

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

(Mark One)

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

For the quarterly period ended September 30, 1995

OR

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

For the transition period from _____ to _____

Commission File No. 1-2189

ABBOTT LABORATORIES

An Illinois Corporation

I.R.S. Employer Identification
No. 36-0698440

100 Abbott Park Road
Abbott Park, Illinois 60064-3500

Telephone: (708) 937-6100

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

As of October 31, 1995, the Corporation had 790,443,845 common shares without par value outstanding.

PART 1 FINANCIAL INFORMATION
ABBOTT LABORATORIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

ABBOTT LABORATORIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(UNAUDITED)
(Dollars in thousands except per share data)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1995	1994	1995	1994
Net Sales	\$2,390,753	\$2,254,817	\$7,415,460	\$6,674,095
Cost of products sold	1,070,253	1,015,831	3,245,187	2,926,919
Research and development	255,829	239,390	790,364	711,176
Selling, general and administrative	521,754	515,568	1,652,863	1,481,491
Total Operating Cost and Expenses	1,847,836	1,770,789	5,688,414	5,119,586
Operating Earnings	542,917	484,028	1,727,046	1,554,509
Interest expense	18,420	12,776	50,224	36,525
Interest and dividend income	(13,173)	(9,131)	(37,385)	(25,857)
Other (income) expense, net	(4,246)	(21,535)	(21,020)	(19,204)
Earnings Before Taxes	541,916	501,918	1,735,227	1,563,045
Taxes on Earnings	159,865	150,576	511,892	468,914
Net Earnings	\$ 382,051	\$ 351,342	\$1,223,335	\$1,094,131
Net Earnings Per Common Share	\$.48	\$.43	\$1.53	\$1.34
Cash Dividends Declared Per Common Share	\$.21	\$.19	\$.63	\$.57

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

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

	SEPTEMBER 30 ----- 1995 ----- (unaudited)	DECEMBER 31 ----- 1994 -----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 320,799	\$ 290,272
Investment securities	93,872	25,056
Trade Receivables, less allowances of \$156,408 in 1995 and \$128,929 in 1994	1,470,651	1,468,519
Inventories:		
Finished products	511,010	514,715
Work in process	259,939	218,643
Materials	280,397	284,833
Total Inventories	1,051,346	1,018,191
Prepaid income taxes	559,848	549,091
Other prepaid expenses and receivables	580,983	525,199
Total Current Assets	4,077,499	3,876,328
Investment Securities Maturing after One Year	407,475	316,195
Property and Equipment, at Cost	7,621,574	7,053,604
Less: accumulated depreciation and amortization	3,438,766	3,132,754
Net Property and Equipment	4,182,808	3,920,850
Deferred Charges and Other Assets	402,100	410,351
	\$ 9,069,882	\$ 8,523,724
	-----	-----
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 937,193	\$ 772,503
Trade accounts payable	665,932	671,100
Salaries, income taxes, dividends payable, and other accruals	1,963,794	2,032,263
Total Current Liabilities	3,566,919	3,475,866
Long-Term Debt	435,297	287,091
Other Liabilities and Deferrals	791,559	711,367
Shareholders' Investment:		
Preferred shares, \$1 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 -		
1995: 801,874,446 shares; 1994: 813,046,602 shares	568,005	505,170
Earnings employed in the business	3,822,581	3,652,434
Cumulative translation adjustments	(57,874)	(51,124)
	4,332,712	4,106,480
Less:		
Common shares held in treasury, at cost -		
1995: 9,722,379 shares; 1994: 9,766,880 shares	51,310	51,545
Unearned compensation - restricted stock awards	5,295	5,535
Total Shareholders' Investment	4,276,107	4,049,400
	\$ 9,069,882	\$ 8,523,724
	-----	-----

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

ABBOTT LABORATORIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
(Dollars in thousands)

	NINE MONTHS ENDED SEPTEMBER 30	
	1995	1994
Cash Flow From (Used in) Operating Activities:		
Net earnings	\$1,223,335	\$1,094,131
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation and amortization	399,494	391,049
Trade receivables	5,039	(100,140)
Inventories	(30,789)	(87,128)
Other, net	(42,680)	322,531
	1,554,399	1,620,443
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property and equipment	(698,881)	(689,270)
Investment securities transactions	(160,778)	(83,754)
Other	17,239	21,425
	(842,420)	(751,599)
Cash Flow From (Used in) Financing Activities:		
Borrowing transactions	299,834	(85,855)
Common share transactions	(490,873)	(413,802)
Dividends paid	(487,309)	(448,899)
	(678,348)	(948,556)
Effect of exchange rate changes on cash and cash equivalents	(3,104)	1,067
Net Increase (Decrease) in Cash and Cash Equivalents	30,527	(78,645)
Cash and Cash Equivalents, Beginning of Year	290,272	300,676
Cash and Cash Equivalents, End of Period	\$ 320,799	\$ 222,031

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

ABBOTT LABORATORIES AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1995

(UNAUDITED)

NOTE 1 - BASIS OF PREPARATION:

The accompanying unaudited, condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnote disclosures normally included in audited financial statements. However, in the opinion of management, all adjustments (which include only normal adjustments) necessary to present fairly the financial position, cash flows, and results of operations have been made. It is suggested that these statements be read in conjunction with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1994.

NOTE 2 - EARNINGS PER COMMON SHARE:

Earnings per common share amounts are computed by using the weighted average number of common shares outstanding. These shares averaged 797,321,000 for the nine months ended September 30, 1995 and 814,480,000 for the same period in 1994.

NOTE 3 - TAXES ON EARNINGS:

Taxes on earnings reflect the estimated annual effective tax rates. The effective tax rates are less than the statutory U.S. Federal income tax rate principally due to tax incentive grants related to subsidiaries operating in Puerto Rico, the Dominican Republic, Italy, Ireland, and the Netherlands.

NOTE 4 - 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 matters above are discussed more fully in Item 1, Business - Environmental Matters, and Item 3, Legal Proceedings, in the Annual Report on Form 10-K, which is available upon request, and in Part II, Item 1, Legal Proceedings, in this Form.

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.

FINANCIAL REVIEW

RESULTS OF OPERATIONS - THIRD QUARTER AND FIRST NINE MONTHS 1995 COMPARED WITH SAME PERIODS IN 1994

Worldwide sales for the third quarter and first nine months increased 6.0 percent and 11.1 percent, respectively, over the comparable 1994 periods. Net earnings increased 8.7 percent and 11.8 percent, respectively, in the third quarter and first nine months 1995. Earnings per share increased 11.6 percent and 14.2 percent, respectively, in the third quarter and first nine months 1995.

Gross profit margin (sales less cost of products sold, including freight and distribution expenses) was 55.2 percent for the 1995 third quarter, compared to 54.9 percent for the third quarter of 1994. Gross margin for the first nine months was 56.2 percent, compared to 56.1 percent a year earlier. These increases are due to favorable product mix, primarily higher sales of pharmaceuticals, and productivity improvements; partially offset by higher project expenses for new products, higher excess capacity costs for anticipated unit growth, and the effects of inflation.

Research and development expenses were \$255.8 million and \$790.4 million for the third quarter and first nine months 1995, respectively. This represented 10.7 percent of net sales for both the quarter and year-to-date period, compared to 10.6 percent and 10.7 percent in 1994. The majority of research and development expenditures continues to be concentrated on pharmaceutical and diagnostic products.

Selling, general and administrative expenses for the third quarter and first nine months 1995 increased 1.2 percent and 11.6 percent, respectively, over the comparable prior year periods, including the adverse effects of the relatively weaker U.S. dollar of 2.2 percent and 2.5 percent, respectively. Selling, general, and administrative expenses also increased as a result of additional selling and marketing support for new and existing products, primarily in the pharmaceutical and nutritional segment, and was partially offset by lower third quarter litigation charges in 1995. The nine month results reflect contributions to the Company's charitable foundation and charges against earnings for certain settled and pending litigation.

Other (income) expense, net, includes net foreign exchange losses of \$3.5 million and \$19.0 million, respectively, for the third quarter and first nine months 1995 compared with net foreign exchange losses of \$1.9 million and \$29.5 million for the corresponding prior year periods.

FINANCIAL REVIEW
(Continued)

INDUSTRY SEGMENTS

Industry segment sales for the third quarter and first nine months 1995 and the related change from the comparable 1994 periods are shown in the table below. The Pharmaceutical and Nutritional Products segment includes a broad line of adult and pediatric pharmaceuticals and nutritional products, 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. The Hospital and Laboratory Products segment includes diagnostic systems for 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; and other medical specialty products for hospitals and alternate-care sites.

Domestic and international sales for the third quarter and first nine months 1995 primarily reflect unit growth. International sales were favorably affected 4.4 percent by the relatively weaker dollar in the third quarter. On a year-to-date basis, international sales were favorably affected 5.7 percent by the relatively weaker U.S. dollar.

SEGMENT SALES (in millions of dollars)	Third Quarter		Nine Months	
	1995 Sales	Percent Increase	1995 Sales	Percent Increase
Pharmaceutical and Nutritional Products:				
Domestic	\$ 840.0	0.6	\$2,715.2	10.1
International	463.0	23.6	1,456.8	28.2
	1,303.0	7.7	4,172.0	15.8
Hospital and Laboratory Products:				
Domestic	574.8	1.5	1,738.5	2.0
International	513.0	7.1	1,505.0	10.1
	1,087.8	4.1	3,243.5	5.6
Total All Segments:				
Domestic	1,414.8	1.0	4,453.7	6.8
International	976.0	14.3	2,961.8	18.3
	\$2,390.8	6.0	\$7,415.5	11.1

FINANCIAL REVIEW
(continued)

LIQUIDITY AND CAPITAL RESOURCES AT SEPTEMBER 30, 1995
COMPARED WITH DECEMBER 31, 1994

Net cash from operating activities for the first nine months 1995 totaled \$1.554 billion. The Company expects annual cash flow from operating activities to continue to approximate or exceed the Company's capital expenditures and cash dividends.

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 \$400 million at September 30, 1995. These lines of credit support domestic commercial paper borrowing arrangements.

During the first nine months 1995, the Company continued its program to purchase its common shares. The Company purchased and retired 14,645,000 shares during this period at a cost of \$553 million. As of September 30, 1995, an additional 18,725,000 shares may be purchased in future periods under authorization granted by the Board of Directors in September 1995.

In May 1995, the Company issued \$150 million in senior debt securities under a registration statement filed with the Securities and Exchange Commission in 1993. Net proceeds were used to retire short-term borrowings and for the purchase of the Company's common shares. The Company may issue up to an additional \$150 million of debt securities in the future under this registration statement.

LEGISLATIVE ISSUES

The Company's primary markets are highly competitive and subject to substantial government regulation. The Company expects debate to continue during 1995 at both the federal and the state levels 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 health and medical insurance and 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various claims and legal proceedings in connection with the Company's marketing of infant formula products including antitrust suits, governmental investigations, and one shareholder derivative suit, as described in the Company's Form 10-K for 1994 and its Form 10-Q for the quarters ended March 31 and June 30, 1995. Their current status is described below.

The infant formula antitrust cases that were pending in federal courts in Alabama, Kentucky, Mississippi, Nevada, North Dakota, and Tennessee were remanded to state courts. The Nevada and Tennessee cases were then dismissed by the state trial courts and are now on appeal. The case that had been pending in state court in Shelby County, Alabama was voluntarily dismissed. The cases that were pending in state courts in Colorado, Florida, and North Carolina also have been dismissed by their trial courts and are now on appeal. The case that was pending in state court in the parish of West Baton Rouge, Louisiana has been removed to federal court in Baton Rouge, Louisiana. 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 ("Nestle"). Nestle has appealed this verdict.

Infant formula cases in state courts in Kansas and Wisconsin (2 cases) have been certified as state consumer class actions. Class certification has been denied with respect to two of the infant formula cases pending in state courts in Michigan and Minnesota. The plaintiffs in the Michigan case have appealed the denial of class certification.

On July 7, 1995, the Minnesota Attorney General brought suit against the Company and certain other infant formula manufacturers in state court in Minnesota alleging that the Company conspired with one or more of its competitors to fix prices for infant formula and to restrain trade and monopolize the market for infant formula products in violation of state antitrust laws. The Minnesota Attorney General is seeking treble damages, statutory penalties, civil penalties, injunctive relief, attorneys' fees and costs and other relief. The Company has filed a response denying all substantive allegations. The Company has previously disclosed that the Minnesota Attorney General was conducting an investigation. As of September 30, 1995, 1 Canadian provincial and 5 other state investigations are pending.

As of September 30, 1995, in addition to the 5 infant formula antitrust cases that are on appeal in the state courts, 16 cases are pending in state courts. The cases are pending in Alabama (2 cases), Illinois, Kansas, Kentucky, Michigan, Minnesota (2 cases), Mississippi, North Dakota, South Dakota, Texas (2 cases), West Virginia, and Wisconsin (2 cases). As of September 30, 1995, in addition to the infant formula antitrust case that is on appeal in the federal courts, a total of 3 cases are pending in federal district courts in Florida, Louisiana, and Massachusetts. The shareholder derivative action is pending in state court in Cook County, Illinois.

The Company's 10-Q for the fiscal quarter ended June 30, 1995 reported 122 antitrust suits in connection with the Company's pricing of prescription pharmaceuticals. During the third quarter, the Company was served with 5 new antitrust suits regarding the Company's pricing of prescription pharmaceuticals. Two of these cases were consolidated in the litigation that is pending in federal court in Chicago, Illinois and is known as IN RE: BRAND NAME PRESCRIPTION DRUG ANTITRUST LITIGATION, MDL 997. The three other cases were filed in state court. One was filed on July 5, 1995 in Alameda County, California on behalf of California consumers. One was filed on August 8, 1995 in Yavapai County, Arizona on behalf of Arizona consumers. The third was filed on July 13, 1995 in New York County, New York on behalf of New York consumers. Each of these 3 cases purports to be a class action. The cases 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 other pharmaceutical manufacturers as well as pharmaceutical wholesalers and at least one mail-order pharmacy company as defendants. The plaintiffs in these cases seek treble damages in an unspecified amount, 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 has previously disclosed that one of the cases which is pending in the MDL 997 litigation has been certified as a class action. On August 16, 1995 the state court in San Francisco County, California certified a consumer class action on behalf of California consumers. The defendants are appealing the certification. In addition, an amended complaint has been filed in the state court case pending in Greene County, Alabama purporting to be a class action on behalf of Alabama retail pharmacists. As of September 30, 1995, a total of 127 antitrust suits are pending in state and federal courts in connection with the Company's pricing of prescription pharmaceuticals.

On February 23, 1994, the United States Environmental Protection Agency ("USEPA") instituted a civil administrative proceeding by filing a complaint alleging that the Company burned hazardous waste at its North Chicago facility in violation of the Resource Conservation and Recovery Act ("RCRA"). On September 29, 1995, the Company and the USEPA concluded the proceeding by executing a settlement agreement. Under the settlement agreement, the Company does not admit liability but does agree to make a settlement payment of \$182,654 to the USEPA and to spend at least \$160,000 in equipment modifications at its North Chicago 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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11. Statement re: computation of per share earnings - attached hereto.
12. Statement re: computation of ratio of earnings to fixed charges - attached hereto.
27. Financial Data Schedule - attached hereto.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 30, 1995.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ABBOTT LABORATORIES

/s/ Theodore A. Olson

Date: November 13, 1995

Theodore A. Olson, Vice President
and Controller (Principal
Accounting Officer)

ABBOTT LABORATORIES AND SUBSIDIARIES

CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

(Dollars and Shares in Millions Except Per Share Amounts)

	NINE MONTHS ENDED SEPTEMBER 30	
	1995	1994
1. Net earnings	\$ 1,223.3	\$ 1,094.1
2. Average number of shares outstanding	797.3	814.5
3. Earnings per share based upon average outstanding shares (1 divided by 2)	\$ 1.53	\$ 1.34
4. Fully diluted earnings per share:		
a. Stock options granted and outstanding for which the market price at quarter-end exceeds the option price	30.0	18.1
b. Aggregate proceeds to the Company from the exercise of options in 4.a.	\$ 828.1	\$ 321.7
c. Market price of the Company's common stock at quarter-end	\$ 42.625	\$ 31.375
d. Shares which could be repurchased under the treasury stock method (4.b. divided by 4.c.)	19.4	10.3
e. Addition to average outstanding shares (4.a. - 4.d.)	10.6	7.8
f. Shares for fully diluted earnings per share calculation (2. + 4.e.)	807.9	822.3
g. Fully diluted earnings per share (1. divided by 4.f.)	\$ 1.51	\$ 1.33

ABBOTT LABORATORIES

CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

(Millions of Dollars)

	NINE MONTHS ENDED SEPTEMBER 30, 1995 -----
Net Earnings	\$ 1,223
Add (deduct):	
Income taxes	512
Capitalized interest cost, net of amortization	(5)
Minority interest	15

Net earnings as adjusted	\$ 1,745 -----
Fixed Charges:	
Interest on long-term and short-term debt	50
Capitalized interest cost	14
Rental expense representative of an interest factor	19

Total Fixed Charges	83 -----
Total adjusted earnings available for payment of fixed charges	\$ 1,828 -----

Ratio of earnings to fixed charges	22.0 ----- -----

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.

THIS SCHEDULE CONTAINS NINE MONTH YEAR-TO-DATE SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM ABBOTT LABORATORIES 1995 THIRD QUARTER FORM 10-Q AND IS QUALIFIED
IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q FILING.

1,000

9-MOS		
	DEC-31-1995	
	JAN-01-1995	
	SEP-30-1995	
		320,799
		93,872
		1,627,059
		156,408
		1,051,346
		4,077,499
		7,621,574
		3,438,766
		9,069,882
	3,566,919	
		435,297
		568,005
	0	
		0
		3,708,102
9,069,882		
		7,415,460
	7,415,460	
		3,245,187
		3,245,187
		790,364
		34,583
		50,224
		1,735,227
		511,892
	1,223,335	
		0
		0
		0
		1,223,335
		1.53
		1.51

OTHER EXPENSES CONSIST OF RESEARCH AND DEVELOPMENT EXPENSES.