Company Order with respect to the Company's \$150,000,000 6.8% Notes filed as Exhibit 4.11 to the 1995 Abbott Laboratories Annual Report on Form 10-K.
  - 4.12 Resolution of the Company's Board of Directors relating to the 6.4% Notes.
  - 4.13 Form of \$50,000,000 6.4% Note issued pursuant to Indenture.
  - 4.14 Form of \$200,000,000 6.4% Note issued pursuant to Indenture.
  - 4.15 Actions of Authorized Officers with respect to the Company's 6.4% Notes.
  - 4.16 Officers' Certificate and Company Order with respect to the Company's 6.4% Notes.

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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 \* The Abbott Laboratories 1986 Incentive Stock Program, filed as an exhibit (pages 37-59) to the 1989 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.3 \* The Abbott Laboratories 1991 Incentive Stock Program, filed as an exhibit (pages 128-149) to the 1990 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.4 \* Consulting agreement between Abbott Laboratories and K. Frank Austen, M.D. dated September 13, 1991, filed as an exhibit (pages 63-66) to the 1992 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.5 \* Abbott Laboratories 401(k) Supplemental Plan, filed as Exhibit 10.7 to the Abbott Laboratories 1993 Annual Report on Form 10-K.\*\*
- 10.6 Abbott Laboratories Supplemental Pension Plan.\*\*
- 10.7 The 1986 Abbott Laboratories Management Incentive Plan.\*\*
- 10.8 \* Abbott Laboratories Non-Employee Directors' Fee Plan, filed as Exhibit 10.10 to the Abbott Laboratories 1993 Annual Report on Form 10-K.\*\*
- 10.9 \* The Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.1 to the Abbott Laboratories Quarterly Report for the Quarter ended June 30, 1996 on Form 10-Q.\*\*
- 11 Calculation of Fully Diluted Earnings Per Share.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 13 The portions of the Abbott Laboratories Annual Report for the year ended December 31, 1996 captioned Financial Review, Consolidated Balance Sheet, Consolidated Statement of Earnings, Consolidated Statement of Cash Flows, Consolidated Statement of Shareholders' Investment, Notes to Consolidated Financial Statements, Report of Independent Public Accountants, and the applicable portions of the section captioned Summary of Financial Data for the years 1992 through 1996.
- 21 Subsidiaries of Abbott Laboratories.
- 23 Consent of Independent Public Accountants.
- 27 Financial Data Schedule.

The 1997 Abbott Laboratories Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 11, 1997.

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\* Incorporated herein by reference.

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

The Company 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 60064-3500.

ABBOTT LABORATORIES AND SUBSIDIARIES  
SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS  
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995, AND 1994  
(DOLLARS IN THOUSANDS)

ALLOWANCES FOR DOUBTFUL ACCOUNTS AND SALES DEDUCTIONS	BALANCE AT BEGINNING OF YEAR	PROVISIONS CHARGED TO INCOME (A)	AMOUNTS CHARGED OFF, NET OF RECOVERIES	BALANCE AT END OF YEAR
1996	\$ 157,990	\$ 7,389	\$ (11,955)	\$ 153,424
1995	\$ 128,929	\$ 32,462	\$ (3,401)	\$ 157,990
1994	\$ 116,925	\$ 18,123	\$ (6,119)	\$ 128,929

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

BY-LAWS  
OF  
ABBOTT LABORATORIES

Adopted by the Board of Directors  
of Abbott Laboratories at the  
Annual Meeting, April 11, 1963  
as amended and restated, effective December 13, 1996

BY-LAWS OF ABBOTT LABORATORIES

ARTICLE I

OFFICES

The principal office of the Corporation in the State of Illinois shall be located at the intersection of State Routes 43 and 137 in the County of Lake. The Corporation may have such other offices either within or without the State of Illinois as the business of the Corporation may require from time to time.

The registered office of the Corporation may be, but need not be, identical with the principal office in the State of Illinois. The address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II

SHAREHOLDERS

SECTION 1. ANNUAL MEETING; TRANSACTION OF BUSINESS, NOMINATION OF DIRECTORS. The annual meeting of the shareholders shall be held in the month of April in each year on such date and at such time as the Board of Directors shall provide. The meeting shall be held for the purpose of electing Directors and for the transaction of such other business as is properly brought before the meeting in accordance with these By-Laws. If the election of Directors shall not be held on the day designated for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a meeting of the shareholders as soon thereafter as conveniently may be.

To be properly brought before the meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal office of the Corporation, not earlier than October 1 nor later than February 15 immediately prior to the date of the meeting; PROVIDED, HOWEVER, that in the event that the date of such meeting is not in the month of April and less than sixty-five days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the shareholder and (iv) any material interest of the shareholder in such business.

Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section

1, PROVIDED, HOWEVER, that nothing in this Section 1 shall be deemed to preclude discussion by any shareholder of any business properly brought before the annual meeting.

The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 1, and if he should so determine, he shall so declare to the meeting and such business not properly brought before the meeting shall not be transacted.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation at the annual meeting may be made at such annual meeting of shareholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors, or by any shareholder of the Corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 1. Such nominations, other than those made by or at the direction of the Board of Directors or by a committee or person appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal office of the Corporation not earlier than October 1 nor later than February 15 immediately prior to that date of the meeting; PROVIDED, HOWEVER, that in the event that the date of such meeting is not in the month of April and less than sixty-five days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the shareholder giving the notice, (i) the name and record address of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called by the Chairman of the Board, the President, the Board of Directors or by the holders of not less than one-fifth of all the outstanding shares entitled to vote on the matter for which the meeting is called.

SECTION 3. PLACE OF MEETING. The Board of Directors may designate any place, either within or without the State of Illinois, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special

meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Illinois.

SECTION 4. NOTICE OF MEETINGS. Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets not less than twenty nor more than sixty days before the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the President, or the Secretary or the persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the records of the Corporation, with postage thereon prepaid.

SECTION 5. FIXING RECORD DATE. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than sixty days and, for a meeting of shareholders, not less than ten days, or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets not less than twenty days, immediately preceding such meeting.

SECTION 6. VOTING LISTS. The Secretary shall make, or cause to have made, within twenty days after the record date for a meeting of shareholders or ten days before such meeting, whichever is earlier, a complete list of the shareholders entitled to vote at such meeting, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any shareholder and to copying at the shareholder's expense, at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share ledger or transfer book, or a duplicate thereof kept in this State, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of shareholders.

SECTION 7. QUORUM. A majority of the outstanding shares of the Corporation entitled to vote on a matter, represented in person or by proxy, shall constitute a quorum for consideration of such matter at a meeting of shareholders. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on a matter shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by The Business Corporation Act of 1983 or the Articles of Incorporation, as in effect on the date of such determination. If a quorum is not present, a majority of the shares of the Corporation entitled to vote on a matter and represented in person or by proxy at such meeting may adjourn the meeting from time to time without further notice.

SECTION 8. PROXIES. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appropriate form and delivering it to the person so appointed; provided, however, no shareholder may name more than three persons as proxies to attend and to vote the shareholder's shares at any meeting of shareholders. No proxy shall be valid after the expiration of eleven months from the date thereof unless otherwise provided in the proxy. Each proxy continues in full force and effect until revoked by the person executing it prior to the vote

pursuant thereto, except as otherwise provided by law. Such revocation may be effected by a writing delivered to the Secretary of the Corporation stating that the proxy is revoked or by a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they were mailed.

SECTION 9. VOTING OF SHARES. Each outstanding share, regardless of class, shall be entitled to one vote in each matter submitted to a vote at a meeting of shareholders and, in all elections for Directors, every shareholder shall have the right to vote the number of shares owned by such shareholder for as many persons as there are Directors to be elected, or to cumulate such votes and give one candidate as many votes as shall equal the number of Directors multiplied by the number of such shares or to distribute such cumulative votes in any proportion among any number of candidates; provided that, vacancies on the Board of Directors may be filled as provided in Section 9, Article III of these By-Laws. A shareholder may vote either in person or by proxy.

SECTION 10. VOTING OF SHARES BY CERTAIN HOLDERS. Shares of this Corporation held by the Corporation in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares entitled to vote at any given time.

Shares registered in the name of another corporation, domestic or foreign, may be voted by any officer, agent, proxy or other legal representative authorized to vote such shares under the law of incorporation of such corporation.

Shares registered in the name of a deceased person, a minor ward or a person under legal disability may be voted by his or her administrator, executor, or court appointed guardian, either in person or by proxy without a transfer of such shares into the name of such administrator, executor, or court appointed guardian. Shares registered in the name of a trustee may be voted by him or her, either in person or by proxy.

Shares registered in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his or her name if authority so to do is contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

SECTION 11. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding officer shall order that voting be by ballot.

SECTION 12. INSPECTORS OF ELECTION. The Board of Directors in advance of any meeting of shareholders may appoint inspectors to act at such meeting or any adjournment thereof. If inspectors of election are not so appointed, the officer or person acting as chairman at any such meeting may, and on the request of any shareholder or his proxy, shall make such appointment. In case any person appointed as inspector shall fail to appear or to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the officer or person acting as chairman.

Such inspectors shall ascertain and report the number of shares represented at the meeting, based upon their determination of the validity and effect of proxies; count all votes and

report the results; and do such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders.

Each report of an inspector shall be in writing and signed by him or her or by a majority of them if there be more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

### ARTICLE III

#### DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors.

SECTION 2. NUMBER, TENURE AND QUALIFICATIONS. The number of Directors of the Corporation shall be thirteen. The terms of all Directors shall expire at the next annual meeting of shareholders following their election. Despite the expiration of a Director's term, he or she shall continue to serve until the next meeting of shareholders at which Directors are elected. Directors need not be residents of Illinois or shareholders of the Corporation.

SECTION 3. REGULAR MEETINGS. A regular annual meeting of the Board of Directors shall be held without other notice than this By-Law, immediately after, and at the same place as, the annual meeting of shareholders. Other regular meetings of the Board of Directors shall be held at the principal office of the Corporation on the second Friday of every month at 9:00 a.m. without other notice than this By-Law. The Board of Directors may provide, by resolution, for the holding of the regular monthly meetings at a different time and place, either within or without the State of Illinois, or for the omission of the regular monthly meeting altogether. Where the Board of Directors has, by resolution, changed or omitted regular meetings, no other notice than such resolution shall be given.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the Chairman of the Executive Committee, the President, or of any four Directors. The persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Illinois, as the place for holding any special meeting of the Board of Directors.

SECTION 5. NOTICE. Notice of any special meeting shall be given: (i) at least one day prior thereto if the notice is given personally or by an electronic transmission, (ii) at least two business days prior thereto if the notice is given by having it delivered by a third party entity that provides delivery services in the ordinary course of business and guarantees delivery of the notice to the Director no later than the following business day, and (iii) at least seven days prior thereto if the notice is given by mail. For this purpose, the term "electronic transmission" may include, but shall not be limited to, a telex, facsimile, or other electronic means. Notice shall be delivered to the Director's business address and/or telephone number and shall be deemed given upon electronic transmission, upon delivery to the third party delivery service, or upon being deposited in the United States mail with postage thereon prepaid. Any Director may waive notice of any meeting by signing a written waiver of notice either before or after the meeting. Attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the

express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. QUORUM. A majority of the number of Directors fixed by these By-Laws shall constitute a quorum for transaction of business at any meeting of the Board of Directors; provided, that if less than a majority of such number of Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 7. MANNER OF VOTING. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 8. INFORMAL ACTION BY DIRECTORS. Any action required to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors entitled to vote with respect to the subject matter thereof, or by all the members of such committee, as the case may be.

The consent shall be evidenced by one or more written approvals, each of which sets forth the action taken and bears the signature of one or more Directors. All the approvals evidencing the consent shall be delivered to the Secretary of the Corporation to be filed in the corporate records. The action taken shall be effective when all the Directors have approved the consent unless the consent specifies a different effective date.

Any such consent signed by all the Directors or all the members of a committee shall have the same effect as a unanimous vote.

SECTION 9. VACANCIES. Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors, may be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose. A Director elected to fill a vacancy shall serve until the next annual meeting of shareholders. A majority of Directors then in office may also fill one or more vacancies arising between meetings of shareholders by reason of an increase in the number of Directors or otherwise, and any Director so selected shall serve until the next annual meeting of shareholders, provided that at no time may the number of Directors selected to fill vacancies in this manner during any interim period between meetings of shareholders exceed 33-1/3 per cent of the total membership of the Board of Directors.

SECTION 10. PRESUMPTION OF ASSENT. A Director of the Corporation who is present at a meeting of the Board of Directors or any committee thereof at which action on any corporate matter is taken is conclusively presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless he or she files his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or forwards such dissent by registered or certified mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

SECTION 11. APPOINTMENT OF AUDITORS. Upon the recommendation of the Audit Committee, the Board of Directors shall appoint annually a firm of independent public accountants as auditors of the Corporation. Such appointment shall be submitted to the shareholders

for ratification at the Annual Meeting next following such appointment. Should the holders of a majority of the shares represented at the meeting fail to ratify the appointment of any firm as auditors of the Corporation, or should the Board of Directors for any reason determine that such appointment be terminated, the Board of Directors shall appoint another firm of independent public accountants to act as auditors of the Corporation and such appointment shall be submitted to the shareholders for ratification at the Annual or Special Shareholders Meeting next following such appointment.

#### ARTICLE IV

##### COMMITTEES

SECTION 1. APPOINTMENT. A majority of the Board of Directors may create one or more committees and appoint members of the Board to serve on the committee or committees. Each committee shall have three or more members, who serve at the pleasure of the Board. The Board shall designate one member of each committee to be chairman of the committee. The Board shall designate a secretary of each committee who may be, but need not be, a member of the committee or the Board.

SECTION 2. COMMITTEE MEETINGS. A majority of any committee shall constitute a quorum and a majority of the committee is necessary for committee action. A committee may act by unanimous consent in writing without a meeting. Committee meetings may be called by the Chairman of the Board, the chairman of the committee, or any two of the committee's members. The time and place of committee meetings shall be designated in the notice of such meeting. Notice of each committee meeting shall be given to each committee member. Each Committee shall keep minutes of its proceedings and such minutes shall be distributed to the Board of Directors.

SECTION 3. EXECUTIVE COMMITTEE. The Board shall appoint an Executive Committee. A majority of the members of the Committee shall be selected from those Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries.

SECTION 4. DUTIES OF THE EXECUTIVE COMMITTEE. The Executive Committee may, when the Board of Directors is not in session, exercise the authority of the Board in the management of the business and affairs of the Corporation; provided, however, the Committee may not:

- (1) authorize distributions;
- (2) approve or recommend to shareholders any act the Business Corporation Act of 1983 requires to be approved by shareholders;
- (3) fill vacancies on the Board or on any of its committees;
- (4) elect or remove Officers or fix the compensation of any member of the Committee;
- (5) adopt, amend or repeal the By-Laws;
- (6) approve a plan of merger not requiring shareholder approval;

(7) authorize or approve reacquisition of shares, except according to a general formula or method prescribed by the Board;

(8) authorize or approve the issuance or sale, or contract for sale, of shares or determine the designation and relative rights, preferences, and limitations of a series of shares, except that the Board may direct the Committee to fix the specific terms of the issuance or sale or contract for sale or the number of shares to be allocated to particular employees under an employee benefit plan; or

(9) amend, alter, repeal, or take action inconsistent with any resolution or action of the Board of Directors when the resolution or action of the Board of Directors provides by its terms that it shall not be amended, altered or repealed by action of the Committee.

SECTION 5. AUDIT COMMITTEE. The Board of Directors shall appoint an Audit Committee. All of the members of the Committee shall be selected from those Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries.

SECTION 6. DUTIES OF THE AUDIT COMMITTEE. The Audit Committee shall:

(1) recommend to the Board of Directors annually a firm of independent public accountants to act as auditors of the Corporation;

(2) review with the auditors in advance the scope of and fees for their annual audit;

(3) review with the auditors and the management, from time to time, the Corporation's accounting principles, policies, and practices and its reporting policies and practices;

(4) review with the auditors annually the results of their audit; and

(5) review from time to time with the auditors and the Corporation's financial personnel the adequacy of the Corporation's accounting, financial and operating controls.

SECTION 7. COMPENSATION COMMITTEE. The Board of Directors shall appoint a Compensation Committee. The members of the Committee shall be selected from those Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries and who are "non-employee directors" under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, or any similar successor rule.

SECTION 8. DUTIES OF THE COMPENSATION COMMITTEE. The Compensation Committee shall:

(1) administer the stock option plans of the Corporation;

(2) review, at least annually, the compensation of Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries and recommend for approval by the Board any change in the compensation of such Directors;

(3) review at least annually, the compensation of all Officers of the Corporation. The committee shall have the authority to approve changes in the base compensation,

and any proposed special separation arrangements of Officers, except the Chairman of the Board of Directors and the President, whose base compensation, and any special separation arrangements, shall be subject to approval by the Board of Directors.

SECTION 9. NOMINATIONS AND BOARD AFFAIRS COMMITTEE. The Board of Directors shall appoint a Nominations and Board Affairs Committee. A majority of the members of the Committee shall be selected from those Directors who are not then serving as full-time employees of the Corporation or any of its subsidiaries.

SECTION 10. DUTIES OF THE NOMINATIONS AND BOARD AFFAIRS COMMITTEE. The Nominations and Board Affairs Committee shall:

(1) develop general criteria for selection of and qualifications desirable in members of the Board of Directors and Officers of the Corporation and aid the Board in identifying and attracting qualified candidates to stand for election to such positions;

(2) recommend to the Board annually a slate of nominees to be proposed by the Board to the shareholders as nominees for election as Directors, and, from time to time, recommend persons to fill any vacancy on the Board;

(3) review annually, or more often if appropriate, the performance of individual members of the management of the Corporation and the membership and performance of committees of the Board and make recommendations deemed necessary or appropriate to the Board;

(4) recommend to the Board persons to be elected as Officers of the Corporation; and

(5) serve in an advisory capacity to the Board of Directors and Chairman of the Board on matters of organization, management succession plans, major changes in the organizational structure of the Corporation, and the conduct of Board activities, including assisting in the evaluation of the Board's own performance.

## ARTICLE V

### OFFICERS

SECTION 1. NUMBER. The Officers of the Corporation shall be the Chairman of the Board, the President, one or more Executive, Group or Senior Vice Presidents, one or more Vice Presidents, a Treasurer, a Secretary, a Controller, a General Counsel and such Assistant Treasurers and Assistant Secretaries as the Board of Directors may elect. Any two or more offices may be held by the same person.

SECTION 2. ELECTION AND TERM OF OFFICE. The Officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of shareholders. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies or new offices may be filled at any meeting of the Board of Directors. Each Officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

SECTION 3. REMOVAL OF OFFICERS. Any Officer may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. CHAIRMAN OF THE BOARD OF DIRECTORS. The Chairman of the Board of Directors shall be the Chief Executive Officer of the Corporation. The Chairman shall be responsible for the overall management of the Corporation subject to the direction of the Board of Directors. The Chairman shall preside at all meetings of the Board of Directors and the shareholders.

SECTION 6. PRESIDENT. The President shall be the Chief Operating Officer. The President shall perform such duties as may be prescribed by the Board of Directors or by the Chairman.

SECTION 7. EXECUTIVE, GROUP AND SENIOR VICE PRESIDENTS. Each Executive, Group, or Senior Vice President shall be responsible for supervising and coordinating a major area of the Corporation's activities subject to the direction of the Chairman of the Board or the President.

SECTION 8. VICE PRESIDENTS. Each of the Vice Presidents shall be responsible for those activities designated by an Executive, Group, or Senior Vice President, the President, the Chairman of the Board or by the Board of Directors.

SECTION 9. TREASURER. The Treasurer shall administer the investment, financing, insurance and credit activities of the Corporation.

SECTION 10. SECRETARY. The Secretary will be the custodian of the corporate records and of the seal of the Corporation, will countersign all certificates for shares of the Corporation, and in general will perform all duties incident to the office of Secretary. The Secretary shall have the authority to certify the By-Laws, resolutions of the shareholders and the Board of Directors and committees thereof, and other documents of the Corporation as true and correct copies thereof.

SECTION 11. CONTROLLER. The Controller will conduct the accounting activities of the Corporation, including the maintenance of the Corporation's general and supporting ledgers and books of account, operating budgets, and the preparation and consolidation of financial statements.

SECTION 12. GENERAL COUNSEL. The General Counsel will be the chief consultant of the Corporation on legal matters. He or she will supervise all matters of legal import concerning the interests of the Corporation.

SECTION 13. ASSISTANT TREASURER. The Assistant Treasurer shall, in the absence or incapacity of the Treasurer, perform the duties and exercise the powers of the Treasurer, and shall perform such other duties as shall from time to time be given to him or her by the Treasurer.

SECTION 14. ASSISTANT SECRETARY. The Assistant Secretary shall, in the absence or incapacity of the Secretary, perform the duties and exercise the powers of the Secretary, and shall perform such other duties as shall from time to time be given to him or her by the Secretary. The Assistant Secretary shall be, with the Secretary, keeper of the books, records, and the seal of the Corporation, and shall have the authority to certify the By-Laws, resolutions and other documents of the Corporation.

SECTION 15. GENERAL POWERS OF OFFICERS. The Chairman of the Board, the President, and any Executive, Group or Senior Vice President, may sign without countersignature any deeds, mortgages, bonds, contracts, reports to public agencies, or other instruments whether or not the Board of Directors has expressly authorized execution of such instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws solely to some other Officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. Any other Officer of this Corporation may sign contracts, reports to public agencies, or other instruments which are in the regular course of business and within the scope of his or her authority, except where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other Officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed.

## ARTICLE VI

### CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form as may be determined by the Board of Directors. Such certificates shall be signed by any one of the Chairman of the Board, the President or an Executive Vice President, and shall be countersigned by the Secretary or an Assistant Secretary and shall be sealed with the seal, or a facsimile of the seal, of the Corporation. If a certificate is countersigned by a Transfer Agent or Registrar, other than the Corporation itself or its employee, any other signatures or countersignature on the certificate may be facsimiles. In case any Officer of the Corporation, or any officer or employee of the Transfer Agent or Registrar who has signed or whose facsimile signature has been placed upon such certificate ceases to be an Officer of the Corporation, or an officer or employee of the Transfer Agent or Registrar before such certificate is issued, the certificate may be issued by the Corporation with the same effect as if the Officer of the Corporation, or the officer or employee of the Transfer Agent or Registrar had not ceased to be such at the date of its issue. Each certificate representing shares shall state: that the Corporation is organized under the laws of the State of Illinois; the name of the person to whom issued; the number and class of shares; and the designation of the series, if any, which such certificate represents. Each certificate shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled, and no new certificate shall be issued in replacement until the former certificate for a like number of shares shall have been surrendered and canceled, except in the case of lost, destroyed or mutilated certificates.

SECTION 2. TRANSFER AGENT AND REGISTRAR. The Board of Directors may from time to time appoint such Transfer Agents and Registrars in such locations as it shall determine, and may, in its discretion, appoint a single entity to act in the capacity of both Transfer Agent and Registrar in any one location.

SECTION 3. TRANSFERS OF SHARES. Transfers of shares of the Corporation shall be made only on the books of the Corporation at the request of the holder of record thereof or of his attorney, lawfully constituted in writing, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 4. LOST, DESTROYED OR MUTILATED CERTIFICATES. In case of lost, destroyed or mutilated certificates, duplicate certificates shall be issued to the person claiming the loss, destruction or mutilation, provided:

(a) that the claimant furnishes an affidavit stating the facts of such loss, destruction or mutilation so far as known to him or her and further stating that the affidavit is made to induce the Corporation to issue a duplicate certificate or certificates; and that issuance of the duplicate certificate or certificates is approved:

(i) in a case involving a certificate or certificates for more than 1,000 shares, by the Chairman of the Board, the President, an Executive Vice President, or the Secretary; or

(ii) in a case involving a certificate or certificates for 1,000 shares or less, by the Transfer Agent appointed by the Board of Directors for the transfer of the shares represented by such certificate or certificates,

upon receipt of a bond, with one or more sureties, in the amount to be determined by the party giving such approval; or

(b) that issuance of the said duplicate certificate or certificates is approved by the Board of Directors upon such terms and conditions as it shall determine.

#### ARTICLE VII

##### FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January in each year and end on the last day of December in each year.

#### ARTICLE VIII

##### VOTING SHARES OR INTERESTS IN OTHER CORPORATIONS

The Chairman of the Board, the President, an Executive, Group, or Senior Vice President and each of them, shall have the authority to act for the Corporation by voting any shares or exercising any other interest owned by the Corporation in any other corporation or other business association, including wholly or partially owned subsidiaries of the Corporation, such authority to include, but not be limited to, power to attend any meeting of any such corporation or

other business association, to vote shares in the election of directors and upon any other matter coming before any such meeting, to waive notice of any such meeting and to consent to the holding thereof without notice, and to appoint a proxy or proxies to represent the Corporation at any such meeting with all the powers that the said Officer would have under this section if personally present.

#### ARTICLE IX

##### DISTRIBUTIONS TO SHAREHOLDERS

The Board of Directors may authorize, and the Corporation may make, distributions to its shareholders, subject to any restriction in the Articles of Incorporation and subject also to the limitations prescribed by law.

#### ARTICLE X

##### SEAL

The Corporate Seal of the Corporation shall be in the form of a circle in the center of which is the insignia "[LOGO]" and shall have inscribed thereon the name of the Corporation and the words "an Illinois Corporation."

#### ARTICLE XI

##### WAIVER OF NOTICE

Whenever any notice whatever is required to be given under the provisions of these By-Laws or under the provisions of the Articles of Incorporation or under the provisions of The Business Corporation Act of 1983, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance at any meeting shall constitute waiver of notice thereof unless the person at the meeting objects to the holding of the meeting because proper notice was not given.

#### ARTICLE XII

##### AMENDMENTS

These By-Laws may be made, altered, amended or repealed by the shareholders or the Board of Directors.

RESOLUTION

WHEREAS, it may be advisable and in the best interests of this Corporation to borrow up to a maximum of \$750,000,000 on terms to be determined as hereafter provided, which amount shall be in addition to any borrowing of the \$150,000,000 of borrowings authorized by resolutions adopted by the Board of Directors on September 10, 1993, that has not been incurred as of the date hereof:

NOW, THEREFORE, BE IT RESOLVED as follows:

1. GENERAL AUTHORIZATION

This Corporation is hereby authorized: (a) to incur up to \$750,000,000 principal amount of indebtedness on terms established in accordance with this Resolution which indebtedness may be denominated in foreign currencies or foreign currency units or issued at original issue discount and to the extent issued at original issue discount, or denominated in, purchased for or payable in foreign currencies or foreign currency units, shall be that principal amount as may result in the initial offering prices aggregating \$750,000,000 (determined in the case of foreign currencies or foreign currency units by reference to the equivalent in United States dollars, determined on the basis of exchange rates in effect on the second business day prior to entering into any agreement, whether a binding agreement or an in-principle agreement, to issue such Securities); (b) to issue one or more series of Debentures, Notes and other evidence of indebtedness to evidence the indebtedness authorized by or pursuant to this Resolution having terms established in accordance with this Resolution (and all Debentures, Notes and other evidence of indebtedness which shall actually be issued by the Corporation pursuant to such authorization are herein collectively called the "Securities"); and (c) take such action as the Authorized Officers deem appropriate to issue any of the Securities under the Indenture dated as of October 1, 1993 between the Corporation and Harris Trust & Savings Bank, Trustee (the "Indenture") or any other indenture, fiscal agency agreement or other agreement as the Authorized Officers may approve.

2. AUTHORIZED OFFICERS

The Chairman of the Board and Chief Executive Officer; the Senior Vice President, Finance and Chief Financial Officer; and the Vice President and Treasurer shall constitute "Authorized Officers" for purposes of this Resolution. Any action which the Authorized Officers are authorized by this Resolution to take may be taken by means of a written instrument signed by any two Authorized Officers. The Authorized Officers are hereby authorized to take any action authorized by this Resolution at any time as such Officers deem appropriate and in the best interest of this Corporation.

3. TRANSACTION TERMS

The Authorized Officers are hereby authorized to determine: (a) the terms of each series of Securities to be issued by the Corporation and whether they shall be issued under the Indenture or any other indenture, fiscal agency agreement or other agreement as the Authorized Officers may approve (including but not limited to the aggregate principal amount of debt to be represented by those Securities, the rate at which interest shall accrue on those Securities, the time(s) at which payment(s) of principal shall become due on those

Securities and the amount of each such payment, the extent of the Corporation's right to make prepayments of amounts owed on those Securities and the amount of the premium (if any) which may be payable in connection with any such prepayment, or to extend the maturity thereof; (b) whether the Corporation shall enter into any supplement to the Indenture (including but not limited to any supplement establishing the terms of any series of Securities) or any other indenture, fiscal agency agreement or other agreement, or supplement thereto, and the terms thereof; (c) the price at which the Securities shall be sold; (d) if other than United States dollars, any currency or currency unit in which the Securities are to be denominated, or which is to be received in payment or in which principal or interest, if any, is to be payable; (e) all other terms governing the sale of the Securities (including whether and to what extent the Securities shall be sold under firm commitment underwriting arrangements, sold directly to investment bankers for subsequent public sale, sold pursuant to best efforts arrangements, sold in private placement, sold through agents, sold in the U.S. market or sold in the Euromarket or any other overseas securities market); (f) in connection with any firm commitment underwriting, the underwriters to be utilized, the underwriting discount and other fees applicable to such underwriting, the indemnification arrangements to be made by the Corporation in connection with such underwriting and all other terms governing such underwriting; (g) in connection with any medium term note program, the agents to be utilized, the agents' discounts or commissions, the indemnification arrangements to be made by the Corporation in connection with such program and all other terms governing such program; (h) the exchange or exchanges (if any) on which the Securities shall be listed and the terms of any such listing; (i) the terms upon which the Securities may be registered, qualified or otherwise cleared under Federal and state securities laws, or any action they deem appropriate to obtain any exemption thereunder; (j) whether the Securities shall be senior or subordinated to other debt of the Corporation; (k) whether the Securities are to be in definitive or book entry form and, if the latter, the depository with respect to the Securities, or, in the case of Securities sold in the Euromarket, whether the Securities are to be in global form and the terms of the arrangements pursuant to which the Securities will be held and cleared by foreign clearing systems; and (l) any other actions which the Corporation may take relating to the Securities.

#### 4. IMPLEMENTING ACTIONS

Any officer of this Corporation is hereby authorized to cause the Corporation to take any action which such officer shall deem to have been authorized in or pursuant to this Resolution (which are herein collectively called "Implementing Actions") including but not limited to: (a) the execution and filing with the Securities and Exchange Commission (herein called "Commission") of one or more Registration Statements to register an aggregate principal amount of up to \$750,000,000 of the Securities under the Securities Act of 1933 (which Registration Statement(s) may also include, in addition to the \$750,000,000 of Securities authorized by this Resolution, up to \$150,000,000 of the securities covered by the Corporation's prior Registration Statement, SEC File No. 33-50253, which remain unissued at the time the new Registration Statement is filed) and such pre-effective and post-effective amendments to such Registration Statement(s) as such officer may deem appropriate and after the effective date of the Registration Statement(s) any supplements to the prospectus filed as part of the Registration Statement(s) which such officer may deem necessary or appropriate; (b) the execution and filing with the Commission of an application for the registration of the Securities under the Securities Exchange Act of 1934, if necessary, and all

additional instruments and documents which may be necessary to effectuate such registration; (c) all actions such officer deems appropriate to issue up to \$750,000,000 (determined in the case of foreign currencies or foreign currency units by reference to the equivalent in United States dollars, determined on the basis of exchange rates in effect on the second business day prior to entering into any agreement, whether a binding agreement or an in-principle agreement, to issue such Securities) of Securities in the Euromarket, including entering into any relevant agreements (including any fiscal agency agreement, paying agency agreement, reference agent agreement, listing agent agreement and underwriting agreement) and the preparation of any offering circular relating thereto and any actions such officer deems appropriate to obtain exemptions from the securities or tax laws of the United States; (d) the execution and filing of a Listing Application for the listing of the Securities on any United States or foreign stock exchange on which the Authorized Officers deem such Securities should be listed and any related Indemnity Agreement or other documentation which such officer may deem desirable and the appearance before the Committee on Stock Lists (or other similar body) of any such exchange, and such other acts as such officer may deem necessary to conform with the requirements for listing the Securities on any such exchange; (e) the execution of letters of representation or other submissions to a depository with respect to book entry securities; and (f) the execution and filing with the appropriate state agencies or any foreign jurisdiction of all requisite instruments, records and documents including but not limited to applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process and any other action which such officer shall deem desirable to comply with the applicable laws of any state or other jurisdiction of the United States of America or any foreign jurisdiction governing the qualification or registration for sale, or exemption therefrom, of all or part of the Securities.

#### 5. STATES SECURITIES REGISTRATION

Any officer of this Corporation is hereby authorized to take any and all action which such officer may deem necessary or appropriate in order to effect the registration or qualification of part or all of the Securities for offer and sale under, or to secure an exemption from, the Securities or Blue Sky laws of those states and other jurisdictions of the United States of America or any foreign jurisdiction in which such officer determines such registration or qualification or exemption to be advisable, and in connection therewith to execute, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's covenants, resolutions, consents to service of process and other papers and instruments as may be required under such laws, and to take any and all further action which such officer may deem necessary or appropriate in order to maintain any such registration or qualification or exemption for as long as such officer deems it to be in the best interests of the Corporation.

#### 6. DOCUMENTATION

Any officer of this Corporation is hereby authorized to execute and deliver on behalf of this Corporation any agreement, Securities, Registration Statement, other governmental filings or other documents of any kind which such officer deems necessary or desirable in connection with any Implementing Action including but not limited to: (a) Indenture; (b) the Securities (the execution of which may be by means of facsimile signature); (c) any Underwriting Agreement and any related pricing agreement, delayed delivery agreement or

other documentation; and (d) any Distribution Agreement and any related Terms Agreement or other documentation. Any agreement or other document which shall be executed and delivered on behalf of the Corporation by any officer of the Corporation relating in any way to any action which is authorized in or could be authorized pursuant to this Resolution constitutes conclusive evidence that such execution and delivery was authorized in or pursuant to this Resolution and upon such execution and delivery, such agreement or document shall become binding upon the Corporation in accordance with its terms.

#### 7. ADDITIONAL RESOLUTIONS

This Board of Directors hereby adopts any additional Resolutions which may be requested by any governmental authority, stock exchange or any other person which any Authorized Officer believes necessary or desirable to accomplish any Implementing Action. The Corporation's Secretary or Assistant Secretary is hereby authorized to certify that any such Resolution has been duly adopted by this Corporation's Board of Directors.

ABBOTT LABORATORIES

FORM OF 6.40% NOTE DUE DECEMBER 1, 2006

NO. 1002  
CUSIP NO. 002824AH3

\$50,000,000

This Security is a Security in a global form within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depositary or a nominee of a Depositary. This global Security is exchangeable for Securities registered in the name of a Person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Security (other than a transfer of this Security as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary) may be registered except in such limited circumstances.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the issuer or its agent for registration of transfer, exchange or payment, and any Security issued upon registration of transfer of, or in exchange for, or in lieu of, this Security is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

## ABBOTT LABORATORIES

ABBOTT LABORATORIES, a corporation duly organized and existing under the laws of Illinois (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the principal sum of Fifty Million Dollars (\$50,000,000) on December 1, 2006 and to pay interest thereon from December 9, 1996 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on June 1 and December 1 in each year, commencing June 1, 1997, at the rate of 6.40% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the May 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made at the office or agency of the Company maintained for that purpose in Chicago, Illinois, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of October 1, 1993 (herein called the "Indenture"), between the Company and Harris Trust and Savings Bank, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures

supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$250,000,000.

The Securities of this Series are not redeemable prior to maturity and do not provide for a sinking fund.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly

authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

\* \* \*

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: December 9, 1996

ABBOTT LABORATORIES

By \_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

HARRIS TRUST AND SAVINGS BANK,  
as Trustee, certifies that this is one of the  
Securities referred to in the within-mentioned  
Indenture.

By \_\_\_\_\_  
Authorized Signature

ABBOTT LABORATORIES

FORM OF 6.40% NOTE DUE DECEMBER 1, 2006

NO. 1001  
CUSIP NO. 002824AH3

\$200,000,000

This Security is a Security in a global form within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depositary or a nominee of a Depositary. This global Security is exchangeable for Securities registered in the name of a Person other than the Depositary or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Security (other than a transfer of this Security as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary) may be registered except in such limited circumstances.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the issuer or its agent for registration of transfer, exchange or payment, and any Security issued upon registration of transfer of, or in exchange for, or in lieu of, this Security is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

ABBOTT LABORATORIES

ABBOTT LABORATORIES, a corporation duly organized and existing under the laws of Illinois (herein called the "Company," which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., as nominee for The Depository Trust Company, or registered assigns, the principal sum of Two Hundred Million Dollars (\$200,000,000) on December 1, 2006 and to pay interest thereon from December 9, 1996 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on June 1 and December 1 in each year, commencing June 1, 1997, at the rate of 6.40% per annum, until the principal hereof is paid or made available for payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the May 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any such interest on this Security will be made at the office or agency of the Company maintained for that purpose in Chicago, Illinois, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Unless the certificate of authentication hereon has been executed by the Trustee referred to herein by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of October 1, 1993 (herein called the "Indenture"), between the Company and Harris Trust and Savings Bank, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures

supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$250,000,000.

The Securities of this Series are not redeemable prior to maturity and do not provide for a sinking fund.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Security or certain restrictive covenants and Events of Default with respect to this Security, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly

authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

\* \* \*

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: December 9, 1996

ABBOTT LABORATORIES

By \_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

HARRIS TRUST AND SAVINGS BANK,  
as Trustee, certifies that this is one of the  
Securities referred to in the within-mentioned  
Indenture.

By \_\_\_\_\_  
Authorized Signature

ABBOTT LABORATORIES

ACTIONS OF THE AUTHORIZED OFFICERS

Pursuant to the authority granted by the Board of Directors of Abbott Laboratories ("Corporation") in its June 14, 1996 resolutions, the undersigned agree as follows:

1. The Corporation shall issue \$250,000,000 aggregate principal amount of the Corporation's 6.40% Notes due December 1, 2006 ("Notes").

2. The Corporation shall issue and sell Notes to Goldman, Sachs & Co., Citicorp Securities, Inc., Lehman Brothers Inc., Lazard Freres & Co., LLC and Salomon Brothers Inc (collectively, "Underwriters") pursuant to an Underwriting Agreement dated December 4, 1996 and a Pricing Agreement dated December 4, 1996 ("Pricing Agreement") between the Corporation and the Underwriters, upon the terms and conditions set forth therein, to be issued under and in accordance with an Indenture dated as of October 1, 1993, between the Corporation and the Harris Trust and Savings Bank, as Trustee ("Trustee"), relating to the Corporation's Notes and other obligations ("Indenture").

3. In addition to the other terms provided in the Indenture with respect to securities issued thereunder, all as more particularly described in the Pricing Agreement, the Prospectus and the Prospectus Supplement relating to the Notes and the form of Note referred to below, the Notes shall contain the following terms:

(a) The Notes shall be entitled "6.40% Notes due December 1, 2006";

(b) The Notes shall be limited in aggregate principal amount to \$250,000,000;

(c) Interest shall be payable to the persons in whose names the Notes are registered at the close of business on the applicable Regular Record Date (as defined below);

(d) The principal of the Notes is payable on December 1, 2006;

(e) The Notes shall bear interest at the rate of 6.40% per annum beginning December 9, 1996. Interest on the Notes will be payable semi-annually on the first day of June and December of each year (each an "Interest Payment Date"), commencing on June 1, 1997. Interest shall be paid to persons in whose names the Notes are registered on the May

15 or November 15 preceding the Interest Payment Date (each a "Regular Record Date");

(f) Payment of the principal of, and any premium and interest on, the Notes will be made at the office or agency of the Corporation maintained for that purpose in Chicago, Illinois;

(g) The Notes shall not be redeemable or repayable prior to maturity;

(h) The Notes shall not provide for any sinking fund;

(i) The Notes are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof;

(j) The payment of the principal of, and any premium and interest on, the Notes shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts;

(k) The payment of principal of, and any premium and interest on, the Notes shall not be determined with reference to an index or formula;

(l) There shall be no optional currency or currency unit in which the payment of principal of, and any premium and interest on, the Notes shall be payable;

(m) Both Section 13.2 and 13.3 of the Indenture shall apply to the Notes;

(n) The Notes shall be in the form of Book-Entry Securities as set forth in the Indenture;

(o) The principal amount of the Notes shall be payable upon declaration of acceleration pursuant to Section 5.2 of the Indenture; and

(p) The other terms and conditions of the Notes shall be substantially as set forth in the Indenture and in the Prospectus and the Prospectus Supplement relating to the Notes.

4. The form of the Notes shall be substantially as attached hereto as EXHIBIT A.

5. The price at which the Notes shall be sold by the Corporation to the Underwriters pursuant to the Pricing Agreement

shall be 99.35% of the principal amount thereof, plus accrued interest, if any, from December 9, 1996 to the time of Delivery;

6. The Notes initially will be offered to the public by the Underwriters at 100% of the principal amount thereof, plus accrued interest, if any, from December 9, 1996 to the time of Delivery;

7. The execution and delivery of the Pricing Agreement, dated December 4, 1996, and substantially in the form attached hereto as EXHIBIT B, is hereby approved.

8. Any officer of this Corporation is hereby authorized and empowered to execute the Notes of this Corporation in the form he or she deems appropriate, and to deliver such Notes to the Trustee with a written order directing the Trustee to have the Notes authenticated and delivered to such persons as such officer designates.

9. The Harris Trust and Savings Bank is hereby designated and appointed as Paying Agent and Securities Registrar with respect to the Notes.

Dated: December 4, 1996

AUTHORIZED OFFICERS OF  
ABBOTT LABORATORIES

By \_\_\_\_\_

By \_\_\_\_\_

ABBOTT LABORATORIES  
OFFICERS' CERTIFICATE  
AND  
COMPANY ORDER

With respect to the issuance by Abbott Laboratories (the "Company") of \$250,000,000 in aggregate principle amount of 6.40% Notes due December 1, 2006 (the "Notes"), Jose M. de Lasa and Thomas C. Freyman, officers of the Company, certify pursuant to Sections 3.1 and 3.3 of the Indenture, dated as of October 1, 1993 (the "Indenture"), between the Company and Harris Trust and Savings Bank, 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 September 10, 1993 (attached as Exhibit B to the Secretary's Certificate of even date herewith), the Action of Authorized Officers of December 4, 1996 (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 Action of Authorized Officers, dated December 4, 1996 (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 the Notes to or at the direction of Goldman, Sachs & Co., Citicorp Securities, Inc., Lazard Freres & Co., LLC, Lehman Brothers Inc. and Salomon Brothers Inc.

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 as of this 9th day of December, 1996.

ABBOTT LABORATORIES

By: /s/ Jose M. de Lasa

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Jose M. de Lasa, Senior Vice  
President, Secretary and  
General Counsel

By: /s/ Thomas C. Freyman

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Thomas C. Freyman, Vice  
President and Treasurer

Adopted by Board of Directors 12/13/85. Amended  
by Board of Review 3/13/86, 12/11/86, 3/11/87,  
3/4/88, 12/9/88, 3/9/89, 10/1/89, 12/21/90,  
6/1/92, 9/30/93, 9/1/95 and 6/1/96.

ABBOTT LABORATORIES SUPPLEMENTAL PENSION PLAN

SECTION 1  
INTRODUCTION

1-1. On September 9, 1977, December 14, 1979 and February 10, 1984 the Board of Directors of Abbott Laboratories ("Abbott") adopted certain resolutions providing for payment of (i) pension benefits calculated under the Abbott Laboratories Annuity Retirement Plan ("Annuity Plan") in excess of those which may be paid under that plan under the limits imposed by Section 415 of the U.S. Internal Revenue Code, as amended, and the Employee Retirement Income Security Act ("ERISA") and (ii) the additional pension benefits that would be payable under the Annuity Plan if deferred awards under the Abbott Laboratories Management Incentive Plan were included in "final earnings" as defined in the Annuity Plan.

The purpose of this ABBOTT LABORATORIES SUPPLEMENTAL PENSION PLAN (the "Supplemental Plan") is to clarify, restate and supersede the prior resolutions.

1-2. The Supplemental Plan shall apply to employees of Abbott and its subsidiaries and affiliates existing as of the date of adoption of the Supplemental Plan or thereafter created or acquired. (Abbott and each of such subsidiaries and affiliates are hereinafter referred to as an "employer" and collectively as the "employers").

1-3. All benefits provided under the Supplemental Plan shall be provided from the general assets of the employers and not from any trust fund or other designated asset. All participants in the Supplemental Plan shall be general creditors of the employers with no priority over other creditors.

1-4. The Supplemental Plan shall be administered by the Abbott Laboratories Employee Benefit Board of Review appointed and acting under the Annuity Plan ("Board of Review"). Except as stated below, the Board of Review shall perform all powers and duties with respect to the Supplemental Plan, including the power to direct payment of benefits, allocate costs among employers, adopt amendments and determine questions of interpretation. The Board of Directors of Abbott shall have the sole authority to terminate the Supplemental Plan.

SECTION 2  
ERISA ANNUITY PLAN SUPPLEMENTAL BENEFIT

2-1. The benefits described in this Section 2 shall apply to all participants in the Annuity Plan who retire, or terminate with a vested pension under that plan, on or after September 9, 1977.

2-2. Each Annuity Plan participant whose retirement or vested pension under that plan would otherwise be limited by Section 415, Internal Revenue Code, shall receive a supplemental pension under this Supplemental Plan in an amount, which, when added to his or her Annuity Plan pension, will equal the amount the participant would be entitled to under the Annuity Plan as in effect from time to time, based on the particular option selected by the participant, without regard to the limitations imposed by Section 415, Internal Revenue Code.

SECTION 3  
1986 TAX REFORM ACT SUPPLEMENTAL BENEFIT

3-1. The benefits described in this Section 3 shall apply to all participants in the Annuity Plan who retire, or terminate with a vested pension under that plan, after December 31, 1988.

3-2. Each Annuity Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

(a) The supplemental pension shall be the difference, if any, between:

(i) The monthly benefit payable under the Annuity Plan plus any supplement provided by Section 2; and

- (ii) The monthly benefit which would have been payable under the Annuity Plan (without regard to the limits imposed by Section 415, Internal Revenue Code) if the participant's "final earnings", as defined in the Annuity Plan had included compensation in excess of the limits imposed by Section 401(a)(17), Internal Revenue Code, and any "pre-tax contributions" made by the participant under the Abbott Laboratories Supplemental 401(k) Plan.

SECTION 4  
DEFERRED MIP ANNUITY PLAN SUPPLEMENTAL BENEFIT

4-1. The benefits described in this Section 4 shall apply to all participants in the Annuity Plan who retire, or terminate with a vested pension, under that plan, on or after December 14, 1979 and who were awarded Management Incentive Plan awards for any calendar year during the ten consecutive calendar years ending with the year of retirement or termination of employment.

4-2. Each Annuity Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

- (a) The supplemental pension shall be the difference, if any, between:

- (i) The monthly benefit payable under the Annuity Plan plus any supplement provided by Section 2 and Section 3; and
- (ii) the monthly benefit which would have been payable under the Annuity Plan (without regard to the limits imposed by Section 415, Internal Revenue Code) if the participant's "final earnings", as defined in the Annuity Plan, were one-sixtieth of the sum of:
  - (A) the participant's total "basic earnings" (excluding any payments under the Management Incentive Plan or any Division Incentive Plan) received in the sixty consecutive calendar months for which his basic earnings (excluding any payments under the Management Incentive Plan or any Division Incentive Plan) were highest within the last one hundred twenty consecutive calendar months immediately preceding his retirement or termination of employment; and

(B) the amount of the participant's total awards under the Management Incentive Plan and any Division Incentive Plan (whether paid immediately or deferred) made for the five consecutive calendar years during the ten consecutive calendar years ending with the year of retirement or termination for which such amount is the greatest and (for participants granted Management Incentive Plan awards for less than five consecutive calendar years during such ten year period) which include all Management Incentive Plan awards granted for consecutive calendar years within such ten year period.

- (b) That portion of any Management Incentive Plan award which the Compensation Committee has determined shall be excluded from the participant's "basic earnings" shall be excluded from the calculation of "final earnings" for purposes of this subsection 4-2. "Final earnings" for purposes of this subsection 4-2 shall include any compensation in excess of the limits imposed by Section 401(a)(17), Internal Revenue Code.
- (c) In the event the period described in subsection 4-2(a)(ii)(B) is the final five calendar years of employment and a Management Incentive Plan award is made to the participant subsequent to retirement for the participant's final calendar year of employment, the supplemental pension shall be adjusted by adding such new award and subtracting a portion of the earliest Management Incentive Plan award included in the calculation, from the amount determined under subsection 4-2(a)(ii)(B). The portion subtracted shall be equal to that portion of the participant's final calendar year of employment during which the participant was employed by Abbott. If such adjustment results in a greater supplemental pension, the greater pension shall be paid beginning the first month following the date of such new award.

SECTION 5  
RESTRICTED STOCK AWARD SUPPLEMENTAL BENEFIT

5-1. The benefits described in this Section 5 shall apply to all participants in the Annuity Plan who retire or terminate with a vested pension, under that plan, after September 1, 1995.

5-2. For purposes of this Supplemental Plan, the phrase "Eligible Restricted Stock Award" shall mean a restricted stock award granted under the Abbott Laboratories 1991 Incentive Stock Program, or any successor plan or program, (the "Incentive Stock Program"), which is designated by the Compensation Committee of the Board of Directors of Abbott, at any time prior to retirement or termination of the participant, as includable in "final earnings" for purposes of this Supplemental Plan.

5-3. Each Annuity Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

(a) The supplemental pension shall be the difference, if any, between:

- (i) The monthly benefit payable under the Annuity Plan plus any supplement provided by Sections 2, 3 and 4; and
- (ii) The monthly benefit which would have been payable under the Annuity Plan (without regard to the limits imposed by Section 415, Internal Revenue Code) if the participant's "final earnings", as defined in the Annuity Plan, were one-sixtieth of the sum of:
  - (A) the participant's earnings described in subsection 4-2(a)(ii)(A);
  - (B) the participant's awards described in subsection 4-2(a)(ii)(B) (adjusted as provided in subsections 4-2(b) and (c)); and
  - (C) the total value of those installments of Eligible Restricted Stock Awards granted the participant which become non-forfeitable during the sixty consecutive calendar months for which his basic earnings (as defined in subsection 4-2(a)(ii)(A)) are highest within the last one hundred twenty consecutive calendar months immediately preceding his retirement or termination of employment.

(b) For purposes of this subsection 5-3:

- (i) The value of an Eligible Restricted Stock Award shall be the fair market value of such award (as determined under the Incentive Stock Program) on the date the award is granted;
- (ii) No more than five installments of Eligible Restricted Stock Awards shall be included in the amount calculated under subsection 5-3(a)(ii)(C); and
- (iii) "Final earnings" shall include compensation in excess of the limits imposed by Section 401(a)(17), Internal Revenue Code.

In the event the limitation described in subsection 5-3(b)(ii) would be exceeded for a participant, those installments in excess of five with the lowest fair market value (as defined in subsection 5-3(b)(i)) shall be disregarded in calculating the benefit due under this Section 5.

SECTION 6  
CORPORATE OFFICER ANNUITY PLAN SUPPLEMENTAL BENEFIT

6-1. The benefits described in this Section 6 shall apply to all participants in the Annuity Plan who are corporate officers of Abbott as of September 30, 1993 or who become corporate officers thereafter, and who retire, or terminate with a vested pension under that plan on or after September 30, 1993. The term "corporate officer" for purposes of this Supplemental Plan shall mean an individual elected an officer of Abbott by its Board of Directors (or designated as such for purposes of this Section 6 by the Compensation Committee of the Board of Directors of Abbott), but shall not include assistant officers.

6-2. Subject to the limitations and adjustments described below, each participant described in subsection 6-1 shall receive a monthly supplemental pension under this Supplemental Plan commencing on the participant's normal retirement date under the Annuity Plan and payable as a life annuity, equal to 6/10 of 1 percent (.006) of the participant's final earnings (as that phrase is used in subsection 5-3(a)(ii), adjusted as provided in subsections 5-3(b)(ii) and (iii)) for each of the first twenty years of the participant's benefit service (as defined in the Annuity Plan) occurring after the participant's attainment of age 35.

6-3. In no event shall the sum of (a) the participant's aggregate percentage of final earnings calculated under subsection 6-2 and (b) the participant's aggregate percentage of final earnings calculated under subsection 5-1(b)(i) of the Annuity Plan, exceed the maximum aggregate percentage of final earnings allowed under subsection 5-1(b)(i) of the Annuity Plan (without regard to any limits imposed by the Internal Revenue Code), as in effect on the date of the participant's retirement or termination. In the event the limitation described in this subsection 6-3 would be exceeded for any participant, the participant's aggregate percentage calculated under subsection 6-2 shall be reduced until the limit is not exceeded.

6-4. Benefit service occurring between the date a participant ceases to be a corporate officer of Abbott and the date the participant again becomes a corporate officer of Abbott shall be disregarded in calculating the participant's aggregate percentage under subsection 6-2.

6-5. Any supplemental pension otherwise due a participant under this Section 6 shall be reduced by the amount (if any) by which:

- (a) the sum of (i) the benefits due such participant under the Annuity Plan and this Supplemental Plan, plus (ii) the actuarially equivalent value of the employer-paid portion of all benefits due such participant under the primary retirement plans of all non-Abbott employers of such participant; exceeds
- (b) the maximum benefit that would be due under the Annuity Plan (without regard to the limits imposed by Section 415, Internal Revenue Code) based on the participant's final earnings (as that phrase is used in subsection 5-3(a)(ii), adjusted as provided in subsections 5-3(b)(ii) and (iii), if the participant had accrued the maximum benefit service recognized by the Annuity Plan.

The term "primary retirement plan" shall mean any pension benefit plan as defined in ERISA, whether or not qualified under the Internal Revenue Code, which is determined by the Board of Review to be the primary pension plan of its sponsoring employer. The term "non-Abbott employer" shall mean any employer other than Abbott or a subsidiary or affiliate of Abbott. A retirement plan maintained by an employer prior to such employer's acquisition by Abbott shall be deemed a retirement plan maintained by a non-Abbott employer for purposes of this subsection 6-5.

6-6. Any supplemental pension due a participant under this Section 6 shall be actuarially adjusted as provided in the Annuity Plan to reflect the pension form selected by the participant and the participant's age at commencement of the pension, and shall be paid as provided in subsection 7-2.

SECTION 7  
CORPORATE OFFICER ANNUITY PLAN  
SUPPLEMENTAL EARLY RETIREMENT BENEFIT

7-1. The benefits described in this Section 7 shall apply to all persons described in subsection 6-1.

7-2. The supplemental pension due under Sections 2, 3, 4, 5 and 6 to each participant described in subsection 7-1 shall be reduced as provided in subsections 5-3 and 5-6 of the Annuity Plan for each month by which its commencement date precedes the last day of the month in which the participant will attain age 60. No reduction will be made for the period between the last day of the months the participant will attain age 60 and age 62.

7-3. Each participant described in subsection 7-1 shall receive a monthly supplemental pension under this Supplemental Plan equal to any reduction made in such participant's Annuity Plan pension under subsections 5-3 or 5-6 of the Annuity Plan for the period between the last day of the months the participant will attain age 60 and age 62.

SECTION 8  
MISCELLANEOUS

8-1. For purposes of this Supplemental Plan, the term "Management Incentive Plan" shall mean the Abbott Laboratories 1971 Management Incentive Plan, the Abbott Laboratories 1981 Management Incentive Plan and all successor plans to those plans.

8-2. The supplemental pension described in Sections 2, 3, 4, 5, 6 and 7 shall be paid to the participant or his or her beneficiary based on the particular pension option elected by the participant, in the same manner, at the same time, for the same period and on the same terms and conditions as the pension payable to the participant or his beneficiary under the Annuity Plan. In the event a participant is paid his or her pension under the Annuity Plan in a lump sum, any supplemental pension due under Sections 2, 3, 4, 5, 6 or 7 shall likewise be paid in a lump sum. Notwithstanding the foregoing provision of this subsection 8-2: (a) if the present value of the vested supplemental pensions described in Sections 2, 3, 4, 5, 6 and 7 of a participant who is actively employed by Abbott as a corporate officer exceeds \$100,000, then payment of such pensions shall be made to the participant under Section 9 below; and (b) if the monthly vested supplemental pensions, expressed as a straight life annuity, due a participant or his or her beneficiary under Sections 2, 3, 4, 5, 6 and 7 do not exceed an aggregate of One Hundred Fifty Dollars (\$150.00) as of the commencement date of the pension payable such participant or his or her beneficiary under the Annuity Plan, and payment of such supplemental pension has not previously been made under Section 9, the present value of such supplemental pensions shall be paid such participant or beneficiary in a lump-sum.

8-3. Notwithstanding any other provisions of this Supplemental Plan, if employment of any participant with Abbott and its subsidiaries and affiliates should terminate for any reason within five (5) years after the date of a Change in Control:

- (a) The present value of any supplemental pension due the participant under Section 2 (whether or not then payable) shall be paid to the participant in a lump sum within thirty (30) days following such termination; and
- (b) The present value of any supplemental pension due the participant under Sections 3 or 4 (whether or not then payable) shall be paid to the participant in a lump sum within thirty (30) days following such termination.

The supplemental pension described in paragraph (a) shall be computed using as the applicable limit under Section 415, Internal Revenue Code, such limit as is in effect on the termination date and based on the assumption that the participant will receive his or her Annuity Plan pension in the form of a straight life annuity with no ancillary benefits. The present values of the supplemental pensions described in paragraphs (a) and (b) shall be computed as of the date of payment by using an interest rate equal to the Pension Benefit Guaranty Corporation interest rate applicable to an immediate annuity, as in effect on the date of payment.

8-4. For purposes of subsection 8-3, a "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

- (a) The date any entity or person (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) shall have become the beneficial owner of, or shall have obtained voting control over thirty percent (30%) or more of the outstanding common shares of the Company;
- (b) The date the shareholders of the Company approve a definitive agreement (A) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any common shares of the Company would be converted into cash, securities or other property of another corporation, other than a merger of the Company in which holders of common shares immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) to sell or otherwise dispose of substantially all the assets of the Company; or

- (c) The date there shall have been a change in a majority of the Board of Directors of the Company within a twelve (12) month period unless the nomination for election by the Company's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve (12) month period.

8-5. The provisions of subsections 8-3, 8-4 and this subsection 8-5 may not be amended or deleted, nor superseded by any other provision of this Supplemental Plan, during the period beginning on the date of a Change in Control and ending on the date five years following such Change in Control.

8-6. All benefits due under this Supplemental Plan shall be paid by Abbott and Abbott shall be reimbursed for such payments by the employee's employer. In the event the employee is employed by more than one employer, each employer shall reimburse Abbott in proportion to the period of time the employee was employed by such employer, as determined by the Board of Review in its sole discretion.

8-7. The benefits under the Supplemental Plan are not in any way subject to the debts or other obligations of the persons entitled to benefits and may not be voluntarily or involuntarily sold, transferred or assigned.

8-8. Nothing contained in this Supplemental Plan shall confer on any employee the right to be retained in the employ of Abbott or any of its subsidiaries or affiliates.

8-9. Upon adoption of this Supplemental Plan, the prior resolutions shall be deemed rescinded.

#### SECTION 9 ALTERNATE PAYMENT OF SUPPLEMENTAL PENSIONS

9-1. If, as of December 31, 1995 or any subsequent December 31, the present value of the supplemental pension described in Sections 2, 3, 4, 5, 6 and 7 of a participant, who is actively employed by Abbott as a corporate officer, exceeds \$100,000, then payment of such present value shall be made, at the direction of the participant, by either of the following methods: (a) current

payment in cash directly to the participant, or (b) current payment of a portion of such present value (determined as of that December 31) in cash for the participant directly to a Grantor Trust established by the participant, and current payment of the balance of such present value in cash directly to the participant, provided that the payment made directly to the participant shall approximate the aggregate federal, state and local individual income taxes attributable to the amount paid pursuant to this subparagraph 9-1(b) (as determined pursuant to the tax rates set forth in subsection 9-14).

9-2. If the present value of a participant's supplemental pension has been paid to the participant (including amounts paid to the participant's Grantor Trust) pursuant to subsection 9-1 (either as in effect prior to June 1, 1996 that applied to any participant with a supplemental pension with a present value in excess of \$100,000 or as currently in effect that requires the participant to have a supplemental pension with a present value in excess of \$100,000 and to be a corporate officer), then as of each subsequent December 31, such participant shall be entitled to a payment in an amount equal to: (i) the present value (as of that December 31) of the participant's supplemental pension described in Sections 2, 3, 4, 5, 6 and 7, less (ii) the current value (as of that December 31) of the payments previously made to the participant under subsections 9-1 and 9-2. Payments under this subsection 9-2 shall be made, at the direction of the participant, by either of the following methods: (a) current payment in cash directly to the participant, or (b) current payment of a portion of such amount in cash for the participant directly to the Grantor Trust established by the participant; and current payment of the balance of such amount in cash directly to the participant, provided that the payment made directly to the participant shall approximate the aggregate federal, state and local individual income taxes attributable to the amount paid pursuant to this subparagraph 9-2(b) (as determined pursuant to the tax rates set forth in subsection 9-14). No payments shall be made under this subsection 9-2 as of any December 31 after the calendar year in which the participant retires or otherwise terminates employment with Abbott.

9-3. Present values for the purposes of subsections 9-1, 9-2, 9-4 and 9-5 shall be determined using reasonable actuarial assumptions specified for this purpose by Abbott and consistently applied. The "current value" of the payments previously made to a participant under subsections 9-1 and 9-2 means the aggregate amount of such payments, with interest thereon (at the rate specified for this purpose by Abbott). For purposes of subsections 9-4 and 9-5, "Projected Taxes" with respect to any payment of supplemental pension benefits under subsections 9-1 or 9-2, shall mean the taxes which Abbott projects will be incurred by the participant on the income earned (i) on the payment (net of taxes) that is made pursuant to subsections 9-1 or 9-2, (ii) on the corresponding payment(s) for Projected Taxes that are made pursuant to subsection 9-4 and, if applicable, 9-5 and (iii) on the accumulated income earned on any of the payments covered by parts (i) and (ii) hereof, during the life of such participant's Grantor Trust (or during the period that such Grantor Trust would have been in existence if the participant had elected to receive all of the payments under subsections 9-1 and 9-2 in cash). In calculating such Projected Taxes, Abbott shall use the aggregate of the current federal, state and local tax rates specified by subsection 9-14.

9-4. Effective as of December 31, 1995, or any subsequent December 31, as a result of any payment made to a Qualified Participant for any calendar year pursuant to subsection 9-1 or 9-2, Abbott shall also make a corresponding payment to such Qualified Participant in the amount of the present value of the Projected Taxes. A "Qualified Participant" is either (i) a participant who as of December 31, 1995 was actively employed by Abbott and who had previously received, or as of such date was qualified to receive, a payment under subsection 9-1; or (ii) a participant who as of any subsequent December 31 qualifies to receive a payment pursuant to subsection 9-1. The payment for Projected Taxes under this subsection 9-4 shall be made to the Qualified Participant in the identical manner that the payment under subsection 9-1 or 9-2 was made. For example, (a) if the Qualified Participant elected to receive the payment under subsection 9-1 directly in cash, then Abbott shall also pay the present value of the Projected Taxes on such payment in cash directly to

the Qualified Participant, and (b) if the Qualified Participant elected to receive the payment under subsection 9-1 into a Grantor Trust established by the Qualified Participant, then Abbott shall pay the present value of the Projected Taxes on such payment as follows: current payment of a portion of such present value (determined as of that December 31) in cash for such Qualified Participant directly to a Grantor Trust established by such participant, and current payment of the balance of such present value in cash directly to such Qualified Participant, provided that the payment made directly to such participant shall approximate the aggregate federal, state and local individual income taxes attributable to the amount paid pursuant to this subparagraph 9-4(b) (as determined pursuant to the tax rates set forth in subsection 9-14). No payments shall be made under this subsection 9-4 as of any December 31 after the calendar year in which the participant retires or otherwise terminates employment with Abbott.

9-5. In the event that Abbott has made any payment for Projected Taxes under subsection 9-4 in cash directly to the Qualified Participant and there is a subsequent increase in the tax rates for such Qualified Participant, Abbott shall make a further cash payment to such Qualified Participant in the amount of (a) the present value of the Projected Taxes on the payments that were made under subsections 9-1 and 9-2 in cash directly to such Qualified Participant using the actual tax rates for previous years and the new tax rates (determined in accordance with subsection 9-14) for the current and subsequent years, less (b) the amount that would have been in the Qualified Participant's Tax Payment Account with respect to the payments made under subsections 9-1 and 9-2 in cash directly to the Participant, if such payments had instead been made to the Qualified Participant's Grantor Trust. Such amount shall be paid by Abbott directly to the Qualified Participant in cash. In the event that Abbott has made any payment for Projected Taxes under subsection 9-4 to the Qualified Participant's Grantor Trust, then Abbott shall as of December 31 of each year, make a further payment to the Qualified Participant in the amount of (a) the present value (as of that December 31) of the Projected Taxes on the payments that were made under

subsections 9-1 and 9-2 into the Qualified Participant's Grantor Trust less (b) the balance of such Qualified Participant's Tax Payment Account (as described in subsection 9-8). Such payment shall be paid by Abbott as follows: the current payment of a portion of such amount in cash directly to the Qualified Participant's Grantor Trust and the current payment of the balance of such amount in cash directly to such Qualified Participant; provided, that the payments made directly to such Qualified Participant shall approximate the aggregate federal, state and local individual income taxes attributable to the amount paid pursuant to this subsection 9-5. No payments shall be made under this subsection 9-5 for any year following the participant's death. In the event that the calculation required by this subsection 9-5 for a Grantor Trust demonstrates that there has been an overpayment of projected taxes, such overpayment shall be held within the Grantor Trust in an Excess Tax Account and may be used by Abbott as a credit against any payments due hereunder or as specified in subsection 9-12.

9-6. For each Qualified Participant whose Grantor Trust has received a payment pursuant to subsection 9-4, Abbott, as the administrator of such Grantor Trust, shall direct the trustee to distribute to the participant from the income of such Grantor Trust, a sum of money sufficient to pay the taxes on trust earnings for such year. The taxes shall be calculated by multiplying the income of the Grantor Trust by the aggregate of the federal, state, and local tax rates (determined in accordance with subsection 9-14).

9-7. A participant shall be deemed to have irrevocably waived and shall be foreclosed from any right to receive any supplemental pension benefits on that portion of the supplemental pension that the participant elects to be paid in cash under subsection 9-1 or 9-2. A participant, who has elected to receive a payment under subsection 9-1 or 9-2 to a Grantor Trust, must establish such trust in a form which Abbott determines to be substantially similar to the trust attached to this Supplemental Plan as Exhibit A. If a participant fails to make an election under subsection 9-1 or 9-2, or if a participant makes an election under subsection 9-1 or 9-2 to receive payment in a Grantor Trust but fails to establish a Grantor Trust, then payment shall be made in cash directly to the participant. Each payment required under subsections 9-1, 9-2, 9-4 and 9-5 shall be made as soon as practicable after the amount thereof can be ascertained by Abbott, but in no event later than the last day of the calendar year following the December 31 as of which such payment becomes due.

9-8. Abbott will establish and maintain a separate Supplemental Pension Account in the name of each participant, a separate After-Tax Supplemental Pension Account in the name of each participant, and a separate Tax Payment Account in the name of each participant. The Supplemental Pension Account shall reflect any amounts: (i) paid to a participant (including amounts paid to a participant's Grantor Trust) pursuant to subsections 9-1, and 9-2; (ii) credited to such Account pursuant to subsection 9-9; and (iii) disbursed to a participant for supplemental pension benefits (or which would have been disbursed to a participant if the participant had not elected to receive a cash disbursement pursuant to subsections 9-1 and 9-2). The After-Tax Supplemental Pension Account shall also reflect such amounts but shall be maintained on an after-tax basis. The Tax Payment Account shall reflect any amounts (i) paid to a Qualified Participant (net of taxes) pursuant to subsections 9-4 and 9-5 and (ii) disbursed to a participant for the payment of taxes pursuant to subsection 9-6. The accounts established pursuant to this

subsection 9-8 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.

9-9. As of the end of each calendar year, a participant's Supplemental Pension Account shall be credited with interest calculated at a reasonable rate of interest specified for this purpose by Abbott and consistently applied. Any amount so credited shall be referred to as a participant's "Interest Accrual". The calculation of the Interest Accrual shall be based on the balance of the payments made pursuant to subsections 9-1 and 9-2 and any Interest Accrual thereon from previous years. As of the end of each calendar year a participant's After-Tax Supplemental Pension Account shall be credited with interest which shall be referred to as the After-Tax Interest Accrual. The "After-Tax Interest Accrual" shall be an amount equal to (a) the Interest Accrual credit to the participant's Supplemental Pension Account for such year less (b) the product of (i) the amount of such Interest Accrual multiplied by (ii) the aggregate of the federal, state and local income tax rates (determined in accordance with subsection 9-14). The Excess Interest Account shall be the cumulative amount, if any, by which the net income earned by the Grantor Trust on the payments made pursuant to Sections 9-1, 9-2, 9-4, 9-5 and 9-10 (and interest earned thereon) for all years that the Grantor Trust has been in existence exceeds the After-Tax Interest Accrual for such years.

9-10. In addition to any payment made to a participant for any calendar year pursuant to subsections 9-1, 9-2, 9-4 and 9-5, Abbott shall also make a payment to a participant's Grantor Trust (a "Guaranteed Rate Payment"), for any year in which the net income of such trust does not equal or exceed the participant's After-Tax Interest Accrual for that year. The Guaranteed Rate Payment shall equal the difference between the participant's After-Tax Interest Accrual and such net income of the participant's Grantor Trust for the year, and shall be paid within 180 days of the end of that year. Any funds in a participant's Excess Interest Account may be used by Abbott as a credit against any Guaranteed Rate Payment due to the participant under this subsection 9-10 or as

specified in subsection 9-12. No payments shall be made under this subsection 9-10 for any year following the year of the participant's death.

9-11. If at any time after a participant's retirement or other termination of employment with Abbott, there is no longer a balance in his or her Grantor Trust, then such participant (or his or her surviving spouse if such spouse is entitled to periodic payments from the Grantor Trust) shall be entitled to a "Continuation Payment" under this subsection 9-11. The amount of the Continuation Payment shall be equal to the amount of the supplemental pension that would have been payable to the participant (or surviving spouse) had no payments been made to or for the participant's Grantor Trust under subsections 9-1 and 9-2. Continuation Payments shall be made monthly, beginning with the month in which there is no longer a sufficient balance in the participant's Grantor Trust and ending with the month of the participant's (or surviving spouse's) death. Payments under this subsection 9-11 shall be made by the employers (in such proportions as Abbott shall designate) directly from their general corporate assets. Appropriate adjustments to the Continuation Payments shall be made in the event distributions have been made from a participant's Grantor Trust for reasons other than benefit payments to the participant or surviving spouse.

9-12. To the extent that Abbott is obligated to make a payment to a participant under subsections 9-1, 9-2, 9-4, 9-5 or 9-10, Abbott shall have the right to offset such payment with any funds in the participant's Excess Interest Account or Excess Tax Account. In addition, any funds in a participant's Excess Tax Account may be used by Abbott as a credit against any future Guaranteed Rate Payment due to the participant under subsection 9-10.

9-13. For participants who are not Qualified Participants that received any payment pursuant to subsection 9-4, in addition to the payments provided under subsections 9-1 and 9-2, each participant shall also be entitled to a Tax Gross Up payment for each year there is a balance in his or her Supplemental Pension Account. The "Tax Gross Up" shall approximate: (a) the product

of (i) the participant's After-Tax Interest Accrual for the year (calculated using the greater of the rate of return of the Grantor Trusts or the rate specified in subsection 9-9), multiplied by (ii) the aggregate of the federal, state and local tax rates (determined in accordance with subsection 9-14) plus (b) an amount equal to the product of (i) any payment made pursuant to this subsection 9-13, multiplied by (ii) the aggregate tax rate determined under subparagraph 9-13(a)(ii) above, such that the participant is fully compensated for taxes on payments made hereunder. Payment of the Tax Gross Up shall be made by the employers (in such proportions as Abbott shall designate) directly from their general corporate assets. The Tax Gross Up for a year shall be paid to the participant as soon as practicable after the amount of the Tax Gross Up can be ascertained by Abbott, but in no event later than the last day of the calendar year following the calendar year to which the Tax Gross Up relates. No payments shall be made under this subsection 9-13 for any year following the year of the participant's death.

9-14. For purposes of this Supplemental Plan, a participant'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 Supplemental Plan 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 participant's residence in the calendar year for which such a calculation is to be made, net of any federal tax benefits.

SUPPLEMENTAL BENEFIT  
GRANTOR TRUST

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

WITNESSETH THAT:

WHEREAS, the grantor desires to establish and maintain a trust to hold  
certain benefits received by the grantor under the Abbott Laboratories  
Supplemental Pension Plan, as it may be amended from time to time;

NOW, THEREFORE, IT IS AGREED as follows:

ARTICLE I  
INTRODUCTION

I-1. NAME. This agreement and the trust hereby evidenced (the "trust") may  
be referred to as the "  
Supplemental Benefit 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. SUPPLEMENTAL PENSION ACCOUNT. The administrator shall maintain a "supplemental pension account" under the trust. As of the end of each calendar year, the administrator shall charge the account with all distributions made from the account during that year; and credit the account with its share of trust income and realized gains and charge the account with its share of trust expenses and realized losses for the year.

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 retirement or other termination of employment with Abbott or a subsidiary 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 amounts from time to time credited to the supplemental pension account to the grantor, if then living, in the same manner, at the same time and over the same period as the pension payable to the grantor under Abbott Laboratories Annuity Retirement Plan.

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 upon the grantor's death. The grantor may direct that such amounts 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 the same manner, at the same time and over the same period as the pension payable to the grantor's surviving spouse under the Abbott Laboratories Annuity Retirement Plan. If the grantor directs the same method of distribution as the pension payable to the surviving spouse under the Abbott Laboratories Annuity Retirement Plan, 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. 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 invest and reinvest the trust fund, without distinction between principal and income, 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 and in any mutual funds, common trust funds or collective investment funds which invest solely in such obligations, provided that to the extent practicable no more than Ten Thousand Dollars (\$10,000) shall be invested in such mutual funds, common trust funds or collective investment funds at any time; 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 depository (including the banking department of the bank acting as trustee) without liability for interest, in amounts not in excess of those reasonably necessary to make distributions from the trust.
- (d) 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.

- (e) 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.
- (f) 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.
- (g) To compromise, contest, settle or abandon claims or demands.
- (h) 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.
- (i) To hold securities or other property in the name of a nominee, in a depository, or in any other way, with or without disclosing the trust relationship.
- (j) To divide or distribute the trust fund in undivided interests or wholly or partly in kind.
- (k) 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.
- (l) 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.
- (m) Upon the prior written consent of the administrator, 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.
- (n) To appoint or remove by written instrument any bank, wherever located, as custodian 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.

- (o) 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.
- (p) 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; 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; and the trustee shall not be liable for any action taken because of the specific direction of the administrator.

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-1. 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 and the trustee have executed this agreement as of the day and year first above written.

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- - - - -  
- - - - -

- - - - -  
Grantor  
The Northern Trust Company, as Trustee  
By - - - - -  
Its - - - - -

Adopted by the Board of Directors on December 13, 1985. Amended by the Board of Directors on 3/14/86, 12/11/87, 4/14/89, 2/8/91, 4/10/92, 9/10/93 and 12/1/96.

1986  
ABBOTT LABORATORIES  
MANAGEMENT INCENTIVE PLAN

SECTION 1  
INTRODUCTION

1.1 BACKGROUND AND PURPOSES. This 1986 ABBOTT LABORATORIES MANAGEMENT INCENTIVE PLAN (the "Plan") is a successor Plan to the 1961, 1971 and 1981 Management Incentive Plans (the "Predecessor Plans"). This Plan is being established by ABBOTT LABORATORIES ("Abbott") for the following purposes:

- (a) To provide greater incentive for participants in the Plan to attain and maintain the highest standards of managerial performance by rewarding them for services rendered with compensation, in addition to their base salaries, in proportion to the success of Abbott and to the participants' respective contribution to such success; and
- (b) To attract and retain in the employ of Abbott and its subsidiaries persons of outstanding competence.

1.2 EFFECTIVE DATE AND FISCAL YEAR. The Plan shall be effective as of January 1, 1986. The term "fiscal year," as used in this Plan, means the fiscal period from time to time employed by Abbott for the purpose of reporting earnings to shareholders.

1.3 ADMINISTRATION. The Plan will be administered by the Compensation Committee (the "Committee") appointed by the Board of Directors of Abbott.

SECTION 2  
ELIGIBILITY AND PARTICIPATION

2.1 PERSONS ELIGIBLE FOR PARTICIPATION. Participation in the Plan will be limited to those Officers and managerial employees of Abbott and its subsidiaries who, from time to time, shall be selected as participants by the Committee.

2.2 PARTICIPANTS. The term "participant," as used in the Plan, shall include both active participants and inactive participants.

2.3 ACTIVE PARTICIPANTS. For each fiscal year, there shall be a group of active participants which, except as provided below, shall not exceed forty-five persons and shall consist of those persons eligible for participation who shall have been designated as active participants and notified of that fact by the Committee at any time before or during the fiscal year. If, as a result of the growth of Abbott and its subsidiaries or changes in Abbott's organization, the Board of Directors deems it appropriate, the Board of Directors may, in its discretion, from time to time, increase the number of persons who may be designated as active participants for any fiscal year beyond the limit of forty-five persons provided for above. Selection as an active participant for any fiscal year shall not confer upon any person a right to be an active participant in any subsequent fiscal year, nor shall it confer upon him the right to receive any allocation under the Plan, other than amounts allocated to him by the Committee pursuant to the Plan, and all such allocations shall be subject to all of the terms and conditions of the Plan.

2.4 INACTIVE PARTICIPANTS. Inactive participants shall consist of those persons, including beneficiaries of deceased participants, if any, for whom an allocation shall have been made for a prior fiscal year under this Plan or a Predecessor Plan, the payment of which was deferred and remains unpaid. Status as an inactive participant shall not preclude a person from also being an active participant during any fiscal year.

### SECTION 3 MANAGEMENT INCENTIVE PLAN FUND

3.1 BASE FOR MANAGEMENT INCENTIVE PLAN FUND. The "base earnings" for determining whether any portion of consolidated net income for any fiscal year may be allocated to the Management Incentive Plan Fund for such year shall be that amount of consolidated net income (as defined in subsection 3.2) which is equal to 15 percent of the Abbott Common Shareholder's Equity for such fiscal year. For this purpose, "Abbott Common Shareholders' Equity" for any

fiscal year shall mean the Shareholders' Investment, as reflected in the consolidated balance sheet of Abbott as of the close of the next preceding fiscal year, plus or minus such adjustments thereof as may be determined by the Committee in order to reflect:

- (a) The existence, issuance, sale, exchange, conversion or retirement of any securities, other than common shares, of Abbott (whether involving preferred stock, debt, convertible preferred stock or convertible debt securities); and
- (b) The issuance or retirement of any common shares or any changes in accounting methods or period adopted by Abbott since the close of such next preceding fiscal year.

Any adjustments to be made in accordance with (a) and (b) above in determining Abbott Common Shareholders' Equity for any fiscal year shall be determined by the Committee after consultation with Abbott's independent auditors, and any determination made by the Committee after such consultation shall be conclusive upon all persons.

3.2 CONSOLIDATED NET INCOME. For the purposes of this Plan, for any fiscal year or period, the "consolidated net income" shall be the consolidated net income of Abbott and its subsidiaries, prepared in accordance with generally accepted accounting principles, consistently applied, after provision for any interest accrued with respect to such period on account of deferred payments under this Plan or a Predecessor Plan, but before allowances for any amount to be allocated to the Management Incentive Plan Fund, both net of applicable income taxes, and after such adjustments for the following, as may be determined by the Committee after consultation with Abbott's independent auditors (all net of applicable income taxes):

- (a) The exclusion of any charges for amortization of goodwill arising out of acquisitions made for securities which, as a result of adjustments made in determining Abbott Common Shareholders' Equity pursuant to subsection 3.1, are treated as common share equivalents; and
- (b) The exclusion of any interest on debt securities which are convertible into common shares of Abbott and which shall have been considered as common share equivalents in determining Abbott

Common Shareholders' Equity pursuant to subsection 3.1 hereof; and

- (c) The deduction of any dividend requirement for preferred shares which has not been considered as common share equivalents in determining Common Shareholders' Equity pursuant to subsection 3.1 hereof.

In the sole discretion of the Committee there shall also be excluded in the calculation of "consolidated net income" unusual gains and losses and the tax effects thereof, changes in generally accepted accounting principles and the tax effects thereof and extraordinary gains and losses.

3.3 DETERMINATION OF MANAGEMENT INCENTIVE PLAN AMOUNT FOR ANY YEAR. For each fiscal year that consolidated net income exceeds base earnings, and as soon as practicable after ascertainment of that fact, the Committee shall determine a tentative amount as the Management Incentive Plan Amount for that year, which tentative amount shall not exceed the lesser of:

- (a) an amount which, when treated as an expense currently deductible for income tax purposes in such year, would cause a 5 percent reduction in such year's excess of consolidated net income over the base earnings for such year; and
- (b) an amount which, when treated as an expense currently deductible for income tax purposes in such year, would cause a 1-1/2 percent reduction in such year's consolidated net income; and
- (c) an amount which equals 100 percent of the aggregate base salaries of all active participants for such year.

For purposes of the Plan "base salary" means the amount of salary paid to each active participant by Abbott and its subsidiaries for such year, and does not include bonuses, awards, or any other compensation of any kind. Following determination of such tentative Management Incentive Plan Amount, the Committee shall report in writing the amount of such tentative amount to the Board of Directors. At the meeting of the Board of Directors coincident with or next following receipt by it of the Committee's determination, the Board of Directors shall have the power to approve or

reduce, but not to increase, the tentative amount reported to it by the Committee. The amount approved by the Board of Directors shall be the Management Incentive Plan Amount for such year.

3.4 THE MANAGEMENT INCENTIVE PLAN FUND. The Management Incentive Plan Fund at any time shall consist of an amount equal to the aggregate of the Management Incentive Plan Amounts established pursuant to subsection 3.3 of this Plan for all fiscal years during which this Plan shall have been operative, plus the amounts established as Management Incentive Plan Amounts for any prior fiscal year pursuant to a Predecessor Plan, reduced by an amount equal to the aggregate of the amounts of awards which shall have been allocated to participants in accordance with this Plan or a Predecessor Plan, and which awards either have been paid or remain payable to participants or their beneficiaries.

SECTION 4  
ALLOCATION OF MANAGEMENT INCENTIVE FUND

4.1 ANNUAL ALLOCATION OF MANAGEMENT INCENTIVE FUND. As soon as practicable after the close of each fiscal year, part or all of the amount then in the Management Incentive Plan Fund (including the Management Incentive Plan Amount for such fiscal year) will be allocated by the Committee among active participants in the Plan for such fiscal year, having due regard for the purposes for which the Plan was established, in the following manner and order:

- (a) First, if the Chairman of the Board of Abbott shall be an active participant for such year, the members of the Committee, other than the Chairman of the Board, shall determine the amount, if any, to be allocated to the Chairman of the Board from such Fund for such year; and
- (b) Next, all or a part of the balance of such Fund may be allocated among the active participants (other than the Chairman of the Board) for such year, in such amounts and proportions as the Committee shall determine.

provided, however, that the amount allocated to any active participant for any year shall not exceed 125 percent of such participants' base salary for that year.

4.2 COMMITTEE'S DISCRETION IN ALLOCATIONS. In making any allocations in accordance with subsection 4.1 for any year, the discretion of the Committee shall be absolute, and no active participants for any year, by reason of their designation as such, shall be entitled to any particular amounts or any amount whatsoever.

SECTION 5  
PAYMENT OF AMOUNTS ALLOCATED TO PARTICIPANTS

5.1 TIME OF PAYMENT. For fiscal years beginning after December 31, 1988, a participant shall direct the payment or deferral of an allocation made to him pursuant to subsection 4.1 (subject to such conditions relating to the right of the participant to receive Payment of such amount as established by the Committee) by one or more of the following methods:

- (a) current payment in cash to the participant;
- (b) current payment of a portion of the allocation in cash for the participant directly to a "Grantor Trust" established by the participant, provided such trust is in a form which the Committee determines is substantially similar to the trust attached to this Plan as Exhibit A; and current payment of the balance of the allocation in cash directly to the participant, provided that the payment made directly to the participant shall approximate the aggregate federal, state and local individual income taxes (determined in accordance with subsection 6.7) attributable to the allocation paid pursuant to this paragraph (b); or
- (c) deferral of payment until such time and in such manner as determined in accordance with subsection 5.11.

A participant shall make the preceding direction within 30 days of the date he is notified of his eligibility to participate in the Plan. A participant may change such direction with respect to any future allocation, provided that the change is made prior to the beginning of the fiscal year to which such allocation relates. Payment of a participant's allocation for the 1988 fiscal year and of any allocations deferred under the Plan prior to such year shall be made in accordance with the provisions of either or both of paragraphs (a) and (b) above. The Committee shall establish and

maintain a Trust Account in accordance with subsection 5.2 and for purposes of subsection 5.4, shall treat such payment as if it were an allocation made for that fiscal year.

5.2 SEPARATE ACCOUNTS. The Committee will maintain two separate Accounts, a "Deferred Account" and a "Trust Account," in the name of each participant. The Deferred Account shall be comprised of any allocations the payment of which is deferred pursuant to subsection 5.1(c) and any adjustments made pursuant to subsection 5.3. The Trust Account shall be comprised of any allocations paid in cash to a participant (including amounts paid to a participant's Grantor Trust) pursuant to subsection 5.1(b) and any adjustments made pursuant to subsection 5.4.

5.3 ADJUSTMENT OF DEFERRED ACCOUNTS. As of the end of each fiscal year, the Committee shall adjust each participant's Deferred Account as follows:

- (a) FIRST, charge an amount equal to any payments made to the participant during that year pursuant to subsections 5.11 or 5.12;
- (b) NEXT, credit an amount equal to the allocation for that year that is deferred pursuant to subsection 5.1(c); and
- (c) FINALLY, credit an amount equal to the Interest Accrual earned for that year pursuant to subsection 5.5.

5.4 ADJUSTMENT OF TRUST ACCOUNTS. As of the end of each fiscal year, the Committee shall adjust each participant's Trust Account as follows:

- (a) FIRST, charge an amount equal to the product of: (i) any payments made to the participant during that year from the participant's 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 subsection 6.6); multiplied by (ii) a fraction, the numerator of which is the balance in the participant's Trust Account as of the end of the prior fiscal year and the denominator of which is the balance of the participant's Grantor Trust (as determined by the administrator of the trust) as of that same date;
- (b) NEXT, credit an amount equal to the allocation for that year that is paid to the Participant (including the amount paid to

the participant's Grantor Trust) pursuant to subsection 5.1(b);  
and

- (c) FINALLY, credit an amount equal to the Interest Accrual earned for that Year pursuant to subsection 5.5.

5.5 INTEREST ACCRUALS ON ACCOUNTS. As of the end of each fiscal year, a participant's Deferred Account and Trust Account shall be credited with interest equal to: (a) the average of the prime rates of interest charged by the two largest banks located in the City of Chicago on loans made by them as of January 1 and the end of each month of the fiscal year; plus (b) two hundred twenty-five (225) basis points. Such interest shall be credited on the conditions established by the Committee, provided that any allocation of an award from the Management Incentive Plan Fund shall be considered to have been made and credited to a participant's Deferred Account and Trust Account as of the first day of the fiscal year in which such award is made regardless of the date upon which the Committee actually makes the determination to award such allocation.

5.6 GUARANTEED RATE PAYMENTS. In addition to any allocation made to a participant for any fiscal year pursuant to subsection 4.1 which is paid or deferred pursuant to subsection 5.1, Abbott shall also make a payment to a participant's Grantor Trust (a "Guaranteed Rate Payment") for any year in which the net earnings of such trust do not equal or exceed the participant's Net Interest Accrual for that year. A participant's "Net Interest Accrual" for a year is an amount equal to: (a) the Interest Accrual credited to the participant's 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 subsection 6.7). The Guaranteed Rate Payment shall equal the difference between the participant's Net Interest Accrual and the net earnings of the participant's Grantor Trust for the year, and shall be paid within 90 days of the end of the fiscal year.

5.7 DESIGNATION OF BENEFICIARIES. Subject to the conditions and limitations set forth below, each participant, and after a participant's death, each primary beneficiary designated by a participant in accordance with the provisions of this subsection 5.7, shall have the right from time to time to designate a primary beneficiary or beneficiaries and, successive or contingent beneficiary or beneficiaries to receive unpaid amounts from the participant's Deferred Account under the Plan and the Predecessor Plans. Beneficiaries may be a natural person or persons or a fiduciary, such as a trustee of a trust or the legal representative of an estate. Any such designation shall take effect upon the death of the participant or such beneficiary, as the case may be, or in the case of any fiduciary beneficiary, upon the termination of all of its duties (other than the duty to dispose of the right to receive amounts remaining to be paid under the Plan or a Predecessor Plan). The conditions and limitations relating to the designation of beneficiaries are as follows:

- (a) A nonfiduciary beneficiary shall have the right to designate a further beneficiary or beneficiaries only if the original participant or the next preceding primary beneficiary, as the case may be, shall have expressly so provided in writing; and
- (b) A fiduciary beneficiary shall designate as a further beneficiary or beneficiaries only those persons or other fiduciaries who are entitled to receive the amounts payable from the participant's account under the trust or estate of which it is a fiduciary.

Any beneficiary designation or grant of any power to any beneficiary under this subsection may be exercised only by an instrument in writing, executed by the person making the designation or granting such power and filed with the Secretary of Abbott during such person's lifetime or prior to the termination of a fiduciary's duties. If a deceased participant or a deceased nonfiduciary beneficiary who had the right to designate a beneficiary as provided above dies without having designated a further beneficiary, or if no beneficiary designated as provided above is living or qualified and acting, the Committee, in its discretion, may direct distribution of the amount remaining from time to time to either:

- (i) any one or more or all of the next of kin (including the surviving spouse) of the participant or the deceased beneficiary, as the case may be, and in such proportions as the Committee determines; or
- (ii) the legal representative of the estate of the deceased participant or deceased beneficiary as the case may be.

5.8 STATUS OF BENEFICIARIES. Following a participant's death, the participant's beneficiary or beneficiaries will be considered and treated as an inactive participant for all purposes of this Plan.

5.9 NON-ASSIGNABILITY AND FACILITY OF PAYMENT. Amounts payable to participants and their beneficiaries under the Plan are not in any way subject to their debts and other obligations, and may not be voluntarily or involuntarily sold, transferred or assigned; provided that the preceding provisions of this section shall not be construed as restricting in any way a designation right granted to a beneficiary pursuant to the terms of subsection 5.7. When a participant or the beneficiary of a participant is under legal disability, or in the Committee's opinion is in any way incapacitated so as to be unable to manage his or her financial affairs, the Committee may direct that payments shall be made to the participant's or beneficiary's legal representative, or to a relative or friend of the participant or beneficiary for the benefit of the participant or beneficiary, or the Committee may direct the payment or distribution for the benefit of the participant or beneficiary in any manner that the Committee determines.

5.10 PAYER OF AMOUNTS ALLOCATED TO PARTICIPANTS. Any amount allocated to a participant in the Plan and any interest credited thereto will be paid by the employer (or such employer's successor) by whom the participant was employed during the fiscal year for which any amount was allocated, and for that purpose, if a participant shall have been employed by two or more employers during any fiscal year the amount allocated under this Plan for that year shall be an obligation of each of the respective employers in proportion to the respective amounts of base salary paid by each of them in that fiscal year.

5.11 MANNER OF PAYMENT. Subject to subsections 5.12, a participant shall elect the timing and manner of payment of his Deferred Account at the time of his deferral election under subsection 5.1. The participant may select a payment method from among alternative payment methods established by the Committee.

5.12 PAYMENT UPON TERMINATION FOLLOWING CHANGE IN CONTROL. Notwithstanding any other provisions of this Plan or the Predecessor Plans, or the provisions of any award made under this Plan or the Predecessor Plans, if employment of any participant with Abbott and its subsidiaries should terminate for any reason within five (5) years after the date of a Change in Control, the aggregate unpaid balance of all awards previously made to such participant under this Plan and all Predecessor Plans, plus any unpaid interest credited thereon, shall be paid to the participant in a lump sum within thirty (30) days following the date of such termination.

5.13 CHANGE IN CONTROL. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

- (i) The date any entity or person (including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) shall have become the beneficial owner of, or shall have obtained voting control over thirty percent (30%) or more of the outstanding common shares of Abbott;
- (ii) The date the shareholders of Abbott approve a definitive agreement (A) to merge or consolidate Abbott with or into another corporation, in which Abbott is not the continuing or surviving corporation or pursuant to which any common shares of Abbott would be converted into cash, securities or other property of another corporation, other than a merger of Abbott in which holders of common shares immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger as immediately before, or (B) to sell or otherwise dispose of substantially all the assets of Abbott; or
- (iii) The date there shall have been a change in a majority of the Board of Directors of Abbott within a twelve (12) month period unless the nomination for election by Abbott's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve (12) month period.

5.14 PROHIBITION AGAINST AMENDMENT. The provisions of subsections 5.12, 5.13 and this subsection 5.14 may not be amended or deleted, nor superseded by any other provision of this Plan, 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 6  
MISCELLANEOUS

6.1 RULES. The Committee may establish such rules and regulations as it may consider necessary or desirable for the effective and efficient administration of the Plan.

6.2 MANNER OF ACTION BY COMMITTEE. A majority of the members of the Committee qualified to act on any particular question may act by meeting or by writing signed without meeting, and may execute any instrument or document required or delegate to one of its members authority to sign. The Committee from time to time may delegate the performance of certain ministerial functions in connection with the Plan, such as the keeping of records, to such person or persons as the Committee may select. Except as otherwise expressly provided in the Plan, the costs of administration of the Plan will be paid by Abbott. Any notice required to be given to, or any document required to be filed with the Committee, will be properly given or filed if mailed or delivered in writing to the Secretary of Abbott.

6.3 RELIANCE UPON ADVICE. The Board of Directors and the Committee may rely upon any information or advice furnished to it by any Officer of Abbott or by Abbott's independent auditors, or other consultants, and shall be fully protected in relying upon such information or advice. No member of the Board of Directors or the Committee shall be liable for any act or failure to act on their part, excepting only any acts done or omitted to be done in bad faith, nor shall they be liable for any act or failure to act of any other member.

6.4 TAXES. Any employer shall be entitled, if necessary or desirable, to pay, or withhold the amount of any federal, state or local tax, attributable to any amounts payable by it under the Plan after giving the person entitled to receive such amount notice as far in advance

as practicable, and may defer making payment of any amount with respect to which any such tax question may be pending unless and until indemnified to its satisfaction.

6.5 RIGHTS OF PARTICIPANTS. Employment rights of participants with Abbott and its subsidiaries shall not be enlarged or affected by reason of establishment of or inclusion as a participant in the Plan. Nothing contained in the Plan shall require Abbott or any subsidiary to segregate or earmark any assets, funds or property for the purpose of payment of any amounts which may have been deferred. The Deferred and Trust Accounts established pursuant to subsection 5.2 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. Participant's rights shall be limited to payment to them at the time or times and in such amounts as are contemplated by the Plan. Any decision made by the Board of Directors or the Committee, which is within the sole and uncontrolled discretion of either, shall be conclusive and binding upon the other and upon all other persons whomsoever.

6.6 TAX GROSS UP. In addition to the allocations provided under subsection 4.1, each participant (or, if the participant is deceased, the beneficiary designated under the participant's Grantor Trust) shall be entitled to a Tax Gross Up payment for each year there is a balance in his or her Trust Account. The "Tax Gross Up" shall approximate: (a) the amount necessary to compensate the participant (or beneficiary) for the net increase in the participant's (or beneficiary's) federal, state and local income taxes as a result of the inclusion in his or her taxable income of the income of the participant's Grantor Trust and any Guaranteed Rate Payment for that year; less (b) any distribution to the participant (or beneficiary) of his or her Grantor Trust's net earnings for that year; plus (c) an amount necessary to compensate the participant (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 subsection 6.6. Payment of the Tax Gross

Up shall be made by the employers (in such proportions as Abbott shall designate) directly from their general corporate assets.

6.7 INCOME TAX ASSUMPTIONS. For purposes of Sections 5 and 6, a participant's federal income tax rate shall be deemed to be the highest marginal rate of federal income individual tax in effect in the calendar year in which a calculation under those Sections 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 participant's residence on the date such a calculation is made, net of any federal tax benefits.

6.8 PAYMENT OF PRIOR DEFERRALS. Notwithstanding any other provision of this Plan, the Committee, in its absolute discretion, may direct that all or a portion of the balance in a participant's Deferred Account be paid in accordance with the provisions of subsection 5.1(b). In such event, the Committee shall establish and maintain a Trust Account in accordance with subsection 5.2 and, for purposes of subsection 5.4, shall treat such payment as if it were an allocation made for that fiscal year.

SECTION 7  
AMENDMENT, TERMINATION AND CHANGE OF  
CONDITIONS RELATING TO PAYMENTS

7.1 AMENDMENT AND TERMINATION. The Plan will be effective from its effective date until terminated by the Board of Directors. During the fifth year after the Plan's effective date and during every fifth year thereafter, the Committee may recommend to the Board of Directors whether the Plan should be amended or terminated. The Board of Directors reserves the right to amend the Plan from time to time and to terminate the Plan at any time, except that no such amendment or any termination of the Plan shall reduce any fixed or contingent obligations which shall have arisen under the Plan prior to the date of such amendment or termination, or change the terms and conditions of payment of any allocation theretofore made without the consent of the participant concerned.

7.2 CHANGE OF CONDITIONS RELATING TO PAYMENTS. Following the establishment by the Committee of any conditions relating to the payment of any amount allocated to a participant for any fiscal year and any interest credited thereon (including the time of payment or the time of commencement of payment and any period over which payment shall be made), neither the Committee nor the participant concerned, acting unilaterally, shall have the power to change the conditions originally established by the Committee. However, in order to effectuate the purposes of the Plan, any conditions initially established by the Committee may be changed thereafter by mutual agreement of the Committee and the participant concerned.



charge each account with its share of expenses and realized losses for the year. The trustee shall not be required to make any separate investment of the trust fund for the accounts, and may administer and invest all funds delivered to it under the trust as one trust fund.

II-2. DISTRIBUTIONS FROM THE ROLLOUT ACCOUNT PRIOR TO THE GRANTOR'S DEATH. The trustee shall distribute principal and accumulated income credited to the rollout account to the grantor, if then living, at such times and in such amounts as the administrator shall direct.

II-3. DISTRIBUTIONS FROM THE DEFERRED ACCOUNT PRIOR TO THE GRANTOR'S DEATH. Principal and accumulated income credited to the deferred account shall not be distributed from the trust prior to the grantor's retirement or other termination of employment with Abbott or a subsidiary 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 deferred account for that year, with the balance of such income to be accumulated in that account. The administrator shall inform the trustee of the grantor's settlement date. Thereafter, the trustee shall distribute the amounts from time to time credited to the deferred account to the grantor, if then living, in a series of annual installments, with the amount of each installment computed by one of the following methods:

- (a) The amount of each installment shall be equal to the sum of: (i) the amount credited to the deferred account as of the end of the year in which the grantor's settlement date occurs, divided by the number of years over which installments are to be distributed; plus (ii) the net earnings credited to the deferred account for the preceding year (excluding the year in which the grantor's settlement date occurs).
- (b) The amount of each installment shall be determined by dividing the amount credited to the deferred account as of the end of the preceding year by the difference between (i) the total number of years over which installments are to be distributed, and (ii) the number of annual installment distributions previously made from the deferred account.
- (c) Each installment (after the first installment) shall be approximately equal, with the amount comprised of the sum of: (i) the amount of the first installment, plus interest thereon at the rate determined under the 1986 Abbott Laboratories Management Incentive Plan, compounded annually; and (ii) the net earnings credited to the deferred account for the preceding year.

Notwithstanding the foregoing, the final installment distribution made to the grantor under this paragraph II-3 shall equal the total principal and accumulated income then held in the trust fund. The grantor, by writing filed with the trustee and the administrator on or before the end of the calendar year in which the grantor's settlement date occurs (or the end of the calendar year in which this trust is established, if the grantor's settlement date has already occurred), may select both the period (which may not be less than ten years from the end of the calendar year in which the grantor's settlement date occurred) over which the installment distributions are to be made and the

method of computing the amount of each installment. In the absence of such a written direction by the grantor, installment distributions shall be made over a period of ten years, and the amount of each installment shall be computed by using the method described in subparagraph (a) next above. Installment distributions under this Paragraph II-3 shall be made as of January 1 of each year, beginning with the calendar year following the year in which the grantor's settlement date occurs. The administrator shall inform the trustee of the amount of each installment distribution under this paragraph II-3, and the trustee shall be fully protected in relying on such information received from the administrator.

II-4. DISTRIBUTIONS FROM THE TRUST FUND 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, in installments, as directed by the grantor, upon the grantor's death. If the grantor directs an installment method of distribution, any amounts remaining at the death of the spouse beneficiary shall be distributed in a lump sum. 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-5. 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-6. 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 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 depository (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 depository.
- (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 depository, 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.
- (l) 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, as custodian 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-1. 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 and the trustee have executed this agreement as of the day and year first above written.

-----  
Grantor

The Northern Trust Company as Trustee

By-----

Its-----

## Abbott Laboratories and Subsidiaries

## CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

(Dollars and Shares in Millions Except Per Share Amounts)

	YEAR ENDED DECEMBER 31		
	1996	1995	1994
1. NET EARNINGS	\$1,882.0	\$1,688.7	\$1,516.7
2. AVERAGE NUMBER OF SHARES OUTSTANDING	781.2	795.4	812.2
3. EARNINGS PER SHARE BASED UPON AVERAGE OUTSTANDING SHARES (1 DIVIDED BY 2)	\$ 2.41	\$ 2.12	\$ 1.87
4. FULLY DILUTED EARNINGS PER SHARE:			
a. Stock options granted and outstanding for which the market price at year-end exceeds the option price	30.2	29.4	17.4
b. Aggregate proceeds to the Company from the exercise of options in 4.a.	\$ 970.2	\$ 816.9	\$ 317.4
c. Market price of the Company's common stock at year-end	\$ 50.75	\$ 41.63	\$ 32.63
d. Shares which could be repurchased under the treasury stock method (4.b. divided by 4.c.)	19.1	19.6	9.7
e. Addition to average outstanding shares (4.a. - 4.d.)	11.1	9.8	7.7
f. Shares for fully diluted earnings per share calculation (2. + 4.e.)	792.3	805.2	819.9
g. Fully diluted earnings per share (1. divided by 4.f.)	\$ 2.38	\$ 2.10	\$ 1.85

## Abbott Laboratories and Subsidiaries

## CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

(Millions of Dollars Except Ratios)

	YEAR ENDED DECEMBER 31				
	1996	1995	1994	1993	1992
Net Earnings.....	\$1,882	\$1,689	\$1,517	\$1,399	\$1,239
Add (Deduct):					
Income Taxes.....	788	706	650	544	500
Capitalized Interest Cost, Net of Amortization.....	(4)	(7)	(7)	(6)	(14)
Equity in Earnings of 20%-49% Owned Companies, Less Dividends Received....		2	...	(1)	...
Minority Interest.....	16	18	12	13	7
Net Earnings as Adjusted.....	\$2,682	\$2,408	\$2,172	\$1,949	\$1,732
Fixed Charges:					
Interest on Long-term and Short-term Debt.....	\$ 95	\$ 70	\$ 50	\$ 54	\$ 53
Capitalized Interest Cost.....	16	19	18	16	24
Rental Expense Representative of an Interest Factor.....	26	26	26	26	25
Total Fixed Charges.....	\$ 137	\$ 115	\$ 94	\$ 96	\$ 102
Total Adjusted Earnings Available for Payment of Fixed Charges.....	\$2,819	\$2,523	\$2,266	\$2,045	\$1,834
Ratio of Earnings to Fixed Charges....	20.6	21.9	24.1	21.3	18.0

NOTE: For the purpose of calculating this ratio, (i) earnings have been calculated by adjusting net earnings for taxes on earnings; interest expense; capitalized interest cost, net of amortization; minority interest; and the portion of rentals representative of the interest factor, (ii) the Company 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.

The portions of the Abbott Laboratories Annual Report for the year ended December 31, 1996 captioned Financial Review, Consolidated Balance Sheet, Consolidated Statement of Earnings, Consolidated Statement of Cash Flows, Consolidated Statement of Shareholders' Investment, Notes to Consolidated Financial Statements, Report of Independent Public Accountants, and the applicable portions of the section captioned Summary of Financial Data for the Years 1992 through 1996.

## Abbott Laboratories and Subsidiaries

CONSOLIDATED BALANCE SHEET  
(Dollars in Thousands)

## ASSETS

	December 31		
	1996	1995	1994
Current Assets:			
Cash and cash equivalents . . . . .	\$ 110,209	\$ 281,197	\$ 290,272
Investment securities . . . . .	12,875	34,500	25,056
Trade receivables, less allowances of - 1996: \$153,424; 1995: \$157,990; 1994: \$128,929 . . . . .	1,708,807	1,563,038	1,468,519
Inventories -			
Finished products . . . . .	627,449	560,637	514,715
Work in process . . . . .	269,443	238,943	218,643
Materials . . . . .	341,313	311,361	284,833
Total inventories . . . . .	1,238,205	1,110,941	1,018,191
Prepaid income taxes . . . . .	708,402	651,436	549,091
Other prepaid expenses and receivables . . . . .	702,404	585,599	525,199
Total Current Assets . . . . .	4,480,902	4,226,711	3,876,328
Investment Securities Maturing after One Year . . . . .	665,553	422,547	316,195
Property and Equipment, at Cost:			
Land . . . . .	156,038	152,401	145,634
Buildings . . . . .	1,621,036	1,531,202	1,349,668
Equipment . . . . .	6,142,139	5,518,210	4,764,296
Construction in progress . . . . .	451,070	560,629	794,006
Total . . . . .	8,370,283	7,762,442	7,053,604
Less: accumulated depreciation and amortization . . . . .	3,908,740	3,512,904	3,132,754
Net Property and Equipment . . . . .	4,461,543	4,249,538	3,920,850
Net Intangible Assets . . . . .	979,793	155,580	151,241
Deferred Charges and Other Assets . . . . .	537,809	358,204	259,110
	\$11,125,600	\$9,412,580	\$8,523,724

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

## Abbott Laboratories and Subsidiaries

## CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

## LIABILITIES AND SHAREHOLDERS' INVESTMENT

	December 31		
	1996	1995	1994
<b>Current Liabilities:</b>			
Short-term borrowings and current portion of long-term debt . . . . .	\$ 1,383,727	\$ 1,049,863	\$ 772,503
Trade accounts payable . . . . .	923,018	755,921	671,100
Salaries, wages and commissions . . . . .	322,292	286,186	270,539
Other accrued liabilities . . . . .	1,206,552	1,217,016	1,140,154
Dividends payable . . . . .	185,866	165,354	152,515
Income taxes payable . . . . .	322,262	315,974	469,055
<b>Total Current Liabilities . . . . .</b>	<b>4,343,717</b>	<b>3,790,314</b>	<b>3,475,866</b>
<b>Long-Term Debt . . . . .</b>	<b>932,898</b>	<b>435,198</b>	<b>287,091</b>
<b>Other Liabilities and Deferrals:</b>			
Deferred income taxes . . . . .	153,279	67,993	55,597
Other . . . . .	875,524	722,228	655,770
<b>Total Other Liabilities and Deferrals . . . . .</b>	<b>1,028,803</b>	<b>790,221</b>	<b>711,367</b>
<b>Shareholders' Investment:</b>			
Preferred shares, one dollar par value			
Authorized - 1,000,000 shares, none issued . . . . .	-	-	-
Common shares, without par value			
Authorized - 1,200,000,000 shares			
Issued at stated capital amount -			
Shares: 1996: 784,037,858; 1995: 797,021,211;			
1994: 813,046,602 . . . . .	694,380	581,562	505,170
Earnings employed in the business . . . . .	4,262,804	3,926,917	3,652,434
Cumulative translation adjustments . . . . .	(78,770)	(55,646)	(51,124)
	4,878,414	4,452,833	4,106,480
<b>Less:</b>			
Common shares held in treasury, at cost -			
Shares: 1996: 9,588,632; 1995: 9,714,379;			
1994: 9,766,880 . . . . .	50,605	51,268	51,545
Unearned compensation - restricted stock awards . . . . .	7,627	4,718	5,535
<b>Total Shareholders' Investment . . . . .</b>	<b>4,820,182</b>	<b>4,396,847</b>	<b>4,049,400</b>
	<b>\$11,125,600</b>	<b>\$9,412,580</b>	<b>\$8,523,724</b>

## Abbott Laboratories and Subsidiaries

## CONSOLIDATED STATEMENT OF EARNINGS

(Dollars in Thousands Except Per Share Data)

	Year Ended December 31		
	1996	1995	1994
Net Sales . . . . .	\$11,013,460	\$10,012,194	\$9,156,009
Cost of products sold . . . . .	4,731,998	4,325,805	3,993,831
Research and development . . . . .	1,204,841	1,072,745	963,516
Selling, general and administrative . . . . .	2,459,560	2,230,740	2,054,455
Total Operating Cost and Expenses . . . . .	8,396,399	7,629,290	7,011,802
Operating Earnings . . . . .	2,617,061	2,382,904	2,144,207
Interest expense . . . . .	95,445	69,532	49,722
Interest income . . . . .	(44,521)	(51,783)	(36,907)
Other (income) expense, net . . . . .	(103,413)	(30,164)	(35,298)
Earnings Before Taxes . . . . .	2,669,550	2,395,319	2,166,690
Taxes On Earnings . . . . .	787,517	706,619	650,007
Net Earnings . . . . .	\$1,882,033	\$ 1,688,700	\$1,516,683
Earnings Per Common Share . . . . .	\$2.41	\$2.12	\$1.87
Average Number of Common Shares Outstanding . . . . .	781,247,000	795,362,000	812,236,000

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		
	1996	1995	1994
<b>Cash Flow From (Used in) Operating Activities:</b>			
Net earnings . . . . .	\$1,882,033	\$1,688,700	\$1,516,683
Adjustments to reconcile net earnings to net cash from operating activities -			
Depreciation and amortization . . . . .	686,085	566,423	510,504
Exchange (gains) losses, net . . . . .	(3,419)	5,035	8,600
Investing and financing (gains) losses, net . . . . .	57,224	43,020	21,834
Trade receivables . . . . .	(163,621)	(91,349)	(109,623)
Inventories . . . . .	(125,726)	(93,184)	(52,293)
Prepaid expenses and other assets . . . . .	(303,766)	(255,764)	(183,705)
Trade accounts payable and other liabilities . . . . .	342,407	256,549	360,216
Income taxes payable . . . . .	10,845	(153,849)	139,921
Net Cash From Operating Activities . . . . .	2,382,062	1,965,581	2,212,137
<b>Cash Flow From (Used in) Investing Activities:</b>			
Acquisition of MediSense, Inc., net of cash acquired . . . . .	(830,559)	-	-
Acquisitions of property, equipment and other businesses . . . . .	(949,028)	(947,021)	(929,488)
Purchases of investment securities . . . . .	(312,535)	(183,443)	(226,728)
Proceeds from sales of investment securities . . . . .	117,783	67,130	185,268
Other . . . . .	19,098	25,611	26,863
Net Cash Used in Investing Activities . . . . .	(1,955,241)	(1,037,723)	(944,085)
<b>Cash Flow From (Used in) Financing Activities:</b>			
Proceeds from borrowings with original maturities of more than three months . . . . .	504,652	353,317	107,868
Repayments of borrowings with original maturities of more than three months . . . . .	(72,016)	(221,506)	(89,977)
Proceeds from (repayments of) other borrowings . . . . .	402,401	282,754	(115,725)
Purchases of common shares . . . . .	(808,816)	(771,411)	(615,946)
Proceeds from stock options exercised . . . . .	109,638	76,540	36,214
Dividends paid . . . . .	(728,147)	(653,567)	(602,356)
Net Cash Used in Financing Activities . . . . .	(592,288)	(933,873)	(1,279,922)

Abbott Laboratories and Subsidiaries  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(Dollars in Thousands)

	Year Ended December 31		
	1996	1995	1994
Effect of exchange rate changes on cash and cash equivalents . . . . .	(5,521)	(3,060)	1,466
Net (Decrease) in Cash and Cash Equivalents . . . . .	(170,988)	(9,075)	(10,404)
Cash and Cash Equivalents, Beginning of Year . . . . .	281,197	290,272	300,676
Cash and Cash Equivalents, End of Year . . . . .	\$ 110,209	\$ 281,197	\$ 290,272
Supplemental Cash Flow Information:			
Income taxes paid . . . . .	\$ 801,107	\$ 954,861	\$ 571,215
Interest paid . . . . .	89,509	67,917	50,157

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		
	1996	1995	1994
<b>Common Shares:</b>			
Beginning of Year			
Shares: 1996: 797,021,211; 1995: 813,046,602; 1994: 830,941,614. . . . .	\$ 581,562	\$ 505,170	\$ 469,828
Issued under incentive stock programs			
Shares: 1996: 5,103,701; 1995: 4,332,070; 1994: 3,247,207. . . . .	105,648	70,842	38,638
Tax benefit from sale of option shares and vesting of restricted stock awards (no share effect). . . . .	21,589	19,303	9,800
Retired - Shares: 1996: 18,087,054; 1995: 20,357,461; 1994: 21,142,219 . . . . .	(14,419)	(13,753)	(13,096)
End of Year			
Shares: 1996: 784,037,858; 1995: 797,021,211; 1994: 813,046,602. . . . .	\$ 694,380	\$ 581,562	\$ 505,170
<b>Earnings Employed in the Business:</b>			
Beginning of Year. . . . .	\$3,926,917	\$3,652,434	\$3,364,952
Net earnings . . . . .	1,882,033	1,688,700	1,516,683
Unrealized gain on marketable equity securities, net of tax . . . . .	9,000	21,600	-
Cash dividends declared on common shares (per share -1996: \$.96; 1995: \$.84; 1994: \$.76). . . . .	(748,659)	(666,406)	(615,271)
Cost of common shares retired in excess of stated capital amount . . . . .	(811,996)	(771,263)	(615,074)
Cost of treasury shares issued below market value of restricted stock awards . . . . .	5,509	1,852	1,144
End of Year. . . . .	\$4,262,804	\$3,926,917	\$3,652,434
<b>Cumulative Translation Adjustments:</b>			
Beginning of Year . . . . .	\$ (55,646)	\$ (51,124)	\$ (100,716)
Translation adjustments. . . . .	(23,124)	(4,522)	49,592
End of Year. . . . .	\$ (78,770)	\$ (55,646)	\$ (51,124)

Abbott Laboratories and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT (CONTINUED)

(Dollars in Thousands Except Per Share Data)

	Year Ended December 31		
	1996	1995	1994
<b>Common Shares Held in Treasury:</b>			
Beginning of Year			
Shares: 1996: 9,714,379; 1995: 9,766,880; 1994: 9,811,930. . . . .	\$ 51,268	\$ 51,545	\$ 51,783
Issued under incentive stock programs			
Shares: 1996: 125,747; 1995: 52,501; 1994: 45,050 . . . . .	(663)	(277)	(238)
End of Year			
Shares: 1996: 9,588,632; 1995: 9,714,379; 1994: 9,766,880. . . . .	\$ 50,605	\$ 51,268	\$ 51,545
<b>Unearned Compensation - Restricted Stock Awards:</b>			
Beginning of Year. . . . .	\$ 4,718	\$ 5,535	\$ 7,352
Issued at market value - Shares: 1996: 118,800; 1995: 45,000; 1994: 35,000 . . . . .	5,881	1,829	1,094
Lapses - Shares: 1996: 6,000; 1995: 4,800; 1994: 21,600 . . . . .	(308)	(137)	(575)
Amortization . . . . .	(2,664)	(2,509)	(2,336)
End of Year. . . . .	\$ 7,627	\$ 4,718	\$ 5,535

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

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.

USE OF ESTIMATES

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of time deposits and certificates of deposit with original maturities of three months or less.

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 the straight-line method over the estimated useful lives of the assets.

INTANGIBLE ASSETS

Intangible assets, primarily purchased intangible assets and goodwill resulting from business acquisitions, are amortized on a straight-line basis over up to 40 years. Accumulated amortization as of December 31, 1996, 1995, and 1994, was \$54.7 million, \$26.0 million, and \$20.6 million, respectively.

PRODUCT LIABILITY

Provisions are made for the portions of probable losses that are not covered by product liability insurance.

TRANSLATION ADJUSTMENTS

For foreign operations in highly inflationary economies, translation gains and losses are included in other (income) expense, net. For remaining foreign operations, translation adjustments are included as a component of shareholders' investment.

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

EARNINGS PER COMMON SHARE

Earnings per common share amounts are computed using the weighted average number of common shares outstanding.

REVENUE RECOGNITION

The Company recognizes revenue from product sales upon shipment to customers. Provisions for discounts and rebates to customers, and returns and other adjustments are provided for in the same period the related sales are recorded.

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2 - Taxes on Earnings  
(dollars in thousands)

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. U.S. income taxes are provided on those earnings of foreign subsidiaries and subsidiaries operating in Puerto Rico under tax incentive grants, which are intended to be remitted to the parent company. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated \$1,312,000 at December 31, 1996. Deferred income taxes not provided on these earnings would be approximately \$210,000.

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

Earnings Before Taxes	1996	1995	1994
Domestic . . . . .	\$1,934,872	\$1,711,188	\$1,595,279
Foreign . . . . .	734,678	684,131	571,411
Total . . . . .	\$2,669,550	\$2,395,319	\$2,166,690
-----			
Taxes on Earnings	1996	1995	1994
-----			
Current:			
U.S. Federal and Possessions . . . . .	\$573,208	\$495,692	\$487,977
State . . . . .	62,835	47,656	56,548
Foreign . . . . .	207,512	251,339	192,509
Total current . . . . .	843,555	794,687	737,034
-----			
Deferred:			
Domestic . . . . .	(68,762)	(81,264)	(96,679)
Foreign . . . . .	13,338	(6,332)	9,801
Enacted tax rate changes . . . . .	(614)	(472)	(149)
Total deferred . . . . .	(56,038)	(88,068)	(87,027)
-----			
Total . . . . .	\$787,517	\$706,619	\$650,007
-----			

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	1996	1995	1994
	----	----	----
Statutory tax rate . . . . .	35.0%	35.0%	35.0%
Benefit of tax exemptions in Puerto Rico, the Dominican Republic, Italy, Ireland, and The Netherlands . . . . .	(6.5)	(5.7)	(5.1)
State taxes, net of federal benefit. . . . .	1.5	1.3	1.7
All other, net . . . . .	(0.5)	(1.1)	(1.6)
	----	----	----
Effective tax rate . . . . .	29.5%	29.5%	30.0%
	----	----	----

As of December 31, 1996, 1995, and 1994, total deferred tax assets were \$997,036, \$858,045, and \$767,857, respectively, and total deferred tax liabilities were \$427,412, \$265,388, and \$263,734, respectively. Valuation allowances for deferred tax assets were not significant. The temporary differences that give rise to deferred tax assets and liabilities were as follows:

	1996	1995	1994
	-----	-----	-----
Compensation and employee benefits . . . . .	\$185,537	\$ 161,547	\$ 157,374
Trade receivable reserves. . . . .	130,692	126,209	107,320
Inventory reserves . . . . .	122,522	101,835	77,787
Deferred intercompany profit . . . . .	112,467	97,555	78,317
State income taxes . . . . .	30,343	25,602	37,394
Depreciation . . . . .	(184,270)	(178,025)	(167,773)
Other, primarily other accruals, reserves and intangible assets not currently deductible . . . . .	157,832	248,720	203,075
	-----	-----	-----
Total. . . . .	\$ 555,123	\$ 583,443	\$ 493,494
	-----	-----	-----

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Note 3 - Financial Instruments

The Company enters into foreign currency forward exchange contracts to hedge intercompany loans and trade accounts payable where the functional currency of the lending and borrowing entities are not the same. Such contracts are also used to hedge foreign currency denominated third party trade payables and receivables. For intercompany loans, the contracts require the Company to sell foreign currencies, primarily Japanese yen and European currencies, in exchange for primarily U.S. dollars. For intercompany and trade payables and receivables, the currencies hedged are primarily the U.S. dollar, Japanese yen and European currencies. At December 31, 1996, 1995, and 1994, the Company held \$1.0 billion, \$723 million, and \$717 million, respectively, of foreign currency forward exchange contracts. The contracts outstanding at December 31, 1996 mature in 1997. These contracts are marked to market each month. The resulting gains or losses are reflected in income and are generally offset by losses or gains on the exposures being hedged.

The Company purchases U.S. dollar call options as a hedge of anticipated intercompany purchases by foreign subsidiaries whose functional currency is not the U.S. dollar. These contracts give the Company the right, but not the requirement, to purchase U.S. dollars in exchange for foreign currencies, primarily Japanese yen and European currencies, at predetermined exchange rates. At December 31, 1996, 1995, and 1994, the Company held \$431 million, \$330 million, and \$370 million, respectively, of U.S. dollar call option contracts. The contracts outstanding at December 31, 1996 mature in 1997. Realized and unrealized gains and losses on contracts that qualify as hedges of anticipated purchases by foreign subsidiaries are recognized in the same period that the foreign currency exposure is recognized. Contracts that do not qualify for hedge accounting are marked to market each month, and the resulting gains or losses are reflected in income.

The Company purchases foreign currency put options as a hedge against the effect of exchange rate fluctuations on income. These contracts give the Company the right, but not the requirement, to sell foreign currencies, primarily Japanese yen and European currencies, in exchange for U.S. dollars at predetermined exchange rates. These contracts are marked to market each month. The resulting gains or losses are reflected in income and are generally offset by losses or gains on the exposures being hedged. There were no such contracts outstanding at December 31, 1996, 1995, and 1994.

The gross unrealized holding gains/(losses) on current investment securities and those maturing after one year totaled \$4.2 million and \$(11.0) million at December 31, 1996, respectively; \$5.6 million and \$(4.3) million at December 31, 1995, respectively; and \$2.5 million and \$(9.2) million at December 31, 1994, respectively.

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The carrying values and fair values of certain of the Company's 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 counterparties to financial instruments consist of select major international financial institutions. The Company does not expect any losses from nonperformance by these counterparties.

	1996		(millions of dollars) 1995		1994	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Investment Securities:						
Current . . . . .	\$ 12.9	\$ 12.7	\$ 34.5	\$ 34.6	\$ 25.1	\$ 25.2
Maturing after One Year . . . .	665.6	659.0	422.5	423.7	316.2	309.4
Total Long-Term Debt . . . . .	(935.2)	(917.0)	(436.6)	(441.8)	(308.8)	(276.1)
Foreign Currency Forward Exchange Contracts:						
(Payable) position . . . . .	(10.9)	(10.9)	(2.6)	(2.6)	(1.6)	(1.6)
Receivable position . . . . .	18.6	18.6	5.2	5.2	6.5	6.5
Foreign Currency Option Contracts . . . . .	2.8	1.6	10.6	7.8	14.7	0.7

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 4 - Debt and Lines of Credit  
(dollars in thousands)

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

	1996	1995	1994
	-----	-----	-----
6.5% debentures, due 2001 . . . . .	\$250,000	\$ --	\$ --
5.6% debentures, due 2003 . . . . .	200,000	200,000	200,000
6.8% debentures, due 2005 . . . . .	150,000	150,000	--
6.4% debentures, due 2006 . . . . .	250,000	--	--
Other, primarily industrial revenue bonds at various rates of interest, averaging 4.3 % at December 31, 1996, and due at various dates through 2023 . . . . .	82,898	85,198	87,091
	-----	-----	-----
Total, net of current maturities . . . . .	\$932,898	\$435,198	\$287,091
	-----	-----	-----

Payments required on long-term debt outstanding at December 31, 1996 are \$2,329 in 1997, \$2,582 in 1998, \$800 in 1999, none in 2000, and \$250,000 in 2001.

At December 31, 1996, the Company had \$1,505,000 of unused domestic lines of credit which support domestic commercial paper borrowing arrangements. Related compensating balances, which are subject to withdrawal by the Company at its option, and commitment fees are not material. The Company's weighted average interest rate on short-term borrowings was 5.8% at December 31, 1996 and 1995, and 6.1% at December 31, 1994.

The Company may issue up to \$400,000 of senior debt securities in the future under a registration statement filed with the Securities and Exchange Commission in 1996.

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 5 - Retirement Plans  
(dollars in thousands)

Retirement plans consist of defined benefit, defined contribution, and medical and dental plans.

Pension benefits for the Company's defined benefit plans generally are based on an employee's years of service and compensation near retirement. Certain plan benefits would vest and certain restrictions on the use of plan assets would take effect upon a change in control of the Company.

Net pension cost for the Company's significant defined benefit plans includes the following components:

	1996	1995	1994
	-----	-----	-----
Service cost - benefits earned during the year . . . . .	\$ 81,243	\$ 59,636	\$ 67,768
Interest cost on projected benefit obligations . . . . .	111,449	94,101	85,414
Return on assets . . . . .	(224,412)	(274,844)	915
Net amortization and deferral . . . . .	80,886	139,491	(125,186)
	-----	-----	-----
Net pension cost . . . . .	\$ 49,166	\$ 18,384	\$ 28,911
	-----	-----	-----

The plans' funded status at December 31 was as follows:

	1996	1995	1994
	-----	-----	-----
Actuarial present value of benefit obligations -			
Vested benefits . . . . .	\$1,338,376	\$1,036,937	\$ 799,425
Nonvested benefits . . . . .	163,033	140,232	104,120
	-----	-----	-----
Accumulated benefit obligations . . . . .	\$1,501,409	\$1,177,169	\$ 903,545
	-----	-----	-----
Plans' assets at fair value, principally			
listed securities . . . . .	\$1,828,989	\$1,600,368	\$1,321,051
Actuarial present value of projected			
benefit obligations . . . . .	1,771,191	1,494,348	1,147,024
	-----	-----	-----
Projected benefit obligations less			
than plans' assets . . . . .	57,798	106,020	174,027
Unrecognized net transitional asset . . . . .	(42,728)	(52,915)	(63,866)
Unrecognized prior service cost . . . . .	11,968	12,532	15,274
Unrecognized net (gain) loss . . . . .	51,531	(11,315)	(101,139)
	-----	-----	-----
Net prepaid pension cost . . . . .	\$ 78,569	\$ 54,322	\$ 24,296
	-----	-----	-----

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Assumptions used for the Company's major defined benefit plan as of December 31 include:

	1996 -----	1995 -----	1994 -----
Discount rate for determining obligations and interest cost. . . . .	7 1/2%	7 1/4%	8 1/2%
Expected aggregate average long-term change in compensation. . . . .	5%	4%	4%
Expected long-term rate of return on assets. . . . .	9%	9%	9%

The Stock Retirement Plan is the principal defined contribution plan. Company contributions to this plan were \$54,883 in 1996, \$48,845 in 1995, and \$45,124 in 1994, equal to 7.33 percent of dividends declared, as provided under the plan.

The Company provides certain medical and dental benefits to qualifying domestic retirees. Net post-retirement health care cost includes the following components:

	1996 -----	1995 -----	1994 -----
Service cost - benefits earned during the year . . . . .	\$28,302	\$21,328	\$27,605
Interest cost on accumulated post-retirement benefit obligations. . . . .	40,822	36,412	35,578
Return on assets . . . . .	(9,372)	(16,798)	810
Net amortization and deferral. . . . .	7,128	11,980	(1,561)
Net post-retirement health care cost . . . . .	\$66,880	\$52,922	\$62,432

The plans' funded status at December 31 was as follows:

	1996 -----	1995 -----	1994 -----
Actuarial present value of benefit obligations -			
Retirees . . . . .	\$ 196,800	\$ 174,782	\$ 164,153
Fully eligible active participants . . . . .	138,564	131,669	113,128
Other active participants. . . . .	264,267	250,518	186,778
Accumulated post-retirement benefit obligations. . . . .	599,631	556,969	464,059
Plans' assets at fair value, principally listed securities	87,719	95,530	94,297
Accumulated post-retirement benefit obligations in excess of plans' assets . . . . .	(511,912)	(461,439)	(369,762)
Unrecognized net loss. . . . .	152,030	168,307	129,477
Accrued post-retirement health care cost . . . . .	\$(359,882)	\$(293,132)	\$(240,285)

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The discount rate and expected long-term rate of return on assets assumptions are identical to those used for the Company's major defined benefit plan. A 6 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1997. This rate is assumed to decrease to 5 percent in 1998 and remain at that level thereafter. A one-percentage-point increase in the assumed health care cost trend rates would increase the accumulated post-retirement benefit obligations as of December 31, 1996 by approximately \$96,900 and the total of the service and interest cost components of net post-retirement health care cost for the year then ended by approximately \$16,800.

The Company 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.

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6 - Investment Securities  
(dollars in thousands)

The following is a summary of investment securities at December 31:

	1996	1995	1994
	-----	-----	-----
Current Investment Securities			
Time deposits and certificates of deposit . . . . .	\$ 800	\$ 10,000	\$ 8,050
Other, primarily debt obligations issued or guaranteed by various governments or government agencies. . . . .	12,075	24,500	17,006
Total. . . . .	\$ 12,875	\$ 34,500	\$ 25,056
	-----	-----	-----
	1996	1995	1994
	-----	-----	-----
Investment Securities Maturing after One Year			
Time deposits and certificates of deposit, maturing through 2001. . . . .	\$432,200	\$161,500	\$ 66,500
Corporate debt obligations, maturing through 2008. . . . .	84,310	86,728	104,696
Debt obligations issued or guaranteed by various governments or government agencies, maturing through 2023. . . . .	149,043	174,319	144,999
Total. . . . .	\$665,553	\$422,547	\$316,195
	-----	-----	-----

The Company generally holds investment securities until maturity. All investment securities classified as current as of December 31, 1996 mature before January 1, 1998.

Of the investment securities listed above, \$676,251, \$452,445, and \$334,128, were held at December 31, 1996, 1995, and 1994, respectively, by subsidiaries operating in Puerto Rico under tax incentive grants expiring from 2002 through 2007. In addition, these subsidiaries held cash equivalents of \$197,600 and \$164,700 at December 31, 1995 and 1994, respectively.

## Abbott Laboratories and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Note 7 - Incentive Stock Program

The 1996 Incentive Stock Program authorizes the granting of stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, performance units, and foreign qualified benefits. Stock options, limited stock appreciation rights, restricted stock awards, and foreign qualified benefits have been granted and are currently outstanding under this program and prior programs. The purchase price of shares under option must equal the fair market value of the common stock on the date of grant and the maximum term of the option is ten years. Options granted in 1996, 1995, and 1994 vest equally over three years.

Limited stock appreciation rights have been granted to certain holders of stock options and can be exercised, by surrendering related stock options, only upon a change in control of the Company. At December 31, 1996, 5,737,882 options, with a weighted average exercise price of \$32.98 per share, were subject to limited stock appreciation rights. Upon a change in control of the Company, all outstanding stock options become fully exercisable, and all terms and conditions of all restricted stock awards are deemed satisfied.

At December 31, 1996, 11,075,823 shares were reserved for future grants under the 1996 Program. Data with respect to stock options under the 1996 Program and prior programs are as follows:

	OPTIONS OUTSTANDING		EXERCISABLE OPTIONS	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
January 1, 1994	30,077,038	\$22.26		
Granted	1,894,815	28.89		
Exercised	(3,247,207)	11.70		
Lapsed	(436,488)	31.77		
December 31, 1994	28,288,158	23.77	21,819,935	\$21.75
Granted	5,827,269	39.17		
Exercised	(4,332,070)	16.28		
Lapsed	(282,570)	33.81		
December 31, 1995	29,500,787	27.82	18,654,652	23.40
Granted	6,121,564	43.96		
Exercised	(5,103,701)	20.38		
Lapsed	(281,555)	40.39		
December 31, 1996	30,237,095	\$32.22	19,957,414	\$27.51

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Options Outstanding at December 31, 1996			Exercisable Options at December 31, 1996		
Range of Exercise Prices	Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$11 to \$32	9,775,006	3.8	\$20.69	9,190,486	\$20.17
\$33 to \$38	9,024,093	5.3	32.71	8,988,322	32.70
\$39 to \$55	11,437,996	8.8	41.70	1,778,606	39.22
	30,237,095	6.1	\$32.22	19,957,414	\$27.51

The Company measures compensation cost using the intrinsic value-based method of accounting. Had compensation cost been determined using the fair market value-based accounting method for options granted in 1996 and 1995, pro forma net income for 1996 and 1995 would have been \$1.845 billion and \$1.674 billion, respectively, and pro forma earnings per common share for 1996 and 1995 would have been \$2.36 and \$2.11, respectively. The weighted average fair value of an option granted in 1996 and 1995, was \$11.63 and \$11.37, respectively. For purposes of fair market value disclosures, the fair market value of an option grant was estimated using the Black-Scholes option pricing model with the following assumptions:

	1996	1995
Risk-Free Interest Rate	5.25%	6.75%
Average Life of Options (years)	5.2	5.2
Volatility	25.0%	25.0%
Dividend Yield	1.9%	2.1%

## Abbott Laboratories and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Note 8 - Quarterly Results (Unaudited)

(dollars in millions except per share data)

	1996 -----	1995 -----	1994 -----
<b>FIRST QUARTER</b>			
Net Sales . . . . .	\$2,672.2	\$2,524.4	\$2,215.2
Gross Profit . . . . .	1,516.0	1,435.5	1,251.0
Net Earnings . . . . .	480.1	417.3	366.2
Earnings Per Common Share . . . . .	.61	.52	.45
<b>SECOND QUARTER</b>			
Net Sales . . . . .	\$2,699.2	\$2,500.3	\$2,204.1
Gross Profit . . . . .	1,555.3	1,414.3	1,257.2
Net Earnings . . . . .	470.4	424.0	376.6
Earnings Per Common Share . . . . .	.60	.53	.46
<b>THIRD QUARTER</b>			
Net Sales . . . . .	\$2,646.2	\$2,390.8	\$2,254.8
Gross Profit . . . . .	1,468.9	1,320.5	1,239.0
Net Earnings . . . . .	420.9	382.0	351.3
Earnings Per Common Share . . . . .	.54	.48	.43
<b>FOURTH QUARTER</b>			
Net Sales . . . . .	\$2,995.9	\$2,596.7	\$2,481.9
Gross Profit . . . . .	1,741.3	1,516.1	1,415.0
Net Earnings . . . . .	510.6	465.4	422.6
Earnings Per Common Share . . . . .	.66	.59	.53

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 9 - Litigation and Environmental Matters

The Company is involved in various claims and legal proceedings including numerous antitrust suits and investigations in connection with the sale and marketing of infant formula products and the pricing of prescription pharmaceuticals. In addition, the Company 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 remediation laws and is voluntarily investigating potential contamination at a number of Company-owned locations.

The infant formula antitrust suits allege that the Company conspired with one or more of its competitors to fix prices, restrain trade and monopolize the market for infant formula products in violation of state and federal antitrust laws. The suits have been brought on behalf of individuals, the Nestle Food Company, and state government agencies and name the Company, certain other infant formula manufacturers and, in some instances, the American Academy of Pediatrics as defendants. The cases seek treble damages, civil penalties and other relief. On June 19, 1995, a jury in federal court in Los Angeles, California found in favor of the Company and the American Academy of Pediatrics in the infant formula antitrust case brought by Nestle Food Company. On January 9, 1997, the Ninth Circuit Court of Appeals affirmed the jury's verdict. Nestle has the right to petition for certiorari to the United States Supreme Court. In addition, in 1996, the Company entered into agreements to settle, pending court approval, a majority of the other antitrust suits. Under these settlement agreements, the Company has agreed to pay \$25 million in cash and provide \$7.5 million of infant formula products.

The prescription pharmaceutical pricing antitrust suits allege that various pharmaceutical manufacturers have conspired to fix prices for prescription pharmaceuticals and/or to discriminate in pricing to retail pharmacies by providing discounts to mail-order pharmacies, institutional pharmacies and HMOs in violation of state and federal antitrust laws. The suits have been brought on behalf of individuals and retail pharmacies and name both the Company and certain other pharmaceutical manufacturers and pharmaceutical wholesalers and at least one mail-order pharmacy company as defendants. The cases seek treble damages, civil penalties, injunctive and other relief. The Company has filed or intends to file a response to each of the complaints denying all substantive allegations.

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

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 10 - Business Acquisitions

In 1996, the Company acquired all of the outstanding shares of MediSense, Inc., a manufacturer of blood glucose self-testing products. Of the cash purchase price of approximately \$867 million, \$219 million was allocated to goodwill; \$635 million was allocated to other intangible assets; and \$37 million was charged against earnings for in-process research and development. Goodwill and other intangible assets will be amortized on a straight-line basis over 25 to 40 years. In December 1994, the Company purchased the operating assets of the nutritional business of Puleva Union Industrial y Agroganadera, S.A. for \$106 million. Had these acquisitions taken place on January 1 of the previous years, consolidated sales and income would not have been significantly different from reported amounts.

The Company currently owns 70% of the capital stock of a Japanese subsidiary. In 1996, the Company entered into an agreement with the minority interest shareholder to purchase their 30% ownership over a ten-year period.

Note 11 - Industry Segment and Geographic Area Information  
(dollars in millions)

The Company's principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products and services. The Company's products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians' offices and government agencies throughout the world. These products have been classified into the following industry segments:

PHARMACEUTICAL AND NUTRITIONAL PRODUCTS - Included are a broad line of adult and pediatric pharmaceuticals and nutritionals, which are sold primarily on the prescription or recommendation of physicians or other health care professionals; consumer products; agricultural and chemical products; and bulk pharmaceuticals.

HOSPITAL AND LABORATORY PRODUCTS - Included are diagnostic systems for consumers, blood banks, hospitals, commercial laboratories and alternate-care testing sites; intravenous and irrigation fluids and related administration equipment; drugs and drug delivery systems; anesthetics; critical care products; diagnostic imaging; and other medical specialty products for hospitals and alternate care sites.

In the following tables, net sales by industry segment and geographic area include both sales to customers, as reported in the Consolidated Statement of Earnings, and inter-area sales (for geographic areas) at sales prices which approximate market. Operating profit excludes corporate expenses.

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Industry Segments (a)	1996	1995	1994
	-----	-----	-----
Net Sales			
Pharmaceutical and nutritional . . . . .	\$ 6,307	\$ 5,629	\$4,951
Hospital and laboratory . . . . .	4,706	4,383	4,205
	-----	-----	-----
Total . . . . .	\$11,013	\$10,012	\$9,156
	-----	-----	-----
Operating Profit			
Pharmaceutical and nutritional (b) . . . . .	\$ 1,898	\$ 1,586	\$1,385
Hospital and laboratory . . . . .	810	853	818
	-----	-----	-----
Operating Profit . . . . .	2,708	2,439	2,203
Corporate (income) expense, net (c). . . . .	(13)	26	23
Interest (income) expense, net . . . . .	51	18	13
	-----	-----	-----
Earnings Before Taxes. . . . .	\$ 2,670	\$ 2,395	\$2,167
	-----	-----	-----
Identifiable Assets			
Pharmaceutical and nutritional . . . . .	\$ 4,117	\$ 3,866	\$3,415
Hospital and laboratory (d). . . . .	4,977	3,782	3,596
General corporate (e). . . . .	2,032	1,765	1,513
	-----	-----	-----
Total. . . . .	\$11,126	\$ 9,413	\$8,524
	-----	-----	-----
Capital Expenditures			
Pharmaceutical and nutritional . . . . .	\$ 374	\$ 459	\$ 478
Hospital and laboratory. . . . .	571	483	447
General corporate. . . . .	4	5	4
	-----	-----	-----
Total. . . . .	\$ 949	\$ 947	\$ 929
	-----	-----	-----
Depreciation and Amortization			
Pharmaceutical and nutritional . . . . .	\$ 285	\$ 252	\$ 213
Hospital and laboratory (d). . . . .	397	311	295
General corporate. . . . .	4	3	3
	-----	-----	-----
Total. . . . .	\$ 686	\$ 566	\$ 511
	-----	-----	-----

Abbott Laboratories and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(a) Net sales and operating profit in 1996 were unfavorably affected by the relatively stronger U.S. dollar, and, in 1995, were favorably impacted by the relatively weaker U.S. dollar. Net sales and operating profit in 1994 were not significantly impacted by the fluctuations in the U.S. dollar.

(b) The operating profit for 1994 was unfavorably impacted by charges against earnings for certain litigation.

(c) Corporate expenses not allocated to segments include results from joint ventures, net foreign exchange losses, minority interest expense and other general corporate income and expense. Net foreign exchange losses were \$21.8 in 1996, \$25.2 in 1995, and \$30.8 in 1994.

(d) In 1996, the Company acquired all of the outstanding shares of MediSense, Inc.

(e) General corporate assets are principally prepaid income taxes, cash and cash equivalents, investment securities, and investments in joint ventures.

## Abbott Laboratories and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Geographic Areas (a)	1996	1995	1994
	-----	-----	-----
Net Sales			
United States:			
Domestic and export customers . . . . .	\$ 6,786	\$ 6,121	\$5,758
Inter-area . . . . .	1,762	1,371	1,143
	-----	-----	-----
Total United States . . . . .	8,548	7,492	6,901
Latin America . . . . .	619	540	490
Europe, Mideast and Africa . . . . .	2,135	1,918	1,662
Pacific, Far East and Canada . . . . .	1,473	1,433	1,246
Eliminations . . . . .	(1,762)	(1,371)	(1,143)
	-----	-----	-----
Total . . . . .	\$11,013	\$10,012	\$9,156
	-----	-----	-----
Operating Profit (b)			
United States . . . . .	\$2,012	\$1,653	\$1,558
Latin America . . . . .	167	177	131
Europe, Mideast and Africa . . . . .	381	385	352
Pacific, Far East and Canada . . . . .	229	234	182
Eliminations . . . . .	(93)	(10)	(20)
	-----	-----	-----
Total . . . . .	\$2,696	\$2,439	\$2,203
	-----	-----	-----
Identifiable Assets, Excluding General Corporate Assets (d) (e)			
United States . . . . .	\$6,120	\$5,081	\$4,809
Latin America . . . . .	436	330	274
Europe, Mideast and Africa . . . . .	1,817	1,517	1,298
Pacific, Far East and Canada . . . . .	1,015	927	827
Eliminations . . . . .	(294)	(207)	(197)
	-----	-----	-----
Total . . . . .	\$9,094	\$7,648	\$7,011
	-----	-----	-----

Abbott Laboratories and Subsidiaries  
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheet of Abbott Laboratories (an Illinois corporation) and Subsidiaries as of December 31, 1996, 1995, and 1994, 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 generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Abbott Laboratories and Subsidiaries as of December 31, 1996, 1995, and 1994, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Chicago, Illinois  
January 15, 1997

Arthur Andersen LLP

AUDIT COMMITTEE CHAIRMAN'S REPORT

The Audit Committee of the Board of Directors is composed of six non-employee directors. The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee held two meetings during 1996. In fulfilling its responsibility, the Committee recommended to the Board of Directors, subject to shareholder approval, the selection of the Company's independent public accountants. The Audit Committee discussed with the internal auditors and the independent public accountants the overall scope and specific plans for their respective audits. The Committee also discussed the Company's consolidated financial statements and the adequacy of the Company's internal controls. During the Audit Committee meetings the Committee met with the internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The meetings also were designed to facilitate any private communication with the Committee desired by the internal auditors or independent public accountants.

John R. Walter  
Chairman, Audit Committee

Abbott Laboratories and Subsidiaries  
MANAGEMENT REPORT ON FINANCIAL STATEMENTS

Management has prepared, and is responsible for, the Company's consolidated financial statements and related notes. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. All financial information in this annual report is consistent with the consolidated financial statements.

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company also maintains an internal auditing function which evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies, and procedures.

The Company's consolidated financial statements have been audited by independent public accountants who have expressed their opinion with respect to the fairness of these statements.

Duane L. Burnham  
Chairman and Chief Executive Officer

Gary P. Coughlan  
Senior Vice President, Finance and Chief Financial Officer

Theodore A. Olson  
Vice President and Controller

Abbott Laboratories and Subsidiaries

FINANCIAL REVIEW

RESULTS OF OPERATIONS

SALES  
The following table details the components of sales growth by industry segment and geographic area for the last three years:

Worldwide Sales	Total %	Components of Change %		
	Change	Price	Volume	Exchange
-----				
Total Worldwide				
1996 vs. 1995	10.0	0.1	11.5	(1.6)
1995 vs. 1994	9.4	(0.1)	8.0	1.5
1994 vs. 1993	8.9	0.8	8.0	0.1
Domestic				
1996 vs. 1995	10.9	0.1	10.8	-
1995 vs. 1994	6.2	(0.8)	7.0	-
1994 vs. 1993	7.6	1.0	6.6	-
International				
1996 vs. 1995	8.7	0.1	12.5	(3.9)
1995 vs. 1994	14.5	1.1	9.5	3.9
1994 vs. 1993	11.1	0.5	10.4	0.2
Pharmaceutical and Nutritional Products				
-----				
Total Worldwide				
1996 vs. 1995	12.0	1.5	11.9	(1.4)
1995 vs. 1994	13.7	1.0	12.1	0.6
1994 vs. 1993	12.8	1.8	11.1	(0.1)
Domestic				
1996 vs. 1995	12.8	1.5	11.3	-
1995 vs. 1994	9.0	0.1	8.9	-
1994 vs. 1993	10.8	1.8	9.0	-
International				
1996 vs. 1995	10.6	1.5	13.2	(4.1)
1995 vs. 1994	23.6	2.9	18.8	1.9
1994 vs. 1993	17.2	1.9	15.6	(0.3)

## Abbott Laboratories and Subsidiaries

## FINANCIAL REVIEW (CONTINUED)

Hospital and  
Laboratory Products

-----

## Total Worldwide

1996 vs. 1995	7.4	(1.7)	10.8	(1.7)
1995 vs. 1994	4.2	(1.3)	3.0	2.5
1994 vs. 1993	4.6	(0.4)	4.7	0.3

## Domestic

1996 vs. 1995	7.9	(2.2)	10.1	-
1995 vs. 1994	2.1	(2.1)	4.2	-
1994 vs. 1993	3.1	(0.2)	3.3	-

## International

1996 vs. 1995	6.8	(1.2)	11.7	(3.7)
1995 vs. 1994	6.9	(0.5)	1.9	5.5
1994 vs. 1993	6.5	(0.6)	6.5	0.6

Sales of new products in the pharmaceutical and nutritional segment in 1996 are estimated to be \$263 million. New product sales in the hospital and laboratories segment are estimated to be \$760, including \$146 for MediSense, Inc. products. Sales in international markets represented approximately 40 percent of worldwide sales in 1996 and 1995, and 38 percent of worldwide sales in 1994.

The Company holds patents on Hytrin in the United States and several major markets throughout the world. The Company is facing a number of patent challenges from generic manufacturers in the United States, and the ultimate outcome of this litigation cannot be predicted.

## Abbott Laboratories and Subsidiaries

## FINANCIAL REVIEW (CONTINUED)

The classes of products which contributed at least 10 percent to consolidated net sales in at least one of the last three years were:

(dollars in millions)	1996	1995	1994
-----	-----	-----	-----
Anti-Infectives	\$1,407	\$1,291	\$ 994
Adult Nutritionals	1,226	1,172	1,011
Infant Formula	1,153	1,109	1,180

Increases in anti-infectives and adult nutritionals were primarily due to unit increases. Worldwide sales of infant formula increased in 1996 primarily due to unit increases and decreased in 1995 primarily due to unit decreases.

## OPERATING EARNINGS

Gross profit margins (sales less cost of products sold, including freight and distribution expenses) were 57.0 percent of sales in 1996, 56.8 percent in 1995, and 56.4 percent in 1994. The increases in gross profit margins were due primarily to favorable product mix, especially higher sales of pharmaceuticals, and productivity improvements, partially offset by higher project expenses for new products, higher manufacturing capacity costs for anticipated unit growth, and the effects of inflation and competitive pricing pressures in some product lines. Gross profit margins were unfavorably affected by the relatively stronger U.S. dollar in 1996, and were favorably impacted in 1995 by the relatively weaker U.S. dollar. Fluctuations in the U.S. dollar had an insignificant impact on gross profit margins in 1994. 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 (WIC). The WIC rebate programs continue to have a negative effect on the gross profit margins of this portion of the infant formula business.

Research and development expense increased to \$1.205 billion in 1996, including \$37 million of acquired in-process research and development relating to the purchase of MediSense, Inc. Research and development for 1995 included a similar charge for the acquisition of certain technologies. Research and development represented 10.9 percent of net sales in 1996, compared to 10.7 percent of net sales in 1995, and 10.5 percent of net sales in 1994. Research and development expenditures continue to be concentrated on pharmaceutical and diagnostic products.

Abbott Laboratories and Subsidiaries

FINANCIAL REVIEW (CONTINUED)

Selling, general and administrative expenses increased 10.3 percent in 1996, net of the favorable effect of the relatively stronger U.S. dollar of 1.6 percent, compared to increases of 8.6 percent in 1995, and 3.3 percent in 1994. The increases reflect additional selling and marketing to support new product launches in the pharmaceutical and nutritional products segment. The 1995 increase also reflects contributions to the Company's charitable foundation.

INTEREST (INCOME) EXPENSE, NET

Net interest expense increased in 1996 due primarily to a higher level of borrowings as a result of the purchase of MediSense, Inc.

OTHER (INCOME) EXPENSE, NET

Other (income) expense, net, includes net foreign exchange losses of \$21.8 million in 1996, \$25.2 million in 1995, and \$30.8 million in 1994, including net exchange (gains) losses on foreign currency contracts. These contracts were purchased to manage the Company's exposure to foreign currency rate changes. Other (income) expense, net, also includes the Company's share of the income from joint ventures, primarily TAP Holdings Inc. and minority interest expense.

Abbott Laboratories and Subsidiaries

FINANCIAL REVIEW (CONTINUED)

TAXES ON EARNINGS

The Company's effective income tax rate for 1996 and 1995 was 29.5 percent, compared to 30.0 percent for 1994. All three years' tax rates were unfavorably impacted by the reduction in tax incentive grants for Puerto Rico operations.

FINANCIAL CONDITION

CASH FLOW

The Company expects positive cash flow from operating activities to continue to approximate or exceed the Company's capital expenditures and cash dividends.

DEBT AND CAPITAL

The Company has maintained its favorable bond ratings (AAA by Standard & Poor's Corporation and Aa1 by Moody's Investors Service) and continues to have readily available financial resources, including unused domestic lines of credit of \$1.5 billion at December 31, 1996. These lines of credit support domestic commercial paper borrowing arrangements.

In 1996, the Company filed a registration statement with the Securities and Exchange Commission for the issuance of \$650 million of senior debt securities and issued \$250 million of 6.4% notes due in 2006. Under a separate arrangement the Company also issued, in 1996, \$250 million of 6.5% Eurodollar notes, payable in U.S. dollars, which are due in 2001. Proceeds from the notes were used to retire short-term borrowings.

During the last three years, the Company purchased 58,436,000 of its common shares at a cost of \$2.197 billion, including 4,335,000 shares of the 20,000,000 shares authorized for purchase by the Board of Directors in October, 1996.

CAPITAL EXPENDITURES

Capital expenditures of \$949 million in 1996, \$947 million in 1995, and \$929 million in 1994, were principally for upgrading and expanding manufacturing and research and development facilities in both segments, for laboratory instruments and hospital equipment placed with customers, and for administrative support facilities. This level of capital expenditures is expected to continue, with an increased proportion dedicated to the hospital and laboratory products segment.

Abbott Laboratories and Subsidiaries

FINANCIAL REVIEW (CONTINUED)

BUSINESS ACQUISITIONS

In 1996, the Company acquired all of the outstanding shares of MediSense, Inc., a manufacturer of blood glucose self-testing products. Of the cash purchase price of approximately \$867 million, \$219 million was allocated to goodwill; \$635 million was allocated to other intangible assets; and \$37 million was charged against earnings for in-process research and development. Goodwill and other intangible assets will be amortized on a straight-line basis over 25 to 40 years. In December 1994, the Company purchased the operating assets of the nutritional business of Puleva Union Industrial y Agrogranadera, S.A. for \$106 million. Had these acquisition taken place on January 1 of the previous years, consolidated sales and income would not have been significantly different from reported amounts.

LEGISLATIVE ISSUES

The Company's primary markets are highly competitive and subject to substantial government regulation. The Company expects debate to continue at both the federal and state level over the availability, method of delivery, and payment for health care products and services. The Company believes that if legislation is enacted, it could have the effect of reducing prices, or reducing the rate of price increases for medical products and services. International operations are also subject to a significant degree of government regulation. It is not possible to predict the extent to which the Company 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, in the Annual Report on Form 10-K, which is available upon request.

## Abbott Laboratories and Subsidiaries

## SUMMARY OF SELECTED FINANCIAL DATA

Year Ended December 31

(Dollars in Millions Except Per Share Data)

	1996	1995	1994	1993	1992
	-----	-----	-----	-----	-----
<b>Summary of Operations:</b>					
Net sales . . . . .	\$ 11,013.5	10,012.2	9,156.0	8,407.8	7,851.9
Cost of products sold . . . . .	\$ 4,732.0	4,325.8	3,993.8	3,684.7	3,505.3
Research and development . . . . .	\$ 1,204.8	1,072.7	963.5	881.0	772.4
Selling, general and administrative . . . . .	\$ 2,459.6	2,230.7	2,054.5	1,988.2	1,833.2
Operating earnings (1) . . . . .	\$ 2,617.1	2,382.9	2,144.2	1,924.0	1,526.0
Interest expense . . . . .	\$ 95.4	69.5	49.7	54.3	53.0
Interest income . . . . .	\$ (44.5)	(51.8)	(36.9)	(37.8)	(42.3)
Other (income) expense, net . . . . .	\$ (103.4)	(30.2)	(35.3)	(35.7)	48.5
Earnings before taxes (2) . . . . .	\$ 2,669.6	2,395.3	2,166.7	1,943.2	1,738.8
Taxes on earnings . . . . .	\$ 787.5	706.6	650.0	544.1	499.7
Earnings before extraordinary gain and accounting change . . . . .	\$ 1,882.0	1,688.7	1,516.7	1,399.1	1,239.1
Earnings per common share before extra- ordinary gain and accounting change . . . . .	\$ 2.41	2.12	1.87	1.69	1.47
<b>Financial Position:</b>					
Working capital . . . . .	\$ 137.2	436.4	400.5	490.6	449.2
Investment securities maturing after one year . .	\$ 665.6	422.5	316.2	221.8	270.6
Net property and equipment . . . . .	\$ 4,461.5	4,249.5	3,920.9	3,511.0	3,099.2
Total assets . . . . .	\$ 11,125.6	9,412.6	8,523.7	7,688.6	6,941.2
Long-term debt . . . . .	\$ 932.9	435.2	287.1	306.8	110.0
Shareholders' investment . . . . .	\$ 4,820.4	4,396.8	4,049.4	3,674.9	3,347.6
Return on shareholders' investment . . . . .	% 40.8	40.0	39.3	39.8	37.8
Book value per share . . . . .	\$ 6.22	5.58	5.04	4.48	4.00
<b>Other Statistics:</b>					
Gross profit margin . . . . .	% 57.0	56.8	56.4	56.2	55.4
Research and development to net sales . . . . .	% 10.9	10.7	10.5	10.5	9.8
Capital expenditures . . . . .	\$ 949.0	947.0	929.5	952.7	1,007.2
Cash dividends declared per common share . . . .	\$ .96	.84	.76	.68	.60
Common shares outstanding (in thousands) . . . .	774,449	787,307	803,280	821,130	836,052
Number of common shareholders . . . . .	99,513	89,831	86,324	82,947	75,703
Number of employees . . . . .	52,817	50,241	49,464	49,659	48,118
Sales per employee (in dollars) . . . . .	\$ 208,521	199,283	185,105	169,312	163,180
Market price per share-high . . . . .	\$ 57 3/8	44 3/4	34	30 7/8	34 1/8
Market price per share-low . . . . .	\$ 38 1/8	30 5/8	25 3/8	22 5/8	26 1/8
Market price per share-close . . . . .	\$ 50 3/4	41 5/8	32 5/8	29 5/8	30 3/8

Abbott Laboratories and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA (CONTINUED)

Year Ended December 31

(Dollars in Millions Except Per Share Data)

	1991	1990	1989	1988	1987
	-----	-----	-----	-----	-----
<b>Summary of Operations:</b>					
Net sales . . . . .	\$ 6,876.6	6,158.7	5,379.8	4,937.0	4,387.9
Cost of products sold . . . . .	\$ 3,140.0	2,910.1	2,556.7	2,353.2	2,101.9
Research and development . . . . .	\$ 666.3	567.0	501.8	454.6	361.3
Selling, general and administrative . . . . .	\$ 1,513.3	1,275.6	1,100.2	1,027.2	919.0
Operating earnings . . . . .	\$ 1,557.0	1,406.0	1,221.1	1,102.0	1,005.7
Interest expense . . . . .	\$ 63.8	91.4	74.4	85.0	77.6
Interest income . . . . .	\$ (45.1)	(51.6)	(73.8)	(69.4)	(56.7)
Other (income) expense, net . . . . .	\$ (5.9)	15.5	26.3	30.9	47.7
Earnings before taxes . . . . .	\$ 1,544.2	1,350.7	1,194.2	1,055.5	937.1
Taxes on earnings . . . . .	\$ 455.5	384.9	334.4	303.5	304.5
Earnings before extraordinary gain and accounting change . . . . .	\$ 1,088.7	965.8	859.8	752.0	632.6
Earnings per common share before extra- ordinary gain and accounting change . . . . .	\$ 1.27	1.11	.96	.83	.69
<b>Financial Position:</b>					
Working capital . . . . .	\$ 661.7	460.0	719.2	913.3	668.7
Investment securities maturing after one year . .	\$ 340.2	314.0	300.0	285.7	292.9
Net property and equipment . . . . .	\$ 2,662.1	2,375.8	2,090.2	1,952.6	1,741.6
Total assets . . . . .	\$ 6,255.3	5,563.2	4,851.6	4,825.1	4,385.7
Long-term debt . . . . .	\$ 125.1	134.8	146.7	349.3	271.0
Shareholders' investment . . . . .	\$ 3,203.0	2,833.6	2,726.4	2,464.6	2,093.5
Return on shareholders' investment . . . . .	%	36.1	34.7	33.1	33.0
Book value per share . . . . .	\$ 3.77	3.30	3.08	2.74	2.31
<b>Other Statistics:</b>					
Gross profit margin . . . . .	%	54.3	52.7	52.5	52.3
Research and development to net sales . . . . .	%	9.7	9.2	9.3	9.2
Capital expenditures . . . . .	\$ 732.8	629.5	501.5	521.2	432.7
Cash dividends declared per common share . . . . .	\$ .50	.42	.35	.30	.25
Common shares outstanding (in thousands) . . . . .	850,530	858,282	884,958	899,384	906,924
Number of common shareholders . . . . .	56,541	49,827	45,361	46,324	45,822
Number of employees . . . . .	45,694	43,770	40,929	38,751	37,828
Sales per employee (in dollars) . . . . .	\$ 150,492	140,706	131,441	127,403	115,995
Market price per share-high . . . . .	\$ 34 3/4	23 1/8	17 5/8	13 1/8	16 3/4
Market price per share-low . . . . .	\$ 19 5/8	15 5/8	11 1/2	10 3/4	10
Market price per share-close . . . . .	\$ 34 3/8	22 1/2	17	12	12

Abbott Laboratories and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA (CONTINUED)

Year Ended December 31

(Dollars in Millions Except Per Share Data)

	1986
	-----
Summary of Operations:	
Net sales . . . . .	\$3,807.6
Cost of products sold . . . . .	\$1,868.4
Research and development . . . . .	\$ 284.9
Selling, general and administrative . . . . .	\$ 775.7
Operating earnings . . . . .	\$ 878.6
Interest expense . . . . .	\$ 86.3
Interest income . . . . .	\$ (63.1)
Other (income) expense, net . . . . .	\$ 36.7
Earnings before taxes . . . . .	\$ 818.7
Taxes on earnings . . . . .	\$ 278.2
Earnings before extraordinary gain and accounting change . . . . .	\$ 540.5
Earnings per common share before extra- ordinary gain and accounting change . . . . .	\$ .58
Financial Position:	
Working capital . . . . .	\$ 585.4
Investment securities maturing after one year . .	\$ 254.2
Net property and equipment . . . . .	\$1,543.3
Total assets . . . . .	\$3,865.6
Long-term debt . . . . .	\$ 297.4
Shareholders' investment . . . . .	\$1,778.9
Return on shareholders' investment . . . . .	% 29.6
Book value per share . . . . .	\$ 1.94
OTHER STATISTICS:	
Gross profit margin . . . . .	% 50.9
Research and development to net sales . . . . .	% 7.5
Capital expenditures . . . . .	\$ 383.4
Cash dividends declared per common share . . . .	\$ .21
Common shares outstanding (in thousands) . . . .	915,356
Number of common shareholders . . . . .	40,387
Number of employees . . . . .	35,754
Sales per employee (in dollars) . . . . .	\$106,495
Market price per share-high . . . . .	\$ 13 3/4
Market price per share-low . . . . .	\$ 7 7/8
Market price per share-close . . . . .	\$ 11 3/8

Abbott Laboratories and Subsidiaries

SUMMARY OF SELECTED FINANCIAL DATA (CONTINUED)

Year Ended December 31

(Dollars in Millions Except Per Share Data)

(1) In 1992, the Company recorded a pretax charge of \$215 for costs associated with the voluntary withdrawal of temafloxacin from the worldwide market. In 1993, the Company resolved various contingencies related to the withdrawal and recorded a pretax credit of \$70.

(2) In 1992, the Company recorded a pretax gain of \$272 on the sale of its investment in Boston Scientific Corporation.

EXHIBIT

SUBSIDIARIES OF ABBOTT LABORATORIES

The following is a list of subsidiaries of the Company. Abbott Laboratories is not a subsidiary of any other corporation.

Domestic Subsidiaries -----	State of Incorporation -----
Abbott Chemicals, Inc.	Delaware
Abbott Chemicals Plant, Inc.	Puerto Rico
Abbott Health Products, Inc.	Delaware
Abbott Home Infusion Services of New York, Inc.	New York
Abbott International Ltd.	Delaware
Abbott International Ltd. of Puerto Rico	Puerto Rico
Abbott Laboratories International Co.	Illinois
Abbott Laboratories Pacific Ltd.	Illinois
Abbott Laboratories (Puerto Rico) Incorporated	Puerto Rico
Abbott Laboratories Residential Development Fund, Inc.	Illinois
Abbott Laboratories Services Corp.	Illinois
Abbott Manufacturing, Inc.	Delaware
Abbott Trading Company, Inc.	Virgin Islands
Abbott Universal Ltd.	Delaware
CMM Transportation, Inc.	Delaware
Corporate Alliance, Inc.	Delaware
Fuller Research Corporation	Delaware
Laser Surgery Partnership	Illinois
MediSense Inc.	Massachusetts
MediSense Import/Export, Inc.	Massachusetts
MediSense (U.K.), Inc.	Massachusetts
MediSense International, Inc.	Delaware
Medlase Holding Corporation	Delaware
North Shore Properties, Inc.	Delaware
Oximetrix de Puerto Rico, Inc.	Delaware
Oximetrix, Inc.	Delaware
Sequoia Turner Corporation	California
Sequoia Turner Export Corporation	California
Solartek Products, Inc.	Delaware
Sorenson Research Co., Inc.	Utah
Swan-Myers, Incorporated	Indiana
TAP Holdings Inc.	Delaware
TAP Pharmaceuticals Inc.	Delaware
Tobal Products Incorporated	Illinois
	Country in Which Organized -----
Foreign Subsidiaries -----	
Abbott Laboratories Argentina, S.A.	Argentina
MediSense Australia Pty. Ltd.	Australia
Abbott Australasia Pty. Limited	Australia
Abbott Laboratories Executive Superannuation Pty. Limited	Australia
Abbott Laboratories Superannuation Pty. Limited	Australia
Abbott Gesellschaft m.b.H.	Austria
MediSense Austria GmbH	Austria
Abbott Hospitals Limited	Bahamas
Abbott Laboratories (Bangladesh) Ltd.	Bangladesh
Abbott, S.A.	Belgium
MediSense Belgium, BVBA	Belgium
Abbott Ireland	Bermuda
Abbott Laboratorios do Brasil Ltda.	Brazil
Abbott Laboratories Limited	Canada
MediSense Canada, Inc.	Canada

Abbott Laboratories de Chile Limitada	Chile
Ningbo Asia-Pacific Biotechnology Ltd.	China, People's Republic of
Abbott Laboratories de Colombia, S.A.	Colombia
Abbott Laboratories s.r.o.	Czech Republic
Abbott Laboratories A/S	Denmark
MediSense Denmark AS	Denmark
Abbott Laboratorios del Ecuador, S.A.	Ecuador
Abbott, S.A. de C.V.	El Salvador
Abbott Investments Limited	England
Abbott Laboratories Limited	England
Abbott Laboratories Trustee Company Limited	England
MediSense (U.K.) Holding Ltd.	England
MediSense Britain Limited	England
MediSense Contract Manufacturing Ltd.	England
Oy MediSense Suomi AB	Finland
Abbott France S.A.	France
Alcyon Analyzer S. A.	France
MediSense France SARL	France
Abbott G.m.b.H.	Germany
MediSense Germany GmbH	Germany
Abbott Diagnostics G.m.b.H.	Germany
Abbott Laboratories (Hellas) S.A.	Greece
FAMAR Panos A. Marinopoulos S.A.	Greece
FAMAR Anonymous Industrial Co. of Pharmaceuticals and Cosmetics	Greece
Abbott Grenada Limited	Grenada
Abbott Laboratorios, S.A.	Guatemala
Abbott Laboratories Limited	Hong Kong
Abbott Laboratories (Hungary) Ltd.	Hungary
Abbott Laboratories (India) Limited	India
Abind Healthcare Private Limited	India
P. T. Abbott Indonesia	Indonesia
Abbott Laboratories, Ireland, Limited	Ireland
Abbott Ireland Ltd.	Ireland
Abbott S.p.A.	Italy
Laboratori Abbott S.p.A.	Italy
Abbott West Indies Limited	Jamaica
Consolidated Laboratories Limited	Jamaica
Abbott Japan K.K.	Japan
Dainabot K.K.	Japan
MediSense Japan Ltd.	Japan
Abbott Korea Limited	Korea
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.	The Netherlands
Abbott Finance B.V.	The Netherlands
Abbott Holdings B.V.	The Netherlands
Abbott Laboratories B.V.	The Netherlands
Edisco B.V.	The Netherlands
MediSense Europe B.V.	The Netherlands
MediSense Netherlands, B.V.	The Netherlands
Abbott Laboratories (N.Z.) Limited	New Zealand
Abbott Laboratories Nigeria Limited	Nigeria
Abbott Laboratories (Pakistan) Limited	Pakistan
Abbott Laboratories, C.A.	Panama
Abbott Overseas, S.A.	Panama
Abbott Laboratorios S.A.	Peru
Abbott Laboratories	Philippines
102 E. de los Santos Realty Co., Inc.	Philippines
Union-Madison Realty Company, Inc.	Philippines
Abbott Laboratorios, Limitada	Portugal
Abbott Laboratories (Singapore) Private Limited	Singapore
Abbott Laboratories South Africa (Pty.) Limited	South Africa
Abbott Laboratories, S.A.	Spain
Abbott Cientifica, S.A.	Spain
Abbott Scandinavia A.B.	Sweden
MediSense Sverige AB	Sweden
Abbott A.G.	Switzerland
Abbott Laboratories S.A.	Switzerland
Abbott Finance Company S.A.	Switzerland
MediSense AG	Switzerland
Abbott Laboratories Taiwan Limited	Taiwan
Abbott Laboratories Limited	Thailand
Abbott Laboratuarlari Ithalat Ihracat Ve Tecaret Anonim Sirketi	Turkey
Abbott Laboratories Uruguay Limitada	Uruguay
Abbott Laboratories, C.A.	Venezuela
Medicamentos M & R, S.A.	Venezuela

Date: as of January 31, 1997

SUPPLEMENTAL REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Abbott Laboratories:

We have audited in accordance with generally accepted auditing standards, the financial statements included in the Company's Annual Report incorporated by reference in this Form 10-K, and have issued our report thereon dated January 15, 1997. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. Schedule II is the responsibility of the Company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Chicago, Illinois  
January 15, 1997

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of the following into the Company's previously filed S-8 Registration Statements 33-4368 for the Abbott Laboratories 1986 Incentive Stock Program, 33-39798 for the Abbott Laboratories 1991 Incentive Stock Program, 333-09071 for the Abbott Laboratories 1996 Incentive Stock Program, 333-13091 for the Abbott Laboratories Ashland Union 401(k) Plan and Trust, and 33-26685, 33-51585, 33-56897, 33-65127, and 333-19511 for the Abbott Laboratories Stock Retirement Plan and Trust and into the Company's previously filed S-3 Registration Statements Numbers 33-50253 and 333-06155:

1. Our supplemental report dated January 15, 1997 included in this Annual Report on Form 10-K for the year ended December 31, 1996; and
2. Our report dated January 15, 1997 incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1996.

ARTHUR ANDERSEN LLP

Chicago, Illinois  
March 10, 1997



THIS SCHEDULE CONTAINS TWELVE MONTH YEAR-TO-DATE SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ABBOTT LABORATORIES 1996 FORM 10K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10K FILING.

1,000

YEAR		
	DEC-31-1996	
	JAN-01-1996	
	DEC-31-1996	110,209
		12,875
		1,862,231
		153,424
		1,238,205
	4,480,902	8,370,283
		3,908,740
		11,125,600
	4,343,717	932,898
	0	0
		694,380
		4,125,802
11,125,600		11,013,460
	11,013,460	4,731,998
		4,731,998
		1,204,841
		7,389
		95,445
		2,669,550
		787,517
	1,882,033	0
		0
		0
		1,882,033
		2.41
		2.38

30) OTHER EXPENSES CONSIST OF RESEARCH AND DEVELOPMENT EXPENSES